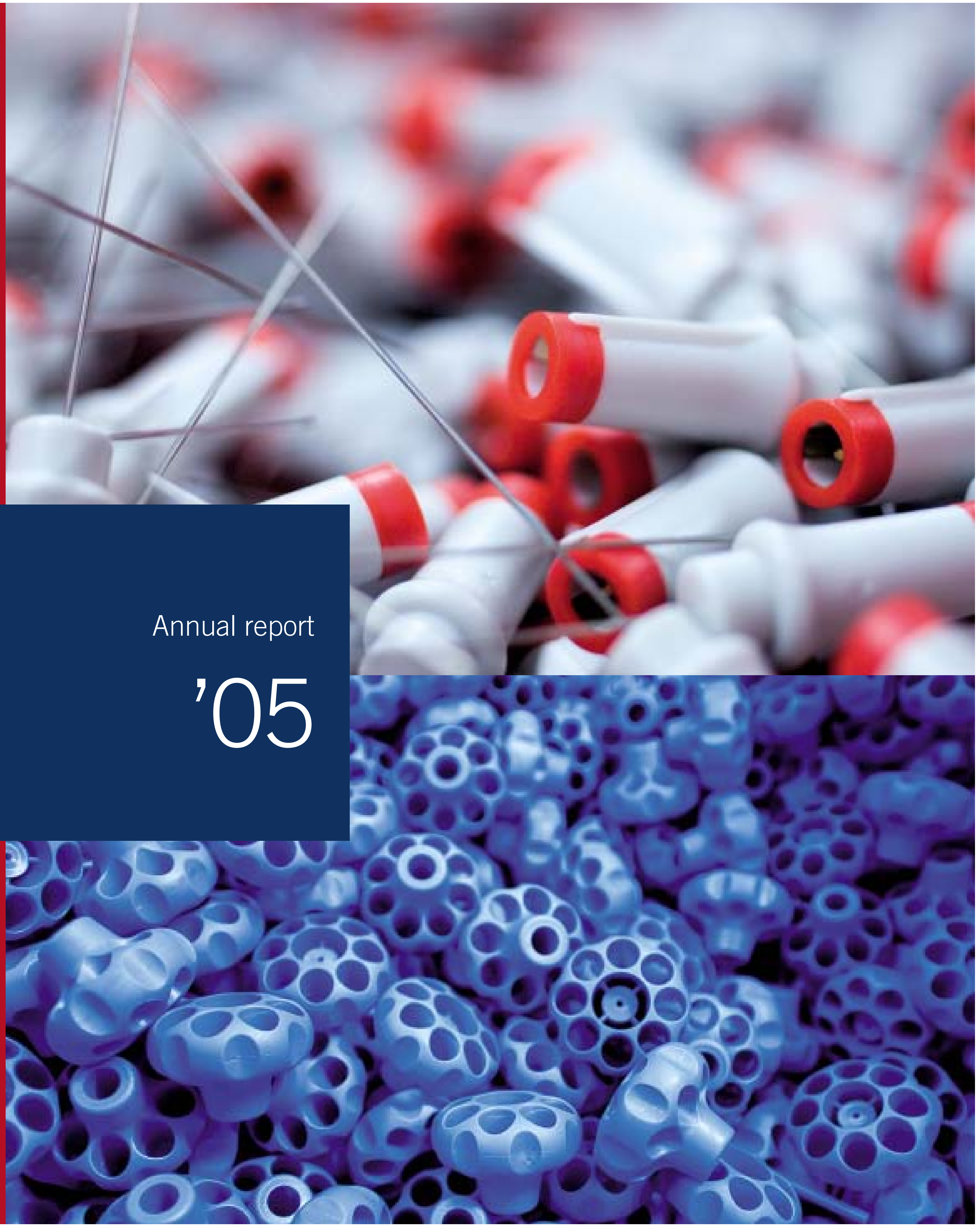
**SP Group A/S**
Snavevej 6-10
DK-5471 Søndersø
Phone: +45 70 23 23 79
Fax: +45 70 23 23 52

Website: www.sp-group.dk
E-mail: info@sp-group.dk

Central Business Registration No:
15 70 13 15

ANNUAL REPORT 2005 SP Group A/S



# Annual report '05

SP Group

## Contents

# Company details

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

Central Business Registration No: 15 70 13 15
Financial year: 1 January - 31 December
Registered in: Søndersø
Website: www.sp-group.dk
E-mail: info@sp-group.dk

**Supervisory Board**
Niels K. Agner, Chairman
Erik Preben Holm, Deputy Chairman
Erling Larsen
Hans Wilhelm Schur
Erik Christensen
Steen Lønberg Jørgensen
Poul Henning Jørgensen, Employee representative
Karen Marie Schmidt, Employee representative

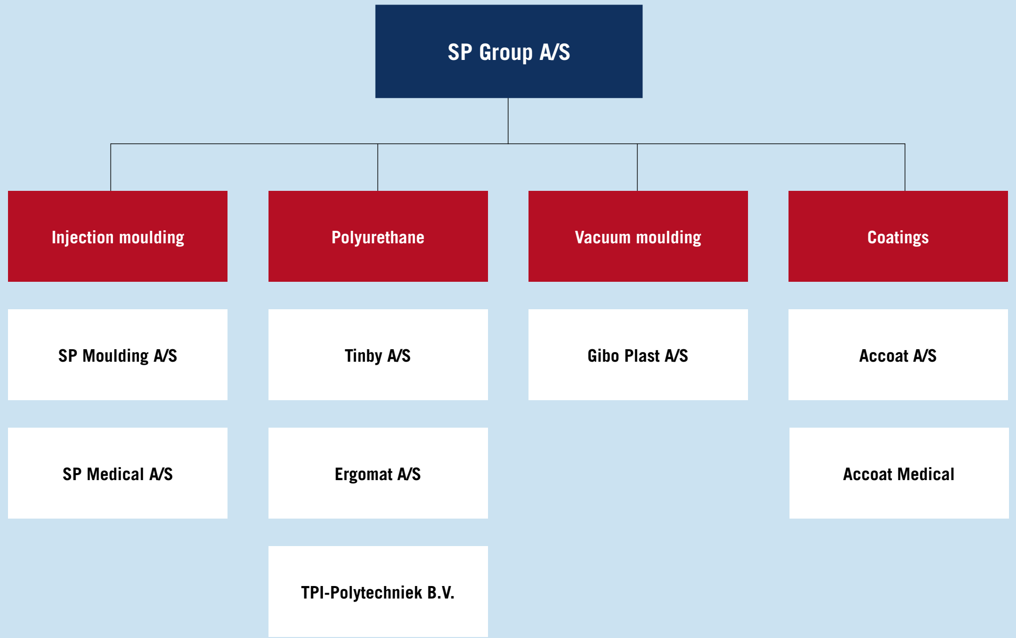
**Executive Board**
Frank Gad, CEO
Anders S. Andersen

**Company auditors**
Deloitte Statsautoriseret Revisionsaktieselskab
Østre Stationsvej 1
DK-5100 Odense C

**Annual General Meeting**
The annual general meeting will be held on
Thursday 27 April 2006 at 12.00 pm at
Hotel Munkebjerg, 7100 Vejle

# Group chart

**Activities**
SP Group manufactures moulded plastic components as well as coatings. SP Group is a leading supplier of plastic manufactured products for the manufacturing industry in Denmark and has increasing exports and production from own factories in China and Poland. SP Group has subsidiaries in Denmark, Sweden, Germany, Netherlands, Poland, USA, Canada and China. SP Group is listed on the Copenhagen Stock Exchange and employed 833 people at the end of 2005.




SP Group's four business areas have the following activities:

**Injection moulding** is a leading Danish manufacturer of injection moulded, advanced plastic components for a wide range of industrial companies. Moreover, the business area has FDA registered production for the medical appliance industry and manufactures license plates as well.

**Polyurethane** manufactures moulded products in solid, foamed, flexible and light-foam PUR products for a number of industries and manufactures ventilation equipment, ergonomic mats, striping products and chairs under own brands.

**Vacuum moulding** manufactures, vacuum moulded plastic pieces for refrigerators and freezers, autocampers and articles from the lighting and medical appliance industries through traditional vacuum moulding and the new methods high-pressure and twinsheet.

**Coatings** develops and manufactures coatings for a number of industrial products and production plants and produces finished articles for the medical appliance industry and components for medico-technical equipment.

# Companies in SP Group

| | | | Nominal share capital ('000) | Ownership |
|---|---|---|---|---|
| **SP Group A/S** | **Denmark** | **DKK** | **177,867** | |
| SP Moulding A/S | Denmark | DKK | 12,000 | 100% |
| SP International A/S | Denmark | DKK | 5,600 | 75% |
| Schroeder-Plast Technologies (Suzhou) Co., Ltd. | Kina | RMB | 28,045 | 100% |
| Tech-Plast ApS | Denmark | DKK | 200 | 100% |
| Gibo Plast A/S | Denmark | DKK | 6,065 | 100% |
| Accoat A/S | Denmark | DKK | 10,000 | 100% |
| Accoat Medical Poland Sp. z o.o. | Poland | PLN | 50 | 100% |
| Tinby USA, Inc. | USA | USD | 360 | 100% |
| Ergomat LLC | USA | USD | 582 | 77% |
| Ergomat Canada Inc. | Canada | CAD | 0 | 100% |
| TPI-Polytechniek B.V. | Netherlands | EUR | 113 | 60% |
| TPI-Polytechniek ApS | Denmark | DKK | 125 | 100% |
| Tinby GmbH | Germany | EUR | 154 | 100% |
| Tinby Sp. z o.o. | Poland | PLN | 50 | 100% |
| Ergomat-Nederland B.V. | Netherlands | EUR | 75 | 60% |
| Ergomat Deutschland GmbH | Germany | EUR | 50 | 60% |

# Dear shareholders and other stakeholders

**Ready for the next stage of restructuring**

The main task for SP Group in 2005 was clear and not up for discussion: We had to turn the downward curve. We had to face that earnings were insufficient, that operations generated too little cash and that debts were far too high.

Therefore, the new management prepared the plan “Fit for the future”. The plan was at the same time to make all entities more efficient, eliminate loss-making activities, curb the growth in fixed costs and strengthen customer focus and sales. The secret was not just to cut down or cut away - but to trim SP Group and to make the Group stronger.

We achieved many of our goals but not all of them. We managed to

- merge all activities in the largest business area, Injection moulding, into one stronger enterprise, SP Moulding, with one brand and one organisation
- centralise Gibo Plast's production in the modern, enlarged plant in Skjern and closed the small plants in Esbjerg and Viborg
- increase capacity utilisation in all factories
- sell or close down assets or activities which were either loss-making or did not fall under the strategy
- increase the sale of products under own brands – Ergomat and TPI (Readan) – significant
- create a breakthrough in the medico segment run by our new, focused entity SP Medical
- form the basis of increased growth and profitability in our entities in China and Poland
- curb the growth in fixed costs
- reduce debts

The easiest way to summarise the year is that we managed to turn the loss before tax and minorities of DKK 47 million in 2004 into a profit of DKK 10.4 million. This is better than expected but still far from satisfactory.

There are areas where we have not yet succeeded well enough. Capacity utilisation in the factories may be enhanced. The interest-bearing debt is still too high - especially compared to earnings on operations (EBITDA) and we also tie up too much capital in receivables. But also in these areas, we managed to make progress. Cash flows from operating activities rose well over DKK 27 million and we started to bring down the interest-bearing debt.

SP Group's objective is to achieve a profit before tax and minorities of 5% on revenue over the next 2-4 years. We took the first steps towards the objective in 2005 and the length of pace will not become smaller in the next stage of restructuring. On the contrary. Although several of our initiatives from 2005 will not really become effective until 2006-2007, the adjustments will continue and we will use even more resources to achieve profitable growth.

I wish to thank our many good and loyal customers and our skilled employees for their active contribution to the change. We are well on the way and shall continue to use all our creativity to create even better solutions of benefit to customers as well as shareholders.

Frank Gad,
CEO

# Group financial highlights

| DKK'000 | 2001* | 2002* | 2003* | 2004 | **2005** |
|---|---|---|---|---|---|
| Revenue | 534,747 | 528,551 | 594,971 | 695,702 | 742,455 |
| Profit/loss before depreciation and amortisation (EBITDA) | 45,202 | 75,531 | 67,088 | 30,066 | 49,491 |
| Depreciation and amortisation | -35,953 | -32,824 | -37,659 | -64,674 | -30,343 |
| Profit/loss before amortisation of goodwill (EBITA) | 9,249 | 42,707 | 29,429 | -34,608 | 19,148 |
| Amortisation of goodwill | -10,673 | -3,015 | -5,074 | -1,570 | 0 |
| Profit/loss before financial items (EBIT) | -1,424 | 39,692 | 24,355 | -36,178 | 19,148 |
| Net financials | -12,924 | -10,447 | -9,395 | -10,870 | -8,725 |
| Profit/loss from extraordinary items | -105,724 | 0 | 0 | 0 | 0 |
| Profit/loss before tax | -120,072 | 29,245 | 14,960 | -47,048 | 10,423 |
| Net profit/loss for the year | -117,648 | 18,298 | 11,110 | -32,637 | 8,640 |
| SP Group's share | -117,224 | 19,201 | 11,026 | -33,875 | 4,778 |
| | | | | | |
| Non-current assets | 341,059 | 294,753 | 377,576 | 361,850 | 368,423 |
| Total assets | 497,262 | 430,712 | 582,116 | 591,127 | 606,634 |
| | | | | | |
| Equity excluding minorities | 120,951 | 139,762 | 149,204 | 114,746 | 121,525 |
| Equity including minorities | 123,687 | 141,260 | 158,418 | 122,739 | 134,193 |
| | | | | | |
| Investments in property, plant and equipment (excluding acquisitions) | 36,215 | 19,859 | 45,148 | 46,513 | 31,932 |
| | | | | | |
| Cash flows from operating activities | 31,978 | 56,283 | 12,544 | 9,264 | 36,624 |
| Cash flows from investing activities | 128,736 | -1,970 | -80,617 | -53,151 | -16,795 |
| Cash flows from financing activities | -162,019 | -9,789 | 5,142 | -2,333 | -31,743 |
| Increase/decrease in cash and cash equivalents | -1,305 | 44,524 | -62,931 | -46,220 | -11,914 |
| | | | | | |
| Net interest-bearing debt (NIBD) | 257,839 | 186,116 | 298,119 | 346,340 | 327,864 |
| NIBD/EBITDA | 5.7 | 2.5 | 4.4 | 11.5 | 6.6 |
| | | | | | |
| Profit margin % (EBITA-margin) | -0.3 | 7.5 | 4.1 | -5.2 | 2.6 |
| Return on assets including goodwill % | 1.7 | 11.1 | 6.9 | -7.1 | 4.0 |
| Return on assets excluding goodwill % | -0.3 | 9.3 | 5.8 | -8.9 | 4.8 |
| Return on equity excluding minorities % | -65.4 | 14.7 | 7.6 | -26.6 | 3.5 |
| | | | | | |
| Equity ratio, excluding minorities % | 24.3 | 32.4 | 25.6 | 19.4 | 20.0 |
| Equity ratio, including minorities % | 24.9 | 32.8 | 27.2 | 20.8 | 22.1 |
| | | | | | |
| Financial gearing | 2.1 | 1.3 | 1.9 | 2.8 | 2.4 |
| | | | | | |
| Earnings per share, DKK/each | -66 | 11 | 6 | -19 | 3 |
| Total dividend for the year | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| Market price per share in DKK, year-end | 130 | 125 | 129 | 85 | 110 |
| Net asset value per share in DKK, year-end | 68 | 79 | 84 | 65 | 68 |
| Market price/net asset value, year-end | 1.91 | 1.59 | 1.54 | 1.32 | 1.61 |
| | | | | | |
| Average number of employees | 748 | 639 | 733 | 852 | 861 |

*The key figures and ratios for 2004 and 2005 have been presented in accordance with IFRS. The comparative figures for 2001-2003 have not been restated to reflect the change in accounting policies on the transition to financial reporting according to IFRS but have been prepared in accordance with the accounting policies applied so far based on the provisions of the Danish Financial Statements Act and Danish accounting standards.

# The financial year in outline

SP Group's results were better than expected. Revenue increased by 6.7% to DKK 742 million and profit before tax and minorities was DKK 10.4 million on last year's loss of DKK 47.0 million.

This should be seen in the light that at the beginning of the year, the Group expected a growth in revenue of 0-5% and a profit before tax and minorities of DKK 0-5 million. After the first six months, expectations were raised to sales growth of 3-6% and a profit of DKK 5-10 million.

SP Group's first expectations were based on unchanged activities but over the year the loss-making assembly activities in Poland were discontinued and Accoflour was sold. Adjusted for these two matters, growth in revenue was 9.5%.

**Growth in difficult markets**

The increasing oil and raw material prices damped down the demand for plastic processed products and increased the price pressure in Denmark where competition is already very tough due to excess capacity in the industry.

Nevertheless, 3 of the 4 business segments accounted for a growth in sales. Intensified sales and marketing proved successful and at the same time SP Group was aiming at more unique and customised solutions to make a difference in the market. This was made by using cross-group competencies to develop new products. In addition, the Group succeeded to add some of the increase in raw material prices to sales prices. Growth in volume was therefore lower than in revenue.

On the other hand, the business area Vacuum moulding suffered from a small decrease in revenue, partly as the centralisation of production in Skjern was delayed, partly because the sale to producers of refrigerators and deep-freezing cabinets was declining. However, in the fourth quarter, when the transfer to Skjern was completed, the business area's sales increased by 16.5%.

The Group experienced a high growth in sales to medico customers. Growth was especially created by the dedicated unit SP Medical in Karise which with FDA-registered production in bacteria-free and particle-free clean rooms has built up considerable competence in this area. Other of the Group's entities also produce to the medical appliance sector and SP Group's total revenue for this segment increased by 47% to DKK 136.7 million.

SP Group's products under own brands – ergonomic equipment from Ergomat and livestock building ventilation equipment from TPI – also experienced high growth and total sales increased by 41%.

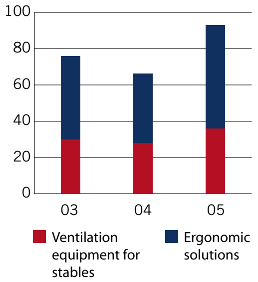
The largest business area - Injection moulding – experienced high growth in China whereas in Denmark the business area benefited from all the factories being merged into SP Moulding which was now able to market itself more strongly with one brand, one organisation and improved division of labour.

**Improved operating profit**

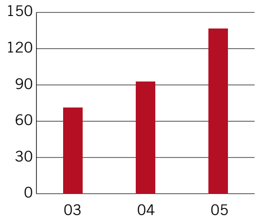
The contribution margin increased by 13.7% to DKK 194.1 million. Thanks to the high growth, a more profitable order intake as well as the closing-down of small production units, capacity utilisation in the factories increased. At the same time, the Group succeeded to improve production planning, especially within Injection moulding, which introduced LEAN in the assembly department in Juelsminde early in the year and from here gradually started to roll out the concept to other units.

As a result of stringent control of expenses and improved utilisation of resources, SP Group's capacity costs only increased by 2.8%. Moreover, SP Purchase started to centralise the Group's purchase and during the year savings were obtained on common purchase of raw materials, packaging, transport, energy and other services, etc.

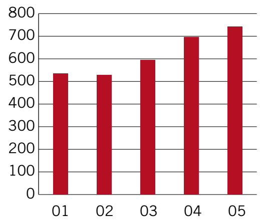
**Revenue, own brands (DKK million)**



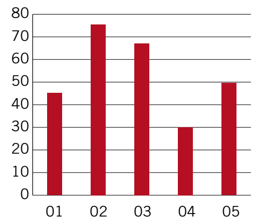

**Revenue, medical appliance industri (DKK million)**




**Group revenue (DKK million)**




**Profit before depreciation/ amortisation and impairment losses (EBITDA) (DKK million)**



## Outlook

For 2006, SP Group expects an increase in revenue of 4-8% with unchanged exchange rates and raw material prices. Profit before tax and minorities is estimated at DKK 10-15 million. These expectations are based on the Group's portfolio of enterprises at the beginning of the year. Changes in the Group's activities, in raw material prices and exchange rates may have an impact on expectations.

The long-term objective unchanged over the next 2-4 years is to achieve a profit before tax and minorities equal to 5% on revenue. SP Group expects to achieve a revenue total in the range of DKK 1 billion in 2009 by implementing the Group's strategic plan.

All in all, this meant that earnings before depreciation, amortisation and financial items (EBITDA) increased by almost 65% to DKK 49.5 million.

During the year, SP Group has stopped several unprofitable activities. The loss-making assembly activities in Poland were stopped in the second quarter of the year. Gibo's factories in Viborg and Esbjerg were closed, the activities in Accoflour were sold on 1 November and at the end of the year it was decided to close down SP Hardtech in Holstebro and transfer the equipment to other entities in the Group. These measures had a modest impact in 2005 and will improve results in 2006.

**Lower depreciation**

Depreciation was lower than in 2004 when SP Group extraordinarily wrote down a number of fixed assets as part of the restructuring process. Ordinary depreciation fell by 15% to DKK 30.3 million due to the lower basis for depreciation and a changed estimate of the useful lives of the buildings and the residual value of large production plants.

Thus, earnings before financial items (EBIT) totalled DKK 19.1 million on last year's operating loss of DKK 36.2 million.

**Lower financial expenses**

Net financials were improved from DKK -10.9 million to DKK -8.7 million. The decrease is attributable to the low short-term interest rate in DKK and CHF, conversion of mortgage debt into adjustable-rate loans as well as active debt management.

In the fourth quarter, SP Group was able to reduce the interest-bearing debt by DKK 19 million through the improved cash flows.

Profit before tax and minorities was DKK 10.4 million. Minorities' profit share rose as a result of the high earnings in TPI Polytechniek and Ergomat and consequently, SP Group's profit after tax amounted to 8.6 million. Profit after tax and minorities was DKK 4.8 million. This, however, is not satisfactory but indicates a significant improvement.

**Stronger cash flows**

One of the Group's focus areas is to strengthen cash flows from operating activities and these efforts have started to bear fruit. Over the past three quarters of a year, cash flows from operating activities have been positive and for the entire year operations generated DKK 41.0 million (primary operations) which was sufficient to

- pay interest and tax for the year amounting to DKK 4.3 million
- cover the year's investments of DKK 16.8 million
- repay long-term debt with DKK 18.8 million

Moreover, the Company has provided an interest-bearing deposit as security for the rental obligations amounting to DKK 13.0 million.

After the deposit payment, decrease in cash and cash equivalents amounted to DKK 11.9 million.

**Events after the balance sheet date**

With effect from 1 January 2006, SP Group acquired 60% of Mattega AB in Sweden which manufactures and sells ergonomic workplace mats. The acquisition will strengthen Ergomat in Scandinavia. Moreover, SP Group entered into a cooperative agreement in February 2006 with the Swedish enterprise Impact Coatings AB. This agreement is expected to strengthen the activities in Accoat and SP Moulding.

# Strategy

SP Group's management has laid down a strategy up until 2009. Based on this strategy, the Group is to increase earnings so profit before tax and minorities will reach a level of 5% on revenue.

**Increase income**

The Group will grow although at best the Danish principal market for plastic products will be stagnant.

SP Group's historical basis is to be a sub-supplier to Danish industry but the Group is readjusting: Exports are increasing, activities in Eastern Europe and China are growing and the role as sub-supplier has been enhanced by an increase in own products and strong market positions within niche products. The continued growth will require that the Group is internationalised to a higher extent and becomes selected customers' preferred supplier of plastic products and advanced coatings and that SP Group also develops several niche businesses with its own products.

The geographical expansion will continue. Exports from the Danish factories to Northern Europe in particular are to be increased and the global markets for products such as medical appliance, ergonomic workplace solutions and livestock building ventilation are to be cultivated. Sales from SP Group's plants in Poland and China must also be increased – both to local customers and through exports to the rest of Europe. In 2006, SP Moulding will set up an injection moulding factory and SP Medical a clean-room production plant in Poland.

In Denmark and the close markets, SP Group is to win market shares through increased marketing and stronger differentiation within processes, design and raw materials. SP Group's global sourcing of tools and moulds as well as the competence to actually contribute to the customer's product development must be better utilised and the Group must increasingly approach growth industries, e.g. the medical appliance industry.

SP Group holds considerable market positions in a number of niches such as ergonomic mats and chairs, striping equipment, livestock building ventilation, guide-wires and cylinders. The Group is to develop several niche products and has special focus on products in which relation SP Group will also be able to handle trademarks and distribution.

**Reduce costs**

The organisation must be adjusted currently. All production plants must constantly consider how production and supplies can become better, cheaper and faster. Business processes and workflow will currently be assessed and the automation process will continue.

As stated before, production in Eastern Europe and China will be increased to follow the Scandinavian customers moving abroad and to meet competition from producers in these areas. SP Group's staff in Eastern Europe and China will grow concurrently with labour-intensive tasks being moved abroad.

SP Group will enhance the efficiency of its purchases and use the increasing volume. SP Group is to develop its IT and control systems and strengthen the development of the Group's competences and know-how, e.g. through extended educational offers for the employees.

The Group will continue to critically analyse its activities. If there are activities and enterprises which cannot be brought to a reasonable profit on a permanent basis, they will be closed or sold.

**Financial objectives**

The reduction in net interest-bearing debt is to be continued whereas operating profit before depreciation, amortisation and financial items (EBITDA) must be increased. The ratio of net interest-bearing debt and EBITDA is to be gradually lowered to 3-4 in 2009 compared to 6.6 at the end of 2005 and 11.5 at the end of 2004.

The debt is first and foremost to be reduced by strengthening cash flows from operations. Moreover, SP Group will continue to sell non-value-generating assets, including two properties. In connection with other selected properties, SP Group will consider entering into sale and leaseback agreements to release capital for investments.

The equity ratio (including minorities' equity interest) must be increased and an equity ratio of 20-35% is considered appropriate. If the equity ratio is higher, excess capital will be transferred back to the shareholders. SP Group aims at producing a reasonable return to the shareholders through value increases as in the first years of the strategic period, the Group will not be able to pay dividends.

SP Group currently assesses the company's capital structure in relation to the activity level planned and considers the possibility of increasing the share capital by placing shares at a market price of up to 10% of the existing share capital in accordance with the authorisation laid down in section 5 of the Articles of Association.

*The strategy for the four business areas is described on the following pages.*

# Injection moulding

- Sales growth of 6.4% is a little more than expected
- Growth was especially driven by China and SP Medical
- Strongly improved operating profit
- Further build-up of capacity outside Denmark
- Continued growth and improvement in earnings in 2006

| | |
|---|---|
| Name: | SP Moulding A/S, SP Medical A/S |
| Website: | www.sp-moulding.dk, www.sp-medical.dk |
| Locations: | Juelsminde, Stoholm, Karise, Sønderborg, Suzhou (China) |
| Executive Board: | Frank Gad, CEO |
| Activities: | SP Moulding is the leading Danish manufacturer of injection moulded, advanced plastic components. The customers are a wide range of industrial companies. Clean-room production for customers in the medical appliance industry takes place in SP Medical in Karise which also manufactures license plates. SP Moulding China in Suzhou produces technical plastics and performs assembly work. |
| Description: | In addition to the actual moulding which is carried out in modern production facilities, the business area handles all finishing treatment such as ultrasound welding, surface treatment and compression. In addition, SP Moulding carries out part or full assembly, packaging and consignment for a large number of customers. |
| Environment | SP Moulding's activities are environmentally certified in accordance with DS/EN ISO 9001:2000, DS/EN ISO 9002, DS/EN ISO 14001:1996, DS/EN 13485:2001, EN 46002, FED.209E Class 10.000 and EEC GMP Class C. SP Medical is registered by FDA and has clean rooms at their disposal for the manufacture of CE-labelled products, etc. |

| DKK (million) | 2003 | 2004 | 2005 |
|---|---|---|---|
| Revenue | 312.4 | 374.5 | 398.6 |
| Profit/loss before financial items, depreciation and amortisation (EBITDA) | 23.2 | 11.7 | 18.9 |
| Depreciation and amortisation | -22.7 | -40.5 | -17.3 |
| Profit/loss before financial items (EBIT) | -1.0 | -30.3 | 1.6 |
| Profit/loss for the year | 0.0 | -25.5 | -2.5 |
| Total assets | 257.4 | 265.5 | 270.5 |
| Equity | 78.0 | 52.0 | 49.9 |
| Average number of employees | 405 | 429 | 463 |

Many of SP Medical's products for the medico industry are manufactured in cleans rooms, i.e. in a bacteria-free and particle-free environment, where the machines are "isolated". The employees must observe certain procedures to avoid "pollution".

Electrodes for muscular activity measuring. SP Medical moulds the plastic components, assembles the finished product out of various components and delivers sterilized, finished products – ready for use.


**2005 in outline**

Revenue increased by 6.4% to DKK 398.6 million. Growth is slightly higher than expected and is especially attributable to SP Moulding in China and SP Medical, both of them almost doubling revenue. But also revenue of plastic items for Danish industry increased.

The Danish activities within technical plastics were centralised in SP Moulding A/S in 2005 with common purchasing, administration, finance and accounts, sales, marketing and product development. The merger has resulted in savings on purchase of raw materials and tools and the specialisation of the factories has made it possible to enhance production planning and increase capacity utilisation. Together with growing sales, all this has contributed to an increase in contribution ratios from 20.9% to 22.3% although it was not possible to fully add the increasing raw material prices to sales prices.

The plant in Karise was further specialised in the production to medical device customers in 2005 and a large expansion with new clean rooms was completed. SP Medical is now a recognised supplier to medical device customers which the growing pipeline also indicates. In the course of the year, SP Medical sourced in a production of several hundred millions of items from a pharmaceutical group.

In China, SP Moulding acquired a further 11% of the shares in SP Moulding China thereby increasing the ownership interest to 75%. At the same time, the capital base was strengthened in cooperation with IFU and capacity was increased. The Chinese enterprise is now profit-yielding.

The business area's operating profit (EBIT) was slightly higher than expected with DKK 1.6 million despite growing raw material prices and price pressure in Denmark. Although profit is still not satisfactory, it has clearly improved compared to last year's loss of DKK 30.3 million. It also contributes to the improvement that depreciation fell as a result of the new accounting estimates of the useful lives of the assets.

At the end of the first quarter of 2006, SP Hardtech will be closed and the equipment transferred to Accoat.

**Markets and products**

SP Moulding is the largest independent injection moulder in Denmark and ranks among the 10 largest in Scandinavia. The Danish market is estimated at approx. 3-4 billion. There are many small suppliers and excess capacity in certain areas. Moreover, customers are also increasingly moving to low-wage countries. However, several enterprises with own production of technical plastics are expected to source out to sub-suppliers because they are focusing on core competences.

Price is a decisive parameter. By virtue of automation and centralisation of production in fewer plants, SP Moulding is competitive but still needs to cut costs. SP Moulding is a competent sub-supplier to many sectors.

The size of SP Medical's European market is approx. DKK 15 billion and the market has an annual growth of 5-7%. SP Medical is the largest Danish supplier and ranks as number 3-4 in Scandinavia but is a small supplier in Europe despite an export share of approx. 50%. With its standards for quality and supply, SP Medical has good chances of increasing the market share.

In China, SP Moulding is a small supplier in a market with an annual growth of 5-10%. The enterprise is expected to be able to grow faster than the market.

**Strategy**

An increasing share of revenue will be created outside Denmark. In China, a new building was inaugurated in early 2006 and capacity will now double to approx. 40 machines up until 2008. In Poland, SP Moulding is establishing its own injection moulding factory in 2006 offering competitive solutions in close cooperation with the Group's assembly and clean room activities in Poland.

In the Danish factories, the efficiency programme will be continued, ia by rolling out the LEAN concept, and costs are reduced. SP Moulding is to increase its market shares in Denmark through better customer services, intensified participation in product development at the customers and larger efforts directed towards growth sectors. At the same time, exports to the other Nordic countries are to be increased.

SP Medical must continue to develop its medical device competences, make production more efficient and increase exports to European and global customers through intensified sales and marketing efforts. The activities in Accoat Medical will be integrated in SP Medical during 2006 to create a stronger offer for the customers and to realise synergies.

**Outlook for 2006**

In 2006, the business area expects to continue growth and enhance earnings with contributions from China, SP Medical as well as the Danish activities within technical plastics. In Poland, a small loss is expected in 2006 and positive earnings from 2008.

# Polyurethane

- Increasing sales despite closing-down of a loss-making activity in Poland
- High growth within own brands Ergomat, ReaDan as well as Topo
- Large growth in earnings as a result of improved product mix
- Acquisition of 60% of Mattega in Sweden at the beginning of 2006
- Increasing revenue and earnings are expected in 2006

At the end of 2005, Ergomat shipped its largest single order: 10,000 ergonomic relief mats for Hyundai Motors in South Korea. South Korea is a significant market where Ergomat also supplies to Samsung and LG Electronics, among others.

| | |
|---|---|
| Name: | The business area consists of three activities: Ergomat A/S with subsidiaries in Western Europe and North America, Tinby A/S with activities in Denmark and Poland and the 60% owned TPI-Polytechniek B.V. domiciled in the Netherlands. |
| Website: | www.ergomat.dk, www.tinby.dk, www.tpi-polytechniek.com |
| Locations: | Søndersø, Zdunska Wola (Poland), 's-Hertogenbosch and MK Teuge (Netherlands), Helsingborg (Sweden), Cleveland (USA), Montreal (Canada) and Zeil am Main (Germany). |
| Executive Board: | Mogens Kryger, CEO, Ergomat A/S. Johannes Matthiesen, CEO, Tinby A/S. Jeroen van der Heijden, Managing Director, TPI-Polytechniek B.V. |
| Activities: | **Ergomat** sells ergonomic solutions under own brands: Primarily Ergomat (mats) and ErgoPerfect (chairs), the striping product DuraStripe as well as working tables from third party. The customers are large industrial groups.<br><br>**Tinby** in Sønderby manufactures moulded products in solid, foamed and flexible polyurethane for the graphics, medical appliance, furniture and refrigerator industries as well as products for the insulation industry. In Poland, Tinby Sp. z o.o. manufactures light-foam products for ventilation, etc as well as PUR cores and beehives.<br><br>**TPI-Polytechniek** sells concepts for ventilation of industrial buildings as well as poultry and pig houses, primarily Tinby's own products manufactured by Tinby in Poland. Global sales are handled from the Netherlands and sales in Scandinavia are handled from Søndersø. |
| Description: | Polyurethane (PUR) is manufactured by mixing two special liquids and pressing the mixture into a mould - and the required component develops. The competencies consist in knowing the possibilities of variations and make the best of the material. |
| Environment: | Tinby works in Denmark and Poland in accordance with the ISO 14 001 standard. |

| **DKK (million)** | **2003** | **2004** | **2005** |
|---|---|---|---|
| Revenue | 108.4 | 139.7 | 156.6 |
| Profit/loss before financial items, depreciation and amortisation (EBITDA) | 17.6 | 12.1 | 24.7 |
| Depreciation and amortisation | -6.3 | -6.6 | -6.9 |
| Profit/loss before financial items (EBIT) | 10.6 | 5.4 | 17.8 |
| Profit/loss for the year | 5.7 | 2.4 | 10.9 |
| Total assets | 115.6 | 134.4 | 141.6 |
| Equity | 34.2 | 36.8 | 47.3 |
| Average number of employees | 150 | 231 | 201 |

For the carrier cycle TrioBike, Gibo Plast vacuum moulded the outside shells on the front carrier and Tinby stiffened the shells by pouring insulating polyurethane in between the inside and outside shells so the carrier is warm and comfortable to sit in. Customer: Sammy Hessburg-Eisinger

**2005 in outline**

Revenue increased by 12.1% despite the closing of loss-making assembly activities for a customer in Poland in the second quarter of 2005. The growth in the continued activities was 25%. The increase was considerably higher than expected and was primarily caused by increased sale of Ergomats and TPI's solutions under own brands.

Ergomat's sale rose by 49%, especially North America and South Korea experienced high growth but there was also an increase in the European market. The sale of TPI's products for ventilation in livestock buildings and industrial buildings rose by 29% and was primarily driven by increasing demand in Eastern Europe. On the other hand, Tinby's sale to Scandinavian industry was slightly disappointing as a newly developed concept with back-foamed doors for the refrigerator and deep-freezing industry collided with this sector being under hard pressure from Eastern European and Chinese competitors. Sales to other customer segments were almost as expected.

The business area's earnings (EBIT) tripled to DKK 17.8 million which is significantly more than expected. The progress was a result of several factors: Increasing revenue, improved product mix with increased sale of high-marginal products, elimination of the loss-making activity in Poland as well as higher efficiency. Finally, the business area enjoyed a lower cost base as in 2004 Tinby moved production from Flensborg to Søndersø and Poland.

**Markets and products**

Ergomat is a market leader in Europe and ranks among the three largest suppliers in the world of ergonomic workplace mats. The mats are manufactured in Søndersø and are supplemented with the striping product DuraStripe which is used to mark out workplaces. The company also manufactures working chairs and tables. Increased focus on prevention of work-related injuries as well as comfort are drivers of demand. Ergomat operates in 25 countries and is consolidating distribution. In 2005, the company set up sales subsidiaries in Germany and Holland (Benelux) and one company is being set up in France. Ergomat also took over the sale in Denmark from a distributor. In 2006, Ergomat acquired 60% of the shares in the Swedish competitor Mattega.

In Northern Europe, Tinby is the leading sub-supplier of PUR products to a number of industries. Moreover, the business area globally is among the leading in a number of niches. Tinby is the world's largest producer of hard cylinders for film development. The segment is important although sales are slightly decreasing due to the digitalisation of the graphic industry whereas the sale of cylinders for X-ray is unchanged.

TPI-Polytechniek is the leading producer in Europe of light-foamed ventilation equipment such as air intake, ventilation grids and chimneys sold by TPI-Polytechniek. PUR is suitable for the above purposes because the material is light, insulating and weather-resistant and as it does not develop condensed water at large heat fluctuations. Demand is growing and is especially driven by the industrialisation of agriculture.

**Strategy**

Ergomat wants to develop the market shares in Europe, North America and Asia through intensified sales, establishment of new sales companies as well as development of a network of external distributors in franchising, etc. Ergomat will penetrate new markets – the health sector as well as the commercial and service sectors - and currently invest in a broader and deeper product programme. The facilities in Søndersø will be extended in 2006 to meet the demand.

Tinby will increase sales efforts within back-foamed articles and insulation caps and cultivate new customer segments. In 2005, Tinby developed two new back-foamed transport boxes together with Gibo Plast. In future, focus will be on equipment for handicapped and on the wind turbine industry. Product development in Tinby has high priority and is carried out in close cooperation with the customers.

The capacity at Tinby in Poland will be extended by 1/3, especially to meet the increasing demand for ventilation equipment. TPI-Polytechniek holds a strong position in areas such as Eastern Europe, Scandinavia and the UK and has solved a number of overseas tasks. The strategy is to an increasing extent to adapt to the fact that animal production is becoming global by covering the overseas markets even better and by aiming at product and concept development - also to other industries.

**Outlook for 2006**

Revenue and earnings are expected to rise although at a lower pace than in 2005. Earnings will be affected by investments in market development and campaigns. The business area's earnings may be affected if the dangerous bird disease spread further and affect the poultry production in TPI's markets.

# Vacuum moulding

- Revenue fell by 1% despite strong growth in the fourth quarter
- Operating profit decreased due to costs relating to amalgamation of the entities
- Production was centralised at one address in Skjern
- Stronger cultivation of new customer segments
- Gibo expects unchanged earnings at little lower revenue

| | |
|---|---|
| Name: | Gibo Plast A/S |
| Website: | www.gibo.dk |
| Locations: | Skjern |
| Executive Board: | Anders S. Andersen, CEO |
| Activities: | Gibo Plast A/S develops, product matures and manufactures thermo-moulded plastic products in different materials and colours. The products are mainly used in refrigerators and freezers, caravans as well as within the transport, medical equipment and lighting industries. Gibo Plast A/S is specialised within traditional vacuum moulding and the new high-pressure and twinsheet technologies. |
| Description: | Vacuum moulding is a process in which plastic raw material is heated and subsequently moulded under vacuum or high pressure. The products are subsequently finished by cutting (CNC cutting) and finally assembled into the finished product. |
| Environment | The company's objective is to work according to the ISO 14001 standard within two years. |

Every year 300,000 tonnes of salt are spread on to the Danish roads, damaging vegetation. Together with Eliteplast, Gibo Plast has developed salt screens to protect trees and plants. The curved screens throw back the road salt on to the road and carry the snow away. The salt screens have been tested during the winter of 2005-2006.

| **DKK (million)** | **2003** | **2004** | **2005** |
|---|---|---|---|
| Revenue | 89,5 | 105,3 | 104,2 |
| Profit/loss before financial items, depreciation and amortisation (EBITDA) | 14,0 | 12,2 | 8,7 |
| Depreciation and amortisation | -3,6 | -3,1 | -2,4 |
| Profit/loss before financial items (EBIT) | 8,3 | 9,1 | 6,3 |
| Profit/loss for the year | 5,1 | 5,5 | 3,4 |
| Total assets | 68,7 | 85,1 | 95,9 |
| Equity | 27,6 | 28,1 | 27,4 |
| Average number of employees | 60 | 72 | 76 |

**2005 in outline**

Revenue fell by 6.6% over the first three quarters in 2005 due to two factors in particular: Declining sales to Scandinavian producers of refrigerators and freezers who experience keen competition from Eastern Europe and China and a large restructuring process of production plant which had a negative impact on the business.

In the fourth quarter of 2005, when restructuring of production was completed, revenue increased by 16.6%. Growth was also affected by the fact that several customers had emptied their stocks of finished goods. The result for the year was therefore a decline in sales of 1%.

Gibo Plast closed the plants in Esbjerg and Viborg during the year as planned and centralised production in Skjern where the facilities were extended with 4,000 square metres of warehouse, production and administration buildings. At the same time, Gibo Plast started to use one of the largest machines in Europe which apart from traditional vacuum moulding is also able to mould in high-pressure and twinsheet and handle sheets of large sizes – up to 2 x 3 metres.

A large part of the costs relating to the relocation was covered by the provisions made the year before. The running-in in Skjern was delayed, partly due to delayed handing-over of the new building, partly due to large internal reorganisation on the 12,000-square metre plant. But the reorganisation which has now been successfully completed will reduce the fixed costs in future.

The operating profit decreased due to declining sales, increasing raw material prices and the delay in running-in. Almost one third of profit was generated in the fourth quarter when production was run in. Depreciation fell due to disposal of superfluous machinery.

**Markets and products**

The Scandinavian market for vacuum moulded plastic articles is estimated to be approx. DKK 5-600 million. Many items executed in other materials can advantageously be replaced by vacuum moulded plastic and consequently there is basis for a growing demand. However, the market is also breaking up because a number of customers are hit by competition from low-wage areas and therefore consider moving to low-wage areas themselves. Therefore, it is increasingly important for Gibo Plast to be able to produce even more cost-effectively.

Within traditional vacuum moulding, Gibo Plast is the leading supplier in Scandinavia and among the ten largest in Europe whereas the position is stronger within the new technologies of high-pressure and twinsheet. After large investments in new technology, Gibo Plast is able to handle items of many sizes and masters large-scale production as well as quite small series of specially-designed items with logos. The offer for the customers is completed with decoration, coatings and packaging, etc.

The customers of Gibo Plast are a wide range of Scandinavian industrial companies, primarily producers of refrigerators and freezers as well as enterprises within medical appliance, lighting and transport equipment.

**Strategy**

Gibo Plast will increase its sales efforts to sell the capacity of its 15 machines. Exports to Norway and Sweden have been increasing in recent years and Gibo Plast will increase efforts in these and other close markets and enter into close cooperation with selected customers.

New customer segments must be cultivated to reduce dependency on the refrigerator and freezer sector. For the past two years, Gibo Plast has been successful in developing solutions for caravans and sales efforts in the transport equipment area and the agricultural industry are to be intensified.

Gibo Plast is to enhance the sale of high-pressure and twinsheet technologies allowing greater freedom of design and enabling flexible production of large complex plastic items. Gibo Plast expects that the new technologies will open doors to new customer segments and the objective is to maintain the position as one of the leading suppliers of the new moulding technologies.

Automation of production continues and implementation of LEAN in production is also expected to increase efficiency. Moreover, Gibo Plast will consider when and how it is right to follow customers who also source out production to low-wage areas.

**Outlook for 2006**

Revenue for the refrigerator and freezer industry is expected to decline whereas sales to other customer groups are expected to increase. In total, it is expected to result in a slightly lower revenue. As a result of the enhanced efficiency in production in Skjern, the profit is expected to be at the same level as in 2005. Price fluctuations of raw materials may affect the profit.

# Coatings

- Sales growth of 17.6% in continued activities
- Unsatisfactory operating income
- Good market growth in Coating
- Establishment of Medical in Poland in 2006
- Break-even in 2006

| | |
|---|---|
| Name: | Accoat A/S |
| Website: | www.accoat.dk |
| Location: | Kvistgård, North Zealand and from 2006 also Zdunska Wola in Poland. |
| Executive Board: | Niels Uhrbrand, CEO |
| Activities: | Coating engages in the coating of industrial products and production plants. The products coated range from very small needles to large tank facilities.<br><br>Medical develops, produces and distributes finished articles for the medical appliance industry and supplies components for medico-technical equipment. The most important article is guide wires. |
| Description: | Accoat A/S develops and manufactures environment-friendly solutions and products including fluourplastics (Teflon®), PTFE and other refined materials. |
| Environment: | Coating is certified in accordance with DS/EN ISO 14001. Medical's CE-labelled medical equipment is certified in accordance with DS/EN ISO 9001:2000, DS/EN ISO 13485:2003, ANNEX II – Directive 93/42/EEC. |

Coatings prevent materials from sticking. This property is important when producing mozzarella where it is vital that the cheese blocks do not stick to the machines in order for the cheese to keep the shape. Accoat periodically coats large cheese wheels of a diameter of 1.8 metres from Arla Foods in Rødkjærsbro.

| **DKK (million)** | **2003** | **2004** | **2005** |
|---|---|---|---|
| Revenue | 76.6 | 82.8 | 92.0 |
| Profit/loss before financial items, depreciation and amortisation (EBITDA) | 8.3 | 4.3 | 7.2 |
| Depreciation and amortisation | -4.5 | -2.3 | -4.9 |
| Profit/loss before financial items (EBIT) | 2.9 | 2.0 | 2.3 |
| Profit/loss for the year | 1.9 | 0.6 | -0.2 |
| Total assets | 107.1 | 106.8 | 100.0 |
| Equity | 35.2 | 35.8 | 35.6 |
| Average number of employees | 110 | 112 | 114 |

**2005 in outline**
As part of SP Group's strategy to close or sell non-strategic activities, Accoflour (seal rings in teflon) was sold on 1 November. Furthermore, the company sold a financial asset investment and a small property. In total, sales did not affect earnings for the year but contributed to reducing the interest-bearing debt and ensuring a better basis for the future.

Including the 10 months' contribution from Accoflour, revenue in the business area increased by 11%. Growth in the two continuing divisions, Coatings and Medical, was 17.6% which was slightly lower than expected.

Growth was especially driven by Coating although sales to a few major customers were lower than predicted. Medical, however, experienced decreasing sales prices of several products and the introduction of a hydrophilic guide wire in hospitals took longer than expected.

Operating profit was negatively affected by large expenses relating to product development, operations in the divested Accoflour, a more wage-intensive product mix in Medical and higher costs in Coating. All Coating activities were centralised in 2005 in a new factory in Kvistgård where buildings and production equipment were updated. The running-in of the new plant, however, meant that production on the old plant had to be maintained for a longer period than expected and that investments in automation were not carried out.

Depreciation increased due to inauguration of the new factory and production line.

**Market conditions and products**
The market for Coating is characterised by the requirement of great expertise within development and production of complex coatings in environment-friendly plastics. Moreover, suppliers have to develop and test an increasing part of the coatings in their own laboratories in order to document properties and durability. In principle, Accoat may coat all kinds of items but Accoat focuses on non-stick and low-friction solutions. In these areas, Accoat is leading in Scandinavia and among the largest market players in Europe.

The market is driven by the fact that several enterprises realise that coating may improve the useful life and application of their products. Accoat is recognised as a competent supplier and has rendered services in 2005 to approx. 450 different customers in 12 countries and coated various products, such as ovens, baking machines, filling machines, engine components, radar antennas and equipment for the oil and gas industries. By far the largest product area, however, is specialty items in large series for the pharmaceutical industry.

In the market for medical device equipment, there are many suppliers and the price pressure is intensified. Therefore, it is necessary for Accoat Medical to lower costs and to develop low-price multi-service solutions. Accoat Medical is a minor supplier in European context but in the niche of PTFE-coated guide wires the company is among the three largest in Europe. Guide wires are used as disposables within urology, radiology and angiography and the products are sold either to OEM customers or directly to hospitals.

**Strategy**
The business area will set up production in Poland in 2006 with special focus on wage-intensive activities. The preparations were initiated in 2005 with training of new Polish employees in production and medical device competences. Moreover, investments were made in buildings, machinery and equipment in the new plant in Zdunska Wola as well. Production was started in February 2006 and the factory will gradually be expanded. The Polish activities will strengthen Accoat Medical's competitiveness.

Within Coating, focus is still on increased product development and increased sales to utilise the extra capacity in production. Sales are to be strengthened by introducing service concepts to several major customers. To cover the need for wear-resisting coatings, Accoat has developed a new series of reinforced coatings. In cooperation with Swedish Impact Coating, a very hard lacquer was developed in 2006 to give the plastic items a metallic surface. The basis of this is the Group's know-how within UV Coating.

**Outlook for 2006**
The continuing activities in Coating and Medical are expected to achieve a growth in revenue. The start-up of activities in Poland will have a negative impact on earnings and not have a positive impact until in 2007. Consequently, a breakeven is expected for 2006.

# Risk management

The operation of SP Group involves certain commercial and financial risks. The scope of the Group's risk management has been determined by the Supervisory Board which reviews policies and scope at least once a year. The following risks are of particular importance to SP Group:

**Commercial risks**

*Market and competitor risks*
SP Group's Danish primary market is in general characterised by excess capacity with many, small suppliers, price pressure and customers' demands for smaller production series and more flexible production. SP Group has also experienced increased competition from the low-price regions in Eastern Europe and Asia where several of the Group's customers have set up or will set up their business.

To minimise the risks in these turbulent markets, SP Group has transferred parts of its production to China and Poland, and the process continues. This way, the Group will still be able to render service to customers outsourcing their own production to these low-wage regions and capture new customers in Eastern Europe and China.

Moreover, the Group's Danish production is subject to an intensive restructuring to make it more efficient and flexible. Progress was made in 2005 but the process will continue with particular focus on reducing costs and utilizing the size and competences of the Group. This effort is to result in higher profitability which will improve the Group's competitiveness.

In terms of sales, SP Group will have to reduce dependence on the Danish market through increased exports to local markets – Sweden, Norway, Northern Europe and Great Britain – and selected niche products through exports to all of Europe or globally.

*Customers*
SP Group has approx. 1,000 customers in the four business areas. Most of the customers are situated in Scandinavia. The 10 largest customers account for approx. 36% of the Group's revenue and this share has decreased as activities have been internationalised. No customer accounts for more than 10% of the total revenue.

The customer stock is so dispersed – also at industry level – that SP Group is not particularly exposed to certain industries or individual customers. This is, however, the case for a few of the business areas, for instance Gibo Plast's strategic role as sub-supplier to Scandinavian producers of refrigerators and freezers.

Declining sales to a few or several customers may impact on the Group's earnings. To minimise this risk, the Group seeks to enter into multi-annual customer and cooperation agreements which lay down the general conditions of future orders. SP Group further engages in product development work with the customers to appear as an obvious strategic partner and finally the Group is working on developing more niche products and products under own brands of which the Group itself controls the sales to a higher extent.

*Raw material prices and suppliers*
SP Group's earnings are dependent on the prices of raw materials and other materials for the production. Most of the Group's raw materials are oil-based, and significant fluctuations in oil prices may therefore result in rise in prices which SP Group cannot add directly to sales prices.

SP Group has centralised the purchasing of critical raw materials to increase the reliability of delivery and achieve a better negotiation position as a purchaser of large volumes. Further, SP Group currently examines the opportunities of sourcing critical raw materials globally. The vulnerability to oil-price dictated increases in raw material prices may decrease but will fundamentally remain.

*Change of production system*
The production system of the Group is currently changed, partly through investments in new production equipment, partly by changing systems and distribution of assignments. With this change, the Group will gradually achieve higher specialisation of production in the individual factories and efficiency will increase.

There is a risk that the implementation of these changes will cause delays and disturbances and impose further costs on the Group or affect the extent of activities as was the case in 2005 in Gibo Plast and to a smaller extent in Accoat.

On the basis of thorough planning, SP Group seeks to minimise costs and time consumption by adapting the production system. A smooth and fast implementation of this process is a necessity to achieve higher profitability in the Group.

**Financial risks**

The Supervisory Board has decided not to indulge in active speculation of financial risks. The Group's cash and raising of loans are managed centrally.

*Interest risks*

The Company's interest risks primarily originate from the net interest-bearing debt which is calculated as mortgage debt and bank debt less negotiable short-term securities and cash. At the end of the year, the net interest-bearing debt had decreased to DKK 328 million. Of the total debt, DKK 97 million relates to fixed-rate loans with an average interest rate of 4.4%, while the rest of the debt relates to floating-rate loans with an average interest rate of 2.8%.

An increase in the general interest level of 1 percentage point will result in an increase in annual interest expenses before tax of approx. DKK 3 million.

SP Group focuses on increasing cash flows from operating activities to reduce the net interest-bearing debt and finance own investments as was the case in 2005. The Group also seeks to reduce the debt by divesting non-strategic assets and by concluding operating leases on production equipment.

*Credit risk*

The credit standing of customers and cooperative partners is currently and systematically supervised by the Group. Credit insurance is used to hedge part of the credit risk.

The Group has no unusual credit risks relating to individual customers or cooperative partners. The customers and cooperative partners are often large, highly respected companies from many different business sectors and dispersed in terms of numbers, which reduces SP Group's total credit risk.

*Currency risks*

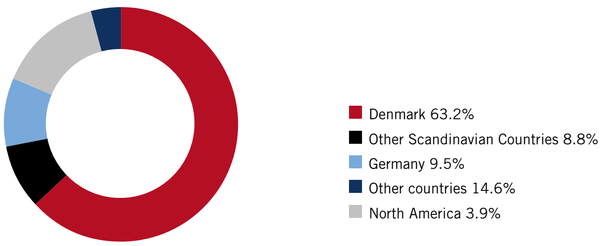
SP Group carries out currency transactions in connection with hedging of commercial transactions by means of forward exchange transactions and options, and Management assesses on a current basis the necessity of hedging the currency risk of the individual transactions.

Currency risks relating to income are limited as approx. 90% of revenue is recognised in Scandinavian or Euro currencies. The rest of the sales is recognised in USD or currencies following the USD.

Of the fixed costs of the Group, approx. 95% is incurred in Scandinavian or Euro currencies. Purchase is also mainly recognised in DKK though prices depending on the USD on an underlying basis.

50% of the Group's long-term financing is raised in CHF. Other debt is raised in DKK and Euro.

**Net sales broken down by geographical markets – 2005**



# Corporate Governance

**Proper and decent management**
SP Group's goal is for the Company to continuously be managed properly and decently which in the longer term will help create value for the Company's shareholders, customers, employees and other stakeholders.

The Supervisory and Executive Boards of SP Group recognise the significance of good corporate governance and wish to create openness and transparency about the Company's governance and operations. In 2003, the Supervisory Board systematically reviewed the corporate governance recommendations and took a stand on each recommendation. The Supervisory Board then decided that the Company observed the most significant guidelines of the Copenhagen Stock Exchange. No significant changes have been made in the Group's corporate governance since then, but SP Group has increased openness in the reporting about a number of managerial relations. In the annual report for 2006, SP Group will systematically decide on the revised guidelines of the Copenhagen Stock Exchange.

In 2005, the Supervisory Board has held seven meetings. Two of these meetings had budget and strategic plan, respectively, as main themes.

**Composition and remuneration of the Supervisory Board**
The Supervisory Board Members elected at the General Meeting are up for election each year. The Supervisory Board has no incentive schemes, but receive an ordinary remuneration which is determined by the General Meeting. The remuneration recommended for approval of the General Meeting for the financial year 2005 is as last year DKK 180,000 for the Chairman, DKK 135,000 for the Vice-Chairman and DKK 90,000 for the other members.

Based on the work load and the requirements of the Supervisory Board, it is recommended that the remuneration for 2006 should be increased to DKK 250,000 to the Chairman, DKK 135,000 to the Vice-Chairman and DKK 125,000 to other members.

At the General Meeting in April 2005, CEO Steen Lønberg Jørgensen, Dansk Kapitalanlæg A/S, was elected to the Supervisory Board. As Dansk Kapitalanlæg is no longer a shareholder of SP Group, Steen Lønberg Jørgensen will resign at the General Meeting in 2006, and no replacement is recommended. The number of members of the Supervisory Board is accordingly reduced by one member.

Left to right:
Anders S. Andersen
Frank Gad

**Group Executive Board**
Per R. Reimer resigned from the Group Executive Board in November 2005. The Group Executive Board accordingly consists of Frank Gad, who was CEO of SP Group since November 2004, as well as Anders S. Andersen, who joined the Group Executive Board effective from 1 March 2005.

CEO Frank Gad was born in 1960 and MSc (Economics and Business Administration) Frank Gad is also the CEO of SP Moulding A/S. Former positions: CEO of FLSmidth A/S (1999-2004), CEO of Mærsk Container Industri A/S (1996-1999) and employed in Odense Staalskibsværft (1985-1999), last as executive officer. Member of the Supervisory Board of Danionics A/S

Shares in SP Group: 30,500 shares as well as 8,500 shares in own company. All shares were acquired in 2005.

Group Executive, Anders S. Andersen was born in 1964 and is also CEO of Gibo Plast A/S, which he founded in 1986. Also CEO of Anders Andersen Holding ApS. Shares in SP Group: 219, which is unchanged.

The remuneration of the Group Executive Board in 2005 was DKK 3.7 million which includes salary for Per R. Reimer in his employment period.

**Incentive programs**
SP Group has established a warrant scheme for CEO Frank Gad to tie him closer to the Group. In accordance with the authorisation given at the General Meeting in 2005, Frank Gad has been granted warrants which entitle him to subscribe for 54,000 shares in 2008.

The exercise price is fixed at DKK 81 – the price at Frank Gad's employment in mid-November 2004 - plus an annual addition of 7.5%.

No option or warrant programs have been established for other executives.

**The Executives**
Other managing employees of SP Group are:

Jørgen Nielsen, Chief Financial Officer
Johannes Matthiesen, Managing Director of Tinby
Mogens Kryger, Managing Director of Ergomat.
Hans Knudsen, Plant Managing Director of SP Moulding.
Kenny Rosendahl, Managing Director of SP Medical
Niels Uhrbrand, Managing Director of Accoat
Jens Hinke, Managing Director of Development of SP Group.
Jeroen van der Heijden, Managing Director, TPI-Polytechniek

*Further information about corporate governance is available in the corporate governance section on the SP Group's website www.sp-group.dk.*

Left to right:
Karen M. Schmidt
Poul H. Jørgensen
Erling Larsen
Erik Christensen
Niels Kristian Agner
Hans Wilhelm Schur
Steen Lønberg Jørgensen
Erik Preben Holm

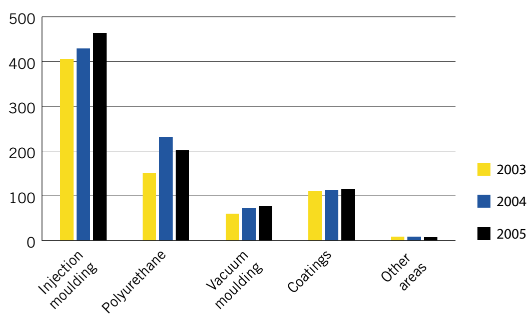
# Supervisory Board's number of shares in SP Group A/S and directorships in Danish and foreign companies etc.

| | Number of shares | Change compared to 2005 | Directorships in Danish and foreign companies etc. |
|---|---|---|---|
| Niels Kristian Agner, CEO, born 1943. Supervisory Board member and chairman since 1995. | 5,800 | +5,000 | Pigro Management ApS (CEO), A/S Dantherm Holding (SBM), Aktieselskabet SCHOUW & CO (SBM), Ero Holding A/S (SBM), G.E.C. Gads Boghandel A/S (SBC), G.E.C. Gads Forlag A/S (SBC), G.E.C. Gad A/S (SBC), GW Energi A/S (SBM), INCUBA Venture I K/S (SBC), InnFond P/S (SBC), InnKomplementar A/S (SBC), Interket DK A/S (SBM), NOVI A/S (SBC), Dantherm Fonden (SBM), Direktør Hans Hornsyld og hustru Eva Hornsylds Legat (SBM), Direktør Svend Hornsylds Legat (SBM), NOVI Ejendomsfond (SBM) |
| Erik Preben Holm, CEO, born 1960. Supervisory Board member since 1997. | 0 | 0 | K/S Dundee (SBC), ApS Dundee Komplementar (CEO), Arvid Nilsson A/S (SBM), Arvid Nilsson Fond (SBM), LD Fond I, Investeringskomité |
| Erling Larsen, CEO, born 1940. Supervisory Board member since 1999. | 0 | 0 | Cens A/S (SBM), Kærup Erhvervspark A/S (CEO og SBM), Kærup Gods A/S (CEO and SBM), PBInge A/S (SBM), PBI Holding A/S (CEO and SBM), PBI-Dansensor A/S (SBC), Powercharge A/S (SBC), Glunz & Jensen Fonden (SBM), Køhn Group ApS (SBM) |
| Hans Wilhelm Schur, CEO, born 1951. Supervisory Board member since 1999. | 0 | 0 | Schur International a/s (CEO, SBM), Schur Invest a/s (CEO, SBM), Glunz & Jensen Fonden (SBM), Konsul Axel Schur og Hustrus Fond (SBC), Industrimuseet i Horsens (SBC), Landesbeirat Schleswig-Holstein, Commerzbank A (SBM), Nykredit (member of the governing council) |
| Erik Christensen, CEO, born 1937. Supervisory Board member since 2002. | 3,000 and through company 1,000 | +3,000<br>+1,000 | Andreas Andresen A/S (SBM), B Import A/S (SBM), BB Electronics Holding A/S (SBC), BB Electronics A/S (SBC), Ejendomsselskabet Sjællandsvej A/S (SBM), EKV transport A/S (SBM), Handelsselskabet af 1. marts 2000 A/S (SBM), Hyundai Bil Import A/S (SBM), KK transport A/S (SBM), Lada Danmark A/S (SBM), Nic. Christiansens Holding A/S (SBC), Sarepta A/S (SBM), Schur International a/s (SBM), Schur Invest a/s (SBM), Schur Conference Center a/s (SBM), Eltronic A/S (SBM), Unic Parts A/S (SBM), Vamdrup Klargøringscentral A/S (SBM), Konsul Axel Schur og Hustrus Fond (SBM), Luise Andresens Fond (SBC), Nic. Christiansens Fond (SBC), Nic. Christiansens Holding af 1985 ApS (SBC) |
| Steen Lønberg Jørgensen, CEO, born 1970. Supervisory Board member since 2005. | 0 | 0 | Dansk Kapitalanlæg Aktieselskab (CEO), Baltic Rim Fund Ltd. (SBM), INCUBA A/S (SBM), NOVI A/S (SBM) |
| Poul H. Jørgensen, Operator, born 1961. Employee representative since 2002. Latest election for the Supervisory Board in 2002. | 45 | 0 | |
| Karen M. Schmidt, Operator, born 1951. Employee representative since 2002. Latest election for the Supervisory Board in 2002. | 90 | 0 | |

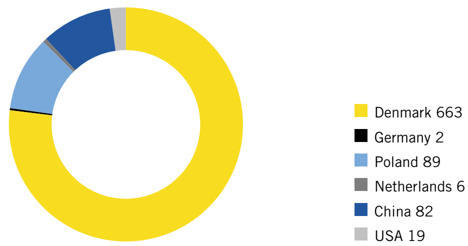
CEO = Chief Executive Officer, SBC = Supervisory Board Chairman, SDC = Supervisory Deputy Chairman, SBM = Supervisory Board Member

# Organisation, knowledge resources and environment

**Distribution of employees (in average)**




**Distribution of employees by geographical markets in 2005 (in average)**




**Employee profile**

In 2005, SP Group in average had 861 employees, which represents an increase of 1.0%. By the end of the year the Company had 833 employees against 846 by the end of 2004. The most extensive change in employees took place in Poland, where SP Group closed down a staff intensive fitting activity and was forced to discharge the employees. Furthermore, the employees are to a minor degree affected by divestment and restructuring.

The greatest growth in employees during the year took place in China and in SP Medical.

SP Group depends on being able to recruit, retain and develop key employees. The Group is only able to develop and manufacture competitive products if the employees have suitable education and the necessary technical insight to understand and solve the customers' specific issues. The Group assesses that it has no problems hiring and retaining employees for the most critical management and specialist jobs. However, turnover among the hourly-paid workers in a few of the factories is still too high, but the problem has become smaller.

Restructuring of SP Group has already lead to and will continue to lead to significant changes for many employees. Not least the hourly-paid operators who constitute the largest group of employees.

It is vital that all employees participate actively in the restructuring and support it. During 2005, good results have been achieved by involving employees in planning their own work procedures and processes, and this process will continue. Also, as in 2005, the Group Executive Board will work hard on informing the employees and meeting them directly.

**Changes in Group structure**

The structure of Injection moulding was changed early in 2005 so that all enterprises in the business area were gathered under one management in SP Moulding A/S. This gave clear distribution of work between the factories and resulted in economies of scale which have ia been realised by a central purchase department.

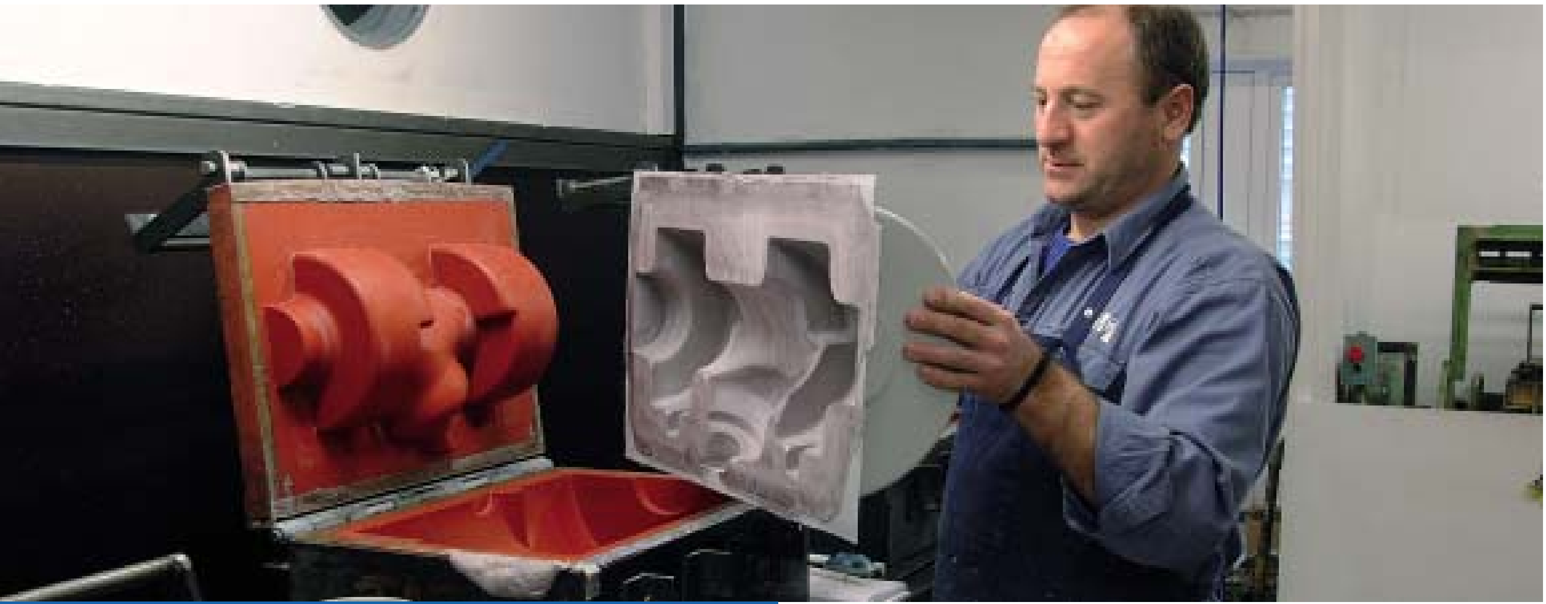
As from 1 January 2006, Ergomat A/S and Tinby A/S are divested from the Parent and will become two independent companies. This is done to make the Group more transparent. The Parent SP Group will subsequently only handle a number of joint functions as well as own shares in the operating enterprises.

Finally, also in 2006, the activities in Accoat Medical will be transferred to SP Medical to create an increasingly powerful unit and use the competencies better.

**Central development**

The development efforts in SP Group are managed by a central department, SP Development, which handles all large development projects across the Group, assesses the possibilities in new material, develops new products and supports the business areas. By the end of the year, SP Development had four employees and, in addition to this, approx. 50 employees in the Group are employed in actual and customer-specific development tasks.

The development efforts are important for SP Group's strategy – partly for the ambition of launching more of our own niche products and partly for the attempts to be more differentiated as a stronger sub-supplier by our total know-how within process, design, raw materials and product characteristics. In practice, SP Development's work on



Top:
Insulation cap for insulation of valves, ia district heating valves. It is cast in polyurethane with a vacuum-shaped exterior shell. The cast is made in a plastic tool. The insulation caps are manufactured under the trademark of Topo® on Tinby A/S factory in Søndersø.

Bottom:
Stable valve cast in polyurethane for the use in stables, especially poultry stables. The stable valve ensures intake of air and ventilation of the barn to give good indoor climate for the animals. It is produced for TPI in Poland.

developing specific products and techniques is carried out in close cooperation with customers and other cooperating partners.

SP Development's cooperation with the Group's sales functions has been strengthened in 2005, so that the development department focuses on projects with market potential. Fixed, monthly meetings are held between SP Development and the sales organisations in Coating and SP Moulding to develop ideas and follow up on leads from customers. The close cooperation has resulted in new solutions for new customers, just as SP Development has played a part in the growing cooperation between business units.

SP Development also participates in development of new types of surface treatment based on the nano paint technology. By Nano paint, surfaces can be treated at lower temperatures, and the treatment gives materials special characteristics, for instance the ability to resist water or soiling. SP Group is part of a four-year project with the Danish Technological Institute, University of Aarhus and other enterprises. Participation in the project means development of competencies which may be important for SP Group's consumption of raw materials as well as for future products.

**Environmental issues**

The consideration of environment, safety and health is an integrated part of SP Group's business, and the Group currently seeks to limit the environmental strain.

The most important strain on the environment appears in connection with consumption of energy, raw materials and derived waste of materials.

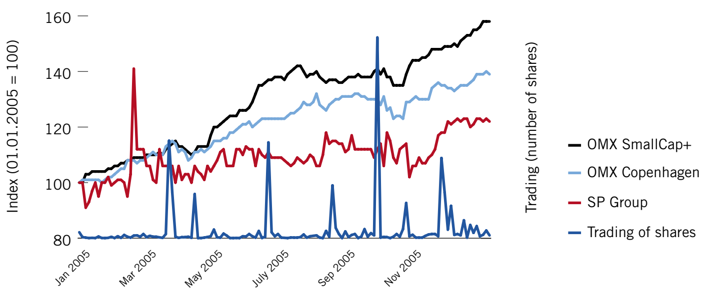
SP Group's strategy is for all the Group's enterprises to implement a certifiable control system which ensures:
- that environmental friendly products are applied in the production and development processes
- that the amount of garbage and waste as well as the resource consumption is minimised
- that materials are recycled to the extent possible
- and that the employees are to have a satisfactory work environment, where great considerations are made for security and environmental strain

As appears from the segment descriptions, by far most enterprises have obtained the desired environmental certifications.

SP Group currently works on improving the internal work environment as well as on lowering the external influences. The Group estimates that it meets all effective environmental provisions.

# Shareholder information

**Share price performance in 2005**




Source: Copenhagen Stock Exchange

**Overall objective**
SP Group's goal is to increase the liquidity of the Company's share and to create a positive return for the shareholders through increases in the share price and – in the longer term – also dividends.

**ISIN code and share capital**
SP Group's shares are listed on the Copenhagen Stock Exchange under the symbol SPG, and the ISIN code is DK0010244771. The share is included in the indexes KFMXPI, OMXCPI, CX15PI, CX1510PI and CX151010PI.

The share capital consists of 1,778,670 shares of DKK 100, which corresponds to a nominal share capital of DKK 177.9m. The share capital has not been changed during 2005. The Company only has one class of shares and the shares are freely negotiable, and the voting rights are not limited.

**Dividend policy**
The Supervisory Board of SP Group presently intends to apply possible profits on strengthening the Company's operations and financial position. The Supervisory Board does not expect to pay dividends before equity again exceeds share capital, and the Company has regularly met its financial objective that the profit before tax and minorities is to correspond to 5% of revenue.

**Development in share price**
The share ended the year in a price of DKK 110 and thereby increased by 29% in 2005. The increase in price is below the general share market, but still reflects that, after a number of bad years, greater focus has been given SP Group, and that in the share market, there is increasing recognition of the fact that SP Group has turned the development, and that restructuring of the Group proceeds as planned.

The increasing attention about the Company is also reflected in the liquidity of the share. In 2005, 993,553 shares were traded against only 4,740 shares in 2004, and the total market price of revenue increased to DKK 95.6m against only DKK 0.7m in 2004. SP Group has worked targeted on increasing liquidity, and these efforts continue.

**Financial Calendar**
SP Group has fixed the following key dates in 2006:

| | |
|---|---|
| **27 April** | Ordinary General Meeting and Quarterly Announcement for Q1 2006 |
| **24 August** | Interim announcement for 2006 |
| **26 October** | Quarterly announcement for Q3 2006 |

**Ownership**
During 2005 a larger spreading of the share has taken place. By the beginning of the year, 8 major shareholders owned a total of 93.3% of the shares, and the share was in fact illiquid. In the beginning of March 2006, the circle of major shareholders was reduced, and their total ownership has dropped to 46.4%. The free flow in the share has accordingly increased significantly. In the beginning of March 2006, the following shareholders had announced ownership of 5% or more of the Company's shares:

| | **Registered in** | **Number (pieces)** | **Share (%)** |
|---|---|---|---|
| Cens A/S | Ringsted | 300,824 | 16.9% |
| Schur Invest A/S | Horsens | 216,449 | 12.2% |
| Mørksø Invest ApS | Skive | 184,678 | 10.4% |
| Vibco Invest | Vejle | 123,425 | 6.9% |
| **Major shareholders total** | | **825,376** | **46.4%** |
| Distribution of other shares | | | |
| SP Group (treasury shares) | | 13,975 | 0.8% |
| Registered by name less than 5% | | 378,550 | 21.3% |
| Not registered by name | | 560,769 | 31.5% |
| **TOTAL** | | **1,778,670** | **100.0%** |

In the beginning of March 2006, the share was distributed into 524 shareholders registered by name, of these 14 foreign. The number of shareholders listed by name has increased vaguely. In return, the share of not registered shareholders has increased notably.

**Investor relations**
Through open, decent and available communication, the SP Group will seek to develop a dialogue with shareholders, investors and other stakeholders.

The ambition of the effort is to be included in the Copenhagen Stock Exchange's SmallCap+ index in 2007.

As the first steps towards this ambition, SP Group has in 2005 strengthened the efforts to spread the knowledge of the Company and its activities. The website has been elaborated, and Management has regularly held meetings with investors and other stakeholders as well as participated in investor seminars. In January 2006, SP Group has held a capital market day with special focus on the activities within the medico sector.

SP Group expects to expand activities in 2006 by participating in several meetings and make increased use of IT. It is ia planned to web cast the presentation of two quarterly reports, which is one of the requirements for being accepted in the SmallCap+ index.

Person responsible for investor relations is CEO Frank Gad
Telephone: +45 70 23 23 79
E-mail: info@sp-group.dk

Information about SP Group is also available on the website www.sp-group.dk. The website also contains the Notices to the Stock Exchange issued by the company in 2005 and 2006.

# Statement by Management on the annual report

We have today presented the annual report of SP Group A/S for 2005.

The annual report is prepared in accordance with the International Financial Reporting Standards as adopted by the EU and further Danish disclosure requirements for annual reports of listed companies.

We consider the accounting policies applied to be appropriate for the annual report to provide a true and fair view of the Group's and the Parent's financial position at 31 December 2005 and of the Group's and the Parent's operations and cash flows for the financial year 2005.

We recommend the annual report for adoption at the Annual General Meeting.

Søndersø, 30 March 2006

**Executive Board**

Frank Gad
Chief Executive Officer

Anders S. Andersen

**Supervisory Board**

Niels K. Agner
Chairman

Erik Preben Holm
Deputy Chairman

Erik Christensen

Erling Larsen

Hans Wilhelm Schur

Steen L. Jørgensen

Karen Marie Schmidt
Employee representative

Poul Henning Jørgensen
Employee representative

# Auditors' report

**To the shareholders of SP Group A/S**
We have audited the annual report of SP Group A/S for the financial year 2005, prepared in accordance with the International Financial Reporting Standards as adopted by the EU and further Danish disclosure requirements for annual reports of listed companies.

The annual report is the responsibility of the Company's Management. Our responsibility is to express an opinion on the annual report based on our audit.

**Basis of opinion**
We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies applied and significant estimates made by Management as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

**Opinion**
In our opinion, the annual report gives a true and fair view of the Group's and the Parent's financial position at 31 December 2005 and of the results of the Group's and the Parent's operations and cash flows for the financial year 2005 in accordance with the International Financial Reporting Standards as adopted by the EU and further Danish disclosure requirements for annual reports of listed companies.

Odense, 30 March 2006

Deloitte
Statsautoriseret Revisionsaktieselskab

| | |
|---|---|
| Henning Jensen | Fl. Heden Knudsen |
| State Authorised | State Authorised |
| Public Accountant | Public Accountant |

# Accounting policies

The annual report of SP Group A/S for 2005, which includes both the parent financial statements and the consolidated financial statements, is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, see the disclosure requirements of the Copenhagen Stock Exchange for annual reports of listed companies and the Danish Executive Order on IFRS Adoption issued in accordance with the Danish Financial Statements Act.

The annual report also complies with International Financial Reporting Standards (IFRS) issued by IASB.

The annual report is presented in Danish kroner (DKK), which is regarded as the primary currency in relation to the Group's activities and the functional currency of the Parent.

The annual report is presented on the basis of historical cost. Otherwise, the accounting policies applied are described below.

**Change in accounting policies because of transition to IFRS**

The annual report for 2005 is the first being presented under IFRS. It was decided to apply IFRS both to the parent financial statements and the consolidated financial statements.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied for the transition. This Standard requires the opening balance sheet at 1 January 2004 and the comparative figures for 2004 to be prepared in accordance with the standards and interpretations applicable at 31 December 2005. The opening balance sheet at 1 January 2004 has been prepared as if these standards and interpretations had always been applied, apart from those cases where the special transitional and commencement provisions described in IFRS apply, see below.

The transition to presentation of financial statements and consolidated financial statements under IFRS has required changes to the accounting policies applied by both the Parent and the Group in the following areas as regards recognition and measurement:

- Goodwill shall not be amortised but tested as a minimum once a year for impairment. If the carrying amount exceeds recoverable amount, impairment losses relating to goodwill shall be recognised.
- The Parent's measurement of investments in subsidiaries is made at cost according to the change in accounting policies. Previously, investments in subsidiaries were recognised at equity.

The general rule for accounting for changes in accounting policies is that, in the year of changing policies, the annual report is to be presented retrospectively as if the enterprise had always applied the new accounting policies, including restatement of comparative figures. When making the transition to financial statement presentation under IFRS, however, IFRS 1 provides a number of both mandatory and optional exemptions to this general rule.

The following mandatory exemption is applied

- Prior years' accounting estimates are not re-estimated when transitioning to financial statement presentation under IFRS.

Among the optional exemptions of IFRS, the SP Group has decided to apply the following:

- Business combinations performed before 1 January 2004, including pre-acquisition balance sheets prepared and goodwill amounts calculated in this respect, have not been restated according to IFRS regulations.
- Exchange rate differences from translation of foreign subsidiaries that were taken to equity have been zeroed in the opening balance sheet so that only translation differences arisen after 1 January 2004 are reflected as a reserve on equity.

In addition to changes in recognition and measurement, disclosure and classification of financial statement items have been changed for the following elements because of the transition to IFRS financial statement presentation:

- Minority interests that are disclosed as a consolidated equity component
- Deferred tax liabilities are no longer disclosed under provisions but are recognised under non-current liabilities.
- Proposal for dividend for the financial year is not disclosed as a separate item in equity but disclosed in the notes.

The effect in terms of value of the changes in accounting policies which follow from the transition to IFRS financial statement presentation can be specified as follows:

**Group**

| | Equity incl. minority interests at 1 Jan. 04 DKK'000 | Equity incl. minority interests at 31 Dec. 04 DKK'000 | Profit/loss 2004 DKK'000 |
|---|---|---|---|
| Amounts in accordance with the annual report for 2004 presented according to prior accounting policies | 158,418 | 118,452 | (36.924) |
| **Effect of transition to financial reporting under IFRS** | | | |
| Reversal of amortisation of goodwill | 0 | 4,931 | 4,931 |
| Effect of the change on deferred tax | 0 | (644) | (644) |
| **Amounts according to IFRS** | **158,418** | **122,739** | **(32.637)** |

**Parent**

| | Equity at 1 Jan. 04 DKK'000 | Equity at 31 Dec. 04 DKK'000 | Profit/loss 2004 DKK'000 |
|---|---|---|---|
| Amounts in accordance with the annual report for 2004 presented according to prior accounting policies | 149.204 | 110.849 | (37.772) |
| **Effect of transition to financial reporting under IFRS** | | | |
| Changed measurement of investments in subsidiaries at 1 Jan. 2004 | (3,320) | (3,320) | 0 |
| Reversal of amortisation of goodwill | 0 | 4,931 | 4,931 |
| Changed measurement of investments in subsidiaries | 0 | 1,091 | 508 |
| **Amounts according to IFRS** | **145,884** | **113,551** | **(32,333)** |

The consequences in terms of value from the changes in accounting policies are described in more detail in note 32 to the financial statements.

The comparative figures in the financial highlights for the years 2001-2003 have not been restated to reflect the change in accounting policies.

*Other reclassifications*

Compared to last year, costs of pensions and social security have been reclassified so that costs relating to production staff are now recognised in the item Production costs. Previously, these costs were recognised in the item Staff costs.

The comparative figures for 2004 are adjusted to the changed classification.

**Consolidated financial statements**

The consolidated financial statements include SP Group A/S and the enterprises that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant but not controlling influence are regarded as associates.

*Basis of consolidation*

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 uniform items. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata share of profit/loss forms part of the Group's net profit/loss and is a separate element of the Group's equity.

*Acquisition and sale of enterprises*

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Time of acquisition is the date on which control of the enterprise is actually acquired. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up. Time of divestment is the date on which control of the enterprise actually passes to a third party.

The purchase method is applied in the acquisition of new enterprises, under which identifiable assets, liabilities and contingent liabilities of these enterprises are measured at fair value at the acquisition date. Restructuring costs are only recognised in the acquisition balance sheet if they constitute a liability for the acquired enterprise. Allowance is made for the tax effect of the restatements.

The cost of an enterprise consists of the fair value of the consideration paid plus costs which are directly attributable to the acquisition of enterprise. If the final determination of the consideration is conditional upon one or several future events, adjustments are only included in cost if the relevant event is probable and the effect on cost can be calculated reliably.

Positive differences (goodwill) between cost of the investment and 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. If the asset's carrying amount is higher than its recoverable amount, write-down is made to this lower recoverable amount.

For negative differences (negative goodwill) reassessment of the calculated fair values and the calculated costs of the enterprise is performed. If the fair value of the acquired assets, liabilities and contingent liabilities after the reassessment still exceeds cost, the difference is recognised as income in the income statement.

*Profits or losses from divestment of subsidiaries*

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and carrying amount of the net assets at the time of divestment or winding-up, inclusive of goodwill, accumulated exchange rate adjustments taken directly to equity, and estimated divestment or winding-up expenses. The selling price is measured at fair value of the consideration received.

**Foreign currency translation**

On initial recognition, transactions in currencies different from the Group's functional currency are translated applying the transaction date exchange rate. Receivables, liabilities and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date 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 applying the transaction date exchange rate. Non-monetary items that are restated at fair value are translated using the exchange rate at the date of restatement.

When enterprises which present their financial statements in a functional currency different from Danish kroner (DKK) are recognised in the consolidated financial statements, the income statements are translated at the months' average exchange rates unless they 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 using the exchange rates at the balance sheet date. Goodwill is considered belonging to the relevant acquired entity and is translated using the exchange rate at the balance sheet date.

Exchange differences arising out of the translation of foreign subsidiaries' balance sheet items at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity. Similarly, exchange differences arising out of changes that have been made directly in the foreign entity's equity are also taken directly to equity.

**Derivative financial instruments**

On first recognition, derivative financial instruments are measured at cost equal to the fair value of the consideration paid or received. After initial recognition, derivative financial instruments are measured at fair value at the balance sheet date.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognised asset or a recognised liability are recorded 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 complying with the requirements for efficiently hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant transactions.

Changes in the fair value of derivative financial instruments that are applied for hedging net investments in foreign enterprises are recognised directly in equity if hedging is efficient. On divestment of the relevant foreign enterprise, the accumulated changes in value are taken to the income statement.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

**Share-based incentive schemes**

Share-based incentive schemes under which employees may only choose to purchase shares in the Parent (equity arrangements) are measured at the equity instruments' fair value at the time of allotment and are recognised in the income statement under staff costs over the period during which the employees earn a right to purchase shares. The set-off entry is recognised directly in equity.

**Taxation**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and classified directly as equity by the portion attributable to entries directly on equity. Exchange adjustments of deferred tax are recognised as part of the year's adjustments of deferred tax.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax. When calculating the taxable income for the year, the tax rates and tax rules in effect at the balance sheet date are used.

Deferred tax is recognised according to the balance-sheet liability method of all temporary differences between carrying amounts and tax base values of assets and liabilities, apart from deferred tax on all temporary differences occurring on initial recognition of goodwill or on initial recognition of a transaction which is not a business combination, and for which the temporary difference found at the time of initial recognition neither affects the net profit/loss or the taxable income.

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

The deferred tax is calculated based on the planned use of each asset or liability, respectively.

Deferred tax is measured by using the tax rates and tax rules in the relevant countries which are based on acts passed or acts passed in reality at the balance sheet date and which are expected to apply when the deferred tax is expected to be triggered as current tax. Changes in deferred tax resulting from changed tax rates or tax rules are recognised in the income statement.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. On each balance sheet date, it is reassessed whether sufficient taxable income is likely to occur in the future for the deferred tax asset to be used.

The Parent is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated to the jointly taxed Danish companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

**Income statement**

*Revenue*

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised after deduction of bonus and sales discounts.

*Production costs*

Production costs comprise expenses incurred to realise the revenue. Commercial enterprises include cost of sales in production costs and the manufacturing enterprises include costs of raw materials, consumables and production staff as well as maintenance of the tangible and intangible assets applied in the manufacturing process.

*Other operating income and expenses*

Other operating income and expenses comprise income and expenses of a secondary nature to the Group's primary activities.

*Net financials*

These items comprise interest income and interest expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies, mortgage amortisation premium/allowance on mortgage debt etc as well as tax surcharge and repayment under the Danish Tax Prepayment Scheme.

Interest income and expenses are accrued based on the principal amount and the effective interest rate.

Dividend from investments is recognised when final right to dividend has been acquired, which typically means at the time of the adoption of the distribution from the relevant company at the General Meeting.

**Balance sheet**

*Goodwill*

Goodwill is recognised and measured on initial recognition as the difference between cost of the acquired enterprise and the fair value of the acquired assets, liabilities and contingent liabilities, see the description under consolidated financial statements.

On recognition of goodwill, the amount is allocated into the activities of the Group which generate independent payments (cash-generating units). Determination of cash-generating units complies with the managerial structure and internal financial management and reporting in the Group.

Goodwill is not amortised, but is tested at least once a year for impairment, see below.

*Other intangible assets*
Development projects on clearly defined products and processes are recognised as intangible assets to the extent the product or the process is likely to generate future financial benefits to the Group, and the development costs related to each asset can be measured reliably. Other development costs are recognised as costs in the income statement as incurred.

On initial recognition, development costs are measured at cost. The cost of development projects comprises costs, which are necessary to complete the project including wages, amortisation and depreciation, directly attributable to the development projects, costs are calculated from the time at which the development project meets the criteria for recognition as an asset for the first time.

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

Development projects are written down to the lower of recoverable amount and carrying amount. Development projects in progress are tested at least once per year for impairment.

*Tangible assets*
Tangible assets are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. For own-manufactured assets, cost comprises costs directly attributable to the manufacture of the asset, including materials, components, subsuppliers and payroll. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments. Interest expenses on loans raised to finance the production of tangible assets are not recognised in the cost price of such assets.

Cost of a total asset is divided into small components depreciated individually if the useful life is different.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings | 40 years |
| Building installations | 10 years |
| Plant and machinery | 5-10 years |
| Other fixtures and fittings, tools and equipment | 5-10 years |
| Computer acquisitions including software | 3 years |

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

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

Tangible assets are written down to the lower of recoverable amount and carrying amount.

*Impairment of tangible and intangible assets*
The carrying amounts of tangible and intangible assets with determinable useful lives are examined on the balance sheet date to determine whether there are indications of impairment. If there are indications of impairment, the recoverable amount of the asset is estimated to establish the need for impairment losses as well as the extent of  the impairment losses, if any. The recoverable amount of development projects in progress and goodwill is estimated irrespective of any indications 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 higher of the asset's or the cash-generating unit's fair value less selling costs and net present value. On calculation of net present value, the estimated future cash flows are discounted to present value by means of a discount rate reflecting actual market assessments of the timing value of money as well as the particular risks related to the asset or the cash-generating unit, 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 is estimated to be lower than carrying amount, the carrying amount is written down to recoverable amount. For cash-generating units, the impairment loss is allocated so that goodwill is impaired first and secondly, any indication of impairment is allocated to the other assets in the unit, as each asset however is not impaired to a lower value than the fair value of the asset less estimated selling costs.

Impairment losses are recognised in the income statement. In case of any subsequent reversals of impairment losses resulting from change in assumptions of the calculated recoverable amount, the carrying amount of the asset or the cash-generating unit is increased to the adjusted estimate of the recoverable amount, however not exceeding the carrying amount of the asset or the cash-generating unit if the impairment loss had not been made. Impairment losses relating to goodwill are not reversed.

*Investments in subsidiaries in the Parent's financial statements*
Investments in subsidiaries are measured at cost.

If cost exceeds the recoverable amount of the investments, they are written down to such lower amount. Cost is also written down if more dividends are distributed than what is earned in total in the enterprise since the acquisition thereof.

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

Cost of goods for resale, raw materials and consumables consist of purchase price plus landing costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs as well as fixed and variable indirect production costs.

Variable indirect production costs include indirect materials and payroll and are allocated based on precalculations of the goods actually produced. Fixed indirect production costs comprise costs of maintenance of and depreciation and impairment losses relating to 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 production plant.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

*Receivables*
Receivables are measured at fair value on initial recognition and subsequently at amortised cost usually equalling nominal value less provisions for bad debts.

*Prepayments*
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

*Dividends*
Dividends are recognised as a liability at the time of adoption at the general meeting.

*Treasury shares*
Acquisition and selling prices of treasury shares as well as dividends on treasury shares are classified directly as equity under retained earnings.

*Pension obligations, etc*
The Group has entered into pension agreements and similar agreements with a significant part of its employees.

In the case of defined contribution plans, the Group currently pays fixed contributions to independent pension insurance companies, etc. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling the pension contribution. Contributions payable are recognised in the balance sheet under liabilities.

In the case of defined benefit plans, the Group is liable to pay a specific benefit when the employees in question retire. The Group has not made any defined benefit plans.

*Provisions*
Provisions are recognised when the Group has a legal or constructive obligation as a result of events in this or previous financial years and fulfilment of the liability is likely to result in drain on the enterprise's financial resources.

Provisions are measured as the best estimate of costs necessary to settle the obligation on the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their present value.

In the event of planned restructurings of the Group, provisions are only made for restructurings which have been adopted according to a specific plan at the balance sheet date and if the related parties have been informed about this overall plan.

*Mortgage debt*
At the time of borrowing, mortgage debt is measured at cost which corresponds to the fair value of proceeds received less transaction costs incurred. Subsequently, mortgage debt is measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the amount to be repaid is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

*Lease commitments*
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as non-current liabilities other than provisions, and, at the time of inception of the lease, measured at the lower of fair value of the leased asset and present value of future lease payments.

Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the contracts.

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

*Other financial liabilities*
On initial recognition, other financial liabilities, including bank debt and trade payables, are measured at fair value. The liabilities are subsequently measured at amortised cost by using the effective interest method so that the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the borrowing period.

*Deferred income*
Deferred income comprises income received relating to subsequent financial years. Deferred income is measured at cost.

**Cash flow statement**
The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the 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 acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises as well as acquisition, development, improvement and sale of intangible assets and tangible assets.

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

Cash flows in other currencies than the Group's functional currency are recognised in the cash flow statement by using the average exchange rates for the months, unless they deviate significantly from the actual exchange rates at the transaction dates.

Cash and cash equivalents comprise cash less short-term bank debt which is an integrated part of the Group's cash management.

**Segment information**
Disclosures are provided on business segments (primary segment) and geographical markets (secondary segment). The segment information complies with the Group's risks, the Group's accounting policies and internal financial management.

Segment income and expenses as well as segment assets comprise the items directly attributable to each segment.

**Financial highlights**

The ratios have been compiled in accordance with ”Anbefalinger & Nøgletal 2005” (Recommendations & Ratios) issued by the Danish Society of Financial Analysts.

$$\text{Profit margin (\%)} = \frac{\text{Profit//loss from primary activities (EBITA) x 100}}{\text{Revenue}}$$

$$\text{Return on invested capital excluding goodwill (\%)} = \frac{\text{(EBITA excl. impairment losses relating to goodwill) x 100}}{\text{Average invested capital excluding goodwill}}$$

$$\text{Return on invested capital including goodwill (\%)} = \frac{\text{EBITA x 100}}{\text{Average invested capital including goodwill}}$$

$$\text{Return on equity (\%)} = \frac{\text{Net profit/loss for the year x 100}}{\text{Average equity excluding minorities}}$$

$$\text{Equity ratio (\%)} = \frac{\text{Equity x 100}}{\text{Balance sheet total}}$$

$$\text{Financial gearing} = \frac{\text{Net interest-bearing debt}}{\text{Equity including minorities}}$$

Invested capital is defined as the sum of operating intangible and tangible non-current assets as well as net working capital.

Net working capital (NWC) is defined as inventories, receivables and other operating current assets less trade payables and other liabilities as well as other operating current liabilities.

The calculation of earnings per share, profit per share, diluted has been specified in note 11.

**Material accounting estimates, assumptions and uncertainties**

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

*Changes in accounting estimates*

In 2005, the Group has examined significant tangible assets and has reassessed the economic lives and residual values of the assets.

The reassessment has resulted in a decrease in depreciation for the year of approx. DKK 4 mio.

*Important assumptions and uncertainties*

The value of assets and liabilities often depends on future events connected with some uncertainty. In this connection it is necessary to assume courses of events, etc reflecting Management’s assessment of the most likely course of events. In the annual report for 2005, the following assumptions and uncertainties should especially be noted as they have considerable impact on the assets recognised in the annual report and may call for corrections in the subsequent financial years if the courses of events assumed are not realised as expected.

*Recoverable amount of goodwill*

A review for impairment of recognised amounts of goodwill requires a calculation of the values in use of the cash-generating units to which the amounts of goodwill 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 determination of a fair discount rate. The carrying amount of goodwill amounts to DKK k82.613 at 31 December 2005.

# Income statement for 2005

DKK'000

| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| 67,108 | 72,947 | 1 | Revenue | 742,455 | 695,702 |
| (45,386) | (48,460) | 2, 4 | Production costs | (548,400) | (525,004) |
| **21,722** | **24,487** | | **Contribution margin** | **194,055** | **170,698** |
| 6,003 | 4,907 | 3 | Other operating income | 4,706 | 559 |
| (10,409) | (10,141) | | External expenses | (53,622) | (48,952) |
| (21,894) | (18,791) | 4, 5 | Staff costs | (95,648) | (92,239) |
| **(4,578)** | **462** | | **Profit before depreciation/amortisation and impairment losses (EBITDA)** | **49,491** | **30,066** |
| (5,646) | (5,547) | 6 | Depreciation/amortisation and impairment losses | (30,343) | (64,674) |
| **(10,224)** | **(5,085)** | | **Profit/loss before amortisation of goodwill (EBITA)** | **19,148** | **(34,608)** |
| 0 | 0 | 6 | Amortisation and impairment losses relating to goodwill | 0 | (1,570) |
| **(10,224)** | **(5,085)** | | **Profit/loss before financial income and expenses (EBIT)** | **19,148** | **(36,178)** |
| (23,797) | 4,000 | 7 | Income from group enterprises | - | - |
| 8,133 | 7,928 | 8 | Financial income | 5,432 | 5,007 |
| (10,350) | (5,904) | 9 | Financial expenses | (14,157) | (15,877) |
| **(36,238)** | **939** | | **Profit/loss before tax** | **10,423** | **(47,048)** |
| 3,905 | 1,028 | 10 | Tax on profit/loss for the year | (1,783) | 14,411 |
| **(32,333)** | **1,967** | | **Net profit/loss for the year** | **8,640** | **(32,637)** |
| | | | **Distribution of profit/loss for the year** | | |
| | | | Parent's shareholders | 4,778 | (33,875) |
| | | | Minority interests | 3,862 | 1,238 |
| | | | | **8,640** | **(32,637)** |
| | | | **Earnings per share (EPS)** | | |
| | | 11 | Earnings per share (DKK) | 2.71 | (19.20) |
| | | 11 | Earnings per share, diluted (DKK) | 2.70 | (19.20) |
| | | | **Proposed distribution of profit/loss** | | |
| 0 | 0 | | Dividends for the financial year | | |
| (32,333) | 1,967 | | Retained earnings | | |
| **(32,333)** | **1,967** | | | | |

# Balance sheet at 31 December 2005

## Assets

DKK'000

| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| 482 | 186 | | Completed development projects | 1,588 | 2,283 |
| 0 | 0 | | Goodwill | 82,613 | 80,791 |
| **482** | **186** | 12 | **Intangible assets** | **84,201** | **83,074** |
| 56,317 | 51,528 | | Land and buildings | 137,371 | 126,681 |
| 9,613 | 7,256 | | Plant and machinery | 109,647 | 98,892 |
| 1,618 | 983 | | Other fixtures and fittings, tools and equipment | 13,879 | 10,289 |
| 0 | 0 | | Leasehold improvements | 4,057 | 509 |
| 0 | 3,153 | | Tangible assets in progress | 6,298 | 40,890 |
| **67,548** | **62,920** | 13 | **Tangible assets** | **271,252** | **277,261** |
| 109,080 | 115,295 | 14 | Investments in subsidiaries | - | - |
| 0 | 0 | | Deposits | 12,959 | 0 |
| 15 | 11 | 15 | Other investments | 11 | 1,515 |
| **109,095** | **115,306** | | **Financial assets** | **12,970** | **1,515** |
| **177,125** | **178,412** | | **Non-current assets** | **368,423** | **361,850** |
| **10,934** | **12,224** | 16 | **Inventories** | **113,401** | **116,050** |
| 10,558 | 7,969 | 17 | Trade receivables | 93,914 | 75,064 |
| 19,797 | 18,707 | | Receivables from subsidiaries | - | - |
| 7,909 | 0 | | Income taxes | 527 | 6,549 |
| 751 | 598 | | Other receivables | 18,014 | 14,818 |
| 203 | 94 | | Prepayments | 1,910 | 3,690 |
| **39,218** | **27,368** | | **Receivables** | **114,365** | **100,121** |
| **67,267** | **95,477** | 18 | **Cash** | **10,445** | **13,106** |
| **117,419** | **135,069** | | **Current assets** | **238,211** | **229,277** |
| **294,544** | **313,481** | | **Assets** | **606,634** | **591,127** |

# Balance sheet at 31 December 2005

## Equity and liabilities

DKK'000

| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| 177,867 | 177,867 | 19 | Share capital | 177,867 | 177,867 |
| 0 | 142 | 20 | Other reserves | 1,293 | (583) |
| (64,316) | (62,309) | | Retained earnings | (57,635) | (62,538) |
| **113,551** | **115,700** | | **Equity attributable to the Parent's shareholders** | **121,525** | **114,746** |
| **-** | **-** | | **Equity attributable to minority interests** | **12,668** | **7,993** |
| **113,551** | **115,700** | | **Equity** | **134,193** | **122,739** |
| 107,823 | 107,388 | 21 | Bank debt | 117,787 | 119,969 |
| 0 | 0 | 21 | Financial lease obligations | 527 | 2,126 |
| 34,149 | 26,086 | 21 | Financial institutions | 75,006 | 87,522 |
| 5,291 | 4,263 | 22 | Deferred tax liabilities | 17,460 | 19,204 |
| **147,263** | **137,737** | | **Non-current liabilities** | **210,780** | **228,821** |
| 4,804 | 4,058 | 21 | Current portion of non-current liabilities | 12,363 | 15,285 |
| 19,021 | 41,211 | | Bank debt | 145,223 | 136,044 |
| 562 | 680 | | Prepayments received from customers | 1,031 | 562 |
| 3,521 | 2,595 | | Trade payables | 50,012 | 48,305 |
| 0 | 1,621 | | Payables to subsidiaries | - | - |
| 0 | 0 | | Income taxes | 3,101 | 1,289 |
| 5,822 | 9,879 | | Other payables | 49,931 | 38,082 |
| **33,730** | **60,044** | | **Current liabilities** | **261,661** | **239,567** |
| **180,993** | **197,781** | | **Liabilities** | **472,441** | **468,388** |
| **294,544** | **313,481** | | **Equity and liabilities** | **606,634** | **591,127** |
| | | 23-26 | Assets charged and contingent liabilities, etc | | |
| | | 30-32 | Other notes | | |

# Statement of changes in equity for 2005

DKK'000

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Other reserves | Retained earnings | Equity attributable to Parent's shareholders | Equity attributable to minority interests | Total equity |
| Equity at 1 January 2004 | 177,867 | 0 | (28,663) | 149,204 | 9,214 | 158,418 |
| Effect of change in accounting policies, see note 32 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Adjusted equity at 1 January 2004** | **177,867** | **0** | **(28,663)** | **149,204** | **9,214** | **158,418** |
| Exchange adjustment regarding foreign subsidiaries | 0 | (583) | 0 | (583) | (481) | (1,064) |
| **Recognised directly in equity** | **0** | **(583)** | **0** | **(583)** | **(481)** | **(1,064)** |
| Net profit/loss for the year | 0 | 0 | (33,875) | (33,875) | 1,238 | (32,637) |
| **Total net income** | **0** | **(583)** | **(33,875)** | **(34,458)** | **757** | **(33,701)** |
| Change of ownership interest, minority interests | 0 | 0 | 0 | 0 | (1,978) | (1,978) |
| **Other transactions** | **0** | **0** | **0** | **0** | **(1,978)** | **(1,978)** |
| **Equity at 31 December 2004** | **177,867** | **(583)** | **(62,538)** | **114,746** | **7,993** | **122,739** |
| Exchange adjustment regarding foreign subsidiaries | 0 | 1,734 | 0 | 1,734 | 677 | 2,411 |
| Recognition of share-based payments | 0 | 142 | 0 | 142 | 0 | 142 |
| Adjustment of tax relating to revaluation reserves | 0 | 0 | 85 | 85 | 0 | 85 |
| **Recognised directly in equity** | **0** | **1,876** | **85** | **1,961** | **677** | **2,638** |
| Net profit/loss for the year | 0 | 0 | 4,778 | 4,778 | 3,862 | 8,640 |
| **Total net income** | **0** | **1,876** | **4,863** | **6,739** | **4,539** | **11,278** |
| Additions relating to acquisition of enterprises | 0 | 0 | 0 | 0 | 292 | 292 |
| Change of ownership interest, minority interests | 0 | 0 | 0 | 0 | (156) | (156) |
| Sale of treasury shares | 0 | 0 | 40 | 40 | 0 | 40 |
| **Other transactions** | **0** | **0** | **40** | **40** | **136** | **176** |
| **Equity at 31 December 2005** | **177,867** | **1,293** | **(57,635)** | **121,525** | **12,668** | **134,193** |

# Statement of changes in equity for 2005

DKK'000

**Parent**

| | Share capital | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|
| Equity at 1 January 2004 | 177,867 | 0 | (28,663) | 149,204 |
| Effect of change in accounting policies, see note 32 | 0 | 0 | (3,320) | (3,320) |
| **Adjusted equity at 1 January 2004** | **177,867** | **0** | **(31,983)** | **145,884** |
| Net profit/loss for the year | 0 | 0 | (32,333) | (32,333) |
| **Total net income** | **0** | **0** | **(32,333)** | **(32,333)** |
| **Equity at 31 December 2004** | **177,867** | **0** | **(64,316)** | **113,551** |
| Net profit/loss for the year | 0 | 0 | 1,967 | 1,967 |
| **Total net income** | **0** | **0** | **1,967** | **1,967** |
| Recognition of share-based payments | 0 | 142 | 0 | 142 |
| Sale of treasury shares | 0 | 0 | 40 | 40 |
| **Other transactions** | **0** | **142** | **40** | **182** |
| **Equity at 31 December 2005** | **177,867** | **142** | **(62,309)** | **115,700** |

# Cash flow statement for 2005

DKK'000

| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| (10,224) | (5,085) | | Profit/loss before amortisation of goodwill (EBITA) | 19,148 | (34,608) |
| 5,646 | 5,547 | | Depreciation/amortisation and impairment losses | 30,343 | 64,674 |
| 0 | 0 | | Proceeds on sale of assets | (4,400) | 0 |
| 954 | (381) | | Exchange adjustments, etc | (395) | (444) |
| 40,753 | 7,521 | 27 | Working capital changes | (3,726) | (8,040) |
| **37,129** | **7,602** | | **Cash flows from primary operating activities** | **40,970** | **21,582** |
| 8,133 | 7,928 | | Interest income, etc received | 5,432 | 11,006 |
| (10,350) | (5,904) | | Interest expenses, etc paid | (14,157) | (21,876) |
| 3,711 | 7,909 | | Income taxes received/paid | 4,379 | (1,448) |
| **38,623** | **17,535** | | **Cash flows from operating activities** | **36,624** | **9,264** |
| 0 | (6,215) | 28 | Acquisition of enterprises and activities | (677) | (10,949) |
| 5,000 | 4,000 | | Dividends from subsidiaries | - | - |
| (61) | 0 | | Purchase of intangible assets | 0 | (136) |
| 0 | 0 | | Sale of intangible assets | 4,400 | 0 |
| (3,906) | (3,911) | | Purchase of tangible assets | (31,932) | (46,513) |
| 0 | 3,288 | | Sale of tangible assets | 8,282 | 4,447 |
| (24) | 0 | | Purchase of financial assets | 0 | 0 |
| 0 | 132 | | Sale of financial assets | 3,132 | 0 |
| **1,009** | **(2,706)** | | **Cash flows from investing activities** | **(16,795)** | **(53,151)** |
| 0 | 0 | | Payment of deposits | (12,959) | 0 |
| 0 | 0 | | Raising of long-term loans | 0 | 16,000 |
| (4,956) | (8,809) | | Instalments on non-current liabilities | (18,784) | (18,333) |
| **(4,956)** | **(8,809)** | | **Cash flows from financing activities** | **(31,743)** | **(2,333)** |
| **34,676** | **6,020** | | **Increase/decrease in cash and cash equivalents** | **(11,914)** | **(46,220)** |
| 13,570 | 48,246 | | Cash and cash equivalents at 1 January 2005 | (122,938) | (76,718) |
| 0 | 0 | | Additions relating to acquisition of enterprise | 74 | 0 |
| **48,246** | **54,266** | 29 | **Cash and cash equivalents at 31 December 2005** | **(134,778)** | **(122,938)** |

# Notes

DKK'000

Note

**1. Segment information of the Group**

**Business segments**

For management and reporting purposes, the Group is organised into four business segments which are regarded as the basis on which the Group reports its primary segment information.

The activities in the four segments are described on pages 8-15.

| **Geographical segments** | **Group revenue** | |
|---|---|---|
| | **2005** | 2004 |
| Denmark | 469,429 | 482,283 |
| Other Scandinavian countries | 65,118 | 57,392 |
| Germany | 70,688 | 66,189 |
| North America | 28,895 | 24,923 |
| Other countries | 108,325 | 64,915 |
| | **742,455** | **695,702** |

The below table specifies the carrying amounts and additions for the year of tangible and intangible non-current assets broken down by geographical areas on the basis of the physical location of the assets.

| | **Carrying amounts of intangible and tangible non-current assets** | | **Additions of intangible and tangible non-current assets** | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Denmark | 309,909 | 323,407 | 25,161 | 56,470 |
| Germany | 11,339 | 12,192 | 451 | 52 |
| North America | 8,177 | 6,553 | 63 | 3,794 |
| Other countries | 26,028 | 18,183 | 7,427 | 4,171 |
| Elimination | 0 | 0 | (708) | (8,267) |
| | **355,453** | **360,335** | **32,394** | **56,220** |

| **Parent** | | | | **Group** | |
|---|---|---|---|---|---|
| 2004 | **2005** | Note | | **2005** | 2004 |
| | | **2.** | **Production costs** | | |
| 26,653 | 30,982 | | Cost of sales | 394,217 | 380,537 |
| 18,733 | 17,478 | | Staff costs | 154,183 | 144,467 |
| **45,386** | **48,460** | | | **548,400** | **525,004** |

DKK'000

| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| | | 3. | **Other operating income** | | |
| | | | Group | | |
| | | | Other operating income includes rental and lease income as well as income from sale of activity. | | |
| | | | Parent | | |
| | | | Other operating income includes rental income and services to other group enterprises. | | |
| | | 4. | **Staff costs** | | |
| 36,380 | 32,704 | | Wages and salaries | 222,378 | 212,023 |
| 1,663 | 1,796 | | Pension contributions | 10,540 | 8,560 |
| 430 | 666 | | Other social security costs | 6,899 | 7,581 |
| 2,154 | 1,103 | | Other staff costs | 10,014 | 8,542 |
| **40,627** | **36,269** | | | **249,831** | **236,706** |
| | | | The staff costs are broken down as follows: | | |
| 18,733 | 17,478 | | Production costs | 154,183 | 144,467 |
| 21,894 | 18,791 | | Staff costs | 95,648 | 92,239 |
| **40,627** | **36,269** | | | **249,831** | **236,706** |
| **91** | **92** | | Average number of employees | **861** | **852** |

**Remuneration for Management**

Members of the Parent's Executive Board and Supervisory Board as well as other executives are remunerated as follows:

| Group | Supervisory Board | | Executive Board | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Fees for the Supervisory Board | 825 | 765 | - | - |
| Wages and salaries | 0 | 0 | 3,502 | 5,528 |
| Pensions | 0 | 0 | 51 | 0 |
| Share-based payments | 0 | 0 | 142 | 0 |
| | **825** | **765** | **3,695** | **5,528** |

| Parent | Supervisory Board | | Executive Board | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Fees for the Supervisory Board | 825 | 765 | - | - |
| Wages and salaries | 0 | 0 | 2,805 | 5,453 |
| Pensions | 0 | 0 | 44 | 0 |
| Share-based payments | 0 | 0 | 142 | 0 |
| | **825** | **765** | **2,991** | **5,453** |

# Notes

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Note

**5. Share-based payments**

**Equity-settled share option schemes**

The Parent's CEO has been granted 54,000 warrants (share options) in 2005. The exercise price is fixed at DKK 81 per share of nominally DKK 100 plus 7.5% p.a. The options cannot be exercised at a price below 100 at the exercise date. If the exercise price is below 100 at the exercise date, the warrants issued will expire against payment of a cash payment equal to net settlement.

The warrants issued can be used for subscription of shares in the company in 2008. The total market value of the warrants issued are estimated at approx. DKK 850k. The market value of the warrants issued is measured using the Black-Scholes pricing model provided that the warrants granted are exercised as early as possible.

The fair values of the warrants issued calculated on the date of grant are recognised proportionally in the income statement as staff costs over the period until the exercise date. This year, an amount of DKK 142k has been taken to the income statement.

| Parent | | | | Group | |
|---|---|---|---|---|---|
| 2004 | **2005** | Note | | **2005** | 2004 |
| | | **6.** | **Depreciation, amortisation and impairment losses** | | |
| 281 | 296 | | Intangible assets | 695 | 1,851 |
| 5,365 | 4,921 | | Tangible assets | 32,514 | 62,115 |
| 0 | 0 | | Impairment losses, financial assets | (1,500) | 3,500 |
| 0 | 330 | | Profit/loss on sale of assets | (1,366) | (1,222) |
| 5,646 | 5,547 | | | 30,343 | 66,244 |
| 0 | 0 | | Of this impairment losses relating to goodwill | 0 | (1,570) |
| **5,646** | **5,547** | | | **30,343** | **64,674** |
| | | **7.** | **Income from group enterprises** | | |
| 5,000 | 4,000 | | Dividends | - | - |
| (28,797) | 0 | | Value adjustments of investments | - | - |
| **(23,797)** | **4,000** | | | **-** | **-** |
| | | **8.** | **Financial income** | | |
| 6,591 | 5,119 | | Interest, etc | 2,987 | 2,410 |
| 1,117 | 744 | | Interest from group enterprises | - | - |
| 0 | 100 | | Fair value adjustment of derivative financial instruments | 100 | 0 |
| 425 | 0 | | Other financial income | 0 | 425 |
| 0 | 1,965 | | Exchange adjustments | 2,345 | 2,172 |
| **8,133** | **7,928** | | | **5,432** | **5,007** |

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| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| | | **9.** | **Financial expenses** | | |
| 8,277 | 5,904 | | Interest, etc | 13,572 | 12,650 |
| 200 | 0 | | Fair value adjustment of derivative financial instruments | 0 | 200 |
| 1,873 | 0 | | Exchange adjustments | 585 | 3,027 |
| **10,350** | **5,904** | | | **14,157** | **15,877** |
| | | **10.** | **Tax on profit/loss for the year** | | |
| (2,227) | 0 | | Current tax | 3,222 | 1,067 |
| (1,582) | (675) | | Change in deferred tax | (363) | (16,124) |
| - | (353) | | Change in deferred tax due to a change in the Danish tax rate | (1,309) | - |
| (96) | 0 | | Adjustment concerning previous years | 233 | 646 |
| **(3,905)** | **(1,028)** | | | **1,783** | **(14,411)** |
| | | | **Reconciliation of tax rate:** | | |
| 30% | 28% | | Danish tax rate | 28% | 30% |
| 0% | (37)% | | Effect of change in tax rate | (13)% | 0% |
| (20)% | (119)% | | Income/expenses from group enterprises | 0% | 0% |
| 1% | 19% | | Other non-taxable income and non-deductible costs | 0% | (1)% |
| 0 | 0 | | Other, including adjustment related to previous years | 2% | 0% |
| **11%** | **(109)%** | | **Effective tax rate for the year** | **17%** | **29%** |
| | | **11.** | **Earnings per share** | | |
| | | | The calculation of earnings per share is based on the following: | | |
| | | | **Profit/loss to Parent's shareholders** | **4,778** | **(33,875)** |
| | | | | **Number** | **Number** |
| | | | Average number of issued shares | 1,778,670 | 1,778,670 |
| | | | Average number of treasury shares | (14,175) | (14,375) |
| | | | **Number of shares used for calculation of earnings per share** | **1,764,495** | **1,764,295** |
| | | | **Average dilution effect of outstanding warrants** | **6,873** | **0** |
| | | | **Number of shares used for calculation of diluted earnings per share** | **1,771,368** | **1,764,295** |

# Notes

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| Note | | Group | |
|---|---|---|---|
| | | Completed development projects | Goodwill |
| **12.** | **Intangible assets** | | |
| | Cost at 1 January 2005 | 2,690 | 82,361 |
| | Value adjustment | 0 | 1,360 |
| | Additions | 0 | 462 |
| | Disposals | 0 | 0 |
| | **Cost at 31 December 2005** | **2,690** | **84,183** |
| | Amortisation and impairment losses at 1 January 2005 | 407 | 1,570 |
| | Amortisation and impairment losses for the year | 695 | 0 |
| | Reversal relating to disposals | 0 | 0 |
| | **Amortisation and impairment losses at 31 December 2005** | **1,102** | **1,570** |
| | **Carrying amount at 31 December 2005** | **1,588** | **82,613** |
| | Cost at 1 January 2004 | 985 | 74,795 |
| | Value adjustment | 0 | (436) |
| | Additions | 1,705 | 8,002 |
| | Disposals | 0 | 0 |
| | **Cost at 31 December 2004** | **2,690** | **82,361** |
| | Amortisation and impairment losses at 1 January 2004 | 126 | 0 |
| | Amortisation and impairment losses for the year | 281 | 1,570 |
| | Reversal relating to disposals | 0 | 0 |
| | **Amortisation and impairment losses at 31 December 2004** | **407** | **1,570** |
| | **Carrying amount at 31 December 2004** | **2,283** | **80,791** |

DKK'000

| | | Parent | |
|---|---|---|---|
| | | Completed development projects **2005** | Completed development projects 2004 |
| **12.** | **Intangible assets (continued)** | | |
| | Cost at 1 January | 889 | 828 |
| | Additions | 0 | 61 |
| | Disposals | 0 | 0 |
| | **Cost at 31 December** | **889** | **889** |
| | Amortisation and impairment losses at 1 January | 407 | 126 |
| | Amortisation and impairment losses for the year | 296 | 281 |
| | Reversal relating to disposals | 0 | 0 |
| | **Amortisation and impairment losses 31 December** | **703** | **407** |
| | **Carrying amount at 31 December** | **186** | **482** |

**Goodwill**

Goodwill is tested annually for impairment.

The recoverable amount of the cash-generating units to which the goodwill amounts relate is calculated on the basis of a calculation of net present value. The most significant uncertainties are connected with the determination of the discount rates and growth rates as well as expected changes in sales prices and production costs in the budget and terminal periods.

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 attached to the cash-generating unit.

The fixed sales prices, production costs and growth rates are based on historical experience as well as expectations for future market changes.

The calculation of the net present value is based on the cash flows stated in the most recent management-approved budgets for the coming four financial years. For financial years after the budget period, cash flows have been extrapolated for the most recent budget periods adjusted for an expected growth rate.

The discount factors applied amount to 7.2% after tax and 10% before tax.

**Other intangible assets**

Apart from goodwill, all intangible assets are regarded as having determinable useful lives over which the assets are amortised, see accounting policies.

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| Note | | Group | | | | |
|---|---|---|---|---|---|---|
| | | Land and buildings | Plant and machinery | Other fixtures, etc | Leasehold improve-ments | Tangible assets in progress |
| **13.** | **Tangible assets** | | | | | |
| | Cost at 1 January 2005 | 188,602 | 380,118 | 46,355 | 2,182 | 40,890 |
| | Value adjustment | 47 | 2,227 | 241 | 207 | 0 |
| | Additions | 20,678 | 33,933 | 8,900 | 3,013 | 8,631 |
| | Disposals | (7,637) | (9,480) | (5,515) | (192) | (43,223) |
| | **Cost at 31 December 2005** | **201,690** | **406,798** | **49,981** | **5,210** | **6,298** |
| | Revaluation at 1 January 2005 | 4,303 | 4,245 | 1,456 | 0 | 0 |
| | Value adjustment | 3 | 1 | 0 | 0 | 0 |
| | Additions | 0 | 0 | 0 | 0 | 0 |
| | Disposals | (89) | (396) | (330) | 0 | 0 |
| | **Revaluation at 31 December 2005** | **4,217** | **3,850** | **1,126** | **0** | **0** |
| | Depreciation and impairment losses at 1 January 2005 | 66,224 | 285,471 | 37,522 | 1,673 | 0 |
| | Value adjustment | 16 | 867 | 130 | 69 | 0 |
| | Depreciation and impairment losses for the year | 5,881 | 22,481 | 4,704 | 853 | 0 |
| | Reversal, impairment losses | 0 | 0 | 0 | (1,250) | 0 |
| | Reversal relating to disposals | (3,585) | (7,818) | (5,128) | (192) | 0 |
| | **Depreciation and impairment losses at 31 December 2005** | **68,536** | **301,001** | **37,228** | **1,153** | **0** |
| | **Carrying amount at 31 December 2005** | **137,371** | **109,647** | **13,879** | **4,057** | **6,298** |
| | Carrying amount includes recognised leased assets at 31 December 2005 | 0 | 721 | 0 | 0 | 0 |

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| Note | | Group | | | | |
|---|---|---|---|---|---|---|
| | | Land and buildings | Plant and machinery | Other fixtures, etc | Leasehold improve-ments | Tangible assets in progress |
| **13.** | **Tangible assets (continued)** | | | | | |
| | Cost at 1 January 2004 | 188,577 | 360,055 | 43,551 | 2,530 | 26,797 |
| | Value adjustment | (14) | 200 | (12) | 151 | 0 |
| | Other adjustments | 37 | 2,778 | 166 | 0 | 0 |
| | Additions | 1,202 | 24,791 | 5,135 | 252 | 25,030 |
| | Disposals | (1,200) | (7,706) | (2,485) | (751) | (10,937) |
| | **Cost at 31 December 2004** | **188,602** | **380,118** | **46,355** | **2,182** | **40,890** |
| | Revaluation at 1 January 2004 | 4,306 | 4,352 | 1,473 | 0 | 0 |
| | Value adjustment | (1) | 0 | 0 | 0 | 0 |
| | Additions | 0 | 0 | 0 | 0 | 0 |
| | Disposals | (2) | (107) | (17) | 0 | 0 |
| | **Revaluation at 31 December 2004** | **4,303** | **4,245** | **1,456** | **0** | **0** |
| | Depreciation and impairment losses at 1 January 2004 | 55,606 | 244,966 | 33,706 | 456 | 0 |
| | Value adjustment | (3) | (162) | (13) | 59 | 0 |
| | Other adjustments | 14 | 2,823 | 144 | 0 | 0 |
| | Depreciation and impairment losses for the year | 10,607 | 43,870 | 5,951 | 1,909 | 0 |
| | Reversal relating to disposals | 0 | (6,026) | (2,266) | (751) | 0 |
| | **Depreciation and impairment losses at 31 December 2004** | **66,224** | **285,471** | **37,522** | **1,673** | **0** |
| | **Carrying amount at 31 December 2004** | **126,681** | **98,892** | **10,289** | **509** | **40,890** |
| | Carrying amount includes recognised leased assets at 31 December 2004 | 0 | 2,987 | 0 | 0 | 0 |

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| Note | | Parent | | | |
|---|---|---|---|---|---|
| | | Land and buildings | Plant and machinery | Other fixtures, etc | Tangible assets in progress |
| **13.** | **Tangible assets (continued)** | | | | |
| | Cost at 1 January 2005 | 67,295 | 36,110 | 5,748 | 0 |
| | Additions | 188 | 379 | 192 | 3,153 |
| | Disposals | (6,112) | 0 | (821) | 0 |
| | **Cost at 31 December 2005** | **61,371** | **36,489** | **5,119** | **3,153** |
| | Depreciation and impairment losses at 1 January 2005 | 10,978 | 26,497 | 4,130 | 0 |
| | Depreciation and impairment losses for the year | 1,706 | 2,736 | 479 | 0 |
| | Reversal relating to disposals | (2,841) | 0 | (473) | 0 |
| | **Depreciation and impairment losses at 31 December 2005** | **9,843** | **29,233** | **4,136** | **0** |
| | **Carrying amount at 31 December 2005** | **51,528** | **7,256** | **983** | **3,153** |
| | Cost at 1 January 2004 | 66,194 | 34,367 | 5,204 | 584 |
| | Additions relating to merger | 0 | 0 | 754 | 0 |
| | Additions | 1,101 | 2,460 | 928 | 0 |
| | Disposals | 0 | (717) | (1,138) | (584) |
| | **Cost at 31 December 2004** | **67,295** | **36,110** | **5,748** | **0** |
| | Depreciation and impairment losses at 1 January 2004 | 9,202 | 24,203 | 4,413 | 0 |
| | Additions relating to merger | 0 | 0 | 277 | 0 |
| | Depreciation and impairment losses for the year | 1,776 | 3,011 | 578 | 0 |
| | Reversal relating to disposals | 0 | (717) | (1,138) | 0 |
| | **Depreciation and impairment losses at 31 December 2004** | **10,978** | **26,497** | **4,130** | **0** |
| | **Carrying amount at 31 December 2004** | **56,317** | **9,613** | **1,618** | **0** |

# Notes

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| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| | | **14.** | **Investments in subsidiaries** | | |
| 355,731 | 349,915 | | Cost at 1 January | | |
| 25 | 6,215 | | Additions relating to acquisitions | | |
| (5,841) | 0 | | Disposals relating to merger | | |
| **349,915** | **356,130** | | **Cost at 31 December** | | |
| | | | | | |
| (214,301) | (240,835) | | Impairment losses at 1 January | | |
| (28,797) | 0 | | Impairment losses for the year | | |
| 2,263 | 0 | | Disposals relating to merger | | |
| **(240,835)** | **(240,835)** | | **Impairment losses at 31 December** | | |
| | | | | | |
| **109,080** | **115,295** | | **Carrying amount** | | |

Investments in subsidiaries comprise:

| | Registered office | Ownership % | Share of voting rights % | Activity |
|---|---|---|---|---|
| SP Moulding A/S | Denmark | 100 | 100 | Production and sale of injection moulded items |
| Accoat A/S | Denmark | 100 | 100 | Production and sale of coatings |
| Gibo Plast A/S | Denmark | 100 | 100 | Production and sale of vacuum formed items |
| Tinby Sp. z o.o. | Poland | 100 | 100 | Production of polyurethane products |
| TPI Polytechniek B.V. | Holland | 60 | 60 | Sale of polyurethane products |
| Tinby USA, Inc. | USA | 100 | 100 | Sale of polyurethane products in USA |
| Tinby GmbH | Germany | 100 | 100 | Lease of property |
| Ergomat-Nederland B.V. | Holland | 60 | 60 | Sale of polyurethane products in the Benelux countries |
| Ergomat Deutschland GmbH | Germany | 60 | 60 | Sale of polyurethane products in Germany |

# Notes

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| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| | | **14.** | **Investments in subsidiaries (continued)** | | |
| | | | In 2005, there have been the following changes in ownership interest, etc | | |
| | | | Ergomat-Nederland B.V., acquisition, 60% | | |
| | | | Ergomat Deutschland GmbH, contribution in newly established company, 60% | | |
| | | | Tinby GmbH, 100%, intra-group acquisition from TPI-Polytechniek B.V. | | |
| | | | In 2004, there have been no changes in ownership interest, etc | | |
| | | **15.** | **Other investments** | | |
| 15 | 15 | | Cost at 1 January | 5,011 | 5,011 |
| 0 | 0 | | Additions | 0 | 0 |
| 0 | (4) | | Disposals | (5,000) | 0 |
| **15** | **11** | | **Cost at 31 December** | **11** | **5,011** |
| 0 | 0 | | Net impairment losses at 1 January | (3,496) | 4 |
| 0 | 0 | | Value adjustment for the year | 0 | (3,500) |
| 0 | 0 | | Disposals | 3,496 | 0 |
| **0** | **0** | | **Net impairment losses at 31 December** | **0** | **(3,496)** |
| **15** | **11** | | **Carrying amount at 31 December** | **11** | **1,515** |
| | | **16.** | **Inventories** | | |
| 1,983 | 3,081 | | Raw materials and consumables | 47,403 | 56,271 |
| 3,753 | 880 | | Work in progress | 10,542 | 9,881 |
| 5,198 | 8,263 | | Manufactured goods and goods for resale | 55,456 | 49,898 |
| **10,934** | **12,224** | | | **113,401** | **116,050** |
| **808** | **700** | | Inventories written down to fair value less expected selling costs | **3,881** | **5,955** |
| | | **17.** | **Trade receivables** | | |
| **743** | **674** | | Writedown for bad debts | **2,742** | **1,917** |

Trade payables are written down to net realisable value equal to the sum of future net payments expected to be generated by receivables. The writedown is calculated on the basis of losses realised in previous financial years as well as an individual assessment.

The carrying amounts of receivables are equal to their fair values.

Receivables are not interest-bearing until approx. 30-60 days from the date of invoicing. Thereafter, interest is charged.

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Note

**18. Cash**

The Group's cash primarily consists of bank deposits. Consequently, cash is not considered to be subject to any special credit risk. Bank deposits and bank debt carry a floating interest rate. The carrying amounts are equal to the fair values of the assets.

The Group's Danish companies are part of a cash-pool arrangement.

**19. Share capital**

Share capital consists of 1,778,670 shares at DKK 100. The shares are fully paid. The shares have not been divided into classes. The shares do not carry any special rights.

The share capital has not been changed during the period from 2001 to 2005.

| | Number | | Nominal value DKK '000 | | % of share capital | |
|---|---|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 |
| **Treasury shares** | | | | | | |
| Treasury shares at 1 January | 14,375 | 14,375 | 1,438 | 1,438 | 0.81 | 0.81 |
| Purchase | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sale | (400) | 0 | (40) | 0 | (0.02) | 0.00 |
| **Treasury shares at 31 December** | **13,975** | **14,375** | **1,398** | **1,438** | **(0.79)** | **0.81** |

Pursuant to the resolution passed at the General Meeting, the Company may only acquire treasury shares of nominally DKK 17,787k, corresponding to 10% of the share capital until next year's annual general meeting. In 2005, the Company sold 400 treasury shares. In 2004, the Company did not carry out trade in treasury shares.

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| Parent: Reserve for share-based payments | Note | | Group: Reserve for exchange adjustments | Group: Reserve for share-based payments |
|---|---|---|---|---|
| | **20.** | **Other reserves** | | |
| 0 | | Reserves at 1 January 2004 | 0 | 0 |
| 0 | | Exchange adjustment, foreign enterprises | (583) | 0 |
| **0** | | **Reserve at 31 December 2004** | **(583)** | **0** |
| 0 | | Exchange adjustment, foreign enterprises | 1,734 | 0 |
| 142 | | Recognition of share-based payments | 0 | 142 |
| **142** | | **Reserve at 31 December 2005** | **1,151** | **142** |

| Note | | Group: Bank debt 2005 | Bank debt 2004 | Financial lease obligations 2005 | Financial lease obligations 2004 | Financial institutions 2005 | Financial institutions 2004 |
|---|---|---|---|---|---|---|---|
| **21.** | **Non-current liabilities** | | | | | | |
| | Non-current liabilities are due as follows: | | | | | | |
| | On demand within one year from the balance sheet date | 1,780 | 2,496 | 1,599 | 2,273 | 8,984 | 10,516 |
| | Between 1 and 5 years from the balance sheet date | 112,599 | 113,725 | 527 | 2,126 | 27,852 | 35,189 |
| | After 5 years from the balance sheet date | 5,188 | 6,244 | 0 | 0 | 47,154 | 52,333 |
| | | **119,567** | **122,465** | **2,126** | **4,399** | **83,990** | **98,038** |
| | Liabilities are recognised in the balance sheet as follows: | | | | | | |
| | Current liabilities | 1,780 | 2,496 | 1,599 | 2,273 | 8,984 | 10,516 |
| | Non-current liabilities | 117,787 | 119,969 | 527 | 2,126 | 75,006 | 87,522 |
| | | **119,567** | **122,465** | **2,126** | **4,399** | **83,990** | **98,038** |

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| Note | | Parent | | | |
|---|---|---|---|---|---|
| **21.** | **Non-current liabilities (continued)** | | | | |
| | | Bank debt | | Financial institutions | |
| | | **2005** | 2004 | **2005** | 2004 |
| | Non-current liabilities are due as follows: | | | | |
| | On demand within one year from the balance sheet date | 0 | 0 | 4,058 | 4,804 |
| | Between 1 and 5 years from the balance sheet date | 107,388 | 107,823 | 16,034 | 19,558 |
| | After 5 years from the balance sheet date | 0 | 0 | 10,052 | 14,591 |
| | | **107,388** | **107,823** | **30,144** | **38,953** |
| | Liabilities are recognised in the balance sheet as follows: | | | | |
| | Current liabilities | 0 | 0 | 4,058 | 4,804 |
| | Non-current liabilities | 107,388 | 107,823 | 26,086 | 34,149 |
| | | **107,388** | **107,823** | **30,144** | **38,953** |

| Parent | | Note | | Group | |
|---|---|---|---|---|---|
| Deferred tax assets | Deferred tax liabilities | | | Deferred tax assets | Deferred tax liabilities |
| | | **22.** | **Deferred tax** | | |
| 0 | 6,873 | | Deferred tax at 1 January 2004 | (2,222) | 37,531 |
| 0 | (1,582) | | Change in deferred tax recognised in the income statement | 680 | (16,785) |
| **0** | **5,291** | | **Deferred tax at 31 December 2004** | **(1,542)** | **20,746** |
| 0 | 0 | | Exchange adjustment | 0 | 13 |
| 0 | (1,028) | | Change in deferred tax recognised in the income statement | 1,542 | (3,214) |
| 0 | 0 | | Change in deferred tax recognised in equity | 0 | (85) |
| **0** | **4,263** | | **Deferred tax at 31 December 2005** | **0** | **17,460** |
| 2004 | **2005** | | | **2005** | 2004 |
| | | | Deferred tax is recognised in the balance sheet as follows: | | |
| 0 | 0 | | Deferred tax assets | 0 | (1,542) |
| 5,291 | 4,263 | | Deferred tax liabilities | 17,460 | 20,746 |
| **5,291** | **4,263** | | | **17,460** | **19,204** |

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| Note | | Group | | | |
|---|---|---|---|---|---|
| | | 1 January | Recognised in income statement | Recognised in equity | 31 December |
| 22. | **Deferred tax (continued)** | | | | |
| | **2005** | | | | |
| | Intangible assets | 4,442 | 2,159 | 0 | 6,601 |
| | Tangible assets | 15,630 | 1,323 | (85) | 16,868 |
| | Financial assets | (1,050) | 1,050 | 0 | 0 |
| | Inventories | 2,887 | (194) | 0 | 2,693 |
| | Receivables | (623) | (507) | 0 | (1,130) |
| | Liabilities | (2,082) | (40) | 0 | (2,122) |
| | Tax-loss carryforwards | 0 | (5,450) | 0 | (5,450) |
| | | **19,204** | **(1,659)** | **(85)** | **17,460** |
| | **2004** | | | | |
| | Intangible assets | 4,638 | (196) | 0 | 4,442 |
| | Tangible assets | 30,905 | (15,275) | 0 | 15,630 |
| | Financial assets | 0 | (1,050) | 0 | (1,050) |
| | Inventories | 2,672 | 215 | 0 | 2,887 |
| | Receivables | (400) | (223) | 0 | (623) |
| | Liabilities | (1,583) | (499) | 0 | (2,082) |
| | Tax-loss carryforwards | (923) | 923 | 0 | 0 |
| | | **35,309** | **(16,105)** | **0** | **19,204** |

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| Note | | Parent | | |
|---|---|---|---|---|
| | | 1 January | Recognised in income statement | 31 December |
| **22.** | **Deferred tax (continued)** | | | |
| | **2005** | | | |
| | Intangible assets | (342) | 31 | (311) |
| | Tangible assets | 6,439 | (933) | 5,506 |
| | Inventories | 431 | (236) | 195 |
| | Receivables | (290) | 101 | (189) |
| | Liabilities | (947) | 269 | (678) |
| | Tax-loss carryforwards | 0 | (260) | (260) |
| | | **5,291** | **(1,028)** | **4,263** |
| | **2004** | | | |
| | Intangible assets | (392) | 50 | (342) |
| | Tangible assets | 6,966 | (527) | 6,439 |
| | Inventories | 315 | 116 | 431 |
| | Receivables | 43 | (333) | (290) |
| | Liabilities | (59) | (888) | (947) |
| | | **6,873** | **(1,582)** | **5,291** |

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| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| | | **23.** | **Assets charged** | | |
| | | | Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the properties. | | |
| **55,974** | **51,186** | | Carrying amount of mortgaged properties | **132,009** | **115,010** |
| | | | Loans with credit institutions are secured by way of a letter of indemnity on real property and mortgages registered to the mortgagor with secondary liability. | | |
| **19,657** | **19,087** | | Carrying amount of mortgaged properties | **60,646** | **49,127** |
| | | | Loans with credit 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. | | |
| **0** | **0** | | Carrying amount of mortgaged operating equipment | **13,608** | **6,450** |
| | | | Subsidiaries' payables are secured by mortgages registered to the mortgagor on real property. | | |
| **10,592** | **0** | | Carrying amount of mortgaged properties | **-** | **-** |
| | | **24.** | **Rental and lease commitments** | | |
| | | | For the years 2006-2020, operation lease agreements has been concluded relating to buildings. The future, minimum lease payments according to the lease agreement are distributed as follows: | | |
| 0 | 0 | | Within one year from the balance sheet date | 1,775 | 0 |
| 0 | 0 | | Between 1 and 5 years from the balance sheet date | 7,100 | 0 |
| 0 | 0 | | After 5 years from the balance sheet date | 16,863 | 0 |
| **0** | **0** | | | **25,738** | **0** |
| | | | For the years 2006-2013, operation lease agreements has been concluded relating to plant and machinery. The future, minimum lease payments according to the lease agreement are distributed as follows: | | |
| 0 | 0 | | Within one year from the balance sheet date | 2,295 | 0 |
| 0 | 0 | | Between 1 and 5 years from the balance sheet date | 8,961 | 0 |
| 0 | 0 | | After 5 years from the balance sheet date | 3,093 | 0 |
| **0** | **0** | | | **14,349** | **0** |

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| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| | | **24.** | **Rental and lease commitments (continued)** | | |
| | | | For the years 2006-2010, operation lease agreements has been concluded relating to cars and operating equipment. The future, minimum lease payments according to the lease agreement are distributed as follows: | | |
| 560 | 309 | | Within one year from the balance sheet date | 2,133 | 2,126 |
| 1,008 | 246 | | Between 1 and 5 years from the balance sheet date | 2,814 | 2,071 |
| 0 | 0 | | After 5 years from the balance sheet date | 0 | 0 |
| **1,568** | **555** | | | **4,947** | **4,197** |
| | | | The Group has entered into rental agreements on office and production facilities. Rent in the period of interminability amounts to: | | |
| 0 | 0 | | Within one year from the balance sheet date | 1,895 | 2,893 |
| 0 | 0 | | Between 1 and 5 years from the balance sheet date | 2,085 | 1,141 |
| 0 | 0 | | After 5 years from the balance sheet date | 0 | 0 |
| **0** | **0** | | | **3,980** | **4,034** |
| | | **25.** | **Recourse guarantee commitments and contingent liabilities** | | |
| | | | Together with its subsidiaries, the Parent has entered into cash-pool arrangements with banks in which the Parent is liable for the total withdrawal from the overdraft accounts. | | |
| **185,753** | **199,238** | | Subsidiaries' bank debt | | |
| | | | The Parent has guaranteed the subsidiaries' debt to financial institutions or has joint and several liability. | | |
| **10,921** | **11,691** | | Surety, guarantee and liability | | |
| | | | The Parent SP Group A/S is jointly taxed with a number of subsidiaries. The jointly taxed companies are jointly and severally liable for the other jointly taxed companies' tax liability under the joint taxation existing up to and including 2004. | | |

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| Parent 2004 | Parent 2005 | Note | | Group 2005 | Group 2004 |
|---|---|---|---|---|---|
| | | **26.** | **Fee to auditors appointed by the Company in general meeting** | | |
| | | | External expenses include fee to auditors appointed by the Company in general meeting: | | |
| | | | **Deloitte** | | |
| 240 | 225 | | Audit services | 815 | 920 |
| 222 | 350 | | Non-audit services | 427 | 382 |
| | | | **BDO ScanRevision** | | |
| 85 | 0 | | Audit services | 0 | 211 |
| 0 | 0 | | Non-audit services | 0 | 0 |
| **547** | **575** | | | **1,242** | **1,513** |
| | | **27.** | **Working capital changes** | | |
| (2,535) | (1,290) | | Change in inventories | 2,850 | (20,257) |
| 47,959 | 3,941 | | Change in receivables | (20,095) | 1,319 |
| (4,671) | 4,870 | | Change in trade payables, etc | 13,519 | 10,898 |
| **40,753** | **7,521** | | | **(3,726)** | **(8,040)** |
| | | **28.** | **Acquisition of enterprises and activities** | | |
| 0 | 0 | | Intangible assets | (462) | (7,977) |
| 0 | 0 | | Tangible assets | 0 | (554) |
| 0 | (5,992) | | Purchase of shares in subsidiary | 0 | 0 |
| 0 | (223) | | Contribution on establishment of subsidiary | 0 | 0 |
| 0 | 0 | | Inventories | (201) | (2,336) |
| 0 | 0 | | Receivables | (171) | 0 |
| 0 | 0 | | Cash | (74) | 0 |
| 0 | 0 | | Minority interests | (275) | (1,530) |
| 0 | 0 | | Non-interest bearing debt | 506 | 1,448 |
| **0** | **(6,215)** | | | **(677)** | **(10,949)** |
| | | **29.** | **Cash and cash equivalents** | | |
| 67,267 | 95,477 | | Cash | 10,445 | 13,106 |
| (19,021) | (41,211) | | Short-term bank loans | (145,223) | (136,044) |
| **48,246** | **54,266** | | | **(134,778)** | **(122,938)** |

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Note

**30.** **Related parties**

**Related parties with controlling interest**

There are no related parties with a controlling interest in SP Group A/S.

For a survey of the subsidiaries, see Group chart.

**Related party transactions**

In the financial year, there have been the following transactions between SP Group A/S and its related parties.

| | Rental income | Sale of services | Interest income | Receivables | Payables |
|---|---|---|---|---|---|
| **2005** | | | | | |
| From subsidiaries | 3,283 | 1,517 | 744 | 18,707 | 1,621 |
| | **3,283** | **1,517** | **744** | **18,707** | **1,621** |
| **2004** | | | | | |
| From subsidiaries | 3,216 | 2,487 | 1,117 | 19,797 | 0 |
| | **3,216** | **2,487** | **1,117** | **19,797** | **0** |

**Remuneration for the Executive and Supervisory Boards**

Remuneration paid to the Executive and Supervisory Boards is disclosed in note 4.

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Note | Group

**31. Currency exposure and use of financial instruments**

**Currency exposure – recognised assets and liabilities**

The Group uses hedging instruments such as forward contracts and options to hedge recognised transactions. Hedging of recognised assets and liabilities primarily includes receivables as well as financial liabilities.

| | Cash | Receivables | Liabilities | Of this hedged | Net position |
|---|---|---|---|---|---|
| **31 December 2005** | | | | | |
| EUR | (17,162) | 27,933 | 51,636 | 0 | (40,865) |
| PLN | 1,553 | 4,333 | 679 | 0 | 5,207 |
| USD | (2,003) | 6,446 | 2,717 | 0 | 1,726 |
| SEK | 57 | 324 | 138 | 0 | 243 |
| NOK | 0 | 0 | 31 | 0 | (31) |
| JPY | 24 | 0 | 29 | 0 | (5) |
| RMB | 1,238 | 2,837 | 2,827 | 0 | 1,248 |
| CHF | 0 | 0 | 105,630 | 47,974 | (57,656) |
| | **(16,293)** | **41,873** | **163,687** | **47,974** | **(90,133)** |
| **31 December 2004** | | | | | |
| EUR | (11,201) | 19,580 | 73,593 | 0 | (65,214) |
| PLN | 1,222 | 4,060 | 690 | 0 | 4,592 |
| USD | 1,132 | 2,075 | 129 | 0 | 3,078 |
| SEK | 94 | 69 | 169 | 0 | (6) |
| NOK | 0 | 0 | 5 | 0 | (5) |
| JPY | 104 | 273 | 0 | 0 | 377 |
| RMB | 474 | 2,693 | 2,169 | 0 | 998 |
| CHF | 0 | 0 | 106,070 | (48,174) | (154,244) |
| | **(8,175)** | **28,750** | **182,825** | **(48,174)** | **(210,424)** |

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Note | **Parent**

**31. Currency exposure and use of financial instruments (continued)**

**Currency exposure – recognised assets and liabilities**

At 31 December 2005, the fair value of derivative financial instruments entered into to hedge recognised financial assets and liabilities totals DKK 47,974k (2004: DKK -48,174k). The fair value of the derivative financial instruments is recognised under other payables and set off in the income statement against exchange adjustments of the assets and liabilities hedged. Only the Parent has derivative financial instruments.

| | Cash | Receivables | Liabilities | Of this hedged | Net position |
|---|---|---|---|---|---|
| **31 December 2005** | | | | | |
| EUR | (650) | 4,099 | 14,340 | 0 | (10,891) |
| USD | (839) | 1,835 | 913 | 0 | 83 |
| JPY | 0 | 24 | 0 | 0 | 24 |
| CHF | 0 | 0 | 105,630 | 47,974 | (57,656) |
| | **(1,489)** | **5,958** | **120,883** | **47,974** | **(68,440)** |
| **31 December 2004** | | | | | |
| EUR | 906 | 3,713 | 15,853 | 0 | (11,234) |
| USD | 711 | 384 | 63 | 0 | 1,032 |
| JPY | 104 | 273 | 0 | 0 | 377 |
| CHF | 0 | 0 | 106,070 | (48,174) | (154,244) |
| | **1,721** | **4,370** | **121,986** | **(48,174)** | **(164,069)** |

**Fair value of financial instruments**

Carrying amounts of current financial assets and current financial liabilities are equal to fair value.

# Notes

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**32. Effect of change in accounting policies on transition to IFRS**

As stated in accounting policies the annual report of SP Group A/S is presented in accordance with the International Financial Reporting Standards (IFRS) as from this financial year. The transition to financial reporting under IFRS means that the IFRSs in force at the balance sheet date in the year of transition shall be applied retrospectively to the first financial year presented in the annual report for the year in transition.

The latest annual report of SP Group A/S for 2004 was presented in accordance with the Danish Financial Statements Act and Danish accounting standards. On transition to financial reporting under IFRS for the present year, an opening balance sheet has been prepared at 1 January 2004 in accordance with IFRS 1 prepared in accordance with the IFRSs effective for financial years starting on 1 January 2005 or later.

The transition to IFRS has not resulted in any change in the Company's cash flows.

For a description of accounting policies applied and transitional and commencement provisions applied, see "Accounting policies".

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| Note | | Group | | |
|---|---|---|---|---|
| **32.** | **Effect of change in accounting policies on transition to IFRS (continued)** | | | |
| | | Previous accounting policies 1 Jan. 2004 | Effect of transition to IFRS 1 Jan. 2004 | IFRS 1 Jan. 2004 |
| | **Reconciliation of equity at 1 January 2004 (opening balance sheet)** | | | |
| | Intangible assets | 75,654 | 0 | 75,654 |
| | Tangible assets | 296,907 | 0 | 296,907 |
| | Financial assets | 5,015 | 0 | 5,015 |
| | **Non-current assets** | **377,576** | **0** | **377,576** |
| | Inventories | 93,457 | 0 | 93,457 |
| | Receivables | 100,416 | 0 | 100,416 |
| | Cash | 10,667 | 0 | 10,667 |
| | **Current assets** | **204,540** | **0** | **204,540** |
| | **Assets** | **582,116** | **0** | **582,116** |
| | Share capital | 177,867 | 0 | 177,867 |
| | Retained earnings | (28,663) | 0 | (28,663) |
| | Minority interests | 9,214 | 0 | 9,214 |
| | **Equity** | **158,418** | **0** | **158,418** |
| A | Provisions | 35,309 | (35,309) | 0 |
| A | Non-current liabilities | 211,272 | 35,309 | 246,581 |
| | Current liabilities | 177,117 | 0 | 177,117 |
| | **Liabilities** | **423,698** | **0** | **423,698** |
| | **Equity and liabilities** | **582,116** | **0** | **582,116** |

***A) Provisions***

Provisions are reclassified as non-current liabilities.

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| Note | | Parent | | |
|---|---|---|---|---|
| **32.** | **Effect of change in accounting policies on transition to IFRS (continued)** | | | |
| | | Previous accounting policies 1 Jan. 2004 | Effect of transition to IFRS 1 Jan. 2004 | IFRS 1 Jan. 2004 |
| | **Reconciliation of equity at 1 January 2004 (opening balance sheet)** | | | |
| | Intangible assets | 702 | 0 | 702 |
| | Tangible assets | 69,007 | 0 | 69,007 |
| A | Financial assets | 141,188 | (3,320) | 137,868 |
| | **Non-current assets** | **210,897** | **(3,320)** | **207,577** |
| | Inventories | 8,399 | 0 | 8,399 |
| | Receivables | 88,565 | 0 | 88,565 |
| | Cash | 36,894 | 0 | 36,894 |
| | **Current assets** | **133,858** | **0** | **133,858** |
| | **Assets** | **344,755** | **(3,320)** | **341,435** |
| | Share capital | 177,867 | 0 | 177,867 |
| | Retained earnings | (28,663) | (3,320) | (31,983) |
| | **Equity** | **149,204** | **(3,320)** | **145,884** |
| B | Provisions | 6,873 | (6,873) | 0 |
| B | Non-current liabilities | 145,833 | 6,873 | 152,706 |
| | Current liabilities | 42,845 | 0 | 42,845 |
| | **Liabilities** | **195,551** | **0** | **195,551** |
| | **Equity and liabilities** | **344,755** | **(3,320)** | **341,435** |

***A) Financial assets***

| | |
|---|---|
| The following adjustments have been made to financial assets: | |
| Reversal of net shares of profit/loss, etc from group enterprises measured at equity | 3,320 |
| | **3,320** |

***B) Provisions***

Provisions are reclassified as non-current liabilities.

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| Note | | Group | | |
|---|---|---|---|---|

## 32. Effect of change in accounting policies on transition to IFRS (continued)

| Note | | Previous accounting policies 31 Dec. 2004 | Effect of transition to IFRS 31 Dec. 2004 | IFRS 31 Dec. 2004 |
|---|---|---|---|---|
| | **Reconciliation of equity at 1 January 2004** | | | |
| A | Intangible assets | 78,143 | 4,931 | 83,074 |
| | Tangible assets | 277,261 | 0 | 277,261 |
| | Financial assets | 1,515 | 0 | 1,515 |
| | **Non-current assets** | **356,919** | **4,931** | **361,850** |
| | Inventories | 116,050 | 0 | 116,050 |
| | Receivables | 100,121 | 0 | 100,121 |
| | Cash | 13,106 | 0 | 13,106 |
| | **Current assets** | **229,277** | **0** | **229,277** |
| | **Assets** | **586,196** | **4,931** | **591,127** |
| | Share capital | 177,867 | 0 | 177,867 |
| B | Other reserves | 0 | (583) | (583) |
| C | Retained earnings | (67,018) | 4,480 | (62,538) |
| D | Minority interests | 7,603 | 390 | 7,993 |
| | **Equity** | **118,452** | **4,287** | **122,739** |
| E | Provisions | 18,560 | (18,560) | 0 |
| F | Non-current liabilities | 209,617 | 19,204 | 228,821 |
| | Current liabilities | 239,567 | 0 | 239,567 |
| | **Liabilities** | **467,744** | **644** | **468,388** |
| | **Equity and liabilities** | **586,196** | **4,931** | **591,127** |

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| Note | | Group |
|---|---|---|
| **32.** | **Effect of change in accounting policies on transition to IFRS (continued)** | |
| | ***A) Intangible assets*** | |
| | The following adjustments have been made to intangible assets: | |
| | Reversal of amortisation of goodwill | 4,931 |
| | | **4,931** |
| | ***B) Other reserves*** | |
| | Other reserves are defined as equity entries subject to special requirements of accounting treatment or presentation. The following adjustments have been made to other reserves: | |
| | Exchange adjustment on recognition of foreign entities | (583 |
| | | **(583)** |
| | ***C) Retained earnings*** | |
| | The following adjustments have been made to the Group's retained earnings: | |
| | Reversal of amortisation of goodwill | 4,931 |
| | Effect on deferred tax due to reversal of amortisation of goodwill | (644) |
| | Reversal of exchange adjustment on recognition of foreign entities | 583 |
| | Minority interests' share of effect on change in accounting policies | (390) |
| | | **4,480** |
| | ***D) Minority interests*** | |
| | Share of effect on change in accounting policies | 390 |
| | | **390** |
| | ***E) Provisions*** | |
| | Provisions are reclassified as non-current liabilities. | |
| | ***F) Non-current liabilities*** | |
| | The following adjustments have been made to non-current liabilities: | |
| | Reclassification of deferred tax liabilities | 18,560 |
| | Effect on deferred tax due to changes in accounting policies | 644 |
| | | **19,204** |

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| Note | | Parent | | |
|---|---|---|---|---|
| **32.** | **Effect of change in accounting policies on transition to IFRS (continued)** | | | |
| | | Previous accounting policies 31 Dec. 2004 | Effect of transition to IFRS 31 Dec. 2004 | IFRS 31 Dec. 2004 |
| | **Reconciliation of equity at 31 December 2004** | | | |
| | Intangible assets | 482 | 0 | 482 |
| | Tangible assets | 67,548 | 0 | 67,548 |
| A | Financial assets | 106,393 | 2,702 | 109,095 |
| | **Non-current assets** | **174,423** | **2,702** | **177,125** |
| | Inventories | 10,934 | 0 | 10,934 |
| | Receivables | 39,218 | 0 | 39,218 |
| | Cash | 67,267 | 0 | 67,267 |
| | **Current assets** | **117,419** | **0** | **117,419** |
| | **Assets** | **291,842** | **2,702** | **294,544** |
| | Share capital | 177,867 | 0 | 177,867 |
| B | Retained earnings | (67,018) | 2,702 | (64,316) |
| | **Equity** | **110,849** | **2,702** | **113,551** |
| C | Provisions | 5,291 | (5,291) | 0 |
| | Non-current liabilities | 141,972 | 5,291 | 147,263 |
| | Current liabilities | 33,730 | 0 | 33,730 |
| | **Liabilities** | **180,993** | **0** | **180,993** |
| | **Equity and liabilities** | **291,842** | **2,702** | **294,544** |

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| Note | | Parent |
|---|---|---|
| 32. | **Effect of change in accounting policies on transition to IFRS (continued)** | |
| | ***A) Financial assets*** | |
| | The following adjustments have been made to financial assets: | |
| | Change of valuation, see IFRS opening balance sheet at 1 January 2004 | (3,320) |
| | Reversal of net shares of profit/loss, etc from group enterprises measured at equity | 34,487 |
| | Reversal of tax on net shares of profit/loss from group enterprises | (11,752) |
| | Reversal of impairment of goodwill | 6,501 |
| | Impairment of investments in subsidiaries | (28,797) |
| | Dividend received from subsidiary | 5,000 |
| | Reversal of exchange adjustment | 583 |
| | | **2,702** |
| | ***B) Retained earnings*** | |
| | The following adjustments have been made to the Parent's retained earnings: | |
| | Change, see IFRS opening balance sheet at 1 January 2004 | (3,320) |
| | Change, profit/loss, see reconciliation of income statement | 5,439 |
| | Reversal of exchange adjustment of subsidiaries | 583 |
| | | **2,702** |
| | ***C) Provisions*** | |
| | Provisions are reclassified as non-current liabilities. | |

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| Note | | Group | | |
|---|---|---|---|---|

**32. Effect of change in accounting policies on transition to IFRS (continued)**

| Note | | Previous accounting policies 2004 | Effect of transition to IFRS 2004 | IFRS 2004 |
|---|---|---|---|---|
| | **Reconciliation of income statement for 2004** | | | |
| | Revenue | 695,702 | 0 | 695,702 |
| A | Production costs | (520,030) | (4,974) | (525,004) |
| | **Contribution margin** | **175,672** | **(4,974)** | **170,698** |
| | Other operating income | 559 | 0 | 559 |
| | External expenses | (48,952) | 0 | (48,952) |
| A | Staff costs | (97,213) | 4,974 | (92,239) |
| | **Profit/loss before depreciation, amortisation and impairment losses (EBITDA)** | **30,066** | **0** | **30,066** |
| | Depreciation, amortisation and impairment losses | (64,674) | 0 | (64,674) |
| | **Profit/loss before amortisation of goodwill (EBITA)** | **(34,608)** | **0** | **(34,608)** |
| B | Amortisation and impairment losses relating to goodwill | (6,501) | 4,931 | (1,570) |
| | **Profit/loss before financial income and expenses (EBIT)** | **(41,109)** | **4,931** | **(36,178)** |
| | Financial income | 5,007 | 0 | 5,007 |
| | Financial expenses | (15,877) | 0 | (15,877) |
| | **Profit/loss before tax** | **(51,979)** | **4,931** | **(47,048)** |
| C | Tax on profit/loss for the year | 15,055 | (644) | 14,411 |
| | **Net profit/loss for the year** | **(36,924)** | **4,287** | **(32,637)** |

***A) Reclassification of pension, etc***

Pension costs, etc relating to production staff have been reclassified from staff costs to production costs. This is not a correction resulting from the transition to IFRS.

***B) Amortisation and impairment losses relating to goodwill***

The following adjustments have been made to the item:

| | |
|---|---|
| Reversal of amortisation of goodwill | 4,931 |
| | **4,931** |

***C) Tax on profit/loss for the year***

The following adjustments have been made to the item:

| | |
|---|---|
| Tax effect of reversal of amortisation of goodwill | (644) |
| | **(644)** |

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| Note | | Parent | | |
|---|---|---|---|---|
| **32.** | **Effect of change in accounting policies on transition to IFRS (continued)** | | | |
| | | Previous accounting policies 2004 | Effect of transition to IFRS 2004 | IFRS 2004 |
| | **Reconciliation of income statement for 2004** | | | |
| | Revenue | 67,108 | 0 | 67,108 |
| A | Production costs | (44,414) | (972) | (45,386) |
| | **Contribution margin** | **22,694** | **(972)** | **21,722** |
| | Other operating income | 6,003 | 0 | 6,003 |
| | External expenses | (10,409) | 0 | (10,409) |
| A | Staff costs | (22,866) | 972 | (21,894) |
| | **Profit/loss before depreciation, amortisation and impairment losses (EBITDA)** | **(4,578)** | **0** | **(4,578)** |
| | Depreciation, amortisation and impairment losses | (5,646) | 0 | (5,646) |
| | **Profit/loss before amortisation of goodwill (EBITA)** | **(10,224)** | **0** | **(10,224)** |
| B | Amortisation and impairment losses relating to goodwill | (6,501) | 6,501 | 0 |
| | **Profit/loss before financial income and expenses (EBIT)** | **(16,725)** | **6,501** | **(10,224)** |
| C | Income from group enterprises | (34,487) | 10,690 | (23,797) |
| | Financial income | 8,133 | 0 | 8,133 |
| | Financial expenses | (10,350) | 0 | (10,350) |
| | **Profit/loss before tax** | **(53,429)** | **17,191** | **(36,238)** |
| D | Tax on profit/loss for the year | 15,657 | (11,752) | 3,905 |
| | **Net profit/loss for the year** | **(37,772)** | **5,439** | **(32,333)** |

***A) Reclassification of pension, etc***

Pension costs, etc relating to production staff have been reclassified from staff costs to production costs. This is not a correction resulting from the transition to IFRS.

**B) Amortisation and impairment losses relating to goodwill**

The following adjustments have been made to the item:

| | |
|---|---|
| Reversal of amortisation of goodwill | 6,501 |
| | **6,501** |

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| Note | | Parent |
|---|---|---|
| **32.** | **Effect of change in accounting policies on transition to IFRS (continued)** | |
| | ***C) Income from group enterprises*** | |
| | Investments in subsidiaries are measured at cost. | |
| | The following adjustments have been made to income from investments in subsidiaries: | |
| | Reversal of share of subsidiaries' profit/loss before tax measured at equity | 34,487 |
| | Dividends received from subsidiaries recognised as income | 5,000 |
| | Impairment of investments in subsidiaries | (28,797) |
| | | **10,690** |
| | ***D) Tax on profit/loss for the year*** | |
| | The following adjustments have been made to the item: | |
| | Reversal of subsidiaries' tax | (11,752) |
| | | **(11,752)** |