



Annual report  
'16

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The cover photo shows ClearVial™ – a transparent alternative to glass for both liquid and freeze-dried pharmaceuticals – produced by MedicoPack A/S.

ClearVial™ is made from COC (Cyclic Olefin Copolymer) and COP (Cyclic Olefin Polymer), which are new, highly transparent plastics materials, which replace glass in a vast number of pharmaceutical products.

# Company details

## Company details

### The Company

SP Group A/S  
Snavevej 6-10  
DK-5471 Søndersø  
Tel.: +45 70 23 23 79  
Fax: +45 70 23 23 52

CVR no.: 15 70 13 15  
Financial year: 1 January to 31 December  
Registered office: Municipality of Northern Funen  
Website: [www.sp-group.dk](http://www.sp-group.dk)  
E-mail: [info@sp-group.dk](mailto:info@sp-group.dk)

## Board of Directors

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

## Executive Board

Frank Gad, CEO  
Jørgen Hønnerup Nielsen, CFO

## Auditors

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

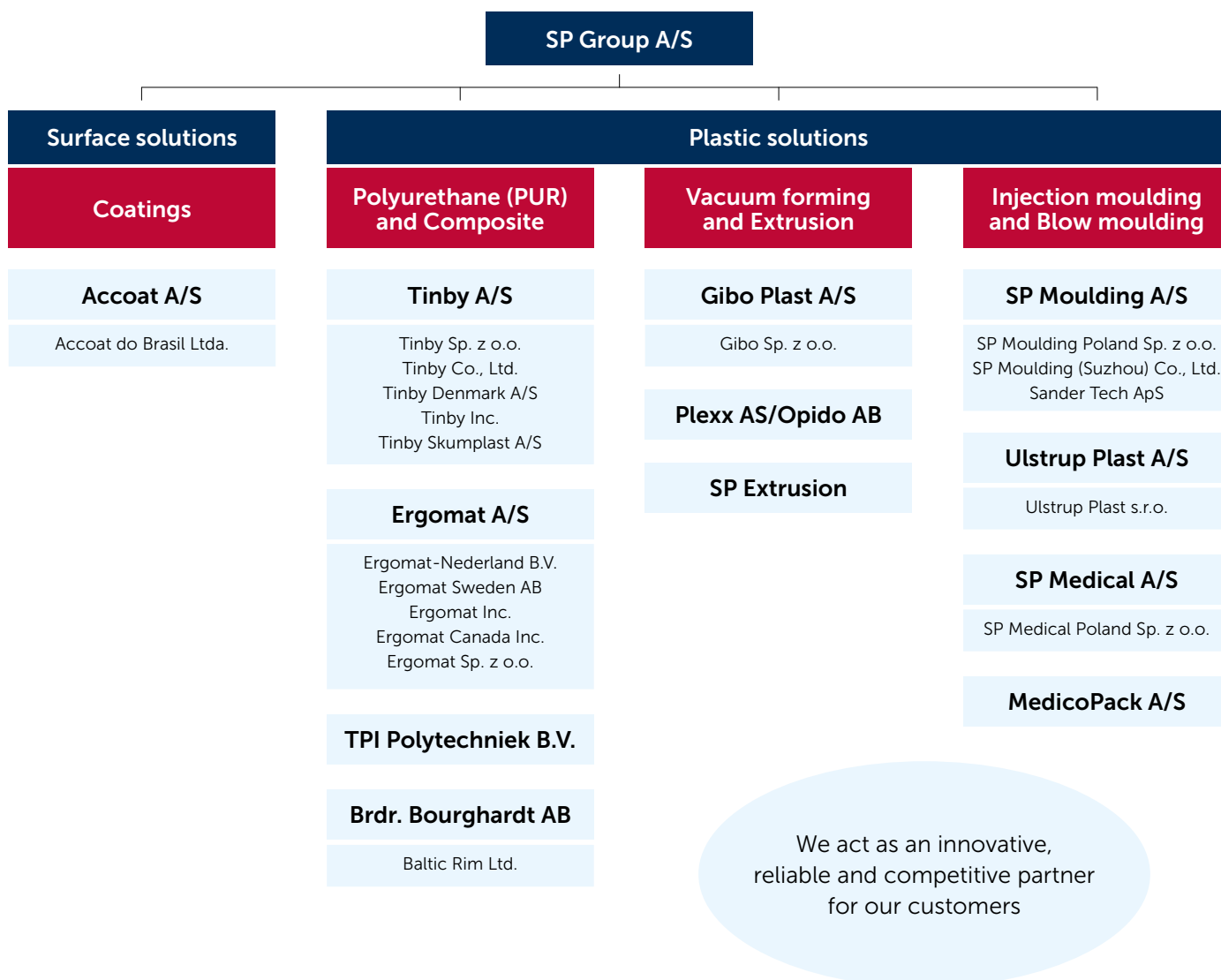
## Annual general meeting

The annual general meeting is scheduled to be held on 27 April 2017 at 12 o'clock at SP Group A/S, Snavevej 6-10, 5471 Søndersø, Denmark

# Group chart

## Activities

SP Group manufactures moulded plastic components and performs coatings on plastic and metal components. SP Group is a leading supplier of plastic-manufactured products to Danish industries and has increasing exports and growing production from own factories in Denmark, Poland, Latvia, Sweden, Slovakia, China and Brazil. 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 1,559 people in 2016 and had approx. 1,300 registered shareholders at year-end 2016.



SP Group's two business areas carry on activities in the following areas: Coatings and Plastic 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, food and oil and gas industries.

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

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

# SP Group in brief

Headquarters in Denmark

established  
in 1972



Products are marketed and sold in

more than  
80 countries



Subsidiaries in

11 countries  
on  
4 continents



The average number of employees  
increased from 1,452 to

1,559  
committed  
employees



In 2016, revenue grew 15.1% to

DKK 1,519 million



In 2016, revenue from own brands  
grew 13.7% to

DKK 252 million



In 2016, EBITDA was up 24.6% to

DKK 203 million



In 2016, the EBITDA margin increased  
by 1.1 percentage point to

13.4%



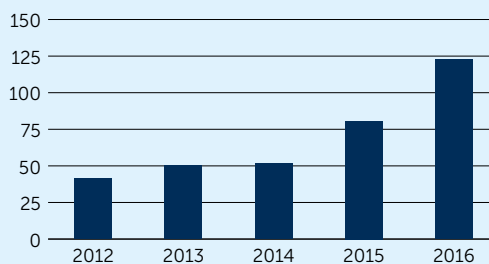
# Group financial highlights

DKK '000	2016	2015	2014	2013	2012
<b>INCOME STATEMENT</b>					
Revenue	1,519,044	1,319,768	1,164,942	1,102,053	1,108,527
Profit before depreciation and amortisation (EBITDA)	202,857	162,788	113,496	114,180	105,179
Depreciation, amortisation and impairment losses	-69,442	-72,011	-53,329	-48,838	-47,066
Profit/loss before net financials (EBIT)	133,415	90,777	60,167	65,342	58,113
Net financials	-10,799	-10,122	-8,691	-15,180	-16,502
Profit/loss before tax and non-controlling interests	122,616	80,655	51,476	50,162	41,611
Profit/loss for the year	93,387	61,112	39,809	39,077	31,837
SP Group A/S' share hereof	92,420	60,584	39,020	39,039	31,563
Earnings per share, DKK per share (EPS)	41.87	28.98	19.87	19.91	15.66
Diluted earnings per share, DKK per share (EPS, diluted)	40.33	28.00	19.25	18.74	15.34
<b>BALANCE SHEET</b>					
Non-current assets	669,136	635,072	574,845	538,012	511,864
Total assets	1,200,671	1,077,888	943,421	884,740	836,333
Equity	427,636	391,098	266,731	243,996	227,046
Equity, including non-controlling interests	428,976	393,561	276,361	252,326	240,131
Investments in property, plant and equipment, excl. acquisitions	107,035	73,238	77,791	67,242	120,754
<b>CASH FLOW STATEMENT</b>					
Cash flows from operating activities	140,439	171,743	64,101	66,903	100,094
Cash flows from investing activities, incl. acquisitions	-80,126	-116,350	-67,342	-60,135	-87,624
Cash flows from financing activities	-124,102	-18,403	9,985	-54,859	882
Change in cash and cash equivalents	-63,789	36,990	6,744	-48,091	13,352
<b>FINANCIAL RATIOS</b>					
Net interest-bearing debt (NIBD)	407,711	403,423	467,197	430,030	395,399
NIBD/EBITDA	2.0	2.5	4.1	3.8	3.8
Operating profit (EBITDA margin), %	13.4	12.3	9.7	10.4	9.4
Profit margin (EBIT margin), %	8.8	6.9	5.2	5.9	5.2
Profit before tax and non-controlling interests in % of revenue	8.1	6.1	4.4	4.6	3.8
Return on invested capital, including goodwill, %	15.5	11.5	8.4	9.8	9.6
Return on invested capital, excluding goodwill, %	18.6	13.6	9.8	11.7	11.7
Return on equity (ROE), excluding non-controlling interests, %	22.6	18.4	15.3	16.6	15.1
Equity ratio, excluding non-controlling interests, %	35.6	36.3	28.3	27.6	27.1
Equity ratio, including non-controlling interests, %	35.7	36.5	29.3	28.5	28.7
Financial gearing	1.0	1.0	1.7	1.7	1.6
Cash flow per share, DKK	61.3	79.4	31.6	32.1	48.7
Total dividends for the year per share, DKK	6.0	4.0	3.5	3.0	2.5
Listed price, DKK per share, year-end	674.0	373.5	219.5	230.0	120.0
Net asset value per share, DKK per share, year-end	192	178	135	125	115
Listed price/net asset value, year-end	3.52	2.10	1.63	1.84	1.04
Average number of employees	1,559	1,452	1,255	1,136	1,062
Number of shares, year-end	2,278,000	2,224,000	2,024,000	2,024,000	2,024,000
Portion relating to treasury shares, year-end	46,359	22,819	43,993	77,815	48,746

The key figures and ratios for 2012-2016 have been prepared in accordance with IFRS. Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". See page 57 for definitions.

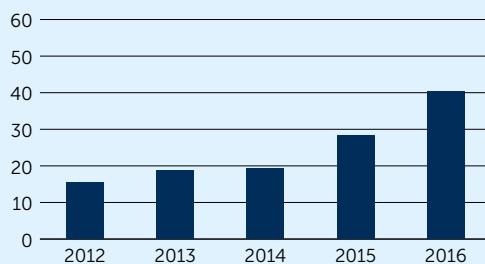
**In 2016, profit before tax and non-controlling interests increased by 52% to DKK 123 million**

**DKKm**



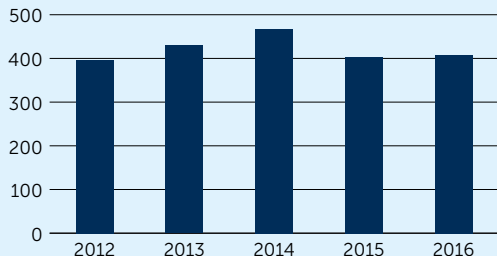
**EPS, diluted, increased by 44% to DKK 40.33**

**DKK**



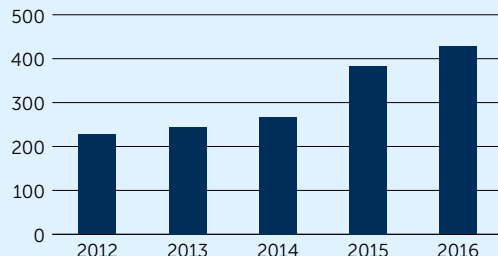
**Net interest-bearing debt (NIBD) remained largely unchanged at DKK 408 million**

**DKKm**

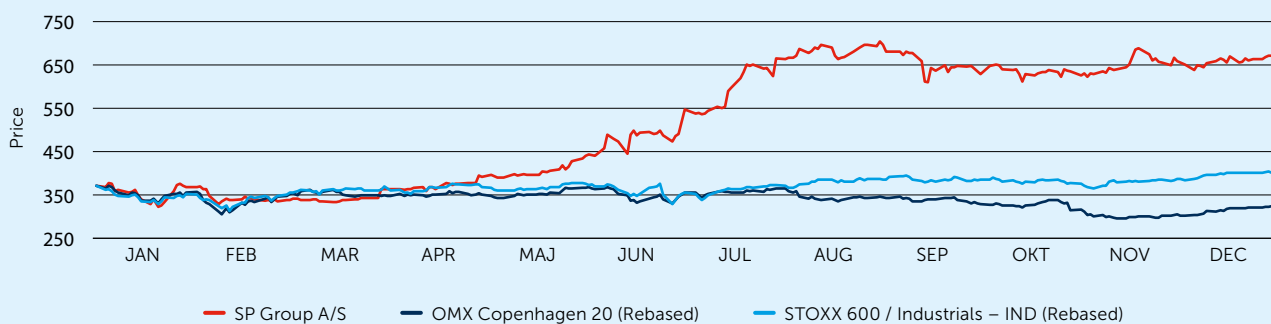


**Equity attributable to the equity holders in SP Group rose to DKK 428 million**

**DKKm**



**Development in the share price in 2016**



# An interesting and eventful year

## Dear shareholders and other stakeholders

2016 was an interesting year in a turbulent world. Growth in the global economy was lower than expected at the beginning of the year, among other reasons due to regional turmoil in various parts of the world and volatile raw material prices.

The British decision to leave the EU (Brexit) and the presidential election in USA contributed to the general unrest as well.

The central banks' cure is still low interest rates and massive cash injections to the markets.

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

Sales of our own brands rose by 13.7% and now account for 16.6% of revenue.

Sales to our international customers increased by 9.5% and now account for 50.9% of total sales.

Revenue in Denmark increased by 21.5%.

Total revenue amounted to DKK 1,519 million, which is up 15.1% on 2015. Organic growth came at 6.4%.

EBITDA increased by 24.6% to DKK 202.9 million, and EBIT increased by 47.0% to DKK 133.4 million.

Profit before tax and non-controlling interests rose by 52.0% to DKK 122.6 million, which is our best financial performance so far and the first time it exceeds DKK 100 million.

EPS, diluted, increased by 44.0% to DKK 40.33 per share.

Cash flows from operating activities were positive by DKK 140.4 million.

Net interest-bearing debt went up by DKK 4.3 million to DKK 407.7 million at the end of 2016, which corresponds to 2.0 times EBITDA for the year.

2016 was an eventful year, see below:

- Our sales to the healthcare industry increased by 12.1% and now account for 40.4% of revenue
- Our sales to the cleantech industry increased by 16.6% and now account for 25.9% of revenue
- Our sales to the food-related industry increased by 15.3% and now account for 15.2% of revenue
- Our sales to the oil and gas industry rose by 36.7% and now account for 0.5% of revenue
- Our sales to the automotive industry went up by 11.7% and now account for 3.0% 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, trustworthy and competitive partner to our customers, also when they decide to outsource their own production
- In July, we took over MedicoPack A/S, which is a well-managed blow moulding business with production and assembly activities in Langeskov on Funen. The entity has own products and exports 85% of total sales. Customers are primarily global businesses in the medical device and healthcare industry. Management and the 80 committed employees stay on
- In October, we took over assets and injection moulding activities from Aasum Plast & Metal A/S. Production activities have subsequently been transferred to SP Moulding's and Ulstrup Plast's existing plants. The plant in Aasum has been shut down and the leases vacated
- In November, Gibo Plast A/S acquired all of the shares in Norwegian-Swedish Plexx AS / Opido AB, which is a well-functioning vacuum forming business with production in Sweden and a sales office in Norway. The entity has a strong market position in the Norwegian and Swedish markets and a good deal of exports to the rest of Europe. Management and the 45 committed employees stay on
- Revenue from the acquired activities and businesses totalled, in the financial year preceding the acquisitions, approx. DKK 175 million, and EBITDA totalled DKK 13 million
- In two transactions, we acquired the remaining 20% of the shares in Bröderna Bourghardt AB, Sweden, from David Bourghardt Holding AB. David Bourghardt continues as CEO
- In September, we issued 54,000 new shares to honour requests made to exercise warrants to subscribe for shares under the 2012 and 2013 warrant programmes. As a result, DKK 9.0 million was contributed as equity to the Company
- In H2, we discontinued loss-making production activities. In connection with the phasing-out of the loss-making activities, we managed to sell most of the production equipment at carrying amounts, which has reduced the size of the year's net investment. Also, we managed to obtain new projects to be carried through at the vacated premises
- In Poland, we expanded SP Moulding and Gibo Plast by adding more square metres and buying new machinery
- In Poland, SP Medical is presently expanding its cleanroom facilities, meaning that we will be able also in future to injection-mould in cleanrooms in Poland
- We won a number of new, major customers and did not lose any major customers in 2016
- We launched a number of new and improved products in 2016 (guide wires, ergonomic mats and farm ventilation equipment). Moreover, we have developed new products to be launched in 2017. We further developed our medical device expertise in Denmark, Poland, Slovakia, Brazil and China
- We invested a total of net DKK 61.2 million in new equipment, including equipment worth DKK 19.1 million that is held under finance leases
- We sold more new moulds to our customers than ever before
- We expensed DKK 5.7 million in respect of a complaint discussion with a customer. We expect to find a mutually satisfactory solution within the limit of the provision made
- Last, but not least, we got many new shareholders: almost 50% more than at the beginning of 2016
- The price of the SPG share rose from 373.5 to 674.0 at the end of 2016, providing our shareholders with a return on their investments of 80.5%
- We distributed DKK 4.00 per share in dividend. The total return on the shareholders' investment came at 81.5%, which is considerably above the general return on investments in the market

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

Based on the financial performance in 2016 (NIBD/EBITDA = 2.0, EBITDA % = 13.4, EBIT % = 8.8 and an equity ratio including non-controlling interests = 35.7%) and the outlook for 2017, the Board of Directors recommends to the company in general meeting that dividend of DKK 6.00 per share be distributed. The Board of Directors is otherwise mandated to distribute extraordinary dividend (on-account dividend) provided that the Company's and the Group's financial position so allows.



On 14 July 2016, SP Group signed the agreement to acquire MedicoPack A/S of Funen.



On 21 November 2016, SP Group took over Norwegian/Swedish Plexx AS / Opido Plast AB via its subsidiary Gibo Plast A/S.

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 2016, our tax expenses amounted to DKK 29.2 million, corresponding to an effective tax rate of 23.8%. 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 at the website [www.sp-group.dk](http://www.sp-group.dk). In 2016, we paid tax in all foreign jurisdictions in which we operate permanently.

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

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

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

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

Frank Gad  
CEO

# The year in outline

## 2016 in outline

The Group's revenue increased by 15.1% to DKK 1,519.0 million from DKK 1,319.8 million in 2015. The change is primarily due to a higher volume. Organic growth accounted for 6.4% of revenue. Exchange rate fluctuations, especially with regard to RMB and BRL, decreased revenue. The currency effect accounts for approx. 0.3% of the 15.1% revenue growth. Acquired activities and businesses account for 9.0%.

Sales of plastic solutions increased by 16.2%, and sales of surface coatings decreased by 1.4%.

International sales increased by 9.5% and now account for 50.9% of revenue (against 54.5% in 2015). Revenue growth was particularly marked in Europe and Australia. This is the fourth year in a row our direct international sales make up more than 50% of revenue.

Sales to our Danish customers increased by 21.5%.

Sales to the healthcare industry increased by 12.1% and were broadly based on customers, products, geographies and technology. Sales to the healthcare industry now account for 40.4% of our sales (against 41.5% in 2015).

Sales of own brands went up by 13.7%. SP Group realised a significant increase in the sale of ergonomic products (+6.1%), guide wires (+9.1%) and farm ventilation components (+2.5%). MedicoPack also sells own products, contributing DKK 17.2 million to the year's revenue.

The Group's EBITDA rose by 24.6% to DKK 202.9 million. The EBITDA margin came at 13.4%, representing an improvement of 1.1 percentage points relative to 2015. During the year under review, considerable resources were dedicated to the commissioning of new production facilities and the relocation of the production activities from Aasum Plast & Metal A/S, adversely affecting operating profit for the year. Investments in property, plant and equipment amounted to net DKK 61.2 million, which is down DKK 12.0 million on 2015.

Amortisation, depreciation and impairment losses amounted to DKK 69.4 million, which is DKK 2.6 million less than in 2015.

EBIT amounted to DKK 133.4 million, corresponding to 8.8% of revenue. EBIT increased by DKK 42.6 million relative to 2015.

The Group's financial expenses, net, increased from DKK 10.1 million in 2015 to DKK 10.8 million in 2016 as a result of foreign exchange adjustments. Lending margins were slightly lower than in 2015.

Diluted earnings per share amounted to DKK 40.33, which is an increase of 44.0% compared to 2015.

At the end of 2016, interest-bearing debt can be specified by currency as follows:

DKK	DKK	362 million
EUR	DKK	61 million
PLN	DKK	-1 million
USD	DKK	-9 million
SEK	DKK	5 million
BRL	DKK	-1 million
RMB	DKK	-9 million
Total	DKK	408 million

## Cash flows

Cash flows from operating activities fell to DKK 140.4 million (against DKK 171.7 million in 2015), primarily due to increased operating income and changes in the net working capital.

Cash flows from investing activities amounted to DKK 80.1 million, partly relating to capacity and competency development in the medical device industry (approx. DKK 10 million), the cleantech industry (approx. DKK 15 million), food-related industries (approx. DKK 4.0 million) and partly relating to the acquisition of a property (DKK 15 million). Further, all of the shares in MedicoPack A/S and in Plexx AS / Opido AB were acquired for a total of DKK 34.6 million. DKK 1.8 million was spent on acquiring assets and activities from Aasum Plast & Metal A/S.

Repayment of non-current liabilities totalled DKK 94.9 million, 20% of the shares in Bröderna Bourghardt AB in Sweden were acquired for DKK 7.6 million, new shares were issued in the amount of DKK 8.9 million, a mortgage credit loan of DKK 5.1 million was taken over, and a deposit of DKK 3.1 million was returned.

Dividends totalling DKK 9.6 million were distributed to the shareholders, and treasury shares were acquired for DKK 29.6 million, net.

The change in cash and cash equivalents was negative by DKK 63.8 million.

## Balance sheet

The balance sheet total went up from DKK 1,077.9 million to DKK 1,200.7 million, which is primarily attributable to the acquisition of new machinery and entities and an increase in the gross working capital.

Net interest-bearing debt (NIBD) rose to DKK 407.7 million from DKK 403.4 million, accounting for 2.0 times the year's EBITDA.

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

The capital structure changed in the year, meaning that the current interest-bearing debt has increased from 19.1% to 23.7% of the balance sheet total and that the long-term interest-bearing debt has decreased from 22.6% to 14.8% of the balance sheet total. The equity interest has decreased from 36.5% to 35.7%, and non-interest bearing debt has increased from 22.0% to 25.8%.

Net interest-bearing debt thus decreased from 37.4% to 33.9% of the balance sheet total.

Equity was adversely affected by the acquisition of a non-controlling interest, DKK 7.6 million, acquisition of treasury shares, DKK 29.6 million, net, and dividend distributions, DKK 9.6 million. Value adjustments of financial instruments held to hedge future cash flows, primarily forward contracts (PLN against EUR), adversely affecting comprehensive income and, hence, equity by DKK 22.2 million. Foreign exchange adjustments of the foreign entities adversely affecting equity by DKK 4.9 million, and issue of 54,000 new shares affected equity positively by DKK 8.9 million.

## Q4 2016

In Q4 2016, SP Group's sales totalled approx. DKK 421.6 million, which is 18.1% more than in the same period the year before. This is the first time ever that SP Group has sold for more than DKK 0.4 billion in one quarter.

EBITDA came at DKK 52.1 million, which is up 4.2% on the same period the year before.

EBIT totalled DKK 33.4 million, which is up DKK 5.7 million on the same period the year before.

Profit before tax and non-controlling interests amounted to DKK 31.4 million, which is an increase of DKK 6.0 million compared to the same period the year before.

The EBITDA margin in Q4 totalled 12.3%, and profit before tax and non-controlling interests amounted to 7.4% of revenue.

The financial performance in Q4 was adversely affected by the provision made in respect of a complaint discussion with a customer. Without that provision, the EBITDA margin would have been 13.7% in Q4.

Amortisation, depreciation and impairment losses totalled DKK 18.7 million, which is up DKK 3.6 million on the same period the year before.

In Q4, cash flows from operating activities amounted to DKK 26.6 million (2015: DKK 55.4 million). Cash flows from investing and financing activities were negative by DKK 102.5 million (2015: DKK 46.1 million). Accordingly, the change in liquidity was negative by DKK 75.9 million (2015: positive by DKK 9.3 million).

### Follow-up on expectations previously expressed

The profit of DKK 122.6 million before tax and non-controlling interests corresponds to the expectations expressed on 17 November 2016 as to "a profit before tax and non-controlling interests at the level of DKK 120 million". Revenue came at DKK 1,519.0 million, which corresponds to the expectations expressed on 17 November 2016 as to "full-year revenue for 2016 at the level of DKK 1.5 billion".

#### Expectations previously expressed:

- 30 March 2016: Slightly higher profit before tax and non-controlling interests and a slightly higher level of activity are expected for 2016.
- 28 April 2016: See above.
- 14 June 2016: Revenue at the level of DKK 1,400-1,450 million and profit before tax and non-controlling interests at the level of DKK 100 million are now expected.
- 14 July 2016: SP Group acquires MedicoPack A/S effective 14 July 2016 and now expect revenue at the level of DKK 1,450-1,500 million and profit before tax and non-controlling interests at the level of DKK 100 million.
- 23 August 2016: SP Group now expects revenue at the level of DKK 1.5 billion and profit before tax and non-controlling interests at the level of DKK 100-120 million.
- 17 November 2016: SP Group now expects revenue at the level of DKK 1.5 billion and profit before tax and non-controlling interests at the level of DKK 120 million.

### Events after the balance sheet date

On 6 January 2017, Tinby A/S took over all of the shares in LM Skumplast A/S, Tjæreborg, which offers customised PUR (Polyurethane) and PIR (Polyisocyanurate) solutions. Management and the employees stay on. The entity has changed name to Tinby Skumplast A/S.

On 21 March 2017, SP Group took over all of the shares in MM Composite A/S, which offers customised composite solutions. The entity carries on



In September Adnan Said Usün (left) celebrated his 40th anniversary at Accoat. To the right managing director Mads Juhl.



Suyan Jin at SP Moulding's production site in Suzhou, China.

production activities in USA (Iowa) and in Funen (Nørre Aaby and Ejby). Management and the employees stay on.

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

### Outlook for 2017

The global economy is expected to grow in 2017 too, but it is still fragile and associated with political and economic uncertainty. In the neighbouring markets in Europe, a low growth rate is expected in the economy in general, as a number of countries still have grave government deficits and high indebtedness.

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

New barriers to trade, if any, between USA and the EU will have a strong adverse effect on the development of 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.

In connection with the signing of a new logistics agreement with a customer, we will no longer buy components and resell them without a margin. This will reduce full-year revenue by approx. DKK 70 million. The effect in 2017 is assessed to be approx. DKK 55 million.

A high investment level will be maintained in 2017. The largest single investment is expected to be made in relation to the medical device activities.

Amortisation and depreciation charges are expected to be at a higher level than in 2016.

Financial expenses are expected to be realised at the same level as in 2016.

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

For 2017, profit before tax and non-controlling interests at the level of DKK 140-160 million and revenue at the level of DKK 1.7 billion are expected.

## Going towards 2020

It is our ambition to generate revenue at the level of DKK 2.0 billion in 2020 through continued organic growth combined with minor acquisitions ("buy and build" strategy). To attain this end, we need to achieve annual growth (CAGR) of approx. 9% per annum in the period 2016-2020, corresponding to the annual growth rate realised in the period 2011-2015. In 2016, we realised 15.1% growth.

By increasing the ratio of own products of total sales, continuing our internationalisation efforts, further enhancing efficiency and investing massively in new technology and people, it is our ambition to increase the EBITDA margin to 14-15% from the 12% realised in 2015. In 2016, the EBITDA margin totalled 13.4%.

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

In the long term, profit before tax and non-controlling interests is expected to increase gradually to approx. 8-10% of revenue, as the ratio of own products and state-of-the-art solutions is expected to increase more than the rest of revenue in relative terms. In respect of sub-supplier tasks, the goal is still to generate profit before tax and non-controlling interests corresponding to 5% of revenue.

It is Management's goal to realise a ratio of net interest-bearing debt to EBITDA of 2-4 and to maintain this level as long as the interest rate level is historical low. This goal leaves room for more activities than planned. 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 free capital.

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

SP Group aims at providing its shareholders with a fair return through increases in the share price. Ambitions are that earnings per share (EPS) should increase by 20% per annum on average over a 5-year period, corresponding to the growth rate achieved in the period 2010-2015. In 2016, EPS grew by 44.0%.

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

## Customers

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

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

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

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

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

Plexx AS / Opido AB also brings new competences in the form of

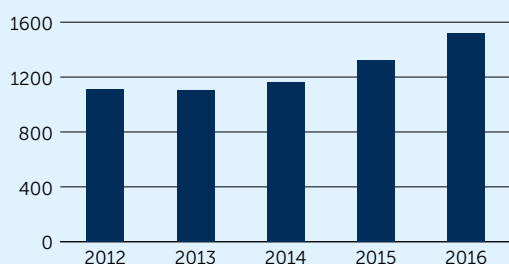
- Laser cutting in acrylic
- Bending in acrylic
- The composite technology ORS (Opido Reinforced System).

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

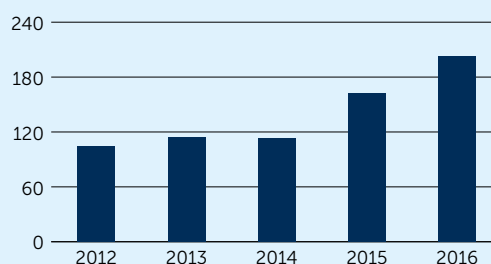
Advisory services within plastics and surface treatment are becoming increasingly important, and SP Group is using the Group's expertise and technologies to add value to the customers' products. In 2016, co-operation with leading universities in the EU was extended and so was co-operation with a number of suppliers' research centres and laboratories. Among our suppliers are the world's leading chemical groups.

Sales under own brands should be further increased. In a number of global niches, SP Group controls a large part of the value chain with own products, which have higher margins than many of the products that SP Group manufactures as a sub-supplier. Total sales of ventilation equipment from TPI, ergonomic workplace equipment from Ergomat and guide wires under

Group revenue 2012-2016 (DKKkm)



Operating profit (EBITDA) 2012-2016 (DKKkm)



the SP Medical brand as well as own products from MedicoPack increased by 13.7% to approx. DKK 252 million from 2015 to 2016. We have developed a number of new products, which were marketed in 2016. In addition to increasing the sale of the existing products, the Group will continue to develop several new products under own brands.

Growth must also be generated from customers and growth industries. An obvious example is the healthcare industry. Sales to this industry totalled DKK 613.1 million in 2016. Sales to this industry are to be further increased through the committed business units SP Medical and MedicoPack as the primary drivers. The figure on the bottom of the page shows the development in total healthcare sales, which accounted for 40.4% of revenue in 2016. Sales to this industry increased by 12.1% in 2016.

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

The figure on the next page shows the development in sales to the cleantech industry, which accounted for 25.9 % of revenue in 2016. Sales to the cleantech industry increased by 16.6 % in 2016.

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 15.2% of revenue in 2016 and amounted to DKK 231.6 million. Trends in sales to food-related industries are shown on the next page. In 2016, sales to food-related industries increased by 15.3%.

The healthcare, cleantech and food-related industries accounted for approx. 82% of total revenue in 2016.

During recent years, we have developed a number of unique services to the oil and gas industry. Sales to this industry went up by 36.7% in 2016 and now account for 0.5% of the Group's revenue. Sales to the automotive industry increased by 11.7% to DKK 45.7 million and now account for 3.0% of revenue.

The geographic expansion will continue through increased sales from the factories in Denmark, Latvia, Slovakia, Poland, Brazil, China and USA with particular focus on markets in Europe, the Americas and Asia. International sales have increased over the past 10 years from approx. 30% to approx. 51% of revenue, and this ratio is to be further increased.

### Efficiency and rationalisation

In 2016, the Group's production structure was further rationalised and made more efficient.

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

In Denmark, SP Moulding has taken over the activities in Aasum Plast & Metal A/S and transferred them to SP Moulding's facilities. Aasum's factory in Aasum has been closed down and the leases vacated.

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

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

In USA and Poland, Ergomat has increased its production of ergonomic mats through improved productivity and increased capacity.

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

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

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

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

In Brazil, Accoat has maintained capacity and efficiency, but has decided to reduce capacity in Denmark due to the changed market conditions.

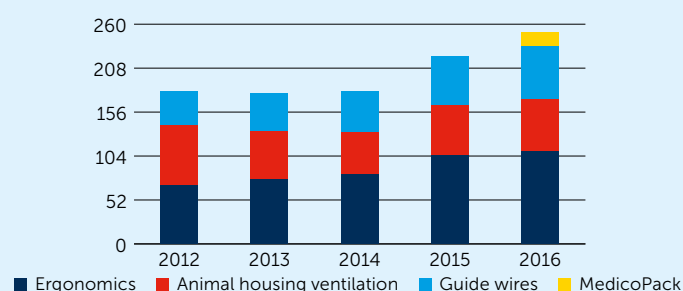
In the Netherlands, TPI has expanded its business based on a larger organisation, which has increased capacity.

The reliability of delivery (on-time delivery) from all factories was increased and 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.

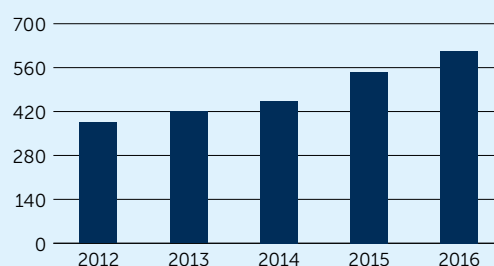
Apart from capacity adjustments, we focus on adjusting general costs on an ongoing basis. SP Group's goal is for all production facilities to manufacture and deliver better, less costly and faster. Steps are taken on a current basis to reduce the consumption of materials and resources (reduction of CO<sub>2</sub> emissions, etc.) and to reduce break-in periods and switch-over times in production. The current Lean process will continue with focus on improving processes and flows and strengthening our employees' competencies.

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

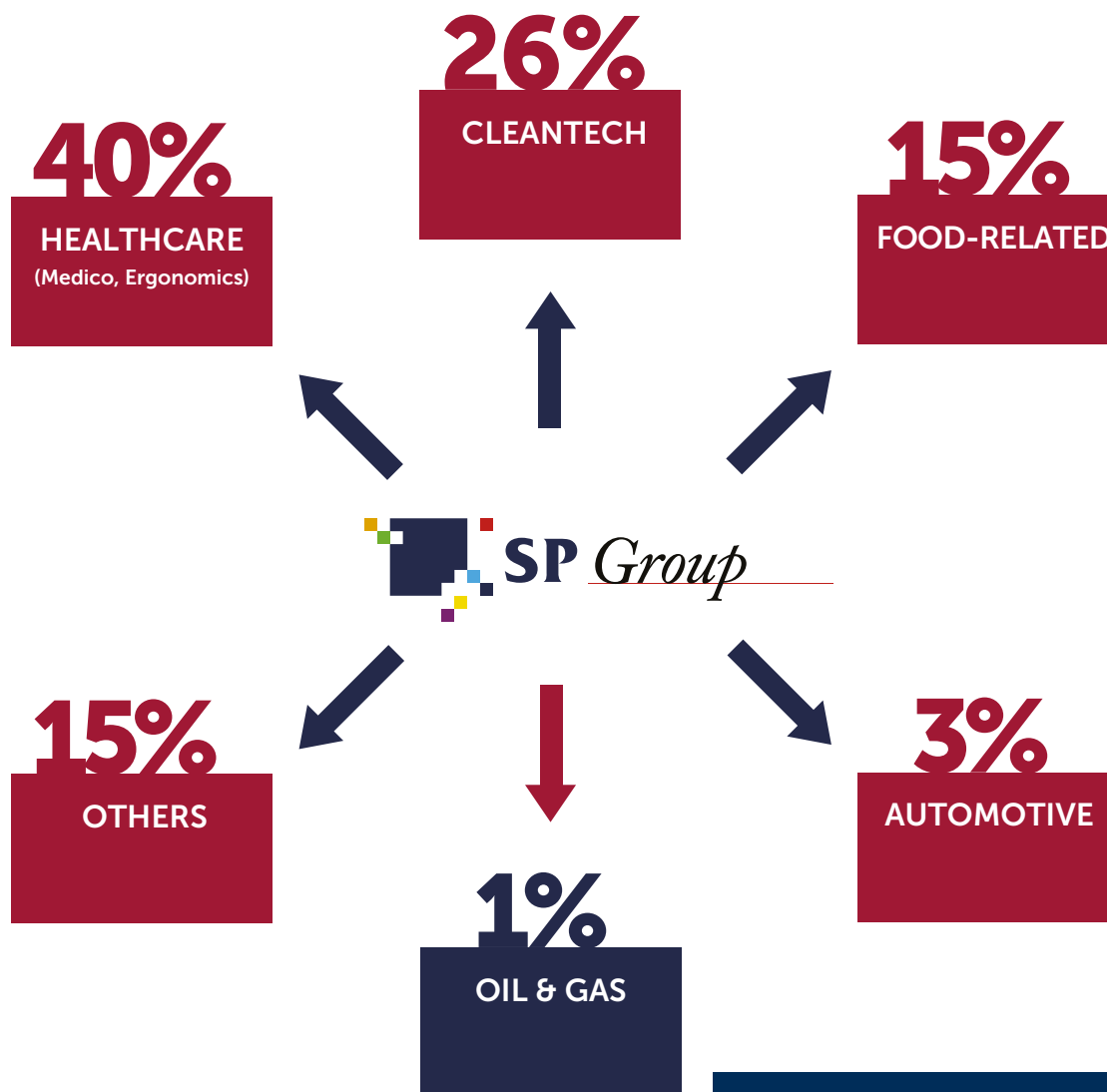
Revenue under own brands 2012-2016 (DKKm)



Revenue from healthcare products 2012-2016 (DKKm)

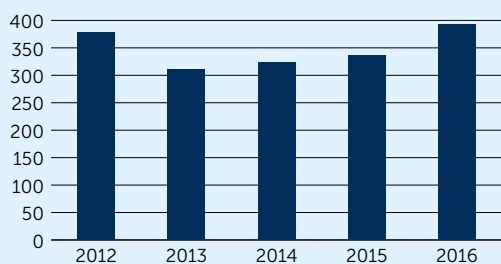


## SP Group's sales in 2016 broken down by customer group:

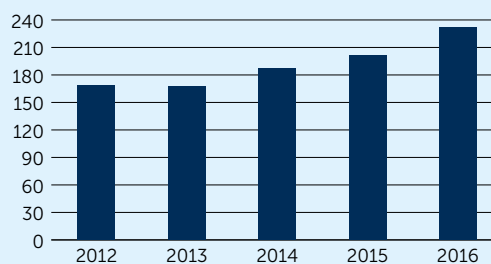



- More than 1,000 customers in total
- The largest customer accounts for 12% (2015: 12%)
- The 10 largest customers account for 50% (2015: 47%)
- The 20 largest customers account for 60% (2015: 60%)

Revenue from cleantech products 2012-2016 (DKKm)



Revenue from food-related industries 2012-2016 (DKKm)





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

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

# Coatings

- End-to-end solutions
- New tasks in the food industry
- More tasks in the medical device industry

## 2016 in outline

Revenue decreased by 1.4% to DKK 136.8 million. Revenue from the food and medical device industries has been on the increase. Revenue from the oil and gas industry has gone up as well, whereas revenue from the cleantech industry decreased due to a continued low level of activity in emerging markets.

EBITDA improved in 2016 relative to 2015 due to considerable focus on costs and efficiency-enhancing measures. EBITDA rose from DKK 13.6 million in 2015 to DKK 16.2 million in 2016.

In 2017, Acccoat will continue to focus its marketing efforts on the food, medical device and chemical industries.

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

Acccoat's coating factory in Brazil is still offering coating solutions for the medical device industry.

The plant in Kvistgård is flexible and therefore able to handle most types of components, and it holds one of the largest furnaces in Europe for

sintering of fluoroplastics coatings. Acccoat's factory in Stoholm is dedicated to coating of pipes.

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

Acccoat is going to start up production in Poland in 2017.

During the year, Acccoat serviced customers in 19 countries.

## Markets and products

In 2016, Acccoat 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, Acccoat is able to coat all kinds of items, but has decided to focus especially on high-build (multiple-layer) corrosion-protective coatings as well as non-stick and low-friction coatings. In these areas, Acccoat is a market leader in Scandinavia and ranks among the four 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. Acccoat develops and tests coatings in its own laboratory to be able to document properties and product life. The market is driven by the fact that fluoroplastics coatings can improve the application, strength and product life of a number of products. Acccoat is adding value to its customers.

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

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

As Acccoat 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.

## Strategy

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

<b>Name:</b> Acccoat A/S
<b>Website:</b> www.accoat.dk
<b>Location:</b> Kvistgård in the northern part of Sealand, Stoholm in Jutland and São Paulo in Brazil
<b>Executive Board:</b> Mads Juhl, CEO
<b>Activities:</b> Acccoat 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 big tank installations.
<b>Description:</b> Acccoat develops and manufactures environmentally friendly technical solutions for industrial and pharmaceutical purposes, including fluoroplastics coatings (Teflon®), PTFE and other refined materials.
<b>Environment/quality:</b> Reference is made to the list of certificates on page 34

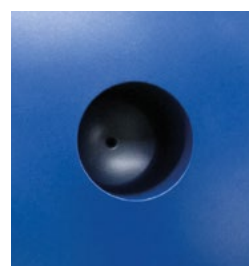




Mogens Hansen and Tommy Petersen preparing surface coating of a 31 metre long steel band to be used in a bakery oven.



Plate heat exchangers coated with Accolan for improved efficiency and longer lifetime.



Paint does not adhere to non-stick coatings from Acccoat.

Freeze dryer coated with Accofal for the medico industry.

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

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

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

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

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

## Outlook for 2017

Acccoat expects an increasing level of activity and higher EBITDA in 2017. However, the markets are very unstable, and the current price of oil has a great impact on the investment propensity in the oil and gas industry.

### Development in Coatings 2014-2016

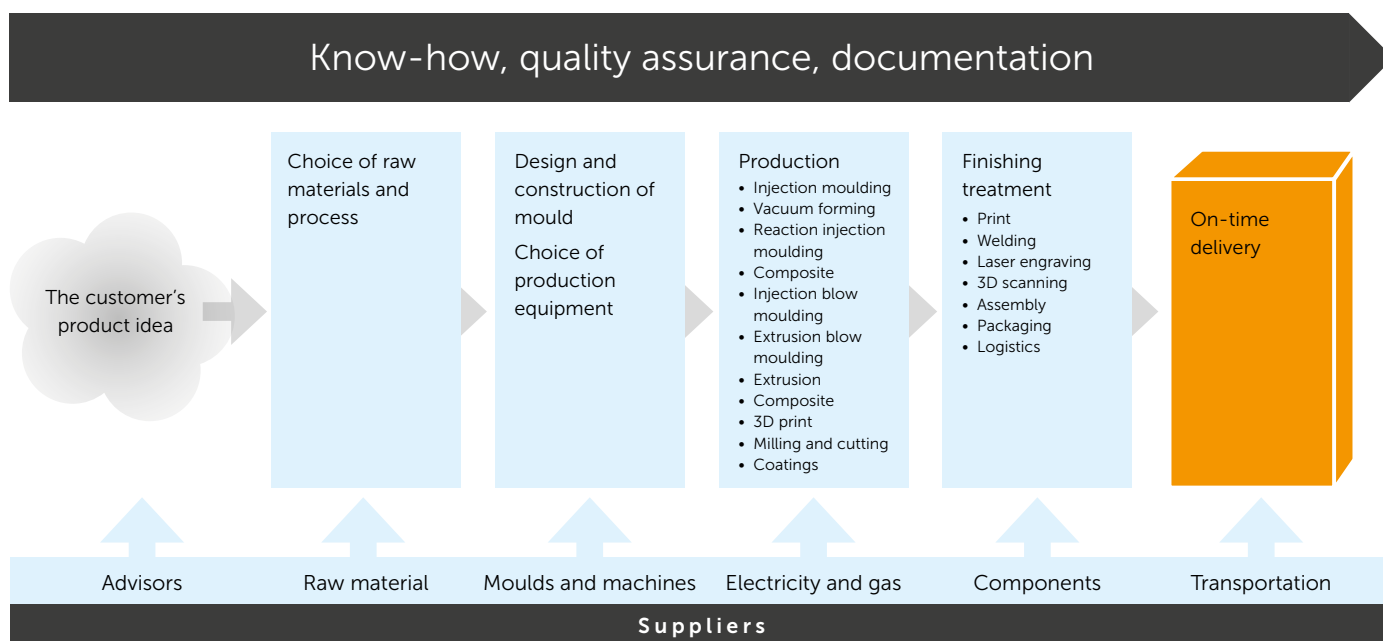
DKKm	2016	2015	2014
Revenue	136.8	138.8	167.9
Profit before net financials, depreciation and amortisation (EBITDA)	16.2	13.6	18.8
Profit before net financials (EBIT)	8.8	4.0	9.7
Segment assets	76.1	77.7	95.0
Average number of employees	68	67	75

# Plastics

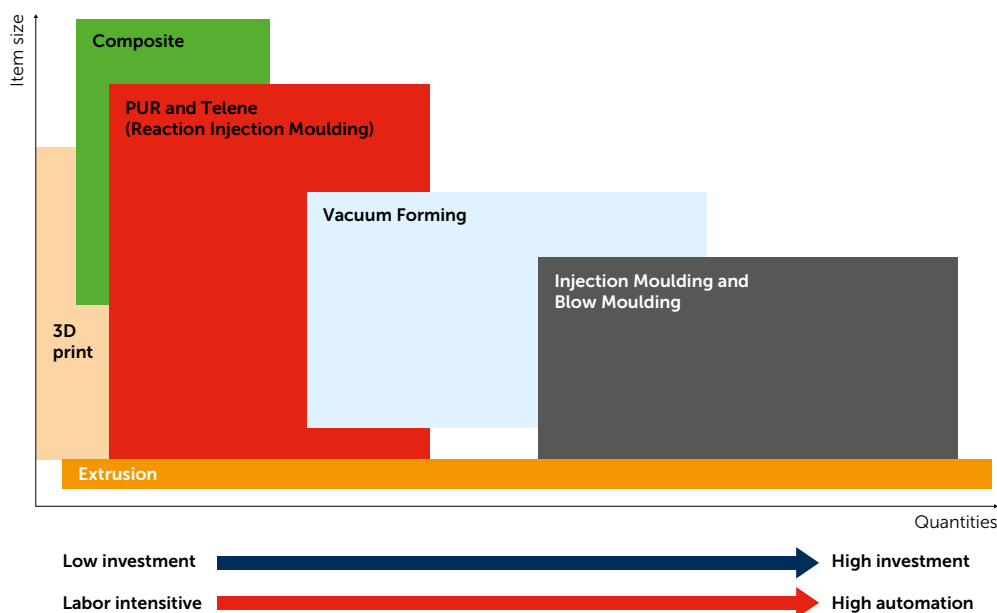
- New tasks in the healthcare industry
- New tasks in the cleantech industry
- More tasks in food-related industries

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

## SP Group's value creation



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



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

We therefore report the plastic entities in:

- Injection moulding (SP Moulding, SP Medical, Sander Tech and Ulstrup Plast)
- Blow moulding (MedicoPack)
- Vacuum forming (Gibo Plast and Plexx / Opido)
- PUR (Ergomat, Tinby, TPI Polytechniek and Brøderna Bourghardt)
- Extrusion (SP Extrusion),

collectively called PLASTICS.

DivibaX®  
 Unique mixing devices focusing on staff and patient safety. The connection device provides a 100% safe mix of powders and fluids between vials and IV containers produced by MedicoPack A/S.



## 2016 in outline

Revenue grew by 16.2% to DKK 1,382.3 million, thus exceeding the expectations expressed at the beginning of the year.

Operating profit measured by EBITDA amounted to DKK 190.4 million, which is 21.3% up on 2015 and the highest ever.

Earnings are positively affected by corporate acquisitions.

Very large investments were made in 2016, adversely affecting earnings. The investments are expected to contribute positively to results of operations from 2017 onwards.

The substantial profit increase is particularly attributable to Ergomat, TPI Polytechnik, SP Medical and Ulstrup Plast. In the financial statements for 2015, Ulstrup Plast was presented for six months only. Also Tinby, Brøderna Bourghardt, SP Moulding, Gibo Plast and SP Extrusion reported improved financial performance.

The acquisition of Plexx / Opido and MedicoPack also contributed positively on the top and bottom lines.

## Outlook for 2017

The Plastics segment is expected to realise revenue and earnings growth.

Activities are expected to be expanded in China, USA, the Netherlands, Poland, Sweden, Latvia, Slovakia, Norway and Denmark.

### Development in Plastics 2014-2016

DKKm	2016	2015	2014
Revenue	1,382.3	1,189.8	999.3
Profit before net financials, depreciation and amortisation (EBITDA)	190.4	157.0	104.4
Profit before net financials (EBIT)	132.1	97.8	63.4
Segment assets	946.0	846.1	740.8
Average number of employees	1,484	1,375	1,166

# Injection moulding and Blow moulding

- Global progress
- Reasonable results of operations
- Many new tasks
- Acquisition of MedicoPack

## 2016 in outline

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

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

<b>Name:</b>	SP Moulding A/S, Sander Tech ApS, Ulstrup Plast A/S, SP Medical A/S and MedicoPack A/S
<b>Website:</b>	www.sp-moulding.dk, www.up.dk, www.sp-medical.dk and www.medicopack.com
<b>Location:</b>	Juelsminde, Stoholm, Karise, Lynge, Langeskov, Sieradz (Poland), Zdunska Wola (Poland), Pobedim (Slovakia) and Suzhou (China)
<b>Executive Board:</b>	Frank Gad, CEO of SP Moulding A/S, Jens Birklund Andersen, Director of Sander Tech ApS, Søren Ulstrup, CEO of Ulstrup Plast A/S, Kenny Rosendahl, Director of SP Medical A/S, and Torben Bruhn, CEO of MedicoPack A/S
<b>Activities:</b>	SP Moulding, Sander Tech and Ulstrup Plast are leading Danish manufacturers of injection-moulded plastic precision components for a wide range of industrial business enterprises. SP Moulding (Suzhou) Co., Ltd. In China, SP Moulding Poland Sp. z o.o. and Ulstrup Plast s.r.o. Manufacture technical plastics and perform assembly work. The business unit SP Medical manufactures products in Karise and Zdunska Wola (Poland) to customers in the medical device industry. MedicoPack develops, produces and sells packaging material and pharmaceutical disposable equipment within injection and infusion therapy to the global pharmaceutical and healthcare industry.
<b>Description:</b>	In addition to the actual moulding, which is carried out in modern production facilities, the business area handles all finishing such as 3D scanning, laser engraving, ultrasound welding, surface treatment and compression. SP Moulding and SP Medical also handle partial or full assembly, packaging and consignment for a large number of customers. MedicoPack's production technology is based on blow moulding, IBM (Injection Blow Moulding) and EBM (Extrusion Blow Moulding), and the entity has a leading position in the area of production of packaging material for pharmaceutical purposes.
<b>Environment/quality:</b>	Reference is made to the list of certificates on page 34.

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

In 2011, SP Medical fitted a new injection-moulding factory in Poland for purposes of manufacturing medical device products. In 2014 and 2015, the factory was fitted with more machinery. New expanded cleanroom facilities in Poland were ready for production in 2016.

In 2016, considerable amounts were invested in new, state-of-the-art production equipment (robots, special-purpose machines, injection-moulding machines, 3D scanning, energy savings and IT) as well as break-in of new projects.

Both SP Moulding, SP Medical and Ulstrup Plast have entered into agreements on the purchase of injection-moulding machines to be delivered in 2017. The machines are to be used to expand activities with existing customers.

For the fifth year in succession, SP Moulding has been elected the preferred supplier by one of its major, international customers, which is leading in its field in Europe as well as globally.

Following several years' preparations, SP Moulding's factory in Stoholm has become TS 16.949-certified.

MedicoPack, which was acquired in July 2016, exports approx. 90% of its sales. Large investments in MedicoPack have been initiated.

## Markets and products

With approx. 400 injection-moulding machines (including more than 30 two- and three-component machines), SP Moulding, SP Medical and Ulstrup Plast are, combined, the largest independent injection-moulding business in Denmark and rank among the largest two in the Nordic countries. The market is still characterised by many small suppliers and excess capacity in certain areas, and a number of customers are turning to low-wage areas. However, several groups with own production of injection-moulded plastics choose to outsource activities to specialists such as SP Moulding, SP Medical and Ulstrup Plast. Moreover, the market share is increased by substituting plastics for other materials.

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



Guide wires – a medico product manufactured by SP Medical.



Chris Frensel Nielsen and Jørn T. Jensen, SP Moulding, Juelsminde.



SP Moulding's factory in Stoholm manufactures mink fur drying devices.



SP Moulding's factory in Juelsminde manufactures the bar chair shell for Muuto. The shell contains 25% wood fibres.



SP Moulding's factory in Juelsminde manufacture snuff boxes for AG Snus.

*Both Ulstrup Plast, Slovakia, and SP Moulding, Poland, celebrated their 10th anniversary in 2016.*

but there is a potential in both regions for considerable growth by virtue of SP Moulding's overall know-how.

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

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 competences. The production technology is based on blow moulding, IBM (Injection Blow Moulding) and EBM (Extrusion Blow Moulding), and the entity has a leading position in the area of production of packaging material for pharmaceutical purposes.

## Strategy

SP Moulding and Ulstrup Plast will increase exports from the three Danish factories to the neighbouring markets, and the Polish and Slovakian factories will strengthen the marketing of technical plastics and assembly activities in the growth markets in Eastern and Western Europe. In

China, production capacity has been expanded, and sales are growing. SP Moulding and Ulstrup Plast will continue to move labour-intensive tasks from Western Europe to Poland, Slovakia and China and to invest massively in technology and people.

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

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

MedicoPack will continue to strengthen and expand co-operation with existing and new customers at a global level. Development activities focus on close co-operation with the customers in order to continually improve and optimise existing packaging solutions and develop new, pioneer packaging concepts. Clear Vial™ and DivibaX® are the product series most recently launched.

## Polyurethane and Composite

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

<b>Name:</b>	The business area consists of four activities with polyurethane (PUR) as the common denominator: Ergomat A/S, Tinby A/S, TPI Polytechnik B.V. and Bröderna Bourghardt AB.
<b>Websites:</b>	www.ergomat.com, www.tinby.dk, www.tpi-polytechnik.com, www.bourghardt.se
<b>Location:</b>	Søndersø, Zdunska Wola (Poland), 's-Hertogenbosch (the Netherlands), Helsingborg (Sweden), Cleveland (USA), Montreal (Canada), Suzhou (China) and Liepaja (Latvia).
<b>Executive Board:</b>	Claus Lendal, Managing Director of Ergomat A/S, Torben Nielsen, Managing Director of Tinby A/S, Loic van der Heijden, Managing Director of TPI Polytechnik B.V., and David Bourghardt, Managing Director of Bröderna Bourghardt AB
<b>Ergomat A/S</b>	develops and sells ergonomic solutions under own brands – Ergomat® mats and DuraStripe® striping tape – to global corporate customers. Ergomat has sales companies in Europe and North America. Its products are manufactured in Poland and USA.
<b>Tinby A/S</b>	manufactures moulded products in solid, foamed and flexible PUR as well as laminated plastics and vacuum film for, e.g. the graphics, medical device, furniture, refrigerator and cleantech industries. In Poland, Tinby Sp. z o.o. further manufactures light-foam products for TPI. The entities in USA and China manufacture light-foam products and other plastic solutions primarily for the cleantech industry.
<b>TPI Polytechnik B.V.</b>	develops and sells components for ventilation of industrial buildings as well as pig and poultry houses, primarily products under the TPI brand, which are manufactured by Tinby in Poland. Global sales are handled from the Netherlands. Sales in Scandinavia are handled from Denmark.
<b>Brdr. Bourghardt AB</b>	is a specialist in composite processes - composite and manual lamination - and uses modern lacquering methods. Brdr. Bourghardt is Scandinavia's leading manufacturer of Telene® products.
<b>Description:</b>	PUR is manufactured by mixing two special liquids, which react, and by pressing the mixture into a mould forming the required component. Expertise comprises knowing the scope for variation and making the best of the material. The process is also called Reaction Injection Moulding – or just RIM.
<b>Environment/quality:</b>	Reference is made to the list of certificates on page 34.

### 2016 in outline

To Ergomat, 2016 was excellent with 6.1% revenue growth, primarily driven by USA, but sales in the European market increased as well. Sales to the Asian market were disappointing.

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

In 2016, TPI experienced project delays in Eastern Europe, but saw sales progress in the other markets. For instance, the Asian market and the markets in North Africa developed positively. Inventories in Denmark have been moved to the Netherlands to maintain a high degree of flexibility and a continued high service level.

For Bröderna Bourghardt, with a sales organisation in Sweden and production activities in Latvia, 2016 was characterised by increased volumes and launch of new projects within the technologies Telene and composites in the European market. Bröderna Bourghardt has increased its productive capacity by 25% in order to respond to the expected growth in 2017.

### Markets and products

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

Ergomat experienced progress in Europe in 2016, not least in Germany, France, the UK, Italy, Sweden and Eastern Europe. Sales failed in Asia, in particular in Japan, primarily owing to the devaluation of the YEN.

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

Tinby is Scandinavia's leading supplier of moulded 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 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. Besides the PUR activities, Tinby has a vast number of special productions aimed at the cleantech industry.

Tinby manufactures Baskette stripping basket for Kettegear.



TPI Polytechnik's wind hoods made in polyurethane are used, e.g., in poultry houses.



Tinby's own product insulating caps made in Polyurethane.



Pause chair for Magnus Olesen. Seat and back in flexible PUR. Manufactured by Tinby.

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

TPI is the leading supplier in Europe of light-foamed chimneys, air intake and 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. Due to these new products, TPI will be able to increase its position in the global market for ventilation equipment for pig and poultry houses.

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

## Strategy

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

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

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

Tinby's 2,400 sqm. factory in China, established in 2010, continues to develop positively. In 2016, additional activities were initiated.

Tinby's establishment in North America in connection with Ergomat's facilities was initiated and audited in 2014. The production facilities and service centre comprise approx. 1,000 sqm.

TPI expects increased sales in Europe in 2017 because of its launch of a number of new projects. TPI also expects a higher level of activity in the Americas and Asia. Strong focus on developing new products will be maintained.

Brøderna Bourghardt will increase its focus on sales and technical support to existing as well as potential customers. With the current capacity, the opportunities to increase production output and make production technologies even more well-known are still fine. The entity continually works on developing processes and materials. Brøderna Bourghardt also aims to develop one or several products under own brand.

These mats are among the most durable in the world and have a unique capability to facilitate cleaning and withstand strong chemicals.



## Vacuum forming and Extrusion

- Improved results of operations in 2016
- New tasks in several industries
- Expansion in Poland
- Acquisition of Plexx AS / Opido AB in Norway and Sweden

### 2016 in outline

Activities have increased, and Gibo Plast succeeded in ensuring a handsome improvement in operating profit and the level of activity. 2016 was an eventful year, as Gibo Plast worked intensely on implementing efficiency-enhancing measures in Denmark as well as 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, which facilitate better and more effective servicing of existing and new customers by reducing time-to-market in connection with new plastic components. To strengthen competences in Scandinavia, Gibo Plast late in the year acquired Plexx AS / Opido AB with a sales office in Norway and production activities in Sweden. This acquisition also secured competences within ORS (Opido Reinforced System), which is vacuum-formed parts with PUR foam on the back side and laser cutting and hot bending of items.

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

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

### Markets and products

The value of the Scandinavian market for vacuum-formed plastics is assessed to be approx. DKK 5-600 million. The market is undergoing drastic change, as a number of traditional users of vacuum-formed plastics are put under pressure by competitors in low-wage areas and therefore move their production to Southern and Eastern Europe or Asia. On the other hand, many components made of materials such as glass fibre, wood and metal may very well be replaced by plastics, as plastics are lighter and easier to mould, allowing of growing demand.

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

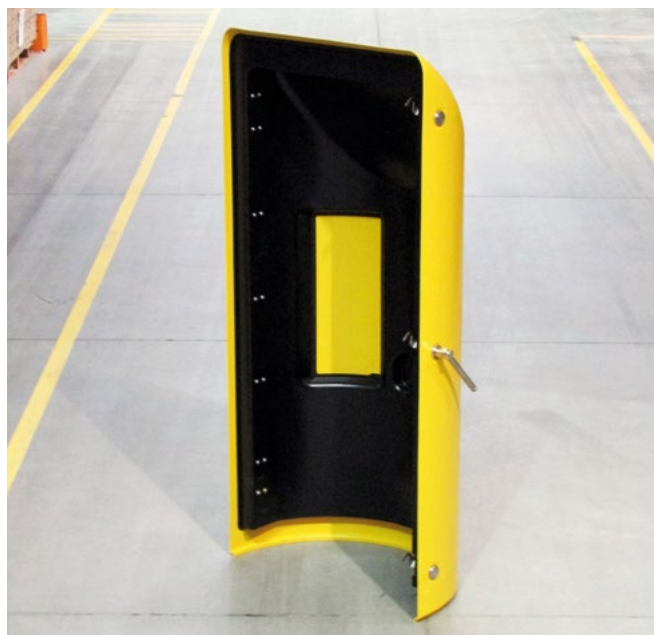
Within traditional vacuum forming, Gibo Plast is a market leader in Scandinavia and ranks among the 10 largest suppliers in Europe. Within the High-pressure and Twinsheet technologies, its position has been strengthened. Gibo Plast is able to handle components of many different sizes and masters both large-scale production and minor series with customised, logo-embossed components. The offer to the customers is supplemented by 3D CAD/CAM design, CNC milling, decoration, surface treatment, 3D scanning, assembly, gluing and packaging.

<b>Name:</b>	Gibo Plast A/S, Plexx AS, Opido AB
<b>Websites:</b>	www.giboplast.com, www.plexx.no, www.opido.se
<b>Location:</b>	Skjern, Ljungby (Sweden), Kråkerøy (Norway) and Sieradz (Poland)
<b>Executive Board:</b>	CEO Jan Kyster Madsen (Gibo Plast), CEO Arild S. Johnsen (Plexx / Opido) and CEO Andreas Ligestig (Opido)
<b>Activities:</b>	Gibo Plast and PlexxOpido develop, design and produce thermo-formed plastic components for refrigerators and freezers, cars, buses and other rolling stock (automotive) as well as in the medical device, lighting equipment and cleantech industries. Gibo Plast is both specialised in traditional vacuum forming and the state-of-the-art forming methods High-pressure and Twinsheet. Opido AB is also specialised in ORS (Opido Reinforced System) with fortified and sound-absorbing vacuum-formed components as well as laser cutting and hot bending.
<b>Description:</b>	Vacuum forming means that plastic sheets are warmed up and then formed using vacuum and/or high pressure. The products are then processed by way of cutting, milling (CNC milling) and, eventually, assembled to the finished product.
<b>Environment/quality:</b>	Reference is made to the list of certificates on page 34.



Vacuumformed crane door from Gibo Plast. The crane is placed on the foundation for wind turbines at sea. Gibo's sister company, Tinby, strengthens the cavity of the door with foamed Polyurethane.

Monika Knap at Gibo's factory in Poland.



Emil Nilsson performing a quality check on an acrylic panel to be put in a video-conferencing system made by Opido Plast AB, Sweden.



Close working cooperation between SP Group and VELUX Group.

## Strategy

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

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

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

Together with the continued improvement of the productivity in Skjern, these initiatives have contributed significantly to improving Gibo Plast's profitability in 2016 and are expected to do so in 2017 as well. Gibo Plast

has 12,000 sqm at the plant in Skjern, 9,700 sqm at the plant in Poland and 6,000 sqm at the plant in Sweden and 800 sqm in Norway.

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

Gibo Plast will use the location in the neighbouring areas to cultivate new markets in Eastern and Central Europe. Marketing on existing and new markets will be focused on disseminating knowledge of plastics in sectors which have traditionally been using 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 fortified and sound-absorbing vacuum-formed components. Gibo Plast is testing new plastic technologies on a regular basis. Gibo Plast has developed new projects for customers in the automotive and cleantech industries, which are expected to contribute positively to sales and earnings in 2017.

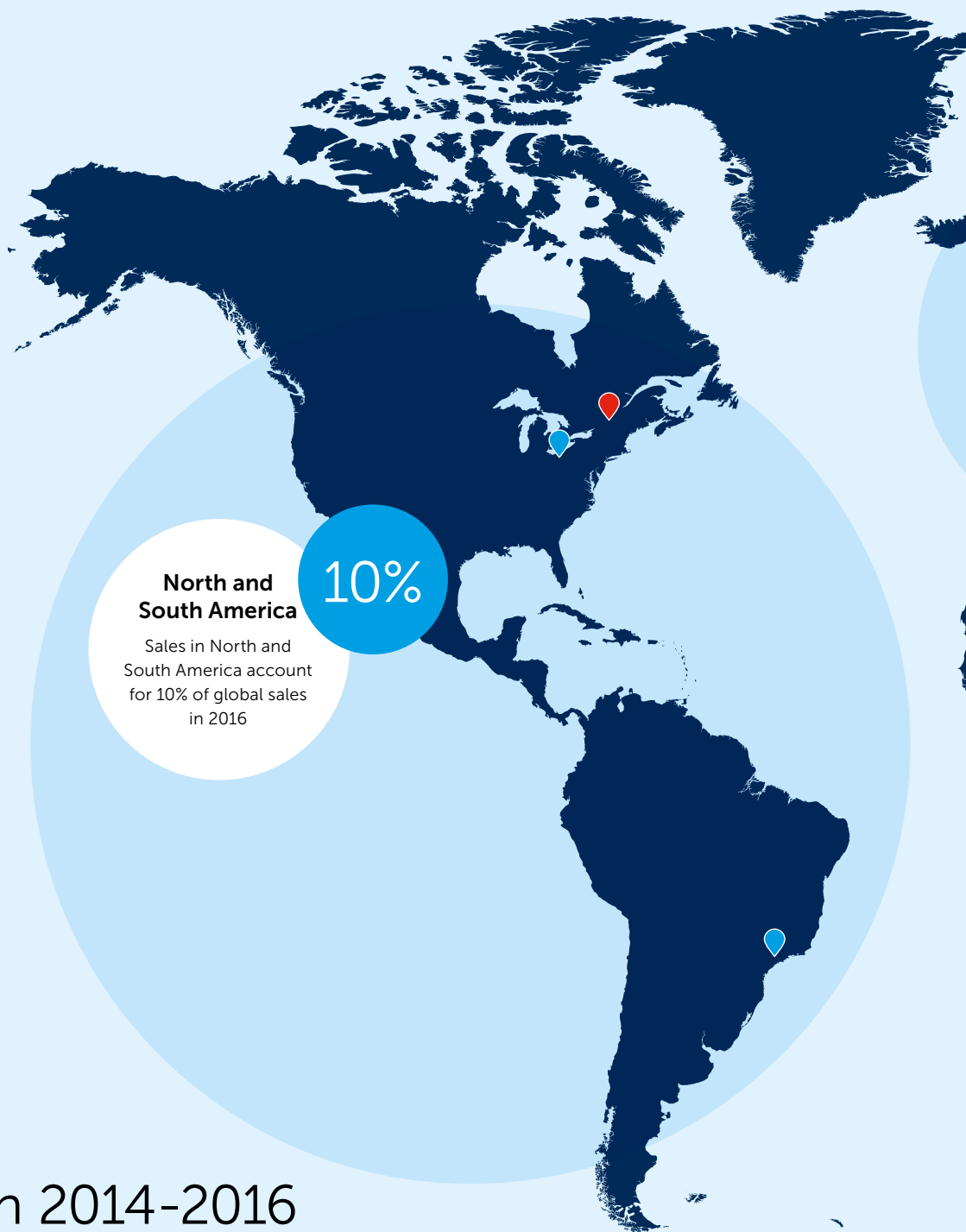
# SP Group's locations

## Sale and production

- Denmark (8)
- Poland (6)
- China (2)
- Brazil (1)
- USA (1)
- Latvia (1)
- Slovakia (1)
- Sweden (1)

## Sale and distribution

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



# Acquisitions in 2014-2016

## 2014

**24 February 2014**  
Bröderna Bourghardt AB  
(80% of the shares)

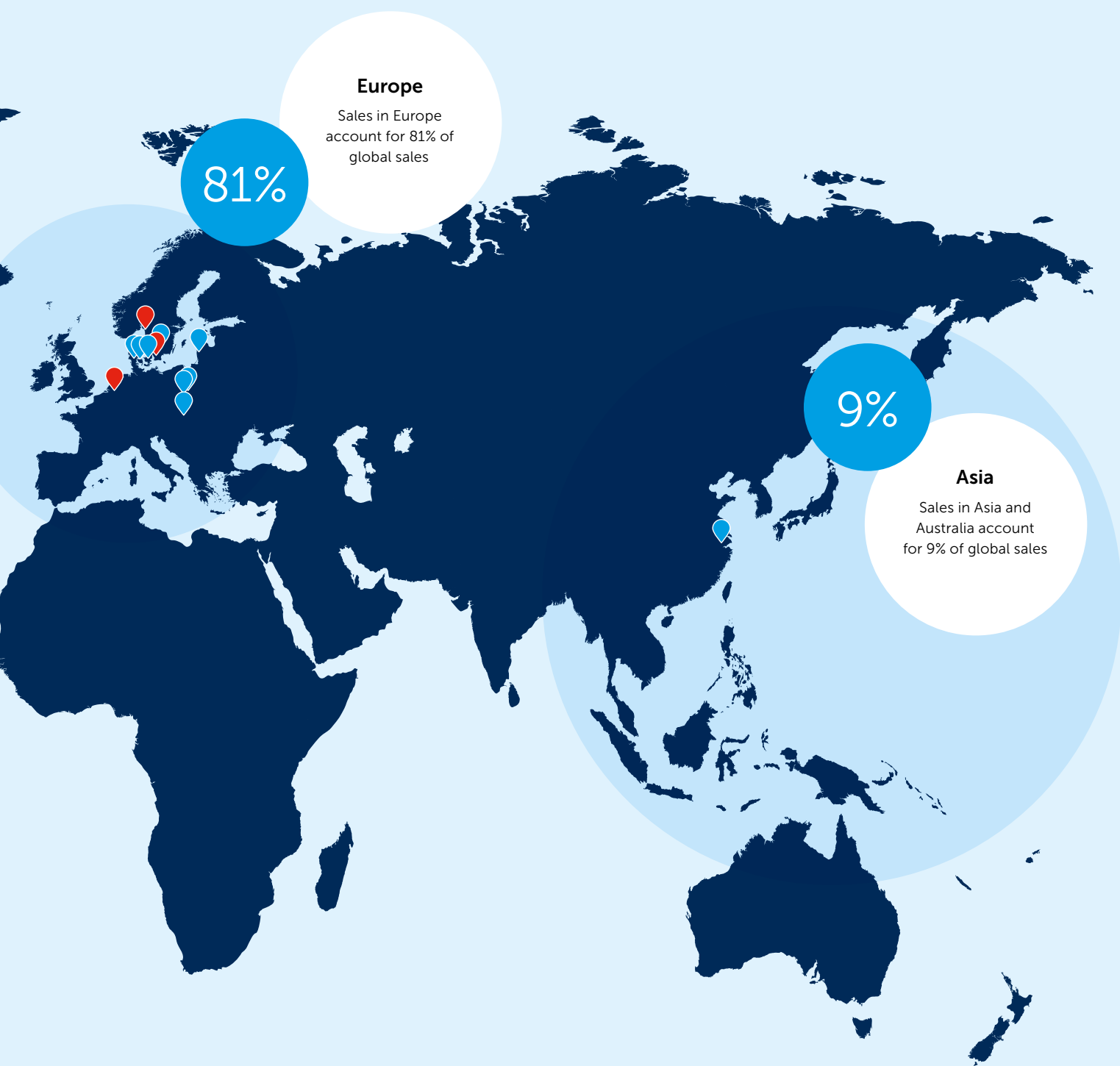
## 2015

**1 January 2015**  
Scanvakuum ApS  
(the activities)

**13 March 2015**  
Sander Tech ApS

**7 April 2015**  
SP Moulding, China (the remaining 25% of the shares)

**1 July 2015**  
Ulstrup Plast A/S



## 2016

**5 April 2016**

10% of the shares in Bröderna Bourghardt AB (option)

**14 July 2016**

MedicoPack A/S

**15 October 2016**

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

**21 November 2016**

Plexx AS / Opido AB

**8 December 2016**

The remaining 10% of the shares in Bröderna Bourghardt AB

# Risk management

Identification and management of business risks is part of the annual strategy plan for the Group and the two business areas, 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 being 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 producers 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 50.9% in 2016 (2015: 53.5%). In 2016, SP Group billed its services directly to customers in 83 countries.

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

Third, SP Group's factories are undergoing regular modernisation and automation to become more efficient and flexible. This effort will continue. Finally, SP Group is consolidating parts of the Scandinavian industry, either by acquisitions (MedicoPack, the activities in Aasum Plast & Metal and Plexx / Opido) or by combining own factories or in-sourcing the customers' own production (customers outsource the 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.

## Free trade

Selling its products in 83 countries and purchasing its raw materials from a number of countries, SP Group is dependent on free and unimpeded access to the markets and dependent on the authorities respecting international agreements.

## Customers

SP Group has more than 1,000 active customers, the 10 largest of whom account for 50% of consolidated revenue, which is down 3 percentage points on 2015. The 20 largest customers account for 60% of revenue (as in 2015). The 20 largest customers are large consolidated, internationally operating industrial groups.

The largest single customer accounts for 11.8% of consolidated revenue (against 11.6% in 2015). At factory level, the dependence on individual customers is higher because of the individual factories' specialisation and focus on specific industries.

The concentration on the 20 largest customers was unchanged in the year in spite of increased sales of own products to other global customers and the takeover of MedicoPack and Plexx / Opido, which implied hardly any customer overlap with the existing business, but an inflow of new, interesting customers.

40% of the Group's sales are effected to the healthcare sector, which is thus the largest single industry. SP Group has deliberately cultivated this industry, because it is a growth sector offering a variety of opportunities for utilising SP Group's expertise across its business areas. The exposure to the healthcare industry is therefore desired, and risks are reduced by the Group supplying components to a number of different healthcare enterprises in different segments and on all continents. Increasing climate effects have increased the global demand for cleantech products (insulation, energy-saving products, renewable energy and the environment). Sales to the cleantech industry now account for 26% of consolidated revenue. At group level, SP Group is not over-exposed to specific sectors.

Failing sales to single or several customers may affect 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 (4-5 weeks), political or economic instability is quickly reflected in the level of activity.

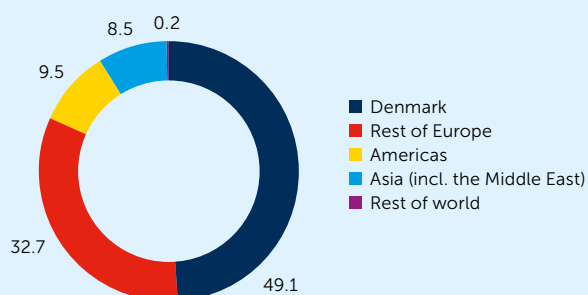
Finally, the Group works to develop more niche products and products under own brands, allowing it to control sales to a wider extent. Products under own brands accounted for almost 17% of consolidated revenue in 2016, including medical device products (guide wires, Clear Vials™ and DivibaX®).

## Raw material prices and suppliers

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

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

Revenue by geographical area in % – 2016



## Restructuring the production system

Production systems are changed on an ongoing basis, partly by investing in new production equipment and partly by modifying 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 at minimising expenses and the time spent restructuring the production systems. A smooth and swift implementation of these processes is necessary to increase the Group's profitability.

## Key personnel

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

## Insurance

SP Group has an extensive insurance programme in place, which 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 reviewed by the Board of Directors and adjusted as required.

## Environmental performance

The production plants are subject to a number of environmental requirements in all countries, and further, a number of environmental and quality assurance systems have been implemented by the plants on a voluntary basis. SP Group complies with applicable environmental requirements, but cannot guarantee - in spite of extensive safety procedures - that the general as well as the working environment will not be affected in case of accident. (Moreover, reference is made to pages 35-38 on CSR and page 34 on environmental certification).

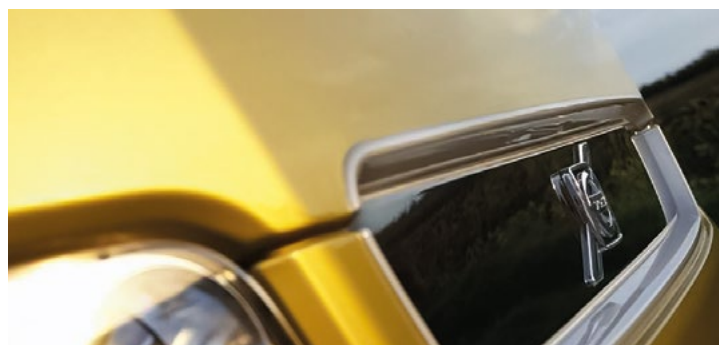
## Financial risks

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 interest-bearing net debt, i.e. mortgage debt, lease liabilities and bank debt less cash. At year-end, net interest-bearing debt totalled DKK 407.7 million. Approx. 20% of the debt earns interest at a fixed rate for minimum 2-5 years, including the mortgage credit debt earning interest at an average rate of approx. 1.3%. A one-percentage point increase in the general interest level will result in an increase in the Group's annual interest expenses before tax of approx. DKK 3.0 million.

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.



Brøderna Bourghardt manufactures this front part for Volvo buses in TELENE.

### 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 normally well-reputed companies operating in many different business sectors and countries, the overall credit risk is reduced. SP Group has not realised any noticeable credit losses in the past five years.

### Currency risks

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

In general, there is a good balance between income and expenses. Approx. 80% of sales are thus recognised in DKK or EUR, and approx. 60% of the Group's fixed costs are incurred in DKK or EUR. The most critical commercial currency risk is indirect and relates to the customers' sales outside Europe. Similarly, purchasing is primarily conducted in DKK and EUR.

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

Moreover, there is a currency risk between PLN and EUR and between RMB and USD, as the Group has increasing exports from Poland and China, which are settled in EUR and USD, respectively. In order to hedge the currency risk between PLN and EUR, EUR is sold against PLN on forward contracts for up to 48 months (hedging). At year-end 2016, the Group had hedged approx. 99% of the expected net cash flows in the coming 36 months and 10% of the expected net cash flows in the subsequent 12-month period.

15% of the Group's financing is raised in EUR, and the remaining debt is mainly raised in DKK.

### Liquidity risks

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

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

# Corporate governance

## Proper and decent management

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

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

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

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

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

## Duties of the Board of Directors

In 2016, the Board of Directors held 13 meetings, two of which had focus 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 and in the individual business areas. 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 is a routine procedure 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 assesses the Group's financial position, goals, dividend policy and share structure on an ongoing basis. The dividend policy is specified in the "Shareholder information" section, and the financial goals are specified in the "Strategic development" section. The Board of Directors assesses that the financial structure is appropriate for the present size and challenges of SP Group, and the Board of Directors targets an equity ratio of 25-45% to ensure an efficient capital structure. It is expected that the equity ratio will have increased to 25-45% at the end of 2017. 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, which 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 is composed of persons with relevant insight into the plastics industry and management experience from internationally operating production enterprises. Hans W. Schur is connected to a major shareholder in the Company, but cannot be considered a majority shareholder. Thus, no member of the Board of Directors has any other interest in SP Group than safeguarding the shareholders' interests, and SP Group finds that the current board members possess the qualifications and experience necessary to manage the Group and act as an efficient sounding board vis-à-vis the Executive Board. Of the board members elected by the company in general meeting, only Hans-Henrik Eriksen is found to be independent in accordance with the criteria defined by the Committee on Corporate Governance. The other four board members have been members of the Board of Directors for more than 12 years.

At the ordinary general meeting in 2017, Erik Christensen will retire after 15 years' committed and competent effort as board member, and Bente Overgaard will be nominated for the position as a 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.

## Remuneration of Management

The Company's remuneration policy has been approved by the general meeting, most recently in 2014. The Board of Directors has no incentive programmes, but receives an ordinary remuneration determined by the annual general meeting. As announced at the latest annual general meeting, it is recommended that remuneration for 2016 be fixed at DKK 400,000 to the Chairman, DKK 250,000 to the Deputy Chairman and DKK 200,000 to other members. Moreover, it is proposed that the Chairman of the Audit Committee should receive a separate fee of DKK 50,000 in addition to the directors' fee. The members of the Board of Directors will not receive any remuneration for any ad hoc tasks, but their travelling expenses in connection with meetings, etc. will be reimbursed.

The Board of Directors will propose that directors' fees for 2017 are increased to DKK 450,000 for the Chairman, DKK 275,000 for the Deputy Chairman and DKK 225,000 for other board members. Moreover, it is proposed that the Chairman of the Audit Committee is still to receive a separate fee of DKK 50,000 in addition to the directors' fee. Directors' fees were most recently adjusted with effect for 2012.

Remuneration of the Executive Board is negotiated by the Chairman and adopted by the Board of Directors. The remuneration consists of a basic salary and usual benefits such as company-paid telephone, car, etc. In 2016, the total remuneration was DKK 5.8 million against DKK 5.4 million in



Loïc van der Heijden, managing director at TPI Polytechniek (to the right) together with managing director at Tinby in Poland, Adam Czynski. In 2016, TPI Polytechniek celebrated its 20th anniversary.



In November, TPI Polytechniek was represented once again at the EuroTier Trade Fair in Hanover, Germany.

2015. 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 CFO Jørgen Hønnerup Nielsen. If the members of the Executive Board are dismissed in connection with a takeover of SP Group (including a merger or other combination), the Company will not be obliged to pay any further severance pay.

Members of the Executive Board are not eligible for any short-term incentive schemes such as bonus schemes. However, SP Group has set up long-term incentive schemes.

In 2012, the Board of Directors issued 100,000 warrants to the Executive Board and executives in the Group. Frank Gad received 20,000 warrants, and Jørgen Nielsen received 10,000 warrants. The remaining 70,000 warrants were distributed among 22 executive officers. The issued warrants can be exercised to subscribe for shares in the period 1 April 2015 to 31 March 2018; 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 120 based on the listed price immediately before and after the publication of the annual report on 28 March 2012. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2012 and until the warrants can be exercised at the earliest. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2012 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2011. Only 98,612 of the 100,000 warrants issued have vested or been purchased. Both Frank Gad and Jørgen Nielsen exercised their warrants in 2015. So did most of the other executive officers. At year-end 2016, 1,000 warrants under the 2012 programme were outstanding. All warrants are presently hedged by means of treasury shares.

In 2013, the Board of Directors issued 100,000 warrants to the Executive Board and executives in the Group. Frank Gad received 17,000 warrants, and Jørgen Nielsen received 8,000 warrants. The remaining 75,000 warrants were distributed among 23 executive officers. The issued warrants can be exercised to subscribe for shares in the period 1 April 2016 to 31 March 2019; 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 145 based on the listed price immediately before and after the publication of the annual report on 22 March 2013. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2013 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 2013 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013. Only 96,334 of the 100,000 warrants issued have vested. At year-end 2016, 12,000 warrants under the 2013 programme were outstanding. All warrants are presently hedged by means of treasury shares.

In 2014, the Board of Directors issued 50,000 warrants to the Executive Board and executives in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 40,000 warrants were distributed among 26 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2017 to 31 March 2020; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 280 based on the listed price immediately before the publication of the annual report on 27 March 2014 and up to 29 April 2014. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2014 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2014 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013. Approx. 85% of the warrants are currently hedged by treasury shares.

In 2015, the Board of Directors issued 50,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 40,000 warrants were distributed among 26 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2018 to 31 March 2021; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 255 based on the listed price immediately before the publication of the annual report on 26 March 2015 and up to 27 April 2015. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2015 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2015 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013.

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 among 29 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2019 to 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 28 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.

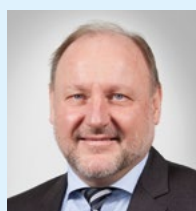
## Directorships in Danish and foreign companies, etc. at 1 March 2017



**Niels Kristian Agner,**  
 Director, Værløse, born 1943.  
 Member and Chairman of the Board of Directors since 1995. Directors' fee: DKK 400,000.  
 No. of shares: 33,667 personally owned (-13,783) and 0 through his own company (0).  
 Other directorships: Pigro Management ApS (D), D. F. Holding, Skive A/S (CB), Aktieselskabet Schouw & Co. (BM), G.E.C. Gads Forlag Aktieselskab af 1994 (BM), C. E. Gads Fond (commissioned), Direktør Hans Hornsyld og Hustru Eva Hornsylds Legat (BM), Direktør Svend Hornsylds Legat (BM) Fonden LDE 2 GP (BM), Fonden LDE 3 GP (BM), Fonden MIFIF II GP (BM) and SP Moulding A/S (CB), Fonden Maj Invest Equity General Partner (BM), Fonden MIE 5 GP (BM).



**Erik Christensen,**  
 Director, Vejle, born 1937.  
 Member of the Board of Directors since 2002.  
 No. of shares: 18,787 personally owned (0) and 21,313 (-12,000) through his own company. Related party: 50,605 (-19,333).  
 Directors' fee: DKK 200,000.  
 Other directorships: Nagel Danmark A/S (BM), Andresen Invest A/S (CB), B. Christiansen Holding A/S (BM), Ejen-domsselskabet af 1. oktober 1999 A/S (BM), K. Christiansen Holding A/S (BM), Luise Andersens Fond (CB), Nic. Christiansen Holding A/S (BM), Luise Christiansen Import A/S (CB), Nic. Christiansen Invest A/S (BM), SP Moulding A/S (BM), NCG Retail A/S (BM), Ferrum Holding A/S (CB), Ferrum A/S (CB), Innovest ApS (BM), Pizzaflex ApS (BM), Novopack ApS (BM) and Chriscom ApS (D).



**Erik Preben Holm,**  
 CEO, Hellerup, born 1960.  
 Member of the Board of Directors since 1997, Deputy Chairman. Directors' fee: DKK 250,000.  
 No. of shares: 18,832 personally owned (-14,668).  
 Other directorships: Vernal A/S (CB), Sticks 'N' Sushi A/S (CB), Sticks 'N' Sushi Holding A/S (CB), Vega Sea A/S (BM), Arvid Nilssons Fond (DC), SP Moulding A/S (DC), AO Invest A/S (BM), Brødrene A & O Johansen A/S (BM), Fonden Maj Invest Equity General Partner (BM), Maj Invest Equity A/S (BM), Muuto A/S (BM), Muuto Holding A/S (BM), Erik Holm Holding ApS (D), Fondsmæglerselskabet Maj Invest A/S (D), Maj Invest Equity A/S (D), LD Equity 1 K/S (MI), LD Equity 2 K/S (MI), LD Equity 3 K/S (MI), Maj Invest Equity 4 K/S (MI), LD Invest Vietnam K/S (MI) og Maj Invest Equity Southeast Asia II K/S (MI), Svendsen Sport A/S (BM).



**Hans-Henrik Eriksen,**  
 CEO, Risskov, born 1960.  
 Member of the Board of Directors since 2013.  
 Directors' fee: DKK 250,000.  
 No. of shares: 3,500 personally owned (+1,125).  
 Other directorships: Digi Kiosk ApS (CB), Advice House ApS (DC), Exact Brazil A/S (BM), EB Præference A/S (BM), Green Tech Center A/S (BM), Green Tech Houses ApS (BM), Food Innovation House ApS (CB), Cardlab ApS (BM), Cardlab Innovation ApS (BM), Liplasome Pharma ApS (BM), Bagger-Sørensen Fonden (BM), SP Moulding A/S (BM), Limb Holding A/S (CB), Limb Finance ApS (CB), Limb Holding Ltd. (BM), Michael Limb Holdings Ltd. (BM), High Firs Investment Company Ltd. (BM), Random Wood Investment Company Ltd. (BM), Random Wood Investment Company Ltd. (BM), Columbus E. ApS (BM), THE BREW COMPANY A/S (BM), Jabami ApS (CB), Navest A/S (CB), Ejendomsanpartsselskabet MT 04 (CB), Bricks A/S (BM), Bricks Ejendomme A/S (BM), Ejendomselskabet SF44 A/S (BM), TAB LABS Ltd. (BM), Arcedi Biotech ApS (BM), Bagger-Sørensen & Co. A/S (D), Bagger-Sørensen Invest A/S (D), Vecata Ejendomme A/S (D), Vecata Invest A/S (D), Liplasome Pharma ApS (D), 4 Best Invest ApS (D), Tina Holding ApS (D), J-Flight ApS (D), Idecra IVS (D), SoLoCa IVS (D), GUILINK A/S (D), OKONO HOLDING ApS (D), CHEW INVEST ApS (D).



**Hans Wilhelm Schur,**  
 CEO, Horsens, born 1951.  
 Member of the Board of Directors since 1999.  
 Directors' fee: DKK 200,000.  
 No. of shares: 0 personally owned and close family 476,938 (-31,333).  
 Other directorships: Dansk Industri, Horsens (BM), Danmarks Industrimuseum (CB), Konsul Axel Schur og Hustrus Fond (CB), Schur International a/s (D and BM), Schur International Holding a/s (D and BM), Schur Finance a/s (CB), Schur Consumer Products Inc. (CB), International Packaging Group (CB), Conflex Packaging GmbH (BM), SP Moulding A/S (BM) and Dit Pulterkammer A/S (BM).

CB = Chairman of the Board      D = Director      DC = Deputy Chairman  
 BM = Board member              MI = Member of Investment Committee

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

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

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

#### Financial reporting process

The Board of Directors and the Executive Board have the overall responsibility for the Group's control and risk management in connection with

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

#### Control environment

At least once a year, the Board of Directors assesses the Group's organisational structure, the risk of fraud and the existence of internal rules and guidelines. The Board of Directors and the Executive Board lay down and approve overall policies, procedures and controls in significant areas in connection with the financial reporting process, including business procedures and internal controls, budget and budget follow-up procedures, procedures for the preparation of monthly financial statements and controlling in this connection and procedures for reporting to the Board of Directors. The Board of Directors may set up committees in relation to special tasks. For further information, see the section "Proper and decent management".

The Executive Board monitors on an ongoing basis 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.



## Executive Board



### Frank Gad, CEO

Born in 1960, MSc in Economics and Business Administration, Frederiksberg.  
Salary in 2016: DKK 3.9 million and a car.  
Share-based salary in 2016: DKK 0.  
Frank Gad took up his position in November 2004 and is the CEO of SP Moulding A/S and Chairman of the Board of Directors of the most significant subsidiaries of SP Group.

Previous employment: CEO of FLSmidth A/S (1999-2004), CEO of Mærsk Container Industri A/S (1996-1999) and employment at Odense Staalskibsværft (1985-1999), Executive Vice President at the time of resignation.

External directorships: Director of Frank Gad ApS, Gadplast ApS and Gadmol ApS.  
Shares in SP Group: 89,966 personally owned (0) and 277,273 (-11,000) through his own company. Close family: 3,990 (0).



### Jørgen Hønnerup Nielsen, CFO

Born in 1956, Graduate Diploma in Business Administration, Odense.  
Salary in 2016: DKK 1.6 million and a car.  
Share-based salary in 2016: DKK 0.  
Jørgen Nielsen joined Tinby in 1987 and has been employed in SP Group since 2002. Jørgen Nielsen was admitted as member of the Group Executive Board at 1 March 2007.

Previous employment: Rasm. Holbeck og Søn A/S 1985-87, Revisionsfirmaet Knud E. Rasmussen 1978-85.

External directorships: None.

Shares in SP Group: 26,695 personally owned (-505).

## Risk assessment

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

## Audit committee

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

## Auditors

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 auditors are representatives of the general public. The auditors prepare long-form audit reports to the collective Board of Directors at least twice a year and immediately after identifying any matters that the Board of Directors should address. The auditors participate in the meetings of the Board of Directors in connection with the presentation of

## Management team

Other executive officers in SP Group are:

**Jens Hinke**, Director of R&D in SP Group A/S until 31 March 2017

**Mads Juhl**, Managing Director of Acccoat A/S

**Lars Ravn Bering**, Managing Director of Gibo Plast A/S until 30 April 2016

**Jan Kyster Madsen**, CEO of Gibo Plast A/S and SP Extrusion A/S from 1 May 2016

**Torben Nielsen**, Managing Director of Tinby A/S

**Adam Czyzyski**, Managing Director of Tinby Sp. z o.o., Poland

**Jeroen van der Heijden**, Chairman, TPI Polytechniek B.V., the Netherlands

**Loïc van der Heijden**, Managing Director of TPI Polytechniek B.V., the Netherlands

**Claus Lendal**, Managing Director of Ergomat A/S

**Søren Bourghardt**, Managing Director of Brdr. Bourghardt AB, Sweden

**Søren Ulstrup**, CEO, Ulstrup Plast A/S

**Torben Krøyer Bruhn**, CEO of MedicoPack A/S. From 14 July 2016, under the auspices of SP Group A/S

**Arild S. Johnsen**, CEO of Plexx AS / Opido AB. From 21 November 2016, under the auspices of SP Group A/S

**Andreas Lagestig**, CEO of Opido AB. From 21 November 2016, under the auspices of SP Group A/S

**Kenny Rosendahl**, Director of SP Medical A/S

**Mogens Laigaard**, Director of SP Medical A/S, guidewire department

**Jan R. Sørensen**, Managing Director of SP Moulding (Suzhou) Co., Ltd., China

**Jens Birklund Andersen**, Director of SP Moulding A/S, Stoholm, and of Sander Tech ApS

**Jesper R. Holm**, Director of SP Moulding A/S, Juelsminde

**Iwona Czyzyski**, Plant Manager, SP Medical Sp. z o.o., Poland

**Renato Miom**, Plant Manager, Acccoat do Brasil Ltda., Brazil

**Anie Simard**, Vice President, Ergomat Inc., USA

**Monika Karczewska**, Plant Manager, SP Moulding Sp. z o.o., Poland

**April Zhu**, Plant Manager, Tinby Co. Ltd., China

**Mia Mørk**, Executive Assistant, SP Group A/S

**Martin Baca**, Managing Director of Ulstrup Plast s.r.o., Slovakia

**Pawel Michalski**, Plant Manager, SP Medical Sp. z o.o., Poland

**Dominika Rytczak**, Plant Manager, Gibo Sp. z o.o., Poland

**Przemyslaw Tuzikiewicz**, Plant Manager, Tinby Sp. z o.o., Poland

**Jacek Staszczyk**, Plant Manager, Ergomat Sp. z o.o., Poland

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 auditors or by their foreign business partners.

## Ownership interests end of March 2017:

Board of Directors and Executive Board:	Ownership			Total	% of share capital
	Private	Own company	Related parties		
Niels Kristian Agner	33,667			33,667	1.8
Erik Preben Holm	18,832			18,832	0.8
Hans Wilhelm Schur			476,938	476,938	20.9
Erik Christensen	18,787	21,313	50,605	90,705	4.0
Hans-Henrik Eriksen	3,500			3,500	0.2
Frank Gad	89,966	277,273	3,990	371,229	16.3
Jørgen Nielsen	26,695			26,695	1.2
	<b>191,447</b>	<b>298,586</b>	<b>531,533</b>	<b>1,021,566</b>	<b>44.8</b>

# Shareholder information

## Overall objective

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

## Share issue in 2016

At its meeting on 5 September 2016, the Board of Directors of SP Group A/S resolved unanimously to increase the Company's share capital by nominally DKK 540,000 from nominally DKK 22,240,000 to nominally 22,780,000 through an issue of 54,000 new shares.

The resolution was passed pursuant to Article 4(8) and (9) of the Articles of Association to honour requests made to exercise warrants to subscribe for shares under the 2012 and 2013 warrant programmes.

The subscription price was set at DKK 132.98 for 5,000 shares (the 2012 warrant programme), totalling DKK 664,900, and at DKK 171.10 for 49,000 shares (the 2013 warrant programme), totalling DKK 8,383,900. Totalling DKK 9,048,800.

The new shares enjoy the same rights as the existing shares, including entitlement to dividend, from the time at which the capital increase is registered at the Danish Business Authority.

The new shares were admitted to listing on NASDAQ on 7 September 2016 under the existing ID code ISIN DK0010244771 (SPG).

After the capital increase, SP Group's share capital, nominally DKK 22.78 million, consists of 2,278,000 shares.

## Share capital

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

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

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 mandated to further increase the share capital by up to DKK 8 million nominal value in the period until 1 April 2018 by sub-

scribing for new shares at market price or a lower price determined by the Board of Directors, however, not below DKK 10 per share.

## Change of control

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

## Shareholders' return

At present, the Board of Directors of SP Group primarily intends to apply profits to strengthen the Company's financial position and finance initiatives that can contribute to profitable growth. The Board of Directors proposes dividend of DKK 6.00 per share to the shareholders, as the Group has reached its goal that EBIT must exceed 5% of revenue, that the equity ratio must exceed 25%. NIBD/EBITDA is below 4.0.

During the year, the SPG share was traded at prices between 322.0 and 703.0. The share price was DKK 373.5 at 1 January 2016 and DKK 674.0 at 31 December 2016, corresponding to a market value of DKK 1,535.4 million. In 2016, the return on the share was 81.5%, including the dividend of DKK 4.00 per share. The return on the SPG share was thus considerably higher than the general development on NASDAQ Copenhagen. Seen over a 7-year period, the SPG share has yielded a return considerably above market; see the figure on page 33.

In 2010, the share price increased by 97%. In 2011, the share price increased by 7.7%. In 2012, the share price increased by 32% and yielded dividends of 2.0%. In 2013, the share price increased by 92% and yielded dividends of approx. 2.0%. In 2014, the share price decreased by 4.6% and yielded dividends of approx. 1.3%. In 2015, the share price increased by 70.2% and yielded dividends of 1.6%. In 2016, the share price increased by 80.5% and yielded dividends of 1.1%. In the period from 1 January 2010 to 31 December 2016, the SPG share yielded a total return of 1,520%, including dividend.

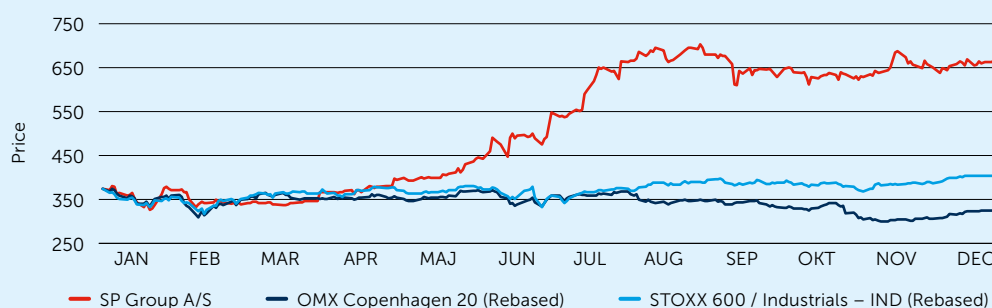
The Company will still try to fully or partially hedge warrant programmes by buying back treasury shares.

A motion to mandate the Board of Directors to repurchase shares at market value going forward will be tabled at the annual general meeting.

## Share buy-back programme

To partially hedge existing warrant programmes, SP Group A/S launched a new share buy-back programme on 26 March 2015 under the Safe Harbour regulation for DKK 10 million, starting on 11 April 2015 and expiring on 31 December 2015 (company announcement no. 15/2015). The share buy-back programme was later extended up to and including 10 April 2016 and expanded to DKK 20 million (company announcement no. 50, 2015).

Price of SP Group's shares from 1 January to 31 December 2016. Index 1.1.2016 = 373.5



A total of 63,520 shares were acquired at an average price of 314.85 under the programme, and DKK 20.0 million was applied (company announcement no. 19, 2016).

On 30 March 2016, the Board of Directors resolved to launch a new share buy-back programme for DKK 20 million under the Safe Harbour regulation and, effective 3 July 2016, according to the provisions of EU Regulation no. 596/2014 dated 16 April 2014 on market abuse, the so-called "market abuse regulation", starting on 11 April 2016 and expiring on 31 December 2016 (company announcement no. 14/2016). The share buy-back programme was later extended up to and including 10 April 2017 and expanded to DKK 40 million (company announcement no. 44, 2016). At year-end 2016, DKK 32.8 million of this amount had been applied.

In 2016, 102,484 shares were sold via exercise of warrants (incl. issue of 54,000 new shares) and 1,000 shares via the takeover of the remaining 10% of the shares in Brøderna Bourghardt AB. SP Group's holding of treasury shares at year-end 2016 amounted to 46,359 shares, representing 2.04 %.

A new share buy-back programme according to the provisions of EU Regulation no. 596/2014 dated 16 April 2014 on market abuse will be launched. The programme will run from 11 April 2017 to 31 December 2017 for an amount of up to DKK 30 million. The purpose is partial hedging of warrant programmes.

### Ownership and liquidity

At the end of March 2017, two shareholders reported a holding of more than 5% of the shares: Schur Finance A/S and Frank Gad (including his related parties) with a total of 37.2%. During the year, the number of registered shareholders increased from 874 to 1,299, and the registered shareholders' total ownership interest now amounts to 95.5% of the share capital (against 89.4 % at the end of March 2016).

The known shareholder base outside Denmark is still modest, but rapidly increasing. 73 international shareholders holding a total of 14.6% of the shares have become registered (40 at the end of March 2016 and 7.2% of the shares at the end of March 2016).

During the year, 617,918 shares were traded on NASDAQ, and 109,484 shares were traded outside NASDAQ, corresponding to 31.9% of the share capital. The market value of the shares traded totalled DKK 354.7 million. The share trading volume on NASDAQ was, measured in DKK, 155% higher than the year before and, measured in number of shares, 42.0% higher than the year before.

### 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 inquiries from shareholders and other stakeholders are handled as quickly as possible.

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

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 at the website [www.sp-group.dk](http://www.sp-group.dk)

Stock exchange announcements published in 2016 and 2017: Announcements are available on SP Group's website: [www.sp-group.dk](http://www.sp-group.dk)

### Financial calendar for 2017

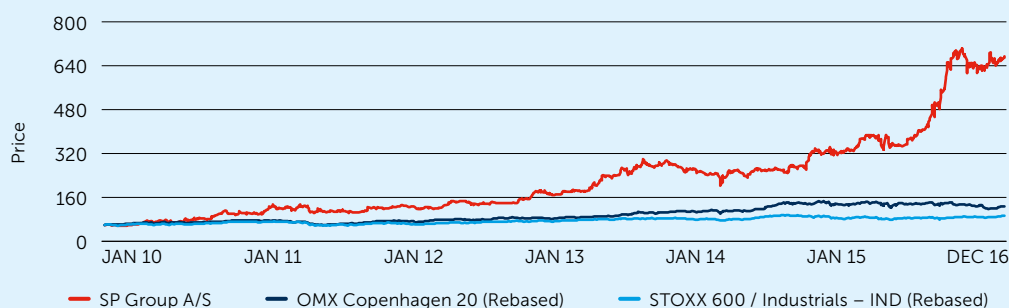
<b>30 March</b>	Announcement of financial statements for 2016
<b>27 April</b>	Annual general meeting and interim report for Q1 2017
<b>23 August</b>	Interim report for H1 2017
<b>16 November</b>	Interim report for Q3 2017

### Share information – SP Group A/S – end of March 2017

Name	Reg. office	Number	Share (%)
Schur Finance A/S	Horsens	476,938	20.9%
Frank Gad (including related parties)	Frederiksberg	371,229	16.3%
		<b>848,167</b>	<b>37.2%</b>
<b>Distribution of other shares</b>			
SP Group (treasury shares)		54,635	2.4%
Registered shareholders holding less than 5%		1,273,199	55.9%
Unregistered shareholders		101,999	4.5%
<b>TOTAL</b>		<b>2,278,000</b>	<b>100.0%</b>

End of March 2017, SP Group had 1,299 registered shareholders (including 73 foreign).

Development in the price of SP Group's shares from 1 January 2010 to 31 December 2016. Index 1.1.2010 = 42.9



# Quality control

At the end of 2016, all the Group's production sites in Denmark, Latvia, Poland, Slovakia, Sweden and China were ISO 9001-certified.

Site	ISO 9001	ISO 14001	ISO 18000	Others
<b>Gibo</b>				
- Denmark	x	x	x	TS 16949 planned
- Poland	x	x	x	DIN 6701
<b>Plexx Opido</b>				
- Sweden	x	x		
<b>SP Moulding</b>				
- Juelsminde	x	x		TS 16949
- Stoholm	x	x		ISO 26000 planned
- Poland	x	x		
- China	x	x	x	
<b>SP Medical</b>				
- Karise	x	x		ISO 13485
- Poland	x	x		ISO 13485
<b>Brdr. Bourghardt</b>				
- Latvia	x	x		
<b>Tinby</b>				
- Denmark	x	x	x	
- Poland	x	x	x	
- China	x	x		
<b>Accoat</b>				
- Stoholm	x	x		
- Kvistgaard	x	x		
- Brazil				Customer audit
<b>Ulstrup Plast</b>				
- Lyngge	x			
- Slovakia	x			
<b>MedicoPack</b>				
- Denmark	x			ISO 13485, ISO 50001 and ISO 15378

## R & D

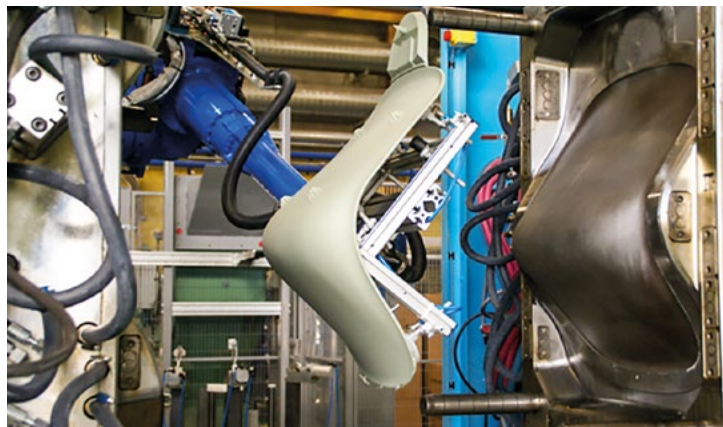
Things are moving fast, really fast, also when it comes to development of plastics and plastics technologies. Demand for environmentally friendly plastics solutions is growing in line with the continual improvement of the qualities of plastics. It is a long time ago plastics were chosen just because the material was cheap. Today, plastics are more often chosen due to the unique qualities of this material. 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 at pushing the boundaries and creating value for everybody. In our work with composites, three important factors need to be optimised:

- 1. The adhesion between the individual components:** By joining forces with a university and another business enterprise, we have developed a "nanoglue", which is presently being tested by our customers. We have filed patent applications in respect of this technology in several countries.
- 2. Choice of components:** We participate in two projects where graphene is used as filling material. A new non-stick, antistatic coating based on graphene has been developed and sold. Activated graphene may be used as a reactive component in PUR and considerably improve the mechanical qualities of PUR. At present, we are testing this solution in cooperation with a university.
- 3. Manufacturing technologies:** Additive Manufacturing (AM), or so-called "layer upon layer" manufacturing, also known as 3D print, has so far mostly been used for manufacturing of prototypes. Demand for large items is on the increase, and so is demand for tailored solutions. 3D print makes it possible, at low start-up costs, to manufacture items for moulds, and allowance may be made for individual solutions using robot programming. A PUR graphene composite will be an obvious choice of material.

It is very positive for SP Group that EUDP has approved a grant for a 3-year AM project in which we are participating. In the second phase of the project, a 3D printer will be installed at Gibo in Skjern for purposes of manufacturing items with dimensions spanning several metres. The project will afford SP Group a unique possibility of being at the cutting edge, globally, in the area of 3D print of large industrial items.

Robot working at the factory in Juelsminde.



Gibo Plast in Poland has installed a new vacuum-forming machine.



# Corporate social responsibility

## Corporate social responsibility

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

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

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

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

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

Below, we give an account of SP Group's many efforts and results in 2016. For every area, we have also set targets for the coming year.

## Environment and climate

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

SP Group continually focuses on reducing the effects of the Group's activities on the climate by reducing the water, electricity and heating consumption, thus reducing CO<sub>2</sub> emissions and optimising energy consumption.

Our target is to contribute to environmental sustainability through our customers' use of SP Group's products. Thus, more than 26% of our revenue stems from the cleantech industry, which uses our products to:

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

## Risk

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

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

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

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

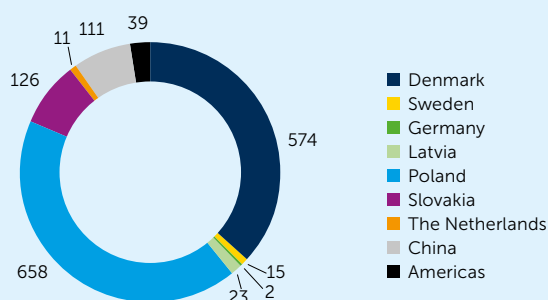
## Reduction of energy, electricity and water

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

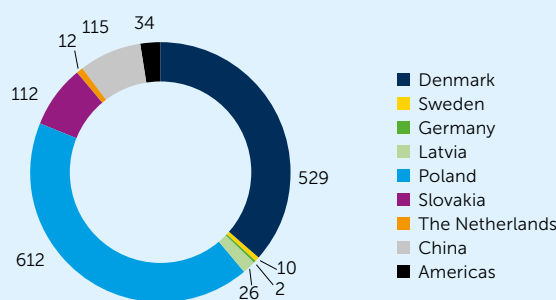
By continuing to investing in energy-saving equipment and closely monitoring developments in key consumption indicators at all our plants, we make sure that we can control and reduce the consumption of resources as well as costs on an ongoing basis. By implementing resource-reducing measures, the individual plants contribute to both cost reduction and a positive, external environmental impact in their local community. These measures led to a reduction in the consumption of resources in 2016.

Even through SP Group's direct CO<sub>2</sub> emissions are modest, we seek also here to further the positive environmental impact by purchasing a significant portion of the power we use in Denmark from plants which produce renewable energy, primarily from wind turbines.

Distribution of employees by geographical area in 2016 (average)



Distribution of employees by geographical area in 2015 (average)



**Less waste, more reuse**

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

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

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

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

**Environmentally friendly technologies**

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

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

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

**Environmental management system**

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

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

**Human rights**

**CSR policy**

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

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

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

**Risk**

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

**Outcome**

In 2016, SP Group was not involved in or experienced human rights abuse in the Group or at sub-suppliers.

**Privacy**

SP Group makes sure that personal data regarding our employees and customers are treated in a way which meets the statutory requirements in relation to privacy and personal data protection. For instance, we have taken security measures to protect personal data from being misused, leaked or destroyed.

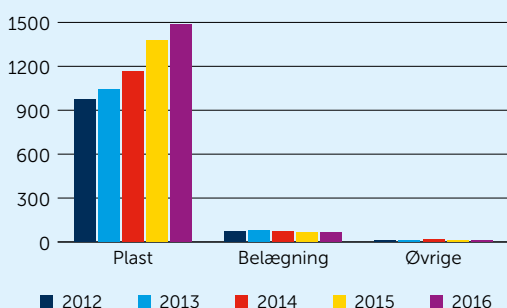
**Discrimination**

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

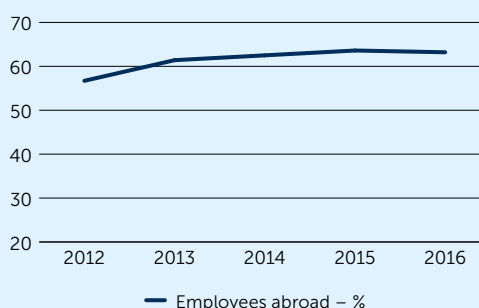
**Trade payables**

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

**Distribution of employees (average) 2012-2016**



**Distribution of employees abroad (average) 2012-2016**



DuraStripe® from Ergomat.



Elżbieta Magdziarz and Justyna Sobieraj at SP Medical's factory in Poland.

*SP Medical, Poland, celebrated its 10th anniversary in 2016.*

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

## Human resource issues

### CSR policy

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

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

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

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

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

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

### Risk

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

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

### Outcome

In 2016, SP Group was not involved in or experienced any adverse impact on employee rights in the Group or at sub-suppliers.

### Staff composition

On average, SP Group's staff outside Denmark increased by approx. 6.7% to 985 employees in 2016. The number of employees in Denmark increased from 529 to 574.

Globally, SP Group's staff increased from 1,498 at the beginning of the year to 1,696 at year-end. On average, SP Group had 1,559 employees in 2016. At year-end, 36.7% of the staff was employed in Denmark, and 63.3% was employed outside Denmark.

The year saw a shift of approx. 0.7 percentage points as part of the increased internationalisation of the business and the acquisition of MedicoPack with 80 Danish employees. Going forward, growth is expected to be generated primarily in Eastern Europe, Asia and USA.

### Diversity

The long-term goal is for SP Group to reflect society at large and, in particular, our customers, both in terms of gender, nationality and ethnicity. This reflection of society is to contribute positively to the Company being perceived as an attractive place of work for both customers and current and future employees. In order for the Group to be able to fulfil

its business goals in the long term, we see diversity as an important contribution.

#### Female leaders

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

At year-end, the ratio of women at general management level (Executive Board and management team) was 21%. SP Group still aims to ensure that at least one male and one female candidate are among the top three candidates for new leadership positions.

The Board of Directors has set up a target for the ratio of the underrepresented gender among board members elected by the company in general meeting of 20% by 2017. This target was set based on a time horizon of three years. At the annual general meeting of shareholders in 2017, the Board of Directors will nominate Bente Overgaard. If the company in general meeting elects Bente Overgaard, the target will be met.

#### Wage and working conditions

In Denmark, wage and working conditions are determined in collective agreements resulting from local negotiations. In foreign jurisdictions, the employees' 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 strives to distribute extra benefits.

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

#### A safe and healthy working environment

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

#### Access to education

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

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

The target set for 2017 is to proceed with the skills development of the employees, allowing them to attend to several, different tasks. This will increase flexibility in production and make the working day more varied for the employees.

#### Freedom of unionisation

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

## Anti-corruption

#### CSR policy

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

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

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

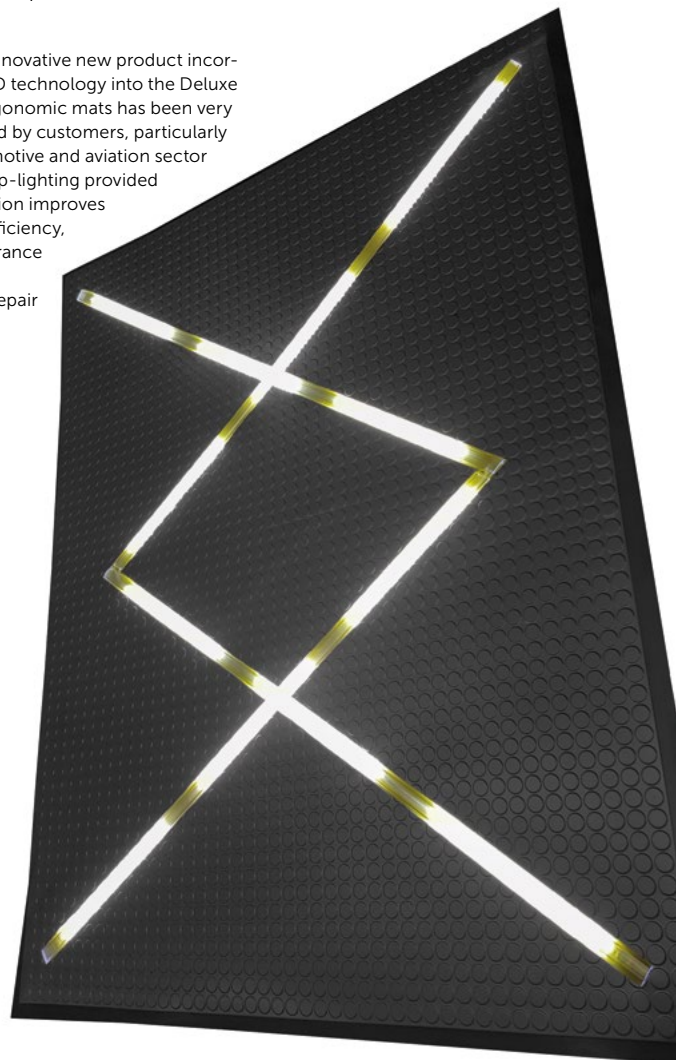
#### Risk

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

#### Outcome

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

Ergomat's innovative new product incorporating LED technology into the Deluxe family of ergonomic mats has been very well received by customers, particularly in the automotive and aviation sector where the up-lighting provided by this solution improves assembly efficiency, quality assurance and maintenance and repair services.





# Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report for SP Group A/S for 2016.

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.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2016 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2016.

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

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

Søndersø, 30 March 2017

## Executive Board




Frank Gad  
CEO

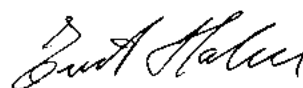


Jørgen Hønnerup Nielsen  
CFO

## Board of Directors



Niels K. Agner  
Chairman



Erik Preben Holm  
Deputy Chairman



Erik Christensen



Hans Wilhelm Schur



Hans-Henrik Eriksen

# 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 2016, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as the 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 Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

### 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" section of our report. As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Group, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements" section, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements and the parent company 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 accompanying consolidated financial statements and parent company financial statements as a whole.

#### *Valuation of goodwill*

The Group has recognised goodwill at a total amount of DKK 142,307 thousand in the balance sheet at 31 December 2016. 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. There was no evidence of impairment of goodwill 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 about the goodwill recognised in the year appears from note 14 to the consolidated financial statements.

In connection with our audit, we tested the impairment test prepared by Management, which was performed in accordance with the discounted cash flow model, and assessed whether the assumptions made by Management are substantiated. We assessed whether the calculation model is relevant and assessed the discount factor level and growth rate applied for extrapolation. The expected net cash flows are based on budgets for the years 2017-2019 and a terminal value. We examined procedures for the budget preparation and compared budgets with the Group's strategic efforts in the individual areas. Further, we examined if the information disclosed in note 14 is adequate relative to applicable accounting standards.

#### *Valuation of inventories*

At 31 December 2016, the Group recognised inventories totalling DKK 282,572 thousand under "Assets". Inventories are measured at the lower of cost and the net realisable value. As the valuation of inventories involves significant estimates and assessments on the part of Management, 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 if any sales of goods have produced a negative contribution margin.

### Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

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

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards

as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

Our responsibility is to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements 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 can be considered material if it would be reasonable to expect that these – either individually or collectively – could influence the economic decisions taken by the users of financial statements on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatements in the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- Conclude on whether Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including note disclosures, and whether the consolidated financial statements and the parent company financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information for the Group's entities or business activities 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 which we identify during our audit.

We also provide a statement to those charged with governance to the effect that we have complied with relevant ethical requirements related to independence and disclose to them all relations and other matters that could reasonably be expected to impact our independence and, if relevant, related safeguards.

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are key audit matters. We describe such matters in our auditor's report unless law or other regulations rule out the publication thereof or, in the very rare cases where we determine that the matter should not be disclosed in our auditor's report, because the disadvantages of so doing could reasonably be expected to outweigh the advantages of disclosing such matters to the general public.

Copenhagen, 30 March 2017

Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Peter Gath  
State Authorised Public Accountant



Morten Schougaard Sørensen  
State Authorised Public Accountant

# Income statement for 2016

COMPANY				GROUP	
2015	2016	Note	DKK'000	2016	2015
13,762	9,233		Revenue	1,519,044	1,319,768
0	0	3,6	Production costs	-1,053,294	-916,859
<b>13,762</b>	<b>9,233</b>		<b>Contribution margin</b>	<b>465,750</b>	<b>402,909</b>
4,634	4,532	4	Other operating income	1,719	363
-10,374	-8,906	5	External expenses	-98,430	-88,101
-11,335	-11,446	5,6,7	Staff costs	-166,182	-152,383
<b>-3,313</b>	<b>-6,587</b>		<b>Profit/loss before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>202,857</b>	<b>162,788</b>
-3,209	-3,309	8	Depreciation, amortisation and impairment losses	-69,442	-72,011
<b>-6,522</b>	<b>-9,896</b>		<b>Profit/loss before net financials (EBIT)</b>	<b>133,415</b>	<b>90,777</b>
26,231	29,779	9	Dividends from subsidiaries	-	-
16,985	1,539	10	Other financial income	1,741	3,681
-20,889	-9,059	11	Financial expenses	-12,540	-13,803
<b>15,805</b>	<b>12,363</b>		<b>Profit before tax</b>	<b>122,616</b>	<b>80,655</b>
356	2,988	12	Tax for the year	-29,229	-19,543
<b>16,161</b>	<b>15,351</b>		<b>Profit for the year</b>	<b>93,387</b>	<b>61,112</b>
			<b>Attributable to:</b>		
			The Company's shareholders	92,420	60,584
			Non-controlling interests	967	528
				<b>93,387</b>	<b>61,112</b>
			<b>Earnings per share (EPS)</b>		
		13	Earnings per share (DKK)	41.87	28.98
		13	Earnings per share, diluted (DKK)	40.33	28.00
			<b>Recommended profit appropriation</b>		
8,896	13,668		Dividends		
7,265	1,683		Retained earnings		
<b>16,161</b>	<b>15,351</b>				

# Statement of comprehensive income 2016

COMPANY				GROUP	
2015	2016	Note	DKK'000	2016	2015
16,161	15,351		<b>Profit for the year</b>	<b>93,387</b>	<b>61,112</b>
			Other comprehensive income:		
			<i>Items which may be reclassified to the income statement:</i>		
0	0		Exchange rate adjustments relating to foreign subsidiaries	-4,922	5,593
			Value adjustments of hedging instruments:		
-435	-305		Value adjustments for the year	-32,298	10,848
0	0		Value adjustments transferred to revenue	8,833	5,822
1,125	1,222		Value adjustments transferred to financial expenses	1,222	1,125
-185	-217	12	Income taxes of other comprehensive income	4,192	-3,442
<b>505</b>	<b>700</b>		<b>Other comprehensive income</b>	<b>-22,973</b>	<b>19,946</b>
<b>16,666</b>	<b>16,051</b>		<b>Total comprehensive income</b>	<b>70,414</b>	<b>81,058</b>
			<b>Attributable to:</b>		
			The Company's shareholders	69,564	80,548
			Non-controlling interests	850	510
				<b>70,414</b>	<b>81,058</b>

# Balance sheet at 31/12/2016

COMPANY				GROUP	
2015	2016	Note	DKK'000	2016	2015
106	28		Software	6,582	9,173
0	0		Customer files	15,297	15,344
0	0		Goodwill	142,307	139,028
0	0		Completed development projects	6,526	9,331
0	0		Development projects in progress	3,594	2,848
<b>106</b>	<b>28</b>	<b>14</b>	<b>Intangible assets</b>	<b>174,306</b>	<b>175,724</b>
67,695	80,232		Land and buildings	147,261	128,830
0	0		Plant and machinery	270,837	273,593
595	382		Fixtures and fittings, tools and equipment	26,269	22,080
0	0		Leasehold improvements	11,947	11,574
0	0		Property, plant and equipment under construction	30,172	15,993
<b>68,290</b>	<b>80,614</b>	<b>15</b>	<b>Property, plant and equipment</b>	<b>486,486</b>	<b>452,070</b>
426,335	463,141	16	Investments in subsidiaries	-	-
3,000	0		Deposits	381	3,486
7,484	2,871	25	Deferred tax assets	7,963	3,792
<b>436,819</b>	<b>466,012</b>		<b>Other non-current assets</b>	<b>8,344</b>	<b>7,278</b>
<b>505,215</b>	<b>546,654</b>		<b>Non-current assets</b>	<b>669,136</b>	<b>635,072</b>
<b>0</b>	<b>0</b>	<b>17</b>	<b>Inventories</b>	<b>282,572</b>	<b>243,534</b>
25	119	18	Trade receivables	165,600	123,226
34,501	25,275		Receivables from subsidiaries	-	-
0	0	19	Construction contracts	9,758	3,639
0	10,585		Income taxes receivable	34	401
7,809	45	20	Other receivables	13,072	19,911
2,278	1,883		Prepayments	6,774	8,342
<b>44,613</b>	<b>37,907</b>		<b>Receivables</b>	<b>195,238</b>	<b>155,519</b>
<b>2,735</b>	<b>7,843</b>	<b>21</b>	<b>Cash</b>	<b>53,725</b>	<b>43,763</b>
<b>47,348</b>	<b>45,750</b>		<b>Current assets</b>	<b>531,535</b>	<b>442,816</b>
<b>552,563</b>	<b>592,404</b>		<b>Assets</b>	<b>1,200,671</b>	<b>1,077,888</b>

COMPANY				GROUP	
2015	2016	Note	DKK'000	2016	2015
22,240	22,780	22	Share capital	22,780	22,240
277	853	23	Other reserves	-1,540	21,440
-7,799	-28,515		Reserve for treasury shares	-28,515	-7,799
217,497	221,752		Retained earnings	421,243	346,321
8,896	13,668		Dividend proposed for the year	13,668	8,896
<b>241,111</b>	<b>230,538</b>		<b>Equity attributable to the Company's shareholders</b>	<b>427,636</b>	<b>391,098</b>
-	-		<b>Equity attributable to non-controlling interests</b>	<b>1,340</b>	<b>2,463</b>
<b>241,111</b>	<b>230,538</b>		<b>Equity</b>	<b>428,976</b>	<b>393,561</b>
53,910	73,806	24	Bank debt	77,114	54,924
97,906	37,166	24	Financial institutions	73,973	142,511
0	0	24	Finance lease liabilities	27,324	45,970
16,567	28,990	24	Other non-current liabilities	28,990	16,567
0	0	25	Deferred tax liabilities	20,927	19,397
<b>168,383</b>	<b>139,962</b>		<b>Non-current liabilities</b>	<b>228,328</b>	<b>279,369</b>
29,717	42,050	24	Current portion of non-current liabilities	60,145	54,995
23,267	79,768		Bank debt	224,818	151,067
0	0	19	Construction contracts	6,239	2,389
0	0		Prepayments received from customers	0	1,357
107	615	26	Trade payables	148,624	122,121
77,648	93,416		Payables to subsidiaries	-	-
0	0		Income taxes payable	3,869	6,585
0	0	27	Provisions	8,756	0
12,330	6,055	28	Other payables	84,006	60,237
0	0		Deferred income	6,910	6,207
<b>143,069</b>	<b>221,904</b>		<b>Current liabilities</b>	<b>543,367</b>	<b>404,958</b>
<b>311,452</b>	<b>361,866</b>		<b>Liabilities</b>	<b>771,695</b>	<b>684,327</b>
<b>552,563</b>	<b>592,404</b>		<b>Equity and liabilities</b>	<b>1,200,671</b>	<b>1,077,888</b>

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# Statement of changes in equity for 2016

DKK'000	GROUP							Total equity
	Share capital	Other reserves	Reserve for treasury shares	Retained earnings	Proposed dividends	Equity capital attributable to the Company's shareholders	Equity capital attributable to non-controlling interests	
<b>Equity at 01/01/2015</b>	<b>20,240</b>	<b>1,722</b>	<b>-10,992</b>	<b>248,677</b>	<b>7,084</b>	<b>266,731</b>	<b>9,630</b>	<b>276,361</b>
Profit for the year	0	0	0	51,688	8,896	60,584	528	61,112
Exchange rate adjustments relating to foreign subsidiaries	0	5,611	0	0	0	5,611	-18	5,593
Value adjustment of financial instruments held to hedge future cash flows	0	10,848	0	0	0	10,848	0	10,848
Portion relating to value adjustments transferred to revenue	0	5,822	0	0	0	5,822	0	5,822
Portion relating to value adjustments transferred to financial expenses	0	1,125	0	0	0	1,125	0	1,125
Tax on other comprehensive income	0	-3,442	0	0	0	-3,442	0	-3,442
<b>Comprehensive income for the financial year 0</b>	<b>0</b>	<b>19,964</b>	<b>0</b>	<b>51,688</b>	<b>8,896</b>	<b>80,548</b>	<b>510</b>	<b>81,058</b>
Share-based payment	0	240	0	0	0	240	0	240
Share-based payment, exercised arrangements	0	-758	0	758	0	0	0	0
Sale of warrants	0	272	0	0	0	272	0	272
Acquisition of treasury shares	0	0	-18,235	0	0	-18,235	0	-18,235
Sale of treasury shares, warrant programme	0	0	21,428	-9,898	0	11,530	0	11,530
Tax on purchase/sale of treasury shares	0	0	0	1,629	0	1,629	0	1,629
Acquisition of shares from non-controlling shareholders	0	0	0	106	0	106	-6,606	-6,500
Cash capital increase	2,000	0	0	53,335	0	55,335	0	55,335
Distribution of dividends	0	0	0	0	-7,058	-7,058	0	-7,058
Distribution of dividends, treasury shares	0	0	0	26	-26	0	0	0
Non-controlling interests' share of dividends in subsidiaries	0	0	0	0	0	0	-1,071	-1,071
<b>Other changes in equity</b>	<b>2,000</b>	<b>-246</b>	<b>3,193</b>	<b>45,956</b>	<b>-7,084</b>	<b>43,819</b>	<b>-7,677</b>	<b>36,142</b>
<b>Equity at 31/12/2015</b>	<b>22,240</b>	<b>21,440</b>	<b>-7,799</b>	<b>346,321</b>	<b>8,896</b>	<b>391,098</b>	<b>2,463</b>	<b>393,561</b>
Profit for the year	0	0	0	78,752	13,668	92,420	967	93,387
Exchange rate adjustments relating to foreign subsidiaries	0	-4,805	0	0	0	-4,805	-117	-4,922
Value adjustment of financial instruments held to hedge future cash flows	0	-32,298	0	0	0	-32,298	0	-32,298
Portion relating to value adjustments transferred to revenue	0	8,833	0	0	0	8,833	0	8,833
Portion relating to value adjustments transferred to financial expenses	0	1,222	0	0	0	1,222	0	1,222
Tax on other comprehensive income	0	4,192	0	0	0	4,192	0	4,192
<b>Comprehensive income for the financial year 0</b>	<b>0</b>	<b>-22,856</b>	<b>0</b>	<b>78,752</b>	<b>13,668</b>	<b>69,564</b>	<b>850</b>	<b>70,414</b>
Share-based payment	0	210	0	0	0	210	0	210
Share-based payment, exercised arrangements	0	-603	0	603	0	0	0	0
Sale of warrants	0	269	0	0	0	269	0	269
Acquisition of treasury shares	0	0	-38,267	0	0	-38,267	0	-38,267
Sale of treasury shares, warrant programme	0	0	17,551	-9,152	0	8,399	0	8,399
Tax on purchase/sale of treasury shares	0	0	0	2,684	0	2,684	0	2,684
Acquisition of shares from non-controlling shareholders	0	0	0	-6,402	0	-6,402	-1,241	-7,643
Cash capital increase	540	0	0	8,394	0	8,934	0	8,934
Distribution of dividends	0	0	0	0	-8,853	-8,853	0	-8,853
Distribution of dividends, treasury shares	0	0	0	43	-43	0	0	0
Non-controlling interests' share of dividends in subsidiaries	0	0	0	0	0	0	-732	-732
<b>Other changes in equity</b>	<b>540</b>	<b>-124</b>	<b>-20,716</b>	<b>-3,830</b>	<b>-8,896</b>	<b>-33,026</b>	<b>-1,973</b>	<b>-34,999</b>
<b>Equity at 31/12/2016</b>	<b>22,780</b>	<b>-1,540</b>	<b>-28,515</b>	<b>421,243</b>	<b>13,668</b>	<b>427,636</b>	<b>1,340</b>	<b>428,976</b>



						COMPANY
DKK'000	Share capital	Other reserves	Reserve for treasury shares	Retained earnings	Proposed dividends	Total equity
<b>Equity at 01/01/2015</b>	<b>20,240</b>	<b>18</b>	<b>-10,992</b>	<b>164,382</b>	<b>7,084</b>	<b>180,732</b>
Profit for the year	0	0	0	7,265	8,896	16,161
Value adjustment of financial instruments held to hedge future cash flows	0	-435	0	0	0	-435
Value adjustments transferred to financial expenses	0	1,125	0	0	0	1,125
Tax on other comprehensive income	0	-185	0	0	0	-185
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>505</b>	<b>0</b>	<b>7,265</b>	<b>8,896</b>	<b>16,666</b>
Share-based payment	0	240	0	0	0	240
Share-based payment, exercised arrangements	0	-758	0	758	0	0
Sale of warrants	0	272	0	0	0	272
Acquisition of treasury shares	0	0	-18,235	0	0	-18,235
Sale of treasury shares, warrant programme	0	0	21,428	-9,898	0	11,530
Tax on acquisition/sale of treasury shares	0	0	0	1,629	0	1,629
Cash capital increase	2,000	0	0	53,335	0	55,335
Distribution of dividends	0	0	0	0	-7,058	-7,058
Distribution of dividends, treasury shares	0	0	0	26	-26	0
<b>Other changes in equity</b>	<b>2,000</b>	<b>-246</b>	<b>3,193</b>	<b>45,850</b>	<b>-7,084</b>	<b>43,713</b>
<b>Equity at 31/12/2015</b>	<b>22,240</b>	<b>277</b>	<b>-7,799</b>	<b>217,497</b>	<b>8,896</b>	<b>241,111</b>
Profit for the year	0	0	0	1,683	13,668	15,351
Value adjustment of financial instruments held to hedge future cash flows	0	-305	0	0	0	-305
Value adjustments transferred to financial expenses	0	1,222	0	0	0	1,222
Tax on other comprehensive income	0	-217	0	0	0	-217
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>700</b>	<b>0</b>	<b>1,683</b>	<b>13,668</b>	<b>16,051</b>
Share-based payment	0	210	0	0	0	210
Share-based payment, exercised arrangements	0	-603	0	603	0	0
Sale of warrants	0	269	0	0	0	269
Acquisition of treasury shares	0	0	-38,267	0	0	-38,267
Sale of treasury shares, warrant programme	0	0	17,551	-9,152	0	8,399
Tax on acquisition/sale of treasury shares	0	0	0	2,684	0	2,684
Cash capital increase	540	0	0	8,394	0	8,934
Distribution of dividends	0	0	0	0	-8,853	-8,853
Distribution of dividends, treasury shares	0	0	0	43	-43	0
<b>Other changes in equity</b>	<b>540</b>	<b>-124</b>	<b>-20,716</b>	<b>2,572</b>	<b>-8,896</b>	<b>-26,624</b>
<b>Equity at 31/12/2016</b>	<b>22,780</b>	<b>853</b>	<b>-28,515</b>	<b>221,752</b>	<b>13,668</b>	<b>230,538</b>

# Cash flow statement for 2016

COMPANY				GROUP	
2015	2016	Note	DKK'000	2016	2015
-6,522	-9,896		Profit/loss before net financials (EBIT)	133,415	90,777
3,209	3,309		Amortisation, depreciation and impairment losses	69,442	72,011
240	210		Share-based payment	210	240
-4,742	-535		Value adjustments, etc.	-11,552	6,208
14,376	27,292	31	Changes in net working capital	-15,992	12,283
<b>6,561</b>	<b>20,380</b>		<b>Cash generated from operations</b>	<b>175,523</b>	<b>181,519</b>
16,398	1,124		Realised capital gain	0	16,398
587	415		Interest income, etc. received	865	639
-6,008	-5,850		Interest expenses, etc. paid	-12,540	-13,803
4,188	-354		Income taxes received/paid	-23,409	-13,010
<b>21,726</b>	<b>15,715</b>		<b>Cash flows from operating activities</b>	<b>140,439</b>	<b>171,743</b>
26,231	29,779		Dividends from subsidiaries	-	-
-12,000	0		Capital injection, subsidiary	-	-
-50,000	-24,453		Acquisition of entity	-36,422	-59,712
-63	0		Acquisition of intangible assets	-2,508	-6,088
-2,652	-15,555		Acquisition of property, plant and equipment	-107,035	-73,238
0	0		Portion relating to finance leases	19,100	22,019
0	0		Sale of software and development projects	864	0
0	0		Sale of property, plant and equipment	45,875	669
<b>-38,484</b>	<b>-10,229</b>		<b>Cash flows from investing activities</b>	<b>-80,126</b>	<b>-116,350</b>
0	0		Dividends to non-controlling shareholders	-732	-1,071
-7,058	-8,853		Dividends distributed	-8,853	-7,058
55,335	8,934		Payment, capital increase	8,934	55,335
0	0		Acquisition of non-controlling interests	-7,643	-6,500
0	3,000		Deposits, adjustment	3,105	-105
-18,235	-38,267		Acquisition of treasury shares	-38,267	-18,235
11,530	8,399		Sale of treasury shares	8,399	11,530
272	269		Sale of warrants	269	272
0	5,619		Raising of long-term loans	24,719	22,019
0	0		Portion relating to finance leases	-19,100	-22,019
-27,466	-35,980		Instalments on non-current liabilities	-94,933	-52,571
<b>14,378</b>	<b>-56,879</b>		<b>Cash flows from financing activities</b>	<b>-124,102</b>	<b>-18,403</b>
<b>-2,380</b>	<b>-51,393</b>		<b>Cash flows for the year</b>	<b>-63,789</b>	<b>36,990</b>
-18,152	-20,532		Cash and cash equivalents at 01/01/2016	-107,304	-144,294
<b>-20,532</b>	<b>-71,925</b>	32	<b>Cash and cash equivalents at 31/12/2016</b>	<b>-171,093</b>	<b>-107,304</b>

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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 financial year 1 January – 31 December 2016 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 2016 is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statement Act.

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

The accounting policies described below have been applied consistently to the financial year and the comparative figures. For standards implemented prospectively, comparative figures are not restated. As the implemented standards and interpretations have not affected the balance sheet at 1 January 2015 and the accompanying notes, a balance sheet at 1 January 2015 and accompanying notes have been omitted.

### Changes in accounting policies

Effective 1 January 2016, SP Group A/S has implemented the following new or amended standards and interpretations:

- IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38*
- IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11*
- IAS 1 *Disclosure Initiative – Amendments to IAS 1*
- IAS 27 *Equity Methods in Separate Financial Statements – Amendments to IAS 27*
- *Annual Improvements to IFRSs 2012-14 Cycle*

Annual Improvements to IFRSs 2012-14 Cycle implies amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments must be considered very specific amendments with a narrow scope.

As none of the amended standards and interpretations impacted recognition and measurement in 2016, they did not impact the profit/loss for the year or diluted earnings per share either.

### New accounting regulation

At the time of publication of this annual report, IASB has issued the following new and amended financial reporting standards and interpretations which are not compulsory for SP Group A/S in preparing the annual report for 2016:

- IFRS 9 *Financial Instruments and subsequent Amendments to IFRS 9, IFRS 7 and IAS 39*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IFRS 10 and IAS 28 *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28*
- IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12*

- IAS 7 *Disclosure Initiative – Amendments to IAS 7*
- IFRS 15 *Revenue from Contracts with Customers – Clarifications to IFRS 15*
- IFRS 2 *Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2*

None of these has been adopted by the EU, with the exception of IFRS 9 and IFRS 15.

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

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

SP Group A/S has not yet performed any in-depth analysis of the implications of the new standard for the Group. However, expectations are that it is going to have some impact, as in 2016 the Group had operating leases involving minimum lease liabilities in the order of DKK 48 million, corresponding to approx. 4% of the balance sheet total, which must potentially be recognised in the balance sheet going forward.

### Consolidated financial statements

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

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

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

#### Consolidation principles

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

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

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

#### Non-controlling interests

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

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

#### Business combinations

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

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

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

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

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

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

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

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

Gains or losses from divestment or winding-up of subsidiaries which result in loss of control or significant influence, respectively, are calculated as the difference between, on the one hand, the fair value of the sales proceeds or the settlement price and the fair value of any remaining 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.

# Notes

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

## Derivative financial instruments

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

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

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

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

Derivative financial instruments not qualifying for designation as hedging instruments are considered trading portfolios and are measured at fair value with recognition of fair value adjustments on an ongoing basis in the income statement under financial income or financial expenses.

## Share-based payment

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

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

## Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and directly in equity or other comprehensive income by the portion attributable to entries directly in equity or in other comprehensive income, respectively. Exchange rate adjustments

in respect of deferred tax are recognised as part of the year's deferred tax adjustments.

Current tax payables and receivables are recognised in the balance sheet, calculated as the estimated tax on the year's taxable income, 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 investments in subsidiaries unless the Company is able to control when the deferred tax is realised and it is probable that the deferred tax will not crystallise as current tax in the foreseeable future.

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

Deferred tax is measured on the basis of the tax rates and tax laws applicable in the relevant countries, which – based on the tax rates and tax laws enacted or substantially enacted by the end of the reporting period – 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 carry-forwards, 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 going forward.

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

## Discontinued operations and assets classified as held for sale

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

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

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

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

## Income statement

### Revenue

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

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

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

### Production costs

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

### Other operating income

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

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

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

### External expenses

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

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

### Staff costs

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

### Government grants

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

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

### Financial income and financial expenses

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

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

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

## Balance sheet

### Goodwill

On initial recognition, goodwill is recognised and measured as the difference between, on the one hand, the cost of the acquiree, the value of non-controlling interests in the acquiree and the fair value of previously acquired 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.

# Notes

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:

Software	3-5 years
Customer files	10 years

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

### Property, plant and equipment

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

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

The basis of depreciation is cost less the residual value. The residual value is the expected amount that could be obtained if the asset was sold today, net of selling costs, if the asset already had the age and condition which it is expected to have at the end of the useful life. Where individual components of an item of property, plant and equipment have different useful lives, they are depreciated separately.

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

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

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

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

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

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

The carrying amounts of property, plant and equipment and intangible assets with definite useful lives as well as investments in subsidiaries are tested at the balance sheet date for evidence of impairment. If there is evidence 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 evidence of impairment.

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

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

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

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

### Investments in subsidiaries in the parent company financial statements

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

If cost exceeds the recoverable amount of the investments, the 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 investments is considered evidence of impairment, see the above paragraph on impairment losses.

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

### Inventories

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



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

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

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

#### Receivables

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

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

#### Construction contracts

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

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

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

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

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

Prepayments from customers are recognised under liabilities.

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

#### Prepayments

Prepayments recognised under "Assets" comprise expenses incurred concerning subsequent financial years. Prepayments are measured at cost.

#### Dividends

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

#### Reserve for treasury shares

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

#### Pension commitments, etc.

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

#### Mortgage debt

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

#### Lease liabilities

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

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

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

#### Financial liabilities

Financial liabilities comprise bank debt and trade and other payables.

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

Non-financial liabilities are measured at net realisable value.

#### Deferred income

Deferred income recognised under "Liabilities" comprises income received in respect of subsequent financial years. Deferred income is measured at cost.

# Notes

## Cash flow statement

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

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

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

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

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

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

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

## Segment information

Segment information is prepared in compliance with the Group's accounting policies and is based on the Group's internal management reporting.

Segment income and segment expenses as well as segment assets and segment liabilities consist of the financial statement items directly attributable to each segment and the financial statement items that can be allocated to each segment on a reliable basis. The unallocated financial statement items primarily relate to assets and liabilities as well as income and expenses related to in the Group's administrative functions, investing activities, income taxes, etc.

Non-current assets in the segments comprise assets used directly in the operation of the segment, including intangible assets and property, plant and equipment.

Current assets in the segments comprise assets used directly in the operation of the segment, including inventories, trade receivables, other receivables, prepayments and accrued income as well as cash.

Liabilities related to the segments comprise liabilities derived from the operation of the segment, including trade payables, provisions and other payables.

Transactions between the segments are priced at estimated fair values.

## Financial highlights

Financial highlights are defined and calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015" and IAS 33 *Earnings per share*.

### Key figures

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

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

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

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

# Notes

## 2. Significant accounting estimates, assumptions and judgements

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

### Significant accounting estimates

When applying the accounting policies described in note 1, Management has made accounting estimates of, for example, valuation of goodwill, valuation of development costs, valuation of inventories and valuation of receivables, purchase price allocations in connection with corporate acquisitions and valuation of 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 2016 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 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 cash-generating unit as well as a determination of a reasonable discount rate. The carrying amount of goodwill amounted to DKK 142.3 million at 31 December 2016. For a further description of the applied discount rates, etc., see note 14. The impairment tests performed show that the value in use of the cash-generating units is significantly higher than the carrying amount of the assets related to the units.

#### 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 9.0% before tax and 7.5% after tax and expected revenue and earnings on the projects. The carrying amount of development projects amounts to DKK 10.1 million.

#### Inventories

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

#### Receivables

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

#### Corporate acquisitions

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 appears from note 40, Acquisition of subsidiaries and activities in 2016, which also reflects the methods applied to determine the fair values of the acquisitions made in 2016.

#### Investments in subsidiaries in the parent company financial statements

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

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
		<b>3. Production costs</b>		
0	0	Cost of sales	828,714	727,265
0	0	Inventory write-downs	1,990	2,768
0	0	Reversed inventory write-downs	-375	-603
0	0	Staff costs	222,965	187,429
<b>0</b>	<b>0</b>		<b>1,053,294</b>	<b>916,859</b>
		Reversal of inventory write-downs relates to disposal of written-down inventories.		
		<b>4. Other operating income</b>		
4,634	4,532	Rent	298	93
0	0	Gain from sale of non-current assets	1,421	270
<b>4,634</b>	<b>4,532</b>		<b>1,719</b>	<b>363</b>
		<b>5. Development costs</b>		
4,224	1,863	Research and development costs incurred	3,397	6,249
0	0	Portion capitalised for accounting purposes	-1,505	-2,024
<b>4,224</b>	<b>1,863</b>	<b>Expensed in the financial year</b>	<b>1,892</b>	<b>4,225</b>
		Development costs substantially relate to payroll costs.		
		<b>6. Staff costs</b>		
9,910	10,227	Wages and salaries	334,991	292,347
339	242	Pension contributions, defined contribution plan	22,376	19,405
108	117	Other social security costs	19,877	16,414
738	650	Other staff costs	16,698	15,373
240	210	Share-based payment	210	240
0	0	Refunds from public authorities	-5,005	-3,968
<b>11,335</b>	<b>11,446</b>		<b>389,147</b>	<b>339,811</b>
		Analysis of staff costs:		
0	0	Production costs	222,965	187,429
11,335	11,446	Staff costs	166,182	152,383
<b>11,335</b>	<b>11,446</b>		<b>389,147</b>	<b>339,812</b>
<b>10</b>	<b>7</b>	<b>Average number of employees</b>	<b>1,559</b>	<b>1,452</b>

# Notes

## 6. Staff costs (continued)

### Remuneration of Management

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

GROUP				
DKK'000	Board of Directors		Executive Board	
	2016	2015	2016	2015
Remuneration of the Board of Directors	1,250	1,250	-	-
Fee, membership of committees	50	50	-	-
Salaries	0	0	5,791	5,354
Share-based payment	0	0	0	25
	<b>1,300</b>	<b>1,300</b>	<b>5,791</b>	<b>5,379</b>

COMPANY				
DKK'000	Board of Directors		Executive Board	
	2016	2015	2016	2015
Remuneration of the Board of Directors	1,250	1,250	-	-
Fee, membership of committees	50	50	-	-
Salaries	0	0	5,431	4,919
Share-based payment	0	0	0	25
	<b>1,300</b>	<b>1,300</b>	<b>5,431</b>	<b>4,944</b>

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.

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
339	242	Expensed contributions to defined pension plans	22,376	19,405

## 7. Share-based payment

### Equity-settled share option plans, 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 2016

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

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

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

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2019 to 31 March 2022. Alternatively, the Executive Board and the 29 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2014. The Executive Board and 12 executive officers decided to exercise this option.

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

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

The estimated volatility is determined based on historical figures.

#### Warrant programme 2015

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

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

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

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2018 to 31 March 2021. Alternatively, the Executive Board and the 26 executive officers could purchase the warrants

at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2015. The Executive Board and 9 executive officers decided to exercise this option.

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

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

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

#### Warrant programme 2014

In 2014, the Group set up an incentive programme for the Company's Executive Board and 25 executive officers. The programme is based on warrants. A total of 50,000 warrants were issued in the year, 10,000 of which were granted to the Executive Board and the rest to executive officers.

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

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

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2017 to 31 March 2020. Alternatively, the Executive Board and the 25 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2014. The Executive Board and 10 executive officers decided to exercise this option.

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

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

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

#### Warrant programme 2013

In 2013, the Group set up an incentive programme for the Company's Executive Board and 23 executive officers. The programme is based on warrants. A total of 100,000 warrants were issued in the year, 25,000 of which were granted to the Executive Board and the rest to executive officers.

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

The exercise price is fixed at DKK 145 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2013 and until the warrants are in fact exercised. The exercise price is fixed based on the listed price immedi-

# Notes

ately before and after the publication of the annual report on 22 March 2013 and up to 18 April 2013. The issued warrants will expire without net settlement if the warrants are not exercised. The right to the warrants is earned over the period.

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2016 to 31 March 2019. Alternatively, the Executive Board and the 23 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 19 June 2013. The Executive Board and two executive officers decided to exercise this option.

The estimated fair value of the warrants issued is calculated at approx. DKK 603 thousand on the assumption that the warrants granted will be exercised in April 2016. The warrants are valued using the Black-Scholes pricing model. The valuation is based on the following assumptions:

Volatility	19%
Risk-free rate of interest	0.13%
Share price	138

The estimated volatility is determined based on the Company's share prices during the six months preceding 22 March 2013.

#### Warrant programme 2012

In 2012, the Group set up an incentive programme for the Company's Executive Board and 22 executive officers. The programme is based on warrants. A total of 100,000 warrants were issued in the year, 30,000 of which were granted to the Executive Board and the rest to executive officers.

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

The exercise price is fixed at DKK 120 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2012 and until the warrants can be exercised at the earliest. The exercise price is fixed based on the listed price immediately before and after the publication of the annual report on 28 March 2012. The issued warrants will expire without net settlement if the warrants are not exercised. The right to the warrants is earned over the period.

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2015 to 31 March 2018. Alternatively, the Executive Board and the 22 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 29 May 2012. CEO Frank Gad chose to exercise the option.

The estimated fair value of the warrants issued is calculated at approx. DKK 752 thousand on the assumption that the warrants granted will be exercised in April 2015. The warrants are valued using the Black-Scholes pricing model. The valuation is based on the following assumptions:

Volatility	31%
Risk-free rate of interest	0.51%
Share price	102

The estimated volatility is determined based on the Company's share prices during the six months preceding 30 March 2012.

#### Development in the year

Analysis of the development in outstanding warrants:

	No. of warrants	No. of warrants	Average exercise price, warrants	Average exercise price, warrants
	2016	2015	2016	2015
Number of shares				
Outstanding warrants at 01/01	215,484	254,000	248	200
Granted in the financial year	59,000	50,000	484	317
Exercised in the financial year	-102,484	-83,462	164	139
Expired/cancelled in the financial year	0	-5,054	-	149
	<b>172,000</b>	<b>215,484</b>	<b>373</b>	<b>248</b>
Exercisable at 31/12	13,000	19,150		

Of the outstanding warrants, 30,000 have been awarded to the Executive Board and 142,000 to executive officers.

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

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
		<b>Equity-settled share option plans</b>		
		Share-based payment recognised in the income statement, equity-settled share option plan		
240	210		210	240



COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
<b>8. Amortisation, depreciation and impairment losses</b>				
132	78	Amortisation of intangible assets	8,260	10,426
0	0	Impairment losses in respect of intangible assets	0	5,017
3,077	3,231	Depreciation of property, plant and equipment	61,182	56,568
<b>3,209</b>	<b>3,309</b>		<b>69,442</b>	<b>72,011</b>
<b>9. Dividends from subsidiaries</b>				
26,231	29,779	Dividends from subsidiaries	-	-
<b>26,231</b>	<b>29,779</b>		<b>-</b>	<b>-</b>
<b>10. Other financial income</b>				
16,398	1,124	Interest, etc.	865	639
587	415	Interest, subsidiaries	-	-
<b>16,985</b>	<b>1,539</b>	<b>Interest income from financial assets not measured at fair value through profit/loss</b>	<b>865</b>	<b>639</b>
0	0	Exchange rate adjustments	876	3,042
<b>16,985</b>	<b>1,539</b>		<b>1,741</b>	<b>3,681</b>
<b>11. Financial expenses</b>				
3,786	3,514	Interest, etc.	11,318	12,678
1,125	1,222	Value adjustment of hedging transactions	1,222	1,125
1,097	1,114	Interest, group entities	-	-
<b>6,008</b>	<b>5,850</b>	<b>Interest expenses on financial liabilities not measured at fair value through profit/loss</b>	<b>12,540</b>	<b>13,803</b>
10,429	2,456	Write-down of investments in subsidiary	-	-
4,452	753	Exchange rate adjustments	0	0
<b>20,889</b>	<b>9,059</b>		<b>12,540</b>	<b>13,803</b>

# Notes

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
		<b>12. Tax for the year</b>		
0	0	Current tax	24,204	17,280
-356	-2,988	Changes in deferred tax	5,025	2,263
<b>-356</b>	<b>-2,988</b>		<b>29,229</b>	<b>19,543</b>
		The current income tax charge for the financial year is calculated based on a tax rate of 22.0% (2015: 23.5%) for Danish entities. As regards foreign entities, the current tax rate in the country in question is used.		
		<b>Tax on other comprehensive income</b>		
		Fair value adjustment of financial instruments held to hedge future cash flows		
185	217		-4,192	3,442
<b>185</b>	<b>217</b>		<b>-4,192</b>	<b>3,442</b>
		Analysis of tax on items recognised in other comprehensive income:		
0	0	Current tax	-1,716	0
185	217	Changes in deferred tax	-2,476	3,442
<b>185</b>	<b>217</b>		<b>-4,192</b>	<b>3,442</b>
		<b>Reconciliation of tax rate</b>		
-	-	Danish corporate income tax rate	22.0	23.5
-	-	Effect of differences in tax rates for foreign entities	2.1	0.7
-	-	Effect of changed corporate income tax rate in Denmark	-0.3	0.0
<b>-</b>	<b>-</b>	<b>Effective tax rate for the year</b>	<b>23.8</b>	<b>24.2</b>
		The Company's tax rate in both 2016 and 2015 is materially affected by tax-exempt dividends from subsidiaries.		
		<b>Analysis of the estimated current tax charge for the year:</b>		
		Denmark	3,000	500
		Poland	6,683	5,891
		USA	5,138	4,615
		China	2,262	1,549
		Latvia	234	0
		Slovakia	1,219	472
		Sweden	2,632	862
		The Netherlands	1,572	1,775
		Brazil	1,464	1,616
			<b>24,204</b>	<b>17,280</b>

The current tax in Denmark is affected by the application of tax loss carry-forwards, in particular from 2004, 2008 and 2009. Reference is made to note 25.

DKK'000	GROUP	
	2016	2015
<b>13. Earnings per share</b>		
The calculation of earnings per share is based on the following:		
<b>Profit attributable to the Company's shareholders</b>	<b>92,420</b>	<b>60,584</b>
Number of shares	2016	2015
Average number of shares issued	2,242,000	2,124,000
Average number of treasury shares issued	-34,589	-33,406
<b>Number of shares used to calculate earnings per share</b>	<b>2,207,411</b>	<b>2,090,594</b>
<b>Average dilution effect of outstanding warrants</b>	<b>84,374</b>	<b>73,266</b>
<b>Number of shares used to calculate diluted earnings per share</b>	<b>2,291,785</b>	<b>2,163,860</b>

# Notes

DKK'000	GROUP				
	Software	Customer files	Goodwill	Completed development projects	Development projects in progress
<b>14. Intangible assets</b>					
Cost at 01/01/2016	23,579	18,928	140,889	37,798	2,848
Value adjustment	-79	0	412	189	0
Reclassification	-689	0	0	689	0
Additions relating to acquisition of entity	0	1,950	2,867	0	0
Additions	1,003	0	0	759	1,019
Disposals	-27	0	0	-1,952	-273
<b>Cost at 31/12/2016</b>	<b>23,787</b>	<b>20,878</b>	<b>144,168</b>	<b>37,483</b>	<b>3,594</b>
Amortisation and impairment losses at 01/01/2016	14,406	3,584	1,861	28,467	0
Value adjustment	-29	0	0	170	0
Amortisation for the year	2,835	1,997	0	3,428	0
Impairment losses for the year	0	0	0	0	0
Reversal on disposal	-7	0	0	-1,108	0
<b>Amortisation and impairment losses at 31/12/2016</b>	<b>17,205</b>	<b>5,581</b>	<b>1,861</b>	<b>30,957</b>	<b>0</b>
<b>Carrying amount at 31/12/2016</b>	<b>6,582</b>	<b>15,297</b>	<b>142,307</b>	<b>6,526</b>	<b>3,594</b>
Cost at 01/01/2015	20,820	4,000	110,843	36,982	1,874
Value adjustment	5	0	1,517	-234	0
Reclassification	0	0	0	0	0
Additions relating to acquisition of entity	0	14,928	28,529	0	0
Additions	4,064	0	0	1,050	1,506
Disposals	-1,310	0	0	0	-532
<b>Cost at 31/12/2015</b>	<b>23,579</b>	<b>18,928</b>	<b>140,889</b>	<b>37,798</b>	<b>2,848</b>
Amortisation and impairment losses at 01/01/2015	13,201	2,270	1,861	16,990	0
Value adjustment	5	0	0	-142	0
Amortisation for the year	2,510	1,314	0	6,602	0
Impairment losses for the year	0	0	0	5,017	0
Reversal on disposal	-1,310	0	0	0	0
<b>Amortisation and impairment losses at 31/12/2015</b>	<b>14,406</b>	<b>3,584</b>	<b>1,861</b>	<b>28,467</b>	<b>0</b>
<b>Carrying amount at 31/12/2015</b>	<b>9,173</b>	<b>15,344</b>	<b>139,028</b>	<b>9,331</b>	<b>2,848</b>

The item "Amortisation and impairment losses" in respect of completed development projects includes an impairment loss on a development project, reducing the asset from DKK 5.0 million to DKK 0. The reason for recognising the impairment loss is considerable uncertainty as to whether the project will realise earnings sufficient to support the value.

DKK'000	COMPANY	
	Software 2016	Software 2015
<b>14. Intangible assets (continued)</b>		
Cost at 01/01	1,052	989
Additions	0	63
Disposals	0	0
<b>Cost at 31/12</b>	<b>1,052</b>	<b>1,052</b>
Amortisation and impairment losses at 01/01	946	814
Amortisation for the year	78	132
Reversal in connection with disposals	0	0
<b>Amortisation and impairment losses at 31/12</b>	<b>1,024</b>	<b>946</b>
<b>Carrying amount at 31/12</b>	<b>28</b>	<b>106</b>

**Goodwill**

Goodwill arising from business acquisitions, etc., is distributed at the acquisition date to the cash-generating units which 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	
	2016	2015
Coatings	9,823	9,823
Plastics (excl. Ulstrup Plast A/S)	105,828	102,549
Plastics (Ulstrup Plast A/S)	26,656	26,656
	<b>142,307</b>	<b>139,028</b>

# Notes

## 14. Intangible assets (continued)

### Goodwill

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

No impairment losses were recognised in respect of goodwill in 2016 or 2015.

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

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

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

The calculation of the value in use is based on the cash flows stated in the most recent budget for 2017, approved by Management, and forecasts for 2018 and 2019. 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:

	2016	2015
Discount rate after tax	7.5%	7.5%
Discount rate before tax	9.0%	9.0%
Growth rate in the terminal period	2.0%	2.0%

The above parameters have been used for all three 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.

	GROUP				
DKK'000	Land and buildings	Plant and equipment	Fixtures, fittings, tools and equipment	Leasehold improvements	Property, plant and equipment under construction
<b>15. Property, plant and equipment</b>					
Cost at 01/01/2016	224,984	764,510	92,640	30,275	15,993
Value adjustment	135	-8,059	-379	-937	-282
Additions relating to acquisition of entity	9,011	22,623	2,474	19	1,811
Additions	16,028	65,700	9,320	3,337	34,284
Disposals		-57,253	-2,388	-693	-21,634
<b>Cost at 31/12/2016</b>	<b>250,158</b>	<b>787,521</b>	<b>101,667</b>	<b>32,001</b>	<b>30,172</b>
Depreciation and impairment losses at 01/01/2016	96,154	490,917	70,560	18,701	0
Value adjustment	0	-5,747	-240	-613	0
Depreciation for the year	6,743	44,642	7,221	2,576	0
Reversal on disposal	0	-13,128	-2,143	-610	0
<b>Depreciation and impairment losses at 31/12/2016</b>	<b>102,897</b>	<b>516,684</b>	<b>75,398</b>	<b>20,054</b>	<b>0</b>
<b>Carrying amount at 31/12/2016</b>	<b>147,261</b>	<b>270,837</b>	<b>26,269</b>	<b>11,947</b>	<b>30,172</b>
Portion relating to assets held under finance leases at 31/12/2016	0	44,685	274	0	0
Cost at 01/01/2015	217,907	696,156	85,635	27,691	23,298
Value adjustment	0	3,433	418	679	21
Additions relating to acquisition of entity	0	8,031	1,137	1,168	0
Additions	7,100	64,178	8,549	737	23,544
Disposals	-23	-7,288	-3,099	0	-30,870
<b>Cost at 31/12/2015</b>	<b>224,984</b>	<b>764,510</b>	<b>92,640</b>	<b>30,275</b>	<b>15,993</b>
Depreciation and impairment losses at 01/01/2015	89,865	451,740	65,912	15,805	0
Value adjustment	0	1,717	235	465	0
Depreciation for the year	6,300	40,922	6,915	2,431	0
Reversal on disposal	-11	-3,462	-2,502	0	0
<b>Depreciation and impairment losses at 31/12/2015</b>	<b>96,154</b>	<b>490,917</b>	<b>70,560</b>	<b>18,701</b>	<b>0</b>
<b>Carrying amount at 31/12/2015</b>	<b>128,830</b>	<b>273,593</b>	<b>22,080</b>	<b>11,574</b>	<b>15,993</b>
Portion relating to assets held under finance leases at 31/12/2015	0	77,503	227	0	0

# Notes

DKK'000	COMPANY	
	Land and buildings	Fixtures, fittings, tools and equipment
<b>15. Property, plant and equipment</b>		
Cost at 01/01/2016	83,905	3,822
Additions	15,299	256
Disposals	0	0
<b>Cost at 31/12/2016</b>	<b>99,204</b>	<b>4,078</b>
Depreciation and impairment losses at 01/01/2016	16,210	3,227
Depreciation for the year	2,762	469
Reversal on disposal	0	0
<b>Depreciation and impairment losses at 31/12/2016</b>	<b>18,972</b>	<b>3,696</b>
<b>Carrying amount at 31/12/2016</b>	<b>80,232</b>	<b>382</b>
Portion relating to assets held under finance leases at 31/12/2016	0	0
Cost at 01/01/2015	81,438	3,637
Additions	2,467	185
Disposals	0	0
<b>Cost at 31/12/2015</b>	<b>83,905</b>	<b>3,822</b>
Depreciation and impairment losses at 01/01/2015	13,849	2,511
Depreciation for the year	2,361	716
Reversal on disposal	0	0
<b>Depreciation and impairment losses at 31/12/2015</b>	<b>16,210</b>	<b>3,227</b>
<b>Carrying amount at 31/12/2015</b>	<b>67,695</b>	<b>595</b>
Portion relating to assets held under finance leases at 31/12/2015	0	117



DKK'000	COMPANY	
	2016	2015
<b>16. Investments in subsidiaries</b>		
Cost at 01/01	677,599	597,009
Additions	39,262	80,590
<b>Cost at 31/12</b>	<b>716,861</b>	<b>677,599</b>
Impairment losses at 01/01	251,264	240,835
Impairment losses for the year	2,456	10,429
<b>Impairment losses at 31/12</b>	<b>253,720</b>	<b>251,264</b>
<b>Carrying amount at 31/12</b>	<b>463,141</b>	<b>426,335</b>

The impairment loss concerns the investment in SP Extrusion A/S. The entity has been loss-making in the start-up phase 2013-2016. The net present value of the expected net cash flows from operating activities is not expected to correspond to the carrying amount of the investments at 31 December 2016, which totals DKK 17.0 million before write-downs. On this basis, the investments have been written down to the value in use, DKK 4.1 million. The write-down is recognised under financial expenses in the Company.

After the write-down, the fair value at 31 December 2016 equals the net asset value of the entity.

Management expects the entity to be profitable from 2017, but the entity is still in a start-up phase.

Investments in subsidiaries owned directly by the Company comprise:

	Registered office	Ownership interest		Share of voting rights		Activity
		2016	2015	2016	2015	
SP Moulding	Denmark	100%	100%	100%	100%	Production and sale of injection-moulded items
Ulstrup Plast A/S	Denmark	100%	100%	100%	100%	Production and sale of injection-moulded items
MedicoPack A/S	Denmark	100%	-	100%	-	Production and sale of blow-moulded items
Gibo Plast	Denmark	100%	100%	100%	100%	Production and sale of vacuum-formed items
Accoat A/S	Denmark	100%	100%	100%	100%	Production and sale of coatings
Ergomat A/S	Denmark	100%	100%	100%	100%	Production and sale of ergonomics solutions
Tinby A/S	Denmark	100%	100%	100%	100%	Production and sale of Polyurethane products
TPI Polytechniek B.V.	The Netherlands	100%	100%	100%	100%	Sale of ventilation components
Brdr. Bourghardt AB	Sweden	100%	80%	100%	80%	Production and sale of Telene products
SP Extrusion A/S	Denmark	100%	100%	100%	100%	Production and sale of extruded items
SP Technology A/S	Denmark	100%	-	100%	-	Sale of plastic items and -technologies

In 2016, the ownership interest in Brøderna Bourghardt AB was increased from 80% to 100%.

In 2016, all of the shares in MedicoPack A/S were acquired.

Note 44 includes an overview of all entities in the Group.

# Notes

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
<b>17. Inventories</b>				
0	0	Raw materials and consumables	133,975	115,993
0	0	Work in progress	9,019	9,092
0	0	Finished goods and goods for resale	139,578	118,449
<b>0</b>	<b>0</b>		<b>282,572</b>	<b>243,534</b>
0	0	Carrying amount of inventories recognised at net realisable value	13,607	5,926
<b>18. Trade receivables</b>				
0	0	Write-downs for the year recognised in the income statement	345	61
<p>Trade receivables are written down if, based on an individual assessment of the debtors' ability to pay, the value has become impaired, e.g. in case of non-payment, suspension of payments, liquidation, etc. (objective evidence of impairment). Trade receivables are written down to net realisable value. Moreover, reference is made to note 36.</p> <p>The carrying amount of receivables written down to net realisable value based on an individual assessment amounts to DKK 0 thousand (2015: DKK 0 thousand).</p> <p>Due receivables not written down:</p>				
25	70	Due by up to one month	34,763	25,869
0	27	Due between one and three months	5,329	4,985
0	0	Due by more than three months	1,609	1,033
<b>25</b>	<b>97</b>		<b>41,701</b>	<b>31,887</b>
<b>19. Construction contracts</b>				
0	0	Selling price of construction contracts	20,887	12,264
0	0	Progress billings	-17,368	-11,014
<b>0</b>	<b>0</b>		<b>3,519</b>	<b>1,250</b>
recognised as follows:				
0	0	Construction contracts (assets)	9,758	3,639
0	0	Construction contracts (liabilities)	-6,239	-2,389
<b>0</b>	<b>0</b>		<b>3,519</b>	<b>1,250</b>
0	0	Prepayments from customers relating to contracts not yet initiated	0	0
0	0	Payments withheld	0	0
0	0	The selling price of the year's production output relating to construction contracts	40,700	35,447

## 20. 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 2017.

## 21. Cash

The Group's and the 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.

## 22. Share capital

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

All shares rank equally.

DKK	Issued shares			
	No. of shares		Nom. value	
	2016	2015	2016	2015
01/01	2,224,000	2,024,000	22,240,000	20,240,000
Capital increase	54,000	200,000	540,000	2,000,000
<b>31/12</b>	<b>2,278,000</b>	<b>2,224,000</b>	<b>22,780,000</b>	<b>22,240,000</b>

The capital increase in 2016 of DKK 540,000 nominal value was carried through on 5 September 2016 at a price of 132.98 (5,000 shares) and a price of 171.10 (49,000 shares). The expenses relating to the capital increase totalled DKK 0.1 million.

The capital increase in 2015 of DKK 2.0 million nominal value was carried through on 24 June 2015 at a price of 280. The expenses relating to the capital increase totalled DKK 0.7 million.

DKK	Treasury shares					
	No. of shares		Nom. value		% of share capital	
	2016	2015	2016	2015	2016	2015
01/01	22,819	43,993	228,190	439,930	1.0%	2.2%
Acquired	73,024	62,288	730,240	622,880	3.2%	3.0%
Sold	-49,484	-83,462	-494,840	-834,620	-2.2%	-4.1%
<b>31/12</b>	<b>46,359</b>	<b>22,819</b>	<b>463,590</b>	<b>228,190</b>	<b>2.0%</b>	<b>1.1%</b>

The acquisitions in 2015 and 2016 were made in order to partially fund existing warrant programmes and acquire non-controlling interests. Sales in 2015 and 2016 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 2016, equity accounted for 35.6% of total assets (2015: 36.3%). It is the Group's objective to have a solvency ratio of 25-45%. Capital is managed for the Group taken as a whole.

It is SP Group A/S' policy that the shareholders should yield a return on their investment in the form of price increases and dividend. It is the ambition that earnings per share should increase by an average of 20% annually over a five-year period, corresponding to the growth rate in the past five years. Payment of dividends must be made taking into consideration the necessary consolidation of equity as a basis for the Group's continued expansion. For 2016, DKK 6 per share is distributed as dividend, corresponding to approx. 15% of the profit for the year. The dividend distributed in recent years has amounted to 15%-20% of the profit after tax and non-controlling interests.

# Notes

				GROUP
DKK'000	Reserve for exchange rate adjustments	Reserve for share-based payment	Reserve for hedging transactions	Total
<b>23. Other reserves</b>				
Reserve at 01/01/2015	3,579	1,288	-3,145	1,722
Exchange rate adjustment relating to foreign entities	5,611	0	0	5,611
Recognition of share-based payment	0	240	0	240
Share-based payment, exercised arrangements	0	-758	0	-758
Sale of warrants	0	272	0	272
Value adjustments of financial instruments held to hedge future cash flows, net	0	0	14,353	14,353
<b>Reserve at 31/12/2015</b>	<b>9,190</b>	<b>1,042</b>	<b>11,208</b>	<b>21,440</b>
Exchange rate adjustment relating to foreign entities	-4,805	0	0	-4,805
Recognition of share-based payment	0	210	0	210
Share-based payment, exercised arrangements	0	-603	0	-603
Sale of warrants	0	269	0	269
Value adjustments of financial instruments held to hedge future cash flows, net	0	0	-18,051	-18,051
<b>Reserve at 31/12/2016</b>	<b>4,385</b>	<b>918</b>	<b>-6,843</b>	<b>-1,540</b>

				COMPANY
DKK'000	Reserve for share-based payment	Reserve for hedging transactions	Total	
Reserve at 01/01/2015	1,288	-1,270	18	
Recognition of share-based payment	240	0	240	
Share-based payment, exercised arrangements	-758	0	-758	
Sale of warrants	272	0	272	
Value adjustments of financial instruments held to hedge future cash flows, net	0	505	505	
<b>Reserve at 31/12/2015</b>	<b>1,042</b>	<b>-765</b>	<b>277</b>	
Recognition of share-based payment	210	0	210	
Share-based payment, exercised arrangements	-603	0	-603	
Sale of warrants	269	0	269	
Value adjustments of financial instruments held to hedge future cash flows, net	0	700	700	
<b>Reserve at 31/12/2016</b>	<b>918</b>	<b>-65</b>	<b>853</b>	

The reserve for exchange rate adjustments comprises all exchange rate adjustments arising from the translation of financial statements of entities with a functional currency other than DKK.

The reserve for share-based payment comprises the accumulated value of the earned right to share option plans (equity-settled share option plans) measured at the fair value of the equity instruments at the grant date and recognised over the vesting period. The reserve is dissolved as the employees exercise the earned right to acquire shares or as the options expire without having been exercised.

The hedging reserve comprises the accumulated net change in the fair value of hedging transactions that qualify for designation as hedges of future cash flows where the hedged transaction has not yet been realised.

DKK'000	GROUP							
	Bank debt		Financial institutions		Finance lease liabilities (minimum lease payments)		Other non-current liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>24. Non-current liabilities</b>								
Non-current liabilities fall due as follows:								
Within one year from the balance sheet date	37,273	25,642	11,474	11,087	9,460	15,985	1,938	2,281
Between one and two years from the balance sheet date	31,326	24,954	8,943	11,130	9,831	17,666	18,062	2,281
Between two and three years from the balance sheet date	25,378	17,970	7,591	8,603	7,694	14,387	10,928	8,413
Between three and four years from the balance sheet date	13,378	12,000	7,627	69,752	5,637	9,725	0	5,873
Between four and five years from the balance sheet date	6,837	0	7,665	7,316	4,162	3,982	0	0
After five years from the balance sheet date	195	0	42,147	45,710	0	210	0	0
	<b>114,387</b>	<b>80,566</b>	<b>85,447</b>	<b>153,598</b>	<b>36,784</b>	<b>61,955</b>	<b>30,928</b>	<b>18,848</b>
Liabilities are recognised in the balance sheet as follows:								
Current liabilities	37,273	25,642	11,474	11,087	9,460	15,985	1,938	2,281
Non-current liabilities	77,114	54,924	73,973	142,511	27,324	45,970	28,990	16,567
	<b>114,387</b>	<b>80,566</b>	<b>85,447</b>	<b>153,598</b>	<b>36,784</b>	<b>61,955</b>	<b>30,928</b>	<b>18,848</b>
Fair value	114,387	80,566	87,487	155,326	36,784	61,955	30,928	18,848

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 instruments of debt in connection with corporate acquisitions in 2015 and 2016, see more details in note 40 and 41.

# Notes

DKK'000	COMPANY							
	Bank debt		Financial institutions		Finance lease liabilities (minimum lease payments)		Other non-current liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>24. Non-current liabilities (continued)</b>								
Non-current liabilities fall due as follows:								
Within one year from the balance sheet date	36,495	23,940	3,617	3,266	0	230	1,938	2,281
Between one and two years from the balance sheet date	30,548	23,940	3,643	3,291	0	0	18,062	2,281
Between two and three years from the balance sheet date	24,600	17,970	3,666	3,315	0	0	10,928	8,413
Between three and four years from the balance sheet date	12,600	12,000	3,692	65,839	0	0	0	5,873
Between four and five years from the balance sheet date	6,058	0	3,716	3,365	0	0	0	0
After five years from the balance sheet date	0	0	22,449	22,096	0	0	0	0
	<b>110,301</b>	<b>77,850</b>	<b>40,783</b>	<b>101,172</b>	<b>0</b>	<b>230</b>	<b>30,928</b>	<b>18,848</b>
Liabilities are recognised in the balance sheet as follows:								
Current liabilities	36,495	23,940	3,617	3,266	0	230	1,938	2,281
Non-current liabilities	73,806	53,910	37,166	97,906	0	0	28,990	16,567
	<b>110,301</b>	<b>77,850</b>	<b>40,783</b>	<b>101,172</b>	<b>0</b>	<b>230</b>	<b>30,928</b>	<b>18,848</b>
Fair value	110,301	77,850	42,837	102,868	0	230	30,928	18,848

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 instruments of debt in connection with corporate acquisitions in 2015 and 2016, see more details in note 40 and 41.

COMPANY			GROUP	
Deferred tax assets	Deferred tax liabilities	DKK'000	Deferred tax assets	Deferred tax liabilities
<b>25. Deferred tax</b>				
9,872	0	Deferred tax at 01/01/2015	4,246	13,019
0	0	Foreign exchange adjustment	221	140
0	0	Acquisition of entity	589	3,426
0	0	Other adjustments, reclassification of tax payable at 01/01	-60	-60
356	0	Change in deferred tax recognised in the income statement	-1,045	1,218
-185	0	Change in deferred tax recognised in other comprehensive income	-159	3,283
1,629	0	Change in deferred tax recognised in equity	0	-1,629
-4,188	0	Transfer, subsidiaries	0	0
<b>7,484</b>	<b>0</b>	<b>Deferred tax at 31/12/2015</b>	<b>3,792</b>	<b>19,397</b>
0	0	Foreign exchange adjustment	-103	-35
0	0	Acquisition of entity	3,428	855
0	0	Other adjustments, reclassification of tax payable at 01/01	643	643
2,988	0	Change in deferred tax recognised in the income statement	-1,195	3,829
-217	0	Change in deferred tax recognised in other comprehensive income	1,398	-1,078
2,684	0	Change in deferred tax recognised in equity	0	-2,684
-10,068	0	Transfer, subsidiaries	0	0
<b>2,871</b>	<b>0</b>	<b>Deferred tax at 31/12/2016</b>	<b>7,963</b>	<b>20,927</b>

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
Deferred tax is recognised in the balance sheet as follows:				
7,484	2,871	Deferred tax assets	7,963	3,792
0	0	Deferred tax liabilities	-20,927	-19,397
<b>7,484</b>	<b>2,871</b>		<b>-12,964</b>	<b>-15,605</b>

The Group's tax assets primarily relate to tax losses in SP Moulding (Suzhou) Co. Ltd. in China and excess values for tax purposes in a few Polish, Swedish and Slovakian subsidiaries. The tax asset is expected to be utilised within three years.

# Notes

							GROUP
DKK'000	01.01.	Recognised in profit/loss	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of entity	Value adjustments etc.	31.12.
<b>25. Deferred tax (continued)</b>							
<b>2016</b>							
Intangible assets	11,944	-3,147	0	0	0	0	8,797
Property, plant and equipment	14,061	2,590	0	0	-1,579	0	15,072
Inventories	2,692	-109	0	0	-251	0	2,332
Receivables	-607	-80	0	0	0	0	-687
Liabilities	-555	856	0	0	-740	0	-439
Value adjustment of derivative financial instruments	3,086	-2,754	-1,602	0	0	0	-1,270
Tax loss carry-forwards	-15,016	7,669	-874	-2,684	0	64	-10,841
	<b>15,605</b>	<b>5,025</b>	<b>-2,476</b>	<b>-2,684</b>	<b>-2,570</b>	<b>64</b>	<b>12,964</b>
<b>2015</b>							
Intangible assets	11,645	-2,546	0	0	2,845	0	11,944
Property, plant and equipment	14,194	-404	0	0	271	0	14,061
Inventories	3,196	-289	0	0	-215	0	2,692
Receivables	177	-784	0	0	0	0	-607
Liabilities	-540	50	0	0	-65	0	-555
Value adjustment of derivative financial instruments	75	-246	3,257	0	0	0	3,086
Tax loss carry-forwards	-19,974	6,482	185	-1,629	0	-80	-15,016
	<b>8,773</b>	<b>2,263</b>	<b>3,442</b>	<b>-1,629</b>	<b>2,836</b>	<b>-80</b>	<b>15,605</b>

							COMPANY
DKK'000	01.01.	Recognised in profit/loss	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of entity	Transfer, subsidiaries	31.12.
<b>2016</b>							
Intangible assets	23	-17	0	0	0	0	6
Property, plant and equipment	788	267	0	0	0	0	1,055
Liabilities	-110	20	0	0	0	0	-90
Tax loss carry-forwards	-8,185	-3,258	217	-2,684	0	10,068	-3,842
	<b>-7,484</b>	<b>-2,988</b>	<b>217</b>	<b>-2,684</b>	<b>0</b>	<b>10,068</b>	<b>-2,871</b>
<b>2015</b>							
Intangible assets	39	-16	0	0	0	0	23
Property, plant and equipment	286	502	0	0	0	0	788
Liabilities	0	-110	0	0	0	0	-110
Tax loss carry-forwards	-10,197	-732	185	-1,629	0	4,188	-8,185
	<b>-9,872</b>	<b>-356</b>	<b>185</b>	<b>-1,629</b>	<b>0</b>	<b>4,188</b>	<b>-7,484</b>



COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
		<b>26. Trade payables</b>		
107	615	Trade payables	148,624	122,121
		The carrying amount is equal to the fair value of the liabilities.		
		<b>27. Provisions (warranty commitments)</b>		
0	0	Provisions at 01/01	0	0
0	0	Additions on acquisitions	3,197	0
0	0	Additions	5,751	0
0	0	Disposals	-192	0
<b>0</b>	<b>0</b>	<b>Provisions at 31/12</b>	<b>8,756</b>	<b>0</b>
		Provisions relate to sold, but defective items. Provisions have been calculated based on expected remedial costs. Such costs are expected to be incurred primarily during 2017.		
		<b>28. Other payables</b>		
		The item comprises payables relating to payroll, withholding taxes, social security contributions, compensated absence commitments, derivative financial statement instruments, VAT, duties, etc.		
		The compensated absence commitment represents the Group's obligation to pay salary to employees during holidays which, at the balance sheet date, they are entitled to spend in the subsequent financial year.		
		<b>29. Collateral</b>		
		Mortgage debt, DKK 81 million, is secured by way of mortgage on properties.		
		The mortgage also comprises such items of plant and machinery that are deemed part of the properties.		
		Moreover, loans with banks and financial institutions are secured by way of a letter of indemnity on real property and mortgages registered to the mortgagor with secondary liability, totalling a nominal amount of DKK 60 million (2015: DKK 60 million).		
<b>67,299</b>	<b>79,836</b>	Carrying amount of mortgaged properties	<b>137,739</b>	<b>128,435</b>
		Loans with banks and financial institutions are secured by way of a letter of indemnity and mortgages on movable property registered to the mortgagor secured upon operating equipment and fixtures and fittings, tools and equipment of a nominal amount of DKK 27 million (2015: DKK 27 million).		
<b>0</b>	<b>0</b>	Carrying amount of mortgaged operating equipment	<b>6,930</b>	<b>8,392</b>
<b>0</b>	<b>0</b>	Carrying amount of pledged receivables	<b>0</b>	<b>15,307</b>
		Bank debt is secured by way of collateral on investments in the Company's Danish subsidiaries.		
<b>298,288</b>	<b>298,288</b>	Carrying amount of pledged investments (cost)	<b>-</b>	<b>-</b>

# Notes

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
<b>30. Operating lease liabilities</b>				
For the years 2017-2021, the Group has entered into operating leases on properties. The leases have fixed lease payments, which are indexed annually. Future minimum lease payments in accordance with interminable leases fall due as follows:				
1,415	0	Within one year from the balance sheet date	23,477	22,477
5,947	0	Between one and five years from the balance sheet date	24,446	42,203
1,562	0	After five years from the balance sheet date	0	2,139
<b>8,924</b>	<b>0</b>		<b>47,923</b>	<b>66,819</b>
<b>1,387</b>	<b>1,387</b>	Minimum lease payments recognised in the income statement for the year	<b>21,332</b>	<b>20,900</b>
For the years 2017-2021, the Group has entered into operating leases on operating equipment and cars. Future minimum lease payments in accordance with interminable leases fall due as follows:				
279	267	Within one year from the balance sheet date	4,367	2,925
325	274	Between one and five years from the balance sheet date	6,036	4,836
0	0	After five years from the balance sheet date	0	39
<b>604</b>	<b>541</b>		<b>10,403</b>	<b>7,800</b>
<b>372</b>	<b>270</b>	Minimum lease payments recognised in the income statement for the year	<b>3,228</b>	<b>3,052</b>
Analysis of total rent and lease liabilities:				
1,694	267	Within one year from the balance sheet date	27,844	25,402
6,272	274	Between one and five years from the balance sheet date	30,482	47,039
1,562	0	After five years from the balance sheet date	0	2,178
<b>9,528</b>	<b>541</b>		<b>58,326</b>	<b>74,619</b>
<b>0</b>	<b>0</b>	Leases regarding acquisition of machinery for future delivery	<b>25,000</b>	<b>2,000</b>

COMPANY		DKK'000	GROUP	
2015	2016		2016	2015
		<b>31. Recourse guarantee commitments and contingent liabilities</b>		
		Together with its subsidiaries, the Company has entered into bank commitments under which the Company is liable for all draw-downs on credit facilities.		
<b>146,366</b>	<b>144,035</b>	Subsidiaries' bank debt		
		The Company has guaranteed the subsidiaries' debt to financial institutions or has joint and several liability.		
<b>52,931</b>	<b>45,093</b>	Surety, guarantee and liability		
		Furthermore, the Company is jointly and severally liable for the subsidiaries' lease liabilities.		
<b>63,883</b>	<b>44,788</b>	Minimum lease payments		
		On behalf of a subsidiary, the Company has provided a payment guarantee of DKK 892 thousand to a supplier (2015: DKK 2,566 thousand).		
		The Company is jointly taxed with other Danish entities in the Group. As management company, the Company has joint and several liability, together with the other jointly taxed entities, for payment of Danish income taxes and withholding taxes on dividends, interest and royalties. At 31 December 2016, the jointly taxed entities' net liabilities to the Danish Customs and Tax Administration amounted to DKK 0 (31 December 2015: DKK 0.5 million).		
		<b>32. Changes in net working capital</b>		
0	0	Change in inventories	11,561	21,320
7,988	-17,291	Change in receivables	12,905	-9,998
-22,364	-10,001	Change in trade payables, etc.	-8,474	-23,605
<b>-14,376</b>	<b>-27,292</b>		<b>15,992</b>	<b>-12,283</b>
		<b>33. Cash and cash equivalents</b>		
2,735	7,843	Cash	53,725	43,763
-23,267	-79,768	Short-term bank debt	-224,818	-151,067
<b>-20,532</b>	<b>-71,925</b>		<b>-171,093</b>	<b>-107,304</b>
		<b>34. Fees to the auditors appointed by the company in general meeting</b>		
		External expenses include fees to the auditors appointed by the company in general meeting:		
		<b>Ernst &amp; Young P/S</b>		
200	200	Statutory audit	1,632	1,296
63	0	Other assurance engagements	36	105
211	132	Tax and VAT advisory services	315	496
450	767	Other assistance	895	533
<b>924</b>	<b>1,099</b>		<b>2,878</b>	<b>2,430</b>

# Notes

## 35. Related parties

### Related parties exercising control over the Group and the 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 39.

For an outline of subsidiaries, see the group chart in note 44.

### Related party transactions, Group

In previous years, the Group leased a production plant from a company in which members of the Group's Executive Board and Board of Directors are indirectly shareholders. Rent amounted to DKK 1,387 thousand in 2015. The lease, which was entered into in 2009, is non-terminable until 2021 (sale and lease back arrangement). During the lease term, the Group is entitled to repurchase the property at the original selling price. Having decided to exercise this option, the Group repurchased the property for DKK 15 million at 1 January 2016. The Group did not carry through any other related party transactions in 2015 and 2016 apart from payment of remuneration of members of the Board of Directors and the Executive Board, see note 6.

### Related party transactions, Company

DKK'000	Lease income	Lease expenses	Sale of goods and services	Purchase of goods and services	Interest income	Interest expenses	Receivables	Payables
<b>2016</b>								
From subsidiaries	4,532	129	8,787	120	415	1,114	25,275	93,416
<b>2015</b>								
From subsidiaries	4,634	235	10,963	120	587	1,097	34,501	77,648

In addition, SP Group A/S received dividends from subsidiaries in the amount of DKK 29,799 thousand (2015: DKK 26,231 thousand).

Transactions with subsidiaries are eliminated in the consolidated financial statements in accordance with the accounting policies.

Rental income relates to the Company's renting of properties to subsidiaries. The rent is fixed on a cost basis.

Sale of services relates to assistance provided to subsidiaries. Intra-group acquisitions and sales are made at cost plus a mark-up.

No security or guarantees have been provided for intra-group balances at the balance sheet apart from what is disclosed in note 29. 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 Management

For information on the remuneration of the Group's Board of Directors and Executive Board, see note 6.

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
<b>36. Financial risks and financial instruments</b>				
<b>Financial instrument categories</b>				
0	0	Derivative financial instruments held to hedge future cash flows	0	5,551
<b>0</b>	<b>0</b>	<b>Financial assets applied as hedging instruments</b>	<b>0</b>	<b>5,551</b>
3,000	0	Deposits	381	3,486
25	119	Trade receivables	165,600	123,226
34,501	25,275	Receivables from subsidiaries	-	-
7,809	45	Other receivables	13,072	19,911
2,735	7,843	Cash	53,725	43,763
<b>48,070</b>	<b>33,282</b>	<b>Loans, receivables and cash</b>	<b>232,778</b>	<b>190,386</b>
1,272	83	Derivative financial instruments held to hedge future cash flows	8,418	1,357
<b>1,272</b>	<b>83</b>	<b>Financial liabilities applied as hedging instruments</b>	<b>8,418</b>	<b>1,357</b>
101,117	190,069	Bank debt	339,205	231,633
101,172	40,783	Financial institutions	85,447	153,598
230	0	Finance lease liabilities	36,784	61,955
18,848	30,928	Other non-current liabilities	30,928	18,848
107	615	Trade payables	148,624	122,121
77,648	93,416	Payables to subsidiaries	-	-
<b>299,122</b>	<b>355,811</b>	<b>Financial liabilities measured at amortised cost</b>	<b>640,988</b>	<b>588,155</b>

The fair value of the financial instruments corresponds to the carrying amount, both in the Company and in the Group, except for the fact that the fair value of the debt to financial institutions has increased by DKK 2.0 million (2015: increase of DKK 1.7 million) in the Group and DKK 1.7 million (2015: increase of DKK 1.7 million) in the Company. The fair value of debt to financial institutions is determined based on quoted values, i.e. at level 1, bank debt and finance lease liabilities at level 2 and derivative financial instruments at level 2.

The Company's and the Group's foreign exchange risks and interest rate risks are shown on the following page. The individual risks, including the Group's policy for management of financial risks and sensitivity provisions are further described in the Management's review.

#### Currency risks

The Group is exposed to exchange rate fluctuations.

There is generally a good balance between income and expenses. Approx. 80% of sales are thus recognised in DKK or EUR, and approx. 60% of the Group's fixed costs are incurred in DKK or EUR. The primary commercial currency risk is indirect and relates to the customers' sales outside Europe. Similarly, purchases are primarily conducted in DKK and EUR.

15% of the Group's financing has been procured in EUR, and the remaining debt has mainly been procured in DKK. A fluctuation of 1% in the EUR rate against DKK may therefore affect results of operations by up to approx. DKK 0.6 million.

In order to hedge the currency risk on future sale of goods in EUR from the Polish entities and sales in USD from several of the Group's entities, derivative financial contracts have been concluded in accordance with the Group's currency policy, which is approved by the Board of Directors, hedging part of the currency risk related to these sales for a period of up to four years.

At 31 December 2016, a contract on the sale of EUR against PLN in the amount of DKK 520 million (2015: DKK 498 million) and USD against DKK in the amount of DKK 44 million (2015: DKK 37 million) was thus concluded.

Due to the Group's use of derivative financial instruments for hedging the Group's exposure in relation to expected sales transactions, recognition of the effective part of the fair value adjustments of hedging instruments in the cash flow hedge reserve adversely affects the Group's equity by net DKK 22.2 million before tax and DKK 18.1 million after tax.

# Notes

					GROUP
DKK'000	Cash and cash equivalents	Receivables	Liabilities	Hedged portion	Net position
<b>36. Financial risks and financial instruments (continued)</b>					
EUR	17,590	83,700	-129,209	0	-27,918
PLN	11,828	5,826	-24,627	0	-6,973
USD	10,893	23,949	-14,032	0	20,810
CAD	1,251	862	-258	0	1,855
SEK	2,767	13,320	-21,770	0	-5,683
NOK	1,201	0	-8,980	0	-7,779
JPY	0	0	0	0	0
RMB	8,749	17,854	-12,326	0	14,277
CHF	4,338	1,022	0	0	5,360
GBP	255	171	-1	0	425
BRL	1,456	1,247	-278	0	2,425
<b>31.12.2016</b>	<b>60,328</b>	<b>147,951</b>	<b>-211,481</b>	<b>0</b>	<b>-3,202</b>
EUR	14,951	63,168	-150,872	0	-72,753
PLN	9,515	14,441	-18,376	0	5,580
USD	12,638	22,108	-20,876	0	13,870
CAD	3,902	1,082	-387	0	4,597
SEK	1,070	1,474	-6,934	4,182	-208
JPY	26	0	0	0	26
RMB	3,255	18,174	-14,347	0	7,082
GBP	43	113	-1	0	155
BRL	775	1,453	-466	0	1,762
<b>31.12.2015</b>	<b>46,175</b>	<b>122,013</b>	<b>-212,259</b>	<b>4,182</b>	<b>-39,889</b>
					COMPANY
DKK'000	Cash and cash equivalents	Receivables	Liabilities	Hedged portion	Net position
EUR	3,232	0	-17,850	0	-14,618
PLN	3,547	0	0	0	3,547
USD	0	0	-847	0	-847
SEK	-75	0	0	0	-75
<b>31.12.2016</b>	<b>6,704</b>	<b>0</b>	<b>-18,697</b>	<b>0</b>	<b>-11,993</b>
EUR	2,334	0	-23	0	2,311
PLN	1	0	-55	0	-54
USD	399	0	0	0	399
SEK	0	0	-4,212	4,182	-30
<b>31.12.2015</b>	<b>2,734</b>	<b>0</b>	<b>(4,290)</b>	<b>4,182</b>	<b>2,626</b>

### 36. Financial risks and financial instruments (continued)

#### Interest rate risks

Interest rate risks primarily relate to interest-bearing net debt, i.e. mortgage debt and bank debt less cash and cash equivalents. At year-end, the Group's net interest-bearing debt totalled DKK 408 million. 80% of the Group's debt is made up of 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 3.0 million.

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

The interest rate risk associated with financial assets and liabilities can be described as follows with the disclosure of date of interest rate adjustment or maturity, whichever occurs first, and effective interest rates.

<b>GROUP</b>						
DKK'000	Time of interest rate adjustment or maturity			Total	Fixed-interest portion	Effective interest
	Within 1 year	Between 1 and 5 years	After 5 years			
Bank deposits	53,725	0	0	53,725	0	1.0 %
Financial institutions	-24,934	-60,513	0	-85,447	0	1.3 %
Finance lease liabilities	-17,039	-19,745	0	-36,784	0	1.8 %
Bank debt	-339,205	0	0	-339,205	0	1.3 %
<b>31.12.2016</b>	<b>-327,453</b>	<b>-80,258</b>	<b>0</b>	<b>-407,711</b>	<b>0</b>	
Bank deposits	43,763	0	0	43,763	0	1.0 %
Financial institutions	-72,436	-81,162	0	-153,598	0	1.9 %
Finance lease liabilities	-47,800	-14,155	0	-61,955	0	1.9 %
Bank debt	-231,633	0	0	-231,633	0	1.8 %
<b>31.12.2015</b>	<b>-308,106</b>	<b>-95,317</b>	<b>0</b>	<b>-403,423</b>	<b>0</b>	

The fair value of interest rate swaps outstanding at the balance sheet date entered into to hedge the interest rate exposure on floating-rate loans amounts to DKK 83 thousand (31/12/2015: DKK 1,274 thousand). The interest rate swaps expire in 2017.

<b>COMPANY</b>						
DKK'000	Time of interest rate adjustment or maturity			Total	Fixed-interest portion	Effective interest
	Within 1 year	Between 1 and 5 years	After 5 years			
Bank deposits	7,843	0	0	7,843	0	0.0 %
Financial institutions	-19,963	-20,820	0	-40,783	0	1.4 %
Bank debt	-190,069	0	0	-190,069	0	1.3 %
<b>31/12/2016</b>	<b>-202,189</b>	<b>-20,820</b>	<b>0</b>	<b>-223,009</b>	<b>0</b>	
Bank deposits	2,735	0	0	2,735	0	0.0 %
Financial institutions	-53,186	-47,986	0	-101,172	0	2.2 %
Finance lease liabilities	-230	0	0	-230	0	2.9 %
Bank debt	-101,117	0	0	-101,117	0	1.8 %
<b>31/12/2015</b>	<b>-151,798</b>	<b>-47,986</b>	<b>0</b>	<b>-199,784</b>	<b>0</b>	

The fair value of interest rate swaps outstanding at the balance sheet date entered into to hedge the interest rate exposure on floating-rate loans amounts to DKK 83 thousand (31/12/2015: DKK 1,274 thousand). The interest rate swaps expire in 2017.

# Notes

## 36. Financial risks and financial instruments (continued)

### Credit risks

The Company's 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. The customers and business partners are normally well-reputed companies operating in many different business sectors and countries, which reduces the overall credit risk. The maximum credit risk associated with financial assets is reflected in the carrying amounts in the balance sheet.

COMPANY			GROUP	
2015	2016	DKK'000	2016	2015
		Due receivables not written down:		
25	70	Due by up to one month	34,763	25,869
0	27	Due between one and three months	5,329	4,985
0	0	Due by more than three months	1,609	1,033
<b>25</b>	<b>97</b>		<b>41,701</b>	<b>31,887</b>

### Liquidity risks

It is the Group's objective to have sufficient cash resources to be able to continually making appropriate arrangements in case of unforeseen changes in cash outflows. It is Management's opinion that the Company still has adequate capital resources considering its operations and sufficient liquidity to meet its present and future liabilities. The Company's long-term cooperation with its financial business partners is fruitful and constructive. This is expected to continue. The Group has neither neglected nor been in breach of loan agreements in the financial year or the comparative year. The Group has calculated its cash resources at DKK 105 million at year-end 2016.

The term to maturity of financial liabilities is specified below. The amounts specified represent the amounts falling due exclusive of interest.

DKK'000				GROUP
	Within 1 years	Between 1 and 5 years	After 5 years	Total
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Bank debt	262,091	76,919	195	339,205
Financial institutions	11,474	31,826	42,147	85,447
Finance lease liabilities	9,460	27,324	0	36,784
Other non-current liabilities	1,938	28,990	0	30,928
Trade payables	148,624	0	0	148,624
	<b>433,587</b>	<b>165,059</b>	<b>42,342</b>	<b>640,988</b>
<b>Derivative financial instruments</b>				
Derivative financial instruments held to hedge future cash flows	828	7,590	0	8,418
	<b>434,415</b>	<b>172,649</b>	<b>42,342</b>	<b>649,406</b>
<b>2015</b>				
<b>Non-derivative financial liabilities</b>				
Bank debt	176,709	54,924	0	231,633
Financial institutions	11,087	96,801	45,710	153,598
Finance lease liabilities	15,985	45,760	210	61,955
Other non-current liabilities	2,281	16,567	0	18,848
Trade payables	122,121	0	0	122,121
	<b>328,183</b>	<b>214,052</b>	<b>45,920</b>	<b>588,155</b>
<b>Derivative financial instruments</b>				
Derivative financial instruments held to hedge future cash flows	-2,691	-1,586	0	-4,277
	<b>325,492</b>	<b>212,466</b>	<b>45,920</b>	<b>583,878</b>



### 36. Financial risks and financial instruments (continued)

DKK'000	COMPANY			
	Within 1 years	Between 1 and 5 years	After 5 years	Total
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Bank debt	116,263	73,806	0	190,069
Financial institutions	3,617	14,717	22,449	40,783
Finance lease liabilities	0	0	0	0
Other non-current liabilities	1,938	28,990	0	30,928
Trade payables	615	0	0	615
	<b>122,433</b>	<b>117,513</b>	<b>22,449</b>	<b>262,395</b>
<b>Derivative financial instruments</b>				
Derivative financial instruments held to hedge future cash flows	3,327	83	0	3,410
	<b>125,760</b>	<b>117,596</b>	<b>22,449</b>	<b>265,805</b>
<b>2015</b>				
<b>Non-derivative financial liabilities</b>				
Bank debt	47,207	53,910	0	101,117
Financial institutions	3,266	75,810	22,096	101,172
Finance lease liabilities	230	0	0	230
Other non-current liabilities	2,281	16,567	0	18,848
Trade payables	107	0	0	107
	<b>53,091</b>	<b>146,287</b>	<b>22,096</b>	<b>221,474</b>
<b>Derivative financial instruments</b>				
Derivative financial instruments held to hedge future cash flows	2,136	1,274	0	3,410
	<b>55,227</b>	<b>147,561</b>	<b>22,096</b>	<b>224,884</b>

Derivative financial instruments are measured in accordance with a valuation method according to which all material data are based on observable market data, i.e. level 2. Apart from this, the Group has no assets and liabilities measured at fair value.

### 37. Sale of financial assets

As in previous years, the Group sold selected trade receivables as part of its credit and risk management. The Group's continued involvement is limited to administration of sold receivables and a limited guarantee regarding the risk of delayed payment. Thus, the Group has only maintained an insignificant risk exposure. The sale has not affected the income statement.

# Notes

## 38. Segment information for the Group

### Segments

Segments are reported in accordance with the internal reporting to those charge with governance in the Group, which are the members of the Board of Directors. which are the members of the Board of Directors.

Segments are specified on the basis of the financial and operational reporting reviewed by the Executive Board. The segments are specified by differences in products and services.

Segment information is prepared in accordance with the Group's accounting policies and IFRS and is based on the Group's internal management reporting.

For management and reporting purposes, the Group is organised in two business segments which are considered the Group's primary basis of segmentation.

Transfers of sale of goods, etc. between the segments are calculated using actual transfer prices corresponding to estimated market prices of the goods, services, etc. in question.

### Business segments – 2016

DKK'000	Coatings	Plastics	Other *)	Group
Revenue, external customers	129,413	1,381,634	7,997	1,519,044
Revenue among segments	7,422	703	-8,125	0
<b>Revenue</b>	<b>136,835</b>	<b>1,382,337</b>	<b>-128</b>	<b>1,519,044</b>
<b>Profit/loss before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>16,176</b>	<b>190,403</b>	<b>-3,722</b>	<b>202,857</b>
Depreciation, amortisation and impairment losses	-7,337	-58,315	-3,790	-69,442
<b>Profit/loss before net financials (EBIT)</b>	<b>8,839</b>	<b>132,088</b>	<b>-7,512</b>	<b>133,415</b>
Financial income and financial expenses				-10,799
<b>Profit before tax</b>				<b>122,616</b>
Tax for the year				-29,229
<b>Profit for the year</b>				<b>93,387</b>
Additions of non-current property, plant and equipment and intangible assets	919	93,069	15,555	<b>109,543</b>
Segment assets	76,144	945,979	109,234	1,131,357
Non-allocated assets				69,314
				<b>1,200,671</b>
Segment liabilities, non-interest-bearing	23,143	217,592	6,587	247,322
Non-allocated liabilities				524,373
				<b>771,695</b>

\*) Comprises eliminations and non-allocated overhead costs.

### Disclosure of significant customers

11.8% (2015: 11.6%) of the Group's revenue is attributable to one customer in the Coatings and Plastics segments.

The ten largest customers account for 49.7% (2015: 46.9%) of the Group's revenue. Similarly, the 20 largest customers account for 60.1% of revenue (2015: 59.6%).

### 38. Segment information for the Group (continued)

<b>Business segments – 2015</b>				
DKK'000	Coatings	Plastics	Other *)	Group
Revenue, external customers	131,026	1,185,943	2,799	1,319,768
Revenue among segments	7,813	3,831	-11,644	0
<b>Revenue</b>	<b>138,839</b>	<b>1,189,774</b>	<b>-8,845</b>	<b>1,319,768</b>
<b>Profit/loss before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>13,578</b>	<b>157,026</b>	<b>-7,816</b>	<b>162,788</b>
Depreciation, amortisation and impairment losses	-9,568	-59,234	-3,209	-72,011
<b>Profit/loss before net financials (EBIT)</b>	<b>4,010</b>	<b>97,792</b>	<b>-11,025</b>	<b>90,777</b>
Financial income and financial expenses				-10,122
<b>Profit before tax</b>				<b>80,655</b>
Tax for the year				-19,543
<b>Profit for the year</b>				<b>61,112</b>
Additions of non-current property, plant and equipment and intangible assets	3,789	72,822	2,715	<b>79,326</b>
Segment assets	77,678	846,063	97,015	1,020,756
Non-allocated assets				57,132
				<b>1,077,888</b>
Segment liabilities, non-interest-bearing	19,496	160,740	18,673	198,909
Non-allocated liabilities				485,418
				<b>684,327</b>

\*) Comprises eliminations and non-allocated overhead costs.

# Notes

## 38. Segment information for the Group (continued)

### Geographical segments

The Group's activities are primarily located in Denmark, rest of Europe, the Americas and Asia. The following table shows the Group's sale of goods by geographical market.

DKK'000	2016	2015
Denmark	745,227	614,240
Rest of Europe	497,817	430,623
Americas	144,389	145,438
Asia (incl. the Middle East)	129,110	126,371
Rest of world	2,501	3,096
	<b>1,519,044</b>	<b>1,319,768</b>
Sale of goods	1,478,344	1,284,321
The selling price of the year's production output relating to construction contracts	40,700	35,447
	<b>1,519,044</b>	<b>1,319,768</b>

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.

DKK'000	Non-current assets		Additions of intangible assets and property, plant and equipment	
	2016	2015	2016	2015
Denmark	450,521	482,468	47,937	45,165
Sweden	28,280	5,858	2,075	1,311
Latvia	304	226	29	29
Slovakia	11,611	4,919	8,675	2,222
The Netherlands	29,030	24,485	2,509	2,044
Poland	109,543	79,740	46,492	23,137
North America	18,395	18,641	279	586
China	11,505	12,809	1,547	4,804
Brazil	1,984	2,134	0	28
	<b>661,173</b>	<b>631,280</b>	<b>109,543</b>	<b>79,326</b>

### 39. Shareholder information

At the end of March 2017, SP Group A/S registered the following shareholders as holding more than 5% of the voting share capital or of the nominal value of the share capital:

Schur Finance A/S, Horsens (20,9%)

Frank Gad (including related parties), Frederiksberg (16,3%)

### 40. Acquisition of subsidiary in 2016

Effective 14 July 2016, the Group acquired the activity in the Danish company **MedicoPack A/S**, which is a manufacturer of blow-moulded plastics.

Revenue from the acquired activity is included in revenue for 2016 by approx. DKK 47 million, and a pre-tax profit of approx. DKK 5 million.

Total revenue for 2016 from the acquired activity is approx. DKK 100 million, and a pre-tax profit of approx. DKK 3 million.

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

Property, plant and equipment	14,472
Inventories	15,435
Trade receivables	17,432
Other receivables	895
Deferred tax asset	2,954
Cash	16,717
Trade payables	-8,162
Payables to Seller	-18,000
Other payables	-10,670
<b>Net assets taken over</b>	<b>31,073</b>
Goodwill	0
<b>Total consideration</b>	<b>31,073</b>
Cash consideration	17,000
Debt instruments	14,073
<b>Total consideration</b>	<b>31,073</b>

The consideration amounts to DKK 31,073 thousand, of which DKK 17 million has been paid in cash plus liquid funds and bank debt taken over of DKK 16,717 thousand. Debt instruments totalling DKK 14,073 thousand have been issued. The purchase consideration is fixed.

Total debt instruments issued have been recognised at fair value at the acquisition date. The undiscounted amount is DKK 14.8 million. The debt instruments will be settled in 2018 and 2019.

Costs of acquisition amounted to DKK 1.0 million and were expensed in 2016.

Acquired assets include trade receivables at a fair value of DKK 17,432 thousand, corresponding to the contractual gross receivable at the date of the acquisition, which was received after a short credit period.

Effective 15 October 2016, the Group acquired the plastics activities in the Danish company **Aasum Plast & Metal A/S**.

Revenue from the acquired activity is included in revenue for 2016 by approx. DKK 2 million, and a pre-tax profit of approx. DKK 0 million.

Total revenue for 2016 from the acquired activity is approx. DKK 9 million, and a pre-tax profit of approx. DKK 0 million.

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

Property, plant and equipment	1,600
Customer files	300
Inventories	600
<b>Net assets taken over</b>	<b>2,500</b>
Goodwill	1,000
<b>Total consideration</b>	<b>3,500</b>

The consideration totals DKK 3.5 million.

Costs of acquisition amounted to DKK 0.1 million and were expensed in 2016.

# Notes

## 40. Acquisition of subsidiary in 2016 (continued)

Effective 21 November 2016, the Group acquired the activity in the Norwegian company **Plexx AS**, which is a manufacturer of vacuum-formed plastics.

Revenue from the acquired activity is included in revenue for 2016 by approx. DKK 7 million, and a pre-tax profit of approx. DKK 1 million.

Total revenue for 2016 from the acquired activity is approx. DKK 70 million, and a pre-tax profit of approx. DKK 2 million.

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

Property, plant and equipment	19,866
Customer files	1,650
Inventories	11,442
Trade receivables	15,624
Other receivables	3,053
Cash	3,111
Deferred tax	-856
Lease liabilities	-4,469
Bank debt	-4,069
Trade payables	-13,852
Income taxes payable	-265
Other payables	-8,767
<b>Net assets taken over</b>	<b>22,468</b>
Goodwill	1,867
<b>Total consideration</b>	<b>24,335</b>
Cash consideration	19,450
Debt instruments	4,885
<b>Total consideration</b>	<b>24,335</b>

The consideration amounts to DKK 24,335 thousand, of which DKK 19,450 thousand has been paid in cash less liquid funds and bank debt taken over of DKK 958 thousand. Debt instruments totalling DKK 4,885 thousand. The purchase consideration is fixed.

Debt instruments totalling DKK 4,885 thousand have been issued and recognised at fair value at the acquisition date. The undiscounted amount is DKK 5,010 thousand and falls due in 2017.

Costs of acquisition amounted to DKK 0.7 million and were expensed in 2016.

Acquired assets include trade receivables at a fair value of DKK 15,624 thousand, corresponding to the contractual gross receivable at the date of the acquisition, which was received after a short credit period.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on the acquisition is calculated at DKK 1,867 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is not depreciable for tax purposes.

## 41. Acquisition of activities and subsidiaries in 2015

Effective 1 January 2015, the Group acquired the activity in **Scanvakuum ApS**, which is a manufacturer of vacuum-formed plastics.

Effective 13 March 2015, the Group acquired all of the shares in **Sander Tech ApS**, which is a manufacturer of injection-moulded plastics.

Effective 29 June 2015 (18%) and 1 July 2015 (82%), the Group acquired all of the shares in **Ulstrup Plast A/S**, which is a manufacturer of injection-moulded plastics as well as a supplier of related services such as assembly, packaging, logistics, manufacture of tools and advisory services.

Revenue from the acquired activity and subsidiaries is included in revenue for 2015 by approx. DKK 70 million, and a pre-tax profit of approx. DKK 6 million.

Total revenue for 2015 from the acquired activity and subsidiaries is approx. DKK 120 million, and a pre-tax profit of DKK 17 million.

#### 41. Acquisition of activities and subsidiaries in 2015 (continued)

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

Property, plant and equipment	10,521
Customer files	14,928
Deposit	344
Inventories	14,344
Trade receivables	26,866
Other receivables	343
Deferred tax asset	20
Prepaid expenses	199
Cash	4
Deferred tax	-2,857
Bank loans and overdrafts	-5,616
Trade payables	-8,736
Income taxes payable	-1,879
Other payables	-4,320
<b>Net assets taken over</b>	<b>44,161</b>
Goodwill	28,529
<b>Total consideration</b>	<b>72,690</b>
Cash consideration	54,100
Debt instrument	10,983
Contingent consideration	7,607
<b>Total consideration</b>	<b>72,690</b>

The consideration amounts to DKK 72,690 thousand, of which DKK 54.1 million has been paid in cash less liquid funds and bank debt taken over of DKK 5,612 thousand. Debt instruments totalling DKK 10,983 thousand have been issued. In addition, there is a conditional cash consideration of DKK 7,607 thousand.

The debt instruments issued, DKK 10,983 thousand, have been recognised at fair value at the acquisition date. The undiscounted amount is DKK 12 million.

The contingent consideration of DKK 7,607 thousand has been recognised at fair value at the date of acquisition and at the maximum amount which may become payable, as it is expected that the criteria for future earnings will be met. The undiscounted amount is DKK 8.0 million.

Costs of acquisition amounted to DKK 1.0 million and were expensed in 2015.

Acquired assets include trade receivables at a fair value of DKK 26,866 thousand, corresponding to the contractual gross receivable at the date of the acquisition, which was received after a short credit period.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on the acquisition is calculated at DKK 28,529 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is not depreciable for tax purposes.

## 42. Acquisition of subsidiaries after the balance sheet date

Effective 6 January 2017, the Group acquired the activity in the Danish company **LM Skumplast A/S**, which is a manufacturer of plastics.

Effective 21 March 2017, the Group acquired the activity in the Danish company **MM Composite A/S**, which is a manufacturer of composite plastics.

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

Property, plant and equipment	33,293
Customer files	22,000
Other non-currents assets	2,700
Deposit	0
Inventories	24,290
Trade receivables	22,075
Other receivables	1,800
Deferred tax asset	0
Prepaid expenses	0
Cash	5,519
Deferred tax	-7,462
Leasing debt	-4,500
Bank debt	-7,500
Trade payables	-21,167
Income taxes payable	-2,545
Other payables	-10,851
<b>Net assets taken over</b>	<b>57,652</b>
Goodwill	50,719
<b>Total consideration</b>	<b>108,371</b>
Cash consideration	47,340
Debt instruments	27,812
Contingent consideration	33,219
<b>Total consideration</b>	<b>108,371</b>

EBITDA totalled approx. DKK 14 million in the past financial year in the acquired entities.

The purchase consideration is DKK 108,371 thousand, of which DKK 47,340 has been paid in cash. Debt instruments totalling DKK 27,812, which fall due in the period 2017-2020, have been issued. Add to this a conditional purchase consideration of DKK 33,219 thousand.

The debt instruments totalling DKK 27,812 have been recognised at the fair value at the time of acquisition. The undiscounted amount is DKK 29,860 thousand.

The conditional purchase consideration of DKK 33,219 thousand has been recognised at the fair value at the time of acquisition and at the maximum amount that can be paid out, as expectations are that the criteria for future earnings will be met. The undiscounted amount is DKK 35.0 million.

Costs of acquisition are expected to amount to DKK 1.0 million, which will be expensed in 2017.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on acquisition has been calculated at DKK 50,719 thousand. Goodwill, which represents the expected value of synergies and knowhow resulting from the combination with SP Group, is not depreciable for tax purposes.

## 43. Events after the balance sheet date

Besides the abovementioned corporate acquisitions, no events have occurred after the balance sheet date and until the publication of this annual report which have not already been incorporated or disclosed in this annual report or which could change the assessment of the Group's and the Company's financial position.



#### 44. Group chart at 31 December 2016

			Nominal share capital ('000)	Ownership interest
<b>SP Group A/S</b>	<b>Denmark</b>	<b>DKK</b>	<b>22,780</b>	
SP Moulding	Denmark	DKK	50,000	100%
SP Medical Sp. z o.o.	Poland	PLN	1,000	100%
SP Moulding Poland Sp. z o.o.	Poland	PLN	1,100	100%
Sander Tech ApS	Denmark	DKK	80	100%
SP International A/S	Denmark	DKK	5,600	100%
SP Moulding (Suzhou) Co., Ltd.	China	USD	4,080	100%
Ulstrup Plast A/S	Denmark	DKK	1,590	100%
Ulstrup Plast s.r.o.	Slovakia	EUR	7	100%
MedicoPack A/S	Denmark	DKK	20	100%
Gibo Plast	Denmark	DKK	30,000	100%
Gibo Sp. z o.o.	Poland	PLN	3,005	100%
Plexx AS	Norway	NOK	3,541	100%
Opido AB	Sweden	SEK	100	100%
Accoat A/S	Denmark	DKK	10,000	100%
Accoat do Brasil	Brazil	BRL	392	100%
Ergomat A/S	Denmark	DKK	10,000	100%
Ergomat Sp. z o.o.	Poland	PLN	2,005	100%
Ergomat-Nederland B.V.	The Netherlands	EUR	75	100%
Ergomat Sweden AB	Sweden	SEK	100	60%
Ergomat Inc.	The US	USD	360	100%
Ergomat Canada Inc.	Canada	CAD	0	100%
Tinby A/S	Denmark	DKK	10,000	100%
Tinby Sp. z o.o.	Poland	PLN	50	100%
Tinby Denmark A/S	Denmark	DKK	500	100%
Tinby Co., Ltd.	China	USD	210	100%
Tinby Inc.	The US	USD	100	100%
TPI Polytechniek B.V.	The Netherlands	EUR	113	100%
TPI Polytechniek ApS	Denmark	DKK	125	100%
Bröderna Bourghardt AB	Sweden	SEK	100	100%
Baltic Rim, SIA	Latvia	EUR	3	100%
SP Extrusion A/S	Denmark	DKK	6,000	100%
SP Technology ApS	Denmark	DKK	200	100%

In 2016, Accoat Technology was transferred from Accoat A/S to SP Group A/S, which has subsequently changed name to SP Technology ApS

In 2016, the ownership interest in Bröderna Bourghardt AB was increased from 80% to 100%

In 2016, all of the shares in MedicoPack A/S and Plexx AS were acquired

In 2017, all of the shares in LM Skumplast A/S were acquired. This entity has subsequently changed name to Tinby Skumplast A/S

In 2017, all of the shares in MM Composite A/S were acquired

## **SP Group A/S**

Snavevej 6-10  
DK-5471 Søndersø  
Telephone: +45 70 23 23 79  
Fax: +45 70 23 23 52

Website: [www.sp-group.dk](http://www.sp-group.dk)  
E-mail: [info@sp-group.dk](mailto:info@sp-group.dk)

CVR no.: 15 70 13 15