Annual report '18

Innovative solutions in plastics, composites and coatings

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

Contents

The picture on the front page shows guide wires and plastic components manufactured and marketed by SP Medical A/S.

Company details

Company details

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

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

Board of Directors

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

Executive Board

Frank Gad, CEO
Jørgen Hønnerup Nielsen, CFO

Auditor

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

Annual general meeting

The annual general meeting will be held on Monday 29 April 2019 at 12.00 o'clock at MedicoPack A/S, Industrivej 6, 5550 Langeskov

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

Group chart

Activities

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

SP Group is a leading supplier of plastic-manufactured products to the manufacturing industry and has increasing sales and growing production from own factories in Denmark, China, Brazil, the US, Latvia, Slovakia, Sweden and Poland. In addition, SP Group has sales and service companies in Sweden, Norway, the Netherlands and Canada. SP Group is listed on NASDAQ Copenhagen, employed an average of 2,068 people at year end 2018 and had approx. 2,200 registered shareholders.

SP Group A/S

Surface solutions

- **Coatings**
  - **Accoat A/S**
    - Accoat do Brasil Ltda.
    - Accoat Sp. z o.o.

Plastic solutions

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

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

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

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

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

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

SP Group in brief

Headquarters in Denmark

established in 1972

Products are marketed and sold in

83 countries

Subsidiaries in

11 countries on 4 continents

Average number of employees increased in 2018 from 1,852 to

1,994 committed employees

In 2018, revenue increased by 4.3% to

DKK 1,965 million

In 2018, revenue from own trademarks increased by 10.9% to

DKK 452 million

In 2018, EBITDA increased by 3.9% to

DKK 286 million

In 2018, EPS, diluted, increased by

23,5 %

Financial highlights for the Group

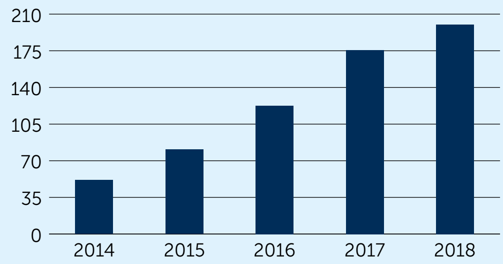
DKK '000	2018	2017	2016	2015	2014
INCOME STATEMENT					
Revenue	1,965,028	1,884,144	1,519,044	1,319,768	1,164,942
Profit/loss before depreciation and amortisation (EBITDA)	285,619	274,994	202,857	162,788	113,496
Depreciation, amortisation and impairment losses	-89,695	-81,477	-69,442	-72,011	-53,329
Profit/loss before net financials (EBIT)	195,924	193,517	133,415	90,777	60,167
Net financials	4,189	-17,801	-10,799	-10,122	-8,691
Profit/loss before tax	200,113	175,716	122,616	80,655	51,476
Profit/loss for the year	160,083	132,259	93,387	61,112	39,809
Earnings per share, DKK per share (EPS)*	14.37	11.84	8.37	5.80	3.97
Diluted earnings per share, DKK per share (EPS diluted)*	14.10	11.42	8.07	5.60	3.85
BALANCE SHEET					
Non-current assets	938,668	873,977	669,136	635,072	574,845
Total assets	1,640,509	1,515,159	1,200,671	1,077,888	943,421
Equity, including non-controlling interests	620,030	537,687	428,976	393,561	276,361
Investments in property, plant and equipment, excluding acquisitions	123,648	182,341	107,035	73,238	77,791
CASH FLOW STATEMENT					
Cash flows from operating activities	173,401	180,767	140,439	171,743	64,101
Cash flows from investing activities, including acquisitions	-124,647	-204,793	-80,126	-116,350	-67,342
Cash flows from financing activities	-62,917	45,906	-50,351	-40,921	4,555
Changes in cash and cash equivalents	-14,163	21,880	9,962	14,472	1,314
FINANCIAL RATIOS					
Net interest-bearing debt (NIBD)	576,598	509,123	407,711	403,423	467,197
NIBD/EBITDA	2.0	1.9	2.0	2.5	4.1
Operating income (EBITDA margin), %	14.5	14.6	13.4	12.3	9.7
Profit margin (EBIT margin), %	10.0	10.3	8.8	6.9	5.2
Profit/loss before tax and non-controlling interests in % of revenue	10.2	9.3	8.1	6.1	4.4
Return on invested capital, including goodwill, %	15.8	18.8	15.5	11.5	8.4
Return on invested capital, excluding goodwill, %	18.6	22.3	18.6	13.6	9.8
Return on equity (ROE), excluding non-controlling interests, %	27.8	27.4	22.6	18.4	15.3
Equity ratio, excluding non-controlling interests, %	37.7	35.4	35.6	36.3	28.3
Equity ratio, including non-controlling interests, %	37.8	35.5	35.7	36.5	29.3
Financial gearing	0.9	0.9	1.0	1.0	1.7
Cash flow per share, DKK*	15.24	15.63	12.26	15.87	6.32
Total dividends for the year per share, DKK*	2.40	2.00	1.20	0.80	0.70
Listed price, DKK per share, year end*	197.50	219.00	134.80	74.70	43.90
Net asset value per share, DKK per share, year end*	55.35	48.03	38.32	35.54	26.94
Listed price/net asset value, year end*	3.57	4.56	3.52	2.10	1.63
Average number of employees	1,994	1,852	1,559	1,452	1,255
Number of shares, year end*	11,390,000	11,390,000	11,390,000	11,120,000	10,120,000
Amount relating to treasury shares, year end*	230,351	217,460	231,795	114,095	219,965

Financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations and Financial Ratios". See page 69 for definitions.
The key figures for 2014-2017 have not been restated to reflect the effect of the implementation of IFRSs 9 and 15.

* Financial ratios have been adjusted for the share split in May 2018.

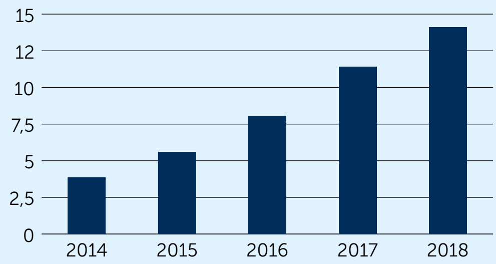
In 2018, profit/loss before tax increased by 13.9% to DKK 200.1 million

DKKm



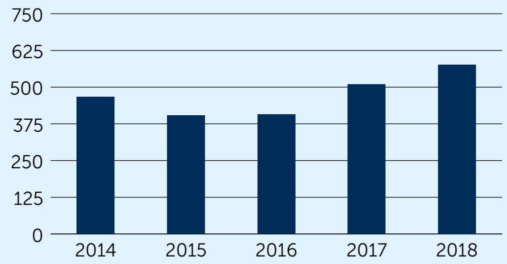
EPS, earnings per share, diluted, increased by 23.5% to DKK 14.10

DKK



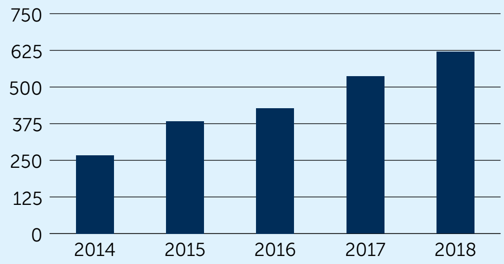
Net interest-bearing debt (NIBD) increased by DKK 68 million to DKK 577 million

DKKm

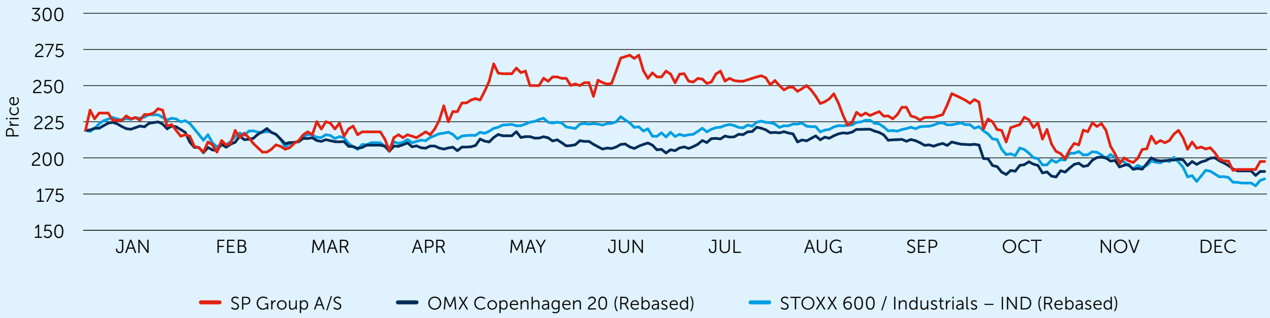


Equity increased by DKK 82 million to DKK 620 million

DKKm



Development in the share price in 2018



An interesting and successful year

Dear shareholders and other stakeholders

2018 was another interesting year in a turbulent world.

Political uncertainty, Brexit and trade war threats, exchange rate fluctuations and rising commodity prices affected developments for our customers and SP Group, but we managed to realise sound results.

Sales of our own brands rose by 10.9% and now account for 23.0% of revenue.

Sales to our international customers increased by 4.1% and now account for 61.7% of total sales. Sales to international customers have doubled in four years.

Revenue in Denmark increased by 4.6%. Adjusted for changes in a logistics agreement with a major customer, sales in Denmark increased by 8.1%.

Total revenue amounted to DKK 1,965 million, which is up 4.3% on 2017. Organic growth amounted to 3.7% in local currencies and adjusted for the changed logistics agreement. Measured in Danish kroner and measured based on actual logistics agreements, organic growth amounted to 1.5%. In Q4, the growth rate was 8.9% (the organic growth rate was 8.0%). There was no notable exchange rate effect in Q4.

EBITDA increased by 3.9% to DKK 285.6 million, and EBIT increased by 1.2% to DKK 195.9 million.

Profit before tax rose by 13.9% to DKK 200.1 million, which is our best financial performance so far. This is the third time that it exceeds DKK 100 million, and the first time that it exceeds DKK 200 million.

EPS, diluted, increased by 23.5% to DKK 14.10 per share thanks to lower taxes abroad.

Cash flows from operating activities were positive by DKK 173.4 million.

Net interest-bearing debt went up by DKK 67.5 million to DKK 576.6 million at the end of 2018, which corresponds to 2.0 times EBITDA for the year as against 1.9 in 2017.

2018 was a successful year where:

- Our sales to the cleantech industry increased by 3.6% and now account for 33.5% of revenue
- Our sales to the healthcare industry decreased by 6.3% and now account for 30.4% of revenue The decrease is primarily attributable to a changed logistics agreement
- Our sales to the food-related industry increased by 15.4% and now account for 14.6% of revenue
- Our sales to the automotive industry increased by 14.1% and now account for 5.2% of revenue
- We entered into a number of contracts and partnership agreements holding a good potential for the future
- We aspire to be an innovative, reliable and competitive partner for our customers, also when they decide to outsource their own production
- On 25 April 2018, SP Group A/S acquired all the shares in Nycopac AB. Nycopac is located in Nyköbing in Sweden. The entity has its own products and primarily develops and sells plastic packaging solutions to the European automotive industry and other industrial companies. Management and the committed employees stay on
- On 27 June 2018, Ulstrup Plast Slovakia s.r.o. acquired 52% of the shares in Kodaň Plast s.r.o. Kodaň Plast specialises in machining operations in plastics as well as hot bending, gluing and assembly. Purpose and application ranges from simple cutting sheets over the food industry and state-of-the-art components to the medico and cleantech industries. Management and the committed employees stay on. Kodaň Plast complements SP Group's broad range of skills and fits well with SP Group's expansion of its activities in Slovakia
- EBITDA totalled approx. DKK 2 million before the acquisition of the acquired entities in the most recent financial year
- In December, SP Group entered into a loan agreement with Jyske Bank. The loan amounts to DKK 100 million with a term of seven years. The loan will be used to finance and support the Company's growth by strengthening the sale of SP Group's own products, increased internationalisation, improved efficiency and by investing in new process technologies and skilled staff. The interest rate is the market rate, and the margin is competitive
- In 2017, ATP announced that it had acquired 6.20% of the shares and the voting rights in SP Group. In September, Odin Fund Management in Norway announced that Odin had acquired 7.0% of the shares and the voting rights in SP Group. In November, Lannebo Fonder in Sweden announced that Lannebo had acquired 5.4% of the shares and the voting rights in SP Group. We consider it a great honour that a leading Danish, a leading Norwegian and a leading Swedish asset manager are now significant shareholders, and we will do our utmost to live up to the confidence shown us
- In Poland, we expanded SP Moulding and Gibo Plast by adding more square metres and buying new machinery
- In Poland, Tinby and Ergomat has expanded its facilities by a total of 10,700 sqm
- In China, Tinby has expanded its facilities to 5,300 sqm
- SP Medical has expanded its cleanroom facilities, meaning that we will also be able to injection-mould in cleanrooms in Poland in the future
- We won a number of new major customers and did not lose any major customers in 2018
- We launched a number of new and improved products in 2018 (guide wires, ergonomic mats, industrial standard components, medical device packaging and farm ventilation equipment). Moreover, we have developed new products to be launched in 2019. We further developed our medical device expertise in Denmark, Poland, Slovakia, Brazil and China.
- We invested a total of DKK 94.6 million in new equipment, including equipment worth DKK 15.6 million that is held under finance leases
- We sold more new moulds to our customers than ever before
- We were busy in both first half and second half of the year
- Last, but not least, we got many new shareholders: almost 10% more than at the beginning of 2018
- The price of the SPG share decreased from 219.0 at the beginning of the year to 197.5 at the end of 2018, resulting in a capital loss of 9.8% for our shareholders
- We distributed dividend of DKK 2.00 per share. The total return on the shareholders' investment was thus a negative 8.9%, which is unsatisfactory but better than the general return on investments in the market
- As from 1 January 2018, the SP Group share was moved from Small Cap to Mid Cap on Nasdaq Copenhagen. The share was split in five following a resolution by the annual general meeting in April.

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

Based on the financial performance in 2018 (NIBD/EBITDA = 2.0, EBITDA % = 14.5, EBT % = 10.2 and equity ratio including non-controlling interests = 37.8%) and the outlook for 2019, the Board of Directors recommends to the Company's Annual General Meeting that dividend of DKK 2.40 per share should be distributed, corresponding to an increase of 20% compared with last year and largely corresponding to EPS growth.

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

On 25 April 2018, SP Group A/S acquired all the shares in Nycopac AB.

On 27 June 2018, Ulstrup Plast Slovakia s.r.o. acquired 52% of the shares in Kodaň Plast s.r.o.

In 2018, our tax expenses amounted to DKK 40.0 million, corresponding to an effective tax rate of 20.0%. We pay tax in the country where the income is earned in accordance with national and international transfer pricing rules, and it is our goal to act as a responsible member of society in all areas where we operate. Our tax policy is available on the website www.sp-group.dk. In 2018, we paid tax in all countries in which we operate permanently, except for Latvia where corporation tax is 0 when no dividend is distributed. We therefore make long-term investments in Latvia and expand our facilities and activities. The tax payment in the individual countries is disclosed in note 13.

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

We will continue to adjust our capacity, improve efficiency – and pursue new opportunities in the medical device industry, the cleantech industry and food-related industries – and move labour-intensive production from Western Europe to Poland, Slovakia and Latvia as well as make massive investments in people and technology in Europe, USA and China to enable us to be a global, innovative, reliable and competitive partner to our customers.

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

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

Frank Gad CEO

The year in outline

2018 in outline

The Group's revenue increased by 4.3% to DKK 1,965.0 million from DKK 1,884.1 million in 2017. The change is primarily due to a higher volume. The organic growth in local currencies amounted to 3.7%. Exchange rate fluctuations, particularly the decline in RMB and USD, have reduced revenue by approx. DKK 16 million. The exchange rate effect amounts to approx. -0.8% of the revenue growth of 4.3%. A changed logistics agreement with a major customer resulted in a decrease in revenue of 1.3% (approx. DKK 25 million), so the actual organic growth was 1.5%. Acquired activities and businesses account for 2.7%.

International sales increased by 4.1% and now account for 61.7% of revenue (against 61.9% in 2017). Revenue growth was particularly high in Europe, Asia and Africa. We saw a minor downturn in Americas and Australia, primarily due to exchange rate fluctuations. This is the second year that our direct international sales make up more than 60% of revenue. Sales outside Europe decreased from 23.4% to 22.7% of revenue.

Sales to our Danish customers increased by 4.6%. Adjusted for changes in a logistics agreement with a major customer, sales in Denmark increased by 8.1%.

Sales to the cleantech industry increased by 3.6% and were broadly based on customers, products, geographies and technology. Sales to the cleantech industry now account for 33.5% of our sales (as against 33.9% in 2017).

Sales of own brands went up by 10.9%. SP Group realised an increase in the sale of ergonomic products (+2.7%) and farm ventilation components (+6.5%). The sale of guide wires decreased by 11.4%, primarily due to the phase-out of a type of coating that is no longer allowed in production in the EU but can still be used in USA and China. The finished products can still be sold in the EU. In cooperation with the raw material supplier, SP Medical has developed a new environmentally friendly, chrome-free coating that meet future global requirements. MedicoPack also sells its own products. These contributed DKK 48.4 million to revenue for the year, corresponding to a growth rate of 15.5%. Industrial standard components contributed DKK 136.1 million, corresponding to a growth rate of 38.7%. This includes own products from Nycopac.

The Group's operating profit/loss – EBITDA – increased by 3.9% to DKK 285.6 million. The EBITDA margin was 14.5%, which is a decline of 0.1 percentage point compared to 2017. During the year, considerable resources were dedicated to the commissioning of new production facilities, adversely impacting operating profit. During the year, we hired – and trained – 156 new employees, net, in Eastern Europe. The expansion of our workforce in Eastern Europe has adversely affected EBITDA for the period, but is expected to allow new profitable growth in the coming quarters. Investments in property, plant and equipment amounted to DKK 123.2 million, which is down DKK 58.1 million on 2017. Increasing commodity prices and frequent force majeure claims from our suppliers have also adversely affected EBITDA. We expect to pass on commodity price increases to our customers with delay.

Depreciation, amortisation and impairment losses amounted to DKK 89.7 million, which is an increase of DKK 8.2 million on 2017.

EBIT amounted to DKK 195.9 million, corresponding to 10.0% of revenue. EBIT increased by DKK 2.4 million relative to 2017.

The Group's financial net expenses decreased from DKK 17.8 million in 2017 to an income of DKK 4.2 net in 2018 due to exchange rate adjustments, value adjustment of other payables (an expected earn-out did not crystallise) and slightly increased debt. Lending margins were slightly lower than in 2017. Interest rate levels remained largely unchanged.

Diluted earnings per share amounted to DKK 14.10, which is an increase of 23.5% compared to 2017.

At the end of 2018, interest-bearing debt can be specified by currency as follows:

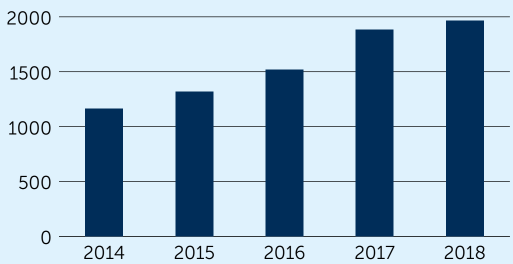
DKK	DKK	452 million
EUR	DKK	107 million
PLN	DKK	39 million
USD	DKK	2 million
SEK	DKK	-8 million
BRL	DKK	-2 million
RMB	DKK	-13 million
Total	DKK	577 million

Cash flows

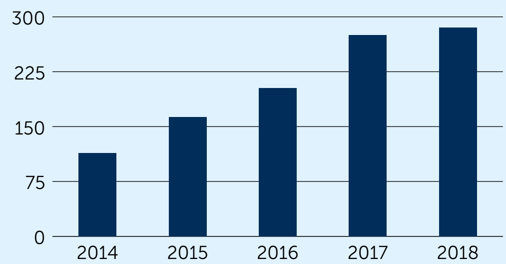
Cash flows from operating activities fell to DKK 173.4 million (against DKK 180.8 million in 2017), primarily due to increased operating income and changes in the net working capital.

Cash flows from investing activities amounted to DKK 124.6 million (of which DKK 15.6 million under finance lease), relating to capacity and competency development within health care (approx. DKK 34 million), cleantech (approx. DKK 50 million), food-related industries (approx. DKK 5 million), automotive (approx. DKK 1 million), other (approx. DKK 1 million) and investments in two properties (DKK 28.3 million). Further, all the shares in Nycopac AB and 52% of the shares in Kodaň Plast s.r.o. were acquired at a total price of DKK 5.2 million cash.

Consolidated revenue 2014-2018 (DKKm)



Operating profit (EBITDA) 2014-1028 (DKKm)



DKK 115.8 million was repaid on long-term borrowing. New loans of DKK 136.0 million were raised, of which DKK 15.6 million relates to finance leases.

Dividends totalling DKK 22.7 million were distributed to the shareholders, and treasury shares were acquired for DKK 47.5 million, net. Warrant of DKK 1.5 million was sold to executive employees, who chose to acquire the warrants granted instead of vesting them.

The change in cash and cash equivalents was negative by DKK 14.2 million.

Balance sheet

The balance sheet total went up from DKK 1,515.2 million to DKK 1,640.5 million, which is primarily attributable to the acquisition of new machinery, acquisition of entities, acquisition of properties and an increase in the gross working capital.

Net interest-bearing debt (NIBD) rose to DKK 576.6 million from DKK 509.1 million, accounting for 2.0 times the year's EBITDA.

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

The capital structure changed in the year, meaning that the current interest-bearing debt decreased from 19.0% to 18.3% of the balance sheet total, and the long-term interest-bearing debt increased from 19.6% to 20.6% of the balance sheet total. The equity interest increased from 35.5% to 37.8%, and non-interest bearing debt decreased from 25.9% to 23.3%.

Net interest-bearing debt increased from 33.6% to 35.1% of the balance sheet total.

Equity was adversely affected in 2018 by the acquisition of treasury shares, DKK 47.5 million, net, and distribution of dividend, DKK 22.7 million. Value adjustments of financial instruments held to hedge future cash flows, primarily forward contracts (PLN against EUR), adversely comprehensive income and, hence, equity by DKK 9.0 million. Exchange rate adjustments of foreign entities adversely affected equity by DKK 4.0 million.

Q4 2018

In Q4 2018, SP Group's sales totalled DKK 503.6 million, which is 8.9% higher than in the same period the year before. 8.0% relates to organic growth. There was no notable exchange rate effect.

EBITDA amounted to DKK 76.4 million, which is up 31.8% on the same period the year before.

EBIT totalled DKK 55.4 million, which is up DKK 16.5 million on the same period the year before.

Profit/loss before tax amounted to DKK 54.4 million, which is an increase of DKK 18.0 million, or 49.4%, compared to the same period the year before.

The EBITDA margin in Q4 totalled 15.2%, and profit before tax amounted to 10.8% of revenue.

Amortisation, depreciation and impairment losses totalled DKK 21.0 million, which is up DKK 1.9 million on the same period the year before.

In Q4, cash flows from operating activities amounted to DKK 53.6 million (2017: DKK 72.1 million). Cash flows from investing and financing activities were negative by DKK 48.8 million (2017: negative by DKK 58.5 million). Accordingly, the change in liquidity was positive by DKK 4.8 million (2017: positive by DKK 13.6 million).

Despite market challenges, Q4 2018 was our best quarterly performance so far in terms of earnings and next best measured by revenue, only exceeded by Q2 2018.

Follow-up on previously announced expectations

The profit/loss for the year of DKK 200.1 million before tax corresponds to the expectations announced on 12 November 2018 as to "a profit/loss before tax and non-controlling interests at the level of DKK 200 million". Revenue came at DKK 1,965.0 million, which corresponds to the expectations expressed on 12 November 2018 as to "full-year revenue for 2018 at the level of DKK 2.0 billion".

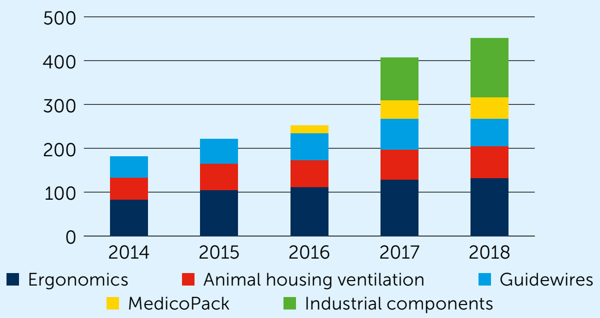
Previously announced expectations:

22 March 2018	For 2018, profit/loss before tax at the level of DKK 200 million and revenue at the level of DKK 2.0 billion are expected.
23 April 2018:	As above.
22 August 2018:	As above.
12 November 2018:	As above.

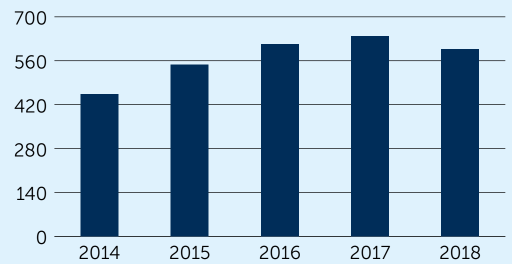
Events after the balance sheet date

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

Revenue under own brands 2014-2018 (DKKm)



Revenue from health care products 2014-2018 (DKKm)



These ergonomic mats from Ergomat with built-in LED lighting are among the most durable in the world and make cleaning with strong chemicals possible.

Effect of IFRS 16 for 2019

Effect of the implementation of IFRS 16

IFRS 16 was issued in January 2016 and came into force on 1 January 2019. The standard entails that almost all leases must be recognised in the balance sheet as distinction is no longer made between operating leases and finance leases. According to the new standard, a leased asset (the right-of-use asset) and a financial liability to pay rent are recognised.

Due to the new standard, EBITDA, which is the primary performance measure of SP Group, will be affected by the reclassification of expected rent to depreciation and expensed interest. The free cash flows will be positively affected as the classification of the previous operating lease payments are reclassified from cash flows from operating activities to cash flows from financing activities.

In addition to EBITDA, IFRS 16 will also affect the balance sheet and balance sheet-related financial ratios such as ROIC and NIBD due to the recognition of the leased asset and the financial liability.

Effect of IFRS 16 for 2019

Financial statement items	Effectiveness	Estimated effect*	Description of effect
Revenue	→		No change
OPEX		Decrease of approx. DKK 34 million	Decreases as operating lease payments must be recognised as depreciation and interest expenses going forward
EBITDA margin	↑	**Increase of approx. 1.7%**	**Significant increase due to lower costs (decrease in rental expenses)**
Depreciation		Increase of approx. DKK 28 million	Increases due to depreciation on capitalised right-of-use assets
EBIT margin	↑		**Minor increase in EBIT as part of the rental expenses will be recognised as interest expenses**
Financial expenses		Increase of approx. DKK 8 million	Minor increase due to interest expenses
Corporation tax	→		No significant costs
Net profit	↓ ↷ →	**Decrease of approx. DKK 2 million**	**Minor initial decrease due to "front loading" of interest expenses. No effect over time**
NIBD	↑	**Increase of approx. DKK 165 million**	**Net interest-bearing debt will increase due to recognition of lease liabilities**
Free cash flows	↑	**Increase of approx. DKK 34 million**	**Increases as operating lease payments will be reclassified from cash flows from operating activities to cash flows from financing activities**
Assets	↑	Increase of approx. DKK 165 million	
Liabilities	↑	Increase of approx. DKK 165 million	

*) Based on 2018 figures.

Outlook for 2019

The global economy is expected to grow in 2019 too, but it is still fragile and associated with political and economic uncertainty. The neighbouring markets in Europe have grave government budget deficits and high indebtedness.

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

Trade barriers between USA and the EU and between USA and China may have a strong negative impact on the global economy and thus on the development in SP Group. An increased interest rate level will also have an adverse effect on the development in SP Group.

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

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

A high investment level will be maintained in 2019. The largest investment is expected to be made in the cleantech activities.

Depreciation and amortisation are expected to be realised at a higher level than in 2018, among other things due to the implementation of IFRS 16.

Financial expenses are expected to be realised at a higher level than in 2018, among other things due to the implementation of IFRS 16.

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

It is our ambition to increase revenue and earnings once again in 2019, but the order horizon is short. For 2019, profit/loss before tax at the level of DKK 200 million and revenue at the level of DKK 2.0 billion are expected.

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

Going towards 2022

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

With the results in 2018 (revenue of DKK 2.0 billion, an EBITDA margin of 14.5% and profit before tax of 10.2% of revenue), we have met our 2020 goals as soon as in 2018.

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

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

By increasing the share of own products in total sales from the current 23.0% to 25-30% in 2022, continuing the internationalisation and increasing efficiency further as well as by making massive investments in new technologies and people, it is our ambition to improve the EBITDA margin to 16-17% by 2022 (before effect of IFRS 16) and increase profit before tax to 10-12% of revenue, as the share of own products and advanced solutions are expected to increase more relative to the rest of revenue.

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

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

To be able to do so, the markets we operate in need to be well-working in general, and acquisition opportunities at fair prices must be available.

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

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

SP Group aims at providing its shareholders with a fair return through increases in the share price. It is the ambition that earnings per share (EPS) should increase by an average of 20% annually over a five-year period. In 2016, EPS grew by 44.0%. In 2017, EPS grew by 41.6%. In 2018, EPS grew by 23.5%.

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

Customers

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

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

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

In 2015, we increased our local presence in Slovakia through the acquisition of Ulstrup Plast A/S, involving production, assembly and sale of injection-moulded components and solutions. In 2018, we expanded further with our investment in Kodaň Plast s.r.o., which makes machined plastic components. With the acquisition of Kodaň Plast s.r.o., we improved our product range within prototypes and low volume production (machined plastic components).

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

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

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

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

With the acquisition of Tinby Skumplast A/S and MM Composite A/S in 2017, we expanded our product range with 'block foaming' in PUR and PIR and a number of advanced composite solutions. Our local presence in USA has increased and will be further expanded in 2019 with production of vacuum-formed plastics in USA.

Durastripe® from Ergomat

Advisory services within plastics, composite and surface treatment are becoming increasingly important, and SP Group is using the Group's expertise and technologies to add value to our customers' products. In 2018, co-operation with leading universities in the EU was extended and so was co-operation with a number of suppliers' research centres and laboratories. Among our suppliers are the world's leading chemical groups.

Sales under own brands should be further increased. In a number of global niches, SP Group controls a large part of the value chain with own products that have higher margins than many of the products that SP Group manufactures as a subsupplier. Total sales of ventilation equipment from TPI, ergonomic workplace equipment from Ergomat, guide wires under the SP Medical brand as well as own products from MedicoPack and industrial standard components from other parts of the Group increased by 10.9% to DKK 452 million from 2017 to 2018. We have developed a number of new products that were marketed in 2018. In addition to increasing the sale of the existing products, the Group will continue to develop several new products under own brands.

Growth must also be generated from customers and growth industries. An obvious example is the healthcare industry. Sales to this industry totalled DKK 598 million in 2018. Growth in health care sales will be further increased with the committed business units SP Medical and MedicoPack as the primary drivers. The figure on page 9 shows the development in total health care sales, which accounted for 30.4% of revenue in 2018. Sales to the health care industry decreased by 6.3% in 2018, primarily due to a changed logistics agreement with a major customer.

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

The figure on page 14 shows the development in sales to the cleantech industry, which accounted for 33.5% of revenue in 2018.

Sales to the cleantech industry increased by 3.6% in 2018.

A number of our customers are food manufacturers or suppliers to food manufacturers. This area is called "food-related industries". Sales to food-related industries accounted for 14.6% of revenue in 2018 and amounted to DKK 286 million. Trends in sales to food-related industries are shown on page 14. In 2018, sales to food-related industries increased by 15.4%.

The health care, cleantech and food-related industries accounted for approx. 80% of total revenue in 2018.

Sales to the automotive industry increased by 14.1% to DKK 102 million and now account for 5.2% of revenue.

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

Efficiency and rationalisation

In 2018, the Group's production structure was further rationalised and made more efficient.

Employees in the Norwegian company Plexx AS have moved to new premises. From the left: Morten Nilsen, Jon Jørundland, Arild Johnsen (CEO), Geir Berg and Finn Juliussen.

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

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

In Poland, SP Moulding has expanded its injection-moulding and assembly facilities, now also offering 2K injection moulding (dual component) with machinery with a closing pressure of up to 500 tonnes and 1K injection moulding with machinery with a closing pressure of up to 1,500 tonnes.

In USA and Poland, Ergomat has increased its production of ergonomic mats by improving productivity and increasing capacity. In Poland, Ergomat has moved to new and larger premises.

In Latvia and Sweden, Brdr. Bourghardt has increased capacity and enhanced efficiency. Ulstrup Plast has increased capacity and enhanced efficiency in Denmark and Slovakia.

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

In China, Tinby and SP Moulding have increased capacity and enhanced efficiency. Now, SP Moulding also offers 2K moulding in China. In 2018, Tinby doubled its capacity in China.

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

In the Netherlands, TPI has expanded its business based on a larger organisation, which has increased capacity. TPI will establish a sales company in the USA in 2019.

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

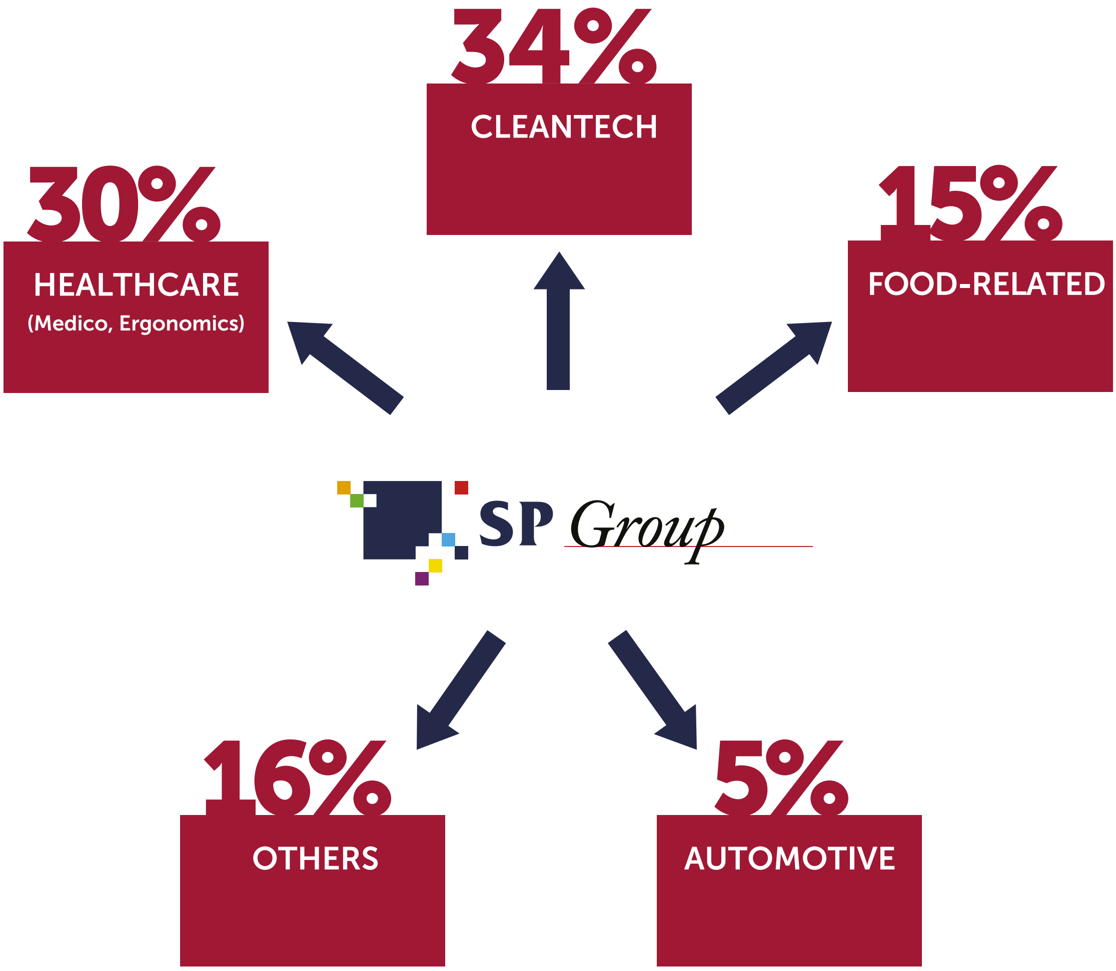
Plexx Opido has invested in new offices in Norway and new machinery in Sweden and established a sales company in Poland.

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

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

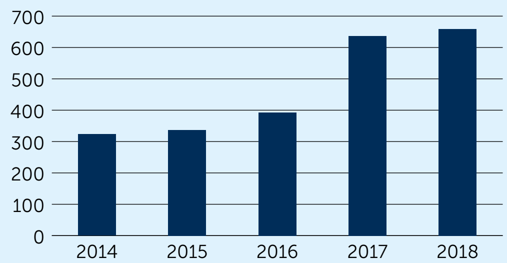
Finally, SP Group will constantly and critically analyse the Group's activities. If activities and businesses are unable to attain reasonable earnings, they will be closed down or sold.

SP Group's sales in 2018 broken down by customer group:

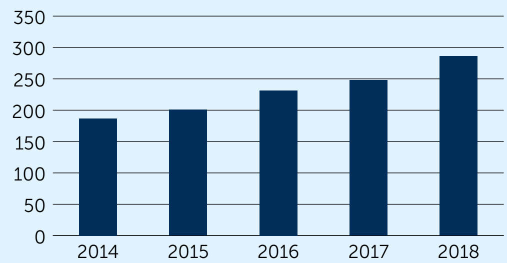


- More than 1,000 customers in total
- The largest customer accounts for 18% (2017: 18%)
- The 10 largest customers account for 51% (2017: 52%)
- The 20 largest customers account for 61% (2017: 61%)

Revenue from cleantech products 2014-2018 (DKKm)



Revenue from food-related industries 2014-2018 (DKKm)



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

Accoat, Gibo Plast, SP Moulding, Sander Tech, Brdr. Bourghardt, Tinby og MM Composite fremstiller emner til cleantech industrien.

Coatings

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

2018 in outline

Generally, the level of activity has been high during the year.

In 2019, Accoat will continue to focus its marketing efforts on the food, medical device and chemical industries.

Growth is expected in the coming years, but since much of the activity is project-based, growth rates will depend on investments in cleantech in developing countries and in the oil and gas industry in general. In 2019, the level of activity is expected to decrease due to the phase-out of a customer's product. The productive capacity has been adjusted to the level of activity in the areas in question. For instance, Accoat has been trimmed to be able to meet the demand for advanced fluoroplastic coating solutions on competitive terms.

Accoat's coating facilities in Poland is primarily used for solutions within fluoroplastic coatings and the industry in general.

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

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

Name:	Accoat A/S
Website:	www.accoat.dk
Locations:	Kvistgård in the northern part of Zealand, Sieradz in Poland and São Paulo in Brazil
Executive Board:	Mads Juhl, CEO
Activities:	Accoat manufactures coatings for a number of industries' products and production facilities. The components that are coated cover a wide field from very small needles to large tank installations
Description:	Accoat develops and manufactures environmentally friendly technical solutions for industrial and pharmaceutical purposes, including fluoroplastic coatings (Teflon®), PTFE and other refined materials
Environment/ quality:	Reference is made to the list of certificates on page 38.

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

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

Markets and products

In 2018, Accoat coated a range of different products such as medical device equipment, chemical reactors, tanks, thermocouples, ovens, baking machines, filling machines, engine components, ventilation equipment as well as equipment for the oil and gas industry. In principle, Accoat is able to coat all kinds of items, but has decided to focus especially on high-build (multiple layers) corrosion-protective coatings as well as non-stick and low-friction coatings. In these areas, Accoat is a market leader in Scandinavia and ranks among the four largest players in Europe.

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

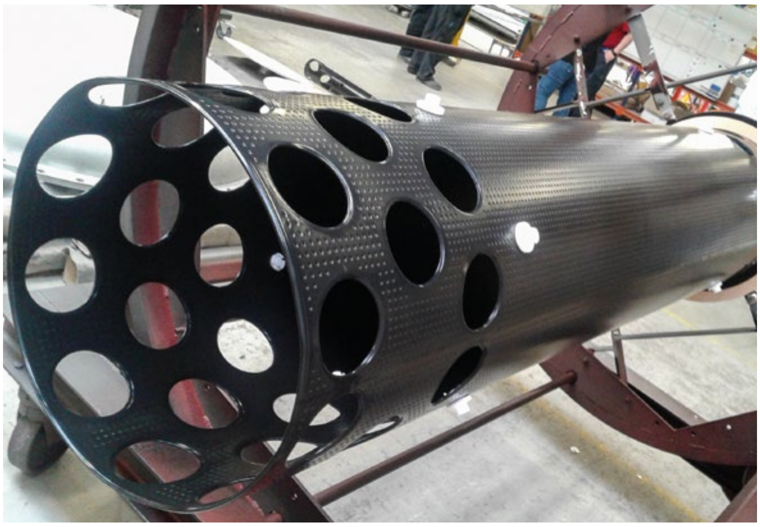
For instance, coatings may facilitate the cleaning of surfaces, reducing both the use of detergents, water and time and resulting in shorter production stoppage during cleaning Coatings may also make products and production equipment oil- and water-repellent, heat insulating, electrically insulating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

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

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

Tank top coated with food grade Accotron BFA.

Process equipment with corrosion-protective Accoshield coating.



Pipe sections coated with Accolan W98 – a food grade coating with excellent non-stick properties.

Strategy

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

Moreover, Accoat is involved in research-related projects, Accoat participates in a project supported by Innovationsfonden (Innovation Fund Denmark) and others.

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

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

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

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

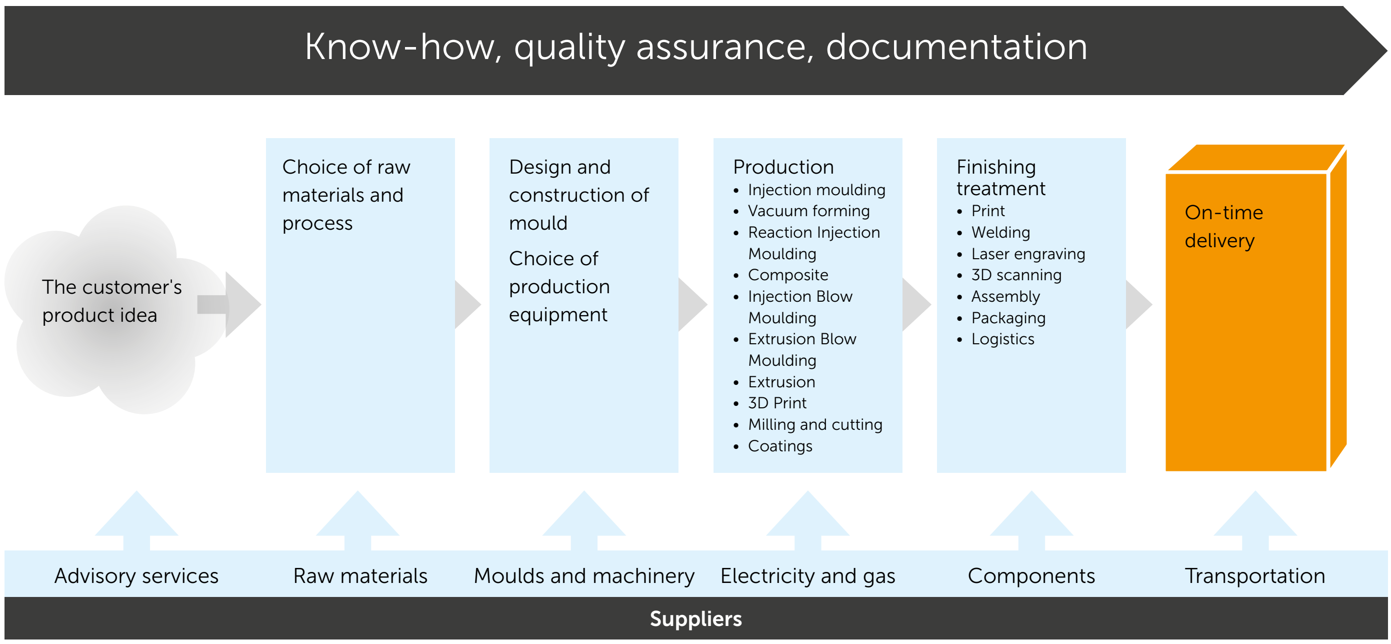

DivibaX® – a unique
mixing transfer devise with
focus on staff and patient safety.
The devise provides a 100% safe mix
of powders and fluids between vials
and containers and is manufactured
by MedicoPack A/S.

Plastics and composites

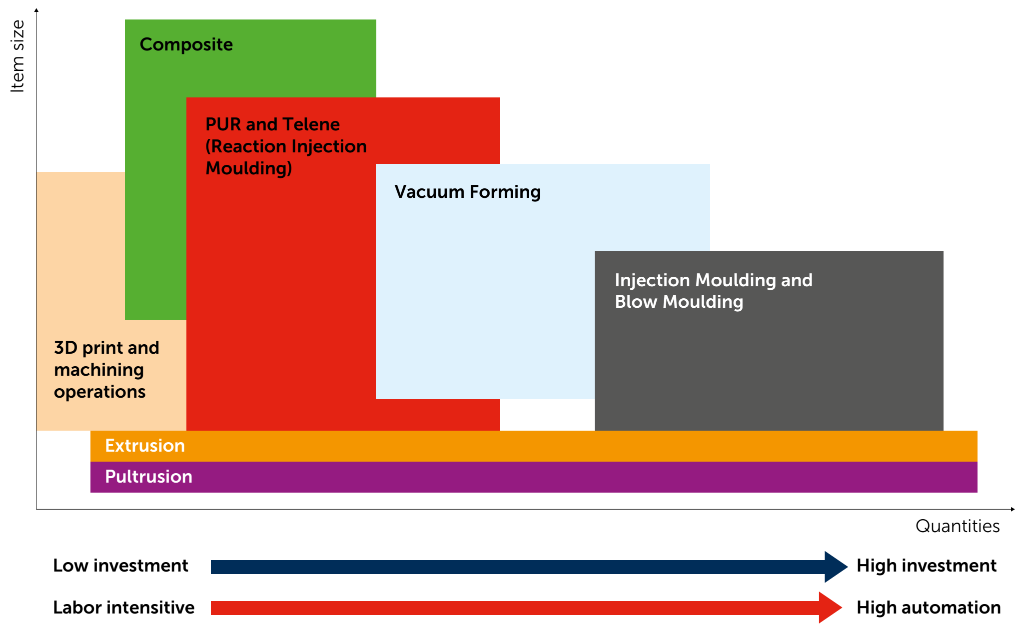
- New tasks in the health care industry
- New tasks in the cleantech industry
- More tasks in food-related industries

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

SP Group's value creation



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



Prototypes are printed in 3D or machined.

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

Very large investments were made in 2018, adversely affecting earnings. The investments are expected to contribute positively to results of operations from 2019 onwards.

Injection moulding and blow moulding

- Global progress
- Many new tasks

2018 in outline

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

Name:	SP Moulding A/S, Sander Tech ApS, Ulstrup Plast A/S, SP Medical A/S, MedicoPack A/S and Kodaň Plast s.r.o.
Websites:	www.sp-moulding.dk, www.up.dk, www.sp-medical.dk, www.medicopack.com and www.kodanplast.eu
Locations:	Juelsminde, Stoholm, Karise, Lynge, Langeskov, Sieradz (Poland), Zdunska Wola (Poland), Pobedim og Zilina (Slovakia) and Suzhou (China)
Executive Board:	Frank Gad, CEO of SP Moulding A/S, Jens Birklund Andersen, CEO of Sander Tech ApS, Søren Ulstrup, CEO of Ulstrup Plast A/S and General Manager of SP Moulding, Kenny Rosendahl, General Manager of SP Medical A/S and Torben Bruhn, CEO of MedicoPack A/S, Jens Møller and Peder Hyldegaard, Kodaň Plast s.r.o.
Activities:	SP Moulding, Sander Tech and Ulstrup Plast are leading Danish manufacturers of injection-moulded plastic precision components for a wide range of industrial companies. SP Moulding (Suzhou) Co. Ltd. in China, SP Moulding Poland Sp. z o.o. and Ulstrup Plast s.r.o. manufacture technical plastics and perform assembly work. Kodaň Plast s.r.o. manufactures machined plastics. The business unit SP Medical manufactures products in Karise and Zdunska Wola (Poland) to customers in the medical device industry. MedicoPack develops, manufactures and sells packaging material and pharmaceutical disposable equipment within injection and infusion therapy to the global pharmaceutical and health care industries.
Description:	In addition to the actual moulding, which is carried out in modern production facilities, the business area handles all finishing such as 3D scanning, laser engraving, ultrasound welding, surface treatment and compression. SP Moulding and SP Medical also handle partial or full assembly, packaging and consignment for a large number of customers. MedicoPack's production technology is based on blow moulding, IBM (Injection Blow Moulding) and EBM (Extrusion Blow Moulding), and the entity has a leading position in the area of production of packaging material for pharmaceutical purposes.
Environment/ quality:	Reference is made to the list of certificates on page 38.

SP Moulding, Sander Tech and Ulstrup Plast saw a healthy intake of a number of new industrial customers in Europe, the Americas and Asia, and business with existing customers increased in both Europe and Asia.

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

In 2018, considerable amounts were invested in new advanced production equipment (robots, special-purpose machines, injection-moulding machines, 3D scanning, energy savings and IT) as well as development and break-in of new projects.

Both SP Moulding, SP Medical and Ulstrup Plast have entered into agreements to purchase injection-moulding machines for delivery in 2019. The machines will be used to expand activities with existing customers. Through Ulstrup Plast s.r.o., we acquired 52% of the shares in Kodaň Plast s.r.o. in Slovakia.

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

Markets and products

With more than 425 injection-moulding machines (including more than 35 two- and three-component machines), SP Moulding, SP Medical and Ulstrup Plast are, combined, the largest independent injection-moulding business in Denmark and rank among the largest two in the Nordic countries. The market is still characterised by many small suppliers and excess capacity in certain areas, and a number of customers are turning to low-wage areas. However, several groups with own production of injection-moulded plastics choose to outsource activities to specialists such as SP Moulding, SP Medical and Ulstrup Plast. Moreover, the market share is increased by substituting plastics for other materials.

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

SP Medical addresses a potential market of approx. DKK 15 billion with annual growth of 5-7%. SP Medical ranks among the two or three largest Nordic suppliers of injection-moulded plastics to the medical device industry, and in the niche of PTFE-coated guide wires for urology and radiology, etc., SP Medical is among the three largest suppliers in Europe.

SP Moulding has been in charge of developing and injection moulding all plastic components of this product for MiWire.

SP Moulding manufactures various components for Schneider Electric.

SP Moulding manufactures shelfs for lorries transporting food and flowers for Uni-Troll Europe ApS.

SP Medical also manufactures medical components and equipment and coats products with function-enhancing coatings. With its expertise and quality standards, SP Medical's opportunities to increase its market shares are good.

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

Strategy

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

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

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

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

Polyurethane and Composite

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

Name:	Five activities with polyurethane (PUR) and Composite as common denominator: Ergomat A/S, Tinby A/S, TPI Polytechniek B.V., Bröderna Bourghardt AB and MM Composite A/S
Websites:	www.ergomat.com, www.tinby.dk, www.tpi-polytechniek.com, www.bourghardt.se, www.mmcomposite.dk
Locations:	Søndersø, Nørre Aaby, Ejby, Tjæreborg, Zdunska Wola (Poland), 's-Hertogenbosch (the Netherlands), Helsingborg (Sweden), Cleveland and Mt. Pleasant (USA), Montreal (Canada), Suzhou (China) and Liepaja (Latvia)
Executive Board:	Claus Lendal, CEO of Ergomat A/S; Torben Nielsen, Managing Director of Tinby A/S; Loïc van der Heijden, Managing Director of TPI Polytechniek B.V., David Bourghardt, Managing Director of Bröderna Bourghardt AB; Kent B. Madsen, CEO of MM Composite A/S
Ergomat A/S	develops and sells ergonomic solutions under own brands – Ergomat® mats and DuraStripe® striping tape – to global corporate customers. Ergomat has sales companies in Europe and North America. Its products are manufactured in Poland and USA
Tinby A/S	manufactures moulded products in solid, foamed and flexible PUR as well as laminated plastics and elastomer in Søndersø for, e.g. the graphics, medical device, furniture and cleantech industries as well block foaming solutions in Tjæreborg. In Poland, Tinby Sp. z o.o. also manufactures light-foam products for TPI. The entities in USA and China manufacture light-foam products and other plastic solutions primarily for the cleantech industry
TPI Polytechniek B.V.	develops and sells components for ventilation of industrial buildings as well as pig and poultry houses, primarily products under the TPI brand, which are manufactured by Tinby in Poland. Global sales are handled from the Netherlands
Brdr. Bourghardt AB	is a specialist in composite processes – composite and manual lamination – and uses modern varnishing methods. Brdr. Bourghardt is Scandinavia's leading manufacturer of Telene® products
MM Composite A/S	develops and sells high-quality composite components to the cleantech and other industries. The products are manufactured using different production technologies such as hand lay-up and vacuum infusion. MM Composite's head office is located in Denmark where the company also has two production facilities. Moreover, MM Composite also has production facilities in USA
Description:	PUR is manufactured by first mixing two special liquids, which react, and then moulding them, forming the required component. Expertise comprises knowing the scope for variation and making the best of the material. The process is also called Reaction Injection Moulding – or just RIM
Environment/ quality:	Reference is made to the list of certificates on page 38.

2018 in outline

Ergomat saw a stable 2018 where revenue was boosted by the launch of new concepts at major customers, particularly in USA. Sales increased within most product lines, but the product mix together with a quiet Q4 meant that revenue did not increase as much as expected.

Tinby expanded its capacity to support global growth. Tinby has moved the Pentan foam production in Poland to new facilities and production now takes place in three locations totalling 17,000 sqm. In China, new production facilities of 5,300 sqm were also established. In USA, the servicing of customers from the 1,000 sqm facilities in Iowa continues. In Latvia, the establishment of new production plant of 1,100 sqm is progressing. It will be used for production of glass fibre profiles and sheets. In Denmark, Tinby has production facilities of approx. 4,500 sqm. in Søndersø.

In 2018, TPI experienced project delays in Eastern Europe, but saw sales progress in the other markets. For instance, the Asian market and the markets in North Africa developed positively. The sales office in Denmark has been moved to the Netherlands to maintain a high degree of flexibility and a continued high service level. In 2019, a sales company will be established in USA.

For Bröderna Bourghardt, with a sales organisation in Sweden and production activities in Latvia, 2018 was characterised by increased volumes and launch of new projects within the Telene and composites technologies in the European and American markets. In 2019, we expect increased volumes for both technologies from both current and new customers.

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

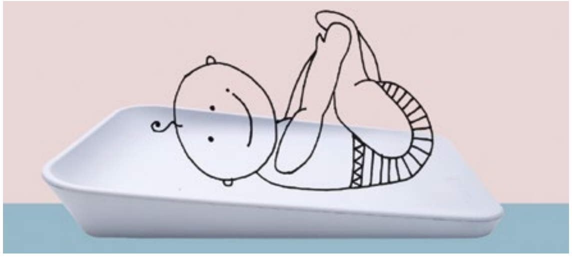
Markets and products

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

Sales were stable in most markets, and particularly in East Asia, revenue increased in 2018 compared to 2017. Ergomat operates actively in more than 60 countries with USA and the EU as its primary markets.

Ergomat manufactures ergonomic and safety solutions.

Tinby manufactures this soft Matty changing pad for Leander. Matty has won the German Design Award 2019 for outstanding design quality.



TPI Polytechniek develops and sells components for ventilation in pig and poultry houses under the TPI brand.

Tinby casts seat and backrest in integral foam for this chair manufactured by The Beat Chair.

MM Composite makes composite solutions for the cleantech industry.

Tinby is Scandinavia's leading supplier of moulded and block foaming components in solid, foamed, flexible polyurethane and combinations thereof. Tinby's components are used for cleantech tasks, in medical device products, instruments, furniture, graphic machines, ventilation, coatings, window and construction profiles, insulation caps, panels, sheets, fillets and cabinets. Tinby develops special raw materials aimed at narrow and broad product solutions and masters a number of technologies for product refinement, including combination technologies, in-mould coating, varnishing and coatings. Besides the PUR activities, Tinby has a vast number of special productions aimed at the cleantech industry. In 2017, Tinby acquired LM Skumplast, which subsequently changed its name to Tinby Skumplast. It manufactures PUR and PIR foam, primarily for insulation purposes. Tinby Skumplast has developed nicely after the acquisition.

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

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

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

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

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

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

Strategy

Ergomat expects to increase sales by means of new products, etc., and increasing sales to major customers globally. Ergomat will still focus on its primary markets but also expects that the Chinese and Indian markets will expand during the next 1-2 years. Ergomat will continue to cultivate commercial and service entities, the administrative and health sectors and strengthen the efforts in the Americas, Eastern Europe and Asia.

To meet expectations on the European market, Ergomat in Poland moved its production activities to new and larger facilities in Q1 2019.

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

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

Tinby's facilities in China, which were established in 2010, are still developing positively and have moved to new, larger premises of 5,300 sqm. In 2018, additional activities were initiated.

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

Vacuum forming and Extrusion

- New tasks in several industries
- Expansion in Poland
- Acquisition of Nycopac AB in Sweden

2018 in outline

Activities have increased, and Gibo Plast and PlexxOpido succeeded in ensuring an impressive improvement in operating profit and activities. 2018 was an eventful year, as Gibo Plast worked intensely on implementing efficiency-enhancing measures in Denmark, Sweden, Norway and Poland. Large amounts and many efforts were invested in strengthening the expertise in the production of tools for prototype devices and production of vacuum-formed plastics that facilitate better and more effective servicing of existing and new customers by reducing time-to-market in connection with new plastic components. By acquiring Plexx AS and Opido AB in 2016, competences were gained within ORS (Opido Reinforced System), which are reinforced vacuum components with PUR foam on the back, as well as laser cutting and hot bending of components.

Name:	Gibo Plast A/S, Plexx AS, Opido AB and Nycopac AB
Websites:	www.giboplast.com, www.plexx.no, www.opido.se, www.nycopac.se
Locations:	Skjern, Ljungby (Sweden), Fredrikstad (Norway), Sieradz (Poland) and Nyköping (Sweden)
Executive Board:	Managing Director Lars Ravn Bering (Gibo Plast); CEO Arild S. Johnsen (PlexxOpido) and Managing Director Andreas Lagestig (Opido), CEO Gusten Bergmark (Nycopac)
Activities:	Gibo Plast and PlexxOpido develop, design and manufacture thermo-formed plastic components for refrigerators and freezers, buses and cars (automotive) as well as in the medical device, lighting equipment and cleantech industries. Gibo Plast is both specialised in traditional vacuum forming and the advanced forming methods High-pressure and Twinsheet. Opido AB is also specialised in ORS (Opido Reinforced System) with fortified and sound-absorbing vacuum-formed components as well as laser cutting and hot bending. Nycopac develops, designs and sells plastic packaging solutions for industrial transportation, both in the form of a number of standard products and customised solutions for specific tasks
Description:	Vacuum forming means that plastic sheets are warmed up and then formed using vacuum and/or high pressure. The products are then processed by way of cutting, milling (CNC milling) and, eventually, assembled to the finished product
Environment/ quality:	Reference is made to the list of certificates on page 38.

The acquisition has strengthened market positions in Norway and Sweden. In Poland and Sweden, investments were made in new more effective production machinery. As expected, investments in new plant and the relocation of parts of the production to Poland have entailed lower costs and improved results of operations.

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

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

Markets and products

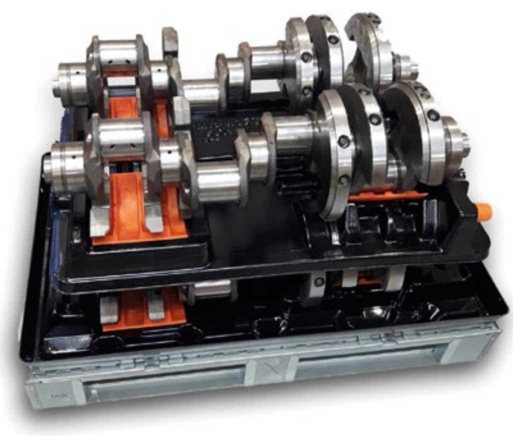
The market is undergoing drastic change, as a number of traditional users of vacuum-formed plastics are put under pressure by competitors in low-wage areas and therefore move their production to Southern and Eastern Europe or Asia. On the other hand, many components made of materials such as glass fibre,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

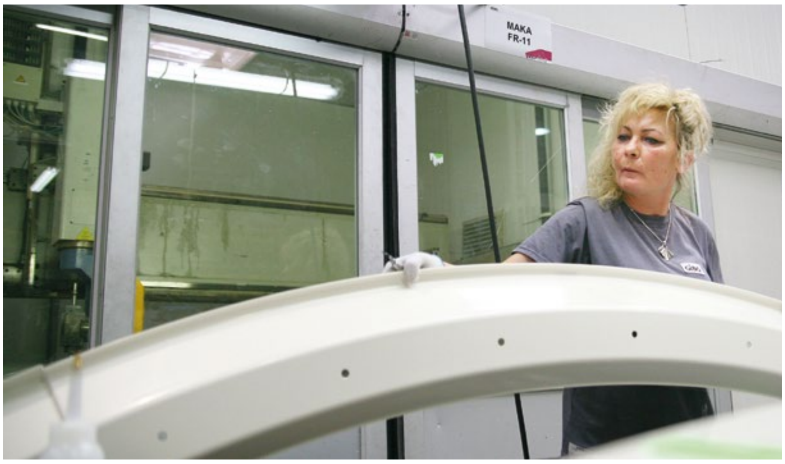
An example is Gibo Plast's transport boxes, which are used by automotive, food and electronics businesses to transport particularly sensitive goods or semi-manufactured products both internally and over long distances. The boxes are lighter than wooden boxes, easier to clean and designed so that the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

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

Andrezej Filipiak deburring a vacuum-formed component.

Nycopac's newly developed packaging system for transportation of crankshafts.





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

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

Strategy

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

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

In 2011, the first assembly activities were established in Poland, and in 2012, the first vacuum-forming machines were moved to the newly built factory in Poland. In 2019, another newly built factory was commissioned, and room for further expansion was thus ensured. Today, the factory is an independently operating production unit characterised by very high levels of service and quality.

Together with a continued improvement of the productivity in Skjern, these initiatives have contributed significantly to improving Gibo Plast's profitability in 2018 and are expected to continue in 2019. Gibo Plast has 12,000 sqm at the plant in Skjern, 12,000 sqm at the plant in Poland, 6,000 sqm at the plant in Sweden and 800 sqm in Norway.

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

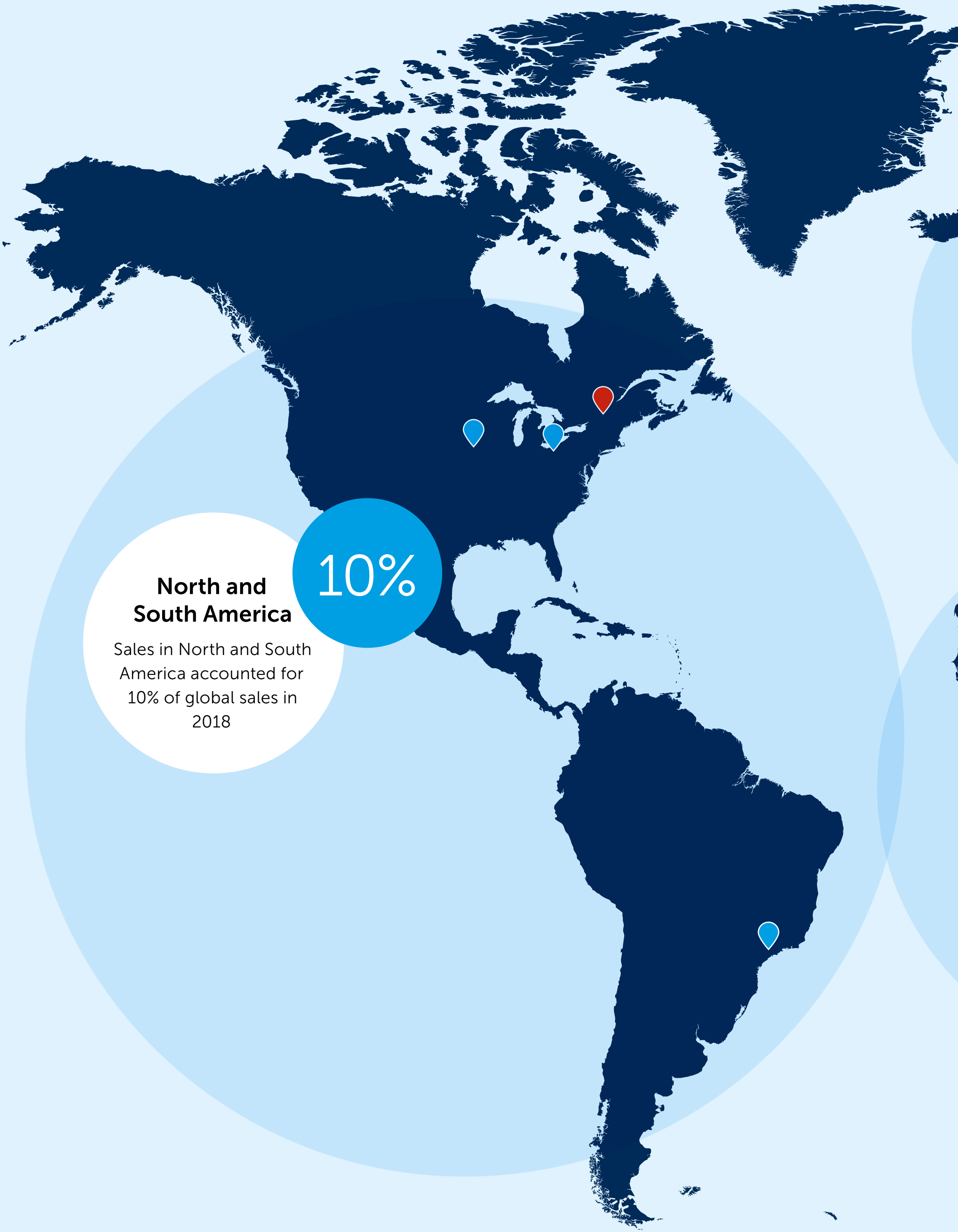
Gibo Plast will utilise its position to cultivate new markets in USA and Asia and over time establish production in these areas. To strengthen sales to the American market, Gibo Inc. was established in Mt. Pleasant, Iowa, USA, in 2018 to provide local customer service and storage facilities. During 2019, Gibo Inc. will be expanded to include production equipment so that production can take place locally in USA to American customers.

Marketing on existing and new markets will be focused on increasing knowledge of plastics in sectors that have traditionally used glass fibre, metals and wood and especially on the High-pressure and Twinsheet technologies allowing greater freedom in design and flexible production of complicated large-sized components. The ORS system contributes with reinforced and sound-absorbing vacuum-formed components. Gibo Plast is testing new plastic technologies on a regular basis. Gibo Plast has developed new projects for customers in the automotive and cleantech industries, which are expected to contribute positively to sales and earnings in 2019.

SP Group's locations

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

Sale and distribution
- The Netherlands (1)
- Sweden (3)
- Canada (1)
- Norway (1)



Acquisitions in 2014-2018

2014

24 February 2014
Bröderna Bourghardt AB

2015

1 January 2015
Scanvakuum ApS (activities)

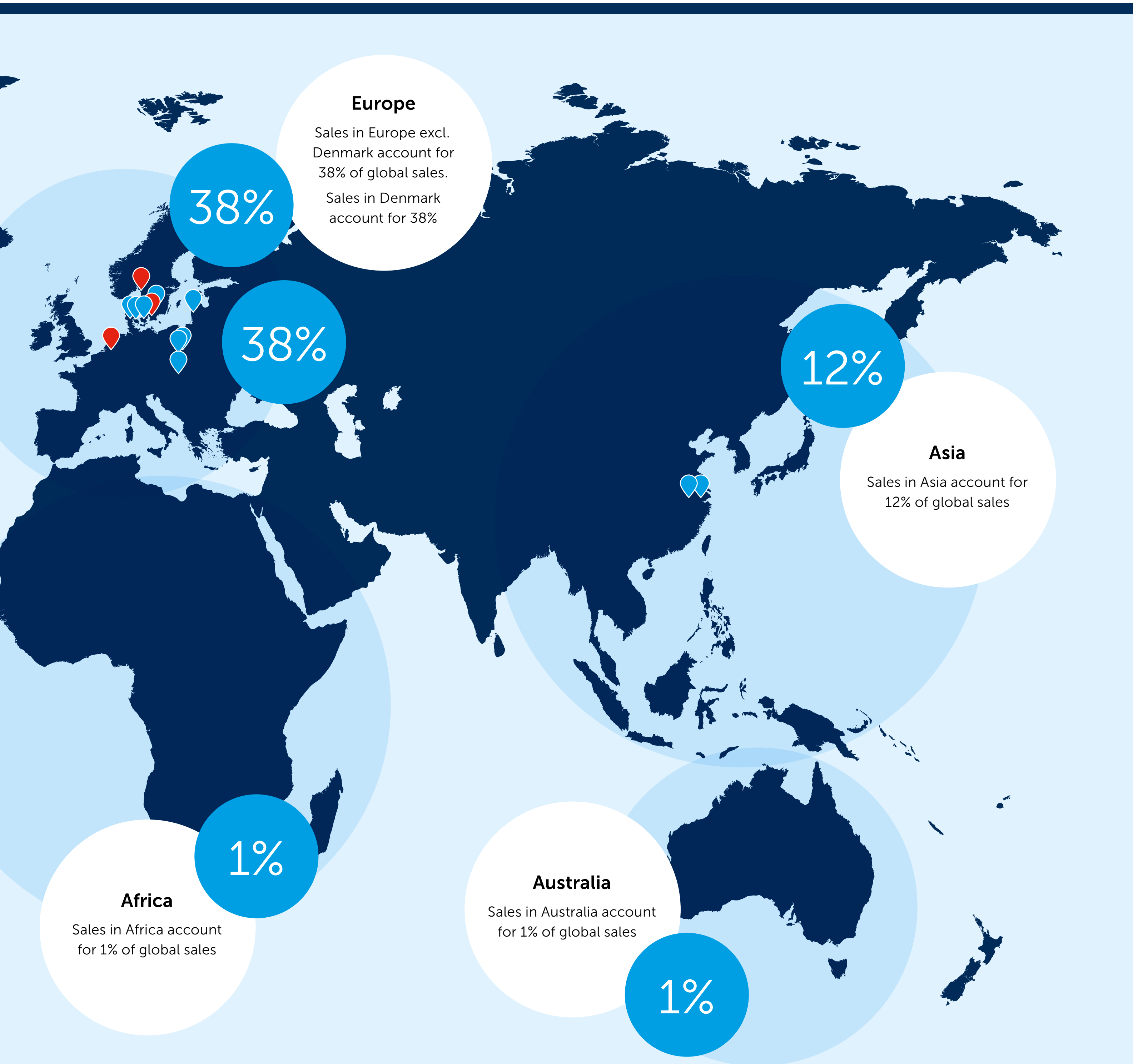
13 March 2015
Sander Tech ApS

7 April 2015
SP Moulding, Kina (Remaining 25% of the shares)

1 July 2015
Ulstrup Plast A/S

2016

14 July 2016
MedicoPack A/S



2016		2017		2018	
15 October 2016 Aasum Plast & Metal A/S (plastics activities)	**21 November 2016** Plexx AS / Opido AB	**6 January 2017** Tinby Skumplast A/S	**21 March 2017** MM Composite A/S	**25 April 2018** Nycopac AB	**27 June 2018** 52% of Kodaň Plast s.r.o.

Risk management

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

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

Commercial risks

Market and competitor risks

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

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

First, exports are increased on an ongoing basis. The Group focuses in particular on other Northern European markets, whereas selected niche products are sold globally. The international share of revenue amounted to 61.7% in 2018 (2017: 61.9%). In 2018, SP Group billed its services directly to customers in 83 countries.

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

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

Managing Director Torben Nielsen, Tinby, CEO Søren Ulstrup, Ulstrup Plast, Plant Manager Niels Nørgaard, Tinby China and Managing Director Jan Sørensen, SP Moulding, China, inspect Tinby's new facilities in China.

Free trade

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

Customers

SP Group has more than 1,000 active customers, the ten largest of whom account for 51% of consolidated revenue, which is up 0.8 percentage points on 2017. The 20 largest customers account for 61% of revenue (61% in 2017). The 20 largest customers are large, consolidated, internationally operating industrial groups.

The largest single customer accounts for 18.3% of consolidated revenue (unchanged compared to 2017). At factory level, the dependence on individual customers is higher as a result of the individual factories' specialisation and focus on specific industries.

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

34% of the Group's sales are effected to the cleantech industry, which is thus the largest single industry. SP Group has deliberately cultivated this industry because it is a growth sector offering a variety of opportunities for utilising SP Group's expertise across its business areas. The exposure to the cleantech industry is therefore desired, and risks are reduced by the Group supplying components to a number of different entities in different segments and on all continents. Increasing climate effects have increased the global demand for cleantech products (insulation, energy-saving products, renewable energy and the environment). A growing global population expecting a good life and a longer lifetime increases the demand for effective health care and better foods. The health care industry is our second largest sector accounting for 30% of revenue. The food industry is the third largest sector accounting for 15% of revenue. At group level, SP Group is not over-exposed to specific sectors.

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

Finally, the Group works to develop more niche products and products under own brands, allowing it to control sales to a wider extent. Products under own brands accounted for 23% of consolidated revenue in 2018, including medical device products (guide wires, Clear Vials™ and DivibaX®).

Raw material prices and suppliers

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

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

The exposure to oil price-driven changes in raw material prices can be reduced, but will fundamentally persist.

Restructuring the production system

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

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

Key personnel

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

Insurance

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

Environmental performance

The production plants are subject to a number of environmental requirements in all countries, and further, a number of environmental and quality assurance systems have been implemented by the plants on a voluntary basis. SP Group complies with applicable environmental requirements, but cannot guarantee – in spite of extensive safety procedures – that the external as well as the working environment will not be affected in case of accident. (Moreover, reference is made to pages 39-47 on CSR and ESG and to page 38 on environmental certification).

Financial risks

The Group's cash flows and borrowings are managed centrally in accordance with the policies approved by the Board of Directors. The Group does no engage in speculation in financial risks.

Interest rate risks

Interest rate risks primarily relate to net interest-bearing debt, i.e. mortgage debt, lease liabilities and bank debt less cash and cash equivalents. At year end, the net interest-bearing debt amounted to DKK 576.6 million. Approx. 35% of the debt carried fixed interest for minimum 1 year, including mortgage debt with an average interest rate of approx. 1.1%. A one percentage point increase in the general interest level will result in an increase in the Group's annual interest expenses before tax of approx. DKK 3.7 million.

SP Group focuses on increasing cash flows from operating activities so that the net interest-bearing debt can be reduced and the Group can finance

Anne Szymczak is financial manager in SP Moulding and Gibo in Poland.

Monika Karczewska, Plant Manager, SP Moulding, Poland.

investments via operating activities. The Group also aims to reduce debt by selling non-value-creating assets and activities.

Credit risks

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

Currency risks

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

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

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

Moreover, there is a currency risk between PLN and EUR and between RMB and USD, as the Group has increasing exports from Poland and China, which are settled in EUR and USD, respectively. In order to hedge the currency risk between PLN and EUR, EUR is sold against PLN on forward contracts for up to 48 months (hedging). At year end 2018, the Group had hedged approx. 85% of the expected net cash flows for the coming 48 months.

19% of the Group's financing has been raised in EUR, and 78% has been raised in DKK.

Liquidity risks

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

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

Corporate governance and remuneration report

Proper and decent management

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

The Board of Directors and the Executive Board strive to act openly in relation to their work and their approach to management. Management follows the recommendations for corporate governance issued by the Committee on Corporate Governance in November 2017 based on the "comply or explain" principle. At http://www.sp-group.dk/investor+relations/corporate+governance, the Board of Directors systematically describes "the Company's position on the recommendations on corporate governance of March 2019" in the Corporate governance section. SP Group complies with the majority of the recommendations but has chosen a different practice in some areas that is more suitable for SP Group. The main deviation involves the following:

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

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

Duties of the Board of Directors

In 2018, the Board of Directors held 11 meetings, two of which focused on strategy and budgets, respectively. At the strategy meeting in December, the Board of Directors also discussed business risks and the management of such risks at group level. Once a year, the Board of Directors determines the framework for managing interest rate, credit and currency risks and risks related to raw materials and energy prices, and the Board of Directors follows up on the implementation of this framework on an ongoing basis. Discussion and revision of the rules of procedure are routine at the board meeting in June. All board members attend to the functions of the Audit Committee. Separate meetings in the Audit Committee are held in connection with board meetings.

The Board of Directors regularly assesses the Group's financial position, goals, dividend policy and share structure. The dividend policy is specified in the "Shareholder information" section, and the financial goals are specified in the "Going towards 2022" section. The Board of Directors assesses that the financial structure is appropriate for the present size and challenges of SP Group, and the Board of Directors targets an equity ratio of 25-45% to ensure an efficient capital structure. It is expected that the equity ratio will have increased to 25-45% by the end of 2019. If the equity ratio increases, any excess capital is expected to be paid out to the shareholders.

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

Composition of the Board of Directors

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

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

All five board members accepts renomination at the annual general meeting in 2019. Before he turned 75 and after 23 years as chairman, Niels Kristian Agner chose to pass on the chairman position at the annual general meeting in 2018. The Board of Directors appointed Hans W. Schur as its chairman and Erik P. Holm as its deputy chairman after the annual general meeting.

Sales Manager Henrik Østrup, Gibo Plast, Managing Director Lars Bering, Gibo Plast and Managing Director Torben Nielsen, Tinby.

SP Group's subsidiaries Tinby, Gibo, SP Moulding, Brdr. Bourghardt and MM Composite participated as exhibitors in the large wind energy expo in Hamburg in September 2018

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

Provided that the Board of Directors is re-elected at the annual general meeting in 2019, its composition and structure will remain unchanged.

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

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

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

Remuneration of Management

The Company's remuneration policy has been approved by the general meeting, most recently in 2014. A new remuneration policy will be presented for discussion at the annual general meeting in 2019.

The Board of Directors has no incentive programmes but receives ordinary remuneration determined by the annual general meeting. At the general meeting in 2018, the Board of Directors will propose that directors' remuneration for 2018 should be maintained at DKK 450,000 for the chairman, DKK 275,000 for the deputy chairman and DKK 225,000 for other board members. Directors' remuneration was most recently adjusted with effect for 2017 and approved at the annual general meeting in 2018. Moreover, it is proposed that the chairman of the Audit Committee should receive a separate fee of DKK 50,000 in addition to the directors' fee. The members of the Board of Directors will not receive any remuneration for ad hoc tasks, but will be reimbursed for travelling expenses in connection with meetings, etc.

For 2019, it is proposed that remuneration should remain unchanged.

Remuneration of the Executive Board is negotiated by the chairman and adopted by the Board of Directors. The remuneration consists of a basic salary and usual benefits such as company-paid telephone, car, etc. In 2018, the total remuneration for the Executive Board amounted to DKK 7.1 million as against DKK 6.8 million in the previous year. Members of the Executive Board make pension contributions themselves. The Company must give at least 24 months' notice of dismissal to CEO Frank Gad and at least 12 months' notice to CFO Jørgen Hønnerup Nielsen. If the members of the Executive Board are dismissed, the Company is not obligated to pay special severance pay.

Management remuneration

DKK'000	Remuneration	Membership of committees	Bonus	Company car	Pension *)	Share-based payment **)	Total
2018							
Hans Wilhelm Schur	375	0	-	-	-	-	375
Erik Preben Holm	275	0	-	-	-	-	275
Niels Kristian Agner	300	0	-	-	-	-	300
Hans-Henrik Eriksen	225	50	-	-	-	-	275
Bente Overgaard	225	0	-	-	-	-	225
Frank Gad	4,000	0	1,000	119	0	0	5,119
Jørgen Hønnerup Nielsen	1,650	0	200	102	0	0	1,952
	7,050	**50**	**1,200**	**221**	**0**	**0**	**8,521**
2017							
Niels Kristian Agner	450	0	-	-	-	-	450
Erik Preben Holm	275	0	-	-	-	-	275
Hans-Henrik Eriksen	225	50	-	-	-	-	275
Hans Wilhelm Schur	225	0	-	-	-	-	225
Erik Christensen	75	0	-	-	-	-	75
Bente Overgaard	150	0	-	-	-	-	150
Frank Gad	3,780	0	1,000	141	0	0	4,921
Jørgen Hønnerup Nielsen	1,590	0	200	117	0	0	1,907
	6,770	**50**	**1,200**	**258**	**0**	**0**	**8,278**
2016							
Niels Kristian Agner	400	0	-	-	-	-	400
Erik Preben Holm	250	0	-	-	-	-	250
Hans-Henrik Eriksen	200	50	-	-	-	-	250
Hans Wilhelm Schur	200	0	-	-	-	-	200
Erik Christensen	200	0	-	-	-	-	200
Frank Gad	3,600	0	300	138	0	0	4,038
Jørgen Hønnerup Nielsen	1,536	0	100	117	0	0	1,753
	6,386	**50**	**400**	**255**	**0**	**0**	**7,091**

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

Directorships in Danish and foreign companies, etc., at 1 March 2019

Hans Wilhelm Schur,
CEO, Horsens, born 1951.
Member of the Board of Directors since 1999 and chairman since April 2018.
No. of shares: 0 personally owned and 1,972,574 (-362,116) through related parties
Other directorships: Dansk Industri, Horsens (BM), Danmarks Industrimuseum (BF), Konsul Axel Schur og Hustrus Fond (BM), Konsul Axel Schur og Hustrus Mindefond (BF), Schurs Støttefond (BF), Schurs Fond (BM), Schur Finance a/s (BM), AXRU Invest a/s (BF), Schur International Holding a/s (D), Schur International a/s (BM), Schur Pack Denmark a/s (D), Schur Pack Sweden AB (BF), Schur Pack Germany GmbH (BF), Schur Ekmans Kartong AB (BF), Schur Technology a/s (BF), Schur Packaging Systems AB (BF), Schur Star Systems GmbH (BF), Schur Star Systems Inc. (BF), Schur Star Systems Australia Pty. Ltd. (BM), SP Moulding A/S (BF), Dit Pulterkammer A/S (BM).
Attendance rate: 90.91.
Male, Danish citizen.
Comprehensive management and board experience in international businesses within the plastics and packaging industries.
Not independent.

Erik Preben Holm,
CEO, Hellerup, born 1960.
Member of the Board of Directors since 1997, Deputy Chairman.
No. of shares: 64,160 personally owned (0)
Other directorships: Sticks 'N' Sushi Holding A/S (BF), Sticks 'N' Sushi A/S (BF), Sticks 'N' Sushi UK Ltd., Storbritannien (BF), Sticks 'N' Sushi Germany GmbH (BF), Victor Gruppen Restauranter Holding ApS (BF), Cenex ApS (BF), VGRH II ApS (BF), Arvid Nilssons Fond (NF), SP Moulding A/S (NF), Itadel A/S (NF), AO Invest A/S (BM), Maj Invest Equity A/S (BM), Fonden Maj Invest Equity General Partner (BM), Brødrene A & O Johansen A/S (BM), Svendsen Sport A/S (BM), MIE4 7 Datter ApS (BM), Maj Invest South America S.A. (BM), Maj Invest Singapore Private Ltd. (BM), Maj Invest Holding A/S (D), Fondsmæglerselskabet Maj Invest A/S (D), Maj Invest Equity (Adm. D), Erik Holm Holding ApS (D), MIE5 Holding 4 ApS (D), MIE5 Holding 1 ApS (D).
Attendance rate: 81.82.
Male, Danish citizen.
Comprehensive management and board experience in international businesses within various industries and from listed Danish companies.
Comprehensive experience with acquisition and disposal of entities.
Not independent.

Niels Kristian Agner,
Director, Værløse, born 1943.
Member of the Board of Directors since 1995 and chairman in the period 1995-2018.
No. of shares: 115,000 personally owned (-25,000) and 0 through his own company (0).
Other directorships: Pigro Management ApS (D), G.E.C. Gads Forlag Aktieselskab af 1994 (BM), G.E.C. Gads Fond (commissioned) and SP Moulding A/S (BM).
Attendance rate: 90.91.
Male, Danish citizen.
Comprehensive management and board experience from various industries and listed Danish companies.
Comprehensive experience with acquisition and disposal of entities.
Not independent.

Hans-Henrik Eriksen,
CEO, Risskov, born 1960.
Member of the Board of Directors since 2013. Chairman of the Audit Committee.
No. of shares: 17,500 personally owned (0) and 2,500 through his own company (0).
Other directorships: Digi Kiosk ApS (BF), Vissing Fonden (BF), Ovendevande Skanderborg ApS (BF), Advice House A/S (NF), Vikan A/S (NF), Exact Brazil A/S (BM), EB Præference A/S (BM), Green Tech Center A/S (BM), Green Tech Houses ApS (BM), Green Tech Group A/S (BM), Food Innovation House ApS (BF), Bagger-Sørensen Fonden (BM), SP Moulding A/S (BM), Limb Holding ApS (BF), Limb Finance A/S (BF), Limb Holding Ltd. (BM), Michael Limb Holdings Ltd. (BM), High Firs Investment Company Ltd. (BM), Random Wood Investment Company Ltd. (BM), Jutland Equity Investment Company Ltd. (BM), Jamabi ApS (BF), Jamabi PE ApS (BF), Navest A/S (BF), Ejendomsanpartsselskabet MT 04 (BF), Bricks A/S (BM), Bricks Ejendomme A/S (BM), Ejendomsselskabet SF44 A/S (NF), Nicolinehus A/S (BM), Arcedi Biotech ApS (BM), Bagger-Sørensen & Co. A/S (D), Bagger-Sørensen Invest A/S (D), Vecata Ejendomme A/S (D), Vecata Invest A/S (D), Liplasome Pharma ApS (BM og D), 4 Best Invest ApS (D), Tina Holding ApS (D), J-Flight ApS (D), Idecra IVS (D), SoLoCa IVS (D), Gumlink A/S (D), Okono A/S (D), Okono Holding ApS (D), Chew Invest ApS (D), Vissing Holding A/S (BF), CCC3 Holding (D), Vejle Centrum ApS (D) (BM), Flex Funding A/S (BM).
Attendance rate: 100.
Male, Danish citizen.
Broad experience in finance and accounting practice as well as auditing and investments
State Authorised Public Accountant.
Chairman of the Audit Committee.
Independent.

Bente Overgaard,
MSc Political Science, Hellerup, born 1964.
Member of the Board of Directors since 2017.
No. of shares: 4,816 personally owned (+1,016)
Other directorships: Haslev Invest (BF), Energinet.dk (chairman of the audit committee), Den Danske Naturfond (NF), Finansiel Stabilitet (BM), Royal Arena (BM), Johannes Fogs Fond (BM), Programme director Finance, CBS Executive, Board Leadership Education.
Attendance rate: 100.
Female, Danish citizen.
Managerial background and comprehensive experience from the finance sector in connection with financial, HR and IT matters.
Independent.

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

Members of the Executive Board are not eligible for any short-term incentive schemes such as bonus schemes, but the Board of Directors has decided to distribute discretionary bonuses in 2016, 2017 and 2018. However, SP Group has set up long-term incentive schemes.

In 2015, the Board of Directors issued 50,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 40,000 warrants were distributed between 26 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2018 – 31 March 2021; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules.

The exercise price is fixed at DKK 255 based on the listed price immediately before the publication of the annual report on 26 March 2015 and up to 27 April 2015. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2015 and until the warrants are exercised. The programme will not represent

Executive Board

Frank Gad, CEO
Born in 1960, MSc in Economics and Business Administration, Frederiksberg.
Frank Gad took up his position in November 2004 and is also the CEO of SP Moulding A/S and chairman of the Board of Directors of the most significant subsidiaries in SP Group.
Previous employment: CEO of FLSmidth A/S (1999-2004), CEO of Mærsk Container Industri A/S (1996-1999) and employment at Odense Staalskibsværft A/S (1985-1999), Executive Vice President at the time of resignation.
External directorships: Director of Frank Gad ApS, Gadplast ApS and Gadmol ApS. Investeringsselskabet Damhaven A/S (BF).
Shares in SP Group: 173,830 personally owned (-276,000) and 1,258,940 (-96,900) through his own company.
Related party 19,950 (0).
Warrants in SP Group: 75,000
Frank Gad's shares (personally owned and related parties') account for 12.75% of the shares issued in SP Group.
If warrants are included, the holding accounts for 13.41% of the shares issued.
Attendance rate: 100.
Male, Danish citizen.

Jørgen Hønnerup Nielsen, CFO
Born in 1956, Graduate Diploma in Business Administration, Odense.
Jørgen Nielsen joined Tinby in 1987 and has been employed in SP Group since 2002.
Jørgen Nielsen was admitted as member of the Group Executive Board at 1 March 2007.
Previous employment: Rasm. Holbeck og Søn A/S 1985- 87, Revisionsfirmaet Knud E. Rasmussen 1978-85.
External directorships: None.
Shares in SP Group: 145,975 personally owned (+11,000).
Warrants in SP Group: 50,000
Jørgen Hønnerup Nielsen's shares (personally owned and related parties') account for 1.3% of the shares issued in SP Group.
If warrants are included, the holding accounts for 1.7% of the shares issued.
Attendance rate: 100.
Male, Danish citizen.

Management team

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

a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2015 was made based on the mandate granted to the Board of Directors by the company in general meeting in 2013.

At year end 2018, 3,000 warrants under the 2015 programme were outstanding. All warrants are hedged by means of treasury shares.

In 2016, the Board of Directors issued 59,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 49,000 warrants were distributed between 29 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2019 – 31 March 2022; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules.

The exercise price is fixed at DKK 390 based on the listed price immediately before the publication of the annual report on 30 March 2016 and up to

27 April 2016. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2016 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2016 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016. All warrants are partially hedged by means of treasury shares.

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

In 2018, the Board of Directors issued 41,500 warrants to the Executive Board and executive officers in the Group. Frank Gad received 3,000 warrants, and Jørgen Nielsen received 2,000 warrants. The remaining 36,500 warrants were distributed between 41 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2021 – 31 March 2024; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 1,250 based on the listed price immediately before and after the publication of the annual report on 22 March 2018. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2018 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2018 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016.

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

The Board of Directors believes that share-based arrangements are necessary to ensure that SP Group will be able to attract and retain qualified executive officers and other key personnel. The Board of Directors wishes to tie the executive officers closer to the Group, reward them for their

TPI Polytechniek's stand at the IPPE expo in Atlanta, USA.

contribution to the long-term value creation and establish that executive officers and shareholders have a common interest in increasing share prices, which helps support the Company's long-term earnings ambition as described in the "Going towards 2022" section on page 11.

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

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

Financial reporting process

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

Control environment

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

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

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

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

Whistle-blower scheme

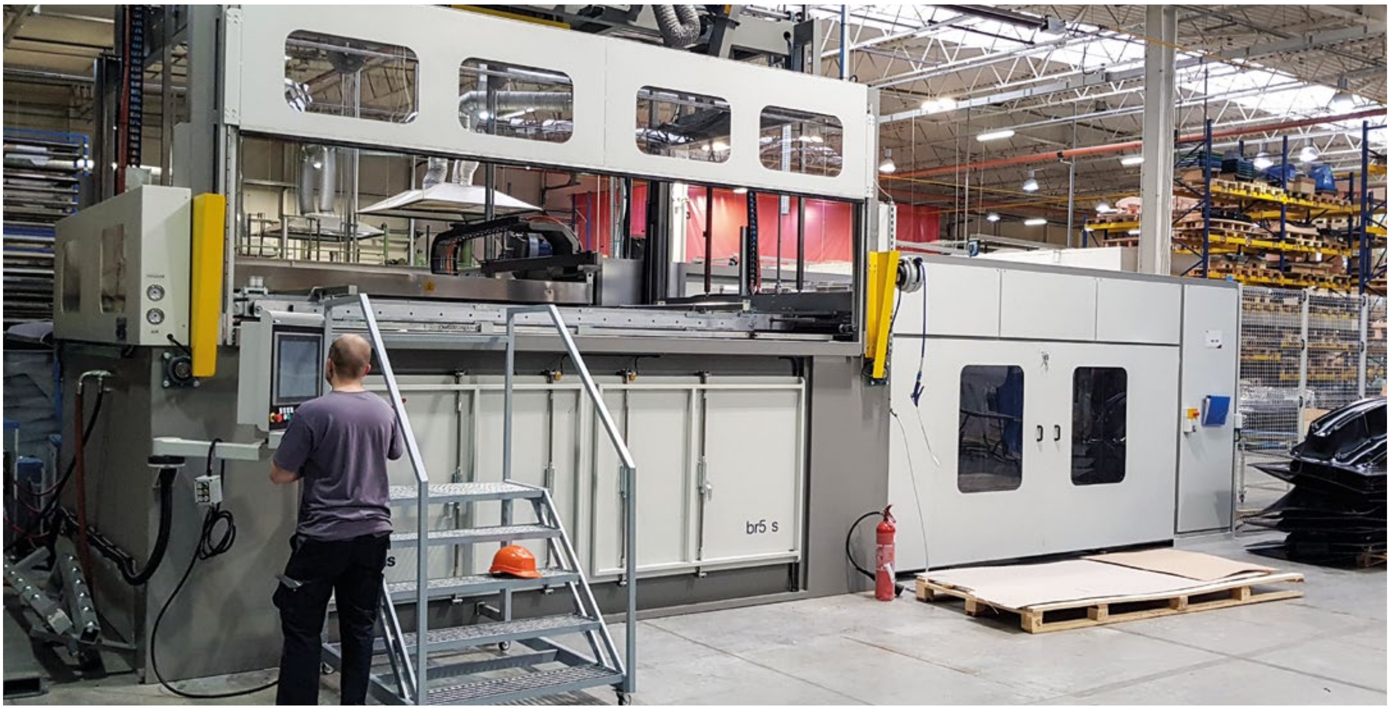
The Board of Directors has decided to establish a whistle-blower scheme, which lies with the chairman of the Audit Committee. Whistle-blowers can send their concerns to the e-mail address hhe@sp-group.dk.The whistle-blower scheme is also described on the Company's website.

Risk assessment

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

Audit Committee

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



Gibo Plast has invested in new vacuum-forming machinery.

Hans-Henrik Eriksen is chairman of the Audit Committee and state authorised public accountant. Bente Overgaard is also an independent member. The Audit Committee has its own rules of procedure.

Auditor

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

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

Ownership interests at mid-March 2019:

Board of Directors and Executive Board:	Private	Own company	Related party	Total	% of share capital
Hans Wilhelm Schur			1,972,574	1,972,574	17.3
Erik Preben Holm	64,160			64,160	0.6
Niels Kristian Agner	115,000			115,000	1.0
Hans-Henrik Eriksen	17,500	2,500		20,000	0.2
Bente Overgaard	4,816			4,816	0.0
Frank Gad	173,830	1,258,940	19,950	1,452,720	12.8
Jørgen Nielsen	145,975			145,975	1.3
	521,281	**1,261,440**	**1,992,524**	**3,775,245**	**33.1**

SP Moulding's new 500T 2K machine in Poland.

Shareholder information

Overall objective

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

Share capital

SP Group's share is listed on NASDAQ Copenhagen under the short name SPG, the ISIN code DK0061027356 and ID CSE3358. SP Group is registered in the "Chemicals" sector. SP Group is included in the OMX Copenhagen Benchmark Index.

The share capital of DKK 22.78 million is divided into 11,390,000 shares of DKK 2 each. SP Group only has one class of shares, all shares are freely negotiable, and the voting and ownership rights are not subject to any restrictions.

No changes were made to the share capital in 2018.

The Board of Directors is mandated to carry out a capital increase in accordance with the existing warrant programmes. At the same time, the Board of Directors is authorised to further increase the share capital by up to nom. DKK 8 million in the period until 1 April 2022 by subscribing for new shares at market price or a lower price determined by the Board of Directors, however, not below DKK 2 per share. The Board of Directors will ask the company in general meeting to renew the mandate in 2019.

The Board of Directors is authorised to let the Company acquired treasury shares of a nominal value of up to 10% of the share capital. The consideration must not deviate from the market price at the date of acquisition. The Board of Directors will ask the company in general meeting to renew the mandate in 2019.

Share split

In 2018, the company in general meeting decided to carry out a share split in the ratio 1:5 to increase interest in the SPG share and to improve liquidity and the free flow in the market. The first trading day of the new split share was on 7 May 2018.

Change of control

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

Shareholders' return

At present, the Board of Directors of SP Group primarily intends to apply profits to strengthen the Company's financial position and finance initiatives that can contribute to profitable growth. The Board of Directors proposes dividend of DKK 2.40 per share to the shareholders, as the Group has reached its goal that EBIT should exceed 5% of revenue, and that the equity ratio should exceed 25%. NIBO/EBITDA is below 3.5.

During the year, the SPG share was traded at prices between 185 and 280. The share price was DKK 219 at the beginning of the year and DKK 197.5 at year end, corresponding to a market value of DKK 2,250 million. As from 1 January 2018, SP Group was moved to Mid Cap.

In 2018, the return of the share was a negative 8.9% including dividend of DKK 2.00, which is unsatisfactory but not as low as the market in general.

In the period from 1 January 2010 to 31 December 2018, the SPG share yielded a total return of 2,296%, including dividend.

Share buy-back programme

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

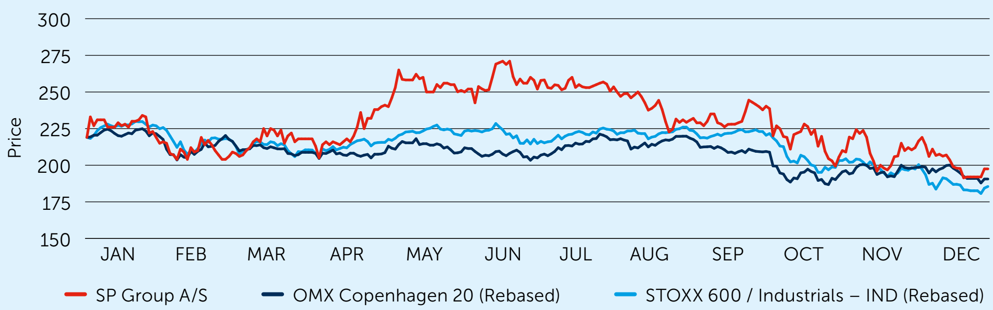
On 30 March 2017, the Board of Directors decided to launch a new share buy-back programme for DKK 30 million under the provisions of EU Regulation no. 596/2014 dated 16 April 2014 on market abuse, the so-called "market abuse regulation", starting on 11 April 2017 and expiring on 31 December 2017 (company announcement no. 17/2017).

The share buy-back programme was later extended up to and including 10 April 2018 and expanded to DKK 60 million (company announcement no. 49, 2017).

A total of 286,420 shares were acquired at an average price of 211.5 under the programme, and DKK 60.0 million was applied (company announcement no. 22, 2018).

On 22 March 2018, the Board of Directors decided to launch a new share buy-back programme for DKK 40 million under the provisions of EU Regulation no. 596/2014 dated 16 April 2014 on market abuse, the so-called "market abuse regulation", starting on 11 April 2018 and expiring on 31 December 2018 (company announcement no. 14/2018). The share buy-back programme was later extended up to and including 10 April 2019 and expanded to DKK 80 million (company announcement no. 48, 2018). At year end 2018, DKK 48.6 million of this amount had been used.

Development in the SPG share 1 January – 31 December 2018. Index 01/01/2018 = 219.0



In 2018, 270,000 shares were sold via the exercise of warrants. SP Group's holding of treasury shares at year end 2018 amounted to 230,351 shares, representing 2.02%.

A new share buy-back programme under the provisions of EU Regulation no. 596/2014 dated 16 April 2014 on market abuse will be launched. The programme will run from 11 April 2019 to 31 December 2019 for an amount of up to DKK 40 million. The purpose is partial hedging of warrant programmes.

Ownership and liquidity

In mid-March 2019, five shareholders reported a holding of more than 5% of the shares: Schur Finance a/s, Odin Fund Management, ATP, Lannebo Fonder and Frank Gad (including his related parties) with a total of 48.7%. During the year, the number of registered shareholders increased from 2,023 to 2,200, and the registered shareholders' total ownership interest now amounts to 96.4% of the share capital (against 95.2% at the end of March 2018).

The known shareholder base outside Denmark is still modest, but rapidly increasing. 82 international shareholders holding a total of 25.0% of the shares have become registered (86 at the end of March 2018 and 18.0% of the shares at the end of March 2018).

During the year, 3,042,065 shares were traded on NASDAQ, and 270,000 shares were traded outside NASDAQ, corresponding to 29.1% of the share capital. The market price of the shares traded on NASDAQ amounted to DKK 698.7 million. Measured in DKK, the share trading volume on NASDAQ was 11.1% higher than in the previous year, and measured in number of shares, revenue was 7.7% lower than in the previous year.

Information

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

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

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

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

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

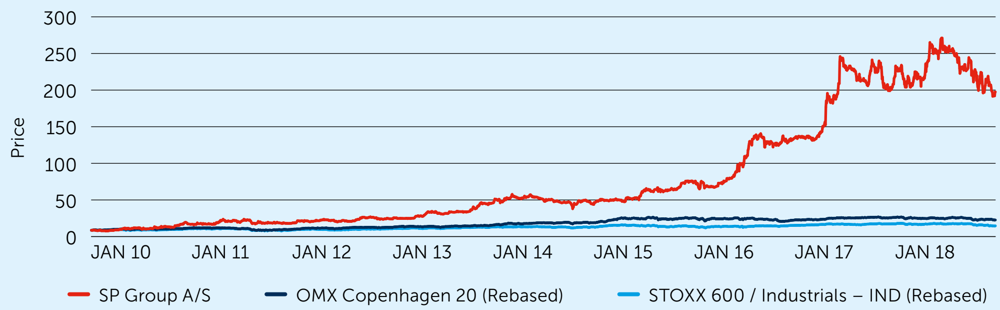
Financial calendar for 2019

27 March	Announcement of financial statements for 2018
29 April	Annual general meeting
24 May	Interim report for Q1 2019
22 August	Interim report for H1 2019
12 November	Interim report for Q3 2019

Share information – SP Group A/S – mid-March 2019

Name	Registered office	Number	Share (%)
Schur Finance a/s	Horsens	1,972,574	17.3
Frank Gad, incl. related parties	Frederiksberg	1,452,720	12.8
Odin Fund Management	Oslo	800,000	7.0
Arbejdsmarkedets Tillægspension	Hillerød	706,510	6.2
Lannebo Fonder	Stockholm	619,500	5.4
		5,551,304	**48.7**
Distribution of other shares			
SP Group (treasury shares)		264,766	2.3
Registered shares below 5%		5,169,371	45.4
Non-registered shares		404,559	3.6
TOTAL		**11,390,000**	**100.0**

Development in the SPG share 1 January 2010 – 31 December 2018. Index 01/01/2010 = 8.6



Quality control

At the end of 2018, all the Group's production sites in Denmark, Latvia, Poland, Slovakia, Sweden, China and USA were ISO 9001-certified or ISO 13485-certified.

Site	ISO 9001	ISO 14001	ISO 18000	Other
Gibo				
– Denmark	x	x	x	IATF 16949 planned
– Poland	x	x	x	DIN 6701
Plexx Opido				
– Sweden	x	x		
SP Moulding				
– Juelsminde	x	x		
– Stoholm	x	x		IATF 16949
– Poland	x	x		
– China	x	x	x	
SP Medical				
– Karise		x		ISO 13485, ISO 45001
– Poland		x		ISO 13485, ISO 45001
Brdr. Bourghardt				
– Latvia	x	x		
Tinby				
– Denmark	x	x	x	
– Poland	x	x	x	
– Kina	x	x		
Accoat				
– Kvistgaard	x	x		
– Brazil				Customer audit
– Poland				ISO 9001 planned
Ulstrup Plast				
– Lynge	x			
– Slovakia	x	x		
MedicoPack				
– Denmark	x			ISO 13485, ISO 50001 and ISO 15378
MM Composite				
– Denmark	x	x		
– USA	x	x		

R & D

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

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

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

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

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

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

New factory in Poland for Tinby and Ergomat.

New factory in China for Tinby.

Corporate Social Responsibility

Corporate Social Responsibility

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

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

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

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

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

Below, we give an account of SP Group's many efforts and results in 2018. For every area, we have also set targets for the coming year.

Environment and climate

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

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

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

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

Risk

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

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

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

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

Reduction of energy, electricity and water

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

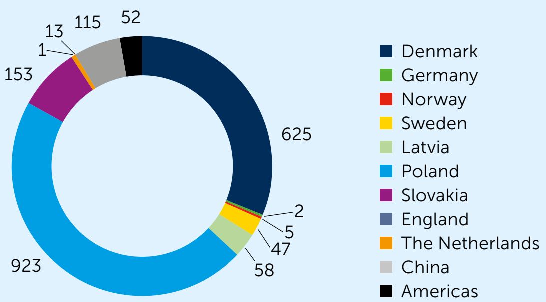
By continuing to invest in energy-saving equipment and closely monitor developments in key consumption indicators at all our plants, we ensure that we can control and reduce consumption of resources and costs on an ongoing basis. By implementing resource-reducing measures, the individual plants contribute to both cost reduction and a positive external environmental impact in their local community. These measures led to a reduction in the consumption of resources in 2018.

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

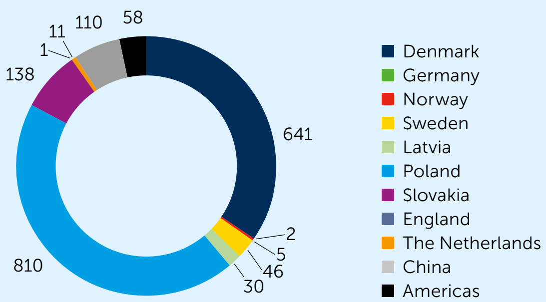
Less waste, more reuse

The increase in the price of raw materials and waste disposal expenses has made SP Group increase focus on reducing the consumption of raw

Staff breakdown by geography in 2018 (average)



Staff breakdown by geography in 2017 (average)



materials and the waste percentage. Consequently, all plants now focus on producing less waste and increasing reuse of plastic materials.

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

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

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

Environmentally friendly technologies

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

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

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

Environmental management system

It is still SP Group's strategy that all production entities must implement a certifiable environmental management system that ensures use of environment-friendly products in the production and development processes, minimisation of waste and refuse as well as resource consumption to the widest extent possible and reuse of materials and products. Moreover, it must ensure a satisfactory working environment for the employees, prioritising safety and environmental impacts.

Human rights

CSR policy

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

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

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

Risk

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

Profit/loss

To the best of our belief, SP Group was not involved in and did not experience human rights abuse in the Group or at subsuppliers in 2018.

Privacy

SP Group makes sure that personal data regarding our employees and customers are treated in a way that meets the statutory requirements in relation to privacy and personal data protection. For instance, we have taken security measures to protect personal data from being misused, leaked or destroyed. In 2018, SP Group completed a project to ensure that the Group complies with the EU's General Data Protection Regulation by reviewing all entities' use and storage of personal data and ensuring that it takes place in accordance with the Regulation. Moreover, the Group's IT systems are reviewed in terms of security and access to personal data.

Discrimination

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

Trade payables

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

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

Employees

CSR policy

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

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

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

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

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

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

Risk

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

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

Profit/loss

To the best of our belief, SP Group was not involved in or experienced any adverse impact on employee rights in the Group or at subsuppliers in 2018.

Staff composition

On average, SP Group's staff outside Denmark increased by approx. 13.0% to 1,369 employees in 2018. The average number of employees in Denmark decreased from 638 to 625.

Globally, SP Group's staff increased from 1,934 at the beginning of the year to 2,068 at year end. On average, SP Group had 1,994 employees in 2018. At year end, 30.9% of the staff was employed in Denmark, and 69.1% was employed outside Denmark.

The year saw a shift of 3.3 percentage points as part of the increased internationalisation of the business and the acquisition of Nycopac AB and Kodaň Plast s.r.o. Going forward, growth is expected to be generated primarily in Eastern Europe, Asia and USA.

Diversity

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

Female leaders

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

At year end, the ratio of women in Management (Executive Board and management team) was 17%. SP Group still aims to ensure that at least one male and one female candidate are among the top three candidates for new leadership positions.

The Board of Directors has set a target for the ratio of the underrepresented gender among board members elected by the company in general meeting of 20% by 2017. The Board of Directors consists of five members elected by the general meeting.

This target was set based on a time horizon of three years. At the annual general meeting in 2017, Bente Overgaard was elected. The target is maintained.

Wage and working conditions

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

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

A safe and healthy working environment

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

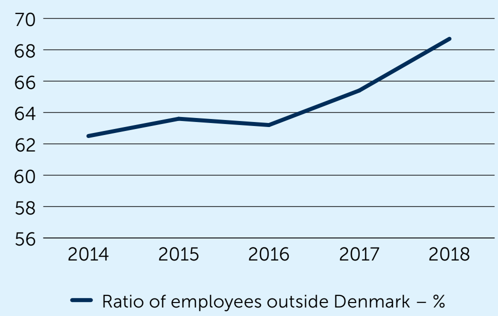
Access to education

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

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

The target set for 2019 is to continue the current skills development of employees, allowing them to attend to several different tasks. This will increase flexibility in production and make the working day more varied for the employees.

Ratio of employees outside Denmark in 2014-2018 (average)



Injection-moulding machines at SP Moulding's new factory in Poland.

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

Fight against corruption

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

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

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

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

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

Our global joint responsibility

In 2018, SP Group focused on our joint responsibility to contribute to a more sustainable world. In co-operation with our customers, we have developed and manufactured products promoting quality of life and resource efficiency for the benefit of the climate, environment and people.

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

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

Environment and climate

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

Efforts

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

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

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

Accoat manufactures coatings that are approved for food contact to ensure drinking water quality.

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

Figure 1 – Water consumption

Water consumption	2018	2017	2016
Water (m^3)	21,109	20,324	21,263
Water consumption per kilo processed raw materials (m^3)	0.73	0.80	1.26

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

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

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

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

In Denmark, 54% of electricity in 2018 came from wind, water and solar energy, 3% from nuclear power, 18% from waste, biogas and biomass, 7% from natural gas, 1% from oil and 17% from coal and brown coal according to Energinet's declaration.

Figure 2 – Energy consumption

Energy consumption	2018	2017	2016
Coal (kg)	0	0	0
Fuel oil (litre)	178,109	132,020	102,321
Natural gas (m^3)	1,235,688	1,418,164	1,043,639
Electricity (kWh)	58,893,152	53,615,065	49,447,302
Electricity consumption (kWh) per DKK million in revenue	29,971	28,458	32,553
Electricity consumption (kWh) per kilo processed raw materials	2.03	2.11	2.93

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

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

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

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

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

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

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

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

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

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

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

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

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

The amount of raw materials purchased correlates to the size and number of products that we manufacture for our customers. Figure 3 on the next page shows that purchase of glass fibre increased significantly in 2017 and 2018, which is also the case for other raw materials such as Iso, Polyol, Telene and Resin.

Figure 3 – Purchase of raw materials

Purchase of raw materials	2018	2017	2016
Plastics (kg)	15,220,931	13,871,181	12,567,104
Glass fibre (kg)	11,711,282	9,499,238	3,021,810
Coatings (kg)	61,419	58,554	58,742
Other (e.g. Iso, Polyol, Telene, Resin)	2,068,629	2,001,116	1,202,849

13 CLIMATE ACTION 15 LIFE ON LAND

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

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

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

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

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

Figure 4 – Greenhouse gases

Greenhouse gases	2018	2017	2016
Replenishment of refrigerating units (coolant fluids in kg)	37	43	70

14 LIFE BELOW WATER

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

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

Risk

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

SP Group believes that the Group complies with all current environmental regulations. In 2018, we received an enforcement order that we comply with.

Employees

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

Efforts

4 QUALITY EDUCATION

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

The target set for 2019 is to continue the skills development of employees, allowing them to attend to several different tasks. This will increase flexibility in production and make the working day more varied for the employees.

At 31 December 2018, the factories in Denmark had 20 trainees (plastics engineer trainees, automatic control technician trainees, industrial technician trainees and logistics trainees).

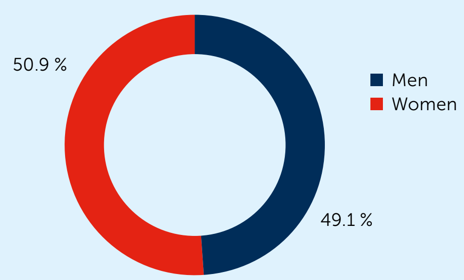
In Eastern Europe, we have hired and trained 156 new employees, net.

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

5 GENDER EQUALITY 10 REDUCED INEQUALITIES

At SP Group, we want to play a part in promoting **gender equality** and reducing **inequality**. We therefore ensure equal pay for equal work and pay a fair salary to all our employees regardless

Figure 5 – Staff composition – gender 2018



where they are located. In 2018, we employed almost as many women as men.

Figure 5 – Staff composition – gender 2018

Staff composition	2018	2017	2016
Number of men	1,012	999	881
Number of women	1,048	951	825

Figure 5b – Staff composition – gender, per cent

Staff composition (%)	2018	2017	2016
Number of men	49.1%	51.2%	51.6%
Number of women	50.9%	48.8%	48.4%

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

SP Group A/S has adopted a policy with the purpose of increasing the ratio of the underrepresented gender at all levels of management. At year end, the ratio of women in Management (Executive Board and management team) was 17%. SP Group still aims to ensure that at least one male and one female candidate are among the top three candidates for new leadership positions.

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

8 DECENT WORK AND ECONOMIC GROWTH

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

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

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

SP Group creates a safe and healthy **working environment** for our employees, partly through the working environment organisation and partly through policies and targeted efforts to ensure safety and health in the workplace. For instance, we always make sure that our employees get the protective equipment and the training needed to perform their work in a safe manner. We did not have any fatal industrial accidents in 2018 and focused on reducing the number of accidents.

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

Figure 6 – Industrial accidents

Industrial accidents	2018	2017	2016
Deaths	0	0	0
LTI (injuries resulting in min. one day of absence)	36	26	27
LTI (injuries resulting in min. one day of absence per million working hours)	10.7	8.1	9.6

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

Risk

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

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

In 2018, SP Group was not involved in or experienced any adverse impact on employee rights in the Group or at subsuppliers.

Human rights

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

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

Efforts

1 NO POVERTY

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

In 2018, the employees of SP Medical Poland participated enthusiastically in local charity events for the poor and provided financial aid to children's hospitals in Poland.

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

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

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

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

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

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

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

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

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

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

Protection of personal data regarding customers and employees builds confidence in us as a workplace and supplier. We therefore ensure that all companies in SP Group process personal data regarding employees and customers in accordance with applicable legislation on protection of personal data. In 2018, we prepared to comply with EU's General Data Protection Regulation regarding protection of personal data and security of processing and consequently adopted a personal data policy and a number of internal procedures regarding data processing and security.

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

Risk

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

In 2018, SP Group was not involved in or experienced human rights abuse in the Group or at suppliers.

Fight against corruption

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

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

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

Risk

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

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

Social efforts

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

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

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

Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of SP Group A/S for 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2018.

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

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

Søndersø, 27 March 2019

Executive Board

Frank Gad
CEO

Jørgen Hønnerup Nielsen
CFO

Board of Directors

Hans Wilhelm Schur
Chairman

Erik Preben Holm
Deputy Chairman

Niels Kristian Agner

Hans-Henrik Eriksen

Bente Overgaard

Independent auditor's report

To the shareholders of SP Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of SP Group A/S for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as the Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Appointment of auditor

We were initially appointed as auditor of SP Group A/S on 26 April 2011 for the financial year 2011. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 8 years up until the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2018. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of goodwill

The Group has recognised goodwill totalling DKK 194,210 thousand in the balance sheet at 31 December 2018. The useful life of goodwill is indefinite, and according to International Financial Reporting Standards as adopted by the EU (IAS 36), goodwill must be tested for impairment at least annually. No impairment of goodwill was identified in the financial year. The annual impairment test is key to our audit, as it includes Management's assumptions and estimates relating to, for instance, future earnings.

Additional information on goodwill recognised in the year is disclosed in note 15 to the consolidated financial statements.

In connection with our audit, we tested the impairment test prepared by Management, which was performed in accordance with the discounted cash flow model, and assessed whether the assumptions made by Management are substantiated. We assessed whether the calculation model is relevant and assessed the discount factor level and growth rate applied for extrapolation. The expected net cash flows are based on budgets for the years 2019-2021 and a terminal value. We examined budget preparation procedures and compared budgets with the Group's strategic efforts in the individual areas. Further, we examined whether the information on goodwill disclosed in note 15 is adequate relative to applicable accounting standards.

Measurement of inventories

At 31 December 2018, the Group recognised inventories totalling DKK 385,818 thousand in assets. Inventories are measured at the lower of cost and net realisable value. As the valuation of inventories involves significant management estimates and assessments, the area is a key audit matter.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements and the parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Copenhagen, 27 March 2019

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jesper Koefoed
State Authorised Public Accountant
mne11689

Morten Schougaard Sørensen
State Authorised Public Accountant
mne32129

Consolidated financial statements and parent company financial statements

Income statement for 2018

PARENT				GROUP	
2017	2018	Note	DKK'000	2018	2017
8,526	7,431		Revenue	1,965,028	1,884,144
0	0	4,7	Production costs	-1,319,356	-1,276,934
8,526	**7,431**		**Contribution margin**	**645,672**	**607,210**
4,506	5,165	5	Other operating income	1,834	2,389
-8,149	-7,674	6	External expenses	-132,530	-120,327
-13,865	-14,463	6,7,8	Staff costs	-229,357	-214,278
-8,982	**-9,541**		**Profit/loss before depreciation, amortisation and impairment losses (EBITDA)**	**285,619**	**274,994**
-2,832	-2,742	9	Depreciation, amortisation and impairment losses	-89,695	-81,477
-11,814	**-12,283**		**Profit/loss before net financials (EBIT)**	**195,924**	**193,517**
42,210	56,334	10	Dividends from subsidiaries	-	-
2,713	16,215	11	Other financial income	17,514	492
-6,622	-8,715	12	Financial expenses	-13,325	-18,293
26,487	**51,551**		**Profit/loss before tax**	**200,113**	**175,716**
2,463	2,884	13	Tax for the year	-40,030	-43,457
28,950	**54,435**		**Profit/loss for the year**	**160,083**	**132,259**
			Attributable to:		
			The Parent Company's shareholders	160,434	132,169
			Non-controlling interests	-351	90
				160,083	**132,259**
			Earnings per share (EPS)		
		14	Earnings per share (DKK)	14.37	11.84
		14	Earnings per share, diluted (DKK)	14.10	11.42
			Proposed distribution of profit/loss		
22,780	27,336		Dividends		
6,170	27,099		Retained earnings		
28,950	**54,435**				

For an income statement classified by nature, reference is made to note 45.

Statement of comprehensive income 2018

PARENT				GROUP	
2017	**2018**	**Note**	DKK'000	**2018**	**2017**
28,950	**54,435**		**Profit/loss for the year**	**160,083**	**132,259**
			Other comprehensive income:		
			Items that may be reclassified to the income statement:		
0	0		Exchange rate adjustments relating to foreign subsidiaries	-3,988	-2,727
			Value adjustments of hedging instruments:		
0	0		Value adjustments for the year	-3,902	41,442
0	0		Value adjustments transferred to revenue	-7,150	-11,401
83	0		Value adjustments transferred to financial expenses	0	83
-18	0	13	Tax on other comprehensive income	2,015	-5,698
65	**0**		**Other comprehensive income**	**-13,025**	**21,699**
29,015	**54,435**		**Total comprehensive income**	**147,058**	**153,958**
			Attributable to:		
			The Parent Company's shareholders	147,452	153,908
			Non-controlling interests	-394	50
				147,058	**153,958**

Balance sheet at 31/12/2018

PARENT				GROUP	
2017	2018	Note	DKK'000	2018	2017
7	0		Software	8,707	4,833
0	0		Customer files	44,900	38,027
0	0		Goodwill	194,210	183,695
0	0		Completed development projects	5,303	4,501
0	0		Development projects in progress	5,313	4,763
7	**0**	15	**Intangible assets**	**258,433**	**235,819**
77,897	86,510		Land and buildings	202,646	183,987
0	0		Plant and machinery	395,108	371,300
210	756		Fixtures and fittings, tools and equipment	32,113	28,981
0	0		Leasehold improvements	16,661	15,644
0	528		Property, plant and equipment under construction	27,885	31,857
78,107	**87,794**	16	**Property, plant and equipment**	**674,413**	**631,769**
569,866	595,489	17	Equity investments in subsidiaries	-	-
0	0	18	Equity investments in associates	1,679	1,640
0	0		Deposits	1,322	917
0	0	27	Deferred tax assets	2,821	3,832
569,866	**595,489**		**Other non-current assets**	**5,822**	**6,389**
647,980	**683,283**		**Non-current assets**	**938,668**	**873,977**
0	**0**	19	**Inventories**	**385,818**	**336,210**
21	136	20, 21	Trade receivables	208,437	173,914
53,302	64,980		Receivables from subsidiaries	-	-
0	0	21	Contract assets	1,469	6,084
15,124	5,717		Corporation tax receivable	1,814	2,389
1,681	209	22	Other receivables	34,717	40,399
2,155	2,253		Prepayments	8,144	6,581
72,283	**73,295**		**Receivables**	**254,581**	**229,367**
1,797	**15,028**	23	**Cash**	**61,442**	**75,605**
74,080	**88,323**		**Current assets**	**701,841**	**641,182**
722,060	**771,606**		**Assets**	**1,640,509**	**1,515,159**

Balance sheet at 31/12/2018

PARENT				GROUP	
2017	**2018**	**Note**	DKK'000	**2018**	**2017**
22,780	22,780	24	Share capital	22,780	22,780
1,464	2,887	25	Other reserves	9,186	20,745
-45,376	-52,756		Reserve for treasury shares	-52,756	-45,376
212,960	202,427		Retained earnings	611,136	515,670
22,780	27,336		Dividend proposed for the year	27,336	22,780
214,608	**202,674**		**Equity attributable to the Parent Company's shareholders**	**617,682**	**536,599**
-	**-**		**Equity attributable to non-controlling interests**	**2,348**	**1,088**
214,608	**202,674**		**Equity**	**620,030**	**537,687**
82,258	142,158	26	Bank debt	143,793	84,716
117,831	104,668	26	Financial institutions	155,218	173,536
0	0	26	Finance lease liabilities	39,027	38,418
62,974	44,204	26	Other non-current liabilities	44,204	62,974
1,007	1,417	27	Deferred tax liabilities	46,441	41,008
264,070	**292,447**		**Non-current liabilities**	**428,683**	**400,652**
88,928	86,393	26	Current portion of non-current liabilities	107,667	110,042
17,423	0		Bank debt	206,739	205,298
0	0	21	Contractual obligations	19,808	11,983
753	266	28	Trade payables	162,120	155,810
130,193	182,757		Payables to subsidiaries	-	-
0	0		Corporation tax	15,274	6,589
0	0	29	Provisions	2,224	5,876
6,085	7,069	30	Other payables	77,964	81,222
243,382	**276,485**		**Current liabilities**	**591,796**	**576,820**
507,452	**568,932**		**Liabilities**	**1,020,479**	**977,472**
722,060	**771,606**		**Equity and liabilities**	**1,640,509**	**1,515,159**

31-33 Collateral and contingent liabilities, etc.
36-46 Other notes

Statement of changes in equity for 2018

GROUP

DKK'000	Share capital	Other reserves	Reserve for treasury shares	Retained earnings	Proposed dividend	Equity attributable to the Parent Company's shareholders	Equity attributable to non-controlling interests	Total equity
Equity at 01/01/2017	**22,780**	**-1,540**	**-28,515**	**421,243**	**13,668**	**427,636**	**1,340**	**428,976**
Profit/loss for the year	0	0	0	109,389	22,780	132,169	90	132,259
Exchange rate adjustments relating to foreign subsidiaries	0	-2,687	0	0	0	-2,687	-40	-2,727
Value adjustment of financial instruments held to hedge future cash flows	0	41,442	0	0	0	41,442	0	41,442
Value adjustments transferred to revenue	0	-11,401	0	0	0	-11,401	0	-11,401
Value adjustments transferred to financial expenses	0	83	0	0	0	83	0	83
Tax on other comprehensive income	0	-5,698	0	0	0	-5,698	0	-5,698
Comprehensive income for the financial year	**0**	**21,739**	**0**	**109,389**	**22,780**	**153,908**	**50**	**153,958**
Share-based payment	0	251	0	0	0	251	0	251
Share-based payment, exercised arrangements	0	-153	0	153	0	0	0	0
Sale of warrants	0	448	0	0	0	448	0	448
Acquisition of treasury shares	0	0	-51,952	0	0	-51,952	0	-51,952
Sale of treasury shares, warrant programme	0	0	35,091	-18,286	0	16,805	0	16,805
Tax on acquisition/sale of treasury shares	0	0	0	2,985	0	2,985	0	2,985
Distribution of dividend	0	0	0	0	-13,482	-13,482	0	-13,482
Distribution of dividend, treasury shares	0	0	0	186	-186	0	0	0
Non-controlling interests' share of dividends in subsidiaries	0	0	0	0	0	0	-302	-302
Other changes in equity	**0**	**546**	**-16,861**	**-14,962**	**-13,668**	**-44,945**	**-302**	**-45,247**
Equity at 31/12/2017	**22,780**	**20,745**	**-45,376**	**515,670**	**22,780**	**536,599**	**1,088**	**537,687**
Profit/loss for the year	0	0	0	133,098	27,336	160,434	-351	160,083
Exchange rate adjustments relating to foreign subsidiaries	0	-3,945	0	0	0	-3,945	-43	-3,988
Value adjustment of financial instruments held to hedge future cash flows	0	-3,902	0	0	0	-3,902	0	-3,902
Value adjustments transferred to revenue	0	-7,150	0	0	0	-7,150	0	-7,150
Tax on other comprehensive income	0	2,015	0	0	0	2,015	0	2,015
Comprehensive income for the financial year	**0**	**-12,982**	**0**	**133,098**	**27,336**	**147,452**	**-394**	**147,058**
Share-based payment	0	495	0	0	0	495	0	495
Share-based payment, exercised arrangements	0	-567	0	567	0	0	0	0
Sale of warrants	0	1,495	0	0	0	1,495	0	1,495
Acquisition of treasury shares	0	0	-64,294	0	0	-64,294	0	-64,294
Sale of treasury shares, warrant programme	0	0	56,914	-40,076	0	16,838	0	16,838
Tax on acquisition/sale of treasury shares	0	0	0	1,766	0	1,766	0	1,766
Distribution of dividend	0	0	0	0	-22,669	-22,669	0	-22,669
Distribution of dividend, treasury shares	0	0	0	111	-111	0	0	0
Addition of non-controlling interests							1,654	1,654
Other changes in equity	**0**	**1,423**	**-7,380**	**-37,632**	**-22,780**	**-66,369**	**1,654**	**-64,715**
Equity at 31/12/2018	**22,780**	**9,186**	**-52,756**	**611,136**	**27,336**	**617,682**	**2,348**	**620,030**

Statement of changes in equity for 2018

PARENT

DKK'000	Share capital	Other reserves	Reserve for treasury shares	Retained earnings	Proposed dividends	Total equity
Equity at 01/01/2017	**22,780**	**853**	**-28,515**	**221,752**	**13,668**	**230,538**
Profit/loss for the year	0	0	0	6,170	22,780	28,950
Value adjustment of financial instruments						
held to hedge future cash flows	0	0	0	0	0	0
Value adjustment transferred to financial expenses	0	83	0	0	0	83
Tax on other comprehensive income	0	-18	0	0	0	-18
Comprehensive income for the financial year	**0**	**65**	**0**	**6,170**	**22,780**	**29,015**
Share-based payment	0	251	0	0	0	251
Share-based payment, exercised arrangements	0	-153	0	153	0	0
Sale of warrants	0	448	0	0	0	448
Acquisition of treasury shares	0	0	-51,952	0	0	-51,952
Sale of treasury shares, warrant programme	0	0	35,091	-18,286	0	16,805
Tax on acquisition/sale of treasury shares	0	0	0	2,985	0	2,985
Distribution of dividend	0	0	0	0	-13,482	-13,482
Distribution of dividend, treasury shares	0	0	0	186	-186	0
Other changes in equity	**0**	**546**	**-16,861**	**-14,962**	**-13,668**	**-44,945**
Equity at 31/12/2017	**22,780**	**1,464**	**-45,376**	**212,960**	**22,780**	**214,608**
Profit/loss for the year	0	0	0	27,099	27,336	54,435
Value adjustment of financial instruments						
held to hedge future cash flows	0	0	0	0	0	0
Value adjustment transferred to financial expenses	0	0	0	0	0	0
Tax on other comprehensive income	0	0	0	0	0	0
Comprehensive income for the financial year	**0**	**0**	**0**	**27,099**	**27,336**	**54,435**
Share-based payment	0	495	0	0	0	495
Share-based payment, exercised arrangements	0	-567	0	567	0	0
Sale of warrants	0	1,495	0	0	0	1,495
Acquisition of treasury shares	0	0	-64,294	0	0	-64,294
Sale of treasury shares, warrant programme	0	0	56,914	-40,076	0	16,838
Tax on acquisition/sale of treasury shares	0	0	0	1,766	0	1,766
Distribution of dividend	0	0	0	0	-22,669	-22,669
Distribution of dividend, treasury shares	0	0	0	111	-111	0
Other changes in equity	**0**	**1,423**	**-7,380**	**-37,632**	**-22,780**	**-66,369**
Equity at 31/12/2018	**22,780**	**2,887**	**-52,756**	**202,427**	**27,336**	**202,674**

Cash flow statement for 2018

PARENT				GROUP	
2017	**2018**	**Note**	DKK'000	**2018**	**2017**
-11,814	-12,283		Profit/loss before net financials (EBIT)	195,924	193,517
2,832	2,742		Depreciation, amortisation and impairment losses	89,695	81,477
251	495		Share-based payment	495	251
71	1,160		Value adjustments, etc.	1,544	-5,539
9,524	41,458	34	Changes in net working capital	-75,353	-43,704
864	**33,572**		**Cash generated from operations**	**212,305**	**226,002**
297	688		Interest income, etc., received	549	492
-4,219	-5,041		Interest expenses, etc., paid	-13,325	-12,810
4,768	14,466		Corporation tax received/paid	-26,128	-32,917
1,710	**43,685**		**Cash flows from operating activities**	**173,401**	**180,767**
42,210	56,313		Dividends from subsidiaries	-	-
-1,000	0		Capital injection, subsidiary	-	-
-46,121	-13,745		Acquisition of entity	-5,244	-44,464
0	0		Acquisition of intangible assets	-11,722	-2,247
-304	-12,422		Acquisition of property, plant and equipment	-123,648	-182,341
0	0		Amount relating to finance leases	15,568	23,276
0	0		Disposal of property, plant and equipment	399	983
-5,215	**30,146**		**Cash flows from investing activities**	**-124,647**	**-204,793**
0	0		Dividends to non-controlling shareholders	0	-302
-13,482	-22,669		Dividend distributed	-22,669	-13,482
0	0		Deposits, adjustment	-405	-536
-51,952	-64,294		Acquisition of treasury shares	-64,294	-51,952
16,805	16,838		Sale of treasury shares	16,838	16,805
448	1,495		Sale of warrants	1,495	448
159,830	120,480		Raising of long-term loans	136,048	221,400
0	0		Amount relating to finance leases	-15,568	-23,276
-51,845	-95,027		Instalments on non-current liabilities	-115,803	-83,679
-62,345	-17,423		Bank debt, adjustment	1,441	-19,520
2,541	**-60,600**		**Cash flows from financing activities**	**-62,917**	**45,906**
-6,046	**13,231**		**Cash flows for the year**	**-14,163**	**21,880**
7,843	1,797		Cash and cash equivalents at 01/01/2018	75,605	53,725
1,797	**15,028**	35	**Cash and cash equivalents at 31/12/2018**	**61,442**	**75,605**

Notes

List of notes

Notes

1. Accounting policies

SP Group A/S is a public limited company with its registered office in Denmark. The annual report for the period 1 January – 31 December 2018 comprises both the consolidated financial statements of SP Group A/S and its subsidiaries (the Group) and separate parent company financial statements.

The annual report of SP Group A/S for 2018 is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Going concern statement

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

Changes in accounting policies

Effective from 1 January 2018, SP Group A/S has implemented the following new or amended standards and interpretations:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 regarding classification and measurement of share-based payment
- Amendments to IAS 40 regarding transfers to or from investment properties
- IFRIC 22 regarding foreign currency transactions and advance considerations
- Parts of Annual Improvements to IFRSs 2014-2016

In Annual Improvements to IFRSs 2014-2016, the remaining provisions regarding IFRS 1 and IAS 28 come into force as from 1 January 2018.

Only IFRS 9 and IFRS 15 have affected recognition and measurement in the annual report.

The effect of IFRS 9 and IFRS 15 on recognition and measurement is shown later. The effect on results and diluted earnings per share is only immaterial, and the cash flow statement is not affected. Moreover, the effect on the balance sheet is immaterial, and consequently, no third balance sheet (opening balance sheet in the comparative year) is presented in the primary balance sheets.

Effect of IFRS 9

IFRS 9 Financial Instruments, which replaces IAS 39, changes the classification and the derived measurement of financial assets and liabilities.

A more logical approach to classification of financial assets is introduced, driven by entities' business models and the characteristics of the underlying cash flows. At the same time, a new impairment model is introduced for all financial assets.

Classification and measurement of financial assets and liabilities
The implementation of IFRS 9 has not had significant effect on classification and measurement of the Group's financial assets and liabilities.

The Group's receivables, which are primarily trade receivables, have previously been classified as lending and receivables and measured at amortised cost. The Group's business model is to hold these assets for purposes of receiving contractual cash flows, and these financial assets are therefore classified as lending and receivables measured at amortised cost. The classification change has not given rise to changes in the recognised gross receivables.

Impairment of financial assets
Based on SP Group A/S' business model and types of financial assets and liabilities, the implementation of IFRS 9 has only affected the Group's impairment of financial assets measured at amortised cost. For trade receivables and other contract assets, including the value of construction contracts, IFRS 9's simplified expected credit loss model is used, according to which the total expected loss is recognised immediately.

The change from the previous impairment model under which impairment was only recognised when the was indication of loss (incurred loss model) to IFRS 9's expected credit loss model has resulted in more timely recognition of expected losses, both on initial and subsequent recognition.

The implementation of IFRS 9's expected credit loss model has not affected loss provisions as the Group historically has only realised marginal losses on receivables.

Effect of IFRS 15

IFRS 15 *Revenue from Contracts* with Customers, which replaces the current standards on revenue (IAS 11 and IAS 18) and related interpretations, introduces a new model for recognising and measuring revenue from contracts with customers.

The Group has implemented IFRS 15 with full retrospective effect (full retrospective method).

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

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

- A sales transaction must be recognised as revenue in the income statement as control (which can take place either at a given date or over time) over the good or service, respectively, is transferred to the customer (the current "risk and rewards" principle is thus replaced by a control principle).
- New and more detailed guidelines on how to identify partial transactions under a contract and how to recognise and measure the individual components.
- New and more detailed guidelines on revenue recognition over time.

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

New accounting regulation

The IASB has issued the following new financial reporting standards and interpretations that are not compulsory for SP Group A/S in preparing the annual report for 2018:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRS 9 Prepayment Features with Negative Compensation – Amendments to IFRS 9
- IAS 19 Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- IAS 28 Long-term Interests in Associates and Joint ventures – Amendments to IAS 28
- IFRIC 23 Uncertainty over Income Tax Treatments
- Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS standards
- Annual Improvements to IFRSs 2015-2017 Cycle

Of the above, IFRS 16 Leases and Amendments to IFRS 9 Prepayment Features with Negative Compensation have been adopted by the EU.

The adopted standards and interpretations that have not yet come into effect will be implemented as they become compulsory for SP Group A/S. It has been assessed that, of the above standards or interpretations, only IFRS 16 may affect recognition and measurement to a certain extent for SP Group A/S. The Group has described a preliminary analysis of the expected effect of IFRS 16. The outcome is described below.

IFRS 16 Leases was issued in mid-January 2016. The standard, which is effective for financial years beginning on or after 1 January 2019, implies a substantial change in the way that leases that are currently accounted for as operating leases must be accounted for in future. Thus, the standard requires that all leases regardless of type – with few exceptions – must be recognised in the lessee's balance sheet as an asset with an accompanying lease liability.

At the same time, the lessee's income statement will be affected going forward, as the annual lease payment will consist of two elements – a depreciation charge and an interest expense – as opposed to today where the annual operating lease expense is recognised as one amount under operating expenses.

Moreover, the Group's cash flow statement is also expected to be affected, as the current operating lease payments that are currently presented as cash flows from operating activities, going forward, will be presented as financing activities with respect to the repayment element and as operating activities with respect to the interest element.

IFRS 16 requires increased and more comprehensive disclosures than IAS 17 depending on the scope and complexity of the Group's leases.

Transition to IFRS 16

In 2018, SP Group A/S carried out a detailed analysis of the implications of the new standard for the Group.

The Group plans to implement IFRS 16 using the modified retrospective transitional method according to which the effect of the transition is recognised in the opening equity at 1 January 2019 without restatement of comparative figures.

In accordance with the transitional provisions of IFRS 16, the Group plans to use the following transitional provisions when implementing the standard:

- Not to recognise leases with a term of less than 12 months or of low value.
- Not to reassess whether a contract is or comprises a lease.
- To determine a discount rate on a portfolio of leases with similar characteristics.

When assessing the future lease payments, the Group reviewed its operating leases and identified the lease payments related to a lease component that are fixed or variable but change in line with changes in an index or an interest rate. The Group has chosen not to recognise payments related to service components as part of the lease liability.

When assessing the expected lease term, the Group identified the non-cancellable lease term in the lease plus periods covered by an extension option that Management is reasonably likely to exercise and plus periods covered by a termination option that Management is reasonably unlikely to exercise.

For leases on equipment, the Group has assessed that the expected lease term is the non-cancellable lease term in the leases, as the Group has not historically exercised the extension options in similar leases.

When assessing the expected lease term of leases on properties, the Group has divided its portfolio into properties that are primary production facilities and other properties where location is less important to the Group or where relocation is expected. For the primary production facilities, the Group assesses that the expected lease term is 7-10 years, whereas the lease term for the other properties are assessed to be 1-5 years. Notwith-

Notes

standing this assessment, the lease terms have been determined taking into consideration the extension option.

When discounting the lease payments to present value, the Group used its incremental borrowing rate, which is the costs of obtaining external financing for a corresponding asset with a financing period corresponding to the term of the lease denominated in the currencies in which lease payments are settled. The Group has documented the incremental borrowing rate of each portfolio of leases with similar characteristics.

Based on the analysis made, the Group expects to recognise leased assets and a corresponding lease liability of approx. DKK 165 million, corresponding to approx. 10% of total assets, and accordingly, the expected effect on equity at 1 January 2019 is expected to be DKK 0.

When measuring the lease liability, the Group used an average incremental borrowing rate for discounting future lease payments of approx. 5% p.a.

Due to the changes, EBITDA for 2019 is expected to increase by approx. DKK 34 million, depreciation and amortisation by approx. DKK 28 million and financial expenses by approx. DKK 8 million. Overall, the implementation will adversely affect profit/loss for the year 2019 by approx. 2 million.

Consolidated financial statements

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

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

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

Consolidation principles

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

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

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

Non-controlling interests

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

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

Business combinations

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

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

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

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

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

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

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

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

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

Foreign currency translation

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

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

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

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

Derivative financial instruments

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

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

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

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

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

Share-based payment

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

The fair value of the equity instruments is measured by using the Black-Scholes model with the parameters indicated in note 8.

Taxation

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

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

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

Deferred tax is recognised in accordance with the balance-sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities, except for deferred tax on all temporary

Notes

differences arising on initial recognition of goodwill or on initial recognition of a transaction which is not a business combination and where the temporary difference identified at the time of initial recognition neither affects the profit/loss for the year nor the taxable income.

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

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

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

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

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

Discontinued operations and assets classified as held for sale

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

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

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

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

Income statement

Revenue

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

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

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

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

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

Sale of goods

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

Construction contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Balance sheet

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

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

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

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

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

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

Notes

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

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

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

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

Software	3-5 years
Customer files	10 years

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity investments in subsidiaries in the parent company financial statements

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

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

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

Inventories

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

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

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

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

Receivables applicable from 1 January 2018

Receivables are measured at amortised cost. Write-down for bad and doubtful debts is made in accordance with the simplified expected credit loss model according to which the total loss is recognised immediately in the income statement at the same time as the receivable is recognised in the balance sheet based on the expected loss in the useful life of the receivable.

Impairment of financial assets measured at amortised cost applicable from 1 January 2018

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

Receivables applicable before 1 January 2018

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

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

Contract assets

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

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

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

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

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

Prepayments from customers are recognised under contractual obligations.

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

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

Notes

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

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

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

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

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

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

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

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

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

Non-financial liabilities are measured at net realisable value.

Cash flow statement

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

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

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

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

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

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

Cash comprises cash funds.

Financial highlights

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

Key figures
The calculation of earnings per share and diluted earnings per share is specified in note 14.

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

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

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

2. Significant accounting estimates, assumptions and judgements

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

Significant accounting estimates

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

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

Changes in accounting estimates

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

Significant assumptions and uncertainties

Recognition and measurement of assets and liabilities often depend on future events subject to some uncertainty. In this connection, it is necessary to assume a course of events, etc., reflecting Management's assessment of the most likely course of events. In the annual report for 2018 as well as in annual reports for previous years, the following assumptions and uncertainties should be noted as they have significantly affected the assets and liabilities recognised in the annual report and may require corrections in subsequent financial years if the courses of events assumed are not realised as expected.

Recoverable amount of goodwill

An assessment of indication of impairment of recognised goodwill amounts requires a calculation of the values in use of the cash-generating units (CGUs) to which the goodwill amounts are allocated. The determination of the value in use requires an estimate of the expected future cash flows in each CGU as well as a determination of a reasonable discount rate. The carrying amount of goodwill amounted to DKK 194.2 million at 31 December 2018. For a further description of the applied discount rates, etc., see note 15. The impairment tests performed show that the value in use of the CGUs is significantly higher than the carrying amount of the assets related to the CGUs.

Capitalised development projects

An impairment test has been carried out of selected development projects that are in the early commercial phase. The impairment test is based on a discount rate of 9.1 % before tax and 7.5% after tax and expected revenue and earnings from the projects. The carrying amount of development projects amounts to DKK 10.6 million.

Inventories

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

Acquisition of entity

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

The fair value of the identifiable assets, liabilities and contingent liabilities is described in note 42 Acquisition of subsidiaries in 2018, which also shows the methods applied to determine the fair values of the acquisitions made in 2018.

Assessment of liabilities in relation to contingent considerations

When acquiring entities, the expected payment of contingent considerations to the seller is recognised as a liability. If expectations change so that the contingent consideration is expected to be paid at another amount than the recognised liability, the adjustment amount must be recognised as revenue/expensed under net financials. In 2018, allocated contingent considerations of DKK 12.5 million was recognised as revenue in relation to acquisition of entities where payment of the contingent consideration was not made, and DKK 3.0 million was recognised as revenue in respect of the estimated share of future payments of contingent considerations that are expected to be paid at an amount lower than the recognised liability. Final calculation of contingent considerations is dependent on the financial performance of the entities acquired in 2019-2021 and is subject to estimates.

Equity investments in subsidiaries in the parent company financial statements

The assessment of the need for impairment write-down of equity investments in subsidiaries requires the determination of values in use of the individual subsidiaries. The determination of the value in use requires an estimate of the expected future cash flows in each subsidiary as well as a determination of a reasonable discount rate. In connection with the valuation, the same discount rate was used as in connection with the impairment test for goodwill. Please see note 15. The tests performed show values exceeding the carrying amount of the individual equity investments.

PARENT			GROUP	
2017	2018	DKK'000	2018	2017
		3. Revenue		
8,526	7,431	Sale of goods	1,948,637	1,858,438
0	0	Sale of the year's production output relating to construction contracts	9,241	14,305
0	0	Gains/losses on hedging instruments reclassified from equity via other comprehensive income	7,150	11,401
8,526	**7,431**		**1,965,028**	**1,884,144**
		Breakdown of revenue by customer groups:		
0	0	Healthcare	597,900	638,300
4,398	3,869	Cleantech	659,200	636,300
0	0	Food-related	286,000	247,800
0	0	Automotive	102,100	89,500
0	0	Oil and gas	5,900	3,500
4,128	3,562	Others	313,928	268,744
8,526	**7,431**		**1,965,028**	**1,884,144**
		Moreover, reference is made to note 21 and note 40.		
		4. Production costs		
0	0	Cost of sales	1,035,591	1,003,835
0	0	Inventory write-down	1,868	1,477
0	0	Reversed inventory write-downs	-2,260	-1,169
0	0	Staff costs	284,157	272,791
0	**0**		**1,319,356**	**1,276,934**
		Reversal of inventory write-downs relates to the disposal of inventories written down.		
		5. Other operating income		
4,506	5,165	Rent	1,063	1,076
0	0	Gain from sale of non-current assets	0	689
0	0	Grants	771	624
4,506	**5,165**		**1,834**	**2,389**
		6. Development costs		
1,405	208	Research and development costs incurred	3,979	2,574
0	0	Amount capitalised for accounting purposes	-3,394	-1,169
1,405	**208**	**Expensed in the financial year**	**585**	**1,405**
		Development costs substantially relate to payroll costs.		

Notes

PARENT 2017	PARENT 2018	DKK'000	GROUP 2018	GROUP 2017
		7. Staff costs		
12,288	12,603	Wages and salaries	437,092	416,569
292	309	Pension contributions, defined contribution plan	30,780	29,666
86	64	Other social security costs	29,034	25,232
948	992	Other staff costs	22,385	21,520
251	495	Share-based payment	495	251
0	0	Refunds from public authorities	-6,272	-6,169
13,865	**14,463**		**513,514**	**487,069**
		Breakdown of staff costs:		
0	0	Production costs	284,157	272,791
13,865	14,463	Staff costs	229,357	214,278
13,865	**14,463**		**513,514**	**487,069**
7	**7**	**Average number of employees**	**1,994**	**1,852**

Remuneration of Management

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

				GROUP
	Board of Directors		Executive Board	
DKK'000	2018	2017	2018	2017
Remuneration of the Board of Directors	1,400	1,400	-	-
Remuneration, membership of committees	50	50	-	-
Wages and salaries	0	0	7,071	6,828
Share-based payment	0	0	0	0
	1,450	**1,450**	**7,071**	**6,828**

				PARENT
	Board of Directors		Executive Board	
DKK'000	2018	2017	2018	2017
Remuneration of the Board of Directors	1,400	1,400	-	-
Remuneration, membership of committees	50	50	-	-
Wages and salaries	0	0	6,711	6,468
Share-based payment	0	0	0	0
	1,450	**1,450**	**6,711**	**6,468**

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

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

PARENT 2017	PARENT 2018	DKK'000	GROUP 2018	GROUP 2017
292	309	Expensed contributions to defined pension plans	30,780	29,666

8. Share-based payment

Equity-settled share option plans, Parent Company and Group

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

Warrant programme 2018

In 2018, the Group set up an incentive scheme for the Company's Executive Board and 41 executive officers. The programme is based on warrants. A total of 41,500 warrants were issued in the year, of which 5,000 were granted to the Executive Board and the rest to executive officers.

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

The exercise price is fixed at DKK 1,250 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2018 and until the warrants are in fact exercised. The exercise prise is fixed based on market conditions immediately before and after the publication of the annual report on 22 March 2018. The issued warrants will expire without net settlement if the warrants are not exercised. The right to the warrants is earned over the period.

The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2021 to 31 March 2024. Alternatively, the Executive Board and the 41 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised until 30 June 2018. The Executive Board and 16 executive officers decided to exercise this option.

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

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

The estimated volatility is determined based on historical figures.

Warrant programme 2017

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

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

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

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

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

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

The estimated volatility is determined based on historical figures.

Warrant programme 2016

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

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

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

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

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

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

The estimated volatility is determined based on historical figures.

Warrant programme 2015

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

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

Notes

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

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

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

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

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

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

Development in the year

The development in outstanding warrants can be specified as follows:

	Number of warrants	Number of warrants	Average exercise price, warrants	Average exercise price, warrants
Number of shares	**2018**	**2017**	**2018**	**2017**
Outstanding warrants at 01/01	186,000	172,000	614	373
Granted in the financial year	41,500	70,000	1,553	963
Exercised in the financial year	-54,000	-56,000	312	300
	173,500	**186,000**	**930**	**614**
Exercisable at 31/12	3,000	7,000		

Of the outstanding warrants, 25,000 have been awarded to the Executive Board and 148,500 to executive officers.

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

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**
		Equity-settled share option plans		
251	495	Share-based payment recognised in income statement, equity-settled share option plan	495	251

PARENT 2017	PARENT 2018	DKK'000	GROUP 2018	GROUP 2017
		9. Depreciation, amortisation and impairment losses		
21	7	Amortisation of intangible assets	10,067	9,174
2,811	2,735	Depreciation on property, plant and equipment	79,628	72,303
2,832	**2,742**		**89,695**	**81,477**
		10. Dividends from subsidiaries		
42,210	56,334	Dividends from subsidiaries	-	-
42,210	**56,334**		**-**	**-**
		11. Other financial income		
3	0	Interest, etc.	549	492
294	688	Interest from group entities	-	-
297	**688**	**Interest income from financial assets not measured at fair value through profit/loss**	**549**	**492**
2,416	27	Exchange rate adjustments	1,465	0
0	15,500	Adjustment, contingent purchase consideration	15,500	0
2,713	**16,215**		**17,514**	**492**
		12. Financial expenses		
4,138	3,200	Interest, etc.	13,325	12,810
83	1,404	Value adjustment of hedging transactions	0	83
1,309	1,841	Interest, group entities	-	-
5,530	**6,445**	**Interest expenses on financial liabilities not measured at fair value through profit/loss**	**13,325**	**12,893**
1,079	2,270	Write-down of equity investments in subsidiary	-	-
13	0	Value adjustments	0	5,400
6,622	**8,715**		**13,325**	**18,293**

Notes

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**
		13. Tax for the year		
0	-3,294	Current tax	35,503	29,803
-2,463	410	Changes in deferred tax	4,527	13,654
-2,463	**-2,884**		**40,030**	**43,457**
		The current corporation tax charge for the financial year is calculated based on a tax rate of 22.0% (2017: 22.0%) for Danish entities. For foreign entities, the current tax rate in the country in question is applied.		
		Tax on other changes in equity		
2,985	1,766	Tax on acquisition/sale of treasury shares	1,766	2,985
2,985	**1,766**		**1,766**	**2,985**
		Tax on other comprehensive income		
18	0	Fair value adjustment of financial instruments held to hedge future cash flows	-2,015	5,698
18	**0**		**-2,015**	**5,698**
		Tax on items recognised in other comprehensive income can be specified as follows:		
0	0	Current tax	-535	545
18	0	Changes in deferred tax	-1,480	5,153
18	**0**		**-2,015**	**5,698**
		Reconciliation of tax rate		
-	-	Danish tax rate	22.0	22.0
-	-	Effect of differences in tax rates for foreign entities	-0.3	2.7
-	-	Effect of earnout liability recognised as revenue	-1.7	0.0
-	**-**	**Effective tax rate for the year**	**20.0**	**24.7**
		The Parent Company's tax rate in both 2018 and 2017 is materially affected by tax-exempt dividends from subsidiaries.		
		Breakdown of the computed current tax charge for the year:		
		Denmark	12,957	8,044
		Poland	7,856	6,685
		The US	4,391	4,338
		China	2,324	2,689
		Latvia	7	626
		Slovakia	1,703	1,641
		Norway	91	23
		Sweden	2,070	2,411
		The Netherlands	2,267	1,997
		Brazil	1,837	1,349
			35,503	**29,803**

	GROUP	
DKK'000	2018	2017

14. Earnings per share

The calculation of earnings per share is based on the following:

Profit to the Parent Company's shareholders	**160,434**	**132,169**

Number of shares	2018	2017
Average number of shares issued	11,390,000	11,390,000
Average number of treasury shares	-223,906	-224,625
Number of shares used to calculate earnings per share	**11,166,094**	**11,165,375**
Average dilution effect of outstanding warrants	**210,540**	**403,145**
Number of shares used to calculate diluted earnings per share	**11,376,634**	**11,568,520**

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

15. Intangible assets

	Software	Customer files	Goodwill	Completed development projects	Development projects in progress
Cost at 01/01/2018	24,974	47,878	185,556	36,953	4,763
Value adjustment	-91	0	702	-125	0
Additions relating to acquisition of entity	0	10,469	9,813	0	0
Additions	6,468	1,860	0	2,844	1,106
Disposals	0	0	0	0	-556
Cost at 31/12/2018	**31,351**	**60,207**	**196,071**	**39,672**	**5,313**
Amortisation and impairment losses at 01/01/2018	20,141	9,851	1,861	32,452	0
Value adjustment	-66	0	0	-125	0
Amortisation for the year	2,569	5,456	0	2,042	0
Reversal on disposal	0	0	0	0	0
Amortisation and impairment losses at 31/12/2018	**22,644**	**15,307**	**1,861**	**34,369**	**0**
Carrying amount at 31/12/2018	**8,707**	**44,900**	**194,210**	**5,303**	**5,313**
Cost at 01/01/2017	23,787	20,878	144,168	37,483	3,594
Value adjustment	110	0	-1,745	-181	0
Additions relating to acquisition of entity	0	27,000	43,133	0	0
Additions	1,078	0	0	0	1,169
Disposals	-1	0	0	-349	0
Cost at 31/12/2017	**24,974**	**47,878**	**185,556**	**36,953**	**4,763**
Amortisation and impairment losses at 01/01/2017	17,205	5,581	1,861	30,957	0
Value adjustment	58	0	0	-181	0
Amortisation for the year	2,879	4,270	0	2,025	0
Reversal on disposal	-1	0	0	-349	0
Amortisation and impairment losses at 31/12/2017	**20,141**	**9,851**	**1,861**	**32,452**	**0**
Carrying amount at 31/12/2017	**4,833**	**38,027**	**183,695**	**4,501**	**4,763**

Notes

	PARENT	
DKK'000	Software 2018	Software 2017
15. Intangible assets (continued)		
Cost at 01/01	1,052	1,052
Additions	0	0
Disposals	0	0
Cost at 31/12	**1,052**	**1,052**
Amortisation and impairment losses at 01/01	1,045	1,024
Amortisation for the year	7	21
Reversal on disposal	0	0
Amortisation and impairment losses at 31/12	**1,052**	**1,045**
Carrying amount at 31/12	**0**	**7**

Goodwill

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

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

	GROUP	
DKK'000	2018	2017
MM Composite A/S	40,368	40,368
Nycopac AB	9,813	0
SP Group (exclusive MM Composite A/S og Nycopac AB)	144,029	143,327
	194,210	**183,695**

Compared to 2017, goodwill related to Ulstrup Plast A/S (DKK 26,656 thousand), Tinby Skumplast A/S (DKK 2,765 thousand) and Accoat A/S (DKK 9,823 thousand relating to the guidewire activities) has been combined with the cash-generating unit SP Group (excluding MM Composite A/S and Nycopac AB), as all contingent considerations have been determined and settled and the companies are operated together with the rest of SP Group's activities..

The Group manages and monitors goodwill collectively for SP Group (excluding MM Composite A/S and Nycopac AB). MM Composite A/S and Nycopac AB are monitored separately until the contingent considerations have been determined definitively.

15. Immaterielle aktiver (fortsat)

Goodwill

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

No impairment losses were recognised in respect of goodwill in 2018 or 2017.

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

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

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

The calculation of the value in use is based on the cash flows stated in the most recent budget for 2019, approved by Management, and forecasts for 2020 and 2021. For financial years after the forecast period, cash flows have been extrapolated for the most recent forecast periods, adjusted for an expected growth rate.

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

	2018	2017
Discount rate after tax	7.5%	7.5%
Discount rate before tax	9.1%	9.1%
Growth rate in the terminal period	2.0%	2.0%

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

Other intangible assets

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

Notes

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings	Leasehold improvements	GROUP Property, plant and equipment under construction
16. Property, plant and equipment					
Cost at 01/01/2018	293,834	927,285	111,628	37,731	31,857
Value adjustment	-307	-4,829	-227	-684	-575
Reclassification	-2,421	-737	558	2,399	123
Additions relating to acquisition of entity	0	2,320	491	0	0
Additions	28,677	83,983	11,614	2,894	40,149
Disposals	-150	-3,459	-419	0	-43,669
Cost at 31/12/2018	**319,633**	**1,004,563**	**123,645**	**42,340**	**27,885**
Depreciation and impairment losses at 01/01/2018	109,847	555,985	82,647	22,087	0
Value adjustment	-13	-2,646	-89	-422	0
Reclassification	-123	-306	127	223	0
Depreciation for the year	7,426	59,227	9,184	3,791	0
Reversal on disposal	-150	-2,805	-337	0	0
Depreciation and impairment losses at 31/12/2018	**116,987**	**609,455**	**91,532**	**25,679**	**0**
Carrying amount at 31/12/2018	**202,646**	**395,108**	**32,113**	**16,661**	**27,885**
Amount relating to assets held under finance leases at 31/12/2018	0	63,841	259	0	0
Cost at 01/01/2017	250,158	787,521	101,667	32,001	30,172
Value adjustment	-189	4,136	132	823	931
Reclassification	-289	0	18	271	0
Additions relating to acquisition of entity	0	31,252	1,725	2,358	0
Additions	44,154	124,162	9,795	3,476	79,033
Disposals	0	-19,786	-1,709	-1,198	-78,279
Cost at 31/12/2017	**293,834**	**927,285**	**111,628**	**37,731**	**31,857**
Depreciation and impairment losses at 01/01/2017	102,897	516,684	75,398	20,054	0
Value adjustment	-2	825	44	372	0
Reclassification	9	0	0	-9	0
Depreciation for the year	6,943	54,007	8,512	2,841	0
Reversal on disposal	0	-15,531	-1,307	-1,171	0
Depreciation and impairment losses at 31/12/2017	**109,847**	**555,985**	**82,647**	**22,087**	**0**
Carrying amount at 31/12/2017	**183,987**	**371,300**	**28,981**	**15,644**	**31,857**
Amount relating to assets held under finance leases at 31/12/2017	0	69,080	494	0	0

16. Property, plant and equipment (continued)

			PARENT
DKK'000	Land and buildings	Fixtures and fittings	Plant under construction
Cost at 01/01/2018	99,447	4,139	0
Additions	11,081	813	528
Disposals	0	-2,936	0
Cost at 31/12/2018	**110,528**	**2,016**	**528**
Depreciation and impairment losses at 01/01/2018	21,550	3,929	0
Depreciation for the year	2,468	267	0
Reversal on disposal	0	-2,936	0
Depreciation and impairment losses at 31/12/2018	**24,018**	**1,260**	**0**
Carrying amount at 31/12/2018	**86,510**	**756**	**528**
Amount relating to assets held under finance leases at 31/12/2018	0	0	0
Cost at 01/01/2017	99,204	4,078	0
Additions	243	61	0
Disposals	0	0	0
Cost at 31/12/2017	**99,447**	**4,139**	**0**
Depreciation and impairment losses at 01/01/2017	18,972	3,696	0
Depreciation for the year	2,578	233	0
Reversal on disposal	0	0	0
Depreciation and impairment losses at 31/12/2017	**21,550**	**3,929**	**0**
Carrying amount at 31/12/2017	**77,897**	**210**	**0**
Amount relating to assets held under finance leases at 31/12/2017	0	0	0

Notes

	PARENT	
DKK'000	2018	2017
17. Equity investments in subsidiaries		
Cost at 01/01	824,665	716,861
Additions	27,893	107,804
Cost at 31/12	**852,558**	**824,665**
Impairment losses at 01/01	254,799	253,720
Impairment losses for the year	2,270	1,079
Impairment losses at 31/12	**257,069**	**254,799**
Carrying amount at 31/12	**595,489**	**569,866**

The impairment loss concerns the equity investment in SP Extrusion A/S. The entity has been loss-making in the start-up phase 2013-2018. The net present value of the expected net cash flows from operating activities is not expected to correspond to the carrying amount of the equity investments at 31 December 2018, which totals DKK 17.0 million before impairment losses. Consequently, the equity investments have been written down to the value in use of DKK 0.8 million. The write-down has been recognised as financial expenses in the Parent Company. After the write-down, the fair value at 31 December 2018 equals the net asset value of the entity. Management expects the entity to be profitable from 2019.

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

	Registered office	Ownership interest		Share of voting rights		Activity
		2018	2017	2018	2017	
SP Moulding A/S	Denmark	100%	100%	100%	100%	Production and sale of injection-moulded items
Ulstrup Plast A/S	Denmark	100%	100%	100%	100%	Production and sale of injection-moulded items
MedicoPack A/S	Denmark	100%	100%	100%	100%	Production and sale of blow-moulded items
Gibo Plast A/S	Denmark	100%	100%	100%	100%	Production and sale of vacuum-formed items
Accoat A/S	Denmark	100%	100%	100%	100%	Production and sale of coatings
Ergomat A/S	Denmark	100%	100%	100%	100%	Production and sale of ergonomics solutions
Tinby A/S	Denmark	100%	100%	100%	100%	Production and sale of polyurethane products
TPI Polytechniek B.V.	The Netherlands	100%	100%	100%	100%	Sale of ventilation components
Brdr. Bourghardt AB	Sweden	100%	100%	100%	100%	Production and sale of Telene products
Baltic Rim SIA	Latvia	100%	-	100%	-	Production and sale of Telene products
Nycopac AB	Sweden	100%	-	100%	-	Sale of plastic components and technologies
MM Composite A/S	Denmark	100%	100%	100%	100%	Production and sale of composite products
SP Extrusion A/S	Denmark	100%	100%	100%	100%	Production and sale of extruded products
SP Moulding Denmark A/S	Denmark	100%	100%	100%	100%	Sale of plastic components and technologies
SP Technology ApS	Denmark	100%	100%	100%	100%	Sale of plastic components and technologies
SP R&D A/S	Denmark	100%	100%	100%	100%	Development company
SPG Ejendomme 1 ApS	Denmark	100%	100%	100%	100%	Property company
SPG Ejendomme 2 ApS	Denmark	100%	100%	100%	100%	Property company

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

	GROUP	
DKK'000	2018	2017
18. Equity investments in associates		
Cost at 01/01	1,894	0
Additions relating to acquisition of entity	0	1,894
Cost at 31/12	**1,894**	**1,894**
Adjustments at 01/01	-254	0
Exchange rate adjustments	81	-201
Share of profit/loss	-42	-53
Adjustments at 31/12	**-215**	**-254**
Carrying amount at 31/12	**1,679**	**1,640**

Equity investments in associates comprise:

	Registered office	Ownership interest		Share of voting rights		Activity
		2018	2017	2018	2017	
Mt. Pl. Building II L.L.C.	The US	33 1/3	33 1/3	33 1/3	33 1/3	Property company

PARENT			GROUP	
2017	2018	DKK'000	2018	2017
		19. Inventories		
0	0	Raw materials and consumables	189,706	177,160
0	0	Work in progress	31,643	16,149
0	0	Finished goods and goods for resale	164,469	142,901
0	**0**		**385,818**	**336,210**
0	0	Carrying amount of inventories recognised at net realisable value	3,766	5,328
		20. Trade receivables		
0	0	Write-downs for the year recognised in the income statement	689	173
		Write-down for bad and doubtful debts is determined based on the simplified expected credit loss model.		
		Receivables past due not written down:		
21	0	Past due by up to one month	38,172	41,864
0	136	Past due between one and three months	7,284	3,222
0	0	Past due by more than three months	2,752	1,239
21	**136**		**48,208**	**46,325**

Notes

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**
		21. Contract assets and contractual obligations		
		Contract assets		
0	0	Trade receivables	208,437	173,914
0	0	Construction contracts	1,469	6,084
0	0	Refund assets	0	0
0	0	Costs from obtaining construction contracts	0	0
0	**0**		**209,906**	**179,998**
		Contractual obligations		
0	0	Construction contracts	2,364	6,919
0	0	Prepayments from customers	17,444	5,064
0	0	Refund liabilities	0	0
0	**0**		**19,808**	**11,983**

The increase in contract assets in 2018 primarily relates to trade receivables, which saw increased activities in Q4 2018 compared to Q4 2017.

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

22. Other receivables

Receivables are not associated with any special credit risks, and as in the previous year, no impairment losses have been recognised in that regard. None of the receivables have fallen due. They will fall due in 2019.

23. Cash

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

24. Share capital

The share capital consists of 11,390,000 shares. The shares are fully paid-in. The shares are not divided into classes.
All shares rank equally.

	Shares issued			
DKK'000	No. of shares		Nom. value	
	2018	2017	2018	2017
01/01	11,390,000	11,390,000	22,780,000	22,780,000
31/12	**11,390,000**	**11,390,000**	**22,780,000**	**22,780,000**

	Treasury shares					
DKK'000	No. of shares		Nom. value		% of share capital	
	2018	2017	2018	2017	2018	2017
01/01.	217,460	231,795	434,920	463,590	1.9 %	2.0 %
Acquired	282,891	265,665	565,782	531,330	2.5 %	2.3 %
Sold	-270,000	-280,000	-540,000	-560,000	-2.4 %	-2.5 %
31/12	**230,351**	**217,460**	**460,702**	**434,920**	**2.0 %**	**1.9 %**

The acquisitions in 2017 and 2018 were made in order to partially fund existing warrant programmes and acquire non-controlling interests.
Sales in 2017 and 2018 relate to the exercise of warrant programmes.

Capital management

The Group continually assesses the need to adjust its capital structure to weigh the higher yield requirement applicable to equity against the increased uncertainty associated with loan capital. At year end 2018, equity accounted for 37.8% of total assets (2017: 35.5%). It is the Group's objective to have a solvency ratio of 25-45%. Capital is managed for the Group taken as a whole.

It is SP Group A/S' policy that the shareholders should yield a return on their investment in the form of price increases and dividend. It is the ambition that earnings per share should increase by an average of 20% annually over a five-year period. Payment of dividends must be made taking into consideration the necessary consolidation of equity as a basis for the Group's continued expansion. For 2018, a dividend of DKK 2.40 per share has been proposed, corresponding to approx. 17% of the profit for the year. In recent years, dividends distributed have totalled 15-20% of profit for the year after tax and non-controlling interests.

Notes

25. Other reserves

GROUP				
DKK'000	Translation reserve	Reserve for sharebased payment	Hedging reserve	Total
Reserve at 01/01/2017	4,385	918	-6,843	-1,540
Exchange rate adjustment relating to foreign entities	-2,687	0	0	-2,687
Recognition of share-based payment	0	251	0	251
Share-based payment, exercised arrangements	0	-153	0	-153
Sale of warrants	0	448	0	448
Value adjustments of financial instruments held to hedge future cash flows, net	0	0	24,426	24,426
Reserve at 31/12/2017	**1,698**	**1,464**	**17,583**	**20,745**
Exchange rate adjustment relating to foreign entities	-3,945	0	0	-3,945
Recognition of share-based payment	0	495	0	495
Share-based payment, exercised arrangements	0	-567	0	-567
Sale of warrants	0	1,495	0	1,495
Value adjustments of financial instruments held to hedge future cash flows, net	0	0	-9,037	-9,037
Reserve at 31/12/2018	**-2,247**	**2,887**	**8,546**	**9,186**

PARENT			
DKK'000	Reserve for sharebased payment	Hedging reserve	Total
Reserve at 01/01/2017	918	-65	853
Recognition of share-based payment	251	0	251
Share-based payment, exercised arrangements	-153	0	-153
Sale of warrants	448	0	448
Value adjustments of financial instruments held to hedge future cash flows, net	0	65	65
Reserve at 31/12/2017	**1,464**	**0**	**1,464**
Recognition of share-based payment	495	0	495
Share-based payment, exercised arrangements	-567	0	-567
Sale of warrants	1,495	0	1,495
Value adjustments of financial instruments held to hedge future cash flows, net	0	0	0
Reserve at 31/12/2018	**2,887**	**0**	**2,887**

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

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

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

GROUP

26. Non-current liabilities

DKK'000	Bank debt 2018	Bank debt 2017	Financial institutions 2018	Financial institutions 2017	Finance lease liabilities (minimum lease payments) 2018	Finance lease liabilities (minimum lease payments) 2017	Other non-current liabilities 2018	Other non-current liabilities 2017
Non-current liabilities fall due as follows:								
Within one year from the balance sheet date	53,327	43,312	24,647	24,309	15,289	15,139	14,404	27,282
Between one and two years from the balance sheet date	41,326	37,356	24,677	24,340	14,084	12,746	40,970	22,744
Between two and three years from the balance sheet date	34,785	25,356	24,707	24,367	10,865	11,494	3,234	40,230
Between three and four years from the balance sheet date	19,182	18,815	24,721	24,394	7,344	8,417	0	0
Between four and five years from the balance sheet date	16,000	3,189	24,385	24,420	2,982	5,055	0	0
After five years from the balance sheet date	32,500	0	56,728	76,015	3,752	706	0	0
	197,120	**128,028**	**179,865**	**197,845**	**54,316**	**53,557**	**58,608**	**90,256**
Liabilities are recognised in the balance sheet as follows:								
Current liabilities	53,327	43,312	24,647	24,309	15,289	15,139	14,404	27,282
Non-current liabilities	143,793	84,716	155,218	173,536	39,027	38,418	44,204	62,974
	197,120	**128,028**	**179,865**	**197,845**	**54,316**	**53,557**	**58,608**	**90,256**
Fair value	197,120	128,028	181,236	199,502	55,015	53,557	58,608	90,256

The fair value of fixed-rate debt is calculated at the present value of the future payments of interest and instalments using the current market rate. Other non-current liabilities include the net present value of expected earn-out payments and debt instruments in connection with acquisitions of entities in 2015, 2016, 2017 and 2018.

Liabilities from financing activities in 2018

Bank debt, financial institutions and finance lease liabilities	Opening balance	Cash flows	Non-cash changes: Acquisitions	Non-cash changes: Leases	Non-cash changes: Currency, ect.	Closing balance
Bank debt, short term	205,298	1,441	0	0	0	206,739
Bank debt	128,028	69,092	0	0	0	197,120
Financial institutions	197,845	-17,980	0	0	0	179,865
Finance lease liabilities	53,557	-14,809	0	15,568	0	54,316
Other payables	90,256	-31,626	14,127	0	-14,149	58,608
	674,984	**6,118**	**14,127**	**15,568**	**-14,149**	**696,648**

Liabilities from financing activities in 2017

Bank debt, financial institutions and finance lease liabilities	Opening balance	Cash flows	Non-cash changes: Acquisitions	Non-cash changes: Leases	Non-cash changes: Currency, ect.	Closing balance
Bank debt, short term	224,818	-19,520	0	0	0	205,298
Bank debt	114,387	11,217	0	0	2,424	128,028
Financial institutions	85,447	112,398	0	0	0	197,845
Finance lease liabilities	36,784	-6,503	0	23,276	0	53,557
Other payables	30,928	-2,667	60,683	0	1,312	90,256
	492,364	**94,925**	**60,683**	**23,276**	**3,736**	**674,984**

Notes

						PARENT
	Bank debt		Financial institutions		Other non-current liabilities	
DKK'000	2018	2017	2018	2017	2018	2017
26. Non-current liabilities (continued)						
Non-current liabilities fall due as follows:						
Within one year from the balance sheet date	52,600	42,556	19,389	19,091	14,404	27,281
Between one and two years from the balance sheet date	40,600	36,600	19,406	19,101	40,970	22,744
Between two and three years from the balance sheet date	34,058	24,600	19,420	19,115	3,234	40,230
Between three and four years from the balance sheet date	19,000	18,058	19,438	19,127	0	0
Between four and five years from the balance sheet date	16,000	3,000	19,448	19,144	0	0
After five years from the balance sheet date	32,500	0	26,956	41,344	0	0
	194,758	**124,814**	**124,057**	**136,922**	**58,608**	**90,255**
Liabilities are recognised in the balance sheet as follows:						
Current liabilities	52,600	42,556	19,389	19,091	14,404	27,281
Non-current liabilities	142,158	82,258	104,668	117,831	44,204	62,974
	194,758	**124,814**	**124,057**	**136,922**	**58,608**	**90,255**
Fair value	194,758	124,814	125,038	137,969	58,608	90,255

The fair value of fixed-rate debt is calculated at the present value of the future payments of interest and instalments using the current market rate.

Other non-current liabilities include the net present value of expected earn-out payments and debt instruments in connection with acquisitions of entities in 2015, 2016, 2017 and 2018.

Liabilities from financing activities in 2018

			Non-cash changes		
Bank debt, financial institutions and finance lease liabilities	Opening balance	Cash flows	Acquisitions	Currency, ect.	Closing balance
Bank debt, short term	17,423	-17,423	0	0	0
Bank debt	124,814	69,944	0	0	194,758
Financial institutions	136,922	-12,865	0	0	124,057
Other non-current liabilities	90,255	-31,626	14,127	-14,148	58,608
	369,414	**8,030**	**14,127**	**-14,148**	**377,423**

Liabilities from financing activities in 2017

			Non-cash changes		
Bank debt, financial institutions and finance lease liabilities	Opening balance	Cash flows	Acquisitions	Currency, ect.	Closing balance
Bank debt, short term	79,768	-62,345	0	0	17,423
Bank debt	110,301	14,514	0	-1	124,814
Financial institutions	40,783	96,139	0	0	136,922
Other non-current liabilities	30,928	-2,668	60,683	1,312	90,255
	261,780	**45,640**	**60,683**	**1,311**	**369,414**

PARENT			GROUP	
Deferred tax assets	Deferred tax liabilities	DKK'000	Deferred tax assets	Deferred tax liabilities
		27. Deferred tax		
2,871	0	Deferred tax at 01/01/2017	7,963	20,927
0	0	Exchange rate adjustment	-523	-122
0	0	Acquisition of entity	0	7,562
-2,871	-2,871	Other adjustments, reclassification of tax payable at 01/01	0	0
0	-2,463	Change in deferred tax recognised in the income statement	-2,525	11,556
0	18	Change in deferred tax recognised in other comprehensive income	-254	4,899
0	-2,985	Change in deferred tax recognised in equity	0	-2,985
0	9,308	Transfer, subsidiaries	-829	-829
0	**1,007**	**Deferred tax at 31/12/2017**	**3,832**	**41,008**
0	0	Exchange rate adjustment	-56	979
0	0	Acquisition of entity	0	2,362
0	410	Change in deferred tax recognised in the income statement	-498	4,029
0	0	Change in deferred tax recognised in other comprehensive income	0	-1,480
0	0	Transfer, subsidiaries	-457	-457
0	**1,417**	**Deferred tax at 31/12/2018**	**2,821**	**46,441**

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**
		Deferred tax is recognised in the balance sheet as follows:		
0	0	Deferred tax assets	2,821	3,832
-1,007	-1,417	Deferred tax liabilities	-46,441	-41,008
-1,007	**-1,417**		**-43,620**	**-37,176**

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

There are no tax assets or tax liabilities that have not been recognised in the balance sheet.

Notes

GROUP

DKK'000	01/01	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of entity	Value adjustments, etc.	31/12

27. Deferred tax (continued)

DKK'000	01/01	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of entity	Value adjustments, etc.	31/12
2018							
Intangible assets	15,489	-1,601	0	0	2,362	0	16,250
Property, plant and equipment	17,718	13,377	0	0	0	0	31,095
Inventories	2,939	-874	0	0	0	0	2,065
Receivables	-607	1,139	0	0	0	0	532
Liabilities	-755	-5,892	0	0	0	0	-6,647
Value adjustment of derivative financial instruments	4,033	-1,459	0	0	0	0	2,574
Tax loss carryforwards	-1,641	-163	-1,480	0	0	1,035	-2,249
	37,176	**4,527**	**-1,480**	**0**	**2,362**	**1,035**	**43,620**
2017							
Intangible assets	8,797	32	0	0	6,660	0	15,489
Property, plant and equipment	15,072	1,744	0	0	902	0	17,718
Inventories	2,332	607	0	0	0	0	2,939
Receivables	-687	80	0	0	0	0	-607
Liabilities	-439	-316	0	0	0	0	-755
Value adjustment of derivative financial instruments	-1,270	5,303	0	0	0	0	4,033
Tax loss carryforwards	-10,841	-2,854	5,153	-2,985	0	9,886	-1,641
	12,964	**4,596**	**5,153**	**-2,985**	**7,562**	**9,886**	**37,176**

PARENT

DKK'000	01/01	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of entity	Transfer, subsidiaries	31/12
2018							
Intangible assets	1	0	0	0	0	0	1
Property, plant and equipment	1,402	432	0	0	0	0	1,834
Liabilities	-396	-22	0	0	0	0	-418
Tax loss carryforwards	0	0	0	-1,766	0	1,766	0
	1,007	**410**	**0**	**-1,766**	**0**	**1,766**	**1,417**
2017							
Intangible assets	6	-5	0	0	0	0	1
Property, plant and equipment	1,055	347	0	0	0	0	1,402
Liabilities	-90	-306	0	0	0	0	-396
Tax loss carryforwards	-3,842	-2,499	18	-2,985	0	9,308	0
	-2,871	**-2,463**	**18**	**-2,985**	**0**	**9,308**	**1,007**

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**
		28. Trade payables		
753	**266**	Trade payables	**162,120**	**155,810**
		The carrying amount corresponds to the fair value of the liabilities.		
		29. Provisions (warranty commitments)		
0	0	Provisions at 01/01	5,876	8,756
0	0	Additions	1,070	1,764
0	0	Disposals	-4,722	-4,644
0	**0**	**Provisions at 31/12**	**2,224**	**5,876**

Provisions for warranty commitments relate to sold, but defective items. Provisions have been calculated based on expected remedial costs. Such costs are expected to be incurred primarily during 2019.

30. Other payables

The item comprises payables relating to payroll, withholding taxes, social security contributions, holiday allowance, derivative financial instruments, VAT, duties, etc.

The liability for holiday allowance represents the Group's obligation to pay salary to employees during holidays which, at the balance sheet date, they are entitled to take in the subsequent financial year.

31. Collateral

Mortgage debt of DKK 96 million (of which DKK 40 million relates to the Parent Company) is secured by way of mortgage on properties. The mortgage also comprises such items of plant and machinery that are deemed part of the properties.

Moreover, loans with banks and financial institutions are secured by way of a letter of indemnity on real property and mortgages registered to the mortgagor with secondary liability, totalling a nominal amount of DKK 60 million (2017: DKK 60 million).

PARENT 2017	PARENT 2018	DKK'000	GROUP 2018	GROUP 2017
77,501	**86,114**	Carrying amount of mortgaged properties	**179,741**	**173,611**
		Bank debt is secured by way of collateral on equity investments in the Parent Company's Danish subsidiaries.		
298,288	**298,288**	Carrying amount of pledged investments (cost)	**-**	**-**

Notes

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**
		32. Operating lease liabilities		
		For the years 2019-2026, the Group has entered into operating leases on properties. The leases have fixed lease payments, which are indexed annually. Future minimum lease payments in accordance with interminable leases fall due as follows:		
0	0	Within one year from the balance sheet date	28,941	22,620
0	0	Between one and five years from the balance sheet date	59,201	48,389
0	0	After five years from the balance sheet date	17,216	8,965
0	**0**		**105,358**	**79,974**
0	**0**	Minimum lease payments recognised in the income statement for the year	**26,258**	**31,035**
		For the years 2019-2025, the Group has entered into operating leases on operating equipment and cars. Future minimum lease payments in accordance with interminable leases fall due as follows:		
366	340	Within one year from the balance sheet date	3,530	4,157
239	56	Between one and five years from the balance sheet date	3,409	3,369
0	0	After five years from the balance sheet date	60	140
605	**396**		**6,999**	**7,666**
364	**393**	Minimum lease payments recognised in the income statement for the year	**4,566**	**3,924**
		Total rent and lease liabilities can be specified as follows:		
366	340	Within one year from the balance sheet date	32,471	26,777
239	56	Between one and five years from the balance sheet date	62,610	51,758
0	0	After five years from the balance sheet date	17,276	9,105
605	**396**		**112,357**	**87,640**
0	**0**	Leases regarding acquisition of machinery for future delivery	**20,000**	**20,000**

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**

33. Recourse guarantee commitments and contingent liabilities

Together with its subsidiaries, the Parent Company has entered into bank commitments under which the Parent Company is liable for all bank overdraft withdrawals.

2017	2018	DKK'000	2018	2017
182,033	**186,201**	Subsidiaries' bank debt		

The Parent Company has guaranteed the subsidiaries' debt to financial institutions or has joint and several liability.

2017	2018	DKK'000	2018	2017
33,152	**29,684**	Surety, guarantee and liability		

The Parent Company is jointly and severally liable for the subsidiaries' lease liabilities.

2017	2018	DKK'000	2018	2017
70,094	**50,148**	Minimum lease payments		

On behalf of a subsidiary, the Parent Company has provided a payment guarantee of DKK 4,841 thousand to a supplier (2017: DKK 3,192 thousand).

The Parent Company is jointly taxed with other Danish entities in the SP Group A/S Group. As administration company, the Company has joint and several liability, together with the other jointly taxed entities, for payment of Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. At 31 December 2018, the jointly taxed entities' total net liabilities to the Danish Customs and Tax Administration amounted to approx. DKK 13.5 million (31 December 2017: DKK 2.2 million).

34. Changes in net working capital

2017	2018	DKK'000	2018	2017
0	0	Changes in inventories	48,157	29,908
29,837	10,419	Changes in receivables	30,834	-20,595
-39,361	-51,977	Change in trade payables, etc.	-3,638	34,391
-9,524	**-41,558**		**75,353**	**43,704**

35. Cash

2017	2018	DKK'000	2018	2017
1,797	15,028	Cash	61,442	75,605
1,797	**15,028**		**61,442**	**75,605**

36. Fees to the Parent Company's auditor appointed by the general meeting

External expenses include fees to the Parent Company's auditor appointed by the general meeting:

2017	2018	DKK'000	2018	2017
		EY		
330	330	Statutory audit	2,167	2,114
0	0	Other assurance engagements	0	0
101	189	Tax and VAT advisory services	476	301
546	375	Other assistance	565	769
977	**894**		**3,208**	**3,184**

Tax and VAT assistance comprises review of schedules to the income tax return, TP documentation and general advisory services regarding VAT and tax matters.

Non-audit services primarily comprise agreed-upon procedures in connection with corporate acquisitions.

Notes

37. Related parties

Related parties exercising control over the Group and the Parent Company
There are no related parties exercising control over SP Group A/S. Shareholders holding more than 5% of the share capital are disclosed in note 41.

For an outline of subsidiaries, see the group chart in note 46.

Related party transactions, Group
The Group did not carry out any other related party transactions in 2017 and 2018 apart from payment of remuneration to members of the Board of Directors and the Executive Board and distribution of dividend.

Related party transactions, Parent Company

DKK'000	Rental income	Rental expenses	Sale of goods and services	Purchase of goods and services	Interest income	Interest expenses	Receivables	Payables
2018								
From subsidiaries	5,165	140	8,549	363	688	1,841	64,980	182,757
2017								
From subsidiaries	4,506	98	8,340	120	294	1,309	53,302	130,193

In addition, SP Group A/S received dividends from subsidiaries in the amount of DKK 56,334 thousand (2017: DKK 42,210 thousand).

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

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

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

No security or guarantees have been provided for intra-group balances at the balance sheet apart from what is disclosed in note 31. Receivables as well as payables will be settled in cash. The Group has not recorded any bad debts relating to related parties or made provisions for probable bad debts.

Remuneration of the Board of Directors and the Executive Board
For information on the remuneration of the Group's Board of Directors and Executive Board, see note 7.

38. Financial risks and financial instruments

PARENT 2017	PARENT 2018	DKK'000	GROUP 2018	GROUP 2017
		Financial instrument categories		
0	0	Derivative financial instruments held to hedge future cash flows (included in other receivables)	13,211	22,664
0	**0**	**Financial assets applied as hedging instruments**	**13,211**	**22,664**
0	0	Deposits	1,322	917
21	136	Trade receivables	208,437	173,914
53,302	64,980	Receivables from subsidiaries	-	-
1,681	209	Other receivables	34,717	40,399
1,797	15,028	Cash	61,442	75,605
56,801	**80,353**	**Loans, receivables and cash**	**305,918**	**290,835**
142,237	194,758	Bank debt	403,859	333,326
136,922	124,057	Financial institutions	179,865	197,845
0	0	Finance lease liabilities	54,316	53,557
90,255	58,608	Other non-current liabilities	58,608	90,256
753	266	Trade payables	162,120	155,810
130,193	182,757	Payables to subsidiaries	-	-
500,360	**560,446**	**Financial liabilities measured at amortised cost**	**858,768**	**830,794**

The fair value of the financial instruments corresponds to the carrying amount, both in the Parent Company and in the Group, except for the fact that the fair value of the debt to financial institutions has increased by DKK 1.4 million (2017: increase of DKK 1.7 million) in the Group and DKK 1.0 million (2017: increase of DKK 1.0 million) in the Parent Company. The fair value of debt to financial institutions is determined based on quoted values, i.e. at level 1, bank debt and finance lease liabilities at level 2 and derivative financial instruments at level 2.

The Parent Company's and the Group's currency risks and interest rate risks are shown below. The individual risks, including the Group's policy for management of financial risks and sensitivity provisions are further described in the Management's review.

Currency risks
The Group is exposed to exchange rate fluctuations.

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

19% of the Group's financing has been procured in EUR, and the remaining debt has mainly been procured in DKK. A fluctuation of 1% in the EUR rate against DKK may therefore affect results of operations by up to approx. DKK 1.1 million.

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

At 31 December 2018, an instrument for the sale of EUR against PLN in the amount of DKK 680 million (2017: DKK 450 million) was thus entered into.

Due to the Group's use of derivative financial instruments for hedging the Group's exposure in relation to expected sales transactions, recognition of the effective part of the fair value adjustments of hedging instruments in the cash flow hedge reserve adversely affected the Group's equity in the year by net DKK 11.1 million before tax and DKK 9.0 million after tax.

Notes

38. Financial risks and financial instruments (continued)

GROUP

DKK'000	Cash and cash equivalents	Receivables	Liabilities	Hedged amount	Net position
EUR	7,406	108,953	-133,087	0	-16,728
PLN	3,387	23,220	-53,598	0	-26,991
USD	19,246	38,068	-43,147	0	14,167
CAD	2,053	1,282	-333	0	3,002
SEK	9,253	7,636	-15,099	18,902	20,692
NOK	7	4,213	-3,413	0	807
RMB	9,964	23,669	-15,840	0	17,793
CHF	0	2,209	0	0	2,209
GBP	540	539	-45	0	1,034
BRL	2,366	1,014	-360	0	3,020
31/12/2018	**54,222**	**210,803**	**-264,922**	**18,902**	**19,005**
EUR	17,854	90,337	-204,888	0	-96,697
PLN	14,068	24,510	-34,545	0	4,033
USD	17,385	23,112	-20,394	0	20,103
CAD	1,402	1,075	-228	0	2,249
SEK	2,749	10,293	-20,351	0	-7,309
NOK	176	0	-3,340	0	-3,164
RMB	11,947	22,960	-17,766	0	17,141
CHF	902	882	0	0	1,784
GBP	298	733	0	0	1,031
BRL	1,839	269	-364	0	1,744
31/12/2017	**68,620**	**174,171**	**-301,876**	**0**	**-59,085**

PARENT

DKK'000	Cash and cash equivalents	Receivables	Liabilities	Hedged amount	Net position
EUR	6,883	180	-11,201	0	-4,138
PLN	2,604	0	0	0	2,604
USD	948	16	0	0	964
SEK	482	0	-18,902	18,902	482
31/12/2018	**10,917**	**196**	**-30,103**	**18,902**	**-88**
EUR	0	0	-14,137	0	-14,137
PLN	0	0	-388	0	-388
USD	1,734	0	0	0	1,734
SEK	0	0	151	0	151
31/12/2017	**1,734**	**0**	**-14,374**	**0**	**-12,640**

38. Financial risks and financial instruments (continued)

Interest rate risks

Interest rate risks primarily relate to net interest-bearing debt, i.e. mortgage debt and bank debt less cash and cash equivalents. At year end, the net interest-bearing debt amounted to DKK 577 million. 65% of the debt related to floating-rate loans. A one percentage point increase in the general interest level will result in an increase in the Group's interest expenses before tax of approx. DKK 3.7 million.

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

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

						GROUP
	Time of interest rate adjustment or maturity					
DKK'000	Within 1 years	Between 1 and 5 years	After 5 years	Total	Fixed-interest amount	Effective interest rate
Bank deposits	61,442	0	0	61,442	0	0.4 %
Financial institutions	-8,227	-165,300	-6,338	-179,865	0	1.1 %
Finance lease liabilities	-23,133	-31,183	0	-54,316	0	1.6 %
Bank debt	-403,859	0	0	-403,859	0	1.6 %
31/12/2018	**-373,777**	**-196,483**	**-6,338**	**-576,598**	**0**	
Bank deposits	75,605	0	0	75,605	0	1.0 %
Financial institutions	-7,683	-190,162	0	-197,845	0	1.1 %
Finance lease liabilities	-31,134	-22,423	0	-53,557	0	1.7 %
Bank debt	-333,326	0	0	-333,326	0	1.6 %
31/12/2017	**-296,538**	**-212,585**	**0**	**-509,123**	**0**	

						PARENT
	Time of interest rate adjustment or maturity					
DKK'000	Within 1 years	Between 1 and 5 years	After 5 years	Total	Fixed-interest amount	Effective interest rate
Bank deposits	15,028	0	0	15,028	0	0.8 %
Financial institutions	-3,025	-114,694	-6,338	-124,057	0	1.2 %
Bank debt	-194,758	0	0	-194,758	0	1.5 %
31/12/2018	**-182,755**	**-114,694**	**-6,338**	**-303,787**	**0**	
Bank deposits	1,797	0	0	1,797	0	0.0 %
Financial institutions	-8,630	-128,292	0	-136,922	0	1.2 %
Bank debt	-142,237	0	0	-142,237	0	1.6 %
31/12/2017	**-149,070**	**-128,292**	**0**	**-277,362**	**0**	

Notes

38. Financial risks and financial instruments (continued)

Credit risks

The primary credit risk is associated with trade receivables. SP Group systematically and continually monitors the credit rating of customers and business partners. Credit risks are partially hedged through insurance and sale of invoices. No individual customers or business partners pose an unusual credit risk to the Group. As the Group's customers and business partners are usually well-reputed companies operating in many different business sectors and countries, the overall credit risk is reduced. The maximum credit risk associated with financial assets is reflected in the carrying amounts in the balance sheet.

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**
		Receivables pas due not written down:		
21	0	Past due by up to one month	38,172	41,864
0	0	Past due between one and two months	5,121	2,372
0	136	Past due between two and three months	2,163	850
0	0	Past due by more than three months	2,752	1,239
21	**136**		**48,208**	**46,325**

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

	Loss ratio	**Receivable amount**	**Expected loss**	**Total**
Not past due	0.0%	160,229	0	160,229
Past due by up to one month	0.0%	38,172	0	38,172
Past due between one and two months	0.0%	5,121	0	5,121
Past due between two and three months	0.0%	2,163	0	2,163
Past due by more than three months	18.8%	3,390	638	2,752
		209,075	**638**	**208,437**

38. Financial risks and financial instruments (continued)

Liquidity risks

It is the Group's objective to have sufficient cash resources to be able to continually make appropriate arrangements in case of unforeseen changes in cash outflows. It is Management's opinion that the Company still has adequate capital resources considering its operations and sufficient liquidity to meet its present and future liabilities. The Company's long-term co-operation with its financial business partners is fruitful and constructive. This is expected to continue. The Group has neither neglected nor been in breach of loan agreements in the financial year or the comparative year. The Group has calculated its cash resources at DKK 260 million at year end 2018.

The term to maturity of financial liabilities is specified below. The amounts specified represent the amounts falling due, including interest calculated based on current interest rates.

					GROUP
DKK'000	**Within 1 years**	**Between 1 and 3 years**	**Between 3 and 5 years**	**After 5 years**	**Total**
2018					
Non-derivative financial liabilities					
Bank debt	260,066	76,111	35,182	32,500	403,859
Financial institutions	24,647	49,384	49,106	56,728	179,865
Finance lease liabilities	15,289	24,949	10,326	3,752	54,316
Other non-current liabilities	14,404	44,204	0	0	58,608
Trade payables	162,120	0	0	0	162,120
Interest	8,869	8,031	4,063	3,509	24,472
	485,395	**202,679**	**98,677**	**96,489**	**883,240**
Derivative financial instruments					
Forward contracts used for hedging (asset)	-8,869	-2,412	-1,930	0	-13,211
	476,526	**200,267**	**96,747**	**96,489**	**870,029**
2017					
Non-derivative financial liabilities					
Bank debt	258,625	76,111	35,182	32,500	402,418
Financial institutions	24,309	48,707	48,814	76,015	197,845
Finance lease liabilities	15,139	24,240	13,472	706	53,557
Other non-current liabilities	27,282	62,974	0	0	90,256
Trade payables	155,810	0	0	0	155,810
Interest	8,239	7,024	2,989	2,713	20,965
	489,404	**219,056**	**100,457**	**111,934**	**920,851**
Derivative financial instruments					
Forward contracts used for hedging (asset)	-13,617	-7,158	-485	0	-21,260
	475,787	**211,898**	**99,972**	**111,934**	**899,591**

Notes

38. Financial risks and financial instruments (continued)

					PARENT
DKK'000	Within 1 years	Between 1 and 3 years	Between 3 and 5 years	After 5 years	Total
2018					
Non-derivative financial liabilities					
Bank debt	52,600	74,658	35,000	32,500	194,758
Financial institutions	19,389	38,826	38,886	26,956	124,057
Other non-current liabilities	14,404	44,204	0	0	58,608
Trade payables	266	0	0	0	266
Interest	5,062	6,246	3,158	2,149	16,615
	91,721	**163,934**	**77,044**	**61,605**	**394,304**
2017					
Non-derivative financial liabilities					
Bank debt	59,979	61,200	21,058	0	142,237
Financial institutions	19,091	38,216	38,271	41,344	136,922
Other non-current liabilities	27,281	62,974	0	0	90,255
Trade payables	753	0	0	0	753
Interest	4,701	5,363	2,044	1,115	13,223
	111,805	**167,753**	**61,373**	**42,459**	**383,390**

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

39. Sale of financial assets

As in previous years, the Group sold selected trade receivables as part of its credit and risk management. The Group's continued involvement is limited to administration of sold receivables and a limited guarantee regarding the risk of delayed payment. Thus, the Group has only maintained an insignificant risk exposure. The sale has not affected the income statement. There are no remaining assets or liabilities in the balance sheet regarding the receivables sold. The nominal value of the receivables sold amounts to DKK 162 million (2017: DKK 120 million). The maturity date is within a period of less than 4 months.

40. Segment information for the Group

Geographical segments

As Coatings accounts for less than 10% of the total business, and the activities are managed as part of the total business, it is no longer an independent segment. The Group therefore only has one segment, and business segments are consequently no longer reported.

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

DKK'000	2018	2017
Denmark	751,679	718,621
Rest of Europe	767,681	725,247
Americas	186,219	209,843
Asia (incl. the Middle East)	227,352	198,228
Australia	11,882	12,846
Africa	20,215	19,359
	1,965,028	**1,884,144**
Sale of goods	1,955,787	1,869,839
The selling price of the year's production output relating to construction contracts	9,241	14,305
	1,965,028	**1,884,144**
The Group has one customer from which revenue exceeds 10% of consolidated revenue	359,571	344,528
Revenue in %	18.3%	18.3%

The below table specifies the carrying amounts and the year's additions of non-current property, plant and equipment and intangible assets by geographical market on the basis of the physical location of the assets.

	Non-current assets		Additions of intangible assets and property, plant and equipment	
DKK'000	**2018**	**2017**	**2018**	**2017**
Denmark	602,686	594,257	56,660	94,133
Norway	320	73	287	49
Sweden	44,346	23,834	5,524	3,576
Latvia	5,213	5,792	314	1,383
Slovakia	24,752	14,672	10,648	4,895
The Netherlands	20,351	19,662	2,827	1,916
Poland	188,561	170,788	46,929	73,307
North America	33,830	30,203	5,134	1,828
China	17,643	13,200	7,047	3,353
Brazil	966	1,496	0	148
	938,668	**873,977**	**135,370**	**184,588**

Notes

41. Shareholder information

In mid-March 2019, SP Group A/S registered the following shareholders as holding more than 5% of the voting share capital or of the nominal value of the share capital:

Schur Finance A/S, Horsens (17.3%)
Frank Gad (including related parties), Frederiksberg (12.8%)
Odin Fund Management, Oslo (7.0%)
Arbejdsmarkedets Tillægspension, Hillerød (6.2%)
Lannebo Fonder, Stockholm (5.4%)

42. Acquisition of subsidiary in 2018

Effective from 25 April 2018, the Group acquired all the shares in the Swedish entity **Nycopac AB**, which is a packaging manufacturer specialising in industrial packaging solutions.

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

Property, plant and equipment	491
Customer files	9,785
Inventories	754
Volume of orders	269
Trade receivables	4,039
Other receivables	46
Prepayments	191
Cash	1,883
Deferred tax	-2,212
Trade payables	-899
Corporation tax	-644
Other payables	-2,141
Net assets acquired	**11,562**
Goodwill	9,813
Total consideration	**21,375**
Cash consideration	7,248
Debt instruments	1,417
Contingent consideration	12,710
Total consideration	**21,375**

EBITDA amounted to approx. DKK 2 million in the acquired entity in the most recent financial year.

The consideration amounts to DKK 21,375 thousand, of which DKK 7,248 thousand has been paid in cash. Debt instruments of DKK 1,417 thousand falling due in the period 2019-2020 have been issued. In addition, there is a conditional cash consideration of DKK 12,710 thousand.

Total debt instruments issued of DKK 1,417 thousand have been recognised at fair value at the acquisition date. The undiscounted amount is DKK 1,450 thousand.

The contingent consideration of DKK 12,710 thousand has been recognised at fair value at the date of acquisition and at the maximum amount that may become payable, as it is expected that the criteria for future earnings will be met. The undiscounted amount is DKK 13,048 thousand.

Costs of purchase amounted to DKK 0.3 million and were expensed in 2018.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on the acquisition is calculated at DKK 9,813 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is non-deductible for tax purposes.

42. Acquisition of subsidiary in 2018 (continued)

Effective from 27 June 2018, the Group acquired 52% of the shares in **Kodaň Plast s.r.o., Slovakia**, which specialises in machining operations.

The fair value of assets and liabilities at the acquisition date has been distributed as follows (DKK'000):	
Property, plant and equipment	2,320
Customer files	684
Inventories	428
Trade receivables	68
Other receivables	64
Cash	1,910
Deferred tax	-150
Financial liabilities	-1,337
Trade payables	-158
Other payables	-389
Net assets acquired	**3,440**
Amount relating to non-controlling interest	-1,651
Total consideration	**1,789**
Cash consideration	1,789
Total consideration	**1,789**

EBITDA amounted to approx. DKK 0 million in the acquired entity in the most recent financial year.

The consideration amounts to DKK 1,789 thousand, which has been paid in cash.

Costs of purchase amounted to DKK 0.1 million and were expensed in 2018.

The acquisition did not include goodwill.

Notes

43. Acquisition of subsidiary in 2017

Effective from 6 January 2017, the Group acquired all the shares in the Danish company **LM Skumplast A/S**, which is a manufacturer of plastics.

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

Property, plant and equipment	2,093
Customer files	2,000
Inventories	990
Trade receivables	775
Cash	1,619
Deferred tax	-862
Trade payables	-867
Corporation tax	-45
Other payables	-2,151
Net assets acquired	**3,552**
Goodwill	2,648
Total consideration	**6,200**
Cash consideration	4,340
Debt instruments	1,860
Total consideration	**6,200**

EBITDA amounted to approx. DKK 0.5 million in the acquired entity in the most recent financial year.

The consideration amounts to DKK 6,200 thousand, of which DKK 4,340 thousand has been paid in cash. A debt instrument of DKK 1,860 thousand falling due in the period 2018 has been issued.

The debt instrument issued of DKK 1,860 thousand has been recognised at fair value at the acquisition date.

Costs of purchase amounted to DKK 0.1 million and were expensed in 2017.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on the acquisition is calculated at DKK 2,648 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is non-deductible for tax purposes.

43. Acquisition of subsidiary in 2017 (continued)

Effective from 21 March 2017, the Group acquired all the shares in the Danish company **MM Composite A/S**, which is a manufacturer of composite products.

The fair value of assets and liabilities at the acquisition date has been distributed as follows (DKK'000):	
Property, plant and equipment	33,036
Customer files	25,000
Financial assets	2,690
Inventories	22,740
Volume of orders	1,700
Trade receivables	21,516
Cash	4,471
Deferred tax	-8,102
Lease liabilities	-4,239
Bank debt	-3,214
Trade payables	-21,486
Prepayments	-1,700
Corporation tax	-3,111
Other payables	-5,985
Net assets acquired	**63,316**
Goodwill	40,367
Total consideration	**103,683**

Cash consideration	43,000
Debt instruments	26,759
Contingent consideration	33,924
Total consideration	**103,683**

EBITDA amounted to approx. DKK 13.5 million in the acquired entity in the most recent financial year.

The consideration amounts to DKK 103,683 thousand, of which DKK 43,000 thousand has been paid in cash. Debt instruments of DKK 26,759 thousand falling due in the period 2017-2020 have been issued. In addition, there is a conditional cash consideration of DKK 33,924 thousand.

Total debt instruments issued of DKK 26,759 thousand have been recognised at fair value at the acquisition date. The undiscounted amount is DKK 28,000 thousand.

The contingent consideration of DKK 33,924 thousand has been recognised at fair value at the date of acquisition and at the maximum amount that may become payable, as it is expected that the criteria for future earnings will be met. The undiscounted amount is DKK 35,000 thousand.

Costs of purchase amounted to DKK 0.9 million and were expensed in 2017.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on the acquisition is calculated at DKK 40,367 thousand. Goodwill represents the expected value of synergies and know-how from the combination with SP Group. Goodwill is non-deductible for tax purposes.

44. Events after the balance sheet date

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

Notes

PARENT			GROUP	
2017	**2018**	DKK'000	**2018**	**2017**
		45. Income statement classified by nature		
8,526	7,431	Revenue	1,965,028	1,884,144
0	0	Cost of sales	-1,035,199	-1,004,143
8,526	**7,431**	**Contribution margin**	**929,829**	**880,001**
4,506	5,165	Other operating income	1,834	2,389
-8,149	-7,674	External expenses	-132,530	-120,327
-13,865	-14,463	Staff costs	-513,514	-487,069
-8,982	**-9,541**	**Profit/loss before depreciation, amortisation and impairment losses (EBITDA)**	**285,619**	**274,994**
-2,832	-2,742	Depreciation, amortisation and impairment losses	-89,695	-81,477
-11,814	**-12,283**	**Profit/loss before net financials (EBIT)**	**195,924**	**193,517**
42,210	56,334	Dividends from subsidiaries	-	-
2,713	16,215	Other financial income	17,514	492
-6,622	-8,715	Financial expenses	-13,325	-18,293
26,487	**51,551**	**Profit/loss before tax**	**200,113**	**175,716**
2,463	2,884	Tax for the year	-40,030	-43,457
28,950	**54,435**	**Profit/loss for the year**	**160,083**	**132,259**
		Attributable to:		
		The Parent Company's shareholders	160,434	132,169
		Non-controlling interests	-351	90
			160,083	**132,259**
		Earnings per share (EPS)		
		Earnings per share (DKK)	14.37	11.84
		Earnings per share, diluted (DKK)	14.10	11.42
		Proposed distribution of profit/loss		
22,780	27,336	Dividends		
6,170	27,099	Retained earnings		
28,950	**54,435**			

46. Group chart at 31 December 2018

			Nominal share capital ('000)	Ownership interest
SP Group A/S	**Denmark**	**DKK**	**22,780**	
SP Moulding A/S	Denmark	DKK	50,000	100%
SP Medical Sp. z o.o.	Poland	PLN	1,000	100%
SP Moulding Poland Sp. z o.o.	Poland	PLN	1,100	100%
Sander Tech ApS	Denmark	DKK	80	100%
SP International A/S	Denmark	DKK	5,600	100%
SP Moulding (Suzhou) Co., Ltd.	China	USD	4,080	100%
Ulstrup Plast A/S	Denmark	DKK	1,590	100%
Ulstrup Plast s.r.o.	Slovakia	EUR	7	100%
Kodaň Plast s.r.o.	Slovakia	EUR	10	52%
MedicoPack A/S	Denmark	DKK	20,000	100%
Gibo Plast A/S	Denmark	DKK	30,000	100%
Gibo Sp. z o.o.	Poland	PLN	3,005	100%
Gibo Inc.	The US	USD	0	100%
Plexx AS	Norway	NOK	3,541	100%
Opido AB	Sweden	SEK	100	100%
PlexxOpido Sp. z o.o.	Poland	PLN	200	100%
Accoat A/S	Denmark	DKK	10,000	100%
Accoat Sp. z o.o.	Poland	PLN	1,000	100%
Accoat do Brasil	Brazil	BRL	392	100%
Ergomat A/S	Denmark	DKK	10,000	100%
Ergomat Sp. z o.o.	Poland	PLN	2,005	100%
Ergomat-Nederland B.V.	The Netherlands	EUR	75	100%
Ergomat Sweden AB	Sweden	SEK	100	60%
Ergomat Inc.	The US	USD	360	100%
Ergomat Canada Inc.	Canada	CAD	0	100%
Tinby A/S	Denmark	DKK	10,000	100%
Tinby Denmark A/S	Denmark	DKK	500	100%
Tinby Skumplast	Denmark	DKK	500	100%
Tinby Sp. z o.o.	Poland	PLN	50	100%
Tinby Co., Ltd.	China	USD	210	100%
Tinby Inc.	The US	USD	100	100%
TPI Polytechniek B.V.	The Netherlands	EUR	113	100%
Bröderna Bourghardt AB	Sweden	SEK	100	100%
Baltic Rim SIA	Latvia	EUR	3	100%
Tinby SIA	Latvia	EUR	3	100%
MM Composite A/S	Denmark	DKK	500	100%
MM Composite Inc.	The US	USD	0	100%
Mt. Pl. Building II L.L.C.	The US	USD	0	33 1/3%
Nycopac AB	Sweden	SEK	500	100%
SP Extrusion A/S	Denmark	DKK	6,000	100%
SP Moulding Denmark A/S	Denmark	DKK	500	100%
SP Technology ApS	Denmark	DKK	200	100%
SP R&D A/S	Denmark	DKK	1,000	100%
SPG Ejendomme 1 ApS	Denmark	DKK	81	100%
SPG Ejendomme 2 ApS	Denmark	DKK	125	100%

In 2018, all the shares in Nycopac AB were acquired.
In 2018, 52% of the shares in Kodaň Plast s.r.o. were acquired.
In 2018, the company Accoat Sp. z o.o. was founded
In 2018, the company Tinby SIA was founded
In 2019, the company TPI Polytechnics Inc. was founded

SP Group A/S

Snavevej 6-10
DK-5471 Søndersø
Telephone: +45 70 23 23 79
Fax: +45 70 23 23 52

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

CVR-no.: 15 70 13 15