

Annual report 2020



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Company details

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Company

SP Group A/S

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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

Hans Wilhelm Schur (Chairman)

Erik Preben Holm (Deputy Chairman)

Hans-Henrik Eriksen

Bente Overgaard

Executive Board

Frank Gad, CEO

Søren Ulstrup, Executive Vice President

Lars Ravn Bering, Executive Vice President

Auditor

EY Godkendt Revisionspartnerselskab

Dirch Passers Allé 36

DK-2000 Frederiksberg

Annual general meeting

The annual general meeting will be held on Tuesday 27 April 2021 at 12.00 o'clock at MedicoPack A/S, Industrivej 6, 5550 Langeskov

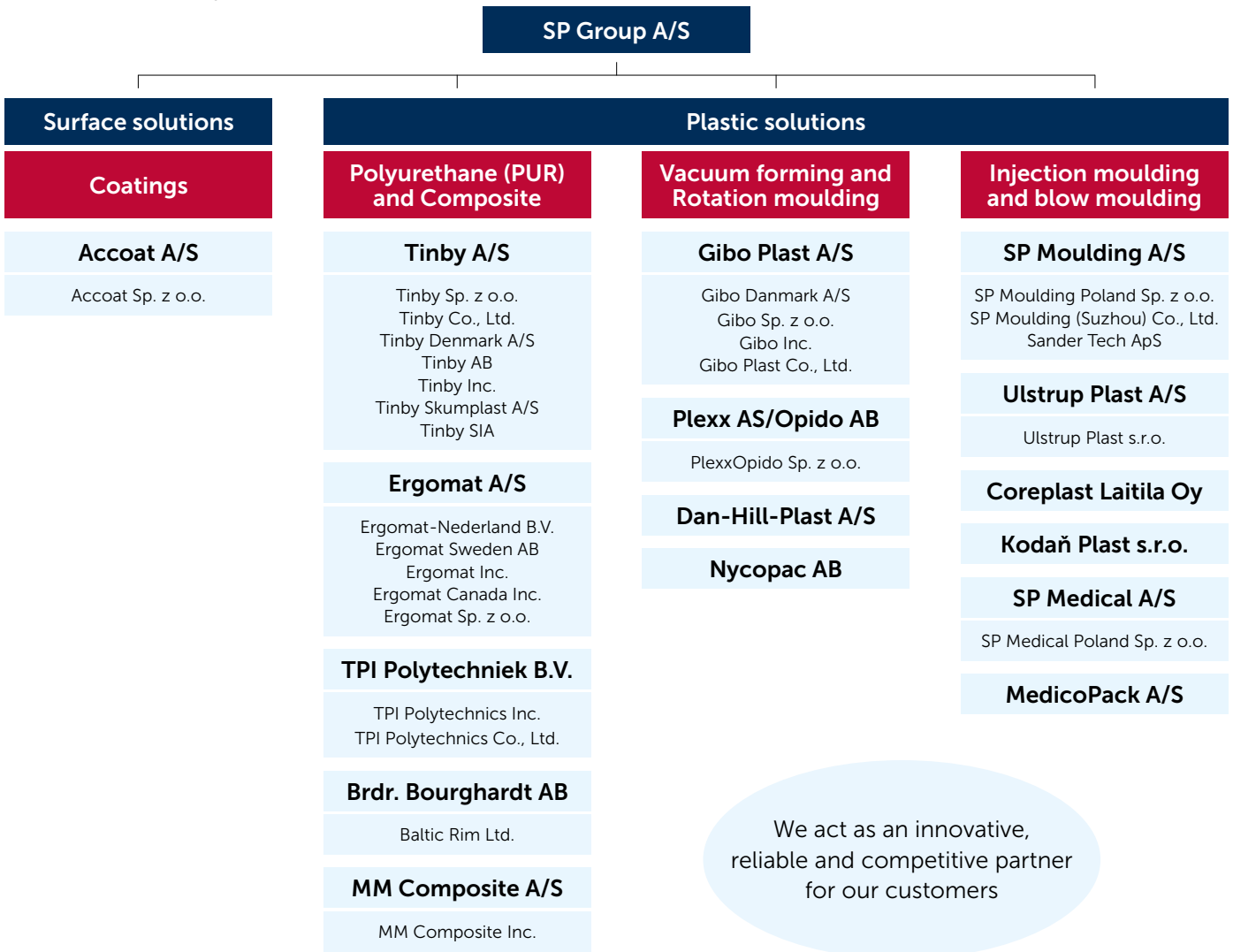
The English annual report is a translation of the original Danish annual report. The original Danish annual report is the governing text for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

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 the manufacturing sector and has increasing sales and growing production from own factories in Denmark, China, the US, Latvia, Slovakia, Sweden, Finland 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 an average of 2,260 people at year end 2020 and had approx. 2,600 registered shareholders.



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 healthcare, cleantech and 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, extrusion, injection moulding, rotational 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 refrigerators and freezers, cars, buses and other rolling stock (automotive) and the cleantech and medical device industries, etc.
- **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.
- **Rotational moulding:** Manufacturing of rotational-moulded precision components for a wide range of industries. Add to this fenders and buoys to the maritime 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

89
countries



Subsidiaries in

11 countries
in 3
continents



Average number of employees
increased in 2020 from 2,114 to

2,214
committed
employees



In 2020, revenue increased
by 8.2% to

DKK 2,178 million



In 2020, revenue from own
trademarks increased by 21.0% to

DKK 507 million



EBITDA increased by 15.9%
in 2020 to

DKK 356 million



In 2020, EPS, diluted,
increased by 2.3% to

DKK 12.75

Financial highlights for the Group

| DKK '000 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------------|------------|------------|------------|------------|
| INCOME STATEMENT | | | | | |
| Revenue | 2,178,189 | 2,012,932 | 1,965,028 | 1,884,144 | 1,519,044 |
| Profit/loss before depreciation and amortisation (EBITDA) | 356,381 | 307,510 | 285,619 | 274,994 | 202,857 |
| Depreciation, amortisation and impairment losses | -141,550 | -129,681 | -89,695 | -81,477 | -69,442 |
| Profit/loss before net financials (EBIT) | 214,831 | 177,829 | 195,924 | 193,517 | 133,415 |
| Net financials | -21,064 | -2,436 | 4,189 | -17,801 | -10,799 |
| Profit/loss before tax | 193,767 | 175,393 | 200,113 | 175,716 | 122,616 |
| Profit/loss for the year | 150,841 | 140,269 | 160,083 | 132,259 | 93,387 |
| Earnings per share, DKK per share (EPS)* | 12.85 | 12.57 | 14.37 | 11.84 | 8.37 |
| Diluted earnings per share, DKK per share (EPS diluted)* | 12.75 | 12.46 | 14.10 | 11.42 | 8.07 |
| BALANCE SHEET | | | | | |
| Non-current assets | 1,332,107 | 1,218,274 | 938,668 | 873,977 | 669,136 |
| Total assets | 2,264,875 | 2,058,615 | 1,640,509 | 1,515,159 | 1,200,671 |
| Equity, including non-controlling interests | 1,007,379 | 710,402 | 620,030 | 537,687 | 428,976 |
| Investments in property, plant and equipment, excluding acquisitions | 143,378 | 154,997 | 123,648 | 182,341 | 107,035 |
| Working capital (NWC) | 453,525 | 491,614 | 376,469 | 308,297 | 223,241 |
| CASH FLOW STATEMENT | | | | | |
| Cash flows from operating activities | 320,435 | 158,630 | 173,401 | 180,767 | 140,439 |
| Cash flows from investing activities, including acquisitions | -203,392 | -180,202 | -124,647 | -204,793 | -80,126 |
| Cash flows from financing activities | -43,057 | 8,836 | -62,917 | 45,906 | -50,351 |
| Changes in cash and cash equivalents | 73,986 | -12,736 | -14,163 | 21,880 | 9,962 |
| FINANCIAL RATIOS | | | | | |
| Net interest-bearing debt (NIBD) | 686,142 | 875,677 | 576,598 | 509,123 | 407,711 |
| NIBD/EBITDA | 1.9 | 2.8 | 2.0 | 1.9 | 2.0 |
| Operating income (EBITDA margin), % | 16.4 | 15.3 | 14.5 | 14.6 | 13.4 |
| Profit margin (EBIT margin), % | 9.9 | 8.8 | 10.0 | 10.3 | 8.8 |
| Profit/loss before tax and non-controlling interests in % of revenue | 8.9 | 8.7 | 10.2 | 9.3 | 8.1 |
| Return on invested capital, including goodwill, % | 12.3 | 11.8 | 15.8 | 18.8 | 15.5 |
| Return on invested capital, excluding goodwill, % | 14.0 | 13.5 | 18.6 | 22.3 | 18.6 |
| Return on equity (ROE), excluding non-controlling interests, % | 17.6 | 21.1 | 27.8 | 27.4 | 22.6 |
| Equity ratio, excluding non-controlling interests, % | 44.4 | 34.4 | 37.7 | 35.4 | 35.6 |
| Equity ratio, including non-controlling interests, % | 44.5 | 34.5 | 37.8 | 35.5 | 35.7 |
| Financial gearing | 0.7 | 1.2 | 0.9 | 0.9 | 1.0 |
| Cash flow per share, DKK* | 27.10 | 14.10 | 15.24 | 15.63 | 12.26 |
| Total dividends for the year per share, DKK* | 5.00 | 0.00 | 2.40 | 2.00 | 1.20 |
| Listed price, DKK per share, year end* | 271.00 | 242.00 | 197.50 | 219.00 | 134.80 |
| Net asset value per share, DKK per share, year end* | 82.35 | 63.51 | 55.35 | 48.03 | 38.32 |
| Listed price/net asset value, year end* | 3.29 | 3.81 | 3.57 | 4.56 | 3.52 |
| Average number of employees | 2,214 | 2,114 | 1,994 | 1,852 | 1,559 |
| Number of shares, year end* | 12,490,000 | 11,390,000 | 11,390,000 | 11,390,000 | 11,390,000 |
| Amount relating to treasury shares, year end* | 286,430 | 242,594 | 230,351 | 217,460 | 231,795 |

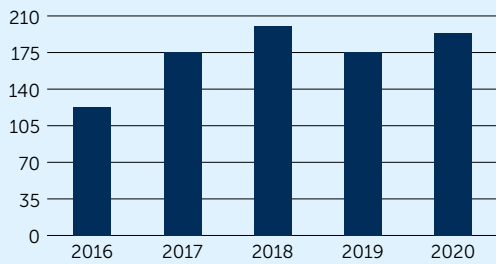
Financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations and Financial Ratios".

See page 80 for definitions. The key figures for 2016-2017 have not been restated to reflect the effect of the implementation of IFRSs 9 and 15. The key figures for 2016-2018 have not been restated to reflect the effect of the implementation of IFRS 16.

* Key figures have been restated to reflect the share split in May 2018

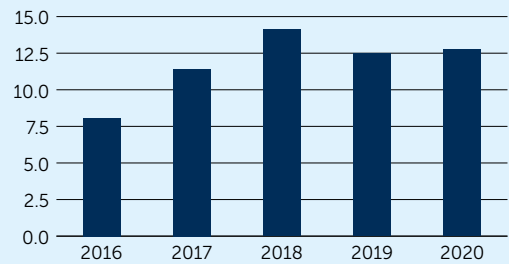
In 2020, profit/loss before tax increased by 10.5% to DKK 193.8 million

DKKm



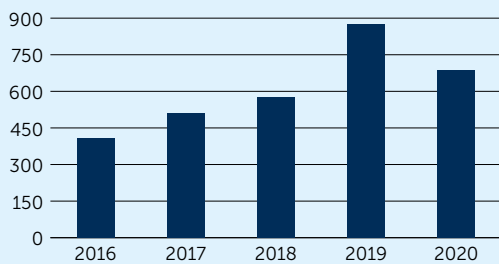
EPS, earnings per share, diluted, increased by 2.3% to DKK 12.75

DKK



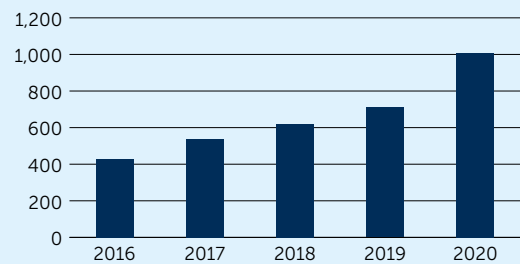
Net interest-bearing debt (NIBD) decreased by DKK 190 million to DKK 686 million

DKKm

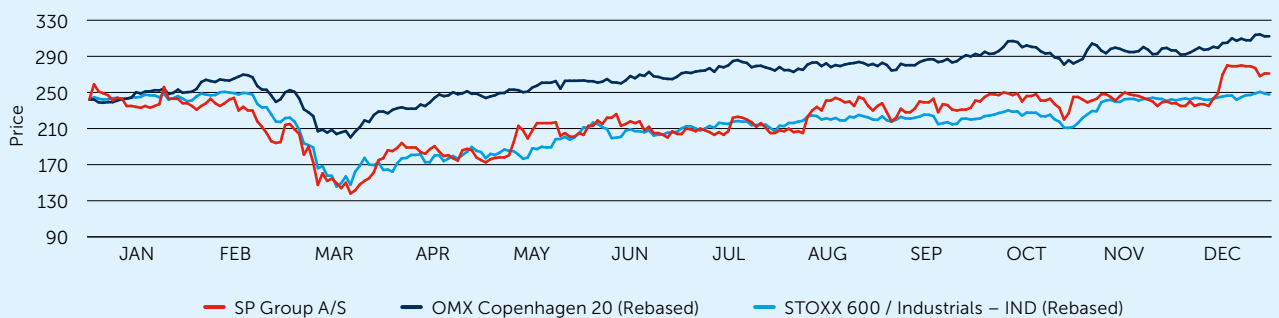


Equity increased by DKK 297 million to DKK 1,007 million.

DKKm



Development in the share price in 2020



An interesting and eventful year

Dear shareholders and other stakeholders

2020 was another interesting year characterised by the corona pandemic that resulted in considerable negative growth in the global economy. In the EU, the growth rate was negative by approx. 7.5% according to the OECD's most recent estimate.

Lockdowns, travel restrictions making travelling impossible, political uncertainty, Brexit, trade war threats, exchange rate fluctuations and rising commodity prices affected developments for our customers and for SP Group.

Due to amazing efforts from the entire organisation, we managed to keep all of our factories in operation and to service our customers from the factories and sales offices throughout the year.

Total revenue amounted to DKK 2,178 million, which is up 8.2% on 2019. Organic growth amounted to 3.7% in local currencies. Measured in Danish kroner, organic growth amounted to 3.3%. In Q4, the growth rate was 10.5%, of which 9.0% was organic growth. Measured in local currencies, there was a negative currency effect in Q4 as USD and RMB decreased against DKK. Organic growth measured in DKK was 8.0%.

Sales of our own trademarks rose by 21.0% and now account for 23.3% of revenue.

Sales to our international customers increased by 16.2% and now account for 69.1% of total sales. Sales to international customers have doubled in five years.

The highest growth rates were realised in Australia, 70.7%; the Americas, 42.9%; Asia, 14.8%; and Europe (outside Denmark), 9.7%.

Revenue in Denmark decreased by 6.2%, primarily due to the phasing out of a number of legacy customer-owned products.

EBITDA increased by 15.9% to DKK 356.4 million, which was the first time EBITDA exceeded DKK 350 million. The EBITDA margin was 16.4%. EBIT increased by 20.8% to DKK 214.8 million.

Profit before tax increased by 10.5% to DKK 193.8 million.

EPS, diluted, increased by 2.3% to DKK 12.75 per share.

Cash flows from operating activities were positive by DKK 320.4 million.

Net interest-bearing debt decreased by DKK 189.5 million to DKK 686.1 million at the end of 2020, which corresponds to 1.9 times EBITDA for the year as against 2.8 in 2019.

In 2020, we thus achieved new records in revenue, EBITDA, EBIT and cash flows from operating activities.

2020 was an eventful year where:

- Our sales to the cleantech industry increased by 5.6% and now account for 31.9% of revenue
- Our sales to the healthcare industry increased by 11.3% and now account for 29.5% of revenue
- Our sales to the food-related industry increased by 0.3% and now account for 12.6% of revenue
- Our sales to the automotive industry decreased by 18.1% and now account for 4.2% of revenue

- Our sales to 'other demanding industries' increased by 21.0% and now account for 21.8% 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 for our customers, also when they decide to outsource their own production
- On 30 April 2020, SP Group A/S acquired all the shares in Dan-Hill-Plast A/S (DHP) through Gibo Plast A/S. DHP is a state-of-the-art rotational moulding entity with production and assembly facilities in Hornslyd in Denmark. Customers include in particular Scandinavian export companies with high quality standards. In addition, DHP manufactures fenders under the name Danfender, which are sold and distributed globally. Danfender is the company's own trademark. Management and the committed employees stay on. Normalised EBITDA amounted to approx. DKK 12-13 million in DHP in the last financial year before the acquisition
- In April, SP Group entered into a loan agreement with Jyske Bank amounting to DKK 50 million with a term of 5 years to finance the acquisition of Dan-Hill-Plast. The interest rate of the loan is the market rate, and the margin is competitive
- On 3 June, SP Group A/S issued 1.1 million new shares, which were sold at market price without any pre-emption rights. The price was 200. Thus, DKK 220 million gross and DKK 215 million net was injected. The proceeds from the transaction will be used to strengthen the Company's capital base to ensure the best possible basis for continuing to act as consolidator in the market. The Company sees an increasing number of potentially attractive acquisition opportunities and wants to ensure the best possible agility and financial flexibility to be able to act fast when these attractive opportunities arise
- Ergomat doubled its sales in North America and acquired a new factory in the summer to expand its facilities. In Poland, Ergomat expanded its facilities with new machinery and moulds and increased efficiency dramatically. Part of the progress was generated by developing and selling protective equipment (social distancing signs). Another significant growth factor was the progress of the internet business
- In Iowa, MM Composite, Tinby, TPI Polytechnics and Gibo Plast developed as planned
- In China, the corona pandemic delayed the commissioning of Gibo's new 11,244 sqm factory in Tianjin because the European machinery suppliers could not come to China. The factory commenced local production in the end of Q4 and now runs as intended. The customers did not notice the delay because we continued manufacturing the goods for the Chinese market in Europe. The factory will be expanded with two new production lines in 2021
- In Suzhou, China, SP Moulding and Tinby saw a sound influx of new customers and projects
- In Finland, Coreplast performed well and achieved a sound influx of new customers and projects. In February 2021, Coreplast acquired all the shares in Jollmax Oy, which specialises in coating
- Tinby established Tinby AB in Sweden and took over a number of customers from Isotec in Mora, which was discontinued
- In Poland, all the companies performed well
- In Slovakia, Ulstrup Plast expanded the factory with a new 2,400 sqm warehouse, which allows for future growth. The factory saw a sound influx of new customers and new projects. Kodaň Plast in Slovakia also performed well
- In Q1 2020, we closed our factory in Brazil due to unfavourable developments in market conditions. The expected costs for closing down the factory were expensed in 2019. We helped terminated employees find new jobs
- We won a number of new major customers and did not lose any major customers in 2020
- We launched a number of new and improved products in 2020 (guide wires, ergonomic mats, industrial standard components, medical device



On 30 April 2020 Gibo Plast A/S acquired all the shares in Dan-Hill-Plast A/S

packaging, fenders and farm ventilation equipment). Moreover, we have developed new products to be launched in 2021. We further developed our medical device expertise in Denmark, Poland, Slovakia, Finland and China

- We made net investments of DKK 143.4 million in new equipment and properties
- We sold more new moulds to our customers than ever before
- The price of the SPG share increased from 242 at the beginning of the year to 271 at the end of 2020, resulting in a capital gain of 12.0% for our shareholders
- No dividend was distributed in 2020 due to the widespread uncertainty following the coronavirus outbreak and the government response
- In the period from 1 January 2010 to 31 December 2020, the SPG share yielded a return of 3,370%, which is the fourth highest among listed Danish shares
- Last, but not least, we got many new shareholders: almost 15% more shareholders than at the beginning of 2020

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

The outbreak of the coronavirus in China, which subsequently spread to the rest of the world, have had considerable adverse effects on the global economy and on our customers and suppliers – and thus on the development in SP Group. We hope that the vaccines will prove effective and be rolled out quickly so that we can return to our normal work routines, travel, host fairs and visit new customers.

The Board of Directors therefore recommends dividend distribution of DKK 5.00 per share for 2020 to the annual general meeting.

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 2020, our tax expenses amounted to DKK 42.9 million, corresponding to an effective tax rate of 22.2%. 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 2020, we paid tax in all countries in which we have permanent establishments, except for Latvia where corporation tax is 0 when no dividend is distributed. We therefore make long-term investments



in Latvia and expand our facilities and activities. The tax payment in the individual countries is disclosed in note 13.

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 businesses. A reduction of the corporation tax rate and taxation of shareholders should follow.

We will continue to adjust our capacity, improve efficiency – and pursue new opportunities in the healthcare industry, the cleantech industry (green transition) 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 to enable us to be a global, innovative, reliable, sustainable and competitive partner for our customers.

We will also continue our focus on minimising our environmental impact, electricity consumption, water consumption, increasing recycling of by-products from our production and – in cooperation with our customers – developing and manufacturing more products made from recycled plastics for the benefit of the environment. It is our ambition to purchase all our electricity from renewable energy sources (wind, sun and water) before 2030, and we will invest in the production of renewable energy.

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

We want to thank our many good and loyal customers and other business partners. Thank you to shareholders and lenders for backing us up. Also, thank you 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, employees and the planet.

Frank Gad,
CEO

The year in outline

COVID-19

In 2020, SP Group experienced disruptions in supplies, production and sales due to the COVID-19 pandemic. However, this did not materially affect activities and profit/loss for the year for 2020. In the beginning of 2021, disruptions continued, but the situation is expected to normalise in 2021 as vaccines are rolled out.

We have not received aid from the Danish relief packages as we did not need it.

2020 in outline

The Group's revenue increased by 8.2% to DKK 2,178.2 million from DKK 2,012.9 million in 2019. The change is primarily due to a higher volume. The organic growth in local currencies amounted to 3.7%. Changed exchange rates, decreases in RMB and USD and decreases in SEK and BRL have resulted in a decrease in revenue of approx. DKK 8 million. The currency effect accounts for approx. -0.2% of the revenue growth of 8.2%. Acquired activities and businesses account for 4.5%.

International sales increased by 16.2% and now account for 69.1% of revenue (against 64.4% in 2019). Revenue growth was particularly high in Australia, the Americas, Europe, Asia and Africa. This is the fourth year that our direct international sales make up more than 60% of revenue. Sales outside Europe increased from 23.8% to 28.0% of revenue.

Sales to our Danish customers decreased by 6.2%.

Sales to the cleantech industry increased by 5.6%. Sales to the cleantech industry now account for 31.9% of our sales (against 32.7% in 2019).

Sales of own trademarks increased by 21.0%. SP Group realised an increase in the sale of ergonomic products (+49.7%). Sales of animal housing ventilation components decreased by 9.3%. Sales of guide wires increased by 0.3%. Sales of medical packaging increased by 13.8%, and sales of industrial standard components increased by 19.4%. The improvement in sales of own trademarks contributed to the improved earnings. Own trademarks now account for 23.3% of the Group's total sales. Sales of guide wires and animal housing ventilation components were adversely affected by corona restrictions as all trade fairs were cancelled.

The Group's operating income – EBITDA – increased by 15.9% to DKK 356.4 million. The EBITDA margin was 16.4%, which is an improvement of 1.1 percentage points compared to 2019. During the year, considerable resources were dedicated to the commissioning of new production facilities, adversely impacting operating profit.

At the end of the year, we had 2,260 employees, including 54 employees in Dan-Hill-Plast, which was acquired in April. Investments in property, plant and equipment amounted to DKK 143.4 million, net, excluding leased assets. Increasing commodity prices and frequent force majeure claims from our suppliers also adversely affected EBITDA. We expect to pass on commodity price increases to our customers with delay.

Depreciation, amortisation and impairment losses amounted to DKK 141.6 million, which is an increase of DKK 11.9 million on 2019.

EBIT amounted to DKK 214.8 million, corresponding to 9.9% of revenue. EBIT increased by DKK 37.0 million compared to 2019, of which DKK 11.3 million relates to acquired entities.

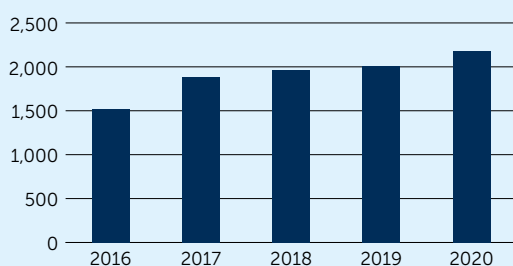
The Group's financial net expenses increased by DKK 18.6 million from 2019 to 2020 to a net expense of DKK 21.1 million. The net expense is affected by exchange rate adjustments and lower capital gains on other payables. Lending margins and debt were slightly lower than in 2019. Interest rate levels remained largely unchanged.

Diluted earnings per share amounted to DKK 12.75, which is an increase of 2.3% compared to 2019.

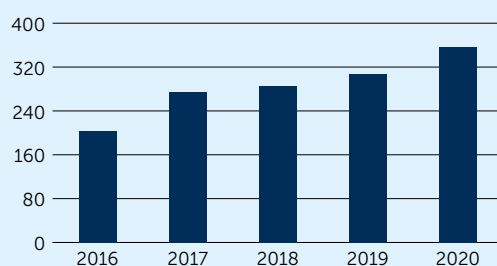
At the end of 2020, interest-bearing debt can be specified by currency as follows:

| | | After IFRS 16 | Before IFRS 16 |
|--------------|------------|---------------------|---------------------|
| DKK | DKK | -555 million | -545 million |
| EUR | DKK | -116 million | -77 million |
| PLN | DKK | -61 million | -10 million |
| USD | DKK | 75 million | 75 million |
| NOK | DKK | 2 million | 3 million |
| SEK | DKK | 0 million | 2 million |
| BRL | DKK | 0 million | 0 million |
| RMB | DKK | -31 million | 11 million |
| Total | DKK | -686 million | -541 million |

Consolidated revenue 2016-2020 (DKKm)



Operating profit EBITDA 2016-2020 (DKKm)



Cash flows

Cash flows from operating activities increased to DKK 320.4 million (against DKK 158.6 million in 2019), primarily due to increased operating income and changes in the net working capital.

Cash flows from investing activities amounted to DKK 203.4 million relating to capacity and competency development within healthcare (approx. DKK 44 million), cleantech (approx. DKK 61 million), food-related industries (approx. DKK 12 million), automotive (approx. DKK 0 million), other (approx. DKK 3 million) and investments in three properties (DKK 39 million). Furthermore, 100% of the shares in Dan-Hill-Plast were acquired at a price of DKK 44.8 million in cash.

DKK 189.3 million was repaid on long-term debt. New loans of DKK 72.4 million were raised in cash.

Dividends totalling DKK 0 million were distributed to the shareholders, and treasury shares were acquired for DKK 15.1 million, net. New shares were issued in the amount of DKK 220 million, gross, which provided the Company with net proceeds of DKK 214.5 million.

The change in short-term bank debt had a positive effect on liquidity totalling DKK 74.0 million.

Balance sheet

The balance sheet total increased from DKK 2,058.6 million to DKK 2,264.9 million, which is attributable to the acquisition of new machinery, acquisition of an entity, acquisition of properties and an increase in the gross working capital as well as an increase in cash and cash equivalents.

Equity increased from DKK 710.4 million to DKK 1,007.4 million, of which DKK 214.5 million relates to the capital increase.

Net interest-bearing debt (NIBD) decreased to DKK 686.1 million from DKK 875.7 million and amounted 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 the Company's 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 has decreased from 21.2% to 13.4% of the balance sheet total, and the long-term interest-bearing debt has decreased from 23.7%

to 22.3% of the balance sheet total. The equity interest increased from 34.5% to 44.5%, and non-interest-bearing debt's share of the balance sheet total decreased from 20.6% to 17.7%.

Net interest-bearing debt decreased from 42.5% to 30.3% of the balance sheet total.

In 2020, equity was adversely affected by the acquisition of treasury shares of DKK 15.1 million, net. Value adjustments of financial instruments held to hedge future cash flows, primarily forward contracts (PLN against EUR), had an adverse effect on comprehensive income and, thus, equity in the amount of DKK 20.1 million. Exchange rate adjustments of foreign entities adversely affected equity by DKK 33.9 million. Equity was positively affected by the issue of new shares in the amount of DKK 214.5 million.

Q4 2020

In Q4 2020, SP Group's sales totalled DKK 555.8 million, which is 10.5% higher than in the same period the year before. 9.0% relates to organic growth measured in local currencies. There was a negative currency effect of 1.1%.

EBITDA totalled DKK 97.8 million, which is up 37.4% on the same period the year before. EBIT totalled DKK 61.6 million, which is up DKK 25.2 million on the same period the year before.

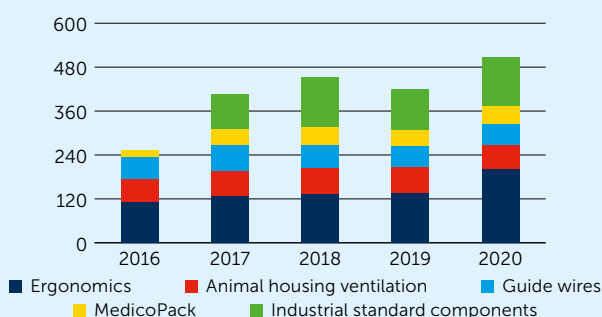
Profit before tax amounted to DKK 55.0 million, which is an increase of DKK 17.9 million compared to the same period the year before. The EBITDA margin in the quarter totalled 17.6%, and profit before tax amounted to 9.9% of revenue.

Depreciation, amortisation and impairment losses amounted to DKK 36.2 million, which is an increase of DKK 1.4 million compared to the same period the year before.

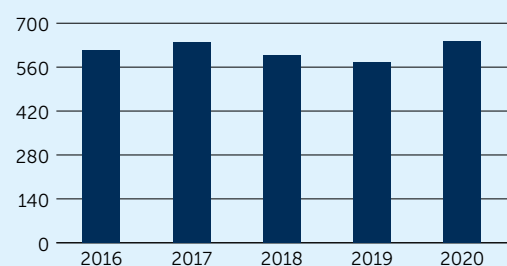
In Q4, cash flows from operating activities amounted to DKK 66.8 million (2019: DKK 31.8 million). Cash flows from investing activities were negative by DKK 48.8 million (2019: negative by DKK 71.9 million). Cash flows from financing activities were negative by DKK 9.7 million (2019: positive by DKK 27.9 million). Accordingly, the change in liquidity was positive by DKK 8.4 million (2019: negative by DKK 12.2 million).

Q4 brought market opportunities and organic growth of 9.0%, which had a positive impact on earnings.

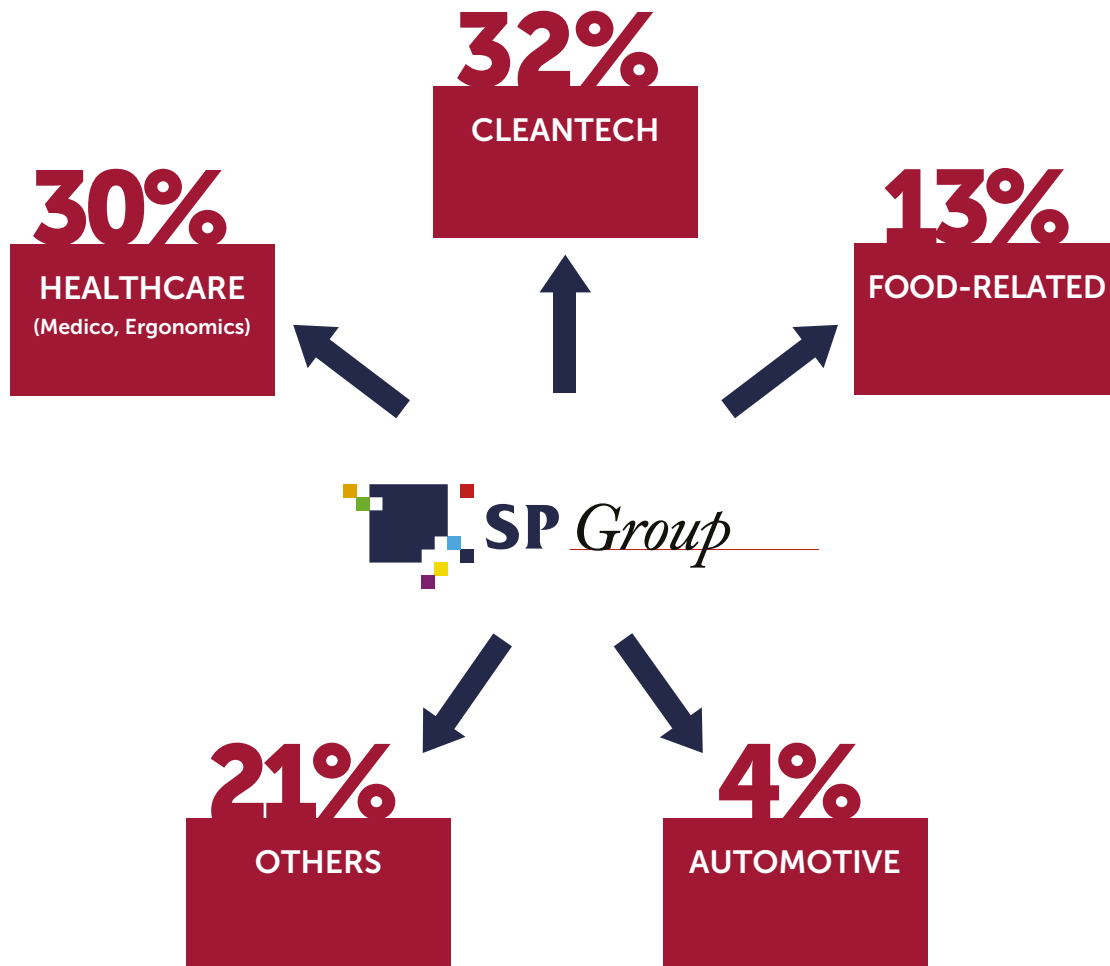
Revenue under own trademarks 2016-2020 (DKKm)



Revenue from healthcare products 2016-2020 (DKKm)

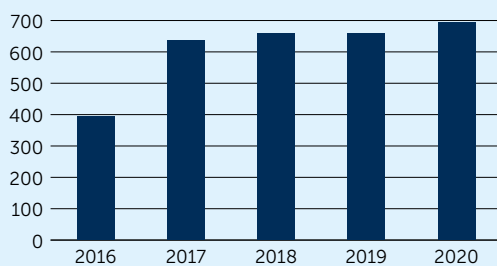


SP Group's sales in 2020 broken down by customer group:

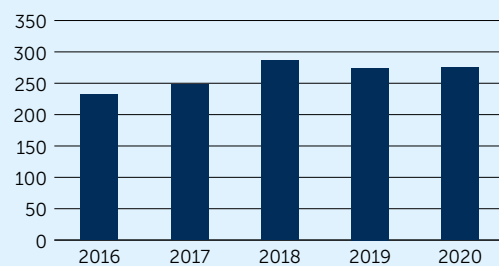


- More than 1,000 customers in total
- The largest customer accounts for 17% (2019: 17%)
- The 10 largest customers account for 53% (2019: 50%)
- The 20 largest customers account for 62% (2019: 61%)

Revenue from cleantech products 2016-2020 (DKKm)



Revenue from food-related industries 2016-2020 (DKKm)



Follow-up on previously announced expectations

Revenue for the year of DKK 2,178.2 million and profit before tax of DKK 193.8 million, corresponding to 8.9% of revenue, correspond to the expectations announced on 12 November 2020 as to revenue in the range of DKK 2.1-2.2 billion with an EBT margin of 8-9%. The EBITDA margin was 16.4%, which is higher than the November expectations of 15.5-16.0%. It was therefore adjusted upwards to 16.4% in company announcement no. 04/2021.

Previously announced expectations in 2020:

- 27 March: Due to the coronavirus outbreak and government response, our level of activities and cash flows in the coming months are subject to great uncertainty. At present, we are therefore unable to reliably state our expectations for revenue and earnings in 2020. We are short of well-functioning markets.
- 26 May: As above.
- 25 August: Due to geopolitical developments, the coronavirus outbreak and government response, our level of activities and cash flows in the coming months are subject to considerable uncertainty. At present, we expect to realise revenue in 2020 in the range of DKK 2.0-2.2 billion with an EBITDA margin of 15-16% and an EBT margin of 8-9%.
- 12 November: At present, we expect to realise revenue in 2020 in the range of DKK 2.1-2.2 billion with an EBITDA margin of 15.5-16.0% and an EBT margin of 8-9%. This is a clarification and upward adjustment of previous expectations (revenue in the range of DKK 2.0-2.2 billion with an EBITDA margin of 15-16%). The uncertainty remains great, and considerable changes to the assumptions of the expectations may still occur during the remainder of the year.

Events after the balance sheet date

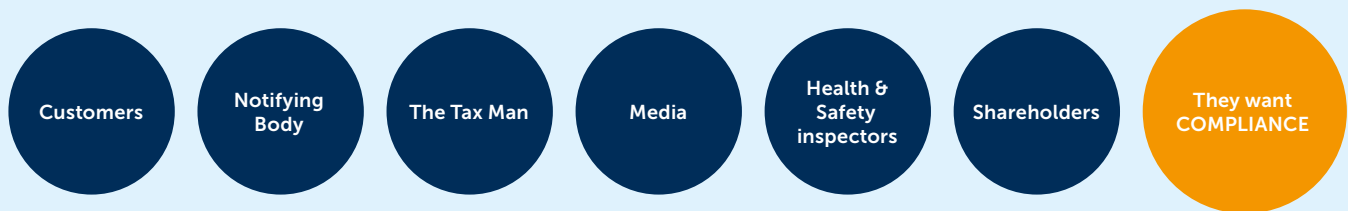
No significant events have occurred after the balance sheet date until the publication of this annual report that have not already been incorporated in this annual report and that significantly change the assessment of the Group's and the Company's financial position.

On 18 February 2021, Coreplast Oy acquired all the shares in Jollmax Oy in Finland. Jollmax is a state-of-the-art coating company (announced in company announcement no. 10/2021).



Ergomat manufactures ergonomic mats that are sold all over the world

Compliance



We want to comply with all rules and regulations globally and locally. All the time.

100% COMPLIANCE x 100% of the time =

= 10,000% COMPLIANCE

We offer the same excellent service to our other stakeholders as to our customers

Outlook for 2021

Hopefully, the global economy will grow in 2021, but it is still fragile and marked by political and economic uncertainty. The neighbouring markets in Europe have grave government budget deficits and high indebtedness. The outbreak of the coronavirus, which has subsequently spread throughout the world, can have considerable adverse effects on the global economy and on our customers and suppliers – and thus on the development in SP Group.

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.

Trade barriers between USA and the EU and between USA and China may have a strong negative impact on the global economy and thus on the development in SP Group. An increased interest rate level 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 healthcare, cleantech and food-related industries. These new solutions are expected to contribute to growth and earnings.

A high investment level will be maintained in 2021. The largest investment is expected to be made in the cleantech activities.

Depreciation and amortisation are expected to be realised at a higher level than in 2020, among other things due to heavy investments in 2020.

Financial expenses are expected to be realised at a lower level than in 2020.

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 sound basis for the Group going forward.

Due to the coronavirus outbreak and government response, our level of activities and cash flows in the coming months are subject to great uncertainty. At present, we expect to realise revenue growth in the range of 3-10% with an EBITDA margin of 16-17% and an EBT margin of 9-10%.

Going towards 2024

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.

With the results in 2018 (revenue of DKK 2.0 billion, an EBITDA margin of 14.5% and profit before tax of 10.2% of revenue), we met our 2020 goals as soon as in 2018. Therefore, we launched our 2022 ambition. The low growth rates in 2018 and 2019 and the coronavirus outbreak in 2020 have delayed the realisation of our ambitions. We assess that we will be delayed by 2 years and therefore rename our 2022 ambitions to 2024 ambitions, primarily attributable to the coronavirus outbreak.

Up to 2024, 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, preferably with own products and trademarks). To attain this, we need to achieve annual growth (CAGR of 11-16% p.a.) in the period 2020-2024. In the period 2010-2017, we grew 12% p.a., and in the period 2014-2017, we grew 16% p.a.

Organic growth has been somewhat constant at 6-7% p.a. from 2010 to 2017. We believe that we can achieve similar growth rates in the future

provided that our markets are well-working and there are no pandemics or trade wars.

By increasing the share of own products in total sales from the current 23.3% to 25-30% in 2024, 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 16-18% by 2024 (or more if we do not make large acquisitions) and increase profit before tax to 10-12% of revenue, as the share of own products and advanced solutions is expected to increase more relative to the rest of revenue.

In respect of subsupplier tasks, the goal is still to generate profit before tax corresponding to 5% of revenue.

It is therefore our ambition to increase profit before tax to approx. DKK 400 million by 2024 (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).

This assumes that the markets we operate in are generally well-working and that acquisition opportunities at fair prices are available.

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 2024. 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. It is the ambition that earnings per share (EPS) should increase by an average of 20% annually over a five-year period. In 2016, EPS grew by 44.0%. In 2017, EPS grew by 41.6%. In 2018, EPS grew by 23.5%. In 2019, EPS decreased by 11.6%.

In 2020, EPS grew by 2.3%.

TPI Polytechnik's stand at the IPPE expo in Atlanta in January 2020



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. The proposed dividend for 2020 corresponds to 21.5% of the profits in 2019 and 2020 as no dividend was distributed for 2019 due to the coronavirus situation.

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 globally competitive solution from one factory. In 2010, Tinby's local presence was established in China. 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, development 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 2018, we expanded further with our investment in Kodaň Plast s.r.o., which makes machined plastic components. With the acquisition of Kodaň Plast s.r.o., we improved our product range within prototypes and low volume production (machined plastic components).

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

Plexx AS / Opido AB also brought 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. Our local presence in USA has been expanded with composite production and was further expanded in 2019 with the production of vacuum-formed plastics and sale of animal housing components.

In 2019, local presence in Finland was expanded by the acquisition of Coreplast, which is a state-of-the-art injection-moulding company. It is our ambition that Coreplast can also sell a number of our other services in Finland. In 2021, local presence in Finland was expanded by the acquisition of Jollmax, which offers state-of-the-art coating solutions such as water printing that can add decorative surfaces to plastic, which is a new technology for SP Group.

TPI Windhood manufactured using 90% recycled plastics – 10% virgin plastics are necessary for UV protection



In China, Tinby moved to new and larger premises in 2018. Activities were expanded in 2020.

In northern China (Tianjin), Gibo has established a 11,244 sqm sales and logistics centre, which was expanded with vacuum-formed plastics production in 2020. With the acquisition of Dan-Hill-Plast in 2020, we now also offer rotational moulding to our customers; typically tanks, containers, ventilation ducts and other hollow plastic components. In the coming years, we will establish rotational moulding in other markets close to the customers.

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 2020, cooperation with leading universities in the EU was extended and so was cooperation with a number of suppliers' research centres and laboratories. Among our suppliers are the world's leading chemical groups.

Sales under own trademarks 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 subsupplier. Total sales of ventilation equipment from TPI, ergonomic workplace equipment from Ergomat, guide wires under the SP Medical trademark, own products from MedicoPack, fenders from Dan-Hill-Plast and industrial standard components from other parts of the Group have doubled over the past five years. We have developed a number of new products that will be marketed in 2021. In addition to increasing the sale of the existing products, the Group will continue to develop and acquire new products under own trademarks.

Growth must also be generated from customers and growth industries. An obvious example is the healthcare industry. Sales to this industry totalled DKK 642 million in 2020. Growth in healthcare sales will be further increased with the committed business units SP Medical and MedicoPack as the primary drivers. The figure on page 9 shows the development in total healthcare sales, which accounted for 29.5% of revenue in 2020. Sales to the healthcare industry increased by 11.3% in 2020.

SP Group has also established an international position as a supplier of cleantech solutions, a position that we plan to strengthen in order to support the green transition.

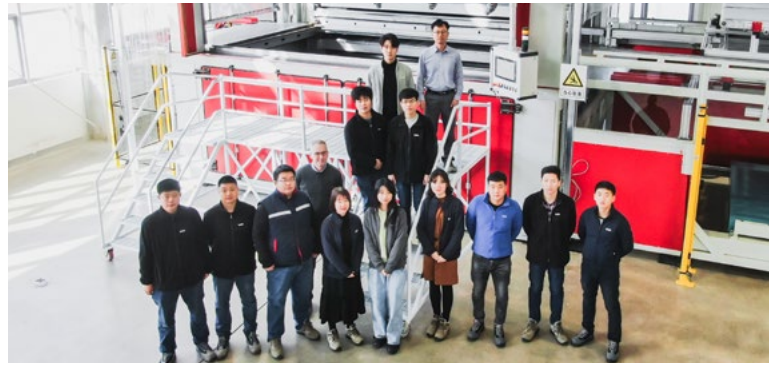
The figure on page 10 shows the development in sales to the cleantech industry, which accounted for 31.9% of revenue in 2020. Sales to the cleantech industry increased by 5.6% in 2020.

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 12.6% of revenue in 2020 and amounted to DKK 275 million. Trends in sales to food-related industries are shown on page 10. In 2020, sales to food-related industries increased by 0.3%.

The healthcare, cleantech and food-related industries accounted for approx. 74% of total revenue in 2020.



Gibo's new factory in Tianjin, China



Chinese colleagues in front of a vacuum forming machine

Sales to the automotive industry decreased by 18.1% to DKK 91 million and now account for 4.2% of revenue.

Sales to other demanding industries increased by 21.0% to DKK 476 million.

The geographic expansion will continue through increased sales from the factories in Denmark, Sweden, Finland, Latvia, Slovakia, Poland, China and USA with particular focus on markets in Europe, the Americas and Asia. International sales have increased from approx. 46% to approx. 69% of revenue over the past 10 years, and this ratio must be further increased.

Efficiency and rationalisation

In 2020, the Group's production structure was further streamlined and optimised, and heavy investments were made in new machinery, robots and vision systems.

Our competency development efforts will continue at the factories in China, Poland, Latvia, Slovakia, Sweden, Finland, 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 increased the production of guide wires, plastic components and assembly activities.

In Poland, SP Moulding has expanded its injection-moulding and assembly facilities and put a new high-stacking warehouse into use, now also offering 2K injection moulding (two-component) with machinery with a clamping force of up to 500 tonnes and (single-component) injection moulding with machinery with a clamping force of up to 1,500 tonnes.

In USA and Poland, Ergomat has increased its production of ergonomic mats by improving productivity and increasing capacity. Ergomat has expanded its floor space considerably in USA and Poland.

In Finland, Coreplast has invested in new machinery to increase capacity and operational reliability. Coreplast offers 3K injection moulding (three-component) with machinery with a clamping force of up to 500 tonnes and 1K injection moulding (single-component) with machinery with a clamping force of up to 1,500 tonnes.

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 Slovakia, a large expansion project has been completed.

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

reduced its capacity in Denmark as some legacy customer-owned products have been phased out.

In China, Tinby and SP Moulding have increased capacity and enhanced efficiency. SP Moulding also offers 2K moulding in China and has invested in a 1,500 tonnes 1K machine. In 2018 and 2019, Tinby doubled its capacity in China. In China, TPI has established a sales company, and Gibo Plast has established a large sales and logistics company, which was expanded with production facilities in 2020.

In Brazil, Poland and Denmark, Acccoat has reduced its capacity. The factories in Brazil and Poland were decommissioned in 2020.

In the Netherlands, TPI has expanded its business based on a larger organisation, which has increased capacity. TPI established sales companies in USA and China in 2019, which are having trouble gaining traction due to the coronavirus situation; however, sales in both China and USA have increased.

In USA, Gibo Plast has established a sales company at MM Composite to be closer to customers for vacuum-formed components in North America. Production was initiated in 2019. Tinby's North American sales company has also been relocated to MM Composite's facilities.


Plexx Opido and Nycopac have invested in new offices and new machinery and buildings in Sweden and expanded the sales company in Poland.

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 CO2 emissions, etc.) and to reduce break-in periods and switchover times in production. The current Lean process will continue with focus on improving processes and flows and strengthening our employees' competencies.

Many customers want new products made from recycled plastics or biobased plastic to reduce their carbon footprint. For a single customer, we replaced approx. 1,000 tonnes of raw materials p.a. from virgin plastics to recycled plastics in 2020. The products are still fit for purpose and are now even more sustainable.

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.



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

Accoat, Gibo Plast, SP Moulding, Sander Tech,
Brdr. Bourghardt, Tinby, Dan-Hill-Plast and
MM Composite manufacture components for
the cleantech industry.

Coatings

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

2020 in outline

In 2020, production in Brazil and Poland was decommissioned completely. In Brazil, production was decommissioned because the customer no longer needs the product as it has reached the end of its life cycle. In Poland, production was decommissioned as a result of the corona pandemic.

In Denmark, the level of activity was high with both well-known customers/projects and several new ones that will hopefully lead to increased activities in the years to come. Due to the corona pandemic, production activities have fluctuated greatly, and several of our existing customers have experienced significant difficulties, which has also affected Accoat in Denmark. Accoat has managed to compensate for the downturn in several customer segments (among others oil and gas) by increased revenue in other segments (among others the medical device industry).

The organisation in Accoat was expanded in 2020 to meet demands from current and future customers within our core competencies, which are non-stick, low friction and corrosion protection. We expect further expansion of the number of production employees in 2021.

Accoat in Kvistgård performs tasks within a broad range of industries, including the medical device, cleantech, food-related and chemical industries. The production covers a broad range of coatings within our core competencies and can handle anything from very small to very large components. Accoat in Kvistgård has one of Europe's largest furnaces for sintering of fluoroplastic coatings.

| | |
|-----------------------------|--|
| Name: | Accoat A/S |
| Website: | www.accoat.dk |
| Location: | Kvistgård in North Zealand |
| Executive Board: | CEO Susie-Ann Spiegelhauer |
| 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 high-performance polymers |
| Environment/quality: | Reference is made to the list of certificates on page 42 |

Markets and products

In 2020, 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 the Nordic region and ranks among the largest players in Europe.

The penetration 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 ability of fluoroplastic coatings to improve the application, strength and life of a number of products. Accoat adds value to its customers.

The penetration barriers in the medical device market are also high, as it requires a high degree of validation before a product can be put into service, and subsequently, the production of the components is subject to strict requirements.

Use of non-stick fluoropolymer coatings ease the cleaning of surfaces, which helps reduce the consumption of cleaning agents, water and time. For our customers, this means shorter interruptions of production due to cleaning and lower consumption of resources.

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 or alloyed steel with other, less costly surface-treated materials.

Consequently, the overall demand for coatings is expected to increase in future.

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.



Pipes coated with P153 – a coating for non-stick and low-friction applications



This is a large container coated with Accotron. The thickness of the corrosion coatings is measured evenly across the component



Part coated with Accoshield RF on the inside for non-stick and corrosion protection

Strategy


Accoat will continue to work on strengthening both products and processes in co-operation with customers and suppliers as well as external partners such as universities, etc.

At present, Accoat is participating directly in a research project funded by Innovation Fund Denmark and indirectly in another funded project.

This way, Accoat keeps updated on and at the forefront of state-of-the-art materials and processes.

Accoat is in contact with the various industry elements where our products are used and focuses on reaching new customers with the same type of issues as our existing customers.

Generally, the penetration barrier is very high, especially for high-build corrosion coatings. In recent years, Accoat has initiated several development projects together with new customers to test coating potentials in various industries. Some of these resulted in orders in 2020, and Accoat expects to follow up on these and similar projects in the coming years.

A high-angle, perspective view of a long, straight row of industrial injection molding machines in a factory. The machines are primarily light blue with black and white components. They are arranged in a line, receding into the distance. The floor is grey concrete with yellow safety lines. On the right side, there are large, white, insulated pipes running parallel to the machines. The lighting is bright and even.

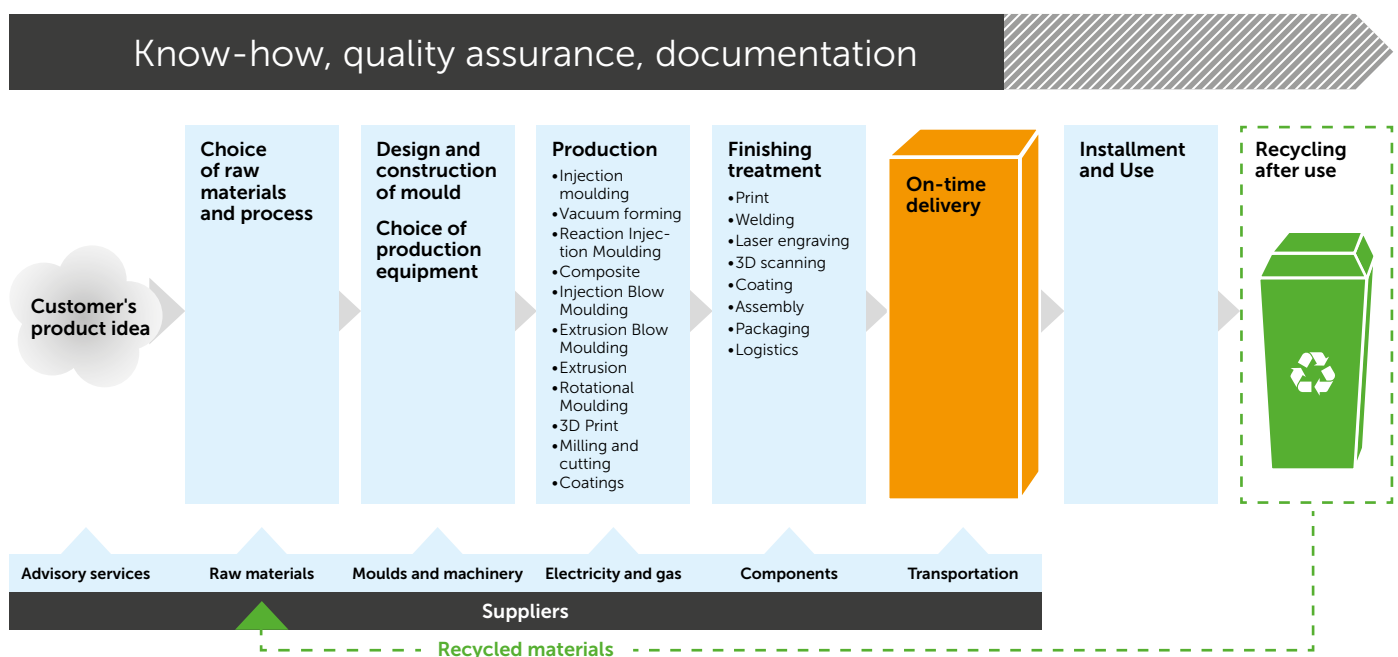
SP Moulding
in Poland has more
than 100 injection-
moulding machines

Plastics and composites

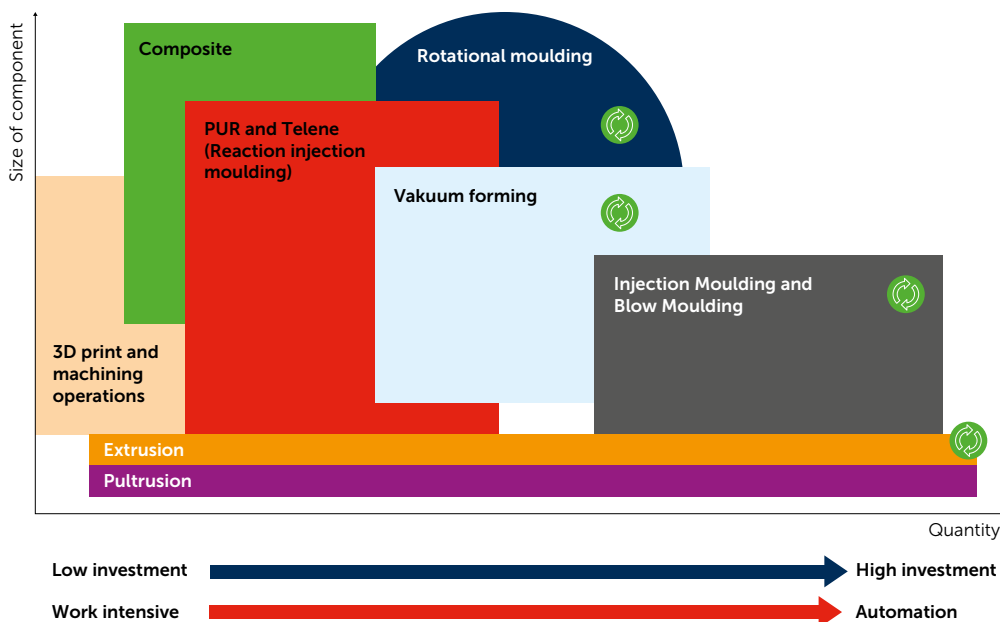
- New tasks in the health care industry
- New tasks in the cleantech industry
- More tasks in food-related industries

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:



Prototypes are printed in 3D or machined.

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.

Heavy investments were made in 2020, adversely affecting earnings. The investments are expected to contribute positively to results of operations from 2021 onwards.

In 2020, rotational moulding was added to our range of technologies.

= 0-100% regrind (recycled plastics)

Injection moulding and Blow moulding

- Global progress
- Many new tasks

2020 in outline

Despite the challenges resulting from the corona pandemic, we succeeded in securing a number of new projects, entailing an increasing level of activity.

SP Moulding, Sander Tech, Ulstrup Plast and Coreplast saw a healthy intake of a number of new 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, Coreplast Laitila Oy, Ulstrup Plast A/S, SP Medical A/S and MedicoPack A/S |
| Website: | www.sp-moulding.dk, www.coreplast.fi, www.up.dk, www.sp-medical.dk, www.medicopack.com and www.kodanplast.eu |
| Location: | Juelsminde, Stoholm, Karise, Lynge, Langeskov, Sieradz (Poland), Zdunska Wola (Poland), Laitila (Finland), Pobe-dim and Zilina (Slovakia) and Suzhou (China) |
| Executive Board: | Søren Ulstrup, CEO of SP Moulding A/S and Ulstrup Plast A/S; Jens Birklund Andersen, CEO of Sander Tech ApS; Mikko Toivonen, Managing Director of Coreplast Laitila Oy, Mogens Laigaard, Director of SP Medical A/S and Torben Bruhn, Managing Director of MedicoPack A/S |
| Activities: | SP Moulding, Sander Tech, Coreplast and Ulstrup Plast are leading manufacturers of injection-moulded plastic precision components for a wide range of industrial entities. 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, manufactures and sells packaging material and pharmaceutical disposable equipment within injection and infusion therapy to the global pharmaceutical and healthcare industries |
| 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, laser welding, ultrasound welding, surface treatment and printing. SP Moulding, Coreplast and SP Medical also handle partial or full assembly, packaging and shipment 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 company 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 42 |

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

In 2020, considerable investments were made in new advanced production equipment (including many new injection-moulding machines with state-of-the-art robotic solutions, large energy saving projects and even more IT) as well as in development and break-in of many new projects.

SP Moulding, SP Medical, Coreplast and Ulstrup Plast have entered into agreements to purchase injection-moulding machines for delivery in 2021. The machines will be used to expand activities with existing and new customers. We have expanded our production facilities in several factories, and further construction is ongoing to enable us to meet the increased demand.

MedicoPack exports approx. 90% of its products. Heavy investments are still made in MedicoPack to keep up with developments.

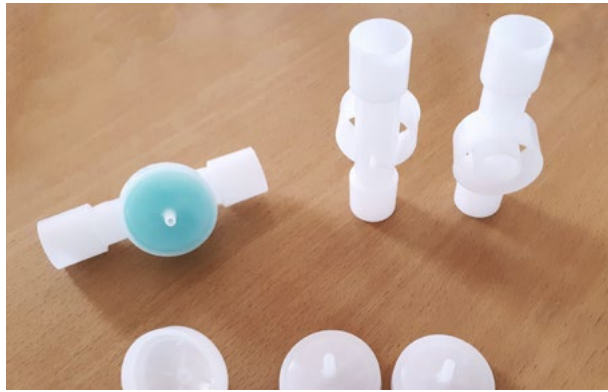
Markets and products

With approx. 460 injection-moulding machines (including more than 40 two- and three-component machines), SP Moulding, SP Medical, Coreplast and Ulstrup Plast are, combined, the largest independent injection-moulding business in Denmark and rank among the largest two in the Nordic region. 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 customers with own production of injection-moulded plastics choose to outsource activities to specialists such as SP Moulding, SP Medical, Coreplast and Ulstrup Plast. Moreover, the market share is increased by substituting plastics for other materials.

SP Moulding, Coreplast 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 shipment of finished products, often in close co-operation between the factories in Poland, Slovakia, China, Finland and Denmark. As price remains an important parameter, production efficiency needs to be further enhanced. In Europe and China, we are a minor supplier of technical plastics, but there is a potential in both regions for considerable growth by virtue of the companies' overall know-how and expertise.

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, radiology and cardiology, 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.

Oxygen valve with membrane for respirators, manufactured by SP Medical



Umbilical cord is clamped and cut in one process using an UMBI clamp. The product is manufactured by SP Medical

SP Moulding manufactures these flowerpots for Rosendahl Design Icons®. The pots are made from 100% recycled plastics from households



Coreplast in Finland injection-moulds components for this sports watch from Suunto to a wrist heart rate monitor



Coreplast in Finland injection-moulds parts of this helmet from Kemppi

With its expertise and quality standards, SP Medical's opportunities to increase its market shares are good.

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

Strategy

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

SP Moulding, Coreplast and Ulstrup Plast must win market shares in all markets by offering better customer service, intensifying participation in customers' product development and by targeting their efforts at growth

industries. Competencies should be strengthened continually to allow us to differentiate ourselves also in future. 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 switchover times. We will continue our participation in the strengthening of our position in Northern Europe where relevant and examine whether new technologies may complement our broad range of competencies and our aim to be a "one-stop shop".

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. SP Medical focuses on upgrading the quality system and product certificates for the upcoming Medical Device Regulation (MDR) to ensure continued patient safety and meet customers' increasing need for authority documentation.

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 most recently launched product series.

Polyurethane and Composite

- Higher activity
- New products
- Expansion in the Netherlands, Poland, USA, China and Latvia

| | |
|-----------------------------|--|
| Name: | Five activities with Polyurethane (PUR) and Composite as common denominator: Ergomat A/S, Tinby A/S, TPI Polytechnik B.V., Brøderna Bourghardt AB and MM Composite A/S |
| Websites: | www.ergomat.com, www.tinby.dk, www.tpi-polytechnik.com, www.bourghardt.se, www.mmcomposite.dk |
| Location: | Søndersø, Nørre Aaby, Ejby, Zdunska Wola (Poland), 's-Hertogenbosch (the Netherlands), Helsingborg (Sweden), Cleveland and Mt. Pleasant (USA), Montreal (Canada), Suzhou (China) and Liepaja (Latvia) |
| Executive Board: | Claus Lendal, CEO of Ergomat A/S; Michael V. Therkelsen, Managing Director of Tinby A/S; Loïc van der Heijden, Managing Director of TPI Polytechnik B.V., David Bourghardt, Managing Director of Brøderna Bourghardt AB; Kent B. Madsen, CEO of MM Composite A/S |
| Ergomat A/S | develops and sells ergonomic solutions under own trademarks – 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 elastomers in Sønderød for e.g. the graphics, medical device, furniture and cleantech industries as well as block foaming solutions. In Poland, Tinby Sp. z o.o. also manufactures light-foam products for TPI. The companies in USA and China manufacture light-foam products and other plastic solutions primarily for the cleantech industry. In Latvia, components are manufactured using a pultrusion process |
| TPI Polytechnik B.V. | develops and sells components for ventilation of industrial buildings as well as pig and poultry houses, primarily products under the TPI trademark, which are manufactured by Tinby in Poland. Global sales are handled from the Netherlands |
| Brdr. Bourghardt AB | manufactures large plastic components in DCPD (Telene) and composite for the truck, wind energy and satellite communication industries. Brdr. Bourghardt delivers worldwide from its factory in Latvia and the head office in Sweden |
| MM Composite A/S | develops and sells high-quality composite components to 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 materials. The process is also called Reaction Injection Moulding – or just RIM |
| Environment/quality: | Reference is made to the list of certificates on page 42 |

2020 in outline

Ergomat had an amazing 2020 where it focused on its core business, sale of ergonomic mats and DuraStripe® striping for the automotive industry and distribution centres supporting online trade as well as new COVID-19-related solutions and products, including social distancing signs. Ergomat is operating actively in approx. 60 countries, and particularly sales in USA developed extremely positively. Sales in the primary markets were reasonably stable in 2020; still, a decline was recorded in a few large markets. However, this decline was more than balanced out through surge in the interest in and sale of Ergomat's new COVID-19 social distancing signs.

Tinby expanded its capacity to support global growth. Tinby has moved the Pentan foam production in Poland to new facilities and production now takes place in three locations totalling 17,000 sqm. In China, new production facilities of 5,300 sqm were also established. In USA, the servicing of customers from the 1,000 sqm facilities in Iowa continues. In Latvia, the establishment of new production halls is progressing. They will be used for the production of glass fibre profiles and sheets as well as PUR cabinets. One 2,000 sqm hall has been completed, and one 1,300 sqm hall is under construction. In Denmark, Tinby has production facilities of approx. 7,500 sqm.

TPI realised lower revenue in 2020 due to the corona pandemic. It was impossible to travel, and expos and fairs were cancelled. Despite these challenges, TPI saw positive trends in the North American markets.

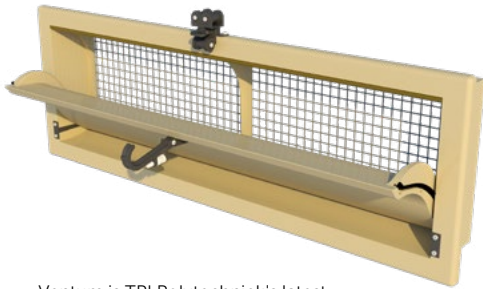
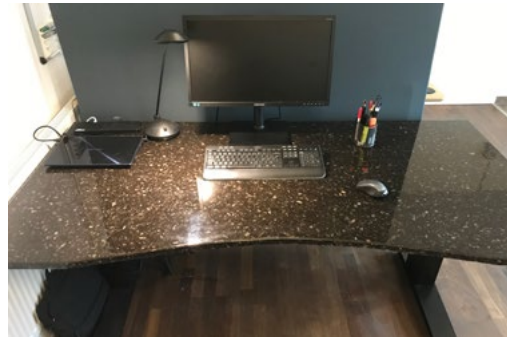
The Asian markets also developed positively, whereas the European market was stable. In 2020, TPI established an office in China to support the continued development in the region.

New products were launched in several markets in 2020.

Brøderna Bourghardt, with a sales organisation in Sweden and production facilities in Latvia, focused on large sales projects in 2019. A few of these have not been realised yet, and combined with a minor decrease in revenue due to the corona pandemic, it resulted in a slightly weaker 2020 compared to 2019. During the year, we focused on several new projects regarding new RF transparent materials and alternative resins in composite, and we examined the possibility of setting up new production facilities. These will be introduced in the near future.

In March 2017, MM Composite became part of SP Group. MM Composite established a new production line in its 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.

Tabletop manufactured from recycled glass fibre from MM Composite's production of root segments



Ventum is TPI Polytechniek's latest product – launched in 2020



Tinby moulds this top reflector and outer shade for Louis Poulsen 'LP Grand' in solid PUR

Markets and products

Ergomat launched Lean and 5S products to the retail industry in 2018, which was a big success in USA, where among others Walmart and Best Buy integrated these concepts in their stores. The new LED safety signs, driven by kinetic activation, were also introduced. Particularly the automotive industry in Europe, USA and Canada welcomed these revolutionising and cost-saving solutions with great enthusiasm. Ergomat's well-known mats and the striping product DuraStripe® also saw progress.

2020 was a year with many challenges, but Ergomat quickly stepped up to provide new COVID-19-related solutions and products, which generated huge demand for our products. Our focus on online trade and distribution continues, and we are now among the world's leading companies in this field.

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 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 2017, Tinby acquired LM Skumplast, which subsequently changed its name to Tinby Skumplast. It manufactures PUR and PIR foam, primarily for insulation purposes. In 2020, we acquired the activities in Isotec AB and have now established Tinby AB from which we service our Swedish customers.

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 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 delivers medium-sized series of large composite components that are manufactured in several production processes such as Prepeg, RTM light and vacuum infusion. The primary markets for composites are the vessel and satellite communication industries. Brdr. Bourghardt is Scandinavia's largest manufacturer of components made of DCPD (Telene), a material that is often used for bodywork on construction and agricultural machines. The characteristics of the material make it suitable for ventilation consoles, and the material can also be used for various purposes in wind turbines.

MM Composite 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 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

Ergomat continues its strategy, which is to focus on global customers in the online segment, and expectations for 2021 are very positive. The capacity in the factory in Poland was expanded considerably in 2020, and this development is expected to intensify in the coming years. Furthermore, the product range is now the same worldwide, and we are therefore able to offer the same products and the same services in all markets thereby guaranteeing transparency and compliance. Thus, we ensure that our customers are offered the best products at the best price. In the coming year, we expect to increase our focus on sales in the EU countries to achieve the same high level of success as we see in the American market today.

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

In Poland, Tinby now has production facilities at three locations totalling approx. 17,000 sqm. In Poland, the activities involving Pentan and waterblasted systems for the cleantech industry, flexible foam systems and new receptors for optimum insulation are expanded.

Tinby's facilities in China, which were established in 2010, are still developing positively and have moved to new, larger premises of 5,300 sqm. In 2020, additional activities were initiated, including production of light-foam products.

In North America, customers are facilitated from our 1,000 sqm service centre where we have established ourselves in MM Composite's existing factory in Iowa.

In China and USA, an increasing number of tasks are performed for neighbouring markets, primarily within the cleantech industry.

In Latvia, Tinby has set up a brand new production line and 3,300 sqm production facilities in the established factory, Baltic Rim.

TPI expects increased sales in Europe, Asia and North America in 2021 as a result of its launch of a number of new products. Strong focus on developing new products will be maintained.

In 2020, Brdr. Bourghardt expanded production facilities and invested heavily in environmentally friendly alternatives to conventional thermoset plastics and composite.

RePURpose – a research project funded by Innovation Fund Denmark

As a company manufacturing plastic, it is important for SP Group to act responsibly in terms of how the plastic we use to manufacture components to our customers is used and repurposed to cause as little environmental damage as possible.

In future, SP Group and the Danish plastic industry will be dependent on their ability to make a green transition, and therefore, we are looking for new technological possibilities in co-operation with Aarhus University, the Danish Technological Institute and other companies. As the current technologies are not good enough, the majority of PUR material ends up in combustion facilities for purposes of energy recovery or in landfill sites after use.

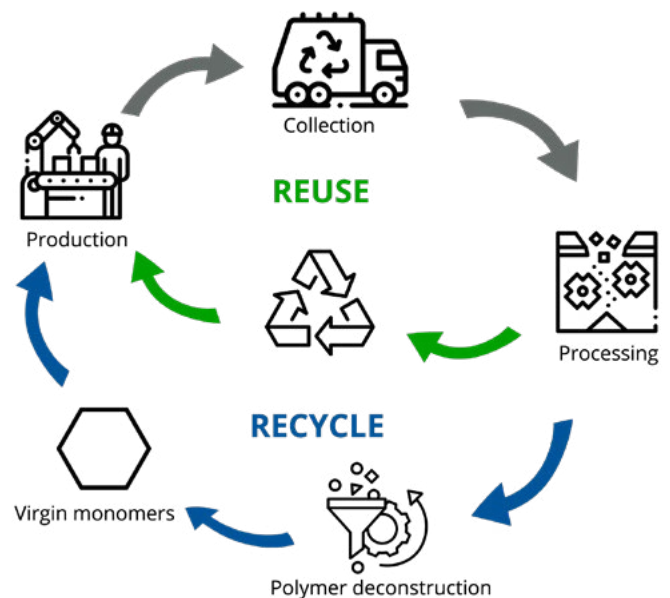
However, with new technology we will not only use less oil with manufacturing PUR; we will also gain considerable carbon emission reductions as the plastic will no longer be incinerated to the same extent.

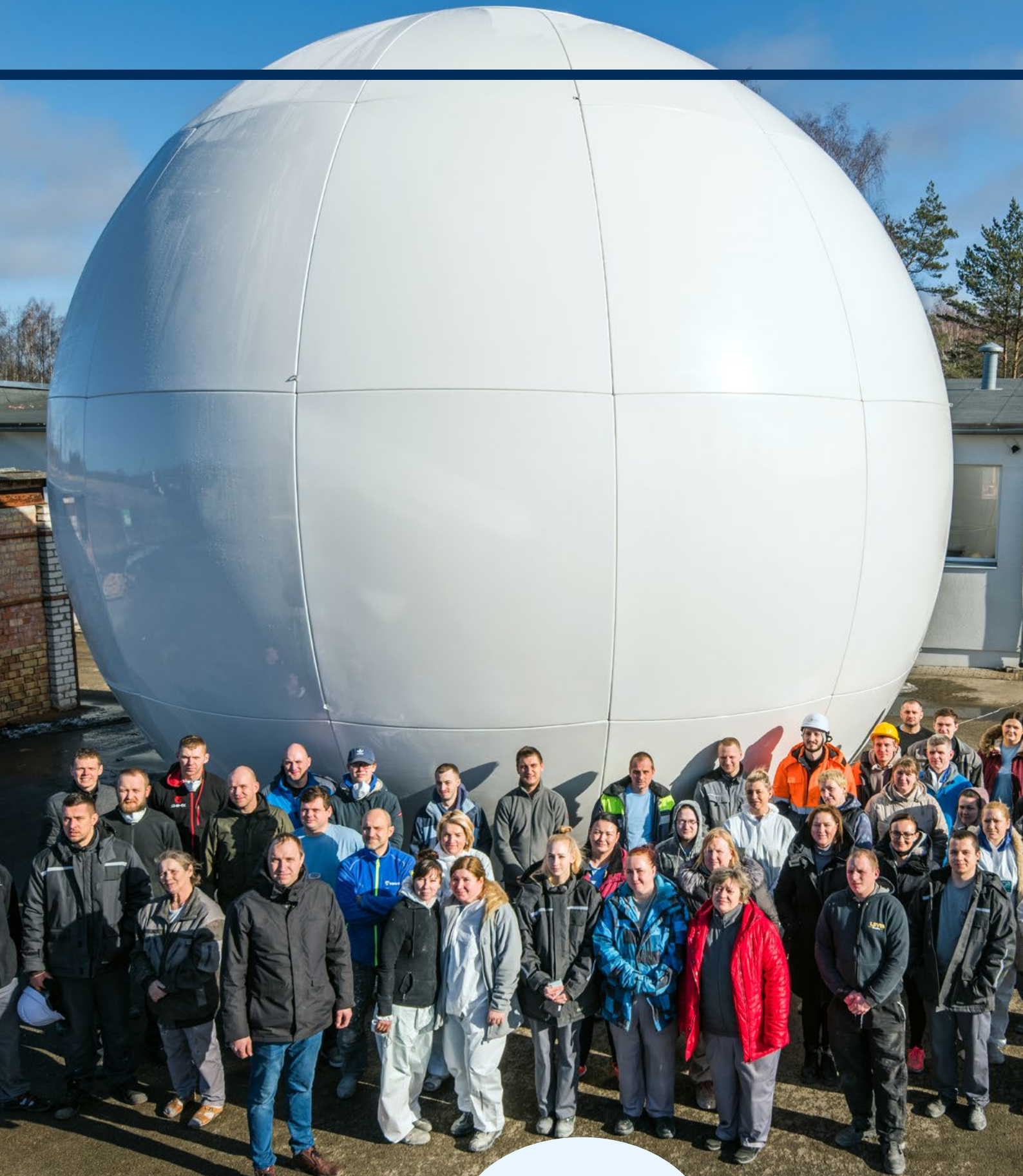
Tinby is part of an initiative that will help ensure a reduction of the amount of plastic manufactured in the world. Together with five of the leading Danish companies in relation to the Danish PUR industry, Tinby thus participates in the RePURpose project, which has a total budget of DKK 19 million, of which Innovation Fund Denmark has provided DKK 11 million.

By bringing together the world's best researchers, technology developers and leading companies, the RePURpose project aims to bring polyurethane (PUR) into a brand new circular economy so we can address the issue for good.

PUR is an essential material found in anything from insulation, mattresses and shoe soles to components for the wind turbine industry and medical equipment that saves lives. The current ways of handling end-of-life PUR is not durable or sustainable. More than 16 million tonnes of PUR is used every year, and the consumption is expected to soar in future. RePURpose will therefore develop technologies designed to ensure a more sustainable production and processing of PUR in future.

Specifically, the researchers of the project will develop two technologies. One technology focuses on the material going to waste when manufacturing PUR products (ReUSE), and the other technology will degrade PUR waste – including PUR that has been used by consumers – to its original building blocks, called monomers (ReCYCLE):





Baltic Rim in Latvia
manufactures and coats
radomes

Vacuum forming, Rotational moulding, Extrusion and Processing

- New tasks in several industries
- Establishment of production in China
- Acquisition and integration of Dan-Hill-Plast in Hornsyld

| | |
|---|--|
| Name: | Gibo Plast A/S, Dan-Hill-Plast A/S, Plexx AS, Opido AB, Nycopac AB and Kodaň Plast s.r.o. |
| Website: | www.giboplast.com, www.dhp.dk, www.plexx.no, www.opido.se, www.nycopac.se, www.kodanplast.eu |
| Location: | Skjern, Hornsyld, Ljungby (Sweden), Fredrikstad (Norway), Sieradz (Poland), Nyköping (Sweden), Zilina (Slovakia), Mt. Pleasant (USA) and Tianjin (China) |
| Executive Board: | Managing Director Lars Ravn Bering (Gibo Plast, Dan-Hill-Plast), CEO Arild S. Johnsen (Plexx), Managing Director Andreas Lagestig (Opido), CEO Gusten Bergmark (Nycopac) and Managing Directors Jens Møller and Peder Hyldegaard (Kodaň Plast) |
| Activities: | Gibo Plast and PlexxOpido develop, design and manufacture thermo-formed plastic components for refrigerators and freezers, buses and cars (automotive), medical devices and lighting equipment and in the cleantech industry. Gibo Plast is specialised in both traditional vacuum forming and the advanced forming methods High-Pressure and Twinsheet. Opido is also specialised in ORS (Opido Reinforced System) with fortified and sound-absorbing vacuum-formed components as well as laser cutting and hot bending. Dan-Hill-Plast develops, designs and manufactures rotational-moulded plastic components, often in the form of shielding, ventilation components and liquid containers. The components are used in stable components, buses and cars (automotive) and in the cleantech industry. Kodaň Plast is specialised in rotation and milling of plastic materials as well as bending, gluing and welding of plastics. Nycopac develops, designs and sells plastic packaging solutions for industrial transportation, both in the form of a number of standard products and customised solutions for specific tasks |
| Description: | Vacuum forming means that plastic sheets are heated and then formed using vacuum and/or high pressure. Rotational moulding means that a mould is filled with plastic beads and then heated. When sufficient heat is applied, the beads melt on the surface of the mould. Rotation of the mould ensure uniform coverage. The products are then processed by way of cutting, milling (CNC milling) and, eventually, assembled to the finished product |
| Environment/ quality/ working environment: | Reference is made to the list of certificates on page 42 |

2020 in outline

Activities have increased, and Gibo Plast and PlexxOpido succeeded in ensuring an improvement in revenue and activities. 2020 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.

Moreover, the use of recycled plastics has been increased, and resources were dedicated to new business models building on closed-loop principles where plastic components are returned after use and directly repurposed in new products. Nycopac has commenced the first projects with customers.

In Poland and Sweden, investments were made in new and more effective production machinery. In USA, Gibo Inc. has increased its own production for sales to the American market. In China, Gibo Plast Co., Ltd. established its own vacuum forming production and started delivery of locally manufactured goods to the Chinese market. During 2021, production will be further expanded.

In April 2018, SP Group acquired Nycopac AB in Sweden to strengthen focus on its own products. Nycopac develops, designs and sells packaging solutions for industrial transportation, often manufactured in recycled plastics using vacuum forming. Nycopac does not have its own production but uses subsuppliers, including Gibo Plast and Opido.

Moreover, SP group acquired Kodaň Plast s.r.o. in Slovakia in June 2018. Kodaň Plast manufactures and sells complex technical plastic components for various industries, which are manufactured by using rotation, milling, bending, bonding and welding processes.

In April 2020, SP Group acquired Dan-Hill-Plast A/S in Hornsyld through Gibo Plast. Dan-Hill-Plast is a state-of-the-art rotational moulding entity with production and assembly facilities in Hornsyld in Denmark. As subsupplier to demanding industry companies, Dan-Hill-Plast manufactures products for many industries. Moreover, Dan-Hill-Plast develops, sells and manufactures its own products in the form of fenders for ships and boats under the trademark Dan-Fender, which is sold globally. The acquisition expands SP Group's production capabilities and strengthens the focus on own products.

Gibo Plast is one of the largest vacuum-forming facilities in Europe and is able to perform complex tasks. In close co-operation with Tinby and Brdr. Bourghardt, Gibo has developed a number of interesting solutions for our customers, uniting the companies' expertise. In addition, Gibo has further developed its competencies in prototype devices and tools so that it can now develop and manufacture production tools for vacuum forming and



Nycopac's pallet lid produced in 100% recycled plastics (regrind)



Aleksandra Kobernik at Gibo's production plant in Poland



Opido manufactures top and bottom of this EpiShuttle, made by EpiGuard in Norway. It is a isolation and transport system designed to provide patient safety while allowing critical care and treatment. The EpiShuttle protects the environment from an infected patient or protect a vulnerable patient from a contaminated environment

rotational moulding itself in order to increase competitiveness through a very short time-to-market for new plastic components.

Markets and products

The market is undergoing drastic change, as a number of traditional users of vacuum-formed, rotational-moulded, extruded and processed 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 and Nycopac'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, which are often manufactured from recycled plastics, 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.

Strategy

The companies under Gibo Plast focus on plastic components in thermoplastics, often large components in relatively small series. Moreover, focus is on increasing the share of recycled plastics in the components when possible. Gibo Plast, PlexxOpido, Dan-Hill-Plast, Kodaň Plast and Nycopac offer plastic components manufactured by extrusion, vacuum forming, rotational moulding, milling, laser cutting, bending and gluing. Often, the plastic components are combined with PUR, e.g. in the form of the ORS technology whereby the characteristics are further enhanced.

Investments in new production machinery with robots are made regularly. 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, vehicles 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.

In Poland, the first activities were established in 2011 and have been expanded regularly. Today, the factory is an independently operating sales and production unit characterised by very high levels of service and quality.

In USA, production has been established to service the American market. In China, production has been established to service the Chinese market, which will be further expanded during 2021.

Together with a continued improvement of the productivity in Skjern, these initiatives have contributed to improving Gibo Plast's profitability in 2020, which is expected to continue in 2021.

Gibo Plast has 12,000 sqm at the plant in Skjern, 12,000 sqm at the plant in Hornsyld, 12,000 sqm at the plant in Poland, 500 sqm at the plant in USA, 11,244 sqm at the plant in China, 7,000 sqm at the plant in Sweden and 900 sqm in Norway. Kodaň Plast has 500 sqm at the plant in Slovakia.

Gibo Plast, Dan-Hill-Plast, PlexxOpido, Nycopac and Kodaň Plast have a balanced customer portfolio and a sound exposure to a number of industries. The companies are making targeted efforts to attract new, interesting customers. At the same time, relationships with existing customers are strengthened. 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 utilise its position to cultivate new markets in USA, Asia and Europe. A global production platform is to offer production close to the customers to minimise the environmental impact by transporting plastic components over long distances. Gibo Plast will also explore the possibilities of adding production technologies that can complement Gibo Plast's and SP Group's existing product range to the customers. At the same time, focus is on increasing the use of recycled plastics (regrind) in the components and establishing closed-loop flows where customers return components after use, which are then ground and repurposed in new products.

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 has developed new projects for customers in the automotive and clean-tech industries, which are expected to contribute positively to sales and earnings in 2021.

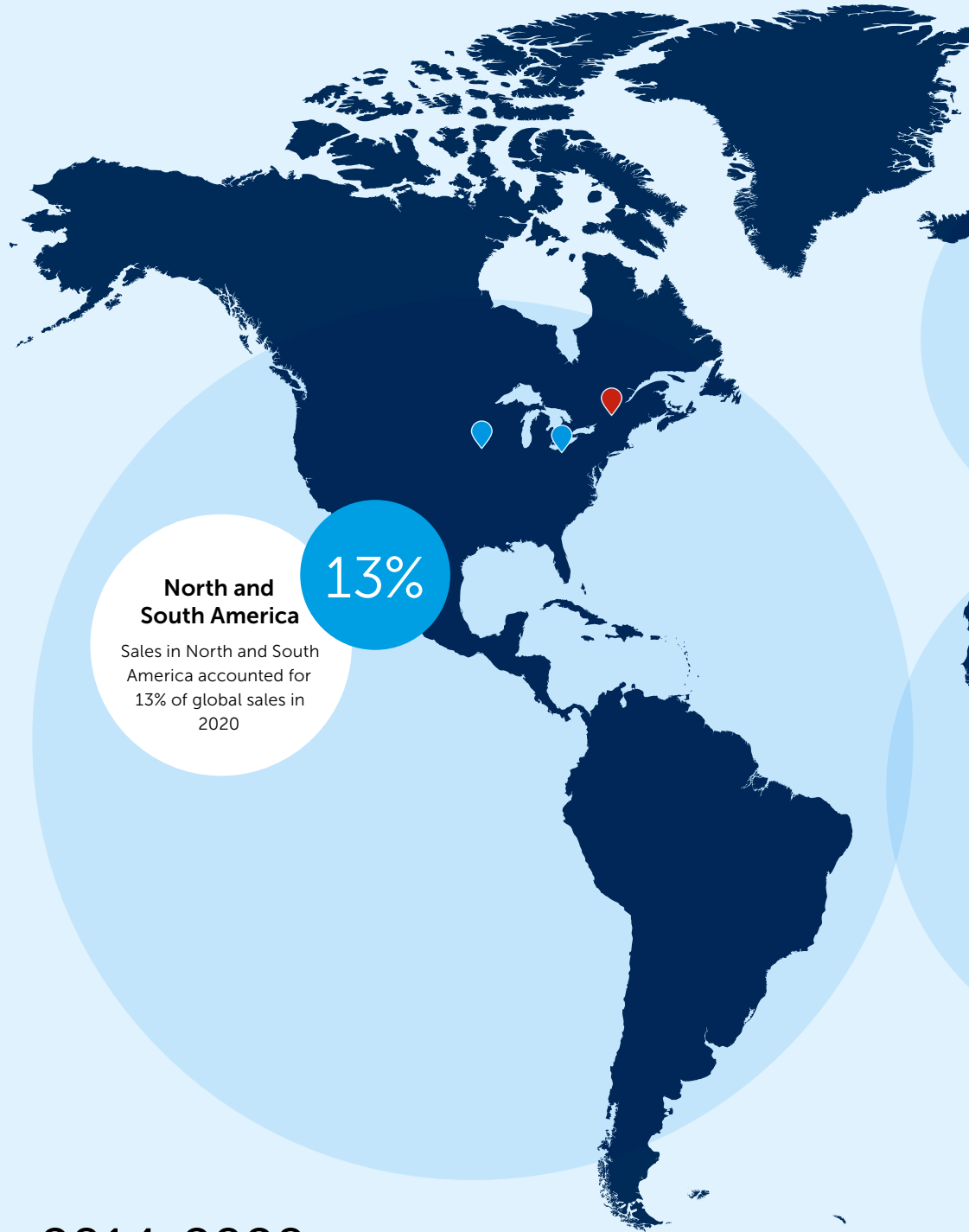
SP Group's locations

Sale and production

- Denmark (11)
- Poland (6)
- China (3)
- USA (2)
- Latvia (1)
- Slovakia (2)
- Sweden (1)
- Finland (2)

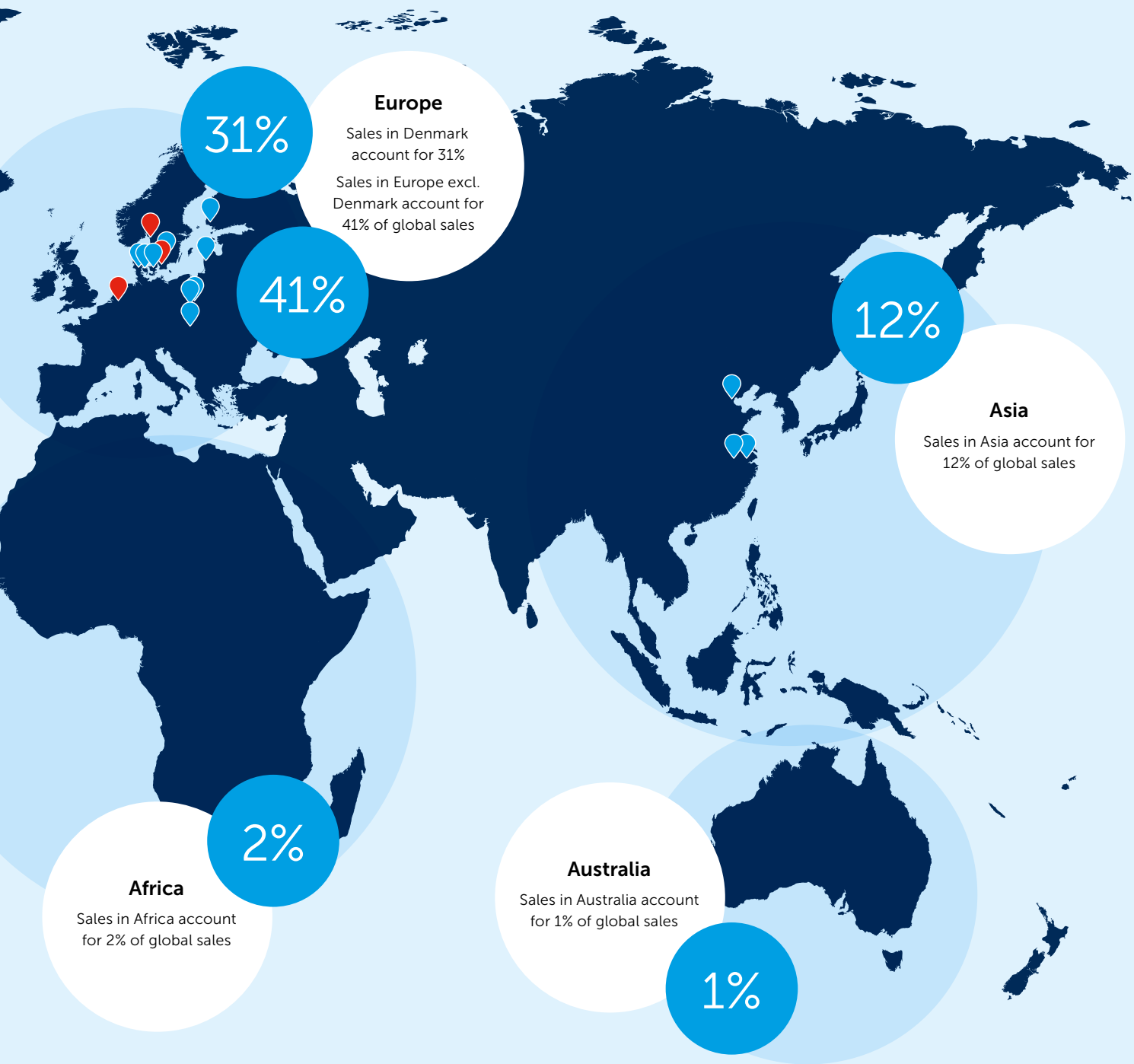
Sale and distribution

- The Netherlands (1)
- Sweden (3)
- Canada (1)
- Norway (1)



Acquisitions in 2014-2020

| 2014 | 2015 | 2016 | | | | |
|---|--|---|---|---------------------------------------|---|--|
| 24 February 2014 Bröderna Bourghardt AB | 1 January 2015 Scankuum ApS (activities) | 13 March 2015 Sander Tech ApS | 1 July 2015 Ulstrup Plast A/S | 14 July 2016 MedicoPack A/S | 15 October 2016 Aasum Plast & Metal A/S (plastics activities) | 21 November 2016 Plexx AS / Opido AB |



2017

6 January
2017

Tinby Skumplast A/S

21 March
2017

MM Composite A/S

2018

25 April
2018

Nycopac AB

27 June
2018

52% of Kodaň
Plast s.r.o.

2019

25 June
2019

Coreplast
Laitila Oy

2020

30 April
2020

Dan-Hill-Plast 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 69.1% in 2020 (2019: 64.4%). In 2020, SP Group billed its services directly to customers in 89 countries.

Second, SP Group regularly expands its factories in Poland, Slovakia, Latvia and China and will continue to do so. In addition, production activities have been set up in Sweden, Finland 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 Europe, Asia 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 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 competencies in relation to processes, design and materials.

We strive to become the customers' preferred local supplier globally. We strive to have the necessary technologies and capabilities to enable us to meet all our customers' demands within plastics, composite and coating in a sustainable, value-adding and competitive manner.

Free trade

Selling its products in 89 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 53% of consolidated revenue, which is up 2.2 percentage points on 2019. The 20 largest customers account for 62% of revenue (61% in 2019). The 20 largest customers are large, consolidated, internationally operating industrial groups.

The largest single customer accounts for 17.2% of consolidated revenue (2019: 16.8%). All other customers account for less than 10% of revenue. 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 largely unchanged in the year despite the acquisition of Dan-Hill-Plast, which implied limited customer overlap with the existing business and an inflow of new, interesting customers.

32% of the Group's sales are effected to the cleantech industry, 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 cleantech industry is therefore desired, and risks are reduced by the Group supplying components to a number of different 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, clean water, green hydrogen and the environment). A growing global population expecting a good life and a longer life increases the demand for effective healthcare and better foods. The healthcare in-

Vice President Anie Simard, Ergomat Inc.



Chief Executive Officer Claus Lendal, Ergomat



dustry is our second largest sector accounting for 30% of revenue. The food industry is the third largest sector accounting for 13% of 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 trademarks, allowing it to control sales to a wider extent. Products under own trademarks accounted for 23% of consolidated revenue in 2020, including medical device products (guide wires, Clear Vials™ and DivibaX®), ergonomic products from Ergomat and animal welfare products from TPI Polytechnik.

Free movement

Selling its products in 89 countries and purchasing its raw materials and production equipment from a number of countries.

SP Group is dependent on free travel and well-functioning infrastructure to transport people and goods around the world.

Epidemics

Outbreaks of epidemics or illnesses that fully or partially close down parts of the world are a risk that we were reminded of in early 2020.

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.

In a number of areas, SP Group has "duplicate factories" that can take over production from another factory if it is temporarily out of service due to pandemic, fire or natural disaster.

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.

Izabela Filipiak, Plant Manager, and Mariusz Lesniewski, Supervisor, at Ergomat Poland



Environment

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 at 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 44-59 on CSR and ESG and to page 42 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, 'IFRS 16 debt' and bank debt less cash and cash equivalents. At year end, the net interest-bearing debt amounted to DKK 686.1 million. Approx. 34.6% of the debt carried fixed interest for minimum 1 year, including mortgage debt with an average interest rate of approx. 1.1%. 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 3.2 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 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 significant 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. 77% of the Group's fixed costs are incurred in DKK or EUR.

Ergomat produces distance signs sold all over the world



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 and Asia 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 2020, the Group had hedged approx. 97% of the expected net cash flows for the coming 48 months.

12% of the Group's financing has been raised in EUR, 2% has been raised in PLN, and 86% has been raised in DKK. The Company has bank deposits in USD, RMB, NOK and SEK.

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 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 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.

At year end 2020, SP Group had undrawn credit facilities in banks totalling approx. DKK 358 million as well as bank deposits of approx. DKK 123 million.

At year end 2020, SP Group had sold non-recourse invoices in the amount of DKK 158 million (year end 2019: DKK 121 million) to reduce credit risks.

IT risks

The operation of SP Group's IT systems may be exposed to damage or interruption from power failure, computer and telecommunication malfunction, malware, catastrophic events and user errors.

Errors occurring due to lacking user awareness or intended abuse such as individual attempts to gain access to systems are among the risks that SP Group faces.

Insufficient management of changes to systems or services together with inefficient measures to determine, prevent, detect and react to such attempts may expose SP Group to risks.

Moreover, SP Group faces the threat of security breaches (viruses, ransomware, etc.) such as hacking attempts on our IT systems.

SP Group has chosen a decentralised IT structure where the individual companies have their own IT networks, which minimises the risk that crashes and interruptions affect the entire Group simultaneously.

The Group has implemented an IT security policy, which is complied with in the individual IT networks to prevent intentional harm to systems and limited the access to critical functions.

Corporate governance and remuneration report

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 November 2017 based on the "comply or explain" principle. At <https://sp-group.com/investor-relations/corporate-governance/>, the Board of Directors systematically describes "the Company's position on the recommendations on corporate governance of March 2021" 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:

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 Chair (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 2020, the Board of Directors held 12 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 "Going towards 2024" 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 be 25-45% by the end of 2021. 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 operating 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 general meeting, Hans-Henrik Eriksen and Bente Overgaard are considered independent in accordance with the criteria defined by the Committee on Corporate Governance. The other two board members have been members of the Board of Directors for more than 12 years.

Half the members of the Board of Directors are thus independent.

The Board of Directors appointed Hans W. Schur as its chair and Erik P. Holm as its deputy chair after the annual general meeting.

Hans-Henrik Eriksen continued as chair of the Audit Committee.

All four board members accept renomination at the annual general meeting in 2021.

Provided that the Board of Directors is re-elected at the annual general meeting in 2021, its composition and structure will remain unchanged.

At the annual general meeting in 2020, Niels Kristian Agner retired after 25 years' committed and competent effort as board member, of which 23 years as chair.

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

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

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.

At the end of April 2020, CFO Jørgen Nielsen resigned after 33 years' committed and competent effort.

The Board of Directors appointed Søren Ulstrup and Lars Ravn Bering as executive vice presidents and Tilde Kejlhof as Group CFO.

As from 1 May 2020, Group Management comprises Frank Gad, CEO, Søren Ulstrup, Executive Vice President, Lars Ravn Bering, Executive Vice President, and Tilde Kejlhof, Group CFO.

Remuneration of Management

The Company's remuneration policy has been approved by the general meeting, most recently in 2020.

The Board of Directors has no incentive programmes but receives ordinary remuneration determined by the annual general meeting. At the annual general meeting in 2020, the Board of Directors will propose that directors' remuneration for 2020 should be maintained at DKK 450,000 for the chair, DKK 275,000 for the deputy chair and DKK 225,000 for other board members. Moreover, it is proposed that the chair of the Audit Committee should receive a separate fee of DKK 50,000 in addition to the directors' remuneration. 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 2021, it is proposed to change the remuneration to DKK 600,000 for the chair, to DKK 350,000 for the deputy chair and to DKK 300,000 for other board members. The separate fee for the chair of the Audit Committee will remain DKK 50,000.

Remuneration of the Executive Board is negotiated by the chair and adopted by the Board of Directors. The remuneration consists of a basic salary and usual benefits such as company telephone, company car, etc. In 2020, total remuneration for the Executive Board amounted to DKK 7.7 million as against DKK 7.3 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' notice to Executive Vice President Søren Ulstrup and Executive Vice President Lars Ravn Bering. If the members of the Executive Board are dismissed, the Company is not 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 2017, 2018 and 2019. No bonus was paid to the Executive Board in 2020.

However, SP Group has set up long-term incentive schemes.

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 warrants issued 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.

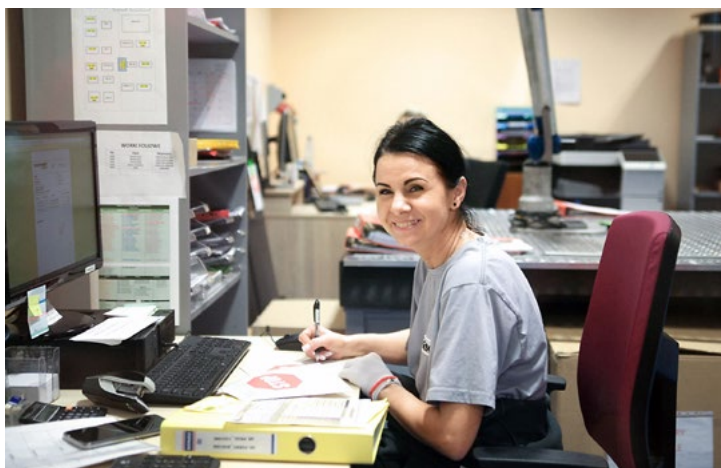
The exercise price is fixed at DKK 390 based on the listed price immediately before the publication of the annual report on 30 March 2016 and up to 27 April 2016. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2016 and until the warrants are exercised. The programme will not represent 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. At year end 2020, 2,307 warrants under the 2016 programme were outstanding. All warrants are hedged by means of treasury shares.

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 warrants issued 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. At year end 2020, 41,640 warrants under the 2017 programme were outstanding. All warrants are hedged by means of treasury shares.

In 2018, the Board of Directors issued 41,500 warrants to the Executive Board and executive officers in the Group. Frank Gad received 3,000 warrants, and Jørgen Nielsen received 2,000 warrants. The remaining 36,500 warrants were distributed between 41 executives. The warrants issued can be exercised to subscribe for shares in the period 1 April 2021 – 31 March 2024; 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 1,250 based on the listed price immediately before and after the publication of the annual report on 22 March 2018. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2018 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices.

(continues on page 38)

Olga Sobczak, Gibo's factory in Poland



The Muuto chair is made of up to 25% wood fibres and 75% plastic – each chair is unique. Manufactured by SP Moulding



Management remuneration

| DKK '000 | Remuneration | Remuneration, committee members | Bonus | Company car | Pension*) | Share-based payment**) | Total |
|---------------------------------------|--------------|---------------------------------|--------------|-------------|-----------|------------------------|--------------|
| 2020 | | | | | | | |
| Hans Wilhelm Schur | 450 | 0 | 0 | 0 | 0 | 0 | 450 |
| Erik Preben Holm | 275 | 0 | 0 | 0 | 0 | 0 | 275 |
| Niels Kristian Agner | 188 | 0 | 0 | 0 | 0 | 0 | 188 |
| Hans-Henrik Eriksen | 225 | 50 | 0 | 0 | 0 | 0 | 275 |
| Bente Overgaard | 225 | 0 | 0 | 0 | 0 | 0 | 225 |
| Frank Gad | 4,200 | 0 | 0 | 197 | 0 | 0 | 4,397 |
| Jørgen Hønnerup Nielsen 1/1-30/4 2020 | 567 | 0 | 0 | 22 | 0 | 0 | 589 |
| Søren Ulstrup 1/5-31/12 2020 | 1,280 | 0 | 0 | 99 | 0 | 0 | 1,379 |
| Lars Ravn Bering 1/5-31/12 2020 | 1,280 | 0 | 0 | 87 | 0 | 0 | 1,367 |
| | 8,690 | 50 | 0 | 405 | 0 | 0 | 9,145 |
| 2019 | | | | | | | |
| Hans Wilhelm Schur | 450 | 0 | 0 | 0 | 0 | 0 | 450 |
| Erik Preben Holm | 275 | 0 | 0 | 0 | 0 | 0 | 275 |
| Niels Kristian Agner | 225 | 0 | 0 | 0 | 0 | 0 | 225 |
| Hans-Henrik Eriksen | 225 | 50 | 0 | 0 | 0 | 0 | 275 |
| Bente Overgaard | 225 | 0 | 0 | 0 | 0 | 0 | 225 |
| Frank Gad | 4,200 | 0 | 1,000 | 126 | 0 | 0 | 5,326 |
| Jørgen Hønnerup Nielsen | 1,700 | 0 | 200 | 77 | 0 | 0 | 1,977 |
| | 7,300 | 50 | 1,200 | 203 | 0 | 0 | 8,753 |
| 2018 | | | | | | | |
| Hans Wilhelm Schur | 375 | 0 | 0 | 0 | 0 | 0 | 375 |
| Erik Preben Holm | 275 | 0 | 0 | 0 | 0 | 0 | 275 |
| Niels Kristian Agner | 300 | 0 | 0 | 0 | 0 | 0 | 300 |
| Hans-Henrik Eriksen | 225 | 50 | 0 | 0 | 0 | 0 | 275 |
| Bente Overgaard | 225 | 0 | 0 | 0 | 0 | 0 | 225 |
| Frank Gad | 4,000 | 0 | 1,000 | 119 | 0 | 0 | 5,119 |
| Jørgen Hønnerup Nielsen | 1,650 | 0 | 200 | 102 | 0 | 0 | 1,952 |
| | 7,050 | 50 | 1,200 | 221 | 0 | 0 | 8,521 |
| 2017 | | | | | | | |
| Niels Kristian Agner | 450 | 0 | 0 | 0 | 0 | 0 | 450 |
| Erik Preben Holm | 275 | 0 | 0 | 0 | 0 | 0 | 275 |
| Hans Wilhelm Schur | 225 | 0 | 0 | 0 | 0 | 0 | 225 |
| Hans-Henrik Eriksen | 225 | 50 | 0 | 0 | 0 | 0 | 275 |
| Erik Christensen | 75 | 0 | 0 | 0 | 0 | 0 | 75 |
| Bente Overgaard | 150 | 0 | 0 | 0 | 0 | 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 |

*) Members of the Executive Board make pension contributions themselves

**) Members of the Executive Board chose to acquire their warrants against cash payment

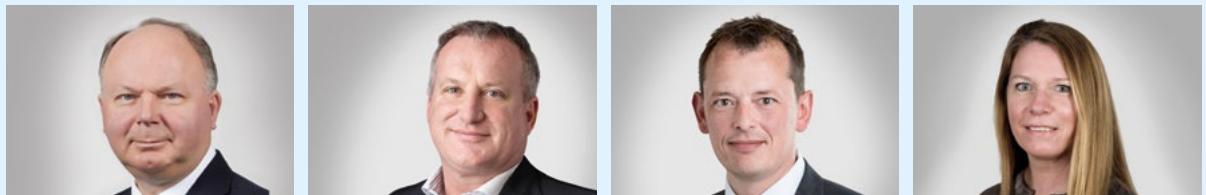
CEO pay ratio is described further on page 58.

Directorships in Danish and foreign companies, etc., at 1 March 2021

| |  |  |  |  |
|---|--|---|---|--|
| | Hans Wilhelm Schur | Erik Preben Holm | Hans-Henrik Eriksen | Bente Overgaard |
| Title | CEO | MSc Economics & Business Administration, CEO | MSc Economics & Business Administration, CEO | MSc Political Science |
| Member of the Board of Directors | Member of the Board of Directors since 1999 and chair since April 2018 | Member of the Board of Directors since 1997, deputy chair | Member of the Board of Directors since 2013. Chair of the Audit Committee | Member of the Board of Directors since 2017 |
| Residence and year of birth | Horsens, born in 1951 | Hellerup, born in 1960 | Risskov, born in 1960 | Hellerup, born in 1964 |
| Gender and nationality | Male, Danish citizen | Male, Danish citizen | Male, Danish citizen | Female, Danish citizen |
| Independence | Not independent | Not independent | Independent | Independent |
| Other directorships | Danmarks Industrimuseum (BF), Konsul Axel Schur og Hustrus Fond (BF), 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 og BM), Schur Pack Denmark a/s (BF), Schur Pack Sweden AB (BF), Schur Pack Germany GmbH (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. (BF), Schur Conference Center (D og BM), Dit Pulterkammer A/S (BM), Schur Labels a/s (BF) | Sovino Brands Holding ApS (BF), Sovino Brands ApS (BF), Sovino Administration ApS (BF), Café Victor A/S (BF), Lucifer ApS (BF), Trattoria F A/S (BF), Restaurant Geist A/S (BF), Ravage A/S (BF), Vinomio ApS (BF), Ps Restaurant Holding ApS (BF), Boathouse Cph. ApS (BF), Salon ApS (BF), Sk 12 ApS (BF), Kulturperlen Kgn ApS (BF), Kanalen ApS (BF), Sovino Management ApS (BF), Ferm Living ApS (BF), Sticks 'N' Sushi Holding A/S (BM), Sticks 'N' Sushi A/S (BM), Sticks 'N' Sushi UK Ltd., Storbritannien (BM), Sticks 'N' Sushi Germany GmbH (BM), Arvid Nilssons Fond (NF), AO Invest A/S (BM), Fonden Maj Invest Equity General Partner (BM), Brødrene A & O Johansen A/S (BM), Wendelbo Møbel Design A/S (BM), Wendelbo Interiors A/S (BM), MIE5 Datterholding 8 ApS (BM), Maj Invest South America S.A. (BM), Maj Invest Singapore Private Ltd. (BM), FLHC ApS (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), MIE5 Datterholding 9 ApS (BM og D), Maj Invest Equity 4 K/S (MI), Maj Invest Equity 5 K/S (MI), Maj Invest Equity Vietnam I K/S (MI), Maj Invest Equity Southeast Asia II K/S (MI) | Digi Kiosk ApS (BF), Vissing Fonden (BF), Ovendevande Skanderborg ApS (BF), Advice House A/S (NF), Vikan 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), Food Innovation Group ApS (BF), Food Innovation Center ApS (BF), Bagger-Sørensen Fonden (D) (BM), 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), Jamabi ApS (BF), Jamabi PE ApS (BF), Navest A/S (BF), Ejendomsanpartsselskabet MT 04 (BF), Bricks A/S (BM), Bricks Development A/S (BF), Bricks Ejendomme A/S (BM), Ejendomselskabet SF44 A/S (NF), Nicolinehus A/S (BM), Arcedi Biotech ApS (BM), AI Innovation Center A/S (BM), Bagger-Sørensen & Co. A/S (D), Bagger-Sørensen Invest A/S (D), Bagger-Sørensen Equity A/S (BM), 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 ApS (D), SoLoCa IVS (D), Gumlink A/S (D), Okono A/S (D), Okono Holding ApS (D), Chew Invest ApS (D), Vissing Holding A/S (BF), CCC3 Holding (D), Vejle Centrum ApS (D) (BM), Tablet 1 ApS (BM), BS HQ ApS (D) | AES (BF), Den Danske Naturfond (NF), Prodata Consult (BM), Finansielt Stabilitet (BM), Johannes Fogs Fond (BM), HFI Invest (BM), Haslev Møbler (BM), Jyske Bank (BM), Programdirektør CBS Bestyrelsesuddannelserne, Finans |
| Special skills | Comprehensive management and board experience in international businesses within the plastics and packaging industries | Comprehensive management and board experience in international businesses within various industries and from listed Danish companies. Comprehensive experience with acquisition and disposal of entities | Broad experience in finance and accounting practice as well as auditing and investments. State Authorised Public Accountant | Managerial background and comprehensive experience from the finance sector in connection with financial, HR and IT matters as well as ESG |
| Attendance | 100% | 91.67% | 100% | 100% |
| No. of shares: | 0 personally owned and 2,086,110 (+93,764) through related parties | 64,160 personally owned (0) and 5,714 through his own company (+5,714) | 17,500 personally owned (0) and 4,279 through his own company (+1,779) | 6,465 personally owned (+457), 1,461 through his own company (0) and 113 through related parties (0) |

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

Executive Board and Group Management



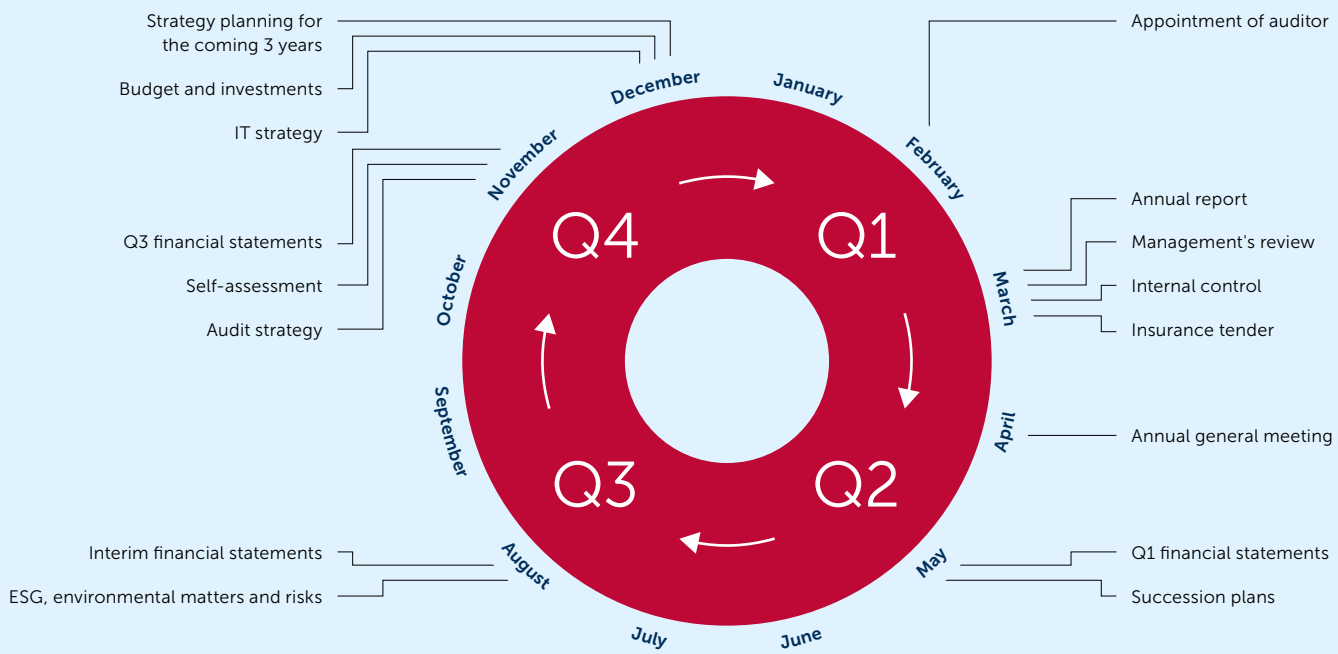
| | Frank Gad | Søren Ulstrup | Lars Ravn Bering | Tilde Kejlhof |
|------------------------------------|---|--|---|---|
| Title | CEO | Executive Vice President | Executive Vice President | Group CFO |
| Education | MSc Economics & Business Administration | Plastic engineer | MSc Engineering and B.Com. in Supply Chain | Master of Economics |
| Employed since | Frank Gad took up his position as CEO in November 2004 and is also chair of the Boards of Directors of the most significant subsidiaries in SP Group | 2015 – was appointed to the Executive Board in 2020. Also CEO of SP Moulding and Ulstrup Plast and chair of the Board of Directors of Coreplast and board member of other subsidiaries | 2017 – was appointed to the Executive Board in 2020. Also Managing Director of Gibo Plast A/S and Dan-Hill-Plast A/S and responsible for Group IT | In SP Group since 1 January 2020 |
| Residence and year of birth | Frederiksberg, born in 1960 | Holte, born in 1966 | Silkeborg, born in 1976 | Odense, born in 1978 |
| Gender and nationality | Male, Danish citizen | Male, Danish citizen | Male, Danish citizen | Female, Danish citizen |
| External directorships | Director of Frank Gad ApS, Gadinvest A/S, Gadplast ApS and Gadmol ApS. Investeringselskabet Damhaven A/S (BF) | Chair of the Danish Plastics Federation, chair of Ad-Client A/S, chair of Ulstrup Invest ApS, chair of the Executive Committee of DI, member of the Central Board of DI, board member of Roll-o-matic A/S, board member of FOM A/S, board member of LBT Ejendomme and Lynge Uggeløse Brugsforening – also director of Søren Ulstrup Invest ApS | None | None |
| Previous employment | CEO of FLSmidth A/S (1999-2004), CEO of Mærsk Container Industri A/S (1996-1999) and employed at Odense Staalskibsværft A/S (1985-1999), EVP at time of resignation | CEO of Ulstrup Plast A/S from 1993 | Nilfisk: 2016-2017, Gibo Plast: 2011-2016, Vestas: 2011, Gibo Plast: 2007-2011, Dansac: 2004-2007 | Harald Halberg Holding 2006-2009. Employed in the subsidiary MedicoPack from 2009-2019 as CFO |
| Attendance | 100% | 100% | 100% | 100% |
| No. of warrants | 30,000 stk. | 25,000 stk. | 25,000 stk. | 7,500 stk. |
| No. of shares | 173,830 personally owned (0) and 80,279 (-24,026) through his own company. Related parties 1,348,520 (+128,570)* * Frank Gad's shares (personally owned and related parties) account for 12.8% of the shares issued in SP Group. If warrants are included, the holding accounts for 13.1% of the shares issued | Shares in SP Group: 22,500 personally owned (+15,000) and 234,281 through related parties (+4,571) | Shares in SP Group: 16,825 personally owned (+4,004) | 1,500 personally owned (+1,500) |

Other executive officers in SP Group

Susie-Ann Spiegelhauer, CEO, Acccoat A/S
Michael Vinbeck Therkelsen, Managing Director, Tinby A/S (from 1 May 2020)
Torben Nielsen, Managing Director of Tinby A/S (until 30 April 2020)
Loïc van der Heijden, Managing Director of TPI Polytechniek B.V., the Netherlands
Claus Lendal, CEO of Ergomat A/S
David Bourghardt, Managing Director of Brdr. Bourghardt AB, Sweden
Torben Bruhn, Managing Director of MedicoPack A/S
Arild S. Johnsen, CEO of Plexx AS / Opido AB, Norway
Andreas Lagestig, Managing Director of Opido AB, Sweden
Kent Bøllingtoft Madsen, CEO of MM Composite A/S
Mikko Toivonen, Managing Director of Coreplast Laitila Oy, Finland
Anders Vestermark Hansen, Group Chief Accountant, SP Group A/S
Mia Mørk, Executive Assistant, SP Group A/S
Mogens Laigaard, Director of SP Medical A/S
Jan R. Sørensen, Managing Director, SP Moulding (Suzhou) Co., Ltd., China
Jens Birklund Andersen, Director, SP Moulding A/S and Sander Tech ApS
Jesper R. Holm, Director, SP Moulding A/S (until 30 June 2020)
Rafal Szefer, Managing Director, SP Medical Sp. z o.o., Poland
Renato Miom, Plant Manager, Acccoat do Brasil Ltda., Brazil (until 31 March 2020)
Anie Simard, Vice President, Ergomat Inc., USA
Monika Karczewska, Managing Director, SP Moulding Sp. z o.o., Poland
Niels Nørgaard, Plant Manager, Tinby Co. Ltd., China (until 30 June 2020)
April Zhu, Supply Chain Manager, Tinby Co. Ltd., China
Martin Baca, Managing Director, Ulstrup Plast s.r.o., Slovakia
Przemysław Tuzikiewicz, Managing Director, Tinby Sp. z o.o., Poland
Anna Szymczak, CFO, SP Group's Polish companies
Izabela Filipiak, Plant Manager, Ergomat Sp. z o.o., Poland
Kim Holm Hansen, Director, Tinby Skumplast A/S
Gusten Bergmark, Managing Director, Nycopac AB, Sweden
Peter Fejfer, Managing Director, MM Composite Inc., USA
Jens Møller and Peder Hyldegaard, Managing Directors, Kodaň Plast s.r.o., Slovakia
Li Chao, Plant Manager, Gibo Plast Co., Ltd., China

SP Group's annual wheel

The Board of Directors in SP Group A/S is responsible for strategic management focusing on ensuring value creation in the Group



The grant in 2018 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016. All warrants are partially hedged by means of treasury shares.

Due to the 1:5 share split in May 2018, each existing warrant issued before May 2018 will be entitled to subscription for 5 shares at 20% of the original exercise price.

In 2019, the Board of Directors issued 240,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 15,000 warrants, and Jørgen Nielsen received 15,000 warrants. The remaining 210,000 warrants were distributed between 42 executives. The warrants issued can be exercised to subscribe for shares in the period 1 April 2022 – 31 March 2025; 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 210.00 based on the listed price immediately before and after the publication of the annual report on 27 March 2019. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2019 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 2019 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 issued no warrants in 2020.

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, which helps support the Company's long-term earnings ambition as described in the "Going towards 2024" section on page 12.

SP Group's programmes so far have all been multi-annual programmes to promote long-term and value-adding 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. The Company's remuneration policy was presented at the annual general meeting in 2020.

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.



TPI Polytechniek will celebrate its 25-year anniversary in 2021

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.

Whistle-blower scheme

SP Group and all its subsidiaries strive for a business environment that promotes and upholds a high degree of integrity and responsibility.

Accordingly, the Company has established a whistle blower scheme that allows anyone with affiliations to SP Group to safely report suspected non-compliance with SP Group's policies and guidelines, laws and regulation as well as other serious irregularities.

Matters can be reported to the whistle blower scheme by sending an e-mail to hhe@sp-group.dk. The e-mail is sent directly to Hans-Henrik Eriksen, who is chair of SP Group's Audit Committee and independent member of SP Group's Board of Directors elected by the general meeting. Executives and employees in SP Group do not have access to this e-mail.

Guidance on how to use SP Group's whistle blower scheme has been communicated to all employees in local languages.

The whistle blower scheme is also described on the Company's website.

No matters were reported by stakeholders in 2020.

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.



Dan-Hill-Plast develops, sells and manufactures its own products such as fenders for ships and boats under the trademark Dan-Fender, which is sold worldwide

Ownership interests at mid-March 2021:

| Board of Directors and Group Management: | Private | Own company | Related parties | Total | % of share capital |
|--|----------------|----------------|------------------|------------------|--------------------|
| Hans Wilhelm Schur | | | 2,086,110 | 2,086,110 | 16.8 |
| Erik Preben Holm | 64,160 | 5,714 | | 69,874 | 0.6 |
| Hans-Henrik Eriksen | 17,500 | 4,279 | | 21,779 | 0.2 |
| Bente Overgaard | 6,465 | 1,461 | 113 | 8,039 | 0.1 |
| Frank Gad | 173,830 | 80,279 | 1,348,520 | 1,602,629 | 12.8 |
| Søren Ulstrup | 22,500 | 234,281 | | 256,781 | 2.1 |
| Lars Bering | 16,825 | | | 16,825 | 0.1 |
| Tilde Kejthof | 1,500 | | | 1,500 | 0.0 |
| Total | 302,780 | 326,014 | 3,434,743 | 4,063,537 | 32.5 |

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 chair of the Audit Committee and state authorised public accountant. Bente Overgaard is also an independent member. The Audit Committee has its own rules of procedure.

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.

Shareholder information

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 the 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 DK0061027356 and ID CSE3358. SP Group is registered in the "Chemicals" sector. SP Group is included in the OMX Copenhagen Benchmark Index.

The share capital of DKK 24.98 million is divided into 12,490,000 shares of DKK 2 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.

On 3 June 2020, the share capital was increased by the issue of 1.1 million new shares of DKK 2 each, which were sold at market price without pre-emption rights for the Company's shareholders. The issue was over-subscribed. The subscription price was 200. The subscription provided the Company with DKK 220 million gross and DKK 215 million net.

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 7.8 million in the period until 1 April 2024 by subscription for new shares at market price or a lower price determined by the Board of Directors, however, not below DKK 2 per share. The Board of Directors asked the company in general meeting to renew the mandate in 2019.

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 acquisition date. The Board of Directors asked the company in general meeting to renew the mandate in 2019.

Share split

In 2018, the company in general meeting decided 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. The first trading day of the new split share was on 7 May 2018.

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.

During the year, the SPG share was traded at prices between 132 and 290. The share price was DKK 242 at the beginning of the year and DKK 271 at year end, corresponding to a market value of DKK 3,385 million.

In 2020, the return on the share was 12.0%, which is lower than the return on the Danish MidCap index but largely in line with the return on the European STOXX 600.

In the period from 1 January 2010 to 31 December 2020, the SPG share yielded a total return of 3,370%, including dividend, which is the fourth highest among listed Danish shares.

Share buy-back programme

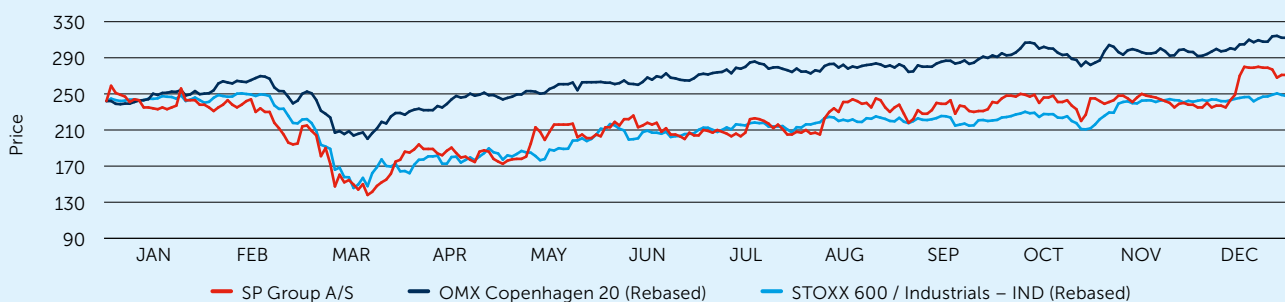
The Company will still try to fully or partially hedge warrant programmes by buying back treasury shares.

On 11 April 2019, SP Group A/S launched a share buy-back programme, see company announcement 14/2019 dated 27 March 2019. The share buy-back programme was expanded on 29 April 2019 by DKK 15 million (company announcement 29/2019) to DKK 55 million. The share buy-back programme has been extended and expanded by DKK 40 million, see company announcement 45/2019 dated 22 August 2019. In connection with the share buy-back programme, which ran in the period from 11 April 2019 up to and including 10 April 2020, SP Group will purchase shares for a maximum consideration of DKK 95.0 million. A total of 358,805 shares were acquired at an average price of 221.07 under the programme, and DKK 79.3 million had been used (company announcement no. 21/2020).

In 2020, 160,028 shares were sold via the exercise of warrants.

On 15 September 2020, SP Group A/S launched a share buy-back programme, see company announcement 37/2020. In connection with the share buy-back programme, which runs in the period from 15 September

Development in the SPG share 1 January – 31 December 2020. Index 1 January 2020 = 242.0



2020 up to and including 10 April 2021, SP Group will purchase shares for a maximum consideration of DKK 40 million.

At year end 2020, DKK 19 million had been used. At year end 2020, the holding of treasury shares totalled 286,430 shares, corresponding to 2.29%. The share buy-back programme was expanded by DKK 25 million to DKK 65 million on 25 January 2021, see company announcement no. 06/2021.

Ownership and liquidity

In mid-March 2021, four shareholders reported a holding of more than 5% of the shares: Schur Finance a/s, Odin Fund Management, ATP and Frank Gad (including his related parties) with a total of 44%. During the year, the number of registered shareholders increased from approx. 2,350 to approx. 2,670, and the registered shareholders' total ownership interest now amounts to 97.3% of the share capital (against 95.5% at year end 2020).

The known shareholder base outside Denmark is still modest, but increasing. 95 international shareholders holding a total of 31.7% of the shares have become registered (81 at the end of March 2019 and 25.5% of the shares at the end of March 2019).

During the year, 2,241,872 SPG shares were traded on Nasdaq, and 1,260,068 SPG shares were traded outside Nasdaq, corresponding to 28.0% of the share capital. The market price of the shares traded on Nasdaq amounted to DKK 485.4 million. Measured in DKK, the share trading volume on Nasdaq was 25.2% lower than in the previous year, and measured in number of shares, the share trading volume was 21.6% lower than in 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 a silence period of three weeks up to the publication of scheduled interim and full-year reports where the Group does not comment 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.

Published stock exchange announcements for the past five years: Announcements are available on SP Group's website: www.sp-group.dk

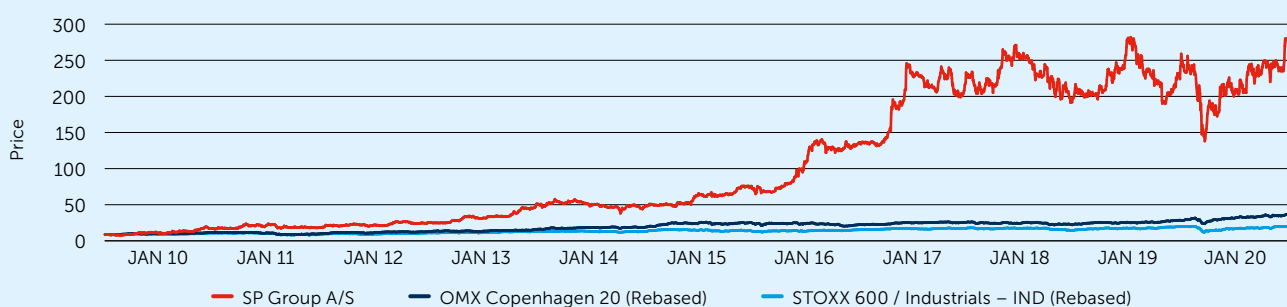
Financial calendar for 2021

| | |
|-------------|---|
| 26 March | Announcement of financial statements for 2020 |
| 27 April | Annual general meeting |
| 26 May | Interim report for Q1 2021 |
| 26 August | Interim report for H1 2021 |
| 11 November | Interim report for Q3 2021 |

Share information – SP Group A/S – mid-March 2021

| Name | Registered office | No. of shares | Share (%) |
|--------------------------------------|-------------------|-------------------|--------------|
| Schur Finance a/s | Horsens | 2,086,110 | 16.8 |
| Frank Gad, including related parties | Frederiksberg | 1,602,629 | 12.8 |
| Odin Fund Management | Oslo | 1,159,307 | 9.3 |
| Arbejdsmarkedets Tillægspension | Hillerød | 642,173 | 5.1 |
| Lannebo Fonder | Stockholm | 621,191 | 5.0 |
| | | 6,112,643 | 49.1 |
| Distribution of other shares | | | |
| SP Group (treasury shares) | | 374,008 | 3.0 |
| Registered shares below 5 % | | 5,669,251 | 45.3 |
| Non-registered shares | | 335,331 | 2.7 |
| Total | | 12,490,000 | 100.0 |

Development in the SPG share 1 January 2010 – 31 December 2020. Index 1 January 2010 = 8.7



Management systems

The Group's production sites have all implemented quality and management systems that ensure adequate focus on quality, environment and working environment. The majority of all sites are certified by a third party or have planned a certification of the systems.

| Site | ISO 9001 | ISO 14001 | ISO 45001 | Other |
|-------------------------|----------|-----------|-----------|------------------------------------|
| Gibo | | | | |
| - Denmark | x | x | x | IATF 16949 planned |
| - Poland | x | x | x | DIN 6701 |
| - USA | | | | ISO 9001, 14001 and 45001 planned |
| - China | | | | ISO 9001, 14001 and 45001 planned |
| Plexx / Opido | | | | |
| - Sweden | x | x | | |
| - Norway | x | x | | |
| SP Moulding | | | | |
| - Juelsminde | x | x | | |
| - Stoholm | x | x | | IATF 16949 |
| - Poland | x | x | | |
| - 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 | x | |
| Accoat | | | | |
| - Kvistgård | x | x | | |
| Ulstrup Plast | | | | |
| - Lyngø | x | | | |
| - Slovakia | x | x | | |
| MedicoPack | | | | |
| - Denmark | | | | ISO 13485, ISO 50001 and ISO 15378 |
| MM Composite | | | | |
| - Denmark | x | x | | |
| - USA | x | x | | |
| Coreplast | | | | |
| - Finland | x | x | | ISO 13485 and IATF 16949 |
| Dan-Hill-Plast | | | | |
| - Denmark | x | | | |

Management systems

In SP Group, most companies have now organised their management and control of the companies. The majority is based on quality, environmental or working environment management systems, collectively referred to as a management system.

The management systems are based on a mapping of the companies' stakeholders, internal and external circumstances and an assessment of the companies' risks and opportunities in this respect.

The management systems comprise preparation and adoption of policies and setting up objectives, goals and action plans and also imply that the companies implement and maintain a management system of procedures and instructions for the most significant activities.

The companies' management systems are inspected and controlled annually by external auditors that represent an independent body, accredited certification agencies that assess the companies' actual performance compared to the procedures in the management systems and the requirements of applicable ISO standards.

Quality management certified in accordance with ISO 9001 and 13485

As is the case for the management systems related to the companies' environment and working environment, a quality system means that the companies ensure through procedures and instructions that they work determinedly and systematically on regularly improving the internal business processes that are to ensure appropriate management of resources, suppliers, productions and products to achieve customer satisfaction.

Environmental management certified in accordance with ISO 14001

An environmental management system means that companies can document the mapping of their environmental matters, that environmental matters are handled appropriately and that applicable environmental legislation is complied with.

The companies' efforts to comply with procedures and instructions ensure that they work determinedly and systematically on regularly improving their environmental performance, which is monitored and measured on an ongoing basis.

Improved environmental performance is achieved by investing in processes, buildings and equipment thus aiming, within given financial limits, to apply cleaner technologies.

Working environment management certified in accordance with ISO 45001

A working environment management system means that the companies can document the mapping of their working environment matters and that these matters are handled appropriately.

The Company's efforts to obtain and maintain working environment certifications extend beyond compliance with national legal requirements and international conventions in the working environment area. By complying with procedures and instructions, the companies ensure that they work determinedly and systematically on regularly improving the working environment.

A continuous focus on employees' physical and mental working environment ensures employees' well-being and safety in the companies, which aim to reduce absence due to illness and work-related accidents and to ensure personal and professional development of the individual employees.



Kinga Szewczyk, Gibo's factory in Poland

R & D

Things are still moving really fast 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. Plastic is often chosen due to its many unique properties.

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.

Our focus has been centred on graphene where we work with both manufacturing and use of graphene. In co-operation with a Danish university, the production methods are further developed so that production can be scaled up from laboratory tests to covering an actual need. Moreover, new areas are explored where graphene could be used with advantage in terms of creating new material properties in both thermoplastics and thermoset plastics.

IT and personal data security

In 2018, SP Group set up a central IT and personal data security function to strengthen and validate the efforts in this area.

This relates to both SP Group's own subsidiaries and IT networks and to future acquisitions.

General policies have been drawn up describing how subsidiaries are to act in relation to the protection of personal data and IT security.

All subsidiaries and IT networks in SP Group are reviewed at least once a year by the IT Security Officer in relation to these policies, and in case of deviations, action plans with specific deadlines are prepared. Once a year, an overall status report is prepared for SP Group's Board of Directors.

Corporate Social Responsibility

Our global joint responsibility

SUSTAINABLE DEVELOPMENT GOALS



In 2020, 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 took 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.

Internally, our health and safety efforts were also focused on handling COVID-19 and the challenges brought on our production and day-to-day operations by the pandemic during the year.

With our presence in 11 countries and sales in all parts of the world, we are able to provide favourable conditions to the environment, people and animals in many types of communities. Thus, we contribute to meeting all the UN's 17 Sustainable Development Goals. To highlight SP Group's commitment to global sustainability, the Group joined the UN Global Compact in 2020 and thus builds on the efforts of SP Moulding, which has been a member of the Global Compact since 2012.

To best contribute to the green transition, we have set the following strategic goals to be achieved by 2030:

- No negative environmental impact from operations
- Entire global production powered by renewable energy
- Entire Company is carbon neutral in Scope 1 and Scope 2
- Support the transition to a world powered by renewable energy by manufacturing state-of-the-art plastic and composite solutions.



Our business model integrates sustainability considerations

It is important to SP Group that we can increase the Group's earnings and activities in a responsible manner.

Acknowledging that our products increase the consumption of plastics, we actively assume responsibility for developing our business and production in a manner which increasingly reduces any adverse impact on the environment and contributes to sustainable development.

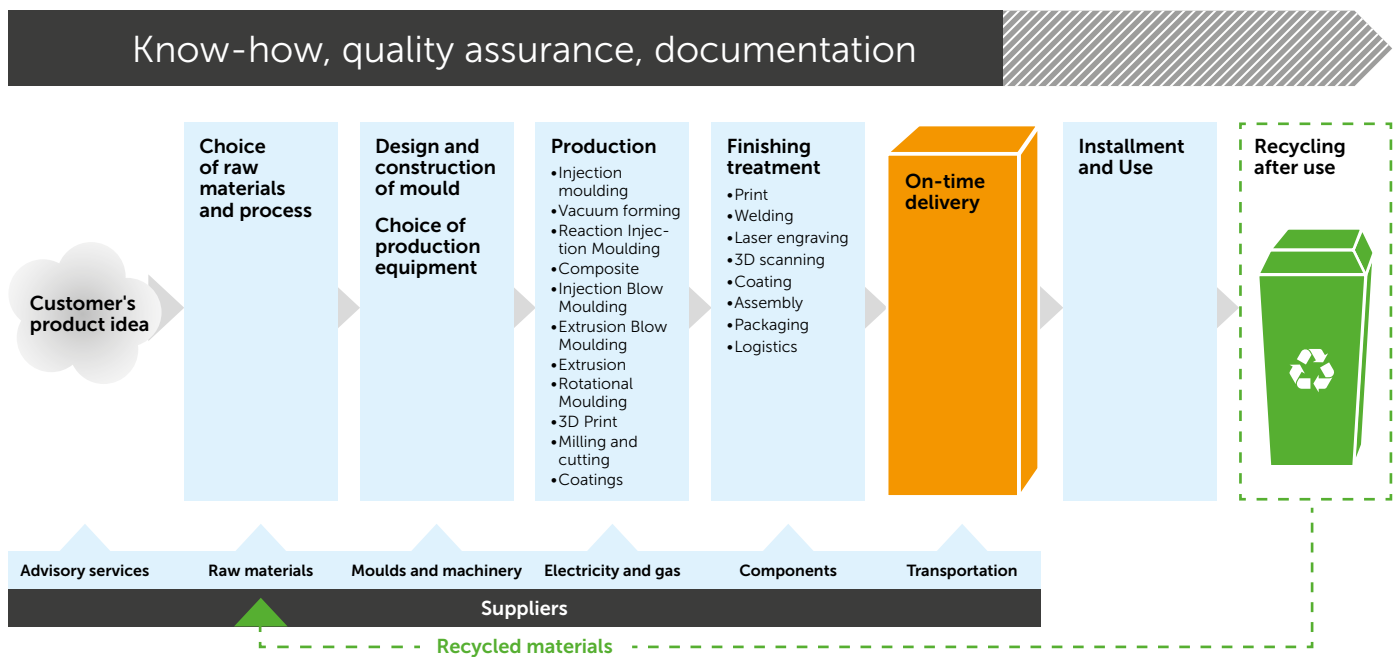
It is also our goal that the Group can contribute financially to the communities of which we are part by being innovative and creating workplaces.

In the past year, we have strengthened our efforts to integrate sustainability into our business model. In particular, we have focused on adding value by recycling plastic in our production and using both our own excess production materials and recycled plastics and raw materials from external suppliers.

The majority of our production comprises products to be used for cleantech, healthcare and food production. Thus, the cleantech industry accounts for 32% of our revenue as it uses our products to reduce energy consumption, produce renewable energy and effectively treat wastewater and purify waste gas, etc. Revenue from products for the healthcare industry totals 30%, whereas the components manufactured for food production and storage account for 13% of revenue.

Figure 1 – SP Group – Business model

SP Group's value creation



Our CSR organisation

To ensure that we deliver on our ambition regarding corporate social responsibility, we have established an organisation where roles and responsibilities for our CSR efforts have been determined.

The Board of Directors has the overall responsibility for our CSR efforts. It oversees the overall strategy and approves policies and reports.

In addition, the chair of the Audit Committee is responsible for our whistle blower hotline and for handling any complaints.

In the day-to-day operations, the responsibility for our sustainability efforts has been delegated to the individual plants and sites. Plant Management is responsible for the efforts, which are carried out systematically in accordance with our management systems and in dialogue with working environment and safety organisations.



Sustainable Development Goal 17 on partnerships

SP Group co-operates and enters into partnerships with educational institutions, researchers, authorities and other players, both as a workplace and as a company. We are happy to share knowledge of our products and processes to contribute to a positive change and sustainable development of our community.

Internal regulation

Sustainability is integrated in our production and administrative entities by means of internal regulation. We have adopted a CSR policy that reflects SP Group's fundamental value proposition: to create optimum plastic solutions to the benefit of both our customers and society at large. Thus, the CSR policy constitutes a framework for all our activities and our profile as a responsible place to work and business partner.

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

Management systems

In SP Group, all companies have now organised their management and control of the companies or have active plans in place to do so. The methodology is based on quality, environmental or working environment management systems, collectively referred to as a management system.

The management systems are based on a mapping of the companies' stakeholders, internal and external circumstances and an assessment of the related risks and opportunities.

The management systems comprise preparation and adoption of policies and setting up objectives, goals and action plans and also imply that the companies implement and maintain a management system of procedures and instructions for the most significant activities.

The companies' management systems are inspected and controlled annually by external auditors that represent an independent body, accredited certification agencies that assess the companies' actual performance compared to the procedures in the management systems and the requirements of applied ISO standards. See the overview on page 42 of the annual report.

Environment and climate

SP Group integrates sustainability and accountability in our products and in the way in which we plan our daily operations.

We are systematically striving to reduce our impact on the environment and promote a higher level of environmental responsibility by working with the factors affecting the climate in a positive and sustainable way. Environmentally friendly technologies and materials are therefore applied using a certified environmental management system.

Our goal is also to contribute to environmental sustainability through our customers' use of SP Group's products. Our products largely replace the use of metals and glass, and by applying more environmentally friendly technologies and materials in our production processes, SP Group aims to prove that plastic – when manufactured and used prudently – is a better choice for the environment.

Sustainable Development Goals

It is important for SP Group to contribute to the UN's Sustainable Development Goals. Our efforts to reduce negative environmental and climate impact from our production relate to these Sustainable Development Goals:



Sustainable Development Goal 6 on clean water. Through its products, SP Group contributes to providing access to clean drinking water. The products are particularly used in disaster zones where the water is contaminated and thus hazardous to health.

We support **Sustainable Development Goal 7** on clean energy by reducing the energy consumption in our production and products that manufacture renewable energy forms.

As a manufacturing company, we can best contribute to **Sustainable Development Goal 9** on sustainable industrial processes and innovation through product innovation as well as improvement and optimisation of our production processes.

Sustainable Development Goal 11 on sustainable cities. Many of our activities contribute to the development of sustainable cities and environments, i.e. by means of sustainable production processes and products.

Sustainable Development Goal 12 on responsible consumption and production. SP Group supports sustainable consumption and production patterns by developing products locally in neighbouring markets where they are sold and used.

Sustainable Development Goal 13 on climate action. SP Group generally works with the factors making a positive and sustainable impact. Particularly our products for the cleantech industry help reduce energy consumption, produce alternative energy and purify smoke.

Sustainable Development Goal 14 on life below water. SP Group contributes to reduce ocean pollution when we coat oil pipes with non-stick coatings. It reduces the need for aggressive chemicals in the marine environment in connection with oil production.

Gibo Plast manufactures bio components for biological cleaning plants so that wastewater does not pollute the oceans.

Sustainable Development Goal 15 on life on land. By developing products that replace wood, e.g. from rain forests, with plastic from household waste, SP Group contributes to promoting sustainable management of all types of forests.

CSR policy

We will work systematically to reduce our impact on the environment, fight climate change and promote greater environmental responsibility through our certified environmental management systems. Generally, plastics have a number of unique properties that are essential to our society, and if plastics are manufactured, used and handled prudently, it has a positive impact on the environment. On this basis, we strive to use environmentally friendly materials in our production and development processes, limit our material consumption, waste and refuse and to recycle materials and products to the widest extent possible.

All our factories comply with the environmental requirements of legislation and EU directives, including the REACH Directive, the Candidate list of Substances of Very High Concern and the RoHS Directive.

Risk

SP Group's primary environmental risk is associated with consumption of resources, wasted material and greenhouse gases from our production plants. The risks are addressed through our certified efforts and management systems as well as other measures that ensure quality and environmental protection in the production processes.

In spite of extensive safety procedures, the external as well as the working environment may be affected in case of accident. In such case, procedures and delegation of responsibilities have been established at the individual sites through our environmental management and management systems.

The risk outlook is affected by the fact that electricity and energy are purchased from suppliers whose circumstances SP Group has no control over (Scope 2).

SP Group believes that the Group complies with all current environmental regulations. In 2020, there were no active enforcement orders anywhere in our production.

Environmental management systems

It is still SP Group's strategy that all production entities must implement a certifiable environmental management system that ensures use of environmentally friendly products in the production and development processes, minimisation of waste and refuse as well as resource consumption to the widest extent possible and recycling of materials and products. (see page 42 for a list of environmental certifications)

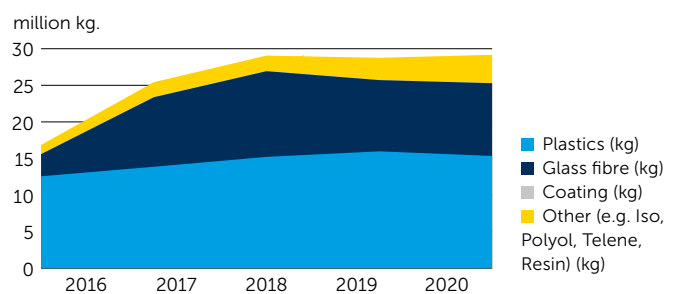
With SP Group's environmental management systems, we can document the mapping of our environmental matters, that environmental matters are handled appropriately and that applicable environmental legislation is complied with. Our effort to comply with procedures and instructions ensure that we work determinedly and systematically on regularly improving our environmental performance, which is monitored and measured on an ongoing basis. Improved environmental performance is achieved by investing in processes, buildings and equipment thus aiming, within given financial limits, to apply cleaner technologies. In addition, the certification also forms the basis for minimising waste and refuse as well as resource consumption and, to the widest extent possible, recycling materials and products.

Raw materials

The amount of raw materials purchased correlates to the size and number of products that we manufacture for our customers. The Company's growth rate since 2016 thus reflects the development in the purchase of raw materials in the period 2016-2020.

Figure 2 shows that the purchase of plastics and coating decreased from 2019 to 2020, and the purchase of glass fibre and other materials increased slightly. The lower volume of virgin plastic was obtained by, among other things, increasing focus on the possibility of using recycled plastics when possible and with the limitations set by the characteristics of the material.

Figure 2 – Purchase of raw materials 2016-2020

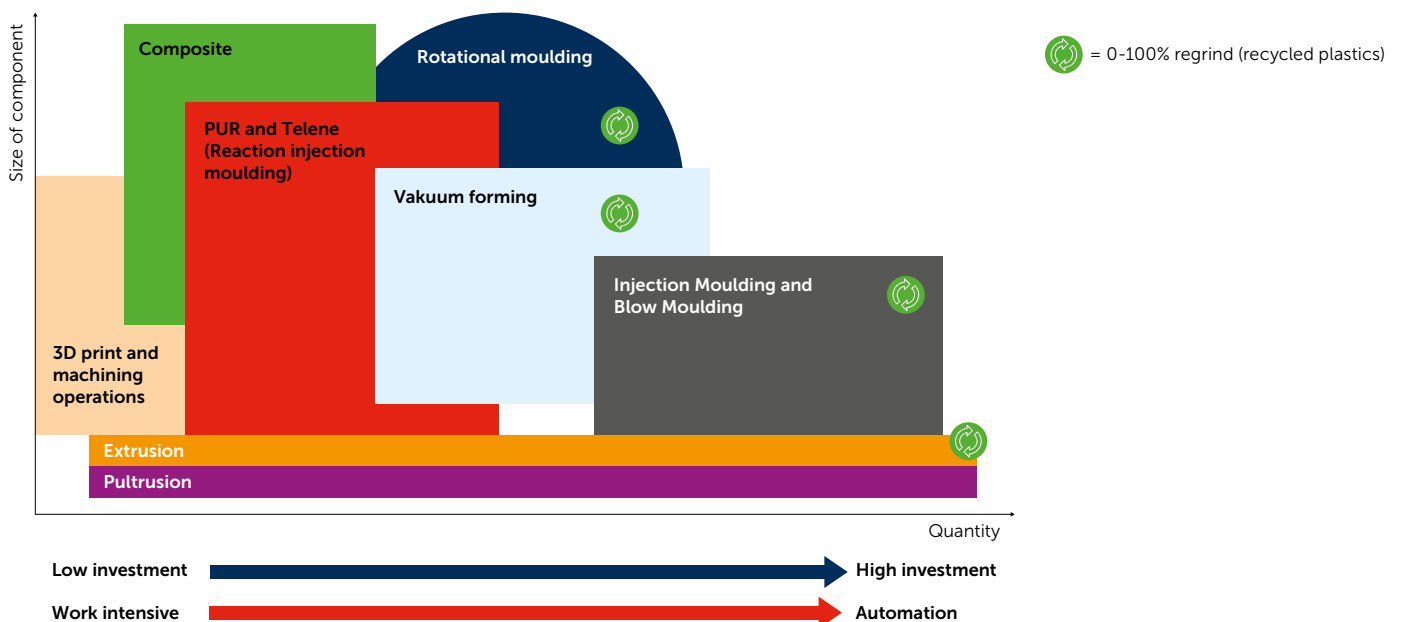


In recent years, SP Group has increased its focus on the use of recycled plastics when manufacturing plastic components. We have achieved great results both in terms of component type, size, volume and complexity in investments and intensity of work. As illustrated in figure 3, we have succeeded in phasing in recycled plastics in our rotational moulding, vacuum forming, injection moulding, blow moulding and extrusion production.

Going forward, SP Group will continue, in close co-operation with our customers, to examine how recycled plastics and recycling of own products can be included in production at advantage. Focus is also maintained on reducing or replacing the other raw materials used today with more sustainable alternatives.

Figure 3 – Use of recycled plastics

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



Energy and electricity

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

We therefore focus on the energy consumption when operating our factories. We primarily use natural gas to heat ovens and premises and only use oil to a very limited extent, and we never use coal. The production processes are powered by electricity and gas. Moreover, we use district heating at two factories in Denmark and one in Poland, and we have a minor diesel and petrol consumption for our company cars.

The level of electricity consumption has remained largely unchanged since 2018 regardless of the volume of raw materials consumed in the same period. Consequently, we have obtained improved intensity in the electricity consumption relative to processed raw materials, however, with a minor increase from 2018 to 2019 and a minor decrease from 2019 to 2020.

In 2020, we also worked on reducing our consumption of fuel oil for heating, which resulted in a decrease of more than 35% since 2019 and more than 60% since 2018. We will continue to strive to reduce the consumption of fuel oil through electrification and use of alternative heating methods.

In 2020, we also saw an increase in our consumption of natural gas due to increased production in rotational moulding and coating and the acquisition of a factory. The ovens used for these production methods are powered by natural gas, and as we plan to construct more factories carrying out rotational moulding and coating in 2021, the consumption will increase.

Figure 4 – Electricity consumption 2016-2020 (kWh)

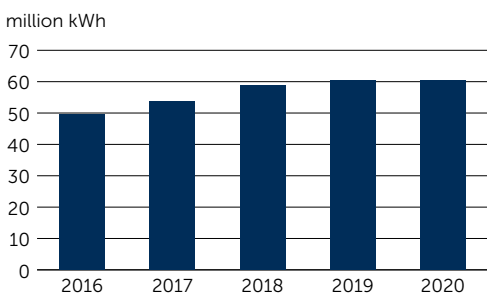


Figure 5 – Electricity consumption (intensity) 2016-2020 (kWh)

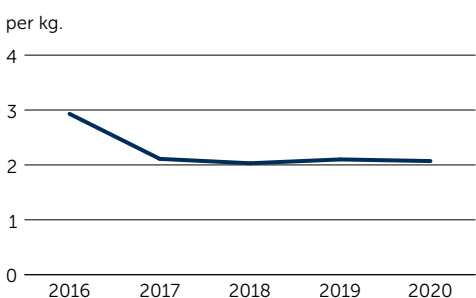
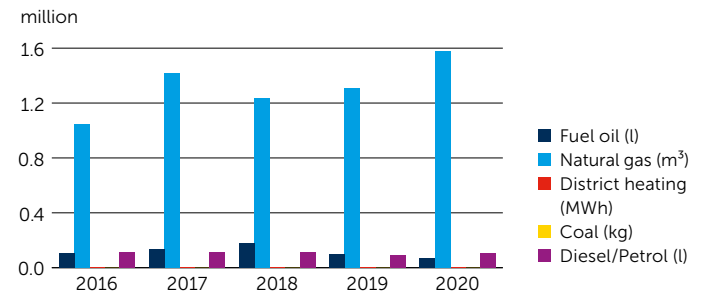


Figure 6 – Energy consumption 2016-2020



We monitor developments in key consumption indicators at all our plants and thus ensure that we can control and reduce resource consumption 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.

Our goal is to increase the share of renewable energy so that our entire electricity consumption is covered by renewable energy by 2030 at the latest. We will also invest in energy-saving equipment.

Carbon emissions

Even though SP Group's direct carbon emissions are modest, we still seek 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.

Our carbon emissions have been reduced by more than 2000 tonnes since 2019, which is primarily attributable to the fact that electricity production is increasingly based on renewable energy in the countries in which we operate.

In recent years, we have also succeeded in reducing our carbon intensity in terms of processed raw materials. Despite a slight increase in 2019, we achieved a decrease in 2020, and thus, the intensity was kept below one kilo of carbon for each kilo of processed raw material.

Figure 7 – Carbon emissions (intensity) 2016-2020

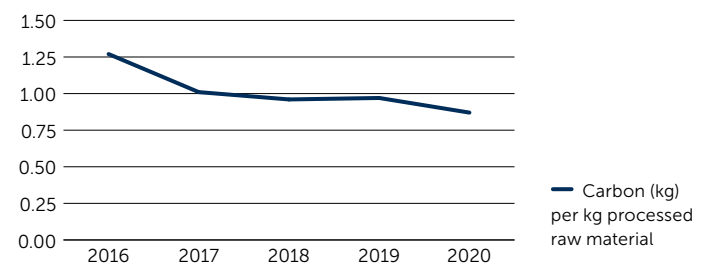
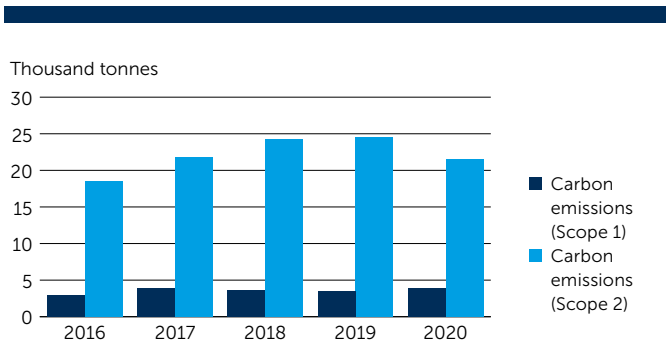


Figure 8 – Carbon emissions 2016-2020



SP Group has set a strategic goal to become carbon neutral in Scopes 1 and 2 by 2030. In 2021, we will examine the possibility of converting to locally produced renewable energy in the areas where our production facilities are located. This will have a positive effect on carbon emissions and carbon intensity.

Product case: Purification of waste gas

Environmental effects can be obtained by using fluoroplastic coatings as corrosion protection, e.g. in waste gas purifying plants at coal-fired power plants. Other coatings of surfaces with fluoroplastics can generate considerable savings on cleaning materials and solvents as well as water.

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, Dan-Hill-Plast, SP Moulding, Brdr. Bourghardt, Tinby and MM Composite manufacture components for the cleantech industry.

Product case: Insulation

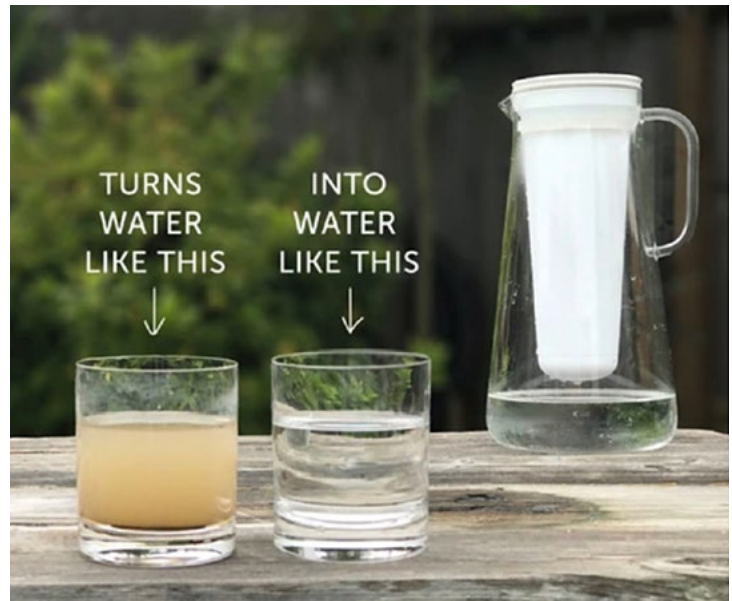
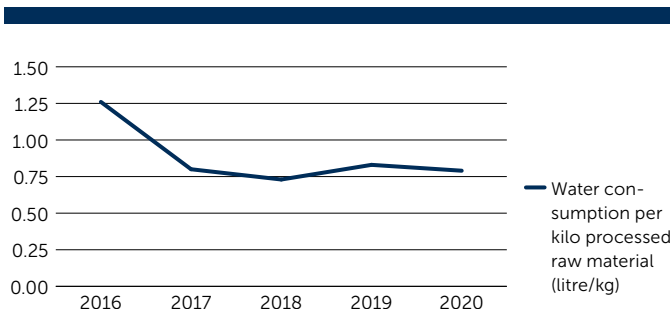
Tinby manufactures PUR and PIR insulation material for buildings and vehicles with extremely good Lambda values. This ensures more effective insulation and, consequently, lower energy consumption.

Water

SP Group monitors the water consumption for production and continuously strives to reduce the amount of water. Since 2016, we have obtained a significant reduction of the water consumption per kilo processed raw material and have maintained a low level for the past three years with a small increase in 2019 and a minor decrease in 2020.

We aim to reduce the intensity of our water consumption further in the coming years.

Figure 9 – Water consumption (intensity) 2016-2020



Product case: Access to clean water

At SP Moulding's factory in China, we manufacture various water purification products that people in developing countries use to clean filthy water from rivers and lakes.

One of these products is plastic components for this pitcher from Vester-gaard®, which ensures clean drinking water and meets the NSF's requirements. For each pitcher sold, LifeStraw's Give Back Program provides a child in need with clean drinking water for one year.

Waste and recycling

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

Gibo's container floors in CMA CGM containers are made from household plastic waste and are currently being tested in containers around the world. Plastic floors can replace traditional floors, which are primarily made of plywood, including wood from tropical rain forests





Collected household waste can be used for new fences

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

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, MedicoPack, PlexxOpido 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.

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.

The goal for 2021 is an increased focus on recycling and use of recycled plastics in products where it is possible. We will also focus on reducing the volume of by-products deposited and incinerated in the countries that primarily handle their waste in this manner.

Product case: Recycling of plastic waste

Since 2013, SP Group has been working on developing a production form that replaces wood from rain forests by plastics from sorted household waste. 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.

In 2020, we also worked on developing other products of reground plastic waste, for instance Nycopac's pallet lids made from 100% recycled plastics and TPI's wind hoods made from 90% recycled plastics and 10% virgin plastics for UV protection.

Fighting ocean plastic pollution

SP Medical, Gibo Plast 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.

Human rights

It is important for SP Group to carry on its activities in a responsible manner regardless of where in the world our business activities are located. Our efforts in terms of respecting human rights are centred on the areas where we can best affect human rights in a positive manner.

We also want to promote those of our activities that can contribute positively to strengthening gender equality and non-discrimination. Currently, it is also natural to strengthen the protection of personal data. In addition to internal efforts, we are happy that we, together with our customers, can contribute to improved health and food safety in all parts of the world.



Sustainable Development Goals

SP Group's efforts to protect human rights are based on the UN Sustainable Development Goals. Our initiatives, both internally and in the supplier chain, relate to:

Sustainable Development Goal 1 on ending poverty. We contribute to the goal through our disposable products for medical purposes in developing countries. The price and availability of the products bring new possibilities to persons exposed due to poverty.

Sustainable Development Goal 2 on ending hunger. SP Group contributes to this goal through products promoting food safety and sustainable agricultural production.

Sustainable Development Goal 3 on good health and well-being. Our products are part of the solution to promoting health and well-being by assuring the quality of healthcare treatment around the world.

Sustainable Development Goal 10 on reduced inequality through available products in all parts of the world providing better living conditions, health and well-being.

Sustainable Development Goal 16 on strong institutions. By ensuring a high level of data protection and information security, we promote the protection of the right to respect the privacy of our customers and employees.

CSR policy (abstract)

As SP Group wants to contribute to the protection of human rights in the countries in which we operate, we strive to promote measures that have a positive impact on human rights.

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.

Risk

SP Group is aware of the current and potential risks that our production, activities and business partners in more than 100 countries around the world may pose in relation to human rights.

Our efforts to prevent and mitigate risks 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.

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

SP Group did not receive any information or notifications regarding human rights violations from external players in 2020. Communications with suppliers and sub-suppliers did not uncover any involvement in human rights violations either.

In 2021, we will initiate a new risk assessment of the countries in which the Group has activities in the form of production facilities and sales offices.

Product case: Controlled use of pesticides

SP Group's subsidiary Ulstrup Plast manufactures plastic components that are assembled to an advanced agricultural sprayer used for spraying and treatment of farmland. 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. At the same time, it helps protect the environment and the people working and living in the area. The fact that the components of the agricultural sprayer are made of plastic makes it possible to manufacture the machine at lower costs and with more options than would be the case when using metal.

Equality and non-discrimination

SP Group takes active measures to discourage discrimination, both internally in relation to our employees and externally in our supplier chain. In this connection, we also focus on non-discrimination and equal opportunities for everyone.

We did not receive any complaints about discrimination from employees or external players in 2020.

As part of our precautionary measures to avoid discrimination, in 2021, we will assess whether it is necessary to draw up a policy against sexism and other behaviours preventing equal opportunities for women and men.

Product case: Access to disposable medical products

As a company, we contribute to the global efforts to promote health through equality and equal opportunities 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 entail inequality and exposure to poverty and bad health.

Food-related products

Food safety is one of the most significant factors in the efforts to end hunger and to promote health and well-being. SP Group strives to contribute to these efforts through several of our products that promote effective food production systems through coatings and components for cooling products.

Products for improved food production and cooling are expected to account for an increasing part of revenue in 2021.

Product case: Improved production and storage

Accoat makes non-stick, low-friction coatings on machinery for food production and pharmaceuticals 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 and pharmaceuticals in the

entire value chain in an energy-efficient manner, thus improving food shelf-life and reducing food waste.

Healthcare

Health promotion is an objective for people in all societies. Our products contribute to improving the tools used in healthcare treatment and are part of the solution in terms of assuring quality healthcare treatment worldwide.

SP Group's products are used in hospitals in connection with operations and as aids in everyday life for people with disabilities or other illnesses.

A number of ergonomic solutions from Ergomat prevent physical wearing-down through mats in the working environment that are shock-absorbent and protect the body from vibration. At the same time, the mats stimulate muscle activity and improve blood circulation and thus help reduce tiredness.

These products accounted for 30% of the Group's product portfolio in 2020, and we expect an increase in 2021.

Product case: Medical equipment

Accoat and SP Medical coat instruments used for operations in hospitals. We thus contribute to ensuring quality of treatment and better survival prospects. SP Medical also manufactures medical devices that contribute to disease control.

MedicoPack 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. The products are disposable, which reduces the risk of infection

Donation of protective equipment in Poland

At the outset of the corona pandemic in the beginning of 2020, Gibo Plast in Poland manufactured face shields that were donated to local hospitals and fire departments as face shields were in short supply in the public sector in Poland.

The local authorities were grateful for our initiative, and the employees were happy to receive the face shields



or contamination as opposed to multiple-use products. This is particularly important in low-income countries.

Privacy and protection of personal data

Protection of personal data regarding employees and customers 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 the protection of personal data.

In 2018, SP Group set up a central IT and personal data security function to strengthen and validate the efforts in this area. This relates to both SP Group's own companies and IT networks and to future acquisitions. General policies have been drawn up describing how subsidiaries are to act in relation to the protection of personal data and IT security.

All subsidiaries and IT networks in SP Group are reviewed at least once a year by the IT Security Officer in relation to these policies, and in case of deviations, action plans with specific deadlines are prepared. Once a year, an overall status report is prepared for SP Group's Board of Directors.

In 2021, we will assess whether it is relevant for SP Group to work with data ethics and adopting a policy in this respect going forward.

Staff matters

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

Aiming at running all SP Group entities as sound entities and attractive workplaces, 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.

As an industrial company, we can best promote sustainable industrial processes and innovation through our own day-to-day practice. In general, we constantly seek to innovate and make our production processes more efficient for the benefit of both employees and customers but also to develop new products contributing to improved working conditions, e.g. ergonomic mats, marking stripes and social distancing signs.

Sustainable Development Goals

It is important for SP Group that our workplaces help promote continued and sustainable economic growth in the societies that we are part of. Thus, we contribute to the following Sustainable Development Goals:



Sustainable Development Goal 4 on quality education; we contribute through our continuing education offers to employees and our traineeships.

Sustainable Development Goal 5 on gender equality; we promote the goal through efforts to increase the number of female executives.

Sustainable Development Goal 8 on decent work and economic growth; through our presence in 11 countries in 3 continents, SP Group creates workplaces and promotes local culture and products. This enables economic growth and a good standard of living for our employees and their families.

Sustainable Development Goal 10 on reduced inequalities; we contribute by ensuring equal pay for equal work and by paying a fair salary to all employees regardless of where they are located.

CSR policy (abstract)

In SP Group, we always provide our employees with healthy and safe workplaces, and we respect their right to equal and fair working conditions in accordance with the principles of the UN Global Compact.

We comply with both national and local legislation and thus also acknowledge our employees' right to freedom of association, collective bargaining, rest and time off, equal pay for women and men, anti-discrimination, maternity/paternity leave and equal employment and career opportunities.

We provide our employees with favourable employment terms, among other things by complying with applicable legislation and collective agreements in our areas in terms of salary and other employment terms. In addition, we strive to ensure that our employees are offered development opportunities at work, e.g. through continuing education and training. We strive to ensure a safe and healthy working environment for our employees. Therefore, we provide our employees with protective gear and training so that they are able – and obligated – to perform their work in a safe manner.

Moreover, we do not tolerate forced or child labour in any type or form. If we engage youth workers aged 15-18, they are not allowed to perform dangerous work or night work.

As an international company, we respect differences in culture and tradition, and our relationships are characterised by mutual trust and respect. Accordingly, we always strive to protect our employees against any type of corporal punishment, psychological and/or physical coercion and harassment. We do not discriminate based on age, gender, race, colour, disability, religion or faith, language, national extraction or social origin, union membership, political opinion or any other discriminatory basis acknowledged by international conventions. We make decisions on employment, employment terms, promotions and remuneration solely based on relevant and objective criteria.

Risk

SP Group regularly investigates 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 disregard 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.

As part of our co-operation with suppliers, we communicate with them on a current basis, while at the same time monitoring that they assume

responsibility for respecting employment rights. If a supplier does not meet the requirements of our Supplier Code of Conduct, we can terminate our agreement with the supplier with immediate effect.

SP Group did not receive any information or notifications regarding employment rights violations from external players in 2020. Communications with suppliers and subsuppliers did not uncover any involvement in employment rights violations either.

In 2021, SP Group will update the assessment of employment rights risks in the countries in which the Group has activities in the form of production facilities and sales offices.

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.

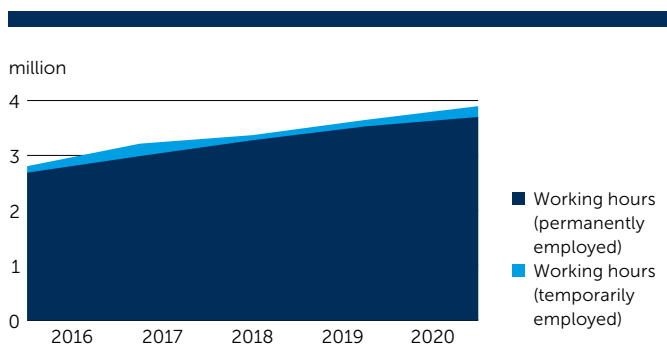
If independent trade unions are either banned or recommended against in a country, we will facilitate systems where employees can appoint spokespersons for negotiations with Management. We focus in particular on high-risk countries where we ensure that these rights are communicated to all employees in local languages.

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 provide additional 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.

Figure 10 – Working hours 2016-2020



A safe and healthy working environment

SP Group creates a safe and healthy working environment for our employees, partly through the working environment organisation, partly through policies and targeted efforts to ensure safety and health in the

workplace and partly through working environment management systems. We always make sure that our employees get the protective gear and the training needed to perform their work in a safe manner.

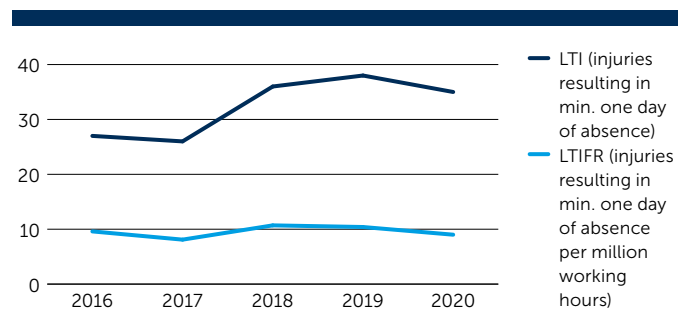
We thus comply with the requirements of ISO regarding working environment management systems and local legislation regarding responsibilities, education, risk assessment, incident reviews, maintenance and inspections. This also includes emergency situations, including plan, crisis communication, emergency drills and co-operation with the community.

Moreover, all transportation of hazardous substances to and from our factories has been outsourced to professional partners.

Our working environment management system means that we can document the mapping of working environment matters and that these matters are handled appropriately. Our efforts to obtain and maintain working environment certifications extend beyond compliance with national legal requirements and international conventions in the working environment area. By complying with procedures and instructions, we ensure that we work determinedly and systematically on regularly improving the working environment. A continuous focus on employees' physical and psychological working environment ensures employees' well-being and safety in the workplace, which aims to reduce absence due to illness and work-related accidents and to ensure personal and professional development of the individual employees.

Developments in the number of work-related accidents show a decline since 2019 from 38 to 35 accidents. Compared to the number of injuries in 2016 resulting in min. one day of absence per million working hours, we reduced the number of injuries by 0.6. We did not have any fatal work-related accidents from 2016 to 2020.

Figure 11 – Work-related accidents 2016-2020



With a strengthened focus on work-related injuries throughout the Group, it is our goal to reduce the number of injuries (LTI) to 0. We will achieve our goal through targeted training and new safety measures.

Product case: LED and acoustics improve safety

SP Group's subsidiary Ergomat 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.

Product case: Health in the workplace

Ergomat offers a wide range of groundbreaking products that improve people's working day and increase quality of life. Ergomat's ergonomic mats protect joints, muscles and bones and thus prevent shock and vibration injuries. The combination of protecting and stimulating joints, muscles and bones makes the mats a physical high-performance platform for employees with standing work.

Society case: Access to workplaces

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

COVID-19

SP Group has maintained its production level throughout the pandemic but has adjusted working conditions and routines to comply with the recommendations from the health authorities.

We have delimited production to a bubble and provided information in this respect through signs and communication on rules of conduct.

The restrictions meant a significant decline in travelling and moved our meeting activities to online platforms.



Ergomat manufactures social distancing signs for COVID-19-related communication. The signs are sold worldwide

Gender equality

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 of where they are located. In 2020, we employed almost as many women as men.

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 positions 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 25%. 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 comprises four members elected by the general meeting of whom one is a woman. The Board of Directors has set a minimum target for the ratio of the underrepresented gender among board members elected by the general meeting of at least 20% in 2021.

Diversity

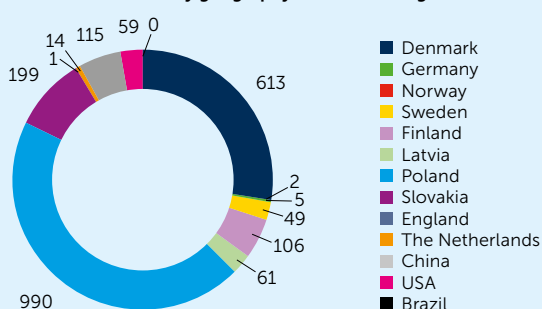
The long-term goal is for SP Group to reflect society at large, both in terms of gender ratio, age, nationality and ethnicity. This makes us an attractive choice for both customers and employees and helps give everyone, regardless of background, the possibility to enter the labour market. In order for the Group to be able to fulfil its business goals in the long term, we see diversity as an important contribution.

On average, SP Group's staff outside Denmark increased by approx. 5.3% to 1,601 employees in 2020. The average number of employees in Denmark increased from 593 to 613.

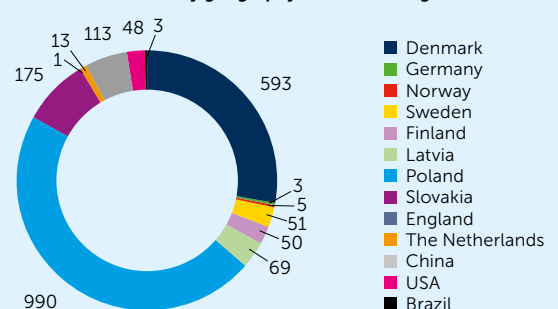
Globally, SP Group's staff increased from 2,181 at the beginning of the year to 2,260 at year end. On average, SP Group had 2,214 employees in 2020. At year end, 28.2% of the staff was employed in Denmark, and 71.8% was employed outside Denmark.

The year saw a shift of 1.1 percentage point due to the acquisition of Dan-Hill-Plast, which solely has employees in Denmark, and a generally increased internationalisation of the business. Going forward, growth is expected to be generated primarily in Eastern Europe, Asia and USA.

Staff breakdown by geography in 2020 (average)

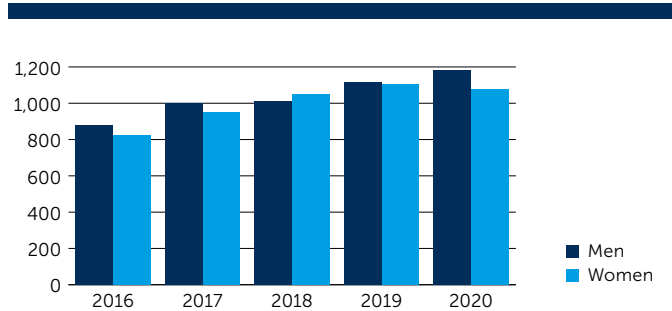


Staff breakdown by geography in 2019 (average)



At 31 December 2020, the factories in Denmark had 22 trainees; plastics engineer trainees, automatic control technician trainees, industrial technician trainees and logistics trainees.

Figure 12 – Staff composition 2016-2020



In December 2020, SP Moulding's factory in Juelsminde received a diploma from the municipality of Hedensted for its social efforts in the local community. The diploma is called "Code of Care" and is awarded to businesses that make special efforts for people in job training, flexible job and/or working as trainees. In short: We take social responsibility.

In November 2020, SP Moulding's factory in Juelsminde was awarded DI Horsens' Traineeship Award. The factory has trainees in all categories within the industry.

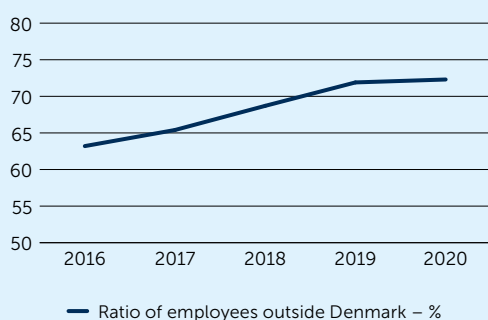
Access to education

All employees in SP Group have the opportunity to improve their qualifications through continuing and further education. 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.

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 workflows.

All employees participate in annual performance and development reviews (MUS) to discuss opportunities and set individual employee goals for training and education and to evaluate the past year.

Ratio of employees outside Denmark in 2016-2020 (average)



The goal for 2021 is to continue the current skills development of employees, allowing them to attend to various different tasks. This will increase flexibility in production and make the working day more varied for the employees.

Access for pupils and students

SP Group are is very aware of training young people and ensuring adequate skills and quality through well-educated employees. Therefore, we receive 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 or students writing their thesis on a subject in SP Group. It is a win-win situation for all parties.

Fight against corruption

SP Group carries on its activities in a responsible manner and with high integrity, which means that we have zero tolerance for all types of corruption and bribery, both internally and at our suppliers.

Our precautionary measures are therefore targeted at our employees, who we guide and support in handling corruption through regulation and training. In terms of our external relations who act as representatives of SP Group or are included in our business activities as suppliers, customers or other business partners, we emphasise our approach to corruption through our code of conduct, contracts and dialogue.

Sustainable Development Goals



SP Group's efforts to fight corruption and bribery contribute to creating responsible businesses and supporting peaceful and inclusive societies. Our efforts thus contribute to meeting Sustainable Development Goal 16 on justice and strong institutions

CSR policy (abstract)

We want to maintain a high level of integrity and responsibility in all our external relations, and we do not engage in any type of corruption, including extortion, bribery, embezzlement, fraud, facilitating payments, nepotism, cartel formation or conflict of interest. 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, accepting or engaging in any kind of bribes ourselves. Thus, we ensure compliance with relevant international standards and conventions.

Moreover, we always observe applicable international trade embargoes. We do not accept anti-competitive practices, and all relevant financial information is published and validated in accordance with Danish legislation. Our agents, intermediaries, consultants or other persons acting on our behalf are also subject to the obligation not to engage in any type of 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.

Risk

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

In 2021, SP Group will update the assessment of corruption risks in the countries in which the Group has activities in the form of production facilities and sales representation.

Obligations for suppliers and employees

To reduce the occurrence of corruption and bribery, all suppliers commit to comply with the Group's anti-corruption requirements when entering into contracts.

Employees in all parts of the Group are obligated to comply with our anti-corruption policy, which instructs all employees in countering corruption and guides them on how to handle situations involving corruption.

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.

SP Group did not receive any reporting on corruption and bribery incidents in 2020.

Taxation

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 contributes to the preservation and further development of the communities and markets that we are a part of.

SP Group's tax policy reflects the Group's general code of ethics and demonstrates that we, as a listed company, are obligated to contribute to the community in which we are included within the legal framework.

The Group's approach is to manage the Group's global tax matters in a way that is in accordance with the Group's long-standing values and code of ethics, and the management is planned as follows:

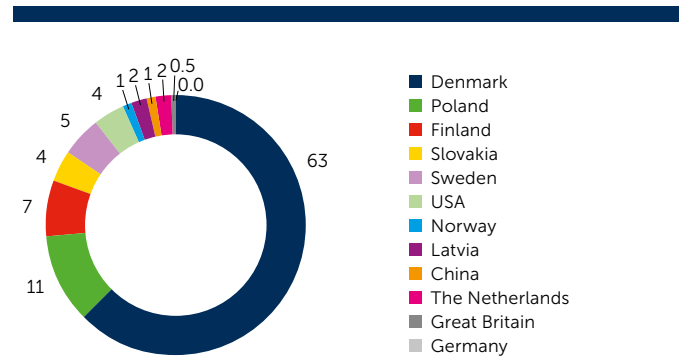
- A) Tax and duties matters are managed proactively by means of a clear internal management structure, robust business models, controls and processes and open dialogue with the tax authorities
- B) The Group's tax and duties statements are reported correctly to the tax authorities in accordance with legislation and are paid on time
- C) All tax planning is based on commercial activities
- D) Statements are always obtained from professional, well-reputed and independent external advisers if the treatment of tax and duties is uncertain or if the tax amount is significant.

The Group's intra-group cross-border revenue is significant. Intra-group transactions are made on an arm's length basis so that income is recognised where earnings are made. Consequently, the Group has prepared a Transfer Pricing Defence File.

The Group's tax payment for 2020 is specified by country and is included in note 13 to the consolidated financial statements.

The total tax charge and contributions for the employees in SP Group amounted to approx. DKK 147.3 million in 2020. The distribution reflects the number of employees in the individual countries and local tax matters.

Figure 13 – Payroll tax 2020 (%)



Whistle blower scheme

SP Group and all subsidiaries and group entities strive for a business environment that promotes and upholds a high degree of integrity and responsibility.

Accordingly, the Company has established a whistle blower scheme that allows anyone with affiliations to SP Group to safely report suspected non-compliance with SP Group's policies and guidelines, laws and regulations as well as other serious irregularities.

Reporting of matters to the whistle blower scheme is made directly to the chair of SP Group's Audit Committee, who is an independent member of SP Group's Board of Directors elected by the general meeting. Executives and employees of SP Group do not have access to the incident reporting.

Guidance on how to use SP Group's whistle blower scheme has been communicated to all employees in local languages and is available on the Group's website.

SP Group did not receive any incident reports under the whistle blower scheme from either internal or external players in 2020.

Reporting principles

SP Group's overall CSR and sustainability efforts support the UN Sustainable Development Goals and the UN Global Compact principles on human rights, employee rights, climate and environment as well as anti-corruption. SP Group's largest subsidiary, SP Moulding, joined the Global Compact in 2012 and works systematically to comply with the 10 principles. Accoat joined in 2017 and SP Group in 2020.

We apply the Global Reporting Initiative Standards to determine the indicators based on which we measure performance and progress. The overview below shows the coherence between the applied GRI indicators and NASDAQ's ESG criteria. Our carbon calculations are based on national conversion factors from the European Environment Agency, the Danish Energy Agency's official standard emission factors, data from Enerdata and regional data from the United States Environmental Protection Agency.

Consumption figures for diesel and petrol have been estimated for 2016-2018. Waste volumes, handling and disposal have been omitted due to

inaccurate data material. The volume of cooling agents used is very limited and therefore not included in the reporting.

The whistle blower hotline was not available in the period 2016-2018. Payroll tax was initially computed for 2020.

The calculation of carbon emissions is based on emission factors published by relevant governmental organisations and the EU as well as internationally recognised energy reports. For the European countries, emission factors used to convert the electricity consumption to carbon emissions are published by the European Environment Agency, for USA by the United States Environmental Protection Agency and for China by Enerdata. The emission factors for fuel oil, natural gas, district heating and diesel/petrol are based on the Danish standard emission factors published annually by the Danish Energy Agency. Carbon emissions from diesel and petrol are calculated based on the total consumption figures as the majority of the vehicles are powered by diesel. The location-based accounting method has been used for calculating Scope 2 emissions.

Overview and international standards

| Category | Theme | UNGC principle | UN SDGS | GRI standard | ESG NASDAQ | Page |
|---------------------------------|---|----------------|---------|--------------|------------|------|
| The Company | Business model | - | - | 102 | - | 45 |
| | Reporting principles | - | 12 | 102 | G9 | 57 |
| | Management systems | - | - | 102 | E7+E8+E9 | 46 |
| Environment and climate | Raw materials | 7+8 | 12 | 301 | - | 47 |
| | Energy and electricity | 7+8 | 7 | 302 | E3+E4+E5 | 48 |
| | Carbon emissions | 7+8 | 13 | 305 | E1+E2 | 48 |
| | Water | 7+8 | 6 | 303 | E6 | 49 |
| | Waste | 7+8 | 12 | 306 | - | 49 |
| Human rights | Equality and non-discrimination | 1+2 | 10 | 406 | S6+S10 | 51 |
| | Privacy and protection of personal data | 1+2 | 16 | 418 | S10+G7 | 52 |
| Staff matters | Freedom of unionisation | 3+4 | 16 | 407 | G4 | 53 |
| | Wage and working conditions | 4+5+6 | 8 | 401 | S5+S9 | 53 |
| | Working environment | - | 8 | 403 | S7+S8 | 53 |
| | COVID-19 | - | 3 | 403 | - | 54 |
| | Gender equality | 6 | 5 | 405 | S4 | 54 |
| | Diversity | 6 | 10 | 405 | - | 54 |
| | Access to education | - | 4 | 404 | - | 55 |
| Fight against corruption | Obligations for suppliers and employees | 10 | 16 | 204+205 | G6 | 56 |
| | Taxation | 10 | 16 | 206 | G6 | 56 |
| | Whistle blower scheme | 10 | 16 | 102 | G6 | 56 |

ESG-data

| ESG | Category | Item | Unit | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------------------------------|---|-----------|------------|------------|------------|------------|-------------|
| E | Energy | Fuel oil | Liter | 102,321 | 132,020 | 178,109 | 101,865 | 65,673 |
| | | Natural gas | M3 | 1,043,639 | 1,418,164 | 1,235,688 | 1,309,242 | 1,574,322 |
| | | District heating | MWh | 3,480 | 3,569 | 3,575 | 2,692 | 2,616 |
| | | Coal | Kg | 0 | 0 | 0 | 0 | 0 |
| | | Diesel/petrol | L | 112,876 | 112,876 | 112,876 | 88,235 | 108,379 |
| | | Electricity | kWh | 49,447,302 | 53,615,065 | 58,893,152 | 60,395,863 | 60,372,241 |
| | | Electricity intensity (processed raw material) | kWh/kg | 2.93 | 2.11 | 2.03 | 2.1 | 2.1 |
| | Water | Water consumption | M3 | 21,263 | 20,324 | 21,109 | 23,800 | 22,960 |
| | | Water consumption intensity (processed raw material) | L/Kg | 1.26 | 0.80 | 0.73 | 0.83 | 0.79 |
| | GHG | Carbon emissions (Scope 1) | Tons | 2,930 | 3,854 | 3,560 | 3,437 | 3,921 |
| | | Carbon emissions (Scope 2) | Tons | 18,671 | 21,842 | 24,247 | 24,467 | 21,490 |
| | | Carbon intensity (processed raw material) | Kg/Kg | 1.28 | 1.01 | 0.95 | 0.97 | 0.87 |
| | Raw materials | Plastics | Kg | 12,565,088 | 13,869,164 | 15,220,931 | 15,978,078 | 15,347,852 |
| | | Glass fibre | Kg | 3,021,810 | 9,499,238 | 11,711,282 | 9,730,540 | 9,937,401 |
| Coating | | Kg | 58,742 | 58,554 | 61,419 | 47,375 | 43,751 | |
| Other (e.g. Iso, Polyol, Telene, Resin) | | Kg | 1,202,849 | 2,001,116 | 2,068,629 | 3,003,466 | 3,837,398 | |
| S | Accidents | Fatal accidents | Number | 0 | 0 | 0 | 0 | 0 |
| | | LTI (accidents resulting in min. one day of absence) | Number | 27 | 26 | 36 | 38 | 35 |
| | | LTIFR (accidents per million working hours) | Number | 9.6 | 8.1 | 10.7 | 10.4 | 9.0 |
| | Working hours | Working hours | Hours | 2,685,516 | 2,987,869 | 3,277,211 | 3,528,715 | 3,700,898 |
| | | Working hours (temporarily employed) | Hours | 118,551 | 226,578 | 92,734 | 118,235 | 196,892 |
| | | Working hours incurred (total) | Hours | 2,804,067 | 3,214,447 | 3,369,945 | 3,646,950 | 3,897,790 |
| | Gender ratio | Men | Number | 881 | 999 | 1,012 | 1,116 | 1,181 |
| | | Women | Number | 825 | 951 | 1,048 | 1,105 | 1,078 |
| | | Men/women | % | 51.6/48.4 | 51.2/48.8 | 49.1/50.9 | 50.2/49.8 | 52.3/47.7 |
| | | Female executives | % | 21 | 18 | 17 | 24 | 25 |
| G | Diversity on the Board of Directors | Men/women | M/W | 5/0 | 4/1 | 4/1 | 4/1 | 3/1 |
| | Board independence | Independent members | % | 20 | 40 | 40 | 40 | 50 |
| | Diversity in Group Management | No. of executives | M/W | 2/0 | 2/0 | 2/0 | 2/0 | 3/1 |
| | CEO pay ratio | CEO remuneration/average employee salary in the Group | Ratio | 16.2 | 18.7 | 19.9 | 20.7 | 16.9 |
| | Whistle blower hotline | Incident reports | Number | - | - | - | 0 | 0 |
| | Taxation | Employees | DKK | - | - | - | - | 147,304,928 |

By 2030

Entire global
production
powered by
renewable energy



Statement by Management

The Board of Directors, the Executive Board and Group Management have today discussed and approved the annual report of SP Group A/S for 2020.

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 Group's and the Parent Company's financial position at 31 December 2020 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 2020.

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, 26 March 2021

Executive Board and Group Management

Frank Gad
CEO

Søren Ulstrup
Executive Vice President

Lars Ravn Bering
Executive Vice President

/Tilde Kejlhof
Group CFO

Board of Directors

Hans Wilhelm Schur
Chairman

Erik Preben Holm
Deputy Chairman

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 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as 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 Group's and the Parent Company's financial position at 31 December 2020 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2020 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 10 years up until the financial year 2020.

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 2020. 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 as a whole.

Valuation of goodwill

The Group has recognised goodwill totalling DKK 218.2 million in the balance sheet at 31 December 2020. 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 note 15 to the consolidated financial statements.

In connection with our audit, we verified 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 2021-2023 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 note 15 is adequate relative to applicable accounting standards.

Measurement of inventories

The Group has recognised inventories totalling DKK 500.3 million under assets in the balance sheet at 31 December 2020. Inventories are measured at the lower of cost and net realisable value. As the measurement of inventories involves significant management estimates and assessments, the area is a key audit matter.

During our audit, we examined the Group's business procedures for the area, including calculations 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 conclusion 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 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 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 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 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 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 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 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 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 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 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 financial statements, including the note disclosures, and whether the 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 bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 26 March 2021

EY

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Skov Larsen
State Authorised Public Accountant
mne26797

Morten Schougaard Sørensen
State Authorised Public Accountant
mne32129

Consolidated financial statements and parent company financial statements

Income statement

| PARENT | | | | GROUP | |
|----------------|----------------|-------|---|----------------|----------------|
| 2019 | 2020 | Note | DKK'000 | 2020 | 2019 |
| 7,400 | 6,391 | 3 | Revenue | 2,178,189 | 2,012,932 |
| 0 | 0 | 4,7 | Production costs | -1,481,395 | -1,370,187 |
| 7,400 | 6,391 | | Contribution margin | 696,794 | 642,745 |
| 5,725 | 5,753 | 5 | Other operating income | 2,370 | 2,500 |
| -8,808 | -7,261 | 6 | External expenses | -98,791 | -102,755 |
| -14,908 | -18,093 | 6,7,8 | Staff costs | -243,992 | -234,980 |
| -10,591 | -13,210 | | Profit/loss before depreciation, amortisation and impairment losses (EBITDA) | 356,381 | 307,510 |
| -3,174 | -3,944 | 9 | Depreciation, amortisation and impairment losses | -141,550 | -129,681 |
| -13,765 | -17,154 | | Profit/loss before net financials (EBIT) | 214,831 | 177,829 |
| 55,957 | 50,723 | 10 | Dividends from subsidiaries | - | - |
| 19,862 | 2,903 | 11 | Financial income | 9,218 | 21,501 |
| -8,173 | -11,481 | 12 | Financial expenses | -30,282 | -23,937 |
| 53,881 | 24,991 | | Profit/loss before tax | 193,767 | 175,393 |
| 4,770 | 3,219 | 13 | Tax for the year | -42,926 | -35,124 |
| 58,651 | 28,210 | | Profit/loss for the year | 150,841 | 140,269 |
| | | | Attributable to: | | |
| | | | The Parent Company's shareholders | 150,806 | 140,188 |
| | | | Non-controlling interests | 35 | 81 |
| | | | | 150,841 | 140,269 |
| | | | Earnings per share (EPS) | | |
| | | 14 | Earnings per share (DKK) | 12.85 | 12.57 |
| | | 14 | Earnings per share, diluted (DKK) | 12.75 | 12.46 |
| | | | Proposed distribution of profit/loss | | |
| 0 | 62,450 | | Dividend | | |
| 58,651 | -34,240 | | Retained earnings | | |
| 58,651 | 28,210 | | | | |

Statement of comprehensive income

| PARENT | | | | GROUP | |
|--------|--------|------|--|----------------|----------------|
| 2019 | 2020 | Note | DKK'000 | 2020 | 2019 |
| 58,651 | 28,210 | | Profit/loss for the year | 150,841 | 140,269 |
| | | | Other comprehensive income: | | |
| | | | <i>Items that may be reclassified to the income statement:</i> | | |
| 0 | 0 | | Exchange rate adjustments relating to foreign subsidiaries | -33,894 | 3,546 |
| | | | Value adjustments of hedging instruments: | | |
| 0 | 0 | | Value adjustments for the year | -21,425 | 25,574 |
| 0 | 0 | | Value adjustments transferred to revenue | -3,410 | -10,598 |
| 0 | 0 | 13 | Tax on other comprehensive income | 4,719 | -2,845 |
| 0 | 0 | | Other comprehensive income | -54,010 | 15,677 |
| 58,651 | 28,210 | | Total comprehensive income | 96,831 | 155,946 |
| | | | Attributable to: | | |
| | | | The Parent Company's shareholders | 96,772 | 155,879 |
| | | | Non-controlling interests | 59 | 67 |
| | | | | 96,831 | 155,946 |

Balance sheet at 31 December

| PARENT | | | | GROUP | |
|----------------|----------------|-----------|--|------------------|------------------|
| 2019 | 2020 | Note | DKK'000 | 2020 | 2019 |
| 209 | 1,755 | | Trademarks | 1,755 | 209 |
| 0 | 83 | | Software | 6,442 | 8,534 |
| 0 | 0 | | Customer files | 46,217 | 41,344 |
| 0 | 0 | | Goodwill | 218,189 | 198,992 |
| 0 | 0 | | Completed development projects | 11,015 | 8,145 |
| 0 | 0 | | Development projects in progress | 13,690 | 6,783 |
| 209 | 1,838 | 15 | Intangible assets | 297,308 | 264,007 |
| 85,605 | 83,105 | 16 | Land and buildings | 289,476 | 261,315 |
| 1,600 | 1,120 | 16 | Plant and machinery | 363,149 | 368,401 |
| 593 | 722 | 16 | Fixtures and fittings, tools and equipment | 39,667 | 40,057 |
| 0 | 0 | 16 | Leasehold improvements | 30,624 | 20,229 |
| 0 | 0 | 16 | Property, plant and equipment under construction | 48,748 | 32,370 |
| 1,247 | 1,677 | 17 | Leased assets | 258,661 | 228,983 |
| 89,045 | 86,624 | | Property, plant and equipment | 1,030,325 | 951,355 |
| 662,661 | 666,285 | 18 | Equity investments in subsidiaries | - | - |
| 0 | 0 | 19 | Equity investments in associates | 0 | 0 |
| 0 | 0 | | Deposits | 1,067 | 1,152 |
| 0 | 0 | 28 | Deferred tax assets | 3,407 | 1,760 |
| 662,661 | 666,285 | | Other non-current assets | 4,474 | 2,912 |
| 751,915 | 754,747 | | Non-current assets | 1,332,107 | 1,218,274 |
| 0 | 0 | 20 | Inventories | 500,282 | 488,843 |
| 0 | 0 | 21, 22 | Trade receivables | 250,933 | 234,804 |
| 50,952 | 119,735 | | Receivables from subsidiaries | - | - |
| 0 | 0 | 22 | Contract assets | 0 | 7 |
| 15,346 | 19,765 | | Corporation tax receivable | 2,723 | 4,171 |
| 185 | 62 | 23 | Other receivables | 41,608 | 53,790 |
| 2,049 | 2,490 | | Prepayments | 14,530 | 10,020 |
| 68,532 | 142,052 | | Receivables | 309,794 | 302,792 |
| 54 | 71,902 | 24 | Cash | 122,692 | 48,706 |
| 68,586 | 213,954 | | Current assets | 932,768 | 840,341 |
| 820,501 | 968,701 | | Assets | 2,264,875 | 2,058,615 |

Balance sheet at 31 December

| PARENT | | | | GROUP | |
|----------------|----------------|-------|---|------------------|------------------|
| 2019 | 2020 | Note | DKK'000 | 2020 | 2019 |
| 22,780 | 24,980 | 25 | Share capital | 24,980 | 22,780 |
| 4,165 | 4,498 | 26 | Other reserves | -27,546 | 26,155 |
| -55,004 | -62,869 | | Reserve for treasury shares | -62,869 | -55,004 |
| 223,810 | 395,048 | | Retained earnings | 1,007,890 | 714,056 |
| 0 | 62,450 | | Dividend proposed for the year | 62,450 | 0 |
| 195,751 | 424,107 | | Equity attributable to the Parent Company's shareholders | 1,004,905 | 707,987 |
| - | - | | Equity attributable to non-controlling interests | 2,474 | 2,415 |
| 195,751 | 424,107 | | Equity | 1,007,379 | 710,402 |
| 207,358 | 190,100 | 27 | Bank debt | 212,249 | 217,788 |
| 85,183 | 65,689 | 27 | Financial institutions | 105,116 | 130,169 |
| 847 | 1,107 | 17,27 | Lease liabilities | 165,952 | 140,614 |
| 17,021 | 5,302 | 27 | Other non-current liabilities | 31,760 | 24,722 |
| 2,677 | 2,887 | 28 | Deferred tax liabilities | 65,387 | 60,169 |
| 313,086 | 265,085 | | Non-current liabilities | 580,464 | 573,462 |
| 122,298 | 89,401 | 17,27 | Current portion of non-current liabilities | 167,958 | 199,588 |
| 57,611 | 62,369 | | Bank debt | 153,198 | 278,804 |
| 0 | 0 | 22 | Contractual obligations | 48,001 | 54,756 |
| 778 | 1,068 | 29 | Trade payables | 177,228 | 157,051 |
| 126,592 | 119,605 | | Payables to subsidiaries | - | - |
| 0 | 0 | | Corporation tax | 2,048 | 509 |
| 0 | 0 | 30 | Provisions | 3,247 | 4,673 |
| 4,385 | 7,066 | 31 | Other payables | 125,352 | 79,370 |
| 311,664 | 279,509 | | Current liabilities | 677,032 | 774,751 |
| 624,750 | 544,594 | | Liabilities | 1,257,496 | 1,348,213 |
| 820,501 | 968,701 | | Equity and liabilities | 2,264,875 | 2,058,615 |

32-33 Collateral and contingent liabilities, etc.

34-47 Other notes

Statement of changes in equity

| DKK'000 | GROUP | | | | | | | Total equity |
|--|---------------|----------------|-----------------------------|-------------------|-------------------|--|--|------------------|
| | Share capital | Other reserves | Reserve for treasury shares | Retained earnings | Proposed dividend | Equity attributable to the Parent Company's shareholders | Equity attributable to non-controlling interests | |
| Equity at 1 January 2019 | 22,780 | 9,186 | -52,756 | 611,136 | 27,336 | 617,682 | 2,348 | 620,030 |
| Profit/loss for the year | 0 | 0 | 0 | 140,188 | 0 | 140,188 | 81 | 140,269 |
| Exchange rate adjustments relating to foreign subsidiaries | 0 | 3,560 | 0 | 0 | 0 | 3,560 | -14 | 3,546 |
| Value adjustments of financial instruments held to hedge future cash flows | 0 | 25,574 | 0 | 0 | 0 | 25,574 | 0 | 25,574 |
| Value adjustments transferred to revenue | 0 | -10,598 | 0 | 0 | 0 | -10,598 | 0 | -10,598 |
| Tax on other comprehensive income | 0 | -2,845 | 0 | 0 | 0 | -2,845 | 0 | -2,845 |
| Comprehensive income for the financial year | 0 | 15,691 | 0 | 140,188 | 0 | 155,879 | 67 | 155,946 |
| Share-based payment | 0 | 702 | 0 | 0 | 0 | 702 | 0 | 702 |
| Share-based payment, exercised arrangements | 0 | -496 | 0 | 496 | 0 | 0 | 0 | 0 |
| Sale of warrants | 0 | 1,072 | 0 | 0 | 0 | 1,072 | 0 | 1,072 |
| Acquisition of treasury shares | 0 | 0 | -68,516 | 0 | 0 | -68,516 | 0 | -68,516 |
| Sale of treasury shares, warrant programme | 0 | 0 | 66,268 | -39,382 | 0 | 26,886 | 0 | 26,886 |
| Tax on acquisition/sale of treasury shares | 0 | 0 | 0 | 1,276 | 0 | 1,276 | 0 | 1,276 |
| Distribution of dividend | 0 | 0 | 0 | 0 | -26,994 | -26,994 | 0 | -26,994 |
| Distribution of dividend, treasury shares | 0 | 0 | 0 | 342 | -342 | 0 | 0 | 0 |
| Addition of non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other changes in equity | 0 | 1,278 | -2,248 | -37,268 | -27,336 | -65,574 | 0 | -65,574 |
| Equity at 31 December 2019 | 22,780 | 26,155 | -55,004 | 714,056 | 0 | 707,987 | 2,415 | 710,402 |
| Profit/loss for the year | 0 | 0 | 0 | 88,356 | 62,450 | 150,806 | 35 | 150,841 |
| Exchange rate adjustments relating to foreign subsidiaries | 0 | -33,918 | 0 | 0 | 0 | -33,918 | 24 | -33,894 |
| Value adjustments of financial instruments held to hedge future cash flows | 0 | -21,425 | 0 | 0 | 0 | -21,425 | 0 | -21,425 |
| Value adjustments transferred to revenue | 0 | -3,410 | 0 | 0 | 0 | -3,410 | 0 | -3,410 |
| Tax on other comprehensive income | 0 | 4,719 | 0 | 0 | 0 | 4,719 | 0 | 4,719 |
| Comprehensive income for the financial year | 0 | -54,034 | 0 | 88,356 | 62,450 | 96,772 | 59 | 96,831 |
| Share-based payment | 0 | 683 | 0 | 0 | 0 | 683 | 0 | 683 |
| Share-based payment, exercised arrangements | 0 | -350 | 0 | 350 | 0 | 0 | 0 | 0 |
| Sale of warrants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acquisition of treasury shares | 0 | 0 | -45,602 | 0 | 0 | -45,602 | 0 | -45,602 |
| Sale of treasury shares, warrant programme | 0 | 0 | 37,737 | -7,270 | 0 | 30,467 | 0 | 30,467 |
| Tax on acquisition/sale of treasury shares | 0 | 0 | 0 | 60 | 0 | 60 | 0 | 60 |
| Cash capital increase | 2,200 | 0 | 0 | 212,338 | 0 | 214,538 | 0 | 214,538 |
| Distribution of dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Distribution of dividend, treasury shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other changes in equity | 2,200 | 333 | -7,865 | 205,478 | 0 | 200,146 | 0 | 200,146 |
| Equity at 31 December 2020 | 24,980 | -27,546 | -62,869 | 1,007,890 | 62,450 | 1,004,905 | 2,474 | 1,007,379 |

Statement of changes in equity

| | | | | | | PARENT |
|--|---------------|----------------|-----------------------------|-------------------|-------------------|----------------|
| DKK'000 | Share capital | Other reserves | Reserve for treasury shares | Retained earnings | Proposed dividend | Total equity |
| Equity at 1 January 2019 | 22,780 | 2,887 | -52,756 | 202,427 | 27,336 | 202,674 |
| Profit/loss for the year | 0 | 0 | 0 | 58,651 | 0 | 58,651 |
| Value adjustments of financial instruments held to hedge future cash flows | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax on other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income for the financial year | 0 | 0 | 0 | 58,651 | 0 | 58,651 |
| Share-based payment | 0 | 702 | 0 | 0 | 0 | 702 |
| Share-based payment, exercised arrangements | 0 | -496 | 0 | 496 | 0 | 0 |
| Sale of warrants | 0 | 1,072 | 0 | 0 | 0 | 1,072 |
| Acquisition of treasury shares | 0 | 0 | -68,516 | 0 | 0 | -68,516 |
| Sale of treasury shares, warrant programme | 0 | 0 | 66,268 | -39,382 | 0 | 26,886 |
| Tax on acquisition/sale of treasury shares | 0 | 0 | 0 | 1,276 | 0 | 1,276 |
| Distribution of dividend | 0 | 0 | 0 | 0 | -26,994 | -26,994 |
| Distribution of dividend, treasury shares | 0 | 0 | 0 | 342 | -342 | 0 |
| Other changes in equity | 0 | 1,278 | -2,248 | -37,268 | -27,336 | -65,574 |
| Equity at 31 December 2019 | 22,780 | 4,165 | -55,004 | 223,810 | 0 | 195,751 |
| Profit/loss for the year | 0 | 0 | 0 | -34,240 | 62,450 | 28,210 |
| Value adjustments of financial instruments held to hedge future cash flows | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax on other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income for the financial year | 0 | 0 | 0 | -34,240 | 62,450 | 28,210 |
| Share-based payment | 0 | 683 | 0 | 0 | 0 | 683 |
| Share-based payment, exercised arrangements | 0 | -350 | 0 | 350 | 0 | 0 |
| Sale of warrants | 0 | 0 | 0 | 0 | 0 | 0 |
| Acquisition of treasury shares | 0 | 0 | -45,602 | 0 | 0 | -45,602 |
| Sale of treasury shares, warrant programme | 0 | 0 | 37,737 | -7,270 | 0 | 30,467 |
| Tax on acquisition/sale of treasury shares | 0 | 0 | 0 | 60 | 0 | 60 |
| Cash capital increase | 2,200 | 0 | 0 | 212,338 | 0 | 214,538 |
| Distribution of dividend | 0 | 0 | 0 | 0 | 0 | 0 |
| Distribution of dividend, treasury shares | 0 | 0 | 0 | 0 | 0 | 0 |
| Other changes in equity | 2,200 | 333 | -7,865 | 205,478 | 0 | 200,146 |
| Equity at 31 December 2020 | 24,980 | 4,498 | -62,869 | 395,048 | 62,450 | 424,107 |

Cash flow statement

| PARENT | | | | GROUP | |
|----------------|----------------|-----------|--|-----------------|-----------------|
| 2019 | 2020 | Note | DKK'000 | 2020 | 2019 |
| -13,765 | -17,154 | | Profit/loss before net financials (EBIT) | 214,831 | 177,829 |
| 3,174 | 3,944 | | Depreciation, amortisation and impairment losses | 141,550 | 129,681 |
| 702 | 683 | | Share-based payment | 683 | 702 |
| 737 | 958 | | Value adjustments, etc. | 4,530 | -1,430 |
| -43,945 | -73,116 | 34 | Changes in net working capital | 25,433 | -83,690 |
| -53,097 | -84,685 | | Cash generated from operations | 387,027 | 223,092 |
| 714 | 1,097 | | Interest income, etc., received | 357 | 409 |
| -7,241 | -7,465 | | Interest expenses, etc., paid | -30,282 | -23,937 |
| -2,282 | -929 | | Corporation tax received/paid | -36,667 | -40,934 |
| -61,906 | -91,982 | | Cash flows from operating activities | 320,435 | 158,630 |
| 55,957 | 50,723 | | Dividends from subsidiaries | - | - |
| -20,000 | -25,000 | | Capital injection, subsidiary | - | - |
| -17,778 | 0 | | Acquisition of entity | -44,792 | -17,778 |
| 766 | 17,361 | | Sale of entity | 0 | 0 |
| -209 | -1,750 | | Acquisition of intangible assets | -15,222 | -8,490 |
| -2,786 | -402 | | Acquisition of property, plant and equipment | -144,893 | -154,997 |
| 0 | 0 | | Disposal of property, plant and equipment | 1,515 | 1,063 |
| 15,950 | 40,932 | | Cash flows from investing activities | -203,392 | -180,202 |
| -26,994 | 0 | | Dividend distributed | 0 | -26,994 |
| 0 | 214,538 | | Payment, capital increase | 214,538 | 0 |
| 0 | 0 | | Deposits, adjustment | 85 | 170 |
| -68,516 | -45,602 | | Acquisition of treasury shares | -45,602 | -68,516 |
| 26,886 | 30,467 | | Sale of treasury shares | 30,467 | 26,886 |
| 1,072 | 0 | | Sale of warrants | 0 | 1,072 |
| 130,000 | 50,000 | | Raising of long-term loans | 72,401 | 156,693 |
| -88,704 | -130,681 | | Repayment of non-current liabilities, ex lease liabilities | -163,064 | -125,707 |
| -373 | -582 | | Repayment of lease liabilities | -26,276 | -26,833 |
| 57,611 | 4,758 | | Change in short-term bank debt | -125,606 | 72,065 |
| 30,982 | 122,898 | | Cash flows from financing activities | -43,057 | 8,836 |
| -14,974 | 71,848 | | Cash flows for the year | 73,986 | -12,736 |
| 15,028 | 54 | | Cash and cash equivalents at 1 January | 48,706 | 61,442 |
| 54 | 71,902 | 35 | Cash and cash equivalents 31 December | 122,692 | 48,706 |

The cash flow statement cannot be directly derived from the other components of the financial statements.

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Notes

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 2020 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 2020 is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements 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 2020, SP Group A/S has implemented the following new or amended standards and interpretations:

- Amendments to References to the Conceptual Framework in IFRS regarding the conceptual framework in IFRS
- Amendments to IFRS 3 on the definition of a business
- Amendments to IAS 1 and IAS 8 on the definition of materiality
- Amendments to IFRS 9, IAS 39 and IFRS 7 on the IBOR reform
- Amendments to IFRS 16 on COVID-19-related rent concessions.

None of the above standards have affected recognition and measurement in the annual report.

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 2020:

- IAS 1 Presentation of Financial Statements – Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- IFRS 3 Business Combinations – Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework

- IAS 16 Property, Plant and Equipment – Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 og IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Annual Improvements to IFRSs 2018-2020 Cycle.

Of the above-mentioned standards, only Amendments to IAS 16 and Amendments to IFRS 9, etc., 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. It has been assessed that none of the above standards and interpretations will have a material effect on recognition and measurement in SP Group A/S.

Consolidated financial statements

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

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.

The subsidiaries' financial statement items are included 100 % in the consolidated financial statements.

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 calcu-

lated 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 than 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.

Notes

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 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 8.

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 deferred tax adjustments for the year.

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 that – 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 Company is jointly taxed with all of its Danish subsidiaries. The current Danish corporation 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

The Group's revenue comprises sale of moulded plastic and composite components and coatings on plastic and metal components. To a minor extent, the Group also performs customised moulds and validation tasks.

The Group's sales agreements are divided into individually identifiable performance obligations, which are recognised and measured separately at fair value. If a sales agreement comprises several performance obligations, the total selling price of the sales agreement is allocated proportionately to the individual performance obligations of the agreement.

Revenue is recognised when control over the individual identifiable performance obligation is transferred to the customer.

The recognised revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

The variable part of the total consideration, for instance discounts, bonus payments and penalty payments, etc., is not recognised in revenue until it is fairly probable that it will not be reversed in subsequent periods, for instance due to non-achievement of targets, etc.

Sale of goods

Sale of goods for resale and finished goods comprises sale of moulded plastic and composite components as well as coatings on plastic and metal components and is recognised in revenue when control over the individual identifiable performance obligation in the sales agreement is transferred to the customer, which takes place at the time of delivery according to the sales conditions. Even though a sales agreement regarding sale of finished goods and goods for resale often contains several performance obligations, they are treated as one performance obligation as delivery typically takes place at the same time.

Construction contracts

Construction contracts comprise moulds and validations with a high degree of customisation. The construction contracts typically comprise one performance obligation, which is recognised in revenue on an ongoing basis as production is carried out. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

The ongoing transfer of control over the work performed takes place because the nature of the moulds and validations is so special that they cannot be used for other purposes without disproportionate expenses and the customer is obligated to pay for the work performed on an ongoing basis, including a reasonable profit on the work performed.

Recognition is made using input-based accounting methods based on actual costs incurred compared with the total expected costs, as this method is deemed to best reflect the ongoing transfer of control.

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.

Payment terms in the Group's sales agreements

The payment terms in the Group's sales agreements with customers are partly dependent on the underlying performance obligation and partly dependent on the underlying customer relationship.

For sale of goods where control is transferred at a specific point in time, the payment terms will typically be invoice month + 1-3 months.

For sale of construction contracts where control is transferred on an ongoing basis, the payment pattern will typically entail that requests for on-account payments will be made regularly – typically monthly or quarterly – in accordance with an agreed payment profile. The agreed invoicing on account does not necessarily reflect the work performed, which is reflected in the balance sheet as construction contracts under liabilities.

The Group does not enter into sales agreements with a credit period of more than 12 months. Accordingly, the Group does not adjust the agreed contract price with a finance charge. For large projects, security is usually requested in the form of prepayments. For these projects, customers will typically be entitled to withhold part of the total payment until satisfactory functionality in the products sold has been confirmed and accepted by the customer.

Production costs

Production costs comprise expenses incurred in generating revenue for the year. Commercial entities include cost of sales in production costs, and manufacturing entities 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.

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.

Financial income and expenses

Financial income and expenses comprise interest income and interest expenses, the interest element of finance lease payments, realised and

Notes

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.

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

| | |
|----------------|-----------|
| Trademarks | 10 years |
| 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 self-constructed assets, cost comprises expenses directly attributable to the construction 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. Individual components of property, plant and equipment that have different useful lives are accounted for as separate items, which 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 | 5-15 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.

Leases in force from 1 January 2019

Leased assets and lease liabilities are recognised in the balance sheet when the leased asset under a lease entered into regarding a specific identifiable asset is made available to the Group in the lease term, and when the Group in this connection obtains the right to almost all economic benefits from the use of the identified asset and the right to control the use of the identified asset.

On initial recognition, lease liabilities are measured at the present value of the future lease payments discounted by an incremental borrowing rate. The following lease payments are recognised as part of the lease liability:

- Fixed payments.
- Variable payments that change concurrently with changes to an index or an interest rate based on said index or interest rate.
- Payments due subject to a residual value guarantee.
- Exercise price of call options that it is highly probable that Management will exercise.
- Payments subject to an extension option that it is highly probable that the Group will exercise.
- Penalty related to a termination option unless it is highly probable that the Group will not exercise the option.
- The Group recognises all leased assets and service obligations.

The lease liability is measured at amortised cost according to the effective interest method. The lease liability is recalculated when the underlying contractual cash flows change due to changes in an index or interest rate, if the Group's estimate of a residual value guarantee changes or if the Group changes its assessment of whether call options, extension options or termination options can reasonably be expected to be exercised.

On initial recognition, the leased asset is measured at cost, which corresponds to the value of the lease liabilities adjusted for prepaid lease payments plus directly related costs and estimated costs for demolition, repairs or the like less discounts or other types of incentive payments from the lessor.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The leased asset is depreciated over the shorter of the lease term and the useful life of the leased asset. Depreciation charges are recognised on a straight-line basis in the income statement.

The leased asset is adjusted for changes to the lease commitment due to changes to the terms of the lease or changes to the cash flows of the lease concurrently with changes to an index or an interest rate.

Leased assets are depreciated over the expected lease term/useful life, which is:

| | |
|-------------------------------|------------|
| Operating equipment | 1-15 years |
| Primary production properties | 5-10 years |
| Other properties | 1-5 years |

The Group presents the leased asset and the lease liability separately in the balance sheet.

Leases in force before 1 January 2019

Leases are classified as finance lease liabilities and operating lease liabilities for financial reporting purposes.

A finance lease is classified as a lease that in all material respects transfers the risk and benefits associated with ownership of the leased asset to the lessee. All other leases are classified as operating leases.

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.

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.

Other non-current assets

The carrying amount of other non-current assets is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use.

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.

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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 good-will 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.

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 of and depreciation on 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 incurred to effect the sale.

Receivables

Receivables are measured at amortised cost. Write-down for bad and doubtful debts is made in accordance with the simplified expected credit

loss model according to which the total loss is recognised immediately in the income statement at the same time as the receivable is recognised in the balance sheet based on the expected loss in the useful life of the receivable.

Impairment of financial assets measured at amortised cost

The simplified expected credit loss model is used for financial assets relating to trade receivables and construction contracts according to which the expected loss over the useful life of the financial asset is recognised immediately in the income statement. The financial asset is monitored continuously according to the Group's risk management until realisation. The impairment loss is estimated based on the expected loss ratio, which is estimated for financial assets by geographic location. The loss ratio is estimated based on historical data adjusted for estimates over the effect of expected changes in relevant parameters such as financial development, political risks, etc., in the relevant market.

Contract assets

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, the selling price is measured solely at the costs incurred in so far as they are likely to be recovered.

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 contractual obligations.

Prepayments from customers are recognised under contractual obligations.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

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

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 obligations, 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.

Financial liabilities

Financial liabilities comprise bank debt, mortgage debt and trade payables, etc.

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.

Share option programme

The value of services received from employees in exchange for granted options is measured at the fair value of the options granted. For equity-settled programmes, the share options are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The counter entry is recognised directly in equity as an owner transaction.

For share option programmes where the option holder has a choice between settlement in shares or cash, the fair value is measured on initial recognition at the grant date and is recognised in the income statement under staff costs over the vesting period. On subsequent recognition, the fair value of the share options is remeasured at each end of the reporting periods and at final settlement, and any changes in the value of the share options are recognised in the income statement under staff costs in proportion to the lapsed part of the vesting period. The counter entry is recognised under liabilities.

On initial recognition of the share options, an estimate is made of the number of options expected to vest in accordance with the vesting conditions. That estimate is subsequently revised for changes in the number

of options expected to vest so that the total recognition is based on the actual number of vested options.

The fair value of granted options is estimated using an option pricing model. The calculation takes into consideration the terms and conditions relating to the granted share options.

Provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognised as a provision is Management's best estimate of the expenses required to settle the obligation.

Other payables

Other payables comprise payables to public authorities, holiday pay obligations, etc., and are measured at amortised cost, which usually corresponds to the nominal value.

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 entities 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 divestment of entities are recognised up until the date of divestment.

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, distribution of dividend and changes to operating credits.

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 at bank and in hand.

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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 14.

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 (%) | $\frac{\text{EBITDA} \times 100}{\text{Revenue}}$ | The Company's operating profitability expressed as the Company's ability to generate profits on operating activities |
| Profit margin EBIT margin (%) | $\frac{\text{Profit/loss before net financials (EBIT)} \times 100}{\text{Revenue}}$ | The Company's operating profitability expressed as the Company's ability to generate profits on operating activities before net financials |
| Return on invested capital incl. goodwill (%) | $\frac{\text{Profit/loss before net financials (EBIT)} \times 100}{\text{Average invested capital, incl. goodwill}}$ | The return generated by the Company on investors' funds through operating activities |
| Return on invested capital ex goodwill (%) | $\frac{\text{Profit/loss before net financials (EBIT)} \times 100}{\text{Average invested capital, ex goodwill}}$ | The return generated by the Company on investors' funds through operating activities |
| Return on equity considering | $\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$ | The Company's ability to generate return to the Company's shareholders when the Company's capital base |
| Financial gearing | $\frac{\text{Net interest-bearing debt}}{\text{Equity}}$ | The Company's financial gearing expressed as the Company's sensitivity to fluctuations in the interest rate level, etc. |
| Equity ratio, ex non-controlling interests | $\frac{\text{Equity ratio, ex non-controlling interests} \times 100}{\text{Total assets}}$ | The Company's solvency ratio |
| Equity ratio, incl. non-controlling interests | $\frac{\text{Equity ratio, incl. non-controlling interests} \times 100}{\text{Total assets}}$ | The Company's solvency ratio |
| Equity value per share | $\frac{\text{Equity ratio, ex non-controlling interests}}{\text{Number of shares at year end}}$ | The value of equity per share according to the Company's annual report |
| Cash flow per share | $\frac{\text{Cash flows from operating activities}}{\text{Average number of diluted shares}}$ | 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, measurement of inventories and measurement of receivables, purchase price allocations in connection with acquisitions, expectations of earn-out payments after acquisitions as well as 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 2020 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 218.2

million at 31 December 2020. For a further description of the applied discount rates, etc., see note 15. 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 24.7 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.

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 42 Acquisition of subsidiaries in 2020, which also shows the methods applied to determine the fair values of the acquisitions made in 2020.

Assessment of liabilities in relation to contingent considerations

When acquiring entities, the expected payment of contingent considerations to the seller is recognised as a liability. If expectations change so that the contingent consideration is expected to be paid at another amount than the recognised liability, the adjustment amount must be recognised as revenue/expensed under net financials. In 2020, allocated contingent considerations/purchase price allocations of DKK 1.8 million

Notes

2. Significant accounting estimates, assumptions and judgements (continued)

were recognised as income in relation to acquisition of entities where payment of the final consideration was lower than expected. Remaining contingent considerations amount to DKK 9.3 million. Final calculation of contingent considerations is dependent on the financial performance of the entities acquired in 2021 and is subject to estimates.

Provisions

Provisions are made based on realised complaints costs and an assessment of the complaints in question.

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 15. The tests performed show values exceeding the carrying amount of the individual equity investments.

Determination of the lease term in leases

The lease term covers the non-cancellable lease term of the lease plus periods covered by an extension option that the Group is reasonably likely to exercise and plus periods covered by a termination option that the Group is reasonably unlikely to exercise.

Some of the Group's leases on properties include options that grant the Group a right to extend the lease for an additional lease term. On initial recognition of the leased asset, the Group assesses whether the extension option is reasonably likely to be exercised. The Group reassesses this estimate in case of significant events or significant changes to circumstances that the Group can control.

Determination of discount rate in leases

When measuring future lease payments at present value, the Group uses its incremental borrowing rate. When assessing the incremental borrowing rate, the Group has classified its portfolio of leased assets based on the nature of the assets and in particular where the assets are located. The Company's leased assets primarily comprise properties in Eastern Europe and China where interest levels are higher than the Group's Danish interest level. The average incremental borrowing rate is determined at 5% per year.

| PARENT | | | GROUP | |
|--------------|--------------|---|------------------|------------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| | | 3. Revenue | | |
| 7,400 | 6,391 | Sale of goods | 2,174,779 | 2,002,244 |
| 0 | 0 | Sale of the year's production output relating to construction contracts | 0 | 90 |
| 0 | 0 | Gains/losses on hedging instruments reclassified from equity via other comprehensive income | 3,410 | 10,598 |
| 7,400 | 6,391 | | 2,178,189 | 2,012,932 |
| | | Breakdown of revenue by customer groups | | |
| 0 | 0 | Healthcare | 641,800 | 576,700 |
| 4,219 | 3,066 | Cleantech | 694,300 | 657,400 |
| 0 | 0 | Food-related | 275,100 | 274,200 |
| 0 | 0 | Automotive | 91,300 | 111,500 |
| 3,181 | 3,325 | Other demanding industries | 475,689 | 393,132 |
| 7,400 | 6,391 | | 2,178,189 | 2,012,932 |
| | | Moreover, reference is made to note 22 and note 40. | | |
| | | 4. Production costs | | |
| 0 | 0 | Cost of sales | 1,146,815 | 1,060,628 |
| 0 | 0 | Inventory write-down | 2,213 | 1,080 |
| 0 | 0 | Reversed inventory write-downs | -341 | -871 |
| 0 | 0 | Staff costs | 332,708 | 309,350 |
| 0 | 0 | | 1,481,395 | 1,370,187 |
| | | Reversal of inventory write-downs relates to the disposal of inventories written down. | | |
| | | 5. Other operating income | | |
| 5,725 | 5,753 | Rent | 1,216 | 1,164 |
| 0 | 0 | Gain on sale of non-current assets | 333 | 798 |
| 0 | 0 | Grants, etc. | 821 | 538 |
| 5,725 | 5,753 | | 2,370 | 2,500 |
| | | 6. Development costs | | |
| 0 | 0 | Research and development costs incurred | 12,138 | 6,844 |
| 0 | 0 | Amount capitalised for accounting purposes | -11,703 | -6,393 |
| 0 | 0 | Expensed in the financial year | 435 | 451 |
| | | Development costs substantially relate to payroll costs. | | |

Notes

| PARENT | | | GROUP | |
|---------------------------|---------------|--|----------------|----------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| 7. Staff costs | | | | |
| 12,766 | 15,594 | Wages and salaries | 491,352 | 459,865 |
| 389 | 448 | Pension contributions, defined contribution plan | 38,910 | 34,797 |
| 79 | 74 | Other social security costs | 33,560 | 32,273 |
| 972 | 1,294 | Other staff costs | 24,179 | 22,581 |
| 702 | 683 | Share-based payment | 683 | 702 |
| 0 | 0 | Refunds from public authorities | -11,984 | -5,888 |
| 14,908 | 18,093 | | 576,700 | 544,330 |
| Breakdown of staff costs: | | | | |
| 0 | 0 | Production costs | 332,708 | 309,350 |
| 14,908 | 18,093 | Staff costs | 243,992 | 234,980 |
| 14,908 | 18,093 | | 576,700 | 544,330 |
| 8 | 9 | Average number of employees | 2,214 | 2,114 |

Remuneration of Management

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

| DKK'000 | GROUP | | | |
|--|--------------------|--------------|-----------------|--------------|
| | Board of Directors | | Executive Board | |
| | 2020 | 2019 | 2020 | 2019 |
| Remuneration of the Board of Directors | 1,363 | 1,400 | - | - |
| Remuneration, committee members | 50 | 50 | - | - |
| Wages and salaries | 0 | 0 | 7,732 | 7,303 |
| Share-based payment | 0 | 0 | 0 | 0 |
| | 1,413 | 1,450 | 7,732 | 7,303 |

| DKK'000 | PARENT | | | |
|--|--------------------|--------------|-----------------|--------------|
| | Board of Directors | | Executive Board | |
| | 2020 | 2019 | 2020 | 2019 |
| Remuneration of the Board of Directors | 1,363 | 1,400 | - | - |
| Remuneration, committee members | 50 | 50 | - | - |
| Wages and salaries | 0 | 0 | 6,445 | 7,153 |
| Share-based payment | 0 | 0 | 0 | 0 |
| | 1,413 | 1,450 | 6,445 | 7,153 |

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 | |
|--------|------|---|--------|--------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| 389 | 448 | Expensed contributions to defined pension plans | 38,910 | 34,797 |

8. 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 2020

No warrants were issued in 2020.

Warrant programme 2019

In 2019, the Group set up an incentive programme for the Company's Executive Board and 42 executive officers. The programme is based on warrants. A total of 240,000 warrants were issued in the year, of which 30,000 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 210.00 per share of nominally DKK 2 plus 7.5% p.a., calculated from 1 April 2019 and until the warrants are in fact exercised. The exercise price is fixed based on market conditions immediately before and after the publication of the annual report on 27 March 2019. The warrants issued 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 subscribe for shares in the Company in the period from 1 April 2022 to 31 March 2025. Alternatively, the Executive Board and the 42 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised on 27 March 2019. The Executive Board and 17 executive officers decided to exercise this option.

The estimated fair value of the warrants issued is calculated at approx. DKK 1,805 thousand on the assumption that the warrants granted will be exercised in April 2022. The warrants are valued using the Black-Scholes pricing model. The valuation is based on the following assumptions:

| | |
|-------------------------|-------|
| Volatility | 20.5% |
| Risk-free interest rate | 0.00% |
| Share price | 196 |

The estimated volatility is determined based on historical figures.

Warrant programme 2018

(one warrant comprises 5 shares of nom. DKK 2)

In 2018, the Group set up an incentive programme for the Company's Executive Board and 41 executive officers. The programme is based on warrants. A total of 41,500 warrants were issued in the year, of which 5,000 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 1,250 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2018 and until the warrants are in fact exercised. The exercise price is fixed based on market conditions immediately before and after the publication of the annual report on 22 March 2018. The warrants issued 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 subscribe for shares in the Company in the period from 1 April 2021 to 31 March 2024. Alternatively, the Executive Board and the 41 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2018. The Executive Board and 16 executive officers decided to exercise this option.

The estimated fair value of the warrants issued is calculated at approx. DKK 2,678 thousand on the assumption that the warrants granted will be exercised in April 2021. The warrants are valued using the Black-Scholes pricing model. The valuation is based on the following assumptions:

| | |
|-------------------------|-------|
| Volatility | 27% |
| Risk-free interest rate | 0.00% |
| Share price | 1,075 |

The estimated volatility is determined based on historical figures.

Warrant programme 2017

(one warrant comprises 5 shares of nom. DKK 2)

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, of which 10,000 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 price is fixed based on the listed price immediately before and after the publication of the annual report on 30 March 2017. The warrants issued 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 subscribe for 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

(one warrant comprises 5 shares of nom. DKK 2)

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, of which 10,000 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.

Notes

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 warrants issued 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 subscribe for 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.

Due to the 1:5 share split in May 2018, each existing warrant will be entitled to subscription for 5 shares at 20% of the original exercise price. This applies to the grants from 2016, 2017 and 2018.

Development in the year

The development in outstanding warrants can be specified as follows:

| | No. of warrants | No. of warrants | Average exercise price, warrants | Average exercise price, warrants |
|---|-----------------|-----------------|----------------------------------|----------------------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Number of warrants | | | | |
| Outstanding warrants at 1 January | 809,035 | 867,500 | 242 | 186 |
| Granted in the financial year | 0 | 240,000 | 0 | 261 |
| Exercised in the financial year | -160,028 | -295,000 | 190 | 91 |
| Expired/cancelled in the financial year | -7,770 | -3,465 | - | - |
| | 641,237 | 809,035 | 255 | 242 |
| Exercisable at 31 December | 219,735 | 11,535 | | |

Of the outstanding warrants, 80,000 have been granted to the Executive Board and 561,237 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 | |
|--------|------|--|-------|------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| | | Equity-settled share option plans | | |
| 702 | 683 | Share-based payment recognised in income statement, equity-settled share option plan | 683 | 702 |

| PARENT | | | GROUP | |
|--|---------------|--|----------------|----------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| 9. Depreciation, amortisation and impairment losses | | | | |
| 0 | 121 | Amortisation of intangible assets | 11,131 | 11,124 |
| 3,174 | 3,823 | Depreciation on property, plant and equipment | 130,419 | 118,557 |
| 3,174 | 3,944 | | 141,550 | 129,681 |
| 10. Dividends from subsidiaries | | | | |
| 55,957 | 50,723 | Dividends from subsidiaries | - | - |
| 55,957 | 50,723 | | - | - |
| 11. Financial income | | | | |
| 0 | 1 | Interest, etc. | 357 | 409 |
| 714 | 1,096 | Interest from group entities | - | - |
| 714 | 1,097 | Interest income from financial assets not measured at fair value through profit/loss | 357 | 409 |
| 48 | 0 | Exchange rate adjustments | 7,055 | 1,992 |
| 19,100 | 1,806 | Adjustment, contingent purchase consideration/purchase price | 1,806 | 19,100 |
| 19,862 | 2,903 | | 9,218 | 21,501 |
| 12. Financial expenses | | | | |
| 5,629 | 6,142 | Interest, etc. | 30,282 | 23,937 |
| 1,612 | 1,323 | Interest to group entities | - | - |
| 7,241 | 7,465 | Interest expenses on financial liabilities not measured at fair value through profit/loss | 30,282 | 23,937 |
| 932 | 0 | Write-down of equity investments in subsidiary | - | - |
| 0 | 4,016 | Realised loss on sale of equity investments in subsidiaries | - | - |
| 0 | 0 | Value adjustment of hedging transactions | 0 | 0 |
| 8,173 | 11,481 | | 30,282 | 23,937 |

Notes

| PARENT | | | GROUP | |
|---------------|---------------|---|---------------|---------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| | | 13. Tax for the year | | |
| -6,030 | -3,429 | Current tax | 40,494 | 29,990 |
| 1,260 | 210 | Changes in deferred tax | 2,432 | 5,134 |
| -4,770 | -3,219 | | 42,926 | 35,124 |
| | | The current corporation tax charge for the financial year is calculated based on a tax rate of 22.0% (2019: 22.0%) for Danish entities. For foreign entities, the current tax rate in the country in question is applied. | | |
| | | Tax on other changes in equity | | |
| 1,276 | 60 | Tax on acquisition/sale of treasury shares | 60 | 1,276 |
| 1,276 | 60 | | 60 | 1,276 |
| | | Tax on other comprehensive income | | |
| 0 | 0 | Fair value adjustment of financial instruments held to hedge future cash flows | -4,719 | 2,845 |
| 0 | 0 | | -4,719 | 2,845 |
| | | Tax on items recognised in other comprehensive income can be specified as follows: | | |
| 0 | 0 | Current tax | -22 | 78 |
| 0 | 0 | Changes in deferred tax | -4,697 | 2,767 |
| 0 | 0 | | -4,719 | 2,845 |
| | | Reconciliation of tax rate | | |
| - | - | Danish tax rate | 22.0 | 22.0 |
| - | - | Effect of differences in tax rates for foreign entities | -0.3 | -0.3 |
| - | - | Effect of adjustments made to previous years | 0.7 | 0.6 |
| - | - | Effect of contingent consideration recognised as income | -0.2 | -2.3 |
| - | - | Effective tax rate for the year | 22.2 | 20.0 |
| | | The Parent Company's tax rate was materially affected by tax-exempt dividends from subsidiaries in both 2019 and 2020. | | |
| | | Breakdown of the computed current tax charge for the year: | | |
| | | Denmark | 12,077 | 5,528 |
| | | Poland | 9,191 | 8,402 |
| | | The US | 7,555 | 3,717 |
| | | China | 3,702 | 3,737 |
| | | Latvia | 23 | 28 |
| | | Slovakia | 2,135 | 1,949 |
| | | Norway | 436 | 314 |
| | | Sweden | 1,318 | 1,436 |
| | | Finland | 1,778 | 910 |
| | | The Netherlands | 1,740 | 2,231 |
| | | Brazil | 539 | 1,738 |
| | | | 40,494 | 29,990 |

| DKK'000 | GROUP | |
|--|-------------------|-------------------|
| | 2020 | 2019 |
| 14. Earnings per share | | |
| The calculation of earnings per share is based on the following: | | |
| Profit to the Parent Company's shareholders | 150,806 | 140,188 |
| Number of shares | 2020 | 2019 |
| Average number of shares issued | 12,004,167 | 11,390,000 |
| Average number of treasury shares | -264,512 | -236,473 |
| Number of shares used to calculate earnings per share | 11,739,655 | 11,153,527 |
| Average dilution effect of outstanding warrants | 84,627 | 100,537 |
| Number of shares used to calculate diluted earnings per share | 11,824,282 | 11,254,064 |

| DKK'000 | GROUP | | | | | |
|---|--------------|---------------|----------------|----------------|--------------------------------|----------------------------------|
| | Trademarks | Software | Customer files | Goodwill | Completed development projects | Development projects in progress |
| 15. Intangible assets | | | | | | |
| Cost at 1 January 2020 | 209 | 33,141 | 62,407 | 200,853 | 44,480 | 6,783 |
| Value adjustment | 0 | -237 | 0 | -1,361 | -275 | 0 |
| Additions relating to acquisition of entity | 0 | 0 | 10,200 | 20,558 | 0 | 0 |
| Additions | 1,667 | 549 | 1,303 | 0 | 4,796 | 7,756 |
| Disposals | 0 | -62 | 0 | 0 | 0 | -849 |
| Cost at 31 December 2020 | 1,876 | 33,391 | 73,910 | 220,050 | 49,001 | 13,690 |
| Amortisation and impairment losses at 1 January 2020 | 0 | 24,607 | 21,063 | 1,861 | 36,335 | 0 |
| Value adjustment | 0 | -201 | 0 | 0 | -186 | 0 |
| Amortisation for the year | 121 | 2,543 | 6,630 | 0 | 1,837 | 0 |
| Reversal on disposal | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortisation and impairment losses at 31 December 2020 | 121 | 26,949 | 27,693 | 1,861 | 37,986 | 0 |
| Carrying amount at 31 December 2020 | 1,755 | 6,442 | 46,217 | 218,189 | 11,015 | 13,690 |
| Cost at 1 January 2019 | 0 | 31,351 | 60,207 | 196,071 | 39,672 | 5,313 |
| Value adjustment | 0 | 33 | 0 | 333 | -8 | 0 |
| Additions relating to acquisition of entity | 0 | 1,223 | 2,200 | 4,449 | 0 | 0 |
| Additions | 209 | 1,888 | 0 | 0 | 4,923 | 1,470 |
| Disposals | 0 | -1,354 | 0 | 0 | -107 | 0 |
| Cost at 31 December 2019 | 209 | 33,141 | 62,407 | 200,853 | 44,480 | 6,783 |
| Amortisation and impairment losses at 1 January 2019 | 0 | 22,644 | 15,307 | 1,861 | 34,369 | 0 |
| Value adjustment | 0 | 30 | 0 | 0 | -8 | 0 |
| Amortisation for the year | 0 | 3,287 | 5,756 | 0 | 2,081 | 0 |
| Reversal on disposal | 0 | -1,354 | 0 | 0 | -107 | 0 |
| Amortisation and impairment losses at 31 December 2019 | 0 | 24,607 | 21,063 | 1,861 | 36,335 | 0 |
| Carrying amount at 31 December 2019 | 209 | 8,534 | 41,344 | 198,992 | 8,145 | 6,783 |

Notes

| DKK'000 | PARENT | | | |
|--|--------------|------------|--------------|--------------|
| | Trademarks | | Software | |
| | 2020 | 2019 | 2020 | 2019 |
| 15. Intangible assets (continued) | | | | |
| Cost at 1 January | 209 | 0 | 1,052 | 1,052 |
| Additions | 1,667 | 209 | 83 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| Cost at 31 December | 1,876 | 209 | 1,135 | 1,052 |
| Amortisation and impairment losses at 1 January | 0 | 0 | 1,052 | 1,052 |
| Amortisation for the year | 121 | 0 | 0 | 0 |
| Reversal on disposal | 0 | 0 | 0 | 0 |
| Amortisation and impairment losses at 31 December | 121 | 0 | 1,052 | 1,052 |
| Carrying amount at 31 December | 1,755 | 209 | 83 | 0 |

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:

| DKK'000 | GROUP | |
|--|----------------|----------------|
| | 2020 | 2019 |
| Nycopac AB | 9,813 | 9,813 |
| Coreplast Laitila Oy | 4,449 | 4,449 |
| Dan-Hill-Plast A/S | 20,558 | 0 |
| SP Group (excluding Nycopac AB, Coreplast Laitila Oy and Dan-Hill-Plast A/S) | 183,369 | 184,730 |
| | 218,189 | 198,992 |

The Group manages and monitors goodwill collectively for SP Group (excluding Nycopac AB, Coreplast Laitila Oy and Dan-Hill-Plast A/S). Nycopac AB, Coreplast Laitila Oy and Dan-Hill-Plast A/S are monitored separately until the contingent considerations have been determined definitively.

15. Intangible assets (continued)

Goodwill

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

No impairment losses were recognised in respect of goodwill in 2019 or 2020.

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 rates and growth rates as well as sales expectations.

The discount rates 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 individual cash-generating units stems from multiple 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 2021 approved by Management and forecasts for 2022 and 2023. 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:

| | 2020 | 2019 |
|------------------------------------|------|------|
| Discount rate after tax | 7.5% | 7.5% |
| Discount rate before tax | 9.1% | 9.1% |
| Growth rate in the terminal period | 2.0% | 2.0% |

The above parameters have been used for all four 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 | GROUP | | | | |
|---|--------------------|---------------------|-------------------|------------------------|--|
| | Land and buildings | Plant and machinery | Other plant, etc. | Leasehold improvements | Property, plant and equipment under construction |
| 16. Property, plant and equipment | | | | | |
| Cost at 1 January 2020 | 387,490 | 988,894 | 137,346 | 49,689 | 32,370 |
| Value adjustment | -2,481 | -23,826 | -1,739 | -2,615 | -822 |
| Reclassification | 3,428 | -4,621 | 3 | -3,429 | 0 |
| Transferred from note 17 | 0 | 4,498 | 0 | 0 | 0 |
| Additions relating to acquisition of entity | 0 | 11,609 | 1,228 | 0 | 0 |
| Additions | 40,626 | 59,338 | 10,701 | 17,028 | 67,776 |
| Disposals | 0 | -19,349 | -6,149 | -147 | -50,576 |
| Cost at 31 December 2020 | 429,063 | 1,016,543 | 141,390 | 60,526 | 48,748 |
| Depreciation and impairment losses at 1 January 2020 | 126,175 | 620,493 | 97,289 | 29,460 | 0 |
| Value adjustment | -182 | -10,878 | -1,185 | -1,906 | 0 |
| Reclassification | 2,385 | -4,621 | 2 | -2,385 | 0 |
| Transferred from note 17 | 0 | 2,601 | 0 | 0 | 0 |
| Depreciation for the year | 11,209 | 64,635 | 11,275 | 4,772 | 0 |
| Reversal on disposal | 0 | -18,836 | -5,658 | -39 | 0 |
| Depreciation and impairment losses at 31 December 2020 | 139,587 | 653,394 | 101,723 | 29,902 | 0 |
| Carrying amount at 31 December 2020 | 289,476 | 363,149 | 39,667 | 30,624 | 48,748 |
| Cost at 1 January 2019 | 319,633 | 1,004,563 | 123,645 | 42,340 | 27,885 |
| Value adjustment | -65 | 3,238 | 242 | 393 | 181 |
| Reclassification | 890 | -308 | 308 | -890 | 0 |
| Transferred to leased assets | 0 | -94,023 | 0 | 0 | 0 |
| Additions relating to acquisition of entity | 37,928 | 11,537 | 133 | 0 | 153 |
| Additions | 29,152 | 92,713 | 19,546 | 9,435 | 59,400 |
| Disposals | -48 | -28,826 | -6,528 | -1,589 | -55,249 |
| Cost at 31 December 2019 | 387,490 | 988,894 | 137,346 | 49,689 | 32,370 |
| Depreciation and impairment losses at 1 January 2019 | 116,987 | 609,455 | 91,532 | 25,679 | 0 |
| Value adjustment | 8 | 1,595 | 185 | 300 | 0 |
| Reclassification | 104 | -157 | 157 | -104 | 0 |
| Transferred to leased assets | 0 | -19,234 | 0 | 0 | 0 |
| Depreciation for the year | 9,124 | 54,809 | 11,189 | 5,129 | 0 |
| Reversal on disposal | -48 | -25,975 | -5,774 | -1,544 | 0 |
| Depreciation and impairment losses at 31 December 2019 | 126,175 | 620,493 | 97,289 | 29,460 | 0 |
| Carrying amount at 31 December 2019 | 261,315 | 368,401 | 40,057 | 20,229 | 32,370 |

Agreements regarding the acquisition of machinery for future delivery, approx. DKK 30 million (2019: approx. DKK 20.0 million).

PARENT

| DKK'000 | Land and buildings | Plant and machinery | Other plant, etc. | Plant under construction |
|---|-----------------------|------------------------|----------------------|-----------------------------|
| 16. Property, plant and equipment (continued) | | | | |
| Cost at 1 January 2020 | 112,131 | 1,680 | 2,026 | 0 |
| Additions | 48 | 0 | 354 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| Cost at 31 December 2020 | 112,179 | 1,680 | 2,380 | 0 |
| Depreciation and impairment losses at 1 January 2020 | 26,526 | 80 | 1,433 | 0 |
| Depreciation for the year | 2,548 | 480 | 225 | 0 |
| Reversal on disposal | 0 | 0 | 0 | 0 |
| Depreciation and impairment losses at 31 December 2020 | 29,074 | 560 | 1,658 | 0 |
| Carrying amount at 31 December 2020 | 83,105 | 1,120 | 722 | 0 |
| Cost at 1 January 2019 | 110,528 | 0 | 2,016 | 528 |
| Additions | 1,603 | 1,680 | 31 | 0 |
| Disposals | 0 | 0 | -21 | -528 |
| Cost at 31 December 2019 | 112,131 | 1,680 | 2,026 | 0 |
| Depreciation and impairment losses at 1 January 2019 | 24,018 | 0 | 1,260 | 0 |
| Depreciation for the year | 2,508 | 80 | 194 | 0 |
| Reversal on disposal | 0 | 0 | -21 | 0 |
| Depreciation and impairment losses at 31 December 2019 | 26,526 | 80 | 1,433 | 0 |
| Carrying amount at 31 December 2019 | 85,605 | 1,600 | 593 | 0 |

Notes

| DKK'000 | GROUP | | | |
|---|--------------------|---------------------|-------------------|----------------|
| | Land and buildings | Plant and machinery | Other plant, etc. | Total |
| 17. Leases | | | | |
| Leased assets | | | | |
| Balance sheet at 1 January 2020 | 131,073 | 88,930 | 8,980 | 228,983 |
| Value adjustment | -6,665 | -53 | 0 | -6,718 |
| Additions | 13,027 | 5,246 | 4,923 | 23,196 |
| Additions relating to acquisition of entity | 29,875 | 0 | 0 | 29,875 |
| Transferred to note 16 | -16,975 | -1,896 | 0 | -18,871 |
| Disposals | 0 | 0 | 0 | 0 |
| Remeasurement of lease liability | 40,724 | 0 | 0 | 40,724 |
| Depreciation/amortisation for the year | -25,523 | -8,953 | -4,052 | -38,528 |
| Carrying amount at 31 December 2020 | 165,536 | 83,274 | 9,851 | 258,661 |
| Balance sheet at 1 January 2019 | 158,505 | 74,789 | 6,754 | 240,048 |
| Value adjustment | 1,556 | 2 | 0 | 1,558 |
| Additions | 12,534 | 29,802 | 5,846 | 48,182 |
| Disposals | -23,752 | -5,909 | 0 | -29,661 |
| Remeasurement of lease liability | 7,321 | 0 | -159 | 7,162 |
| Depreciation/amortisation for the year | -25,091 | -9,754 | -3,461 | -38,306 |
| Carrying amount at 31 December 2019 | 131,073 | 88,930 | 8,980 | 228,983 |

Agreements regarding the acquisition of machinery for future delivery, approx. DKK 10 million (2019: approx. DKK 10.0 million).

| DKK'000 | 2020 | 2019 |
|--|----------------|----------------|
| Lease liabilities – maturity analysis | | |
| Less than 1 year | 52,151 | 68,444 |
| Between 1 and 3 years | 97,911 | 78,535 |
| Between 3 and 5 years | 51,978 | 58,309 |
| Exceeding 5 years | 100,569 | 22,094 |
| Total non-discounted lease liabilities at 31 December | 302,609 | 227,382 |
| Lease liabilities recognised in the balance sheet | | |
| Current | 55,394 | 67,036 |
| Non-current | 165,952 | 140,614 |
| | 221,346 | 207,650 |
| Lease liabilities recognised in the income statement | | |
| Interest expenses relating to lease liabilities | 6,295 | 8,007 |
| | 6,295 | 8,007 |

In 2020, the Group paid DKK 51.3 million (2019: DKK 52.4 million) regarding leases, of which interest payments related to recognised lease liabilities totalled DKK 6.3 million (2019: DKK 8.2 million) and repayment of recognised lease liabilities totalled DKK 47.7 million (2019: DKK 44.2 million).

Reference is made to note 2 for a description of the determination of the lease term and discount rate in leases.

PARENT

DKK'000

Other plant, etc.

17. Leases (continued)

Leased assets

| | |
|--|--------------|
| Balance sheet at 1 January 2020 | 1,247 |
| Additions | 1,000 |
| Disposals | 0 |
| Remeasurement of lease liability | 0 |
| Depreciation/amortisation for the year | -570 |
| Carrying amount at 31 December 2020 | 1,677 |
| | |
| Balance sheet at 1 January 2019 | 387 |
| Additions | 1,224 |
| Disposals | 0 |
| Remeasurement of lease liability | 28 |
| Depreciation/amortisation for the year | -392 |
| Carrying amount at 31.12.2019 | 1,247 |

DKK'000

2020

2019

Lease liabilities – maturity analysis

| | | |
|--|--------------|--------------|
| Less than 1 year | 581 | 400 |
| Between 1 and 3 years | 1,091 | 612 |
| Between 3 and 5 years | 73 | 235 |
| Exceeding 5 years | 0 | 0 |
| Total non-discounted lease liabilities at 31 December | 1,745 | 1,247 |

Lease liabilities recognised in the balance sheet

| | | |
|------------|--------------|--------------|
| Short-term | 570 | 400 |
| Long-term | 1,107 | 847 |
| | 1,677 | 1,247 |

Lease liabilities recognised in the income statement

| | | |
|---|-----------|----------|
| Interest expenses relating to lease liabilities | 11 | 8 |
| | 11 | 8 |

In 2020, the Parent Company paid DKK 0.6 million (2019: DKK 0.5 million) regarding leases, of which interest payments related to recognised lease liabilities totalled DKK 0.0 million (2019: DKK 0.0 million) and repayment of recognised lease liabilities totalled DKK 0.6 million (2019: DKK 0.5 million).

Reference is made to note 2 for a description of the determination of the lease term and discount rate in leases.

Notes

| DKK'000 | PARENT | |
|---|----------------|----------------|
| | 2020 | 2019 |
| 18. Equity investments in subsidiaries | | |
| Cost at 1 January | 904,428 | 852,558 |
| Additions | 25,000 | 68,870 |
| Disposals | -21,376 | -17,000 |
| Cost at 31 December | 908,052 | 904,428 |
| Impairment losses at 1 January | 241,767 | 257,069 |
| Impairment losses for the year | 4,016 | 932 |
| Reversed impairment write-downs | -4,016 | -16,234 |
| Impairment losses at 31 December | 241,767 | 241,767 |
| Carrying amount at 31 December | 666,285 | 662,661 |

The impairment loss relates to the equity investment in Nycopac AB, which was sold internally in the Group in 2020 at a loss of DKK 4.0 million.

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

| | Registered office | Ownership interest | | Share of voting rights | | Activity |
|-------------------------|-------------------|--------------------|------|------------------------|------|---|
| | | 2020 | 2019 | 2020 | 2019 | |
| SP Moulding A/S | Denmark | 100% | 100% | 100% | 100% | Production and sale of injection-moulded components |
| Ulstrup Plast A/S | Denmark | 100% | 100% | 100% | 100% | Production and sale of injection-moulded components |
| Coreplast Laitila Oy | Finland | 100% | 100% | 100% | 100% | Production and sale of injection-moulded components |
| MedicoPack A/S | Denmark | 100% | 100% | 100% | 100% | Production and sale of blow-moulded components |
| Gibo Plast A/S | Denmark | 100% | 100% | 100% | 100% | Production and sale of vacuum-formed components |
| 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 |
| Baltic Rim SIA | Latvia | 100% | 100% | 100% | 100% | Production and sale of Telene products |
| MM Composite A/S | Denmark | 100% | 100% | 100% | 100% | Production and sale of composite products |
| Nycopac AB | Sweden | - | 100% | - | 100% | Sale of plastic components and technologies |
| SP Moulding Denmark A/S | Denmark | 100% | 100% | 100% | 100% | Sale of plastic components and technologies |
| SP Technology ApS | Denmark | 100% | 100% | 100% | 100% | Sale of plastic components and technologies |
| SP R&D A/S | Denmark | 100% | 100% | 100% | 100% | Development company |
| SPG Ejendomme 1 ApS | Denmark | 100% | 100% | 100% | 100% | Property company |
| SPG Ejendomme 2 ApS | Denmark | 100% | 100% | 100% | 100% | Property company |

Note 47 includes an overview of all entities in the Group. Nycopac AB has been sold internally in the Group.

| DKK'000 | GROUP | |
|---|----------|----------|
| | 2020 | 2019 |
| 19. Equity investments in associates | | |
| Cost at 1 January | 0 | 1,894 |
| Transferred to subsidiary | 0 | -1,894 |
| Cost at 31 December | 0 | 0 |
| Adjustments at 1 January | 0 | -215 |
| Exchange rate adjustments | 0 | 45 |
| Share of profit/loss | 0 | -35 |
| Transferred to subsidiary | 0 | 205 |
| Adjustments at 31 December | 0 | 0 |
| Carrying amount at 31 December | 0 | 0 |

In 2019, the ownership interest in Mt. Pl. Building II L.L.C increased from 33 1/3% to 100% and subsequently merged with MM Composite Inc.

| PARENT | | | GROUP | |
|----------|----------|---|----------------|----------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| | | 20. Inventories | | |
| 0 | 0 | Raw materials and consumables | 222,617 | 224,240 |
| 0 | 0 | Work in progress | 74,579 | 67,844 |
| 0 | 0 | Finished goods and goods for resale | 203,086 | 196,759 |
| 0 | 0 | | 500,282 | 488,843 |
| 0 | 0 | Carrying amount of inventories recognised at net realisable value | 1,712 | 2,721 |
| | | 21. Trade receivables | | |
| 0 | 0 | Write-downs for the year recognised in the income statement | 309 | 336 |

Write-down for bad and doubtful debts is determined based on the simplified expected credit loss model.

Please see note 38.

Notes

| PARENT | | | GROUP | |
|--------------------------------|----------|--|----------------|----------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| 22. Contract assets | | | | |
| Contract assets | | | | |
| 0 | 0 | Trade receivables | 250,933 | 234,804 |
| 0 | 0 | Construction contracts | 0 | 7 |
| 0 | 0 | Refund assets | 0 | 0 |
| 0 | 0 | Costs incurred in obtaining construction contracts | 0 | 0 |
| 0 | 0 | | 250,933 | 234,811 |
| Contractual obligations | | | | |
| 0 | 0 | Construction contracts | 0 | 0 |
| 0 | 0 | Prepayments from customers | 48,001 | 54,756 |
| 0 | 0 | Refund liabilities | 0 | 0 |
| 0 | 0 | | 48,001 | 54,756 |

The number of construction contracts in the Group is limited. Pursuant to IFRS 15.121, the Group has not disclosed unfulfilled terms of delivery as the expected duration of the Group's construction contracts is less than a year.

23. 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 2021.

24. 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.

25. Share capital

The share capital consists of 12,490,000 shares. The shares are fully paid-up. The shares are not divided into classes.

All shares rank equally.

| DKK | Shares issued | | | |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| | No. of shares | | Nom. value | |
| | 2020 | 2019 | 2020 | 2019 |
| 1 January | 11,390,000 | 11,390,000 | 22,780,000 | 22,780,000 |
| Capital increase | 1,100,000 | 0 | 2,200,000 | 0 |
| 31 December | 12,490,000 | 11,390,000 | 24,980,000 | 22,780,000 |

The capital increase of nom. DKK 2,200,000 (1,100,000 shares) was carried through on 3 June 2020 at price 200, corresponding to total proceeds of DKK 220,000 thousand. In connection with the capital increase, costs of DKK 5,462 thousand were deducted from the proceeds of the capital increase, and subsequently, the proceeds amount to DKK 214,538 thousand.

| DKK | Treasury shares | | | | | |
|--------------------|-----------------|----------------|----------------|----------------|--------------------|--------------|
| | No. of shares | | Nom. value | | % of share capital | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| 1 January | 242,594 | 230,351 | 485,188 | 460,702 | 2.1 % | 2.0 % |
| Capital increase | 0 | 0 | 0 | 0 | -0.2 % | 0.0 % |
| Acquired | 203,864 | 307,243 | 407,728 | 614,486 | 1.6 % | 2.7 % |
| Sold | -160,028 | -295,000 | -320,056 | -590,000 | -1.3 % | -2.6 % |
| 31 December | 286,430 | 242,594 | 572,860 | 485,188 | 2.3 % | 2.1 % |

Acquisitions in 2019 and 2020 were made in order to partially fund existing warrant programmes.

Sales in 2019 and 2020 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 2020, equity accounted for 44.5% of total assets (2019: 34.5%). It is the Group's objective to have a solvency ratio of 25-45%. Capital is managed for the Group 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 2020, dividend of DKK 5 per share has been proposed, corresponding to 41% of the profit for the year, as no dividend was distributed for 2019.

Notes

| | | | | GROUP |
|---|---|--|--------------------|----------------|
| DKK'000 | Reserve for exchange rate adjustments | Reserve for share- based payment | Hedging reserve | Total |
| 26. Other reserves | | | | |
| Reserve at 1 January 2019 | -2,247 | 2,887 | 8,546 | 9,186 |
| Exchange rate adjustment relating to foreign entities | 3,560 | 0 | 0 | 3,560 |
| Recognition of share-based payment | 0 | 702 | 0 | 702 |
| Share-based payment, exercised arrangements | 0 | -496 | 0 | -496 |
| Sale of warrants | 0 | 1,072 | 0 | 1,072 |
| Value adjustments of financial instruments held to hedge future cash flows, net | 0 | 0 | 12,131 | 12,131 |
| Reserve at 31 December 2019 | 1,313 | 4,165 | 20,677 | 26,155 |
| Exchange rate adjustment relating to foreign entities | -33,918 | 0 | 0 | -33,918 |
| Recognition of share-based payment | 0 | 683 | 0 | 683 |
| Share-based payment, exercised arrangements | 0 | -350 | 0 | -350 |
| Sale of warrants | 0 | 0 | 0 | 0 |
| Value adjustments of financial instruments held to hedge future cash flows, net | 0 | 0 | -20,116 | -20,116 |
| Reserve at 31 December 2020 | -32,605 | 4,498 | 561 | -27,546 |

| | | | | PARENT |
|---|--|--|--------------------|--------------|
| DKK'000 | | Reserve for share- based payment | Hedging reserve | Total |
| Reserve at 1 January 2019 | | 2,887 | 0 | 2,887 |
| Recognition of share-based payment | | 702 | 0 | 702 |
| Share-based payment, exercised arrangements | | -496 | 0 | -496 |
| Sale of warrants | | 1,072 | 0 | 1,072 |
| Value adjustments of financial instruments held to hedge future cash flows, net | | 0 | 0 | 0 |
| Reserve at 31 December 2019 | | 4,165 | 0 | 4,165 |
| Recognition of share-based payment | | 683 | 0 | 683 |
| Share-based payment, exercised arrangements | | -350 | 0 | -350 |
| Sale of warrants | | 0 | 0 | 0 |
| Value adjustments of financial instruments held to hedge future cash flows, net | | 0 | 0 | 0 |
| Reserve at 31 December 2020 | | 4,498 | 0 | 4,498 |

The reserve for exchange rate adjustments comprises all exchange rate adjustments arising on 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 vested 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 vested 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 |
|---|----------------|----------------|------------------------|----------------|-------------------|----------------|-------------------------------|---------------|
| DKK'000 | Bank debt | | Financial institutions | | Lease liabilities | | Other non-current liabilities | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| 27. Non-current liabilities | | | | | | | | |
| Non-current liabilities fall due as follows: | | | | | | | | |
| Within one year from the balance sheet date | 69,618 | 64,901 | 25,075 | 25,071 | 55,394 | 67,036 | 17,871 | 42,580 |
| Between one and two years from the balance sheet date | 51,956 | 58,087 | 25,097 | 25,070 | 57,074 | 39,030 | 10,919 | 12,278 |
| Between two and three years from the balance sheet date | 47,319 | 40,344 | 24,753 | 25,078 | 34,322 | 33,920 | 1,390 | 4,540 |
| Between three and four years from the balance sheet date | 47,106 | 35,706 | 17,082 | 24,727 | 27,411 | 28,116 | 1,390 | 0 |
| Between four and five years from the balance sheet date | 44,998 | 35,492 | 8,414 | 17,062 | 17,264 | 22,207 | 1,390 | 0 |
| After five years from the balance sheet date | 20,870 | 48,159 | 29,770 | 38,232 | 29,881 | 17,341 | 16,671 | 7,904 |
| | 281,867 | 282,689 | 130,191 | 155,240 | 221,346 | 207,650 | 49,631 | 67,302 |
| Liabilities are recognised in the balance sheet as follows: | | | | | | | | |
| Current liabilities | 69,618 | 64,901 | 25,075 | 25,071 | 55,394 | 67,036 | 17,871 | 42,580 |
| Non-current liabilities | 212,249 | 217,788 | 105,116 | 130,169 | 165,952 | 140,614 | 31,760 | 24,722 |
| | 281,867 | 282,689 | 130,191 | 155,240 | 221,346 | 207,650 | 49,631 | 67,302 |
| Fair value | 281,867 | 282,689 | 133,696 | 156,564 | 221,700 | 208,158 | 49,631 | 67,302 |

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 2019 and 2020 and frozen holiday pay.

See note 38 on liquidity risks for information on covenants agreed with the financial lenders.

Liabilities from financing activities in 2020

| Bank debt, financial institutions and finance lease liabilities | Opening balance | Cash flows | Non-cash changes | | | Closing balance |
|---|-----------------|-----------------|------------------|---------------|-------------------|-----------------|
| | | | Acquisitions | Leases | Value adjustments | |
| Short-term bank debt | 278,804 | -125,606 | 0 | 0 | 0 | 153,198 |
| Bank debt | 282,689 | -822 | 0 | 0 | 0 | 281,867 |
| Financial institutions | 155,240 | -25,049 | 0 | 0 | 0 | 130,191 |
| Lease liabilities | 207,650 | -45,703 | 19,125 | 40,274 | 0 | 221,346 |
| Other non-current liabilities | 67,302 | -45,365 | 14,442 | 0 | 13,252 | 49,631 |
| | 991,685 | -242,545 | 33,567 | 40,274 | 13,252 | 836,233 |

Liabilities from financing activities in 2019

| Bank debt, financial institutions and finance lease liabilities | Opening balance | Cash flows | Non-cash changes | | | Closing balance |
|---|-----------------|---------------|------------------|----------------|-------------------|-----------------|
| | | | Acquisitions | Leases | Value adjustments | |
| Short-term bank debt | 206,739 | 72,065 | 0 | 0 | 0 | 278,804 |
| Bank debt | 197,120 | 85,569 | 0 | 0 | 0 | 282,689 |
| Financial institutions | 179,865 | -24,625 | 0 | 0 | 0 | 155,240 |
| Lease liabilities | 54,316 | -45,073 | 0 | 198,407 | 0 | 207,650 |
| Other non-current liabilities | 58,608 | -11,718 | 30,607 | 0 | -10,195 | 67,302 |
| | 696,648 | 76,218 | 30,607 | 198,407 | -10,195 | 991,685 |

Notes

| | | | | | | | | PARENT | |
|---|----------------|----------------|------------------------|----------------|-------------------|--------------|-------------------------------|---------------|--|
| DKK'000 | Bank debt | | Financial institutions | | Lease liabilities | | Other non-current liabilities | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | |
| 27. Non-current liabilities (continued) | | | | | | | | | |
| Non-current liabilities fall due as follows: | | | | | | | | | |
| Within one year from the balance sheet date | 61,258 | 59,830 | 19,496 | 19,488 | 570 | 400 | 8,076 | 42,580 | |
| Between one and two years from the balance sheet date | 46,200 | 53,258 | 19,512 | 19,498 | 559 | 306 | 4,674 | 12,278 | |
| Between two and three years from the balance sheet date | 43,200 | 38,200 | 19,519 | 19,513 | 481 | 306 | 42 | 4,540 | |
| Between three and four years from the balance sheet date | 43,200 | 35,200 | 11,849 | 19,519 | 67 | 235 | 42 | 0 | |
| Between four and five years from the balance sheet date | 41,700 | 35,200 | 4,176 | 11,847 | 0 | 0 | 42 | 0 | |
| After five years from the balance sheet date | 15,800 | 45,500 | 10,633 | 14,806 | 0 | 0 | 502 | 203 | |
| | 251,358 | 267,188 | 85,185 | 104,671 | 1,677 | 1,247 | 13,378 | 59,601 | |
| Liabilities are recognised in the balance sheet as follows: | | | | | | | | | |
| Current liabilities | 61,258 | 59,830 | 19,496 | 19,488 | 570 | 400 | 8,076 | 42,580 | |
| Non-current liabilities | 190,100 | 207,358 | 65,689 | 85,183 | 1,107 | 847 | 5,302 | 17,021 | |
| | 251,358 | 267,188 | 85,185 | 104,671 | 1,677 | 1,247 | 13,378 | 59,601 | |
| Fair value | 251,358 | 267,188 | 86,647 | 105,635 | 1,677 | 1,247 | 13,378 | 59,601 | |

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 2019 and frozen holiday pay.

See note 38 on liquidity risks for information on covenants agreed with the financial lenders.

Liabilities from financing activities in 2020

| Bank debt, financial institutions and finance lease liabilities | Opening balance | Cash flows | Non-cash changes | | | Closing balance |
|---|-----------------|----------------|------------------|--------------|-------------------|-----------------|
| | | | Acquisitions | Leases | Value adjustments | |
| Short-term bank debt | 57,611 | 4,758 | 0 | 0 | 0 | 62,369 |
| Bank debt | 267,188 | -15,830 | 0 | 0 | 0 | 251,358 |
| Financial institutions | 104,671 | -19,486 | 0 | 0 | 0 | 85,185 |
| Lease liabilities | 1,247 | -582 | 0 | 1,012 | 0 | 1,677 |
| Other non-current liabilities | 59,601 | -45,365 | 0 | 0 | -858 | 13,378 |
| | 490,318 | -76,505 | 0 | 1,012 | -858 | 413,967 |

Liabilities from financing activities in 2019

| Bank debt, financial institutions and finance lease liabilities | Opening balance | Cash flows | Non-cash changes | | | Closing balance |
|---|-----------------|---------------|------------------|--------------|-------------------|-----------------|
| | | | Acquisitions | Leases | Value adjustments | |
| Short-term bank debt | 0 | 57,611 | 0 | 0 | 0 | 57,611 |
| Bank debt | 194,758 | 72,400 | 0 | 0 | 30 | 267,188 |
| Financial institutions | 124,057 | -19,386 | 0 | 0 | 0 | 104,671 |
| Lease liabilities | 0 | -373 | 0 | 1,620 | 0 | 1,247 |
| Other non-current liabilities | 58,608 | -11,718 | 30,607 | 0 | -17,896 | 59,601 |
| | 377,423 | 98,534 | 30,607 | 1,620 | -17,866 | 490,318 |

| PARENT | | | GROUP | |
|-------------------------|--------------------------|---|---------------------|--------------------------|
| Deferred tax assets | Deferred tax liabilities | DKK'000 | Deferred tax assets | Deferred tax liabilities |
| 28. Deferred tax | | | | |
| 0 | 1,417 | Deferred tax at 1 January 2019 | 2,821 | 46,441 |
| 0 | 0 | Exchange rate adjustment | 7 | 636 |
| 0 | 0 | Addition, acquisition | 0 | 6,259 |
| 0 | 1,260 | Change in deferred tax recognised in the income statement | -1,068 | 4,066 |
| 0 | 0 | Change in deferred tax recognised in other comprehensive income | 0 | 2,767 |
| 0 | 0 | Transfer, subsidiaries | 0 | 0 |
| 0 | 2,677 | Deferred tax at 31 December 2019 | 1,760 | 60,169 |
| 0 | 0 | Exchange rate adjustment | -48 | -186 |
| 0 | 0 | Addition, acquisition | 0 | 5,974 |
| 0 | 210 | Change in deferred tax recognised in the income statement | 1,088 | 3,520 |
| 0 | 0 | Change in deferred tax recognised in other comprehensive income | 607 | -4,090 |
| 0 | 2,887 | Deferred tax at 31 December 2020 | 3,407 | 65,387 |

| PARENT | | | GROUP | |
|---|---------------|--------------------------|----------------|----------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| Deferred tax is recognised in the balance sheet as follows: | | | | |
| 0 | 0 | Deferred tax assets | 3,407 | 1,760 |
| -2,677 | -2,887 | Deferred tax liabilities | -65,387 | -60,169 |
| -2,677 | -2,887 | | -61,980 | -58,409 |

The Group's tax assets mainly comprise the tax value of tax loss carryforwards in a few foreign subsidiaries. The tax assets are 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

| | | | | | | | GROUP |
|---|---------------|--|---|-------------------------|---|------------------------------|---------------|
| DKK'000 | 1 January | Recognised in the income statement | Recognised in other comprehensive income | Recognised in equity | Recognised on acquisition of entity | Value adjustments, etc | 31 December |
| 28. Deferred tax (continued) | | | | | | | |
| 2020 | | | | | | | |
| Intangible assets | 17,726 | 3,383 | 0 | 0 | 2,365 | 113 | 23,587 |
| Property, plant and equipment | 42,408 | 371 | 0 | 0 | 3,236 | 220 | 46,235 |
| Inventories | 3,359 | -12 | 0 | 0 | 278 | 17 | 3,642 |
| Receivables | 1,402 | -590 | 0 | 0 | 208 | 5 | 1,025 |
| Liabilities | -10,199 | -122 | 0 | 0 | -113 | -50 | -10,484 |
| Value adjustment of derivative financial instruments | 5,250 | 0 | -4,697 | 0 | 0 | -432 | 121 |
| Tax loss carryforwards | -1,537 | -598 | 0 | 0 | 0 | -11 | -2,146 |
| | 58,409 | 2,432 | -4,697 | 0 | 5,974 | -138 | 61,980 |
| 2019 | | | | | | | |
| Intangible assets | 16,250 | 838 | 0 | 0 | 418 | 220 | 17,726 |
| Property, plant and equipment | 31,095 | 4,800 | 0 | 0 | 5,990 | 523 | 42,408 |
| Inventories | 2,065 | 1,443 | 0 | 0 | -149 | 0 | 3,359 |
| Receivables | 532 | 870 | 0 | 0 | 0 | 0 | 1,402 |
| Liabilities | -6,647 | -3,438 | 0 | 0 | 0 | -114 | -10,199 |
| Value adjustment of derivative financial instruments | 2,574 | -91 | 2,767 | 0 | 0 | 0 | 5,250 |
| Tax loss carryforwards | -2,249 | 712 | 0 | 0 | 0 | 0 | -1,537 |
| | 43,620 | 5,134 | 2,767 | 0 | 6,259 | 629 | 58,409 |
| | | | | | | | PARENT |
| DKK'000 | 1 January | Recognised in the income statement | Recognised in other comprehensive income | Recognised in equity | Recognised on acquisition of entity | Transfer, subsidiaries | 31 December |
| 2020 | | | | | | | |
| Intangible assets | 47 | 358 | 0 | 0 | 0 | 0 | 405 |
| Property, plant and equipment | 2,644 | 332 | 0 | 0 | 0 | 0 | 2,976 |
| Liabilities | -14 | -480 | 0 | 0 | 0 | 0 | -494 |
| Tax loss carryforwards | 0 | 0 | 0 | -60 | 0 | 60 | 0 |
| | 2,677 | 210 | 0 | -60 | 0 | 60 | 2,887 |
| 2019 | | | | | | | |
| Intangible assets | 1 | 46 | 0 | 0 | 0 | 0 | 47 |
| Property, plant and equipment | 1,834 | 810 | 0 | 0 | 0 | 0 | 2,644 |
| Liabilities | -418 | 404 | 0 | 0 | 0 | 0 | -14 |
| Tax loss carryforwards | 0 | 0 | 0 | -1,276 | 0 | 1,276 | 0 |
| | 1,417 | 1,260 | 0 | -1,276 | 0 | 1,276 | 2,677 |

| PARENT | | | GROUP | |
|----------|----------|---|--------------|--------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| | | 29. Trade payables | | |
| 778 | 1,068 | Trade payables | 177,228 | 157,051 |
| | | The carrying amount corresponds to the fair value of the liabilities. | | |
| | | 30. Provisions (warranty commitments) | | |
| 0 | 0 | Provisions at 1 January | 4,673 | 2,224 |
| 0 | 0 | Additions | 2,429 | 3,368 |
| 0 | 0 | Disposals | -3,855 | -919 |
| 0 | 0 | Provisions at 31 December | 3,247 | 4,673 |
| | | Provisions for warranty commitments relate to sold, but defective items. Provisions have been calculated based on expected remedial costs. Such costs are expected to be incurred primarily during 2021. | | |
| | | 31. Other payables | | |
| | | The item comprises payables relating to payroll, withholding taxes, social security contributions, holiday pay, VAT, duties, etc. | | |
| | | The holiday pay obligation represents the Group's obligation to pay salary to employees during holidays which, at the balance sheet date, they are entitled to take in the subsequent financial year. | | |
| | | 32. Collateral | | |
| | | Mortgage debt of DKK 77 million (of which DKK 32 million relates to the Parent Company) 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 (2019: DKK 60 million). | | |
| 85,209 | 82,709 | Carrying amount of mortgaged properties | 169,198 | 176,099 |
| | | 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 | |
|----------------|----------------|--|----------------|----------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| | | 33. 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 bank overdraft withdrawals. | | |
| 214,427 | 92,525 | Subsidiaries' bank debt | | |
| | | The Parent Company has guaranteed the subsidiaries' debt to financial institutions or has joint and several liability. | | |
| 26,204 | 22,411 | Surety, guarantee and liability | | |
| | | The Parent Company is jointly and severally liable for the subsidiaries' lease liabilities. | | |
| 62,788 | 52,334 | Minimum lease payments | | |
| | | On behalf of a subsidiary, the Parent Company has provided a payment guarantee of DKK 3,816 thousand to a supplier (2019: DKK 1,330 thousand). The Parent Company is jointly taxed with other Danish entities in SP Group A/S. As administration company, the Company has joint and several liability, together with the other jointly taxed entities, for payment of Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. At 31 December 2020, the jointly taxed entities' total net receivable from the Danish Customs and Tax Administration amounted to approx. DKK 2.9 million (31 December 2019: DKK 1.2 million). | | |
| | | 34. Changes in net working capital | | |
| 0 | 0 | Changes in inventories | -1,127 | -81,443 |
| 14,392 | -69,100 | Changes in receivables | -23,837 | -23,996 |
| -58,337 | -4,016 | Changes in trade payables, etc. | 50,397 | 21,749 |
| -43,945 | -73,116 | | 25,433 | -83,690 |
| | | 35. Cash and cash equivalents | | |
| 54 | 71,902 | Cash | 122,692 | 48,706 |
| 54 | 71,902 | | 122,692 | 48,706 |
| | | 36. 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: | | |
| | | EY | | |
| 356 | 362 | Statutory audit | 2,446 | 2,456 |
| 0 | 0 | Other assurance engagements | 46 | 47 |
| 263 | 123 | Tax and VAT advisory services | 196 | 388 |
| 717 | 853 | Non-audit services | 897 | 844 |
| 1,336 | 1,338 | | 3,585 | 3,735 |

Tax and VAT advisory services comprise 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.

37. 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 41.

For an outline of subsidiaries, see the group chart in note 47.

Related party transactions, Group

In 2020, the Group's ordinary sale of goods amounted to DKK 497 thousand, and ordinary purchase of goods amounted to DKK 23 thousand from an entity which is a related party of the chair of the Board.

The Group did not carry out any other related party transactions in 2019 and 2020 apart from remuneration of the members of the Board of Directors and the Executive Board and distribution of dividend.

Related party transactions, Parent Company

| DKK'000 | Rental income | Rental expenses | Sale of goods and services | Purchase of goods and services | Interest income | Interest expenses | Production facilities | Receivables | Payables |
|-------------------|---------------|-----------------|----------------------------|--------------------------------|-----------------|-------------------|-----------------------|-------------|----------|
| 2020 | | | | | | | | | |
| From subsidiaries | 5,543 | 0 | 7,645 | 620 | 1,096 | 1,323 | 0 | 119,735 | 119,605 |
| 2019 | | | | | | | | | |
| From subsidiaries | 5,620 | 144 | 9,020 | 120 | 714 | 1,612 | 1,680 | 50,952 | 126,592 |

In addition, SP Group A/S received dividends from subsidiaries in the amount of DKK 50,723 thousand (2019: DKK 55,957 thousand) and sold subsidiary shares in Nycopac AB internally in the Group in an amount of DKK 17,361 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 market 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 32. 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 7.

Notes

| PARENT | | | GROUP | |
|--|----------------|--|------------------|------------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| 38. Financial risks and financial instruments | | | | |
| Financial instrument categories | | | | |
| 0 | 0 | Derivative financial instruments held to hedge future cash flows (included in other receivables) | 3,057 | 27,777 |
| 0 | 0 | Financial assets applied as hedging instruments | 3,057 | 27,777 |
| 0 | 0 | Deposits | 1,067 | 1,152 |
| 0 | 0 | Trade receivables | 250,933 | 234,804 |
| 50,952 | 119,735 | Receivables from subsidiaries | - | - |
| 185 | 62 | Other receivables | 38,551 | 26,013 |
| 54 | 71,902 | Cash | 122,692 | 48,706 |
| 51,191 | 191,699 | Loans, receivables and cash | 413,243 | 310,675 |
| 0 | 0 | Derivative financial instruments held to hedge future cash flows | 0 | 0 |
| 0 | 0 | Financial liabilities applied as hedging instruments | 0 | 0 |
| 324,799 | 313,727 | Bank debt | 435,065 | 561,493 |
| 104,671 | 85,185 | Financial institutions | 130,191 | 155,240 |
| 1,247 | 1,677 | Lease liabilities | 221,346 | 207,650 |
| 59,601 | 13,378 | Other non-current liabilities | 49,631 | 67,302 |
| 778 | 1,068 | Trade payables | 177,228 | 157,051 |
| 126,592 | 119,605 | Payables to subsidiaries | - | - |
| 617,688 | 534,640 | Financial liabilities measured at amortised cost | 1,013,461 | 1,148,736 |

The fair value of the 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 debt to financial institutions has increased by DKK 3.8 million (2019: increase of DKK 1.8 million) in the Group and DKK 1.5 million (2019: increase of DKK 1.0 million) in the Parent Company. The fair value of financial liabilities is determined based on quoted values, i.e. bank debt at level 1, financial institutions, lease liabilities and derivative financial instruments at level 2. Considerations and contingent considerations included in other non-current liabilities, level 3.

The Parent Company's and the Group's currency risks and interest rate risks are shown below. 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 settled in DKK or EUR, and approx. 77% 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.

12% of the Group's financing has been raised in EUR, 2% has been raised in PLN, and 86% has been raised in DKK. The Company has bank deposits in USD, RMB, NOK and SEK.

A fluctuation of 1% in the EUR rate against DKK may therefore affect results of operations by up to approx. DKK 0.5 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 instruments have been entered into in accordance with the Group's currency policy, which has been 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 2020, an instrument for the sale of EUR against PLN in the amount of DKK 925 million (2019: DKK 864 million) was thus entered into. The hedging instrument falls due by DKK 227 million within 1 year (2019: DKK 111 million) and DKK 698 million between 1-4 years (2019: 753 million).

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 affected the Group's equity in the year by net DKK 24.8 million before tax and DKK 20.1 million after tax.

| | | | | | GROUP |
|--|---------------------------|----------------|-----------------|---------------|-----------------|
| DKK'000 | Cash and cash equivalents | Receivables | Liabilities | Hedged amount | Net position |
| 38. Financial risks and financial instruments (continued) | | | | | |
| EUR | 37,760 | 120,092 | -212,044 | 0 | -54,192 |
| PLN | 382 | 8,197 | -80,108 | 0 | -71,529 |
| USD | 27,737 | 49,198 | 0 | 0 | 76,935 |
| CAD | 3,365 | 302 | -369 | 0 | 3,298 |
| SEK | 0 | 10,656 | -17,853 | 0 | -7,197 |
| NOK | 1,079 | 3,825 | -1,541 | 0 | 3,363 |
| RMB | 22,742 | 65,006 | -89,388 | 0 | -1,640 |
| CHF | 0 | 1,205 | -76 | 0 | 1,129 |
| GBP | 493 | 183 | -55 | 0 | 621 |
| BRL | 0 | 0 | 0 | 0 | 0 |
| 31 December 2020 | 93,558 | 258,664 | -401,434 | 0 | -49,212 |
| EUR | 9,685 | 146,997 | -257,242 | 0 | -100,560 |
| PLN | 3,836 | 27,978 | -156,089 | 0 | -124,275 |
| USD | 12,561 | 29,465 | -20,013 | 0 | 22,013 |
| CAD | 3,365 | 675 | -140 | 0 | 3,900 |
| SEK | 1,370 | 10,373 | -24,765 | 14,168 | 1,146 |
| NOK | 149 | 2,418 | -1,617 | 0 | 950 |
| RMB | 11,010 | 30,931 | -45,922 | 0 | -3,981 |
| CHF | 0 | 929 | -1 | 0 | 928 |
| GBP | 303 | 69 | -45 | 0 | 327 |
| BRL | 1,402 | 1,067 | -249 | 0 | 2,220 |
| 31 December 2019 | 43,681 | 250,902 | -506,083 | 14,168 | -197,332 |
| | | | | | PARENT |
| DKK'000 | Cash and cash equivalents | Receivables | Liabilities | Hedged amount | Net position |
| EUR | 55,026 | 0 | -23,791 | 0 | 31,235 |
| PLN | 4 | 0 | 0 | 0 | 4 |
| USD | 16,574 | 0 | 0 | 0 | 16,574 |
| SEK | 298 | 0 | -3,144 | 0 | -2,846 |
| 31 December 2020 | 71,902 | 0 | -26,935 | 0 | 44,967 |
| EUR | 0 | 16 | -56,689 | 0 | -56,673 |
| PLN | 2 | 0 | 0 | 0 | 2 |
| USD | 0 | 0 | -823 | 0 | -823 |
| SEK | 52 | 0 | -21,533 | 14,168 | -7,313 |
| 31 December 2019 | 54 | 16 | -79,045 | 14,168 | -64,807 |

Notes

38. Financial risks and financial instruments (continued)

Interest rate risks

Interest rate risks primarily relate to net interest-bearing debt, i.e. mortgage debt and bank debt less cash and cash equivalents. At year end, the net interest-bearing debt amounted to DKK 686.1 million. 65.4% of the debt related to floating-rate loans. 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 3.2 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 | | | | | | |
|--|--|-----------------------|----------------|-----------------|-----------------------|-------------------------|
| DKK'000 | Date of interest rate adjustment or maturity | | | Total | Fixed interest amount | Effective interest rate |
| | Within 1 year | Between 1 and 5 years | After 5 years | | | |
| Bank deposits | 122,692 | 0 | 0 | 122,692 | 0 | 0.7% |
| Financial institutions | -34,313 | -66,108 | -29,770 | -130,191 | -60,146 | 1.1% |
| Lease liabilities | -55,394 | -136,071 | -29,881 | -221,346 | -177,523 | 3.6% |
| Share of other payables (frozen holiday pay) | 0 | -5,558 | -16,674 | -22,232 | 0 | 2.0% |
| Bank debt | -435,065 | 0 | 0 | -435,065 | 0 | 1.6% |
| 31 December 2020 | -402,080 | -207,737 | -76,325 | -686,142 | -237,669 | |
| Bank deposits | 48,706 | 0 | 0 | 48,706 | 0 | 0.4% |
| Financial institutions | -71,450 | -77,833 | -5,957 | -155,240 | -5,957 | 1.0% |
| Lease liabilities | -53,091 | -124,273 | -30,286 | -207,650 | -163,843 | 3.7% |
| Bank debt | -561,493 | 0 | 0 | -561,493 | 0 | 1.4% |
| 31 December 2019 | -637,328 | -202,106 | -36,243 | -875,677 | -169,800 | |
| PARENT | | | | | | |
| DKK'000 | Date of interest rate adjustment or maturity | | | Total | Fixed interest amount | Effective interest rate |
| | Within 1 year | Between 1 and 5 years | After 5 years | | | |
| Bank deposits | 71,902 | 0 | 0 | 71,902 | 0 | 0.0% |
| Financial institutions | -28,734 | -45,818 | -10,633 | -85,185 | -59,433 | 1.2% |
| Lease liabilities | -570 | -1,107 | 0 | -1,677 | 0 | 2.0% |
| Share of other payables (frozen holiday pay) | 0 | -167 | -503 | -670 | 0 | 2.0% |
| Bank debt | -313,727 | 0 | 0 | -313,727 | 0 | 1.5% |
| 31 December 2020 | -271,129 | -47,092 | -11,136 | -329,357 | -59,433 | |
| Bank deposits | 54 | 0 | 0 | 54 | 0 | 0.0% |
| Financial institutions | -71,450 | -27,264 | -5,957 | -104,671 | -5,957 | 1.2% |
| Lease liabilities | -1,247 | 0 | 0 | -1,247 | 0 | 2.0% |
| Bank debt | -324,799 | 0 | 0 | -324,799 | 0 | 1.5% |
| 31 December 2019 | -397,442 | -27,264 | -5,957 | -430,663 | -5,957 | |

38. 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 usually 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 | |
|----------|----------|--|---------------|---------------|
| 2019 | 2020 | DKK'000 | 2020 | 2019 |
| | | Receivables past due not written down: | | |
| 0 | 0 | Past due by up to one month | 30,432 | 36,142 |
| 0 | 0 | Past due between one and two months | 7,689 | 5,768 |
| 0 | 0 | Past due between two and three months | 1,369 | 1,925 |
| 0 | 0 | Past due by more than three months | 887 | 3,661 |
| 0 | 0 | | 40,377 | 47,496 |

Historically, the Group has not recorded any significant bad debts. In the last three years, the loss ratio has been approx. 0.02% of group revenue. Based on the low loss ratio, the loss has been estimated at 0.0% according to the simplified expected credit loss model.

| 2020 | | | | |
|---------------------------------------|------------|-------------------|---------------|----------------|
| DKK'000 | Loss ratio | Receivable amount | Expected loss | Total |
| Not past due | 0.0% | 210,556 | 0 | 210,556 |
| Past due by up to one month | 0.0% | 30,432 | 0 | 30,432 |
| Past due between one and two months | 0.0% | 7,689 | 0 | 7,689 |
| Past due between two and three months | 0.0% | 1,369 | 0 | 1,369 |
| Past due by more than three months | 41.8% | 1,523 | 636 | 887 |
| | | 251,569 | 636 | 250,933 |

| 2019 | | | | |
|---------------------------------------|------------|-------------------|---------------|----------------|
| DKK'000 | Loss ratio | Receivable amount | Expected loss | Total |
| Not past due | 0.0% | 187,308 | 0 | 187,308 |
| Past due by up to one month | 0.0% | 36,142 | 0 | 36,142 |
| Past due between one and two months | 0.0% | 5,768 | 0 | 5,768 |
| Past due between two and three months | 0.0% | 1,925 | 0 | 1,925 |
| Past due by more than three months | 9.1% | 4,027 | 366 | 3,661 |
| | | 235,170 | 366 | 234,804 |

Notes

38. Financial risks and financial instruments (continued)

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 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 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. The Group has calculated its cash resources at DKK 480 million at year end 2020.

In addition to usual loan covenants, the following financial covenants have been agreed with the financial lenders:

- Net interest-bearing debt (NIDB) cannot amount to more than 3.5 times EBITDA for the last 12 months, however, up to 4.0 times EBIDA in the first two quarters following a debt-financed acquisition
- The equity interest must always be at least 25%.

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 | GROUP | | | | |
|--|------------------|--------------------------|--------------------------|------------------|------------------|
| | Within 1 year | Between 1 and 3 years | Between 3 and 5 years | After 5 years | Total |
| 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Bank debt | 222,816 | 99,275 | 92,104 | 20,870 | 435,065 |
| Financial institutions | 25,075 | 49,850 | 25,496 | 29,770 | 130,191 |
| Lease liabilities | 55,394 | 91,396 | 44,675 | 29,881 | 221,346 |
| Other non-current liabilities | 17,871 | 12,309 | 2,780 | 16,671 | 49,631 |
| Trade payables | 177,228 | 0 | 0 | 0 | 177,228 |
| Interest | 8,513 | 8,395 | 3,924 | 2,116 | 22,948 |
| | 506,897 | 261,225 | 168,979 | 99,308 | 1,036,409 |
| Derivative financial instruments | | | | | |
| Derivative financial instruments held to hedge future cash flows | 36 | 3,033 | 550 | -562 | 3,057 |
| | 506,933 | 264,258 | 169,529 | 98,746 | 1,039,466 |
| 2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Bank debt | 343,705 | 98,431 | 71,198 | 48,159 | 561,493 |
| Financial institutions | 25,071 | 50,148 | 41,789 | 38,232 | 155,240 |
| Lease liabilities | 67,036 | 72,950 | 50,323 | 17,341 | 207,650 |
| Other non-current liabilities | 42,580 | 16,818 | 0 | 7,904 | 67,302 |
| Trade payables | 157,051 | 0 | 0 | 0 | 157,051 |
| Interest | 10,522 | 9,460 | 4,803 | 2,910 | 27,695 |
| | 645,965 | 247,807 | 168,113 | 114,546 | 1,176,431 |
| Derivative financial instruments | | | | | |
| Derivative financial instruments held to hedge future cash flows | -5,590 | -15,839 | -6,348 | 0 | -27,777 |
| | 640,375 | 231,968 | 161,765 | 114,546 | 1,148,654 |

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. The Group has no other assets and liabilities measured at fair value.

38. Financial risks and financial instruments (continued)

| | PARENT | | | | |
|--|------------------|--------------------------|--------------------------|------------------|----------------|
| DKK'000 | Within 1 year | Between 1 and 3 years | Between 3 and 5 years | After 5 years | Total |
| 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Bank debt | 123,627 | 89,400 | 84,900 | 15,800 | 313,727 |
| Financial institutions | 19,496 | 39,031 | 16,025 | 10,633 | 85,185 |
| Lease liabilities | 570 | 1,107 | 0 | 0 | 1,677 |
| Other non-current liabilities | 8,076 | 4,716 | 84 | 502 | 13,378 |
| Trade payables | 1,068 | 0 | 0 | 0 | 1,068 |
| Interest | 5,768 | 6,568 | 3,035 | 1,131 | 16,502 |
| | 158,605 | 140,822 | 104,044 | 28,066 | 431,537 |
| Derivative financial instruments | | | | | |
| Derivative financial instruments held to hedge future cash flows | 0 | 0 | 0 | 0 | 0 |
| | 158,605 | 140,822 | 104,044 | 28,066 | 431,537 |
| 2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Bank debt | 117,441 | 91,458 | 70,400 | 45,500 | 324,799 |
| Financial institutions | 19,488 | 39,011 | 31,366 | 14,806 | 104,671 |
| Lease liabilities | 400 | 847 | 0 | 0 | 1,247 |
| Other non-current liabilities | 42,580 | 16,818 | 0 | 203 | 59,601 |
| Trade payables | 778 | 0 | 0 | 0 | 778 |
| Interest | 6,622 | 7,570 | 3,905 | 1,727 | 19,824 |
| | 187,309 | 155,704 | 105,671 | 62,236 | 510,920 |
| Derivative financial instruments | | | | | |
| Derivative financial instruments held to hedge future cash flows | 0 | 0 | 0 | 0 | 0 |
| | 187,309 | 155,704 | 105,671 | 62,236 | 510,920 |

39. Sale of financial assets

As in previous years, the Group sold selected trade receivables without recourse as part of its credit and risk management. The Group's continued involvement is limited to administration of the receivables sold and a limited financial expense regarding the risk of late payment. Thus, the Group has only maintained an insignificant risk exposure. The sale has not affected the income statement. There are no remaining assets or liabilities in the balance sheet regarding the receivables sold. The nominal value of the receivables sold amounts to DKK 158 million (2019: DKK 121 million). The maturity date is within a period of less than 4 months.

Notes

40. Segment information for the Group

Geographical segments

The Group has only one business segment as the same employees and the same capital stock serve several product types and customers. Therefore, business segments are not 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 | 2020 | 2019 |
|--|------------------|------------------|
| Denmark | 672,915 | 717,493 |
| Rest of Europe | 896,485 | 816,941 |
| Americas | 292,424 | 204,626 |
| Asia (incl. the Middle East) | 266,325 | 232,085 |
| Australia | 14,080 | 8,247 |
| Africa | 35,960 | 33,540 |
| | 2,178,189 | 2,012,932 |
| Sale of goods | 2,178,189 | 2,012,842 |
| Selling price of the year's production output relating to construction contracts | 0 | 90 |
| | 2,178,189 | 2,012,932 |
| The Group has one customer from which revenue exceeds 10 % of consolidated revenue | 373,832 | 339,127 |
| Revenue in % | 17.2% | 16.8% |

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 | |
|-----------------|--------------------|------------------|--|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Denmark | 697,294 | 612,722 | 60,973 | 45,801 |
| Norway | 1,584 | 1,960 | 87 | 1,706 |
| Sweden | 56,650 | 56,752 | 6,262 | 19,600 |
| Finland | 61,288 | 57,688 | 8,481 | 2,505 |
| Latvia | 17,870 | 16,757 | 857 | 12,725 |
| Slovakia | 62,800 | 45,272 | 12,304 | 21,952 |
| The Netherlands | 27,488 | 22,418 | 2,281 | 4,371 |
| Poland | 250,443 | 300,112 | 10,333 | 134,650 |
| North America | 62,105 | 54,105 | 18,447 | 24,783 |
| China | 94,585 | 50,429 | 46,311 | 35,388 |
| Brazil | 0 | 59 | 0 | 59 |
| | 1,332,107 | 1,218,274 | 166,336 | 303,540 |

41. Shareholder information

In mid-March 2021, 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 (16.8%)

Frank Gad (including related parties), Frederiksberg (12.8%)

Odin Fund Management, Oslo (9.3%)

Arbejdsmarkedets Tillægspension, Hillerød (5.1%)

42. Acquisition of subsidiary in 2020

Effective from 30 April 2020, the Group acquired all the shares in the Danish entity **Dan-Hill-Plast A/S**, which is a manufacturer specialising in rotational moulding of technical plastics.

The fair value of assets and liabilities at the acquisition date has been distributed as follows (DKK'000):

| | |
|-------------------------------|---------------|
| Customer files | 10,200 |
| Property, plant and equipment | 42,712 |
| Inventories | 9,443 |
| Volume of orders | 869 |
| Trade receivables | 8,528 |
| Other receivables | 804 |
| Cash and cash equivalents | 3,367 |
| Deferred tax | -5,972 |
| Other provisions | -453 |
| Trade payables | -2,952 |
| Corporation tax | -1,202 |
| Other payables | -4,177 |
| Net assets acquired | 61,167 |
| Goodwill | 20,558 |
| Total consideration | 81,725 |
| Cash consideration | 48,158 |
| Debt instruments | 14,442 |
| Lease liability | 19,125 |
| Total consideration | 81,725 |

EBITDA amounted to approx. DKK 6.2 million in the acquired entity in the most recent financial year. Taking into consideration the rent of the acquired property and other normalisations, EBITDA was approx. DKK 12.5 million.

In the first four months of 2020, EBITDA amounted to approx. DKK 3.4 million.

The consideration totals up to DKK 81,725 thousand, of which DKK 48,158 thousand has been paid in cash.

Debt instruments of a nominal DKK 15,000 thousand falling due in the period 2021-2022 have been issued. The discounted amount is DKK 14,442 thousand.

In connection with the acquisition of the entity, an agreement has been made as part of the purchase agreement on lease and acquisition of the production property where Dan-Hill-Plast carries out its operations. The property is included in property, plant and equipment in the purchase price allocation (leased asset), and the related lease liability is included as part of the consideration.

Costs of purchase amounted to DKK 0.750 million and were expensed in 2020.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on acquisition is calculated at DKK 20,558 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is non-deductible for tax purposes.

Notes

43. Acquisition of subsidiary in 2019

Effective from 25 June 2019, the Group acquired all the shares in the Finnish entity **Coreplast Laitila Oy**, which is a manufacturer specialising in injection moulding of technical plastics.

The fair value of assets and liabilities at the acquisition date has been distributed as follows (DKK'000):

| | |
|------------------------------------|---------------|
| Customer files | 2,200 |
| Other intangible assets | 1,231 |
| Property, plant and equipment | 51,966 |
| Financial assets | 784 |
| Inventories | 20,919 |
| Volume of orders | 663 |
| Trade receivables | 7,053 |
| Other receivables | 239 |
| Deferred tax | -6,259 |
| Trade payables | -10,157 |
| Corporation tax | -336 |
| Other payables | -9,732 |
| Net assets acquired | 58,571 |
| Goodwill | 4,449 |
| Total consideration | 63,020 |
| Cash consideration | 18,263 |
| Net interest-bearing debt acquired | 14,150 |
| Debt instruments | 11,849 |
| Contingent consideration | 18,758 |
| Total consideration | 63,020 |

EBITDA amounted to approx. DKK 10 million in the acquired entity in the most recent financial year before the acquisition.

The consideration totals up to DKK 63,020 thousand, of which DKK 18,263 thousand has been paid in cash.

Debt instruments of a nominal DKK 12,138 thousand falling due in the period 2020-2021 have been issued. The discounted amount is DKK 11,849 thousand.

In addition, there is a conditional consideration of a nominal DKK 19,247 thousand. The discounted amount is DKK 18,758 thousand. The contingent consideration has been recognised at fair value at the acquisition date and at the maximum amount that may become payable, as it is expected that the criteria for future earnings will be met.

Costs of purchase amounted to DKK 2.2 million and were expensed in 2019.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on acquisition is calculated at DKK 4,449 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is non-deductible for tax purposes.

44. Acquisition of subsidiary after the balance sheet date

On 18 February 2021, the Group acquired all the shares in the Finnish entity **Jollmax Oy**, which specialises in wet painting, powder coating, printing and water printing as well as other types of decorations made from plastics and other materials.

The fair value of assets and liabilities at the acquisition date has been preliminarily distributed as follows (DKK'000):

| | |
|-------------------------------|---------------|
| Customer files | 2,603 |
| Intangible assets | 82 |
| Property, plant and equipment | 1,354 |
| Inventories | 902 |
| Volume of orders | 191 |
| Trade receivables | 1,922 |
| Other receivables | 64 |
| Cash and cash equivalents | 2,170 |
| Deferred tax | -559 |
| Financial liabilities | -879 |
| Trade payables | -937 |
| Other payables | -1,860 |
| Net assets acquired | 5,053 |
| Goodwill | 5,272 |
| Total consideration | 10,325 |
| Cash consideration | 5,232 |
| Debt instruments | 2,679 |
| Contingent consideration | 2,414 |
| Total consideration | 10,325 |

EBITDA amounted to approx. DKK 2.2 million in the acquired entity in the most recent financial year before the acquisition.

The consideration totals up to DKK 10,325 thousand, of which DKK 5,232 thousand has been paid in cash.

Debt instruments of a nominal DKK 2,744 thousand falling due in the period 2022-2024 have been issued. The discounted amount is DKK 2,679 thousand.

In addition, there is a conditional consideration of a nominal DKK 2,488 thousand. The discounted amount is DKK 2,414 thousand. The contingent consideration is recognised at fair value at the acquisition date and at the maximum amount that may become payable, as it is expected that the criteria for future earnings will be met.

Costs of purchase amount to DKK 0.3 million and will be expensed in 2021.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on acquisition is calculated at DKK 5,272 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is non-deductible for tax purposes.

45. Events after the balance sheet date

Apart from the above-mentioned acquisition, 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.

Notes

| PARENT | | | | GROUP | |
|--|----------------|-------|---|------------------|----------------|
| 2019 | 2020 | Note | DKK'000 | 2020 | 2019 |
| 46. Income statement classified by nature | | | | | |
| 7,400 | 6,391 | 3 | Revenue | 2,178,189 | 2,012,932 |
| 0 | 0 | 4.7 | Production costs | -1,148,687 | -1,060,837 |
| 7,400 | 6,391 | | Contribution margin | 1,029,502 | 952,095 |
| 5,725 | 5,753 | 5 | Other operating income | 2,370 | 2,500 |
| -8,808 | -7,261 | 6 | External expenses | -98,791 | -102,755 |
| -14,908 | -18,093 | 6,7,8 | Staff costs | -576,700 | -544,330 |
| -10,591 | -13,210 | | Profit/loss before depreciation, amortisation and impairment losses (EBITDA) | 356,381 | 307,510 |
| -3,174 | -3,944 | 9 | Depreciation, amortisation and impairment losses | -141,550 | -129,681 |
| -13,765 | -17,154 | | Profit/loss before net financials (EBIT) | 214,831 | 177,829 |
| 55,957 | 50,723 | 10 | Dividends from subsidiaries | - | - |
| 19,862 | 2,903 | 11 | Other financial income | 9,218 | 21,501 |
| -8,173 | -11,481 | 12 | Financial expenses | -30,282 | -23,937 |
| 53,881 | 24,991 | | Profit/loss before tax | 193,767 | 175,393 |
| 4,770 | 3,219 | 13 | Tax for the year | -42,926 | -35,124 |
| 58,651 | 28,210 | | Profit/loss for the year | 150,841 | 140,269 |
| Attributable to: | | | | | |
| | | | The Parent Company's shareholders | 150,806 | 140,188 |
| | | | Non-controlling interests | 35 | 81 |
| | | | | 150,841 | 140,269 |
| Earnings per share (EPS) | | | | | |
| | | 14 | Earnings per share (DKK) | 12.85 | 12.57 |
| | | 14 | Earnings per share, diluted (DKK) | 12.75 | 12.46 |
| Proposed distribution of profit/loss | | | | | |
| 0 | 62,450 | | Dividend | | |
| 58,651 | -34,240 | | Retained earnings | | |
| 58,651 | 28,210 | | | | |

47. Group chart at 31 December 2020

| SP Group A/S | Denmark | DKK | Nominal share capital ('000) | Ownership interest |
|--------------------------------|-----------------|-----|------------------------------|--------------------|
| | | | 24,980 | |
| 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% |
| Kodaň Plast s.r.o. | Slovakia | EUR | 10 | 52% |
| Coreplast Laitila Oy | Finland | EUR | 50 | 100% |
| MedicoPack A/S | Denmark | DKK | 20,000 | 100% |
| Gibo Plast | Denmark | DKK | 40,000 | 100% |
| Gibo Danmark A/S | Denmark | DKK | 6,000 | 100% |
| Gibo Sp. z o.o. | Poland | PLN | 3,005 | 100% |
| Gibo Inc. | The US | USD | 500 | 100% |
| Gibo Plast Co., Ltd. | China | USD | 0 | 100% |
| Dan-Hill-Plast A/S | Denmark | DKK | 500 | 100% |
| Plexx AS | Norway | NOK | 3,541 | 100% |
| Opido AB | Sweden | SEK | 100 | 100% |
| SPG Fastigheter AB | Sweden | SEK | 50 | 100% |
| Nycopac AB | Sweden | SEK | 1,000 | 100% |
| PlexxOpido Sp. z o.o. | Poland | PLN | 200 | 100% |
| Accoat A/S | Denmark | DKK | 10,000 | 100% |
| Accoat Sp. z o.o. | Poland | PLN | 1,000 | 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 Inc. | The US | USD | 100 | 100% |
| Tinby Co., Ltd. | China | USD | 210 | 100% |
| Tinby AB | Sweden | SEK | 25 | 100% |
| TPI Polytechniek B.V. | The Netherlands | EUR | 113 | 100% |
| TPI Polytechnics Inc. | The US | USD | 0 | 100% |
| TPI Polytechnics Co., Ltd. | China | USD | 0 | 100% |
| Bröderna Bourghardt AB | Sweden | SEK | 100 | 100% |
| Baltic Rim SIA | Latvia | EUR | 3 | 100% |
| Tinby SIA | Latvia | EUR | 3 | 100% |
| MM Composite A/S | Denmark | DKK | 500 | 100% |
| MM Composite Inc. | The US | USD | 0 | 100% |
| MM Composite Co., Ltd. | China | USD | 0 | 100% |
| MM Trading Co., Ltd. | China | USD | 0 | 100% |
| SP Moulding Denmark A/S | Denmark | DKK | 500 | 100% |
| SP Technology ApS | Denmark | DKK | 200 | 100% |
| SP R&D A/S | Denmark | DKK | 1,000 | 100% |
| SPG Ejendomme 1 ApS | Denmark | DKK | 81 | 100% |
| SPG Ejendomme 2 ApS | Denmark | DKK | 125 | 100% |

Tinby AB was established in 2020

All the shares in Dan-Hill-Plast A/S were acquired in 2020

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