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SP Group

Annual report

’19

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

Company details

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

CVR no.: 15 70 13 15
Financial year: 1 January – 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
Dirch Passers Allé 36
DK-2000 Frederiksberg

Annual general meeting

The annual general meeting will be held on Monday 27 April 2020 at 12.00 o'clock at MedicoPack A/S, Industrivej 6, 5550 Langeskov

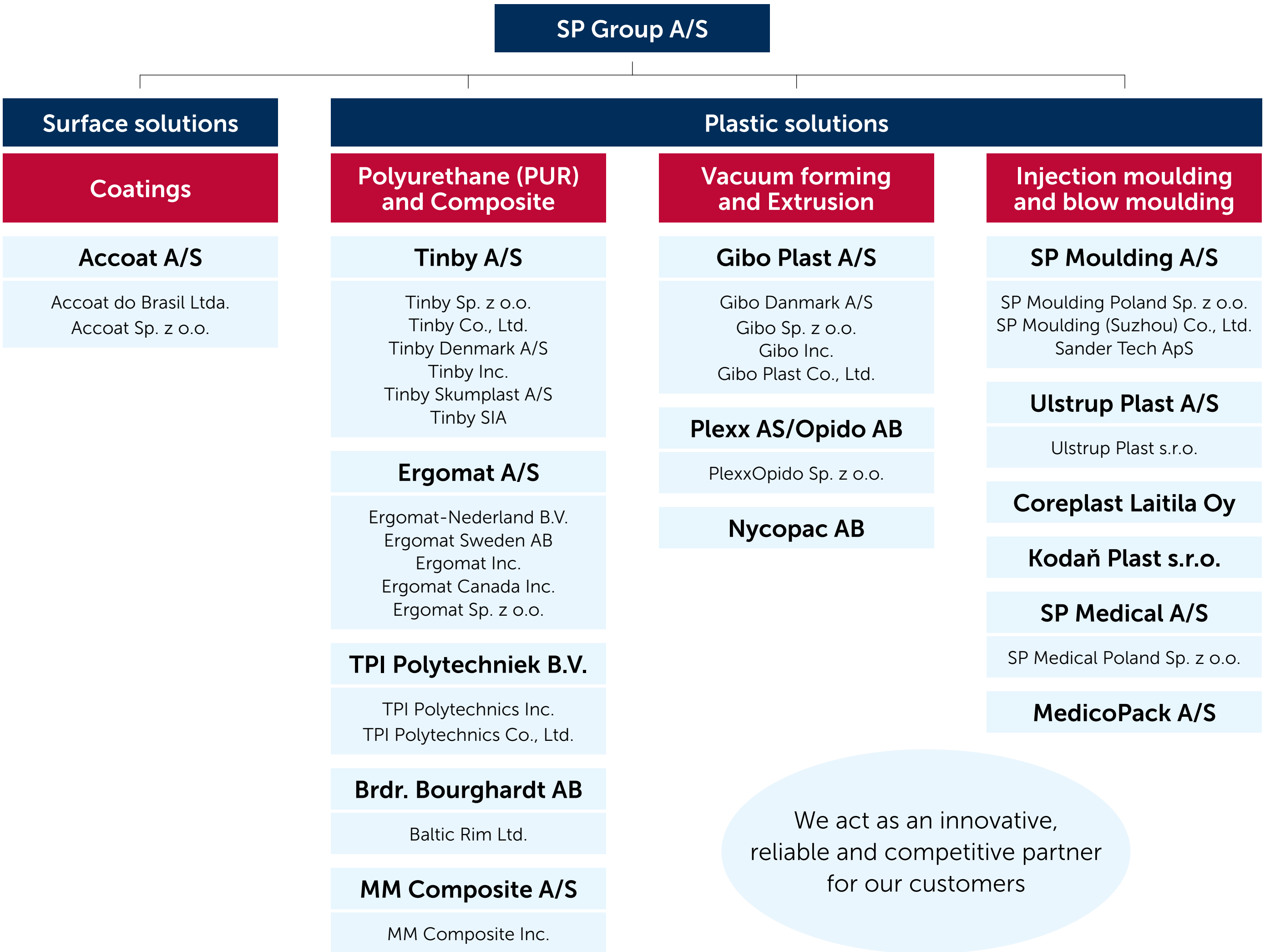
The English annual report is a translation of the original Danish annual report. The original Danish annual report is the governing text for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

Group chart

Activities

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

SP Group is a leading supplier of plastic-manufactured products to the manufacturing sector and has increasing sales and growing production from own factories in Denmark, China, Brazil, the US, Latvia, Slovakia, Sweden, Finland and Poland. In addition, SP Group has sales and service companies in Sweden, Norway, the Netherlands and Canada. SP Group is listed on NASDAQ Copenhagen, employed 2,181 people at year end 2019 and had approx. 2,350 registered shareholders.



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

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

88 countries

Subsidiaries in

12 countries in 4 continents

Average number of employees increased in 2019 from 1,994 to

2,114 committed employees

In 2019, revenue increased by 2.4% to

DKK 2,013 million

In 2019, revenue from own trademarks decreased by 7.3% to

DKK 419 million

In 2019, EBITDA increased by 7.7% to

DKK 308 million

In 2019, EPS, diluted, decreased by 11.6% to

DKK 12.46

Financial highlights for the Group

DKK '000	2019*	2018	2017	2016	2015
INCOME STATEMENT					
Revenue	2,012,932	1,965,028	1,884,144	1,519,044	1,319,768
Profit/loss before depreciation and amortisation (EBITDA)	307,510	285,619	274,994	202,857	162,788
Depreciation, amortisation and impairment losses	-129,681	-89,695	-81,477	-69,442	-72,011
Profit/loss before net financials (EBIT)	177,829	195,924	193,517	133,415	90,777
Net financials	-2,436	4,189	-17,801	-10,799	-10,122
Profit/loss before tax	175,393	200,113	175,716	122,616	80,655
Profit/loss for the year	140,269	160,083	132,259	93,387	61,112
Earnings per share, DKK per share (EPS)**	12.57	14.37	11.84	8.37	5.80
Diluted earnings per share, DKK per share (EPS diluted)**	12.46	14.10	11.42	8.07	5.60
BALANCE SHEET					
Non-current assets	1,218,274	938,668	873,977	669,136	635,072
Total assets	2,058,615	1,640,509	1,515,159	1,200,671	1,077,888
Equity, including non-controlling interests	710,402	620,030	537,687	428,976	393,561
Investments in property, plant and equipment, excluding acquisitions	154,997	123,648	182,341	107,035	73,238
CASH FLOW STATEMENT					
Cash flows from operating activities	158,630	173,401	180,767	140,439	171,743
Cash flows from investing activities, including acquisitions	-180,202	-124,647	-204,793	-80,126	-116,350
Cash flows from financing activities	8,836	-62,917	45,906	-50,351	-40,921
Changes in cash and cash equivalents	-12,736	-14,163	21,880	9,962	14,472
FINANCIAL RATIOS					
Net interest-bearing debt (NIBD)	875,677	576,598	509,123	407,711	403,423
NIBD/EBITDA	2.8	2.0	1.9	2.0	2.5
Operating income (EBITDA margin), %	15.3	14.5	14.6	13.4	12.3
Profit margin (EBIT margin), %	8.8	10.0	10.3	8.8	6.9
Profit/loss before tax and non-controlling interests in % of revenue	8.7	10.2	9.3	8.1	6.1
Return on invested capital, including goodwill, %	11.8	15.8	18.8	15.5	11.5
Return on invested capital, excluding goodwill, %	11.8	18.6	22.3	18.6	13.6
Return on equity (ROE), excluding non-controlling interests, %	21.1	27.8	27.4	22.6	18.4
Equity ratio, excluding non-controlling interests, %	34.4	37.7	35.4	35.6	36.3
Equity ratio, including non-controlling interests, %	34.5	37.8	35.5	35.7	36.5
Financial gearing	1.2	0.9	0.9	1.0	1.0
Cash flow per share, DKK**	14.10	15.24	15.63	12.26	15.87
Total dividends for the year per share, DKK**	0.00	2.40	2.00	1.20	0.80
Listed price, DKK per share, year end**	242.00	197.50	219.00	134.80	74.70
Net asset value per share, DKK per share, year end**	63.51	55.35	48.03	38.32	35.54
Listed price/net asset value, year end**	3.81	3.57	4.56	3.52	2.10
Average number of employees	2,114	1,994	1,852	1,559	1,452
Number of shares, year end**	11,390,000	11,390,000	11,390,000	11,390,000	11,120,000
Amount relating to treasury shares, year end**	242,594	230,351	217,460	231,795	114,095

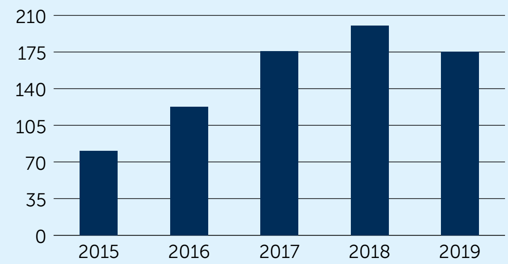
Financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations and Financial Ratios". See page 69 for definitions. The key figures for 2015-2017 have not been restated to reflect the effect of the implementation of IFRSs 9 and 15. The key figures for 2015-2018 have not been restated to reflect the effect of the implementation of IFRS 16.

* Reference is made to page 10 for the effect of the transition to IFRS 16.

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

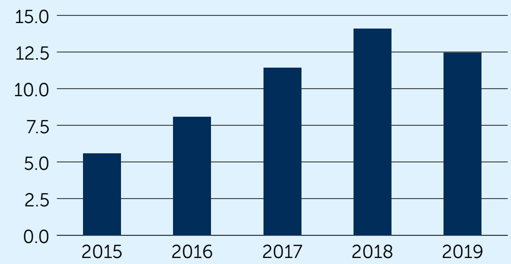
In 2019, profit/loss before tax decreased by 12.4% to DKK 175.4 million

DKKm



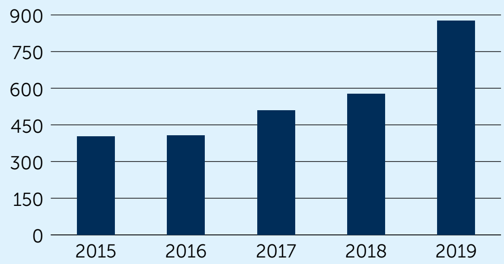
EPS, earnings per share, diluted, decreased by 11.6% to DKK 12.46

DKK



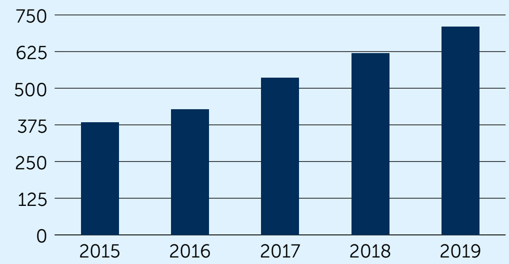
Net interest-bearing debt (NIBD) increased by DKK 299 million to DKK 876 million

DKKm

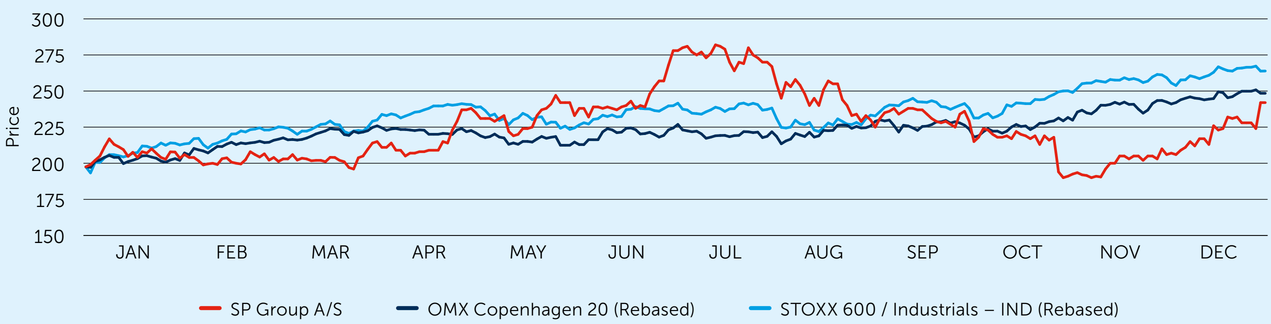


Equity increased by DKK 90 million to DKK 710 million

DKKm



Development in the share price in 2019



An interesting and eventful year

Dear shareholders and other stakeholders

2019 was another interesting year in a turbulent world. High growth rate in the beginning of the year and negative growth rates in the second half of the year.

Political uncertainty, Brexit and trade war threats, exchange rate fluctuations and rising commodity prices affected developments for our customers and SP Group.

Total revenue amounted to DKK 2,013 million, which is up 2.4% on 2018. It was the first time revenue exceeded DKK 2 billion. Organic growth amounted to -1.4% in local currencies. Measured in Danish kroner, organic growth amounted to -0.9%. In Q4, the growth rate was -0.1% (the organic growth rate was -6.9%). There was no notable exchange rate effect in Q4.

Sales of our own brands decreased by 7.3% and now account for 20.8% of revenue.

Sales to our international customers increased by 6.8% and now account for 64.4% of total sales. Sales to international customers have doubled in five years.

The highest growth rates were reported in Africa, 65.9%, Americas, 9.9% and Europe (not including Denmark), 6.4%, and Asia saw modest growth of 2.1%.

Revenue in Denmark decreased by 4.5%, primarily due to the phase-out of a number of legacy customer-owned products in 2019.

EBITDA increased by 7.7% to DKK 307.5 million, which was the first time EBITDA exceeded DKK 300 million. The EBITDA margin amounted to 15.3%. EBIT decreased by 9.2% to DKK 177.8 million.

Profit before tax decreased by 12.4% to DKK 175.4 million.

Diluted earnings per share decreased by 11.6% to DKK 12.46 per share.

Comprehensive income for the year (profit for the year + exchange rate adjustments of foreign entities + net fair value adjustments of financial instruments) amounted to DKK 155.9 million, which is a new record. In 2018, comprehensive income amounted to DKK 147.1 million.

Cash flows from operating activities were positive by DKK 158.6 million.

Net interest-bearing debt went up by DKK 299.1 million to DKK 875.7 million at the end of 2019, which corresponds to 2.8 times EBITDA for the year as against 2.0 in 2018. The transition to IFRS 16 resulted in an increase in debt of DKK 141.8 million.

2019 was an eventful year, see below:

- Our sales to the cleantech industry decreased by 0.3% and now account for 32.7% of revenue
- Our sales to the healthcare industry decreased by 3.5% and now account for 28.7% of revenue. The decrease is primarily attributable to the phase-out of legacy products
- Our sales to the food-related industry decreased by 4.1% and now account for 13.6% of revenue
- Our sales to the automotive industry increased by 5.3% and now account for 5.5% of revenue
- Our sales to 'other industries' increased by 24.1% and now account for 19.5% 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 June 2019, SP Group A/S acquired all the shares in Coreplast Laitila Oy. Coreplast is a high-level injection-moulding company with production and assembly facilities in Laitila in Western Finland. Customers include in particular leading Finnish export companies with high quality standards. Management and the committed employees stay on. EBITDA totalled approx. DKK 10 million in Coreplast in the most recent financial year before the acquisition
- In June, SP Group entered into a loan agreement with Jyske Bank amounting to DKK 70 million with a term of seven years to finance the acquisition of Coreplast. In December, SP Group entered into a loan agreement with Jyske Bank. The loan amounts to DKK 60 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 and improved efficiency by investing in new process technologies and new staff. The interest rate of both loans is the market rate, and the margin is competitive
- In Iowa, USA, Gibo Plast has invested in a new vacuum-forming machine, including a milling machine. TPI has established a sales company. Both establishments were made to provide even better local service to our customers in USA. The establishments are included in MM Composite's current premises
- 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
- In Tianjin in China, Gibo Plast has established a new company and rented facilities of approx. 10,000 sqm and started sales, logistics and assembly. In 2020, two new state-of-the-art vacuum forming production lines will be added, which are currently under construction. TPI has established a sales company in Suzhou in addition to Tinby's current activities. The establishments were made to provide even better local service to our customers in China
- 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 will close our factory in Brazil during Q1 2020 due to unfavourable developments in market conditions. The expected costs for closing the factory down were expensed in 2019. We will help terminated employees find new jobs
- We won a number of new major customers and did not lose any major customers in 2019
- We launched a number of new and improved products in 2019 (guide wires, ergonomic mats, industrial standard components, medical device packaging and farm ventilation equipment). Moreover, we have developed new products to be launched in 2020. We further developed our medical device expertise in Denmark, Poland, Slovakia and China.
- We made net investments of DKK 153.9 million in new equipment and properties
- We sold more new moulds to our customers than ever before
- The price of the SPG share increased from 197.5 at the beginning of the year to 242.0 at the end of 2019, resulting in a capital gain of 22.5% for our shareholders
- We distributed dividend of DKK 2.40 per share. The total shareholders' return was thus 23.8%, which is in line with the Danish MidCap index
- In the period from 1 January 2010 to 31 December 2019, the SPG share yielded a return of 2,998%, which is the second highest among listed Danish shares
- As from 1 January 2018, the SP Group share was moved from Small Cap to Mid Cap on NASDAQ Copenhagen. In May 2018, the share was

On 25 June 2019 SP Group A/S acquired all the shares in Coreplast Laitila Oy.

Coreplast's injection-moulding factory in Laitila, Finland.

split in five following a resolution by the annual general meeting in April 2018
- Last, but not least, we got many new shareholders: almost 10% more than at the beginning of 2019.

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

The outbreak of the coronavirus in China, which has subsequently spread to other parts of the world, can have considerable adverse effects on global economy and on our customers and suppliers – and thus on the development in SP Group.

The authorities' response to the coronavirus outbreak means that our future cash flows are very uncertain. Consequently, the Board of Directors will propose that no dividend for 2019 should be distributed at the annual general meeting.

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

In 2019, our tax expenses amounted to DKK 35.1 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 2019, 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 (green transition) and food-related industries – and move labour-intensive production from Western Europe to Poland, Slovakia and Latvia as well as make massive investments in people and technology in Europe, USA and China to enable us to be a global, innovative, reliable and competitive partner for our customers.

We will also continue our focus on minimising our environmental impact, electricity consumption, water consumption, increasing recycling of our production waste and – in cooperation with our customers – developing and manufacturing more products made from recycled plastics for the benefit of the environment.

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

2019 in outline

The Group's revenue increased by 2.4% to DKK 2,012.9 million from DKK 1,965.0 million in 2018. The change is primarily due to a higher volume. The organic growth in local currencies amounted to -1.4%. Changed exchange rates, increases in RMB and USD and decreases in SEK and BRL have resulted in an increase in revenue of approx. DKK 11 million. The currency effect accounts for approx. 0.5% of the revenue growth of 2.4%. Actual organic growth amounted to -0.9%. Acquired activities and businesses account for 3.3%.

International sales increased by 6.8% and now account for 64.4% of revenue (against 61.7% in 2018). Revenue growth was particularly high in Africa, Americas and Europe. We saw a minor decline in Australia. This is the third year that our direct international sales make up more than 60% of revenue. Sales outside Europe increased from 22.7% to 23.8% of revenue.

Sales to our Danish customers decreased by 4.5%.

Sales to the cleantech industry decreased by 0.3%. Sales to the cleantech industry now account for 32.7% of our sales (as against 33.5% in 2018).

Sales of own brands went down by 7.3%. SP Group realised an increase in the sale of ergonomic products (+2.1%). Sales of farm ventilation components decreased by 1.0%. Sales of guide wires decreased by 7.7%. Sales of medical packaging decreased by 13.2%, and sales of industrial standard components decreased by 17.4%. Each production area experienced market challenges that unfortunately reduced our sales and our earnings.

The Group's operating income – EBITDA – increased by 7.7% to DKK 307.5 million. EBITD margin was 15.3%, which is an improvement of 0.8 percentage points compared to 2018. During the year, considerable resources were dedicated to the commissioning of new production facilities, adversely impacting operating profit. During H1, we have hired – and trained – 37 new employees, net, primarily in Eastern Europe. We expanded our workforce in Eastern Europe to meet the expected growing demand. Growth did not materialise and instead, we noted a negative growth in H2, and consequently, we had to downsize the organisation again. At the end of the year, we had 2,181 employees, including 105 employees in Coreplast, which we acquired in June. Investment in property, plant and equipment totalled DKK 155.0 million, exclusive of leased assets. Increasing prices on raw materials and numerous force majeure claims from our suppliers also had a negative impact on EBITDA. We expect that the increases in prices on raw materials will be passed on to the customers later.

Depreciation, amortisation and impairment totalled DKK 129.7 million which is DKK 40.0 million higher than in 2018 (the transition to IFRS 16 has implied an increase in depreciation and amortisation of DKK 28.6 million).

EBIT amounted to DKK 177.8 million, corresponding to 8.8% of revenue. EBIT decreased by DKK 18.1 million relative to 2018.

The Group's financial net expenses increased by DKK 6.6 million from 2018 to 2019 and made up a net expense of DKK 2.4 million. The net expense is affected by exchange rate adjustments, value adjustment of other payables (an expected earn-out did not crystallise) and increased debt. Lending margins were slightly lower than in 2018. Interest rate levels remained largely unchanged. The transition to IFRS 16 resulted in an increase in financial expenses of DKK 7.3 million.

Diluted earnings per share amounted to DKK 12.46, which is a decrease of 11.6% compared to 2018.

At the end of 2019, net interest-bearing debt can be specified by currency as follows:

		After IFRS 16	Before IFRS 16
DKK	DKK	-553 million	-542 million
EUR	DKK	-178 million	-160 million
PLN	DKK	-133 million	-49 million
USD	DKK	12 million	13 million
NOK	DKK	-1 million	1 million
SEK	DKK	-11 million	-8 million
BRL	DKK	1 million	1 million
RMB	DKK	-12 million	10 million
Total	DKK	-875 million	-734 million

Cash flows

Cash flows from operating activities decreased to DKK 158.6 million (from DKK 173.4 million in 2018), primarily due to increased operating income and changes in the net working capital.

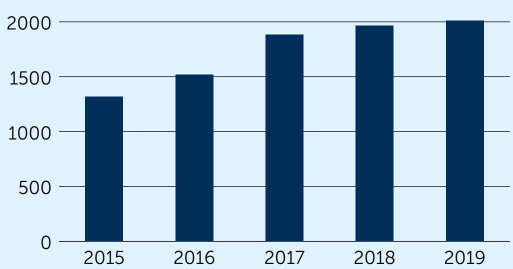
Cash flows from investing activities amounted to DKK 180.2 million relating to capacity and competency development within health care (approx. DKK 35 million), cleantech (approx. DKK 89 million), food-related industries (approx. DKK 9 million), automotive (approx. DKK 0 million), other (approx. DKK 5 million) and investments in two properties (DKK 24 million). Furthermore, we acquired 100% of the shares in Coreplast Laitila Oy for DKK 17.8 million in cash.

DKK 152.5 million was repaid on long-term borrowing. New loans were raised in the amount of DKK 156.7 million in cash.

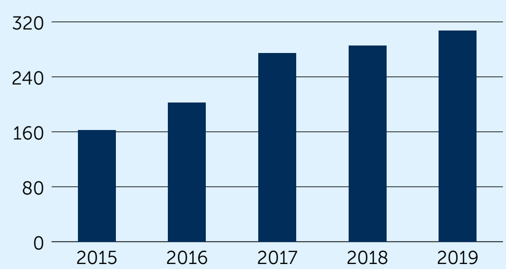
Dividends totalling DKK 27.0 million were distributed to the shareholders, and treasury shares were acquired for DKK 41.6 million, net. Warrants of DKK 1.1 million was sold to executive employees, who chose to acquire the warrants granted instead of vesting them.

The change in short-term bank debt had an adverse effect on liquidity totalling DKK 12.7 million.

Consolidated revenue 2015-2019 (DKKm)



Operating profit (EBITDA) 2015-2019 (DKKm)



Balance sheet

The balance sheet total went up from DKK 1,640.5 million to DKK 2,058.6 million, which is primarily attributable to the transition to IFRS 16, acquisition of new machinery, acquisition of entities, acquisition of properties and an increase in the gross working capital.

Equity increased from DKK 620.0 million to DKK 710.4 million.

Net interest-bearing debt (NIBD) rose to DKK 875.7 million from DKK 576.6 million, accounting for 2.8 times the year's EBITDA. Of growth of DKK 299.1 million in NIBD, DKK 141.8 million relates to the transition to IFRS 16, DKK 24.1 million to the acquisition of properties and DKK 32.4 million to the acquisition of entity and increase in working capital and non-current assets.

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 increased from 18.3% to 21.2% of the balance sheet total, and the long-term interest-bearing debt increased from 20.6% to 23.7% of the balance sheet total. The equity interest decreased from 37.8% to 34.5%, and non-interest bearing debt's share of the balance sheet decreased from 23.3% to 17.9%.

Net interest-bearing debt increased from 35.1% to 42.5% of the balance sheet total.

Equity was adversely affected in 2019 by the acquisition of treasury shares, DKK 40.5 million, net, and distribution of dividend, DKK 27.0 million. Value adjustments of financial instruments held to hedge future cash flows, primarily forward contracts (PLN against EUR), had a positive effect on comprehensive income and, thus, equity in the amount of DKK 12.1 million. The currency adjustment of the foreign entities had a positive effect on equity of DKK 3.5 million.

Q4 2019

In Q4 2019, SP Group's sales totalled DKK 503.0 million, which is 0.1% lower than in the same period the year before. -6.9% relates to organic growth. There was no notable exchange rate effect.

EBITDA amounted to DKK 71.2 million, which is down 6.8% on the same period the year before. EBIT totalled DKK 36.4 million, which is down DKK 19.0 million on the same period the year before.

Profit before tax amounted to DKK 37.1 million, which is a decrease of DKK 17.3 million compared to the same period the year before. The EBITDA margin in Q4 totalled 14.2%, and profit before tax amounted to 7.4% of revenue.

Amortisation, depreciation and impairment losses totalled DKK 34.8 million, which is up DKK 13.8 million on the same period the year before.

In Q4, cash flows from operating activities amounted to DKK 31.8 million (2018: DKK 53.6 million). Cash flows from investing activities were negative by DKK 71.9 million (2018: negative by DKK 36.7 million). Cash flows from financing activities were positive by DKK 27.9 million (2018: negative by DKK 12.0 million). Accordingly, the change in liquidity was negative by DKK 12.2 million (2018: positive by DKK 4.9 million).

Q4 brought market challenges and negative organic growth of 6.9%, which had an adverse impact on earnings.

Follow-up on previously announced expectations

The profit/loss for the year of DKK 175.4 million before tax corresponds to the expectations announced on 12 November 2019 as to "a profit/loss before tax at the level of DKK 175 million". Revenue amounted to DKK 2,012.9 million, which is slightly up on expectations announced on 12 November 2019 of "full-year revenue for 2019 in the range of DKK 1.9-2.0 billion".

Previously announced expectations:

27 March 2019:	Profit/loss before tax in 2019 at the level of DKK 200 million and revenue at the level of DKK 2.0 billion are expected.
May 2019:	As above.
June 2019:	Profit/loss before tax at the level of DKK 200 million and revenue at the level of DKK 2.0-2.1 billion are expected.
22 August 2019:	As above.
27 October 2019:	Profit before tax in the range of DKK 175 million and revenue in the range of DKK 1.9-2.0 billion are expected.
November 2019:	As above.

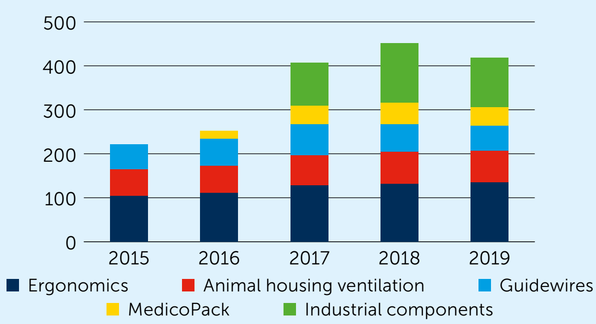
Events after the balance sheet date

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.

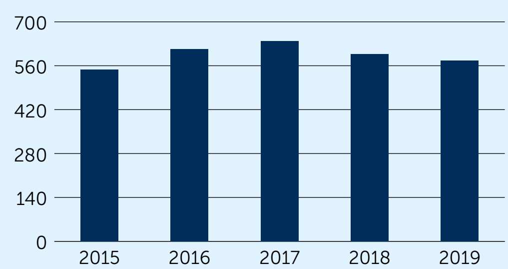
Coronavirus

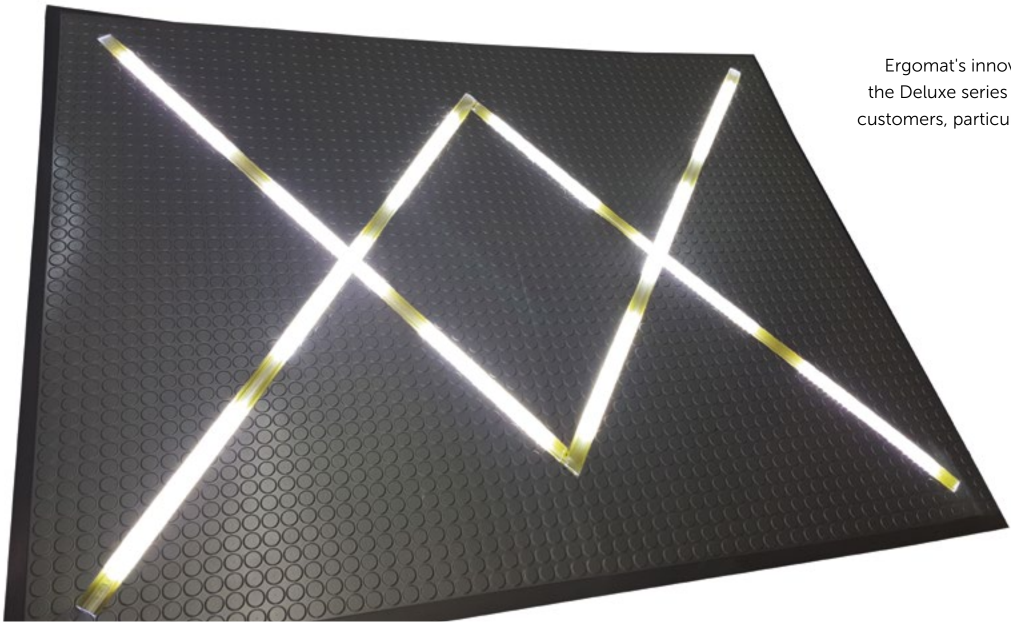
For accounting purposes, the current outbreak of coronavirus is a non-adjusting event in relation to the annual report for 2019. The outbreak may impact assets and liabilities in 2020.

Revenue under own brands 2015-2019 (DKKm)



Revenue from health care products 2015-2019 (DKKm)





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

Durastripe® from Ergomat.

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, is affected by the reclassification of expected rent to depreciation and expensed interest. The free cash flows is 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 has 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	Effectiveness	Description of effect
Revenue	→		No change
OPEX		Decrease of DKK 34.1 million	Decreased as operating lease payments are recognised as depreciation and interest expenses
EBITDA margin	↑	**Increase of 1.7%**	**Significant increase due to lower costs (decrease in rental expenses)**
Depreciation/Amortisation		Increase of DKK 28.5 million	Increases due to depreciation on capitalised right-of-use assets
EBIT	↑	**Increase of 5.6 million**	**Increase in EBIT as part of the lease expenses is recognised as interest expense**
Financial expenses		Increase of 7.3 million	Increase due to interest expenses on lease liabilities
Corporation tax	→		No significant changes
Net profit	↓ →	**Decrease of DKK 1.7 million**	**Minor decrease due to "front loading" of interest expenses**
NIBD	↑	**Increase of DKK 141.8 million**	**Net interest-bearing debt has increased due to recognition of lease liabilities**
Free cash flows	↑	**Increase of approx. DKK 34.1 million**	**Increased as operating lease payments are reclassified from cash flows from operating activities to cash flows from financing activities**
Assets	↑	Increase of approx. DKK 140.1 million	Capitalised user rights
Liabilities	↑	Increase of approx. DKK 141.8 million	Recognition of future lease payments

At the beginning of the year, two leased properties were included which were acquired at a price of DKK 24 million.

Outlook for 2020

The global economy will hardly grow in 2020, and it is still fragile and associated with political and economic uncertainty. The neighbouring markets in Europe have grave government budget deficits and high indebtedness. The outbreak of the corona virus in China, which has subsequently spread to other parts of the world, can have considerable adverse effects on the global economy and on our customers and suppliers – and thus on the development in SP Group.

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

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

We will launch a number of new products and solutions for our customers, particularly in the 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.

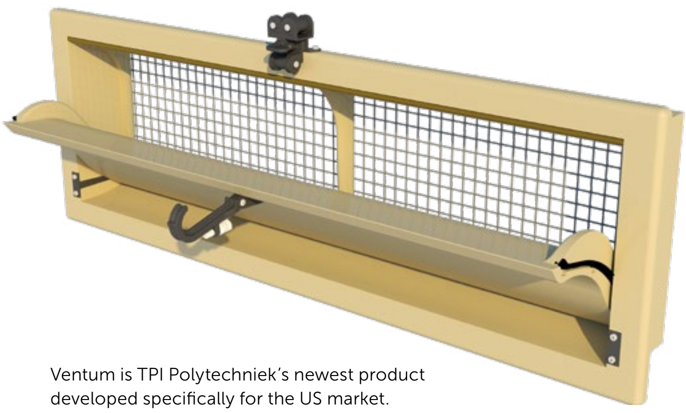
A high investment level will be maintained in 2020. The largest investment is expected to be made in the cleantech activities.

Depreciation and amortisation are expected to be realised at a higher level than in 2019, among other things due to heavy investments in 2019.

Financial expenses are expected to be realised at a higher level than in 2019.

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.

Due to the spread of the Coronavirus and the actions taken by authorities, our level of activities and cash flows in the coming months are subject to great uncertainty. At present, we are therefore unable to reliably state our expectations for revenue and earnings in 2020. We are short of well-functioning markets.



Ventum is TPI Polytechniek's newest product developed specifically for the US market.

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. Therefore, we launched our 2022 ambition.

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. from 2010 to 2017. We believe that we can achieve similar growth rates in the future if our markets are well-functioning.

By increasing the share of own products in total sales from the current 20.8% to 25-30% in 2022, continuing the internationalisation and increasing efficiency further as well as by making massive investments in new technologies and people, it is our ambition to improve the EBITDA margin to 16-17% by 2022 and increase profit before tax 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. Given the growth rates in 2018 and 2019 combined with the high prices on companies, we may not be able to realise our 2022 ambitions until at a later point.

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 2019, EPS decreased by 11.6%.

In recent years, dividends distributed have totalled 15-20% of the profit after tax. Every year before the annual general meeting, Management assesses whether the level is adequate. However, no dividends are distributed for 2019.

Customers

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

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

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

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

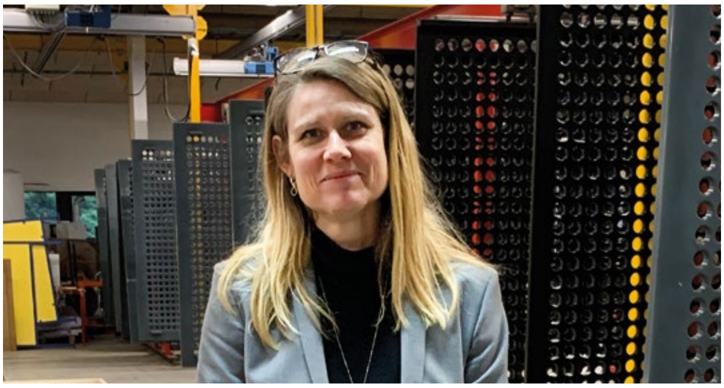
In 2016, we increased our local presence in Norway and Sweden through the acquisition of Plexx AS / Opido AB.

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

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

With the acquisition of Tinby Skumplast A/S and MM Composite A/S in 2017, we expanded our product range with 'block foaming' in PUR and PIR and a number of advanced composite solutions. We have increased our local presence in USA with a composite production, and this was expanded in 2019 with the production of vacuum-formed plastics and sale of live stock ventilation components.

Managing director of Accoat A/S, Susie-Ann Spiegelhauer. In the background components with Accotron® and Accoshield® coatings for the chemical industry are shown.



In 2019, local presence in Finland was increased by the purchase of Coreplast, which is a high-level injection-moulding company. It is our ambition that Coreplast also can sell a number of our other services in Finland.

In China, Tinby moved to new and larger premises in 2018. Activities were expanded in 2019.

In northern China (Tianjin), Gibo has established a sales and logistics center of 10,000 sqm, which will be expanded for the manufacturing of vacuum-formed plastics and rotation moulding in 2020.

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 2019, 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 have doubled over the past five years. We have developed a number of new products that were marketed in 2019. 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 577 million in 2019. 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 28.7% of revenue in 2019. Sales to the health care industry increased by 3.5% in 2019.

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 32.7% of revenue in 2019. Sales to the cleantech industry decreased by 0.3% in 2019.

A number of our customers are food manufacturers or suppliers to food manufacturers. This area is called "food-related industries". Sales to food-related industries accounted for 13.6% of revenue in 2019 and amounted to DKK 274 million. Trends in sales to food-related industries are shown on page 14. In 2019, sales to food-related industries increased by 4.1%.

The health care, cleantech and food-related industries accounted for approx. 75% of total revenue in 2019.

Sales to the automotive industry increased by 5.3% to DKK 112 million and now account for 5.5% of revenue.

Revenue to other demanding industries increased by 24.1% to DKK 392 million.

The geographical expansion continues through increased sales from the factories in Denmark, Sweden, Finland, Latvia, Slovakia, Poland, China

On 2 April 2019, Tinby held 'Grand Opening' of their new location in Stawiszcze in Poland together with TPI Polytechniek and Ergomat.

and USA with particular focus on markets in Europe, the Americas and Asia. International sales have increased from approx. 44% to approx. 64% of revenue over the past 10 years, and this ratio must be further increased.

Efficiency and rationalisation

In 2019, the Group's production structure was subject to further streamlining and optimisation. Also heavy investments were made in purchasing new machines, robots and vision systems.

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

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

In Poland, SP Moulding has expanded its injection-moulding and assembly facilities and taken a new high-stacking warehouse into use, 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 Finland, Coreplast has invested in several new machines to increase capacity and operational reliability. Coreplast offers 3K injection moulding (three-component) with machinery with a closing pressure of up to 500 tonnes and 1K injection moulding (one-component) with machinery with a closing pressure of up to 1,500 tonnes.

Brdr. Bourghardt has increased capacity and enhanced efficiency in Latvia and Sweden.

Ulstrup Plast has increased capacity and enhanced efficiency in Denmark and Slovakia. In Slovakia, a large extension project has been initiated. It is expected to be up and running during 2020.

In Denmark, SP Moulding, MM Composite, Tinby, MedicoPack and Gibo Plast have all enhanced efficiency and increased capacity. SP Medical has reduced its capacity in Denmark as some legacy customer-owned products have been phased out.

In China, Tinby and SP Moulding have increased capacity and enhanced efficiency. Now, SP Moulding also offers 2K moulding in China. In 2018 and 2019, Tinby doubled its capacity in China. In China, TPI has established a sales company and Gibo Plast has established a large sales and logistics company, which will be expanded by production facilities in 2020.

In Brazil and Denmark, Accoat has reduced capacity. The factory in Brazil will be closed down in 2020. Capacity has been maintained in Poland.

In the Netherlands, TPI has expanded its business based on a larger organisation, which has increased capacity. TPI has established a sales company in USA and China 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 was initiated in 2019. Tinby's North American sales company has also been relocated to MM Composite's facilities.

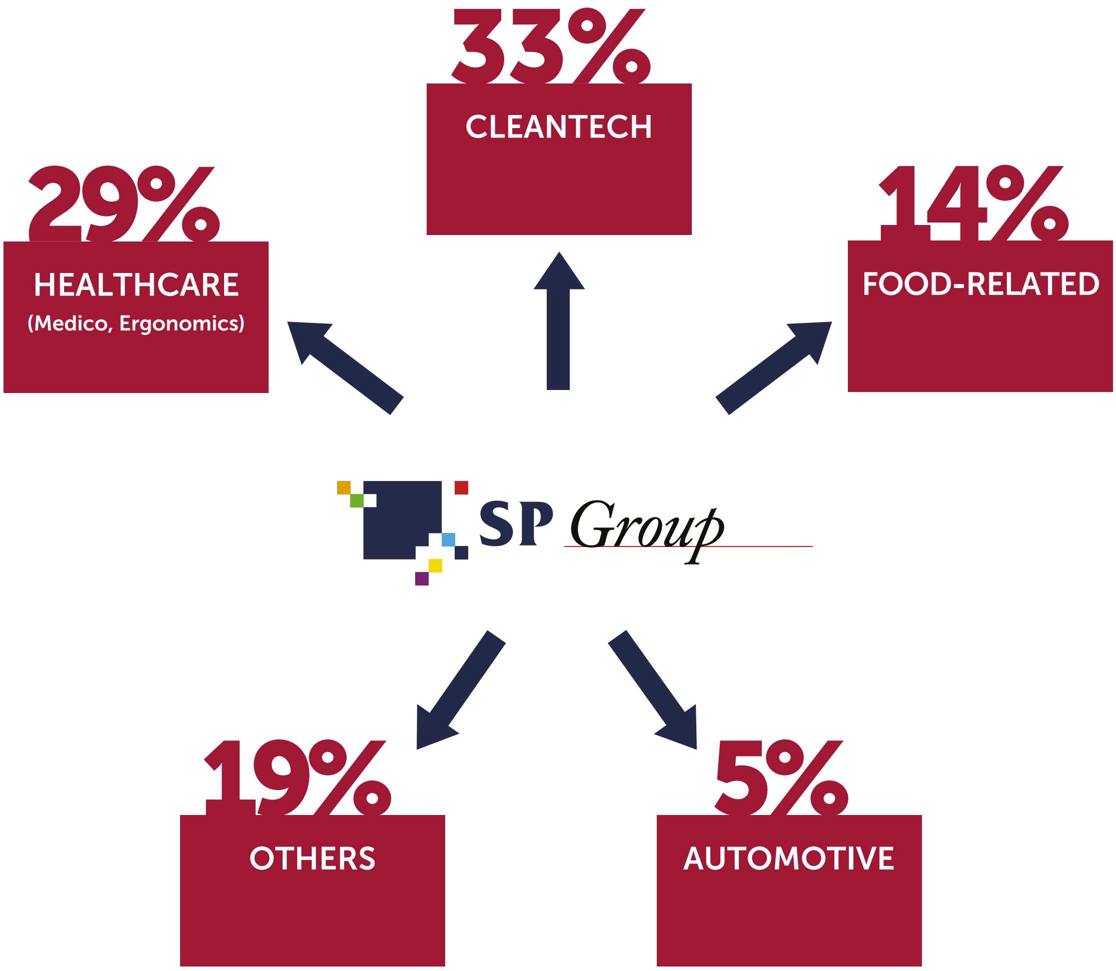
PlexxOpido has invested in new offices in Norway and new machinery and buildings in Sweden and enhanced the sales company in Poland.

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

Apart from capacity adjustments, we focus on adjusting general costs on an ongoing basis. SP Group's goal is for all production facilities to manufacture and deliver better, less costly and faster. Steps are taken on an ongoing basis to reduce the consumption of materials and resources (reduction of 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.

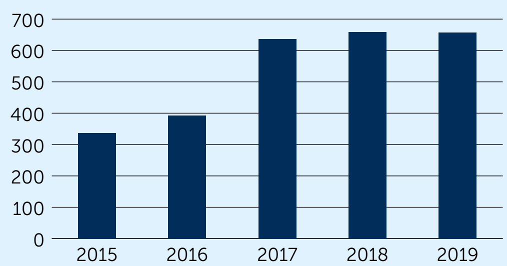
Finally, SP Group will constantly and critically analyse the Group's activities. If activities and businesses are unable to attain reasonable earnings, they will be closed down or sold.

SP Group's sales in 2019 broken down by customer group:

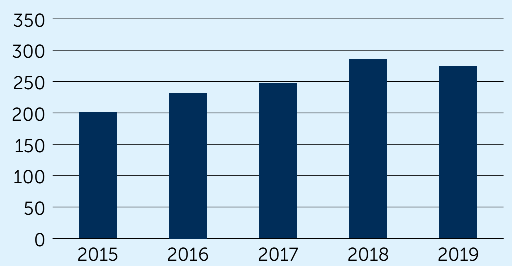


- More than 1,000 customers in total
- The largest customer accounts for 17% (2018: 18%)
- The 10 largest customers account for 50% (2018: 51%)
- The 20 largest customers account for 61% (2018: 61%)

Revenue from cleantech products 2015-2019 (DKKm)



Revenue from food-related industries 2015-2019 (DKKm)



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

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

Coatings

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

2019 in outline

2019 was the year when production of a customer-owned product was phased out and production shut down in October as the customer no longer needs the product as it has reached the end of its life cycles.

In the remaining part of Accoat Danmark, the level of activities was high and revenue was higher in 2019 compared with 2018.

The organisation in Accoat was downsized in 2019 to align with the income after the phaseout of the above-mentioned production, but so that we can still meet demand from existing and future customers within our core competencies non-stick, low friction and corrosion protection.

Accoat Danmark solves tasks within a broad range of industries among others medical devices, cleantech, food, chemical industry, etc. The production covers a broad range of coatings within our core competencies and can handle very small up to very large components. Accoat Kvistgård has one of Europe's largest ovens for sintering of fluoroplastic coatings.

Accoat Poland has build up competences for coating treatment with advanced fluoroplasitc coatings and increased its revenue in 2019. Accoat Poland primarily solves tasks for the general industry with a smaller amount of coatings.

In 2019, Accoat Brazil solved tasks for the healthcare industry. The Company in Brazil will be closed down in 2020.

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

Markets and products

In 2019, 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.

Use of non-stick fluorpolymer coatings ease the cleaning of surfaces, which helps reduce the consumption of cleaning agents, water and time. To the customers this means shorter production stops when cleaning and less consumption of resources.

Coatings may also make products and production equipment oil- and water-repellent, heat insulating, electrically insulating or resistant to chemicals. In some industries, coatings are necessary to comply with safety requirements.

Customers also experience that they can replace expensive materials such as titanium or alloyed steel with other, less costly surface-treated materials.

Therefore, we expect that total demand for coatings will increase in future.

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

Process equipment with corrosion protecting Accotron® coating for the chemical industry.

Corrosion protecting Accoshield® coating – part for the cleantech industry.

Fast food equipment coated with Accoflon S. It is FKI's Uni-Toaster, which can toast different bread types and sizes.

Fast food equipment coated with Accoflon S. It is FKI's sausage roaster.

Corrosion protecting Accoshield® coating – part for the chemical industry

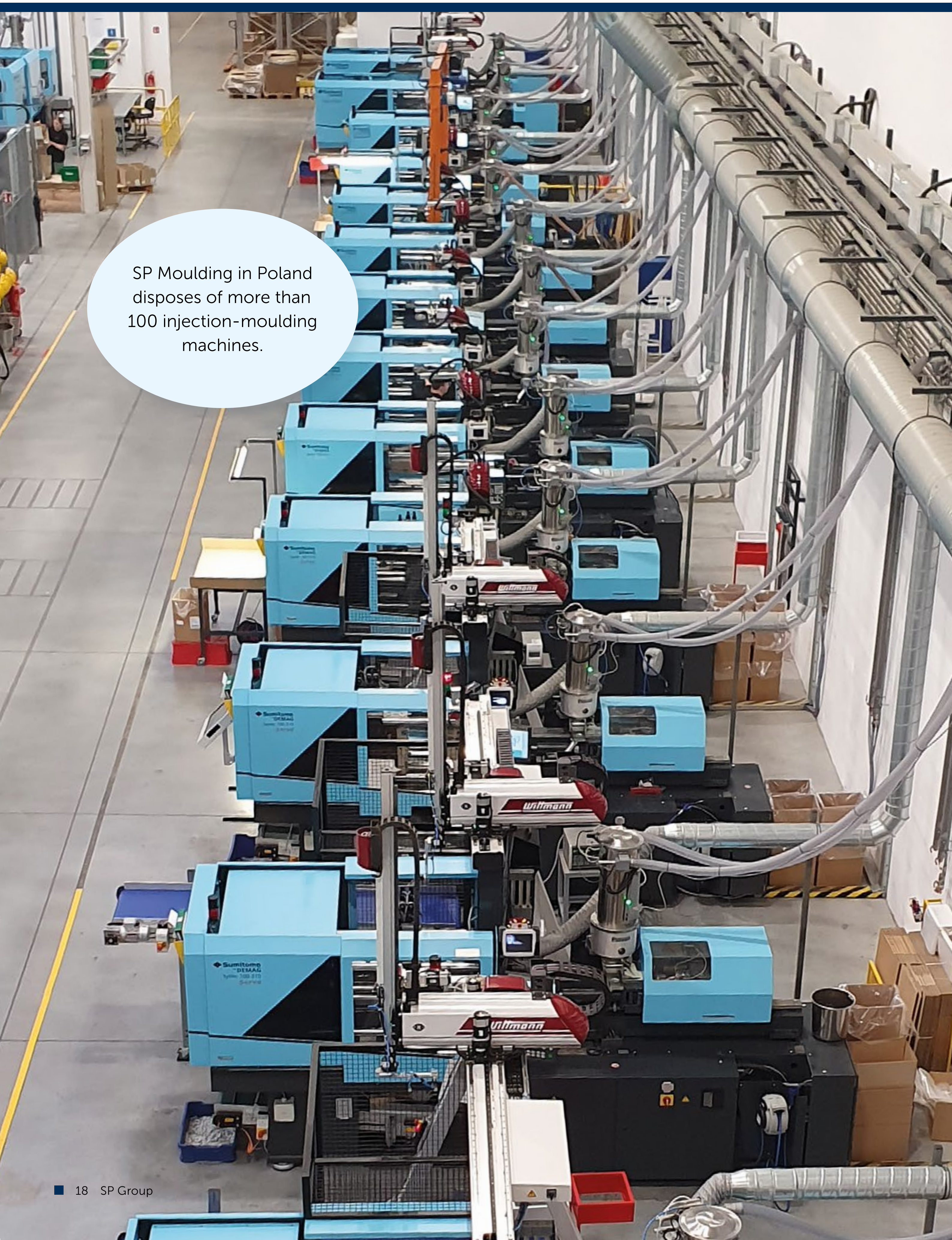
Strategy

Accoat will continue to strengthen products and processes in cooperation with customers and suppliers as well as external parties such as universities, etc.

Accoat participates in Open Science at Aarhus University and at present participates directly in a research and development project supported by the Innovation Fund Denmark as well as indirectly in another project (under SP R&D).

In this way, Accoat keeps abreast of and at the forefront of state-of-the-art materials and processes.

Accoat is in contact with the various industry elements in which our products and services are used. In recent years, Accoat has initiated several development projects together with new customers to test coating potentials in various industries. Some of them resulted in minor projects in 2019, and Accoat expects to follow up thereon and participate in similar projects in the coming years.



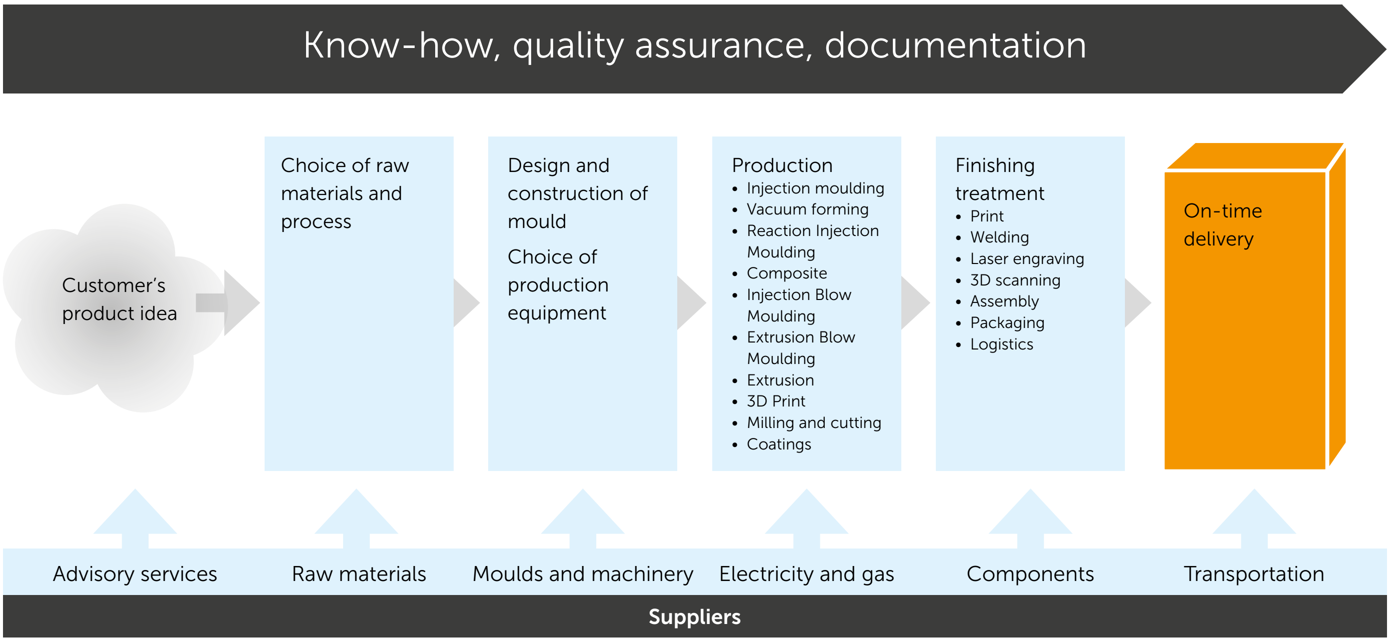
SP Moulding in Poland disposes of more than 100 injection-moulding machines.

Plastics and composites

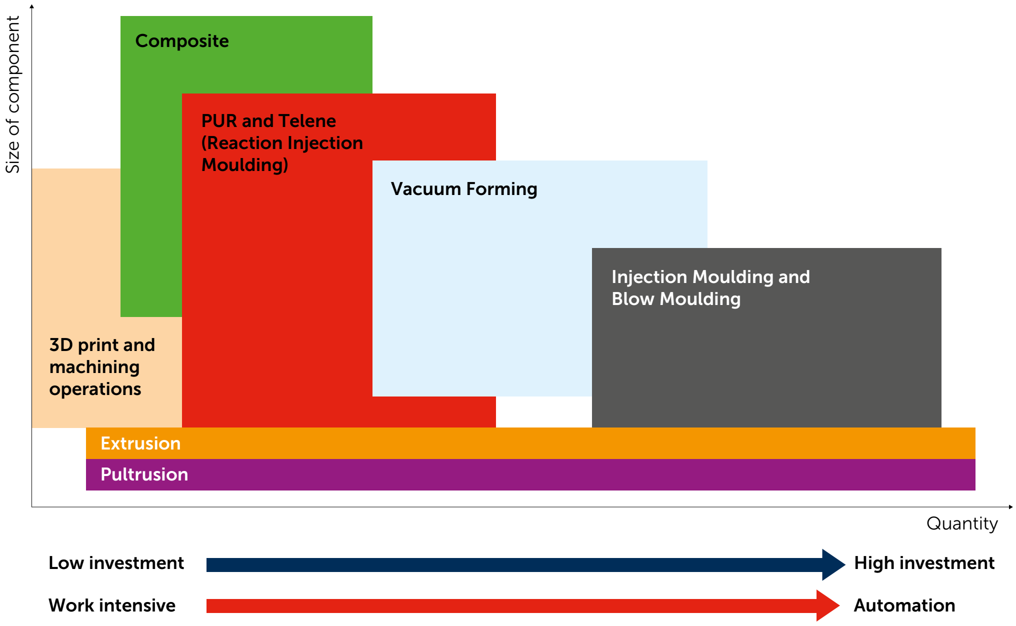
- New tasks in the health care industry
- New tasks in the cleantech industry
- More tasks in food-related industries

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

SP Group's value creation



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



Prototypes 3D are printed or processed by machine.

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

Heavy investments were made in 2019, adversely affecting earnings. The investments are expected to contribute positively to results of operations from 2020 onwards.

Injection moulding and blow moulding

- Global progress
- Many new tasks

2019 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 profits. In 2019, SP Group acquired all the shares in Coreplast Laitila Oy. Coreplast is a high-level injection moulding company with production and assembly facilities in Finland and disposes of a modern factory of 11,500 sqm.

Name:	SP Moulding A/S, Sander Tech ApS, Coreplast Laitila Oy, Ulstrup Plast A/S, SP Medical A/S and MedicoPack A/S
Website:	www.sp-moulding.dk, www.coreplast.fi, www.up.dk, www.sp-medical.dk, www.medicopack.com og www.kodanplast.eu
Location:	Juelsminde, Stoholm, Karise, Lynge, Langeskov, Sieradz (Poland), Zdunska Wola (Poland), Laitila (Finland), Pobedim and Zilina (Slovakia) and Suzhou (China)
Executive Board:	Søren Ulstrup, CEO of SP Moulding A/S and Ulstrup Plast A/S; Jens Birklund Andersen, CEO of Sander Tech ApS; Mikko Toivonen, CEO of Coreplast Laitila Oy, Mogens Laigaard, CEO of SP Medical A/S and Torben Bruhn, CEO of MedicoPack A/S
Activities:	SP Moulding, Sander Tech, Coreplast and Ulstrup Plast are leading manufacturers of injection-moulded plastic precision components for a wide range of industrial business enterprises. SP Moulding (Suzhou) Co., Ltd. in China, SP Moulding Poland Sp. z o.o. and Ulstrup Plast s.r.o. manufacture technical plastics and perform assembly work. The business unit SP Medical manufactures products in Karise and Zdunska Wola (Poland) to customers in the medical device industry. MedicoPack develops, produces and sells packaging material and pharmaceutical disposable equipment within injection and infusion therapy to the global pharmaceutical and health care industry
Description:	In addition to the actual moulding, which is carried out in modern production facilities, the business area handles all finishing such as 3D scanning, laser engraving, laser welding, ultrasound welding, surface treatment and compression. SP Moulding, Coreplast 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, Ulstrup Plast and Coreplast saw a healthy intake of a number of new customers in Europe, the Americas and Asia, and business with existing customers increased in both Europe and Asia.

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

In 2019, considerable investments were made in new advanced production equipment (including many new injection-moulding machines with advanced robot solutions, large energy saving projects and even more IT) as well as in developing and running in of many new projects.

Both SP Moulding, SP Medical, Coreplast and Ulstrup Plast have entered into agreements to purchase injection-moulding machines for delivery in 2020. The machines will be used to expand activities with existing customers. Moreover, we are in the process of extending several factories to handle increasing demands.

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

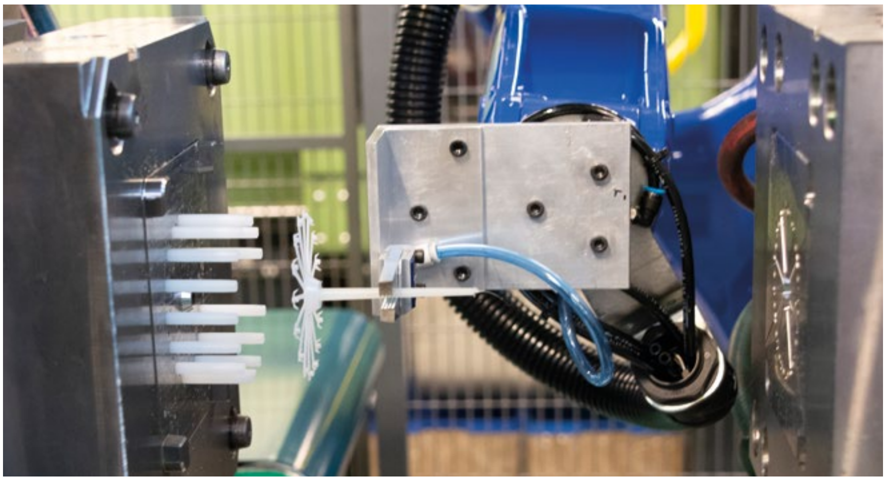
Markets and products

With approx. 475 injection-moulding machines (including more than 40 two- and three-component machines), SP Moulding, SP Medical, Coreplast and Ulstrup Plast are, combined, the largest independent injection-moulding business in Denmark and rank among the largest two in the Nordic 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, Coreplast and Ulstrup Plast. Moreover, the market share is increased by substituting plastics for other materials.

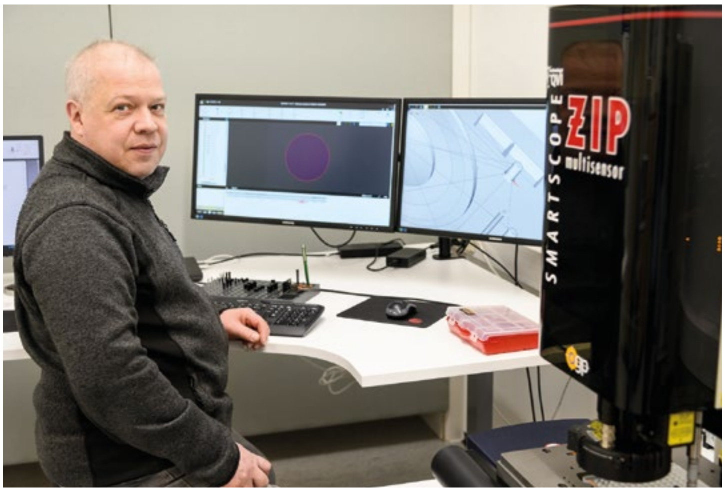
SP Moulding, Coreplast and Ulstrup Plast enjoy obvious advantages in the Northern European market due to their size and expertise in injection moulding and design, product development, international sourcing of moulds and raw materials as well as additional services such as welding, laser engraving,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

MEQU has developed an infusion blood warming system for acute transfusions.It is a portable fluid warmer, which can warm up cold blood to body temperatures within a few seconds.



SP Moulding injection-moulds this conic double pipe stub for pig insemination for the Schur Group.



Antti Väisänen, Coreplast Finland is happy for the new video measuring device, which ensures high quality to the customers.

INVISIO is market-leading within advanced communication systems and ear protectors. The company develops and sells advanced systems, which enables employees to communicate and work in noisy environments using ear protectors.

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

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 competencies. 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, Coreplast and Ulstrup Plast will increase exports from the three Danish factories and the Finnish factory 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. We will continue to move labour-intensive tasks from Western Europe to Poland, Slovakia and China and to invest massively in technology and people.

SP Moulding, Coreplast and Ulstrup Plast must win market shares in all markets by offering better customer service, intensifying participation in the customers' product development and by targeting their efforts at growth industries. Competencies must continuously be developed to allow us to differentiate ourselves also in future. In all plants, the production efficiency enhancement programme will continue, e.g. by means of Lean projects, more automation and focus on energy and raw material consumption, disposals as well as switchover times. We will continue our participation in the strengthening of 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
Location:	Søndersø, Nørre Aaby, Ejby, Tjæreborg, Zdunska Wola (Poland), 's-Hertogenbosch (the Netherlands), Helsingborg (Sweden), Cleveland and Mt. Pleasant (USA), Montreal (Canada), Suzhou (China) og Liepaja (Latvia)
Executive Board:	Claus Lendal, CEO of Ergomat A/S; Torben Nielsen, Managing Director of Tinby A/S; Loïc van der Heijden, Managing Director of TPI Polytechniek B.V., David Bourghardt, CEO of Bröderna Bourghardt AB; Kent B. Madsen, CEO of MM Composite A/S
Ergomat A/S	develops and sells ergonomic solutions under own brands – Ergomat® mats and DuraStripe® striping tape – to global corporate customers. Ergomat has sales companies in Europe and North America. Its products are manufactured in Poland and USA
Tinby A/S	manufactures moulded products in solid, foamed and flexible PUR as well as laminated plastics and elastomers 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	manufactures large plastic parts in DCPD (Telene) and composite for heavy vehicle, wind energy and satellite communication industries. Brdr. Bourghardt delivers worldwide through the factory in Latvia and the head office in Sweden
MM Composite A/S	develops and sells high-quality composite components to cleantech and other industries. The products are manufactured using different production technologies such as hand lay-up and vacuum infusion. MM Composite's head office is located in Denmark where the company also has two production facilities. Moreover, MM Composite also has production facilities in USA
Description:	PUR is manufactured by first mixing two special liquids, which react, and then moulding them, forming the required component. Expertise comprises knowing the scope for variation and making the best of the materials. The process is also called Reaction Injection Moulding – or just RIM
Environment/ quality:	Reference is made to the list of certificates on page 38

2019 in outline

Ergomat reported handsome results in 2019 and focused primarily on its core business, sale of ergonomic mats and DuraStripe® for the automotive industry and distribution centres which support on-line trade. Ergomat is operating actively in approx. 60 countries and sales in particular in Northern Africa and Mexico developed extremely positively. Sales on the primary markets were stable in 2019. However, a few very large projects in USA were postponed from Q4 in 2019 to Q1 in 2020. – Our new products for the prevention of work-related accidents such as advanced kinetic solutions within process flow control, tending of fork-lift trucks, etc. form the basis of considerable growth in this segment.

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 a 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 and 2,400 sqm. in Tjæreborg.

In 2019, TPI reported further positive developments on the North American markets. A sales office was established in USA, which will support the development in the region even further.

The Asian markets also developed positively, whereas the European market was stable.

New products will be launched in several markets in 2020.

Bröderna Bourghardt, with sales organisation in Sweden and production in Latvia focused on large sales projects in 2019. Some of them have not yet been realised, and combined with a less advantageous product mix 2019 was slightly weaker than 2018. In terms of production, focus was on automation in the form of investments in robots in 2019, which enhanced production efficiency.

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.

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

Tinby casts seat and backrest for this DRY chair for Randers+Radius. The DRY chair was awarded with the German Design Award Gold 2020.

Sales were stable in most markets, and particularly in East Asia, revenue increased in 2019 compared to 2018.

Ergomat operates actively in more than 60 countries with USA and the EU as its primary markets.

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.

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

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

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

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's strategy which is to focus on global customers continues and expectations for 2020 are positive. The new facility in Poland has increased capacity and improved delivery time, which was necessary to support the expansive strategy. Furthermore, the product range is now the same worldwide, and we are therefore able to offer the same products and the same services on all markets thereby guaranteeing transparency and compliance. Thereby we ensure that our customers are offered the best products at the best price. For several reasons, we have decided to downscale China in 2020 and instead intensify our efforts in the EU, Mexico and North Africa. The USA will still be our primary focus area.

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 2019, 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.

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

In Latvia, Tinby is affiliated to the established factory, Baltic Rim, with a new production line and production facilities of 1,100 sqm.

TPI expects increased sales in Europe in 2020 as a result of its launch of a number of new products. TPI also expects a higher level of activity in the Americas and Asia. Strong focus on developing new products will be maintained.

In 2020, Brdr. Bourghardt will expand the production facilities by 4,000 sqm for new and larger projects. Brdr. Bourghardt makes heavy investments in environment-friendly alternatives to conventional thermoplastics and composite.

Vacuum forming, Extrusion and Machining

- New tasks in several industries
- Establishment in USA and China
- Integration of Nycopac AB in Sweden and Kodaň Plast s.r.o. in Slovakia

2019 in outline

Activities have increased, and Gibo Plast and PlexxOpido succeeded in ensuring an improvement in operating profit and activities. 2019 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.

In Poland and Sweden, investments were made in new and more effective production machinery. Investments in new plants and relocation of parts of production to Poland implied cost savings and improved operating results as expected.

Name:	Gibo Plast A/S, Plexx AS, Opido AB, Nycopac AB and Kodaň Plast s.r.o.
Website:	www.giboplast.com, www.plexx.no, www.opido.se, www.nycopac.se, www.kodanplast.eu
Location:	Skjern, Ljungby (Sweden), Fredrikstad (Norway), Sieradz (Poland), Nyköping (Sweden), Zilina (Slovakia), Mt. Pleasant (USA) and Tianjin (China)
Executive Board:	Managing Director Lars Ravn Bering (Gibo Plast); CEO Arild S. Johnsen (PlexxOpido), Managing Director Andreas Lagestig (Opido), CEO Gusten Bergmark (Nycopac) and Managing Director Jens Møller and Peder Hyldegaard (Kodaň Plast)
Activities:	Gibo Plast and PlexxOpido develop, design and produce thermo-formed plastic components. The components are used for e.g. combi fridge freezers, buses and vehicles (automotive), medical devices and lighting equipment as well as for the cleantech industry. Gibo Plast is 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. Kodaň Plast is specialised in rotation and milling of plastic materials as well as bending, gluing and welding of plastics. Nycopac develops, designs and sells plastic packaging solutions for industrial transportation, both in the form of a number of standard products and customised solutions for specific tasks
Description:	Vacuum forming means that plastic sheets are 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

Gibo Inc. has established its own production in USA for sales to the US market. The company, Gibo Plast Co., Ltd., was established in China which to begin with is to act as stock and sales unit and which will be expanded in 2020 to house the production of vacuum forming and rotation moulding.

In Denmark, the extrusion activities were expanded on the plant in Skjern, which was certified to ISO standards within quality, environment and working environment.

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.

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

Gibo Plast is one of the largest vacuum-forming facilities in Europe and is able to perform complex tasks. In close co-operation with Tinby, Gibo has developed a number of interesting solutions for our customers, uniting the entities' expertise. In addition, Gibo further developed its competencies 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, extruded and machined 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.

Gibo Plast extrudes these profiles, which are manufactured from recycled plastics from household waste.

Quality Manager, Martyna Kulda and quality employee, Olga Sobczak, control a vacuum-formed component at the Gibo plant in Poland.

New machine for Gibo in USA.

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.

Strategy

Gibo Plast, PlexxOpido and Kodaň Plast offer plastic products, which are manufactured by extrusion, vacuum forming, milling, laser cutting, bending and gluing. Often, the plastic products are combined with PUR, e.g. in the form of ORS technology, whereby the characteristics are enhanced even further.

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.

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

In USA, production has been set up which services the US market, and in 2020, Gibo Plast Co., Ltd. will be expanded with production equipment so that the entity can manufacture locally in China for the Chinese customers.

Together with a continued improvement of the productivity in Skjern, these initiatives have contributed to improving Gibo Plast's profitability in 2019 and are expected to continue in 2020.

Gibo Plast has 12,000 sqm at the plant in Skjern, 12,000 sqm at the plant in Poland, 500 sqm at the plant in USA, 10,000 sqm at the plant in China, 6,000 sqm at the plant in Sweden and 800 sqm in Norway. Kodaň Plast has 500 sqm at the plant in Slovakia.

Gibo PLast, PlexxOpido, Nycopac and Kodaň Plast have a balanced customer portfolio and a sound exposure to a number of industries. The companies are making targeted efforts to attract new 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.

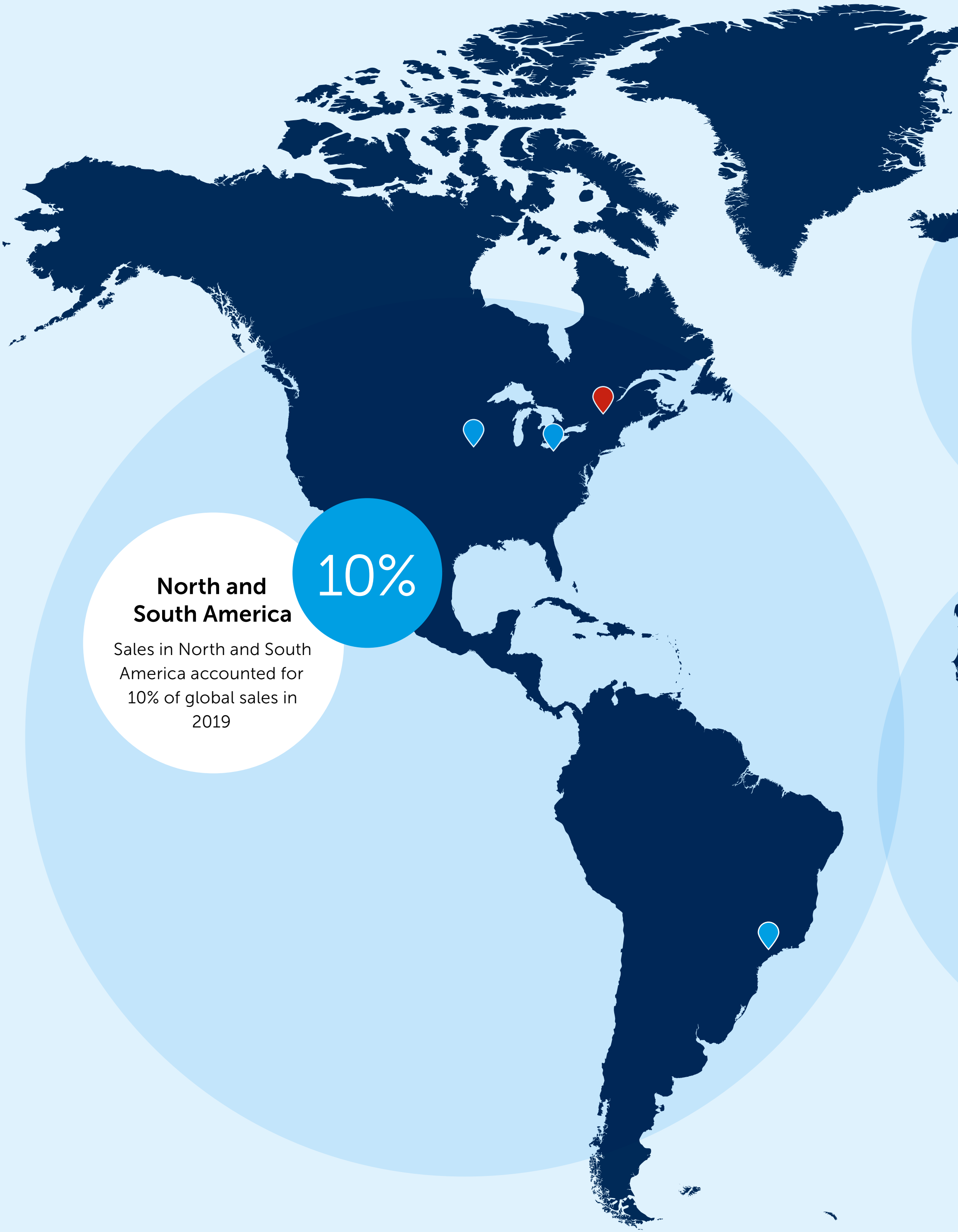
Gibo Plast will utilise its position to cultivate new markets in USA and Asia. A global production platform is to offer production close to the customers to minimise the environmental impact by transporting plastic components over long distances. Gibo Plast will also explore the possibilities of adding production technologies that can complement Gibo Plast's and SP Group's existing product range to the customers.

Marketing on existing and new markets will be focused on increasing knowledge of plastics in sectors that have traditionally used glass fibre, metals and wood and especially on the High-pressure and Twinsheet technologies allowing greater freedom in design and flexible production of complicated large-sized components. The ORS system contributes with reinforced and sound-absorbing vacuum-formed components. Gibo Plast has developed new projects for customers in the automotive and cleantech industries, which are expected to contribute positively to sales and earnings in 2020.

SP Group's locations

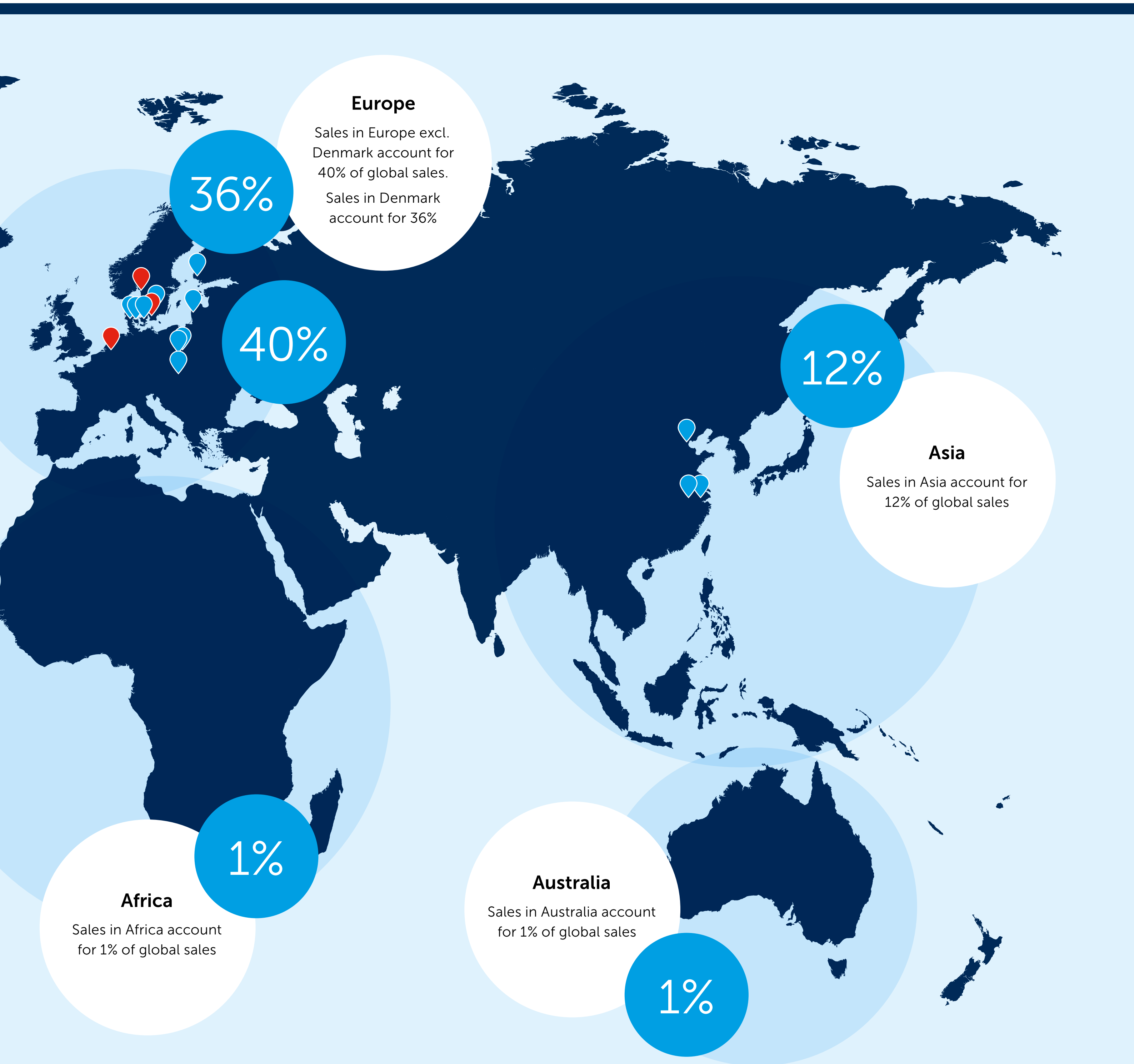
Sale and production
- Denmark (10)
- Poland (6)
- China (3)
- Brazil (1)
- USA (2)
- Latvia (1)
- Slovakia (2)
- Sweden (1)
- Finland (1)

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



Acquisitions in 2014-2019

2014	2015				2016	
24 February 2014 Bröderna Bourghardt AB	**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	**14 July 2016** MedicoPack A/S	**15 October 2016** Aasum Plast & Metal A/S (plastics activities)



2016	2017		2018		2019
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.	**25 June 2019** Coreplast Laitila Oy

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 BPN 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 64.4% in 2019 (2018: 61.7%). In 2019, SP Group billed its services directly to customers in 88 countries.

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

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

Free trade

SP Group sells its goods in 88 countries and purchases its raw materials from a number of countries. Therefore, SP Group depends on free and unrestricted access to the markets and that the authorities respect international agreements.

Customers

SP Group has more than 1,000 active customers, the ten largest of whom account for 50 % of consolidated revenue, which is up 0.5 percentage points on 2018. The 20 largest customers account for 61% of revenue (61% in 2018). The 20 largest customers are large, consolidated, internationally operating industrial groups.

The largest single customer accounts for 16.8% of consolidated revenue (2018:18.3%). All other customers account for less than 10% of revenue. At factory level, the dependence on individual customers is higher as a result of the individual factories' specialisation and focus on specific industries.

The concentration on the 20 largest customers remained unchanged in the year despite the acquisition of Coreplast, which had a limited customer overlap with the existing business and added new interesting customers.

33% of the Group's sales are affected 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 29% of revenue. The food industry is the third largest sector accounting for 14% 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 almost 21% of consolidated revenue in 2019, including medical device products (guide wires, Clear Vials™ and DivibaX®).

Free movement

SP Group sells its goods in 88 countries and purchases its raw materials and production equipment from a number of countries.

Therefore, SP Group relies on free travel and well-functioning infrastructure to get people and goods around in the world.

Outbreak of epidemics or illnesses, which close down parts of the world in whole or in part, is a risk that we were reminded of in early 2020.

Raw material prices and suppliers

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

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

Restructuring the production system

Production systems are changed on an ongoing basis, partly by investing in new production equipment and partly by modifying the systems and distribution of tasks. This means that the Group increases the degree of specialisation step by step of production at the individual factories 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.

Environment

In all countries, the production plants are subject to a number of environmental requirements, and further, a number of environmental and quality assurance systems have been implemented at the plants on a voluntary basis. SP Group complies with applicable environmental requirements but cannot guarantee – in spite of extensive safety procedures – that the external as well as the working environment will not be affected in case of accident. (Moreover, reference is made to pages 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, IFRS 16 Leasing and bank debt less cash and cash equivalents. At the end of the year, interest-bearing net debt totalled DKK 875.7 million. Approx. 27% of debt carries fixed interest for at least one year, hereof mortgage debt with an average interest rate of approx. 1.0%. A one percentage point increase in the general interest level will result in an increase in the Group's annual interest expenses before tax of approx. DKK 6.3 million.

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

Credit risks

SP Group systematically monitors the credit rating of customers and business partners and makes use of credit insurance and factoring to partially hedge credit risks. No individual customers or business partners pose an unusual credit risk to the Group. As the Group's customers and business partners are usually well-reputed companies operating in many different business sectors and countries, the overall credit risk is reduced. SP Group has not realised any 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 recognised in DKK or EUR, and approx. 77% 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 2019, the Group had hedged approx. 90% of the expected net cash flows for the coming 48 months.

20% of the Group's financing has been raised in EUR, 15% in PLN and 63% has been raised in DKK. The remaining 2% are raised in SEK and RBM.

Liquidity risks

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

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

At the end of 2019, SP Group has undrawn credit facilities in banks totalling approx. DKK 180 million as well as bank deposits of approx. DKK 50 million.

At the end of 2019, SP Group has sold invoices non-recourse in the amount of DKK 121 million (end of 2018: DKK 162 million) to reduce credit risks.

IT risks

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

Errors that are attributable to lacking user awareness or intentional unauthorised use such as individual attempts to gain access to systems are some of the risks SP Group faces.

Insufficient control of system changes or services together with ineffective measures to discourage, prevent, detect and react to such attempts may pose a risk to SP Group.

Moreover, SP Group faces the threat of security breaches (viruses, ransom ware, etc.) such as attacks against its information technology systems.

SP Group has a decentralised IT structure, where the individual companies have their own IT networks, which minimise the risk of computer failures and interruptions that may affect the entire Group at the same time.

The Group has implemented an IT security policy, which is complied with in the individual IT networks to hinder intentional damage to the systems and to limit the access to critical sub-systems.

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 2020" 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 2019, the Board of Directors held 10 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 be between to 25-45% by the end of 2020. 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 re-nomination at the annual general meeting in 2020. 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. After the annual general meeting, the Board of Directors decided to elect Hans W. Schur as chairman and Erik P. Holm as vice chairman.

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

New collaborative robot (Cobot) at MedioPack.

Provided that the Board of Directors is re-elected at the annual general meeting in 2020, its composition and structure will remain unchanged.

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

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

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

Remuneration of Management

The Company's remuneration policy has been approved by the annual general meeting, most recently in 2019. A new remuneration policy will be presented for discussion at the annual general meeting in 2020.

The Board of Directors has no incentive programmes but receives ordinary remuneration determined by the annual general meeting. At the general meeting in 2019, the Board of Directors will propose that directors' remuneration for 2019 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 2020, it is proposed that remuneration should remain unchanged compared to 2019.

Remuneration of the Executive Board is negotiated by the chairman and adopted by the Board of Directors. Remuneration comprises a basic rate and usual services such as company-paid telephone, company car, etc. Remuneration of the Executive Board totalled DKK 7.3 million in 2019 against DKK 7.1 million the year before. The Executive Board makes

Management remuneration

DKK '000	Remuneration	Membership of committees	Bonus	Company car	Pension *)	Share-based payment **)	Total
2019							
Hans Wilhelm Schur	450	0	0	0	0	0	450
Erik Preben Holm	275	0	0	0	0	0	275
Niels Kristian Agner	225	0	0	0	0	0	225
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Bente Overgaard	225	0	0	0	0	0	225
Frank Gad	4,200	0	1,000	126	0	0	5,326
Jørgen Hønnerup Nielsen	1,700	0	200	77	0	0	1,977
	7,300	**50**	**1,200**	**203**	**0**	**0**	**8,753**
2018							
Hans Wilhelm Schur	375	0	0	0	0	0	375
Erik Preben Holm	275	0	0	0	0	0	275
Niels Kristian Agner	300	0	0	0	0	0	300
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Bente Overgaard	225	0	0	0	0	0	225
Frank Gad	4,000	0	1,000	119	0	0	5,119
Jørgen Hønnerup Nielsen	1,650	0	200	102	0	0	1,952
	7,050	**50**	**1,200**	**221**	**0**	**0**	**8,521**
2017							
Niels Kristian Agner	450	0	0	0	0	0	450
Erik Preben Holm	275	0	0	0	0	0	275
Hans Wilhelm Schur	225	0	0	0	0	0	225
Hans-Henrik Eriksen	225	50	0	0	0	0	275
Erik Christensen	75	0	0	0	0	0	75
Bente Overgaard	150	0	0	0	0	0	150
Frank Gad	3,780	0	1,000	141	0	0	4,921
Jørgen Hønnerup Nielsen	1,590	0	200	117	0	0	1,907
	6,770	**50**	**1,200**	**258**	**0**	**0**	**8,278**

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

Directorships in Danish and foreign companies, etc., at 1 March 2020

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 1,992,346 (+19,772)
Other directorships: 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 (BF), Schur Pack Sweden AB (BF), Schur Pack Germany GmbH (BF), Schur Technology a/s (BF), Schur Packaging Systems AB (BF), Schur Star Systems GmbH (BF), Schur Star Systems Inc. (BF), Schur Star Systems Australia Pty. Ltd. (BM), Dit Pulterkammer A/S (BM), Emballagegruppen A/S (BF), Dan Labels a/s (BF).
Attendance rate: 90. 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: Sovino Brands Holding ApS (BF), Sovino Brands ApS (BF), Sovino Administration ApS (BF), Café Victor A/S (BF), Lucifer ApS (BF), Trattoria F A/S (BF), Restaurant Geist A/S (BF), Ravage A/S (BF), Vinomio ApS (BF), Ps Restaurant Holding ApS (BF), Boathouse Cph. ApS (BF), Salon ApS (BF), Sk 12 ApS (bf), Kulturperlen Kgn ApS (BF), Kanalen ApS (BF), Sovino Management ApS (BF), 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), Arvid Nilssons Fond (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), Wendelbo Møbel Design A/S (BM), Wendelbo Interiors A/S (BM), MIE5 Datterholding 8 ApS (BM), Maj Invest South America S.A. (BM), Maj Invest Singapore Private Ltd. (BM), Maj Invest Holding A/S (D), Fondsmæglerselskabet Maj Invest A/S (D), Maj Invest Equity (Adm.D), Erik Holm Holding ApS (D), MIE5 Holding 4 ApS (D), LD Equity 1 K/S (MI), LD Equity 3 K/S (MI), Maj Invest Equity 4 K/S (MI), Maj Invest Equity 5 K/S (MI), Maj Invest Equity Vietnam I K/S (MI), Maj Invest Equity Southeast Asia II K/S (MI).
Attendance rate: 100. 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 (0), 0 through own company (0) and related 250 (0).
Other directorships: Pigro Management ApS (D), G.E.C. Gads Forlag Aktieselskab af 1994 (BM) and G.E.C. Gads Fond (commissioned).
Attendance rate: 100. 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,
MSc, 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), Food Innovation Group ApS (BF), Food Innovation Center ApS (BF), Bagger-Sørensen Fonden (D) (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), AI Innovation Center A/S (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 and D), 4 Best Invest ApS (D), Tina Holding ApS (D), J-Flight ApS (D), Idecra ApS (D), SoLoCa IVS (D), Gumlink A/S (D), Okono A/S (D), Okono Holding ApS (D), Chew Invest ApS (D). Vissing Holding A/S (BF), CCC3 Holding (D), Vejle Centrum ApS (D) (BM), Flex Funding A/S (BM), BS HQ ApS (D).
Attendance rate: 100. Male, Danish citizen.
Broad experience in finance and accounting practice as well as auditing and investments and state authorised public accountant.
Chairman of the Audit Committee. Independent.

Bente Overgaard,
M.Sc. (Political science) Hellerup, born 1964.
Member of the Board of Directors since 2017.
No. of shares: 6,008 personally owned (+1,192) 1,461 though own company (0) and related parties 113 (113)
Other directorships: AES (BF), Den Danske Naturfond (NF), Prodata Consult (BM), Finansiel Stabilitet (BM), Johannes Fogs Fond (BM), HFI Invest (BM), Haslev Møbler (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 D = Director NF = Deputy Chairman
BM = Board member MI = Member of investment committee

pensions 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.

Members of the Executive Board are not eligible for any short-term incentive schemes such as bonus schemes, but the Board of Directors has decided to distribute discretionary bonuses in 2017, 2018 and 2019. However, SP Group has set up long-term incentive schemes.

In 2016, the Board of Directors issued 59,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 49,000 warrants were distributed between 29 executives. The warrants issued may be exercised to purchase shares in the Company in the period from 1 April 2019 to 31 March 2022. However, exercise can only take place during the first two weeks in those periods where Management i 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

Executive Board

Frank Gad, CEO
Born in 1960, MSc in Economics and Business Administration, Frederiksberg.
Frank Gad took up the position as CEO in November 2004 and is also chairman of the board for 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, Gadinvest A/S, Gadplast ApS and Gadmol ApS. Investeringsselskabet Damhaven A/S (BF).
Shares in SP Group: 173,830 personally owned (0) and 104,305 (-1,154,635) through his own company. Related party 1,219,950 (1,200,000).
Warrants in SP Group: 60,000
Frank Gad's shares (personally owned and related parties') account for 13.2% of the shares issued in SP Group. If warrants are included, the holding accounts for 13.7% 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: 165,975 personally owned (+20,000). Warrants in SP Group: 45,000.
Jørgen Hønnerup Nielsen's shares (personally owned and related parties') account for 1.5% of the shares issued in SP Group. If warrants are included, the holding accounts for 1.9% of the shares issued.
Attendance rate: 100. Male, Danish citizen.

Management group

Other executive officers in SP Group are:
Mads Juhl, CEO, Accoat A/S (until June 2019)
Susie-Ann Spiegelhauer,CEO, Accoat A/S (from 1 July 2019)
Lars Ravn Bering, CEO, Gibo Plast A/S and development director in SP Group A/S
Torben Nielsen, Managing Director of Tinby A/S
Adam Czyzynski, Managing Director, Tinby Sp. z o.o., Poland (until August 2019)
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, Sverige
Søren Ulstrup, CEO, Ulstrup Plast A/S and CEO of SP Moulding A/S
Torben Bruhn, CEO 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
Mikko Toivonen, CEO of Coreplast Laitila Oy (part of SP Group from June 2019)
Tilde Kejlhof, Group CFO, SP Group A/S (from January 2020)
Anders Vestermark Hansen, Group Chief Accountant, SP Group A/S
Mia Mørk, Executive Assistant, SP Group A/S
Kenny Rosendahl, Director, SP Medical A/S (until 31 December 2019)
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
Iwona Czyzynski, Plant Manager, SP Medical Sp. z o.o., Poland (until August 2019)
Rafal Szefer, Managing Director, SP Medical Sp. z o.o., Poland (from August 2019)
Renato Miom, Plant Manager, Accoat do Brasil Ltda., Brazil
Anie Simard, Vice President, Ergomat Inc., USA
Monika Karczewska, Managing Director, SP Moulding Sp. z o.o., Poland (from August 2019)
Niels Nørgaard, Plant Manager, Tinby Co. Ltd., China
April Zhu, Supply Chain Manager, Tinby Co. Ltd., China
Martin Baca, Managing Director, Ulstrup Plast s.r.o., Slovakia
Przemyslaw Tuzikiewicz, Managing Director, Tinby Sp. z o.o., Poland (from August 2019)
Anna Szymczak, CFO, SP Group's Polish companies (from August 2019)
Pawel Michalski, Plant Manager, SP Medical Sp. z o.o., Poland
Dominika Rytczak, Plant Manager, Gibo Sp. z o.o., Poland (until March 2019)
Jacek Staszczyk, Plant Manager, Ergomat Sp. z o.o., Poland (until August 2019)
Izabela Filipiak, Plant Manager, Ergomat Sp. z o.o., Poland (from August 2019)
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 og Peder Hyldegaard, Managing Directors, Kodaň Plast s.r.o., Slovakia

immediately before the publication of the annual report on 30 March 2016 and up to 27 April 2016. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2016 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2016 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016. At year-end 2019, 2,307 warrants under the 2016 programme were outstanding. All warrants are hedged by means of treasury shares.

In 2017, the Board of Directors issued 70,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 6,000 warrants, and Jørgen Nielsen received 4,000 warrants. The remaining 60,000 warrants were distributed between 37 executives. The 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. All warrants are partially hedged by means of treasury shares.

In 2018, the Board of Directors issued 41,500 warrants to the Executive Board and executive officers in the Group. Frank Gad received 3,000 warrants, and Jørgen Nielsen received 2,000 warrants. The remaining 36,500 warrants were distributed between 41 executives. The 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 issued before May 2018 will be entitled to subscription for 5 shares at 20% of the original exercise price.

In 2019, the Board of Directors issued 240,000 warrants to the Executive Board and executive officers in the Group. Frank Gad received 15,000 warrants, and Jørgen Nielsen received 15,000 warrants. The remaining 210,000 warrants were distributed between 42 executives. The issued warrants can be exercised to subscribe for shares in the period 1 April 2022 – 31 March 2025; however, exercise can only take place during the first two weeks in those periods where Management is allowed to trade the Company's shares in accordance with the Company's internal rules. The exercise price is fixed at DKK 210.00 based on the listed price immediately before and after the publication of the annual report on 27 March 2019. Moreover, an addition of 7.5% p.a. is added calculated from 1 April 2019 and until the warrants are exercised. The programme will not represent a value to the executives until the shareholders have ascertained increasing share prices. The grant in 2019 was made based on the mandate granted to the Board of Directors by the company in general meeting on 28 April 2016.

The Board of Directors believes that share-based arrangements are necessary to ensure that SP Group will be able to attract and retain qualified executive officers and other key personnel. The Board of Directors wishes to tie the executive officers closer to the Group, reward them for their contribution to the long-term value creation and establish that executive officers and shareholders have a common interest in increasing share prices, which helps support the Company's long-term earnings ambition as described in the "Going towards 2022" section on page 11.

Tinby casts WaterNest for NMD Care, which is a baby swaddle for children born prematurely.

SP Group's programmes so far have all been multi-annual programmes to promote long-term and value-adding conduct among the executive officers, and as a result of the annual interest surcharge, the exercise price has been higher than the share price at the grant date. These principles will also apply going forward. The Company will present its remuneration policy at the annual general meeting in 2020.

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

Financial reporting process

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

Control environment

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

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

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

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

Whistle-blower scheme

SP Group and all subsidiaries are striving to establish a business environment, which encourages and protects a high degree of integrity and responsibility.

Accordingly, the Company has established a whistle-blower scheme which allows persons with direct affiliations to the SP Group to report suspected lacking compliance with SP Group's policies and guidelines, legislation and rules as well as other serious irregularities.

Matters in respect of the whistle-blower scheme should be reported by e-mail to hhe@sp-group.dk. The e-mail is forwarded directly to Hans-Henrik Eriksen, who is Chairman of SP Group's Audit Committee and independent member of SP Group's Board of Directors appointed by the general meeting. Executives and employee of the SP Group have no access to see this e-mail.

View over SP Moulding's large injection-moulding machines in Poland.

Guidance on how to use SP Group's whistle-blower scheme is communicated to all entities in local languages.

The whistle-blower scheme is also described on the Company's website. No reports were forwarded by stakeholders in 2019.

Risk assessment

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

Audit Committee

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

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 auditors participate 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 2020:

Board of Directors and Executive Board:	Private	Own company	Related parties	Total	% of share capital
Hans Wilhelm Schur			1,992,346	1,992,346	17.5
Erik Preben Holm	64,160			64,160	0.6
Niels Kristian Agner	115,000		250	115,250	1.0
Hans-Henrik Eriksen	17,500	2,500		20,000	0.2
Bente Overgaard	6,008	1,461	113	7,582	0.1
Frank Gad	173,830	104,305	1,219,950	1,498,085	13.2
Jørgen Nielsen	165,975			165,975	1.5
	542,473	**108,266**	**3,212,659**	**3,863,398**	**33.9**

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 2019.

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 10 million in the period until 1 April 2024 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 asked the company in general meeting to renew the mandate in 2019.

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

Share split

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

Change of control

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

Shareholders' return

At present, the Board of Directors of SP Group primarily intends to apply profits to strengthen the Company's financial position and finance initiatives that can contribute to profitable growth.

During the year, the SPG share was traded at prices between 185 and 285. The share price was DKK 197.5 at the beginning of the year and DKK 242 at year end, corresponding to a market value of DKK 2,756 million.

In 2019, the return of the share was 23.8%, including dividend of DKK 2.40, which is in line with the Danish MidCap index.

In the period from 1 January 2010 to 31 December 2019, the SPG share yielded a total return of 2,998%, including dividend, which is the second highest among listed Danish shares.

Share buy-back programme

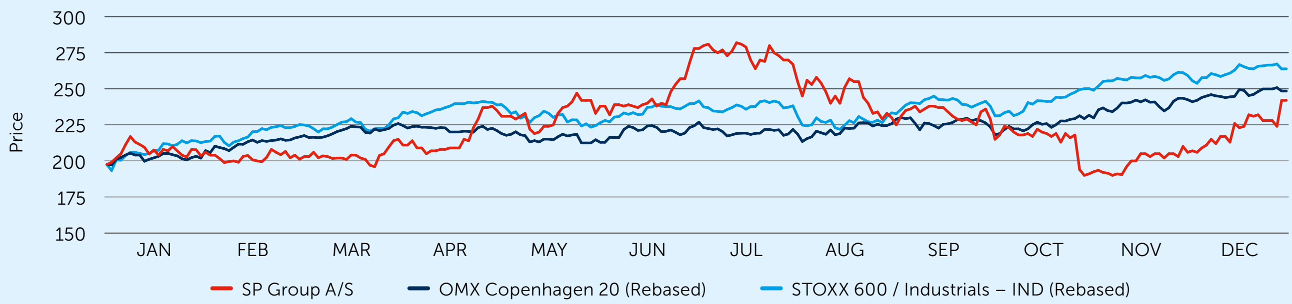
The Company will still try to fully or partially hedge warrant programmes by buying back treasury shares.

On 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).

A total of 286,902 shares were acquired at an average price of 223.45 under the programme, and DKK 64.1 million was applied (company announcement no. 24/2019).

On 11 April 2019, SP Group A/S implemented a share buy-back programme, see company announcement 14/2019 dated 27 March 2019. The share buy-back programme was expanded on no. 29 April 2019 by DKK 15 million (company announcement no. 29/2019) to DKK 55 million. The share buy-back programme has been prolonged and expanded, see company announcement no. 45/2019 dated 22 August 2019 by DKK 40

Development in the SPG share 1 January – 31 December 2019. Index 01/01/2019 = 197.5



million. In connection with the share buy-back programme, which runs from the period 11 April 2019 up to and including 10 April 2020, SP Group will purchase shares for a maximum of DKK 95.0 million. At the end of 2019, DKK 52.9 million had been exercised.

In 2019, 295,000 shares were sold via the exercise of warrants. SP Group's holding of treasury shares at year end 2019 amounted to 242,594 shares, representing 2.13%.

Ownership and liquidity

In mid-March 2020, four shareholders reported a holding of more than 5% of the shares: Schur Finance a/s, Odin Fund Management, ATP and Frank Gad (including his related parties) with a total of 43.4%. During the year, the number of registered shareholders increased from approx. 2,200 to approx. 2,350, and the registered shareholders' total ownership interest now amounts to 95.5% of the share capital (against 96.4% at the end of March 2019).

The known shareholder base outside Denmark is still modest but increasing. 81 international shareholders holding a total of 25.5% of the shares have become registered (82 at the end of March 2019 and 25.0% of the shares at the end of March 2019).

During the year, 2,861,091 shares were traded on NASDAQ, and 285,000 shares were traded outside NASDAQ, corresponding to 27.6% of the share capital. The price of the shares traded on Nasdaq totalled DKK 648.9 million. Measured in DKK, revenue on the stock exchange was 7.1% lower than the year before and measured by the number of shares traded, revenue decreased by 6.0% compared to the previous year.

Information

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

SP Group has a silence period of three weeks up to the publication of scheduled interim and full-year reports where the Group does not comment 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 at the website www.sp-group.dk.

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

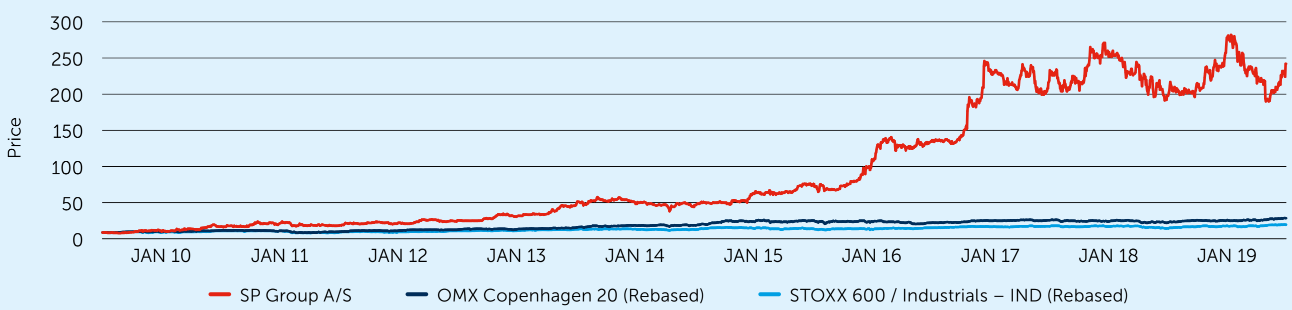
Financial calendar for 2020

27 March	Announcement of financial statements for 2019
27 April	Annual general meeting
26 May	Interim report for Q1 2020
25 August	Interim report for H1 2020
12 November	Interim report for Q3 2020

Share information – SP Group A/S – mid-March 2020

Name	Domicile	No.	Interest (%)
Schur Finance A/S	Horsens	1,992,346	17.5
Frank Gad, including related parties	Frederiksberg	1,498,085	13.2
Odin Fund Management	Oslo	813,799	7.2
Arbejdsmarkedets Tillægspension	Hillerød	623,385	5.5
Lannebo Fonder	Stockholm	452,566	4.0
		5,380,181	**47.4**
Distribution of other shares			
SP Group (treasury shares)		323,361	2.8
Registered shares below 5%		5,159,543	45.2
Non-registered shares		526,915	4.6
TOTAL		**11,390,000**	**100.0**

Development in the SPG share 1 January 2010 – 31 December 2019. Index 01/01/2010 = 8.7



Quality control

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

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

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 "nano glue", 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.

Gibo Plast has established production facilities in Tianjin, China.

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 2019. 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, 33% 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.

In all countries, the production plants are subject to a number of environmental requirements, and further, a number of environmental and quality assurance systems have been implemented at 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 of the consumption of resources in 2019.

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

At SP Moulding's, Coreplast'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 lighter and more 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 weight and thereby 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. 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 2019.

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 and 2019, SP Group completed a project, which is to ensure that the Group complies with 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.

Matters concerning employees

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

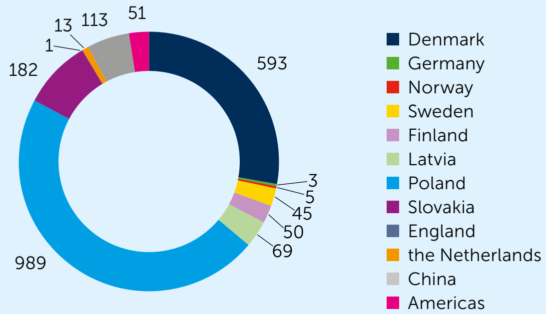
We want to ensure that our employees enjoy good conditions of employment in a secure and healthy working environment. We will strive to ensure that our employees are offered development opportunities at work, e.g. through continuing education and training.

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.

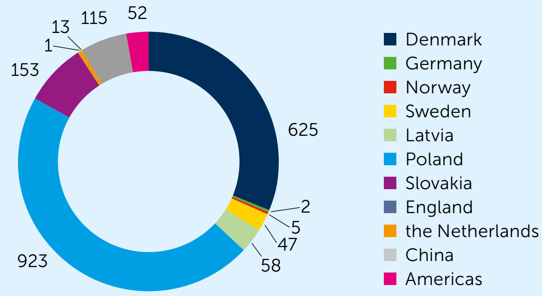
We respect differences in cultures and traditions and will not discriminate against anyone at the workplace on account of his or her age, sex, race, complexion, disability, religion or faith, national or social origin, union membership or any other cause of discrimination.

SP Group aims at running all companies as healthy entities and attractive workplaces. Therefore, we strive to ensure basic employee rights and safe, respectful and developing working days for the individual employee.

Staff breakdown by geography in 2019 (average)



Staff breakdown by geography in 2018 (average)



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 2019.

Staff composition

On average, SP Group's staff outside Denmark increased by approx. 11.1% to 1,521 employees in 2019. The average number of employees in Denmark decreased from 625 to 593.

Globally, SP Group's staff increased from 2,068 at the beginning of the year to 2,181 at year end. On average, SP Group had 2,114 employees in 2019. At year end, 27.2% of the staff was employed in Denmark, and 72.8% was employed outside Denmark.

The year saw a shift of 3.2 percentage points as part of the increased internationalisation of the business and the acquisition of Coreplast Laitila Oy. 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 executives

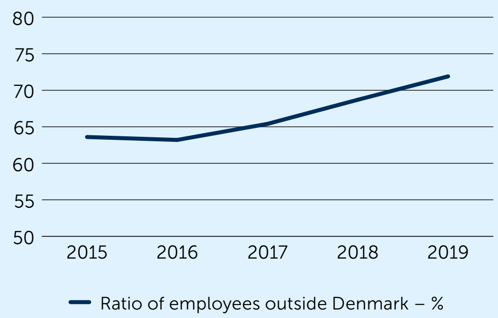
The Board of Directors of SP Group A/S has adopted a policy with the purpose of increasing the ratio of the underrepresented gender at all levels of management and promoting diversity in general. The goal is still to fill managerial posts based on the qualifications needed, while at the same time increasing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

At year end, the ratio of women in Management (Executive Board and management team) was 24%. 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 minimum 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.

At the annual general meeting in 2017, Bente Overgaard was elected. The target is maintained.

Ratio of employees outside Denmark in 2015-2019 (average)



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 additional benefits.

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

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.

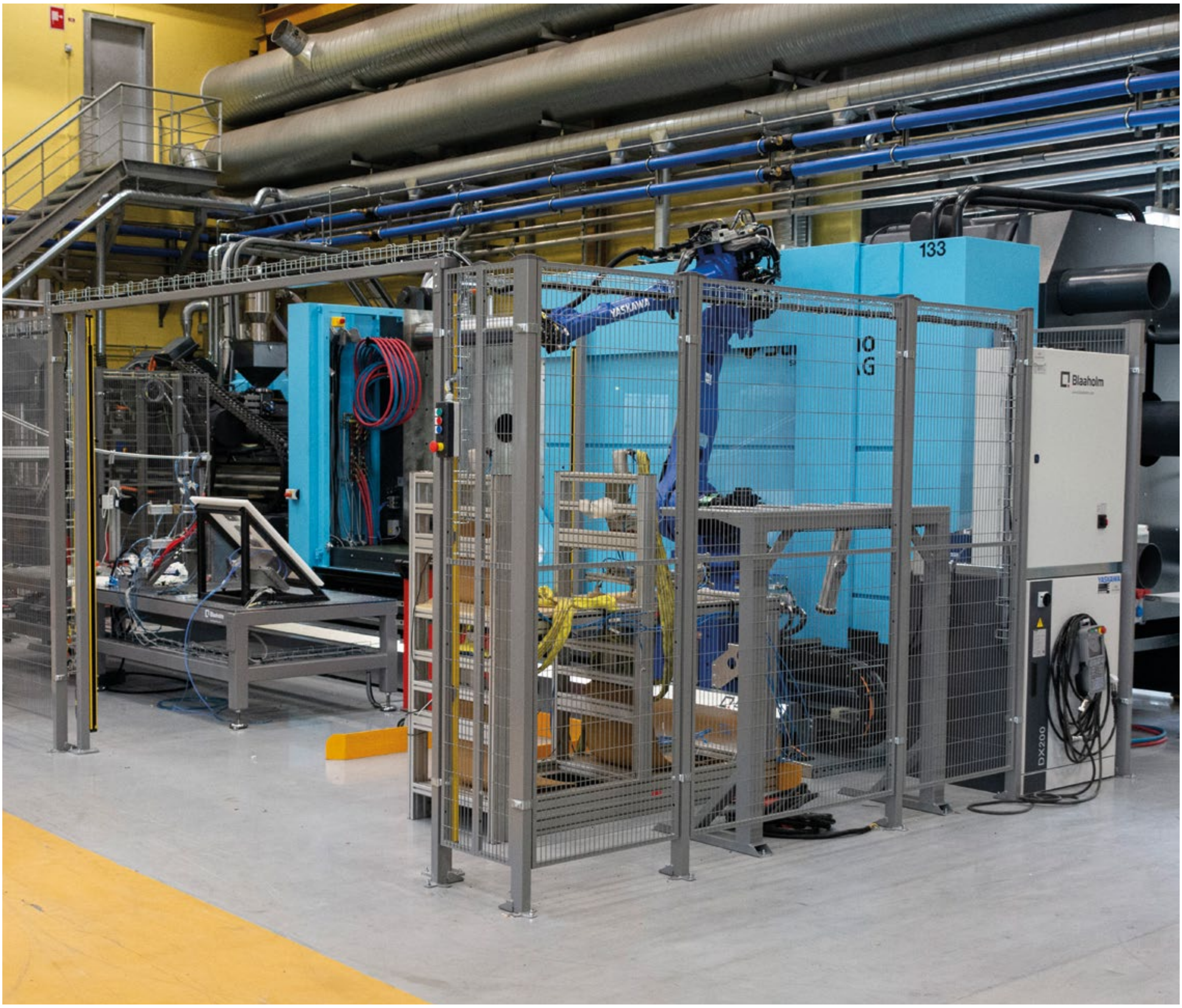
SP Group also applies systematic roll-out of Lean processes to the Group's plants to enable the employees to influence their own working situation as well as processes and workflows.

The target set for 2020 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.

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

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.



One of SP Moulding's new 1500T injection moulding machines.

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.

Any 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 2019, 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 12 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 environment-friendly technologies and materials in our production processes.

Effort

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 dirty 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	2019	2018	2017
Water (m^3)	23,800	21,109	20,324
Water consumption per kg processed raw materials (litre)	0.73	0.73	0.80

SP Group's products help reduce energy consumption and provide access to **renewable energy**.

SP Group manufactures plastic and composite components for wind turbines, which make the turbines and thereby also electricity from 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 contaminants 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, 59% of electricity in 2019 came from wind, water and solar energy, 5% from nuclear power, 16% from waste and biogas and 20% from fossil fuels according to Energinet's declaration.

Figure 2 – Energy consumption

Energy consumption	2019	2018	2017
Coal (kg)	0	0	0
Fuel oil (litre)	101,865	178,109	132,020
Natural gas (m^3)	1,309,242	1,235,688	1,418,164
Electricity (kWh)	60,395,863	58,893,152	53,615,065
Electricity consumption (kWh) per DKK million in revenue	30,004	29,971	28,458
Electricity consumption (kWh) per kilo processed raw materials	1.86	2.03	2.11

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.

In 2019, hat Accoat coats production equipment, which is used for the manufacturing of Grøn Brint (Green Hydrogen). Green Hydrogen is produced by splitting of water using excess current from wind turbines. It is the vision to store energy from excess current from wind turbines.

SP Group's subsidiary Tinby Skumplast A/S supplies foam sheets in PUR and PIR 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 materials 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.

MM Composite has developed new smart tabletops for office environments manufactured from refuse composite from the manufacturing of components to wind turbine wings.

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

Other products are developed for the purpose of longer life. Ergomat's relief mats are a sustainable solution that also provides 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 decreased significantly in 2019. Our raw materials and suppliers of raw materials observe the Reach and RoHS standards.

Figure 3 – Purchase of raw materials

Purchase of raw materials	2019	2018	2017
Plastics (kg)	19,685,677	15,220,931	13,871,181
Glass fibre (kg)	9,730,540	11,711,282	9,499,238
Coatings (kg)	47,375	61,419	58,554
Other (e.g. Iso, Polyol, Telene, Resin)	3,003,466	2,068,629	2,001,116

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. 33% of our revenue thus stems from the cleantech industry, which uses our products to reduce energy consumption, produce renewable 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. Moreover, Accoat, Gibo Plast, SP Moulding, Sander Tech, 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	2019	2018	2017
Replenishment of refrigerating units (coolant fluids in kg)	17	37	43

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.

Matters concerning 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.

Effort

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 2020 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 2019, the factories in Denmark had 22 trainees (plastics engineer trainees, automatic control technician trainees, industrial technician trainees, etc.).

In Eastern Europe, we have hired and trained 50 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.

At SP Group, we want to play a part in promoting **gender equality** and reducing **inequality**. We therefore ensure equal pay for equal work and pay a fair salary to all our employees regardless where they are located. In 2019, we employed almost as many women as men.

Figure 5 – Staff composition – gender 2019

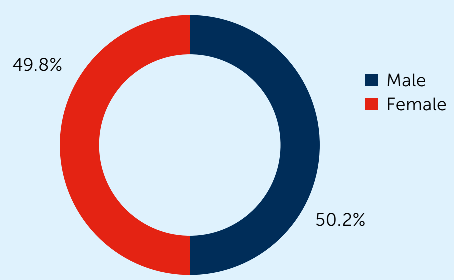


Figure 5a – Staff composition – gender, number of

Staff composition %	2019	2018	2017
Number of men	1,116	1,012	999
Number of women	1,106	1,048	951

Figure 5b – Staff composition – gender, per cent

Staff composition %	2019	2018	2017
Number of men	50.2%	49.1%	51.2%
Number of women	49.8%	50.9%	48.8%

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 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 24%. SP Group still aims to ensure that at least one male and one female candidate are among the top three candidates for new leadership positions.

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

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

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

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

SP Group creates a safe and healthy **working environment** for our employees, partly through the working environment organisation and partly through policies and targeted efforts to ensure safety and health at 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 2019 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 45001.

Figure 6 – Industrial accidents

Industrial accidents	2019	2018	2017
Deaths	0	0	0
LTI (injuries resulting in min. one day of absence)	38	36	26
LTIFR (injuries resulting in min. one day of absence per million working hours)	10.4	10.7	8.1

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 2019, 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.

Effort

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 2019, 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 crops. 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 develops and manufactures pharmaceutical packaging and single-use equipment in the area of injection and infusion therapy for the pharmaceutical industry and hospitals. Through constant optimisation and focus on innovation, we help support safe use of medicine for the purpose of preventing and curing diseases and thus improving health globally.

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

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 and 2019, 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 cause 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 2019, 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

The Board of Directors and the Executive Board have today discussed and approved the annual report of SP Group A/S for 2019.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2019 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2019.

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 2020

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

Conclusion

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 2019, 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 Group's and the Company's financial position at 31 December 2019 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with IFRS as adopted by the EU and additional requirements under 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 9 years up until the financial year 2019.

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 2019. 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 199.0 million in the balance sheet at 31 December 2019. 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 2020-2022 and a terminal value. We examined procedures for the budget preparation and compared budgets with the Group's strategic work within 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 2019, the Group recognised inventories totalling DKK 488.8 million 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 financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act

Management is also responsible for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- Obtain sufficient 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 with 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 of the current period and are therefore the 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 2020

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

Søren Skov Larsen
State Authorised
Public Accountant
mne26797

Morten Schougaard Sørensen
State Authorised
Public Accountant
mne32129

Consolidated financial statements and parent company financial statements

Income statement

PARENT				GROUP	
2018	**2019**	**Note**	DKK '000	**2019**	**2018**
7,431	7,400	3	Revenue	2,012,932	1,965,028
0	0	4,7	Production costs	-1,370,187	-1,319,356
7,431	**7,400**		**Contribution margin**	**642,745**	**645,672**
5,165	5,725	5	Other operating income	2,500	1,834
-7,674	-8,808	6	External expenses	-102,755	-132,530
-14,463	-14,908	6,7,8	Staff costs	-234,980	-229,357
-9,541	**-10,591**		**Profit/loss before depreciation, amortisation and impairment losses (EBITDA)**	**307,510**	**285,619**
-2,742	-3,174	9	Depreciation, amortisation and impairment losses	-129,681	-89,695
-12,283	**-13,765**		**Profit/loss before net financials (EBIT)**	**177,829**	**195,924**
56,334	55,957	10	Dividends from subsidiaries	-	-
16,215	19,862	11	Financial income	21,501	17,514
-8,715	-8,173	12	Financial expenses	-23,937	-13,325
51,551	**53,881**		**Profit/loss before tax**	**175,393**	**200,113**
2,884	4,770	13	Tax for the year	-35,124	-40,030
54,435	**58,651**		**Profit/loss for the year**	**140,269**	**160,083**
			Attributable to:		
			The Parent Company's shareholders	140,188	160,434
			Non-controlling interests	81	-351
				140,269	**160,083**
			Earnings per share (EPS)		
		14	Earnings per share (DKK)	12.57	14.37
		14	Earnings per share, diluted (DKK)	12.46	14.10
			Proposed distribution of profit/loss		
27,336	0		Dividends		
27,099	58,651		Retained earnings		
54,435	**58,651**				

Statement of comprehensive income

PARENT				GROUP	
2018	2019	Note	DKK '000	2019	2018
54,435	**58,651**		**Profit/loss for the year**	**140,269**	**160,083**
			Other comprehensive income:		
			Items that may be reclassified to the income statement:		
0	0		Exchange rate adjustments relating to foreign subsidiaries	3,546	-3,988
			Value adjustments of hedging instruments:		
0	0		Value adjustments for the year	25,574	-3,902
0	0		Value adjustments transferred to revenue	-10,598	-7,150
0	0	13	Tax on other comprehensive income	-2,845	2,015
0	**0**		**Other comprehensive income**	**15,677**	**-13,025**
54,435	**58,651**		**Total comprehensive income**	**155,946**	**147,058**
			Attributable to:		
			The Parent Company's shareholders	155,879	147,452
			Non-controlling interests	67	-394
				155,946	**147,058**

Balance sheet at 31/12

PARENT				GROUP	
2018	2019	Note	DKK '000	2019	2018
0	209		Trademarks	209	0
0	0		Software	8,534	8,707
0	0		Customer files	41,344	44,900
0	0		Goodwill	198,992	194,210
0	0		Completed development projects	8,145	5,303
0	0		Development projects in progress	6,783	5,313
0	**209**	**15**	**Intangible assets**	**264,007**	**258,433**
86,510	85,605	16	Land and buildings	261,315	202,646
0	1,600	16	Plant and machinery	368,401	395,108
756	593	16	Fixtures and fittings, tools and equipment	40,057	32,113
0	0	16	Leasehold improvements	20,229	16,661
528	0	16	Property, plant and equipment under construction	32,370	27,885
0	1,247	17	Leased assets	228,983	0
87,794	**89,045**		**Property, plant and equipment**	**951,355**	**674,413**
595,489	662,661	18	Equity investments in subsidiaries	-	-
0	0	19	Equity investments in associates	-	1,679
0	0		Deposits	1,152	1,322
0	0	28	Deferred tax assets	1,760	2,821
595,489	**662,661**		**Other non-current assets**	**2,912**	**5,822**
683,283	**751,915**		**Non-current assets**	**1,218,274**	**938,668**
0	**0**	**20**	**Inventories**	**488,843**	**385,818**
136	0	21,22	Trade receivables	234,804	208,437
64,980	50,952		Receivables from subsidiaries	-	-
0	0	22	Contract assets	7	1,469
5,717	15,346		Corporation tax receivable	4,171	1,814
209	185	23	Other receivables	53,790	34,717
2,253	2,049		Prepayments	10,020	8,144
73,295	**68,532**		**Receivables**	**302,792**	**254,581**
15,028	**54**	**24**	**Cash**	**48,706**	**61,442**
88,323	**68,586**		**Current assets**	**840,341**	**701,841**
771,606	**820,501**		**Assets**	**2,058,615**	**1,640,509**

Balance sheet at 31/12

PARENT				GROUP	
2018	**2019**	**Note**	DKK '000	**2019**	**2018**
22,780	22,780	25	Share capital	22,780	22,780
2,887	4,165	26	Other reserves	26,155	9,186
-52,756	-55,004		Reserve for treasury shares	-55,004	-52,756
202,427	223,810		Retained earnings	714,056	611,136
27,336	0		Dividend proposed for the year	0	27,336
202,674	**195,751**		**Equity attributable to the Parent Company's shareholders**	**707,987**	**617,682**
-	**-**		**Equity attributable to non-controlling interests**	**2,415**	**2,348**
202,674	**195,751**		**Equity**	**710,402**	**620,030**
142,158	207,358	27	Bank debt	217,788	143,793
104,668	85,183	27	Financial institutions	130,169	155,218
0	847	17,27	Lease liabilities	140,614	39,027
44,204	17,021	27	Other non-current liabilities other than provisions	24,722	44,204
1,417	2,677	28	Deferred tax liabilities	60,169	46,441
292,447	**313,086**		**Non-current liabilities**	**573,462**	**428,683**
86,393	122,298	17,27	Current portion of non-current liabilities	199,588	107,667
0	57,611		Bank debt	278,804	206,739
0	0	22	Contractual obligations	54,756	19,808
266	778	29	Trade payables	157,051	162,120
182,757	126,592		Payables to subsidiaries	-	-
0	0		Corporation tax	590	15,274
0	0	30	Provisions	4,673	2,224
7,069	4,385	31	Other payables	79,370	77,964
276,485	**311,664**		**Current liabilities**	**774,751**	**591,796**
568,932	**624,750**		**Liabilities**	**1,348,213**	**1,020,479**
771,606	**820,501**		**Equity and liabilities**	**2,058,615**	**1,640,509**

32-34 Collateral and contingent liabilities, etc.

37-47 Other notes

Statement of changes in equity

GROUP

DKK '000	Share capital	Other reserves	Reserve for treasury shares	Transferred Profit/loss	Proposed dividend	Equity capital attributable to the Parent Company's shareholders	Equity capital attributable to non-controlling interests	Equity capital Total
Equity at 01/01/2018	**22,780**	**20,745**	**-45,376**	**515,670**	**22,780**	**536,599**	**1,088**	**537,687**
Profit 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 schemes	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	0	0	0	0	0	0	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**
Profit for the year	0	0	0	140,188	0	140,188	81	140,269
Exchange rate adjustments relating to foreign subsidiaries	0	3,560	0	0	0	3,560	-14	3,546
Value adjustment of financial instruments held to hedge future cash flows	0	25,574	0	0	0	25,574	0	25,574
Value adjustments transferred to revenue	0	-10,598	0	0	0	-10,598	0	-10,598
Tax on other comprehensive income	0	-2,845	0	0	0	-2,845	0	-2,845
Comprehensive income for the financial year	**0**	**15,691**	**0**	**140,188**	**0**	**155,879**	**67**	**155,946**
Share-based payment	0	702	0	0	0	702	0	702
Share-based payment, exercised schemes	0	-496	0	496	0	0	0	0
Sale of warrants	0	1,072	0	0	0	1,072	0	1,072
Acquisition of treasury shares	0	0	-68,516	0	0	-68,516	0	-68,516
Sale of treasury shares, warrant programme	0	0	66,268	-39,382	0	26,886	0	26,886
Tax on acquisition/sale of treasury shares	0	0	0	1,276	0	1,276	0	1,276
Distribution of dividend	0	0	0	0	-26,994	-26,994	0	-26,994
Distribution of dividend, treasury shares	0	0	0	342	-342	0	0	0
Other changes in equity	**0**	**1,278**	**-2,248**	**-37,268**	**-27,336**	**-65,574**	**0**	**-65,574**
Equity at 31/12/2019	**22,780**	**26,155**	**-55,004**	**714,056**	**0**	**707,987**	**2,415**	**710,402**

Statement of changes in equity

						PARENT
DKK '000	Share capital	Other reserves	Reserve for treasury shares	Transferred Profit/loss	Proposed dividends	Equity capital Total
Equity at 01/01/2018	**22,780**	**1,464**	**-45,376**	**212,960**	**22,780**	**214,608**
Profit 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**
Profit for the year	0	0	0	58,651	0	58,651
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**	**58,651**	**0**	**58,651**
Share-based payment	0	702	0	0	0	702
Share-based payment, exercised arrangements	0	-496	0	496	0	0
Sale of warrants	0	1,072	0	0	0	1,072
Acquisition of treasury shares	0	0	-68,516	0	0	-68,516
Sale of treasury shares, warrant programme	0	0	66,268	-39,382	0	26,886
Tax on acquisition/sale of treasury shares	0	0	0	1,276	0	1,276
Distribution of dividend	0	0	0	0	-26,994	-26,994
Distribution of dividend, treasury shares	0	0	0	342	-342	0
Other changes in equity	**0**	**1,278**	**-2,248**	**-37,268**	**-27,336**	**-65,574**
Equity at 31/12/2019	**22,780**	**4,165**	**-55,004**	**223,810**	**0**	**195,751**

Cash flow statement

PARENT				GROUP	
2018	**2019**	**Note**	DKK '000	**2019**	**2018**
-12,283	-13,765		Profit/loss before net financials (EBIT)	177,829	195,924
2,742	3,174		Depreciation, amortisation and impairment losses	129,681	89,695
495	702		Share-based payment	702	495
1,160	737		Value adjustments, etc.	-1,430	1,544
41,458	-43,945	35	Changes in net working capital	-83,690	-75,353
33,572	**-53,097**		**Cash generated from operations**	**223,092**	**212,305**
688	714		Interest income, etc., received	409	549
-5,041	-7,241		Interest expenses, etc., paid	-23,937	-13,325
14,466	-2,282		Corporation tax received/paid	-40,934	-26,128
43,685	**-61,906**		**Cash flows from operating activities**	**158,630**	**173,401**
56,313	55,957		Dividends from subsidiaries	-	-
0	-20,000		Capital injection, subsidiary	-	-
-13,745	-17,778		Acquisition of entity	-17,778	-5,244
0	766		Sale of entity	0	0
0	-209		Acquisition of intangible assets	-8,490	-11,722
-12,422	-2,786		Acquisition of property, plant and equipment	-154,997	-123,648
0	-		Amount relating to finance leases	-	15,568
0	0		Disposal of property, plant and equipment	1,063	399
30,146	**15,950**		**Cash flows from investing activities**	**-180,202**	**-124,647**
-22,669	-26,994		Dividend distributed	-26,994	-22,669
0	0		Deposits, adjustment	170	-405
-64,294	-68,516		Acquisition of treasury shares	-68,516	-64,294
16,838	26,886		Sale of treasury shares	26,886	16,838
1,495	1,072		Sale of warrants	1,072	1,495
120,480	130,000		Raising of long-term loans	156,693	136,048
0	0		Amount relating to finance leases	-	-15,568
-95,027	-88,704		Instalments on non-current liabilities, excl. lease liabilities	-125,707	-115,803
0	-373		Instalments on lease liabilities	-26,833	-115,803
-17,423	57,611		Change in current bank debt	72,065	1,441
-60,600	**30,982**		**Cash flows from financing activities**	**8,836**	**-62,917**
13,231	**-14,974**		**Cash flows for the year**	**-12,736**	**-14,163**
1,797	15,028		Cash balances at 01/01	61,442	75,605
15,028	**54**	**36**	**Cash balances at 31/12**	**48,706**	**61,442**

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 2019 comprises both the consolidated financial statements of SP Group A/S and its subsidiaries (the Group) and separate parent company finan-cial statements.

The annual report of SP Group A/S for 2019 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 presenta-tion currency for the Group's activities and the Parent Company's func-tional currency.

Going concern statement

In connection with the financial reporting, the Board of Directors, the Audit Committee and the Executive Board assessed whether presenta-tion 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, includ-ing 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 as-sumption.

Changes in accounting policies

Effective from 1 January 2019, SP Group A/S has implemented the fol-lowing new or amended standards and interpreta-tions:

- IFRS 16 Leases
- Amendments to IFRS 9 on prepayment features
- Amendments to IAS 19 on changes to pension schemes during the accounting period
- Amendments to IAS 28 on long-term equity interests in associates and joint ventures
- IFRIC 23 on uncertain tax positions
- Annual Improvements to IFRSs 2015-2017

Only IFRS 16 has affected recognition and measurement in the annual report. The effect is stated in the below section.

Effect of IFRS 16

Effective from 1 January 2019, SP Group A/S has implemented the new standard on leases, IFRS 16, using the modified retrospective transition method and has therefore not restated the comparative figures, which are still presented in accordance with the rules of IAS 17 and IFRIC 4. The accounting policies of IAS 17 and IFRIC 4 are presented separately if they deviate significantly from the accounting policies of IFRS 16. The effect of the implementation of IFRS 16 is recognised in equity at 1 January 2019.

As opposed to previously, the Group must now recognise all leases in the balance sheet, including operating leases, with a few exceptions. Conse-quently, a lease commitment measured at the present value of the future lease payments, see description below, must now be realised together with a corresponding leased asset adjusted for payments made to the les-sor prior to the commencement of the lease and incentive payments received from the lessor. The Group has decided not to recognise costs directly related to the leased asset.

In accordance with the transitional provisions of IFRS 16, the Group has used the following transitional provisions when implementing the stand-ard:

- Not to reassess whether a contract is or comprises a lease.
- To determine a discount rate on a portfolio of leases with similar char-acteristics.

When assessing the future lease payments, the Group reviewed its op-erating leases and identified the lease payments related to a lease com-ponent that are fixed or variable but change in line with changes in an index or an interest rate.

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 produc-tion 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 6-10 years, whereas the lease term for the other properties is assessed to be 1-5 years. Notwithstanding this assessment, the lease terms have been de-termined 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 correspond-ing to the term of the lease denominated in the currencies in which lease payments are settled. The Group has documented the incremental bor-rowing rate of each portfolio of leases with similar characteristics.

Effect of the implementation of IFRS 16

When implementing IFRS 16, the Group has recognised leased assets and a lease commitment of approx. DKK 165 million, and thus, the effect on equity was DKK 0 at 1 January 2019.

Leased assets primarily comprise properties and operating equipment, and at the transfer date, total leased assets amounted to DKK 165,259 thousand (former operating leases), and finance leases transferred to property, plant and equipment amounted to DKK 74,789 thousand, totalling DKK 240,048 thousand.

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

TDKK	
Operating lease commitments at 31 December 2018	**112,357**
Discounted at an incremental borrowing rate at 1 January 2019	97,061
Finance lease commitments recognised at 31 December 2018	74,789
Call options that are reasonably certain to be exercised	19,835
Lease payments for periods under extension options that are reasonably certain to be exercised	48,363
Lease commitment recognised at 1 January 2019 (IFRS 16)	**240,048**

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 2019:

- IFRS 17 Insurance contract
- IFRS 3 Business combination – Amendments to IFRS 3
- IAS 1 Presentation of Financial Statements og IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Amendments to IAS 1 and IAS 8: Definition of Material
- Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS standards
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate Benchmark Reform

Of the above, all have been adopted by the EU except for IFRS 17 and Amendments to IFRS 3.

Amendments to IFRS 3 are expected to be adopted in March 2020.

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 is assessed that none of the above standards and interpretations will have effect on recognition and measurement in SP Group A/S.

Consolidated financial statements

The consolidated financial statements comprise the parent company SP Group A/S (the Company) and subsidiaries con-trolled 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.

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

Non-controlling interests

On initial recognition, non-controlling interest are either measured at fair value or at their proportionate share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Choice of method is made for each individual transaction. Non-controlling interests are subsequently adjusted for their proportionate share of changes in the sub-sidiary'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

Notes

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 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.

Sales 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

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sale of finished goods and goods for resale often contains several performance obligations, they are treated as one performance obligation as delivery typically takes place at the same time.

Construction contracts

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

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

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

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

Payment terms in the Group´s sales agreements

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

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

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

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

Production costs

Production costs comprise expenses incurred in generating revenue for the year. Commercial 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.

External expenses

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

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

Staff costs

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

Government grants

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

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

Net financials

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

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

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

Balance sheet

Goodwill

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

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

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

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

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

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

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

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

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

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

Trademarks	10 years
Software	3-5 years
Customer files	10 years

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

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

Cost comprises the acquisition price, expenses directly attributable to the acquisition and expenses to prepare the asset until such time as it is ready to be put into operation. For 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	5-15 years
Fixtures and fittings, tools and equipment	5-10 years
IT equipment	3-5 years

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

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

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

Leases in force from 1 January 2019
Leased assets and lease commitments are recognised in the balance sheet when the leased asset under a lease entered into regarding a specific identifiable asset is made available to the Group in the lease term, and when the Group in this connection obtains the right to almost all economic benefits from the use of the identified asset and the right to control the use of the identified asset.

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

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

The lease commitment is measured at amortised cost according to the effective interest method. The lease commitment is recalculated when the underlying contractual cash flows change due to changes in index or

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interest rate if the Group's estimate of a residual value guarantee changes or if the Group changes its assessment of whether call options, extension options or termination options can reasonably be expected to be exercised.

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

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

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

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

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

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

Leases in force before 1 January 2019
For financial reporting purposes, leases are classified as finance lease liabilities and operating lease liabilities.

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

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

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

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

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

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

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

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

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

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

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.

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

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

Impairment of financial assets measured at amortised cost

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

Contract assets

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

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

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

When income and expenses on a construction contract cannot be determined reliably, 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.

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

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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.

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

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

Non-financial liabilities are measured at net realisable value.

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

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

On initial recognition of the share options, an estimate is made of the number of options expected to vest in accordance with the vesting conditions. That estimate is subsequently revised for changes in the number of options expected to vest so that the total recognition is based on the actual number of vested options.

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

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

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

Other payables
Other payables comprise payables to public authorities, holiday allowances, etc. and are measured at amortised costs, which usually correspond to nominal value.

Cash flow statement

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

Cash flows from acquisition and divestment of 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 and cash equivalents comprise cash at bank and in hand.

Financial highlights

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

Key figures

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

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

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

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

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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.

Due to the outbreak of Coronavirus, the estimates are subject to a higher degree of uncertainty than usually.

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 2019 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 199.0 million at 31 December 2019. 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 14.9 million.

Inventories

Individual write-downs of inventories have been made based on turnover rate, defective goods, etc. Estimates in the year have not been subject to major changes.

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 43 Acquisition of subsidiaries in 2019, which also shows the methods applied to determine the fair values of the acquisitions made in 2019.

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 2019, allocated contingent considerations of DKK 9.5 million was recognised as revenue in relation to acquisition of entities where payment of the contingent consideration was not made, and DKK 9.6 million was recognised in respect 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 2020-2021 and is subject to estimates.

Provisions

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

Equity investments in subsidiaries in the parent company financial statements

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

Determination of the lease term in the leases

The lease term covers the non-cancellable lease term of the lease plus periods covered by an extension option that the Group is reasonably

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

likely to exercise and plus periods covered by a termination option that the Group is reasonably unlikely to exercise.

A part of the Group's leases on properties includes options that grant the Group a right to extend the lease for an additional lease term of up to five years. On initial recognition of the leased asset, the Group assessed whether the extension option is reasonably likely to be exercised. The Group reassess this estimate in case of significant events or significant changes to circumstances which the Group controls.

Determination of discount factor in the leases

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

PARENT			GROUP	
2018	**2019**	DKK '000	**2019**	**2018**
		3. Revenue		
7,431	7,400	Sale of goods	2,002,244	1,948,637
0	0	Sale of the year's production output relating to construction contracts	90	9,241
0	0	Gains/losses on hedging instruments reclassified from equity via other comprehensive income	10,598	7,150
7,431	**7,400**		**2,012,932**	**1,965,028**
		Breakdown of revenue by customer groups		
0	0	Healthcare	576,700	597,900
3,869	4,219	Cleantech	657,400	659,200
0	0	Food-related	274,200	286,000
0	0	Automotive	111,500	105,900
3,562	3,181	Others	393,132	316,028
7,431	**7,400**		**2,012,932**	**1,965,028**
		Moreover, reference is made to note 22 and note 41.		
		4. Production costs		
0	0	Cost of sales	1,060,628	1,035,591
0	0	Inventory write-down	1,080	1,868
0	0	Reversed inventory write-downs	-871	-2,260
0	0	Staff costs	309,350	284,157
0	**0**		**1,370,187**	**1,319,356**
		Reversal of inventory write-downs relates to the disposal of inventories written down.		
		5. Other operating income		
5,165	5,725	Rent	1,164	1,063
0	0	Gain from sale of non-current assets	798	0
0	0	Grants	538	771
5,165	**5,725**		**2,500**	**1,834**
		6. Development costs		
208	0	Research and development costs incurred	6,844	3,979
0	0	Amount capitalised for accounting purposes	-6,393	-3,394
208	**0**	**Expensed in the financial year**	**451**	**585**
		Development costs substantially relate to payroll costs.		

Notes

PARENT			GROUP	
2018	**2019**	DKK '000	**2019**	**2018**
		7. Staff costs		
12,603	12,766	Wages and salaries	459,865	437,092
309	389	Pension contributions, defined contribution plan	34,797	30,780
64	79	Other social security costs	32,273	29,034
992	972	Other staff costs	22,581	22,385
495	702	Share-based payment	702	495
0	0	Refunds from public authorities	-5,888	-6,272
14,463	**14,908**		**544,330**	**513,514**
		Breakdown of staff costs:		
0	0	Production costs	309,350	284,157
14,463	14,908	Staff costs	234,980	229,357
14,463	**14,908**		**544,330**	**513,514**
7	**8**	**Average number of employees**	**2,114**	**1,994**

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	**2019**	**2018**	**2019**	**2018**
Remuneration of the Board of Directors	1,400	1,400	-	-
Remuneration, membership of committees	50	50	-	-
Wages and salaries	0	0	7,303	7,071
Share-based payment	0	0	0	0
	1,450	**1,450**	**7,303**	**7,071**

				PARENT
	Board of Directors		**Executive Board**	
DKK '000	**2019**	**2018**	**2019**	**2018**
Remuneration of the Board of Directors	1,400	1,400	-	-
Remuneration, membership of committees	50	50	-	-
Wages and salaries	0	0	7,153	6,711
Share-based payment	0	0	0	0
	1,450	**1,450**	**7,153**	**6,711**

The Company has entered into defined contribution plans for the majority of its employees in Denmark.
According to the agreements entered into, the Company pays a monthly contribution to independent pension providers.

PARENT			GROUP	
2018	**2019**	DKK '000	**2019**	**2018**
309	389	Expensed contributions to defined pension plans	34,797	30,780

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 2019
In 2019, the Group set up an incentive programme for the Company's Executive Board and 42 executive officers. The programme is based on warrants. A total of 240,000 warrants were issued in the year, of which 30,000 were granted to the Executive Board and the rest to executive officers.

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

The exercise price is fixed at DKK 210.00 per share of nominally DKK 2 plus 7.5% p.a., calculated from 1 April 2019 and until the warrants are in fact exercised. The exercise price is fixed based on market conditions immediately before and after the publication of the annual report on 27 March 2019. The 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 2022 to 31 March 2025. Alternatively, the Executive Board and the 42 executive officers could purchase the warrants at market price, see below, against cash payment. The purchase option could be exercised on 27 March 2019. The Executive Board and 17 executive officers decided to exercise this option.

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

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

The estimated volatility is determined based on historical figures.

Warrant scheme 2018 (one warrant comprises five shares of a nominal amount of DKK 2)
In 2018, the Group set up an incentive programme for the Company's Executive Board and 41 executive officers. The programme is based on warrants. A total of 41,500 warrants were issued in the year, of which 5,000 were granted to the Executive Board and the rest to executive officers.

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

The exercise price is fixed at DKK 1,250 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2018 and until the warrants are in fact exercised. The exercise price is fixed based on market conditions immediately before and after the publication of the annual report on 22 March 2018. The 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 scheme 2017 (one warrant comprises five shares of a nominal amount of DKK 2)
In 2017, the Group set up an incentive programme for the Company's Executive Board and 37 executive officers. The programme is based on warrants. A total of 70,000 warrants were issued in the year, of which 10,000 were granted to the Executive Board and the rest to executive officers.

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

The exercise price is fixed at DKK 775 per share of nominally DKK 10 plus 7.5% p.a., calculated from 1 April 2017 and until the warrants are in fact exercised. The exercise 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 scheme 2016 (one warrant comprises five shares of a nominal amount of DKK 2)
In 2016, the Group set up an incentive programme for the Company's Executive Board and 29 executive officers. The programme is based on warrants. A total of 59,000 warrants were issued in the year, of which 10,000 were granted to the Executive Board and the rest to executive officers.

Notes

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.

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

Development in the year

The development in outstanding warrants can be specified as follows:

	Number of warrants	Number of warrants	Average exercise price, warrants	Average exercise price, warrants
Number of shares	**2019**	**2018**	**2019**	**2018**
Outstanding warrants at 01/01	867,500	930,000	186	123
Granted in the financial year	240,000	207,500	261	311
Exercised in the financial year	-295,000	-270,000	91	62
Expired/cancelled in the financial year	-3,465	0	-	-
	809,035	**867,500**	**204**	**186**
Exercisable at 31/12	11,535	15,000		

Of the outstanding warrants, 105,000 have been awarded to the Executive Board and 704,035 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	
2018	**2019**	DKK '000	**2019**	**2018**
		Equity-settled share option plans		
495	702	Share-based payment recognised in income statement, equity-settled share option plan	702	495

PARENT			GROUP	
2018	**2019**	DKK '000	**2019**	**2018**
		9. Depreciation, amortisation and impairment losses		
7	0	Amortisation of intangible assets	11,124	10,067
2,735	3,174	Depreciation on property, plant and equipment	118,557	79,628
2,742	**3,174**		**129,681**	**89,695**
		10. Dividends from subsidiaries		
56,334	55,957	Dividends from subsidiaries	-	-
56,334	**55,957**		**-**	**-**
		11. Financial income		
0	0	Interest, etc.	409	549
688	714	Interest from group entities	-	-
688	**714**	**Interest income from financial assets not measured at fair value through profit/loss**	**409**	**549**
27	48	Exchange rate adjustments	1,992	1,465
15,500	19,100	Adjustment, contingent purchase consideration	19,100	15,500
16,215	**19,862**		**21,501**	**17,514**
		12. Financial expenses		
3,200	5,629	Interest, etc.	23,937	13,325
1,841	1,612	Interest, group entities	-	-
5,041	**7,241**	**Interest expenses on financial liabilities not measured at fair value through profit/loss**	**23,937**	**13,325**
2,270	932	Write-down of equity investments in subsidiary	-	-
1,404	0	Value adjustments	0	0
8,715	**8,173**		**23,937**	**13,325**

Notes

PARENT			GROUP	
2018	2019	DKK '000	2019	2018
		13. Tax for the year		
-3,294	-6,030	Current tax	29,990	35,503
410	1,260	Changes in deferred tax	5,134	4,527
-2,884	**-4,770**		**35,124**	**40,030**
		The current corporation tax charge for the financial year is calculated based on a tax rate of 22.0% (2018: 22.0%) for Danish entities. For foreign entities, the current tax rate in the country in question is applied.		
		Tax on other changes in equity		
1,766	1,276	Tax on acquisition/sale of treasury shares	1,276	1,766
1,766	**1,276**		**1,276**	**1,766**
		Tax on other comprehensive income		
0	0	Fair value adjustment of financial instruments held to hedge future cash flows	2,845	-2,015
0	**0**		**2,845**	**-2,015**
		Tax on items recognised in other comprehensive income can be specified as follows:		
0	0	Current tax	78	-535
0	0	Changes in deferred tax	2,767	-1,480
0	**0**		**2,845**	**-2,015**
		Reconciliation of tax rate		
-	-	Danish tax rate	22.0	22.0
-	-	Effect of differences in tax rates for foreign entities	-0.3	-0.3
-	-	Effect of adjustments made in previous years	0.6	0.0
-	-	Effect of contingent consideration recognised as income	-2.3	-1.7
-	**-**	**Effective tax rate for the year**	**20.0**	**20.0**
		The Parent Company's tax rate in both 2018 and 2019 is materially affected by tax-exempt dividends from subsidiaries.		
		Breakdown of the computed current tax charge for the year:		
		Denmark	5,528	12,957
		Poland	8,402	7,856
		USA	3,717	4,391
		China	3,737	2,324
		Latvia	28	7
		Slovakia	1,949	1,703
		Norway	314	91
		Sweden	1,436	2,070
		Finland	910	-
		The Netherlands	2,231	2,267
		Brazil	1,738	1,837
			29,990	**35,503**

	GROUP	
DKK '000	2019	2018

14. Earnings per share

The calculation of earnings per share is based on the following:

Profit to the Parent Company's shareholders	**140,188**	**160,434**

Number of shares	2019	2018
Average number of shares issued	11,390,000	11,390,000
Average number of treasury shares	-236,473	-223,906
Number of shares used to calculate earnings per share	**11,153,527**	**11,166,094**
Average dilution effect of outstanding warrants	**100,537**	**210,540**
Number of shares used to calculate diluted earnings per share	**11,254,064**	**11,376,634**

						GROUP
DKK '000	Trade marks	Software	Client files	Goodwill	Completed development projects	Ongoing development projects

15. Intangible assets

Cost at 01/01/2019	0	31,351	60,207	196,071	39,672	5,313
Value adjustment	0	33	0	333	-8	0
Additions relating to acquisition of entity	0	1,223	2,200	4,449	0	0
Additions	209	1,888	0	0	4,923	1,470
Disposals	0	-1,354	0	0	-107	0
Cost at 31/12/2019	**209**	**33,141**	**62,407**	**200,853**	**44,480**	**6,783**
Amortisation and impairment losses at 01/01/2019	0	22,644	15,307	1,861	34,369	0
Value adjustment	0	30	0	0	-8	0
Amortisation for the year	0	3,287	5,756	0	2,081	0
Reversal on disposal	0	-1,354	0	0	-107	0
Amortisation and impairment losses at 31/12/2019	**0**	**24,607**	**21,063**	**1,861**	**36,335**	**0**
Carrying amount at 31/12/2019	**209**	**8,534**	**41,344**	**198,992**	**8,145**	**6,783**
Cost at 01/01/2018	0	24,974	47,878	185,556	36,953	4,763
Value adjustment	0	-91	0	702	-125	0
Additions relating to acquisition of entity	0	0	10,469	9,813	0	0
Additions	0	6,468	1,860	0	2,844	1,106
Disposals	0	0	0	0	0	-556
Cost at 31/12/2018	**0**	**31,351**	**60,207**	**196,071**	**39,672**	**5,313**
Amortisation and impairment losses at 01/01/2018	0	20,141	9,851	1,861	32,452	0
Value adjustment	0	-66	0	0	-125	0
Amortisation for the year	0	2,569	5,456	0	2,042	0
Reversal on disposal	0	0	0	0	0	0
Amortisation and impairment losses at 31/12/2018	**0**	**22,644**	**15,307**	**1,861**	**34,369**	**0**
Carrying amount at 31/12/2018	**0**	**8,707**	**44,900**	**194,210**	**5,303**	**5,313**

Notes

				PARENT
DKK '000	Trademarks		Software	
	2019	2018	2019	2018
15. Intangible assets (continued)				
Cost at 01/01	0	0	1,052	1,052
Additions	209	0	0	0
Disposals	0	0	0	0
Cost at 31/12	**209**	**0**	**1,052**	**1,052**
Amortisation and impairment losses at 01/01	0	0	1,052	1,045
Amortisation for the year	0	0	0	7
Reversal on disposal	0	0	0	0
Amortisation and impairment losses at 31/12	**0**	**0**	**1,052**	**1,052**
Carrying amount at 31/12	**209**	**0**	**0**	**0**

Goodwill

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

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

		GROUP
DKK '000	2019	2018
Nycopac AB	9,813	9,813
Coreplast Laitila Oy	4,449	0
SP Group (excluding Nycopac AB and Coreplast Laitila Oy)	184,730	184,397
	198,992	**194,210**

Compared to 2018, goodwill related to MM Composite A/S (DKK 40,368 thousand has been combined with the cash-generating unit SP Group (excluding Nycopac AB and Coreplast Laitila Oy), 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 Nycopac AB and Coreplast Laitila Oy). Nycopac AB and Coreplast Laitila Oy are monitored separately until the contingent considerations have been determined definitively.

15. Intangible assets (continued)

Goodwill

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

No impairment losses were recognised in respect of goodwill in 2018 or 2019.

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 2020, approved by Management, and forecasts for 2021 and 2022. 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:

	2019	2018
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

					GROUP
DKK '000	Land and buildings	Plant and machinery	Other plant, etc.	Leasehold improvements	Property, plant and equip. in the course of construction

16. Property, plant and equipment

DKK '000	Land and buildings	Plant and machinery	Other plant, etc.	Leasehold improvements	Property, plant and equip. in the course of construction
Cost at 01/01/2019	319,633	1,004,563	123,645	42,340	27,885
Value adjustment	-65	3,238	242	393	181
Reclassification	890	-308	308	-890	0
Transferred to leased assets	0	-94,023	0	0	0
Additions relating to acquisition of entity	37,928	11,537	133	0	153
Additions	29,152	92,713	19,546	9,435	59,400
Disposals	-48	-28,826	-6,528	-1,589	-55,249
Cost at 31/12/2019	**387,490**	**988,894**	**137,346**	**49,689**	**32,370**
Amortisation and impairment losses at 01/01/2019	116,987	609,455	91,532	25,679	0
Value adjustment	8	1,595	185	300	0
Reclassification	104	-157	157	-104	0
Transferred to leased assets	0	-19,234	0	0	0
Amortisation for the year	9,124	54,809	11,189	5,129	0
Reversal on disposal	-48	-25,975	-5,774	-1,544	0
Amortisation and impairment losses at 31/12/2019	**126,175**	**620,493**	**97,289**	**29,460**	**0**
Carrying amount at 31/12/2019	**261,315**	**368,401**	**40,057**	**20,229**	**32,370**
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**
Amortisation 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
Amortisation for the year	7,426	59,227	9,184	3,791	0
Reversal on disposal	-150	-2,805	-337	0	0
Amortisation 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	74,789	0	0	0

Agreements regarding the acquisition of machines for future delivery, DKK 20.0 million (2018: DKK 20.0 million)

PARENT

16. Property, plant and equipment (continued)

DKK '000	Land and buildings	Plant and machinery	Other plant, etc.	Plant in the course of construction
Cost at 01/01/2019	110,528	0	2,016	528
Additions	1,603	1,680	31	0
Disposals	0	0	-21	-528
Cost at 31/12/2019	**112,131**	**1,680**	**2,026**	**0**
Amortisation and impairment losses at 01/01/2019	24,018	0	1,260	0
Amortisation for the year	2,508	80	194	0
Reversal on disposal	0	0	-21	0
Amortisation and impairment losses at 31/12/2019	**26,526**	**80**	**1,433**	**0**
Carrying amount at 31/12/2019	**85,605**	**1,600**	**593**	**0**
Cost at 01/01/2018	99,447	0	4,139	0
Additions	11,081	0	813	528
Disposals	0	0	-2,936	0
Cost at 31/12/2018	**110,528**	**0**	**2,016**	**528**
Amortisation and impairment losses at 01/01/2018	21,550	0	3,929	0
Amortisation for the year	2,468	0	267	0
Reversal on disposal	0	0	-2,936	0
Amortisation and impairment losses at 31/12/2018	**24,018**	**0**	**1,260**	**0**
Carrying amount at 31/12/2018	**86,510**	**0**	**756**	**528**

Notes

				GROUP
DKK '000	Land and buildings	Plant and machinery	Other plant, etc.	Total

17. Leases

Leased assets				
Balance sheet at 01/01/2019 (previously recognised as property, plant and equipment)	0	74,789	0	74,789
Effect at transition at 01/01/2019	158,505	0	6,754	165,259
Restated balance sheet at 01/01/2019	**158,505**	**74,789**	**6,754**	**240,048**
Value adjustment	1,556	2	0	1,558
Additions	12,534	29,802	5,846	48,182
Disposals	-23,752	-5,909	0	-29,661
Remeasurement of lease liability	7,321	0	-159	7,162
Depreciation/amortisation in the year	-25,091	-9,754	-3,461	-38,306
Carrying amount at 31/12/2019	**131,073**	**88,930**	**8,980**	**228,983**
Hereof additions due to IFRS 16	131,073	0	8,980	140,053
Agreements concluded for future delivery	0	10,000	0	10,000

Please refer to note 2 for a description of special items:
– determination of the lease term in the leases
– determination of dicount factor in the leases

DKK '000	Land and buildings	Plant and machinery	Other plant, etc.	Total
Lease liabilities				
Maturity < 1 year	46,577	17,922	3,945	68,444
Between 1 and 3 years	47,204	27,039	4,292	78,535
Between 3 and 5 years	40,712	16,478	1,119	58,309
Exceeding 5 years	17,595	4,437	62	22,094
Total non-discounted lease liability at 31/12/2019	**152,088**	**65,876**	**9,418**	**227,382**
The liabilities are recognised in the balance sheet as follows:				
Current liabilities	45,243	17,922	3,871	67,036
Non-current liabilities	87,483	47,954	5,177	140,614
	132,726	**65,876**	**9,048**	**207,650**
Amount recognised in the income statement				
Interest expenses relating to lease liabilities	7,116	756	135	8,007

In 2019, the Group has paid DKK 34.1 million regarding leases of which interest payments related to recognised lease commitments total DKK 8.0 million and repayment of recognised lease liabilities total DKK 26.1 million.

	PARENT
DKK '000	**Other plant, etc.**

17. Leases (continued)

Leased assets	
Balance sheet at 01/01/2019 (previously recognised as property, plant and equipment)	0
Effect at transition at 01/01/2019	387
Restated balance sheet at 01/01/2019	**387**
Additions	1,224
Disposals	0
Remeasurement of lease liability	28
Depreciation/amortisation in the year	-392
Carrying amount at 31/12/2019	**1,247**

Please refer to note 2 for a description of special items:
– determination of the lease term in the leases
– determination of dicount factor in the leases

DKK '000	**Other plant, etc.**
Lease liabilities.	
Maturity < 1 year	400
Between 1 and 3 years	612
Between 3 and 5 years	235
Exceeding 5 years	0
Total non-discounted lease liability at 31/12/2019	**1,247**
The liabilities are recognised in the balance sheet as follows:	
Current liabilities	400
Non-current liabilities	847
	1,247
Amount recognised in the income statement	
Interest expenses relating to lease liabilities	8

In 2019, the Parent has paid DKK 0,5 million regarding leases of which interest payments related to recognised lease commitments total DKK 0.0 million and repayment of recognised lease liabilities total DKK 0,5 million.

	PARENT	
DKK '000	2019	2018

18. Equity investments in subsidiaries

DKK '000	2019	2018
Cost at 01/01	852,558	824,665
Additions	68,870	27,893
Disposals	-17,000	0
Cost at 31/12	**904,428**	**852,558**
Impairment losses at 01/01	257,069	254,799
Impairment losses for the year	932	2,270
Reversed impairment write-downs	-16,234	0
Impairment losses at 31/12	**241,767**	**257,069**
Carrying amount at 31/12	**662,661**	**595,489**

The impairment loss concerns the investment in SP R&D A/S. The entity has been loss-making in the start-up phase. 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 2019, which totals DKK 1.0 million before impairment losses. Investments derived therefrom are written down to the value in use of DKK 0.1 million. The write-down is recognised as financial expenses in the parent company.

Management expects the entity to be profitable from 2020.

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

	Registered office	Ownership interest		Share of voting rights		Activity
		2019	2018	2019	2018	
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
Coreplast Laitila Oy	Finland	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
Gibo Danmark A/S	Denmark	-	100%	-	100%	Production and sale of extruded products
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	Latvia	100%	100%	100%	100%	Production and sale of Telene products
MM Composite A/S	Denmark	100%	100%	100%	100%	Production and sale of composite products
Nycopac AB	Sweden	100%	100%	100%	100%	Sale of plastic components and technologies
SP Moulding Denmark A/S	Denmark	100%	100%	100%	100%	Sale of plastic components and technologies
SP Technology ApS	Denmark	100%	100%	100%	100%	Sale of plastic components and technologies
SP R&D A/S	Denmark	100%	100%	100%	100%	Development company
SPG Ejendomme 1 ApS	Denmark	100%	100%	100%	100%	Property company
SPG Ejendomme 2 ApS	Denmark	100%	100%	100%	100%	Property company

Note 47 includes an overview of all entities in the Group. Gibo Danmark A/S is sold internally in the Group.

DKK '000	GROUP 2019	GROUP 2018
19. Equity investments in associates		
Cost at 01/01	1,894	1,894
Transferred to subsidiary	-1,894	0
Cost at 31/12	**0**	**1,894**
Adjustments at 01/01	-215	-254
Exchange rate adjustments	45	81
Share of profit/loss	-35	-42
Transferred to subsidiary	205	0
Adjustments at 31/12	**0**	**-215**
Carrying amount at 31/12	**0**	**1,679**

Equity investments in associates comprise:

	Registered office	Ownership interest 2019	Ownership interest 2018	Share of voting rights 2019	Share of voting rights 2018	Activity
Mt. Pl. Building II L.L.C.	USA	-	33 1/3	-	33 1/3	Property company

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

PARENT 2018	PARENT 2019	DKK '000	GROUP 2019	GROUP 2018
		20. Inventories		
0	0	Raw materials and consumables	224,240	189,706
0	0	Work in progress	67,844	31,643
0	0	Finished goods and goods for resale	196,759	164,469
0	**0**		**488,843**	**385,818**
0	0	Carrying amount of inventories recognised at net realisable value	2,721	3,766
		21. Trade receivables		
0	0	Write-downs for the year recognised in the income statement	336	689

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

Please see note 39.

Notes

PARENT			GROUP	
2018	2019	DKK '000	2019	2018
		22. Contract assets		
		Contract assets		
0	0	Trade receivables	234,804	208,437
0	0	Construction contracts	7	1,469
0	0	Refund assets	0	0
0	0	Costs incurred in obtaining construction contracts	0	0
0	**0**		**234,811**	**209,906**
		Contractual obligations		
0	0	Construction contracts	0	2,364
0	0	Prepayments from customers	54,756	17,444
0	0	Refund liabilities	0	0
0	**0**		**54,756**	**19,808**

The increase in contract assets in 2019 primarily relates to trade receivables, which in particular is attributable to a reduction in the sale of selected trade receivables.

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.

23. Other receivables

Receivables are not associated with any special credit risks, and as in the previous year, no impairment losses have been recognised in that regard. None of the receivables have fallen due. They will fall due in 2020.

24. Cash

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

25. Share capital

The share capital consists of 11,390,000 shares. The shares are fully paid-in. The shares are not divided into classes.

All shares rank equally.

DKK '000	Shares issued: No. of shares 2019	No. of shares 2018	Nom. value 2019	Nom. value 2018
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**

DKK '000	Treasury shares: No. of shares 2019	No. of shares 2018	Nom. value 2019	Nom. value 2018	% of share capital 2019	% of share capital 2018
01/01	230,351	217,460	460,702	434,920	2.0%	1.9%
Acquired	307,243	282,891	614,486	565,782	2.7%	2.5%
Sold	-295,000	-270,000	-590,000	-540,000	-2.6%	-2.4%
31/12	**242,594**	**230,351**	**485,188**	**460,702**	**2.1%**	**2.0%**

Acquisitions in 2018 and 2019 were made in order to partially fund existing warrant schemes.
Sales in 2018 and 2019 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 2019, equity accounted for 34.5 % of total assets (2018: 37.8 %). 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. No dividend is distributed for 2019.

Notes

				GROUP
DKK '000	Reserve for exchange rate adjustments	Reserve for sharebased remuneration	Reserve for hedging transactions	Total
26. Other reserves				
Reserve at 01/01/2018	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**
Exchange rate adjustment relating to foreign entities	3,560	0	0	3,560
Recognition of share-based payment	0	702	0	702
Share-based payment, exercised arrangements	0	-496	0	-496
Sale of warrants	0	1,072	0	1,072
Value adjustments of financial instruments held to hedge future cash flows, net	0	0	12,131	12,131
Reserve at 31/12/2019	**1,313**	**4,165**	**20,677**	**26,155**

			PARENT
DKK '000	Reserve for sharebased remuneration	Reserve for hedging transactions	Total
Reserve at 01/01/2018	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**
Recognition of share-based payment	702	0	702
Share-based payment, exercised arrangements	-496	0	-496
Sale of warrants	1,072	0	1,072
Value adjustments of financial instruments held to hedge future cash flows, net	0	0	0
Reserve at 31/12/2019	**4,165**	**0**	**4,165**

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

DKK '000	Bank debt 2019	Bank debt 2018	Financial institutions 2019	Financial institutions 2018	Lease liabilities 2019	Lease liabilities 2018	Other non-current liabilities other than provisions 2019	Other non-current liabilities other than provisions 2018
27. Non-current liabilities								
Non-current liabilities fall due as follows:								
Within one year from the balance sheet date	64,901	53,327	25,071	24,647	67,036	15,289	42,580	14,404
Between one and two years from the balance sheet date	58,087	41,326	25,070	24,677	39,030	14,084	12,278	40,970
Between two and three years from the balance sheet date	40,344	34,785	25,078	24,707	33,920	10,865	4,540	3,234
Between three and four years from the balance sheet date	35,706	19,182	24,727	24,721	28,116	7,344	0	0
Between four and five years from the balance sheet date	35,492	16,000	17,062	24,385	22,207	2,982	0	0
After five years from the balance sheet date	48,159	32,500	38,232	56,728	17,341	3,752	7,904	0
	282,689	**197,120**	**155,240**	**179,865**	**207,650**	**54,316**	**67,302**	**58,608**
Liabilities are recognised in the balance sheet as follows:								
Current liabilities	64,901	53,327	25,071	24,647	67,036	15,289	42,580	14,404
Non-current liabilities	217,788	143,793	130,169	155,218	140,614	39,027	24,722	44,204
	282,689	**197,120**	**155,240**	**179,865**	**207,650**	**54,316**	**67,302**	**58,608**
Fair value	282,689	197,120	156,564	181,236	208,158	55,015	67,302	58,608

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, 2018 and 2019 and "forzen" holiday allowances.

See note 39 regarding liquidity risks for information on agreed covenants with the Group's financial lenders.

Liabilities from financing activities in 2019

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

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: Value adjustments	Closing balance
Short-term bank debt	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
Lease liabilities	53,557	-14,809	0	15,568	0	54,316
Other non-current liabilities other than provisions	90,256	-31,626	14,127	0	-14,149	58,608
	674,984	**6,118**	**14,127**	**15,568**	**-14,149**	**696,648**

Notes

PARENT

DKK '000	Bank debt 2019	Bank debt 2018	Financial institutions 2019	Financial institutions 2018	Lease liabilities 2019	Lease liabilities 2018	Other non-current liabilities other than provisions 2019	Other non-current liabilities other than provisions 2018
27. Non-current liabilities (continued)								
Non-current liabilities fall due as follows:								
Within one year from the balance sheet date	59,830	52,600	19,488	19,389	400	-	42,580	14,404
Between one and two years from the balance sheet date	53,258	40,600	19,498	19,406	306	-	12,278	40,970
Between two and three years from the balance sheet date	38,200	34,058	19,513	19,420	306	-	4,540	3,234
Between three and four years from the balance sheet date	35,200	19,000	19,519	19,438	235	-	0	0
Between four and five years from the balance sheet date	35,200	16,000	11,847	19,448	0	-	0	0
After five years from the balance sheet date	45,500	32,500	14,806	26,956	0	-	203	0
	267,188	**194,758**	**104,671**	**124,057**	**1,247**	**-**	**59,601**	**58,608**
Liabilities are recognised in the balance sheet as follows:								
Current liabilities	59,830	52,600	19,488	19,389	400	-	42,580	14,404
Non-current liabilities	207,358	142,158	85,183	104,668	847	-	17,021	44,204
	267,188	**194,758**	**104,671**	**124,057**	**1,247**	**-**	**59,601**	**58,608**
Fair value	267,188	194,758	105,635	125,038	1,247	-	59,601	58,608

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, 2018 and 2019 and "forzen" holiday allowances.

See note 39 regarding liquidity risks for information on agreed covenants with the Group's financial lenders.

Liabilities from financing activities in 2019

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

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: Value adjustments	Closing balance
Short-term bank debt	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**

PARENT			GROUP	
Deferred tax assets	**Deferred tax liabilities**	DKK '000	**Deferred tax assets**	**Deferred tax liabilities**
		28. Deferred tax		
0	1,007	Deferred tax at 01/01/2018	3,832	41,008
0	0	Foreign exchange adjustments	-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**
0	0	Foreign exchange adjustments	7	636
0	0	Acquisition of entity	0	6,259
0	1,260	Change in deferred tax recognised in the income statement	-1,068	4,066
0	0	Change in deferred tax recognised in other comprehensive income	0	2,767
0	**2,677**	**Deferred tax at 31/12/2019**	**1,760**	**60,169**

PARENT			GROUP	
2018	**2019**	DKK '000	**2019**	**2018**
		Deferred tax is recognised in the balance sheet as follows:		
0	0	Deferred tax assets	1,760	2,821
-1,417	-2,677	Deferred tax liabilities	-60,169	-46,441
-1,417	**-2,677**		**-58,409**	**-43,620**

The Group's tax assets mainly comprise the tax value of tax loss carry-forwards in a few foreign subsidiaries. The tax assets are expected to be utilised within three years.

There are no tax assets or tax liabilities that have not been recognised in the balance sheet.

Notes

GROUP

DKK '000	01/01	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of company	Value adjustments, etc.	31/12

28. Deferred tax (continued)

DKK '000	01/01	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of company	Value adjustments, etc.	31/12
2019							
Intangible assets	16,250	838	0	0	418	220	17,726
Property, plant and equipment	31,095	4,800	0	0	5,990	523	42,408
Inventories	2,065	1,443	0	0	-149	0	3,359
Receivables	532	870	0	0	0	0	1,402
Liabilities	-6,647	-3,438	0	0	0	-114	-10,199
Value adjustment of derivative financial instruments	2,574	-91	2,767	0	0	0	5,250
Tax loss carryforwards	-2,249	712	0	0	0	0	-1,537
	43,620	**5,134**	**2,767**	**0**	**6,259**	**629**	**58,409**
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**

PARENT

DKK '000	01/01	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	Recognised on acquisition of company	Transfer subsidiaries	31/12
2019							
Intangible assets	1	46	0	0	0	0	47
Property, plant and equipment	1,834	810	0	0	0	0	2,644
Liabilities	-418	404	0	0	0	0	-14
Tax loss carryforwards	0	0	0	-1,276	0	1,276	0
	1,417	**1,260**	**0**	**-1,276**	**0**	**1,276**	**2,677**
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**

PARENT			GROUP	
2018	**2019**	DKK '000	**2019**	**2018**
		29. Trade payables		
266	**778**	Trade payables	**157,051**	**162,120**
		The carrying amount corresponds to the fair value of the liabilities.		
		30. Provisions (warranty commitments)		
0	0	Provisions at 01/01	2,224	5,876
0	0	Additions	3,368	1,070
0	0	Disposals	-919	-4,722
0	**0**	**Provisions at 31/12**	**4,673**	**2,224**
		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 2020.		
		31. Other payables		
		The item comprises payables relating to payroll, withholding taxes, social security contributions, holiday allowance, 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.		
		32. Collateral		
		Mortgage debt of DKK 87 million (of which DKK 36 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 (2018: DKK 60 million).		
86,114	**85,209**	Carrying amount of mortgaged properties	**176,099**	**179,741**
		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	
2018	**2019**	DKK '000	**2019**	**2018**
		33. 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	-	Within one year from the balance sheet date	-	28,941
0	-	Between one and five years from the balance sheet date	-	59,201
0	-	After five years from the balance sheet date	-	17,216
0	**-**		**-**	**105,358**
0	**-**	Minimum lease payments recognised in the income statement for the year	**-**	**26,258**
		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:		
340	-	Within one year from the balance sheet date	-	3,530
56	-	Between one and five years from the balance sheet date	-	3,409
0	-	After five years from the balance sheet date	-	60
396	**-**		**-**	**6,999**
393	**-**	Minimum lease payments recognised in the income statement for the year	**-**	**4,566**
		Total rent and lease liabilities can be specified as follows:		
340	-	Within one year from the balance sheet date	-	32,471
56	-	Between one and five years from the balance sheet date	-	62,610
0	-	After five years from the balance sheet date	-	17,276
396	**-**		**-**	**112,357**

PARENT			GROUP	
2018	**2019**	DKK '000	**2019**	**2018**
		34. 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.		
186,201	**214,427**	Subsidiaries' bank debt		
		The Parent Company has guaranteed the subsidiaries' debt to financial institutions or has joint and several liability.		
29,684	**26,204**	Surety, guarantee and liability		
		The Parent Company is jointly and severally liable for the subsidiaries' lease liabilities.		
50,148	**62,788**	Minimum lease payments		

On behalf of a subsidiary, the Parent Company has provided a payment guarantee of DKK 1,330 thousand to a supplier (2018: DKK 4,841 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 2019, the jointly taxed entities' total net receivable from the Danish Customs and Tax Administration amounted to approx. DKK 1.2 million (31 December 2018: DKK -13.5 million).

35. Changes in net working capital

PARENT 2018	PARENT 2019	DKK '000	GROUP 2019	GROUP 2018
0	0	Changes in inventories	81,443	48,157
10,419	-14,392	Changes in receivables	23,927	30,834
-51,877	58,337	Change in trade payables, etc.	-21,749	-3,638
-41,458	**43,945**		**83,690**	**75,353**

36. Cash and cash equivalents

PARENT 2018	PARENT 2019	DKK '000	GROUP 2019	GROUP 2018
15,028	54	Cash	48,706	61,442
15,028	**54**		**48,706**	**61,442**

37. 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:

PARENT 2018	PARENT 2019	DKK '000	GROUP 2019	GROUP 2018
		EY		
330	356	Statutory audit	2,456	2,167
0	0	Other assurance engagements	47	0
101	263	Tax and VAT advisory services	388	476
546	717	Other assistance	844	565
977	**1,336**		**3,735**	**3,208**

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

38. 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 42.

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

Related party transactions, Group
In 2019, the Group has purchased goods totalling DKK 119 thousand from a company which is a related party to the chairman of the board of directors.

The Group did not carry out any other related party transactions in 2018 and 2019 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	Lease income	Lease expenses	Sale of goods and services	Purchase of goods and services	Interest income	Interest expenses	Production plant	Receiv-ables	Payables
2019									
From subsidiaries	5,620	144	9,020	120	714	1,612	1,680	50,952	126,592
2018									
From subsidiaries	5,165	140	8,549	363	688	1,841	0	64,980	182,757

In addition, SP Group A/S received dividends from subsidiaries in the amount of DKK 55,957 thousand (2018: DKK 56,334 thousand).

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

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

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

No security or guarantees have been provided for intra-group balances at the balance sheet apart from what is disclosed in note 32. Receivables as well as payables will be settled in cash. The Group has not recorded any bad debts relating to related parties or made provisions for probable bad debts.

Remuneration of the Board of Directors and the Executive Board
For information on the remuneration of the Group's Board of Directors and Executive Board, see note 7.

PARENT			GROUP	
2018	**2019**	DKK '000	**2019**	**2018**
		39. Financial risks and financial instruments		
		Financial instrument categories		
		Derivative financial instruments held to hedge		
0	0	future cash flows included in Other receivables)	27,777	13,211
0	**0**	**Financial assets applied as hedging instruments**	**27,777**	**13,211**
0	0	Deposits	1,152	1,322
136	0	Trade receivables	234,804	208,437
64,980	50,952	Receivables from subsidiaries	-	-
209	185	Other receivables	26,013	21,506
15,028	54	Cash	48,706	61,442
80,353	**51,191**	**Loans, receivables and cash**	**310,675**	**292,707**
194,758	324,799	Bank debt	561,493	403,859
124,057	104,671	Financial institutions	155,240	179,865
0	1,247	Lease liabilities	207,650	54,316
58,608	59,601	Other non-current liabilities other than provisions	67,302	58,608
266	778	Trade payables	157,051	162,120
182,757	126,592	Payables to subsidiaries	-	-
560,446	**617,688**	**Financial liabilities measured at amortised cost**	**1,148,736**	**858,768**

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 1.8 million (2018: increase of DKK 2.1 million) in the Group and DKK 1.0 million (2018: 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 Company's and the Group's foreign exchange risks and interest rate risks are shown on the following page. The individual risks, including the Group's policy for management of financial risks and sensitivity provisions are further described in the Management's review.

Currency risks
The Group is exposed to exchange rate fluctuations.

In general, there is a good balance between income and expenses. Approx. 78% of sales are thus settled in DKK or EUR, and approx. 77 % of the Group's fixed costs are incurred in DKK or EUR. The primary commercial currency risk is indirect and relates to the customers' sales outside Europe. Similarly, purchases are primarily conducted in DKK and EUR.

20% of the Group's financing has been raised in EUR, 15% in PLN and 63% has been raised in DKK. The remaining 2% are raised in SEK and RBM.
A fluctuation of 1% in the EUR rate against DKK may therefore affect results of operations by up to approx. DKK 1.8 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 2019, an instrument for the sale of EUR against PLN in the amount of DKK 864 million (2018: DKK 680 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 15.0 million before tax and DKK 12.1 million after tax.

Notes

39. Financial risks and financial instruments (continued)

					GROUP
DKK '000	Cash and cash equivalents	Receiv-ables	Payables	Hedged amount	Net position
EUR	9,685	146,997	-257,242	0	-100,560
PLN	3,836	27,978	-156,089	0	-124,275
USD	12,561	29,465	-20,013	0	22,013
CAD	3,365	675	-140	0	3,900
SEK	1,370	10,373	-24,765	14,168	1,146
NOK	149	2,418	-1,617	0	950
RMB	11,010	30,931	-45,922	0	-3,981
CHF	0	929	-1	0	928
GBP	303	69	-45	0	327
BRL	1,402	1,067	-249	0	2,220
31/12/2019	**43,681**	**250,902**	**-506,083**	**14,168**	**-197,332**
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**

					PARENT
DKK '000	Cash and cash equivalents	Receiv-ables	Payables	Hedged amount	Net position
EUR	0	16	-56,689	0	-56,673
PLN	2	0	0	0	2
USD	0	0	-823	0	-823
SEK	52	0	-21,533	14,168	-7,313
31/12/2019	**54**	**16**	**-79,045**	**14,168**	**-64,807**
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**

39. 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 876 million. 73% of the debt carried floating interest. 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 6.4 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	Hereof fixed-rate	Effective interest
Bank deposits	48,706	0	0	48,706	0	0.4%
Financial institutions	-71,450	-77,833	-5,957	-155,240	-5,957	1.0%
Lease liabilities	-53,091	-124,273	-30,286	-207,650	-32,770	3.7%
Bank debt	-561,493	0	0	-561,493	0	1.4%
31/12/2019	**-637,328**	**-202,106**	**-36,243**	**-875,677**	**-38,727**	
Bank deposits	61,442	0	0	61,442	0	0.4%
Financial institutions	-8,227	-165,300	-6,338	-179,865	6,338	1.1%
Lease liabilities	-23,133	-31,183	0	-54,316	31,132	1.6%
Bank debt	-403,859	0	0	-403,859	0	1.6%
31/12/2018	**-373,777**	**-196,483**	**-6,338**	**-576,598**	**37,470**	

						PARENT
	Time of interest rate adjustment or maturity					
DKK '000	Within 1 years	Between 1 and 5 years	After 5 years	Total	Hereof fixed-rate	Effective interest
Bank deposits	54	0	0	54	0	0.0%
Financial institutions	-71,450	-27,264	-5,957	-104,671	-5,957	1.2%
Lease liabilities	-1,247	0	0	-1,247	0	2.0%
Bank debt	-324,799	0	0	-324,799	0	1.5%
31/12/2019	**-397,442**	**-27,264**	**-5,957**	**-430,663**	**-5,957**	
Bank deposits	15,028	0	0	15,028	0	0.8%
Financial institutions	-3,025	-114,694	-6,338	-124,057	-6,338	1.2%
Bank debt	-194,758	0	0	-194,758	0	1.5%
31/12/2018	**-182,755**	**-114,694**	**-6,338**	**-303,787**	**-6,338**	

Notes

39. 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	
2018	2019	DKK '000	2019	2018
		Receivables past due not written down:		
0	0	Past due by up to one month	36,142	38,172
0	0	Past due between one and two months	5,768	5,121
136	0	Past due between two and three months	1,925	2,163
0	0	Past due by more than three months	3,661	2,752
136	**0**		**47,496**	**48,208**

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.

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

				2018
DKK '000	**Loss percentage**	**Amount receivables**	**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**

39. 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 230 million at year end 2019.

In addition to usual loan covenants, the Group has agreed on the below-mentioned financial covenants with the financial lenders:
- Net interest-bearing debt (NIDB) can at the maximum amount to 3.5 times the latest 12 months' EBITDA: however up to 4.0 times EBIDA in the first two quarters following a loan-financed acquisition
- Equity interest must always be at least 25%.

The term to maturity of financial liabilities is specified below. The amounts specified represent the amounts falling due, including interest calculated based on current interest rates.

					GROUP
DKK '000	**Within 1 years**	**Between 1 and 3 years**	**Between 3 and 5 years**	**After 5 years**	**Total**
2019					
Non-derivative financial liabilities					
Bank debt	343,705	98,431	71,198	48,159	561,493
Financial institutions	25,071	50,148	41,789	38,232	155,240
Lease liabilities	67,036	72,950	50,323	17,341	207,650
Other non-current liabilities other than provisions	42,580	16,818	0	7,904	67,302
Trade payables	157,051	0	0	0	157,051
Interest	10,522	9,460	4,803	2,910	27,695
	645,965	**247,807**	**168,113**	**114,546**	**1,176,431**
Derivative financial instruments					
Derivative financial instruments held to hedge future cash flows	-5,590	-15,839	-6,348	0	-27,777
	640,375	**231,968**	**161,765**	**114,546**	**1,148,654**
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
Lease liabilities	15,289	24,949	10,326	3,752	54,316
Other non-current liabilities other than provisions	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					
Derivative financial instruments held to hedge future cash flows	-8,869	-2,412	-1,930	0	-13,211
	476,526	**200,267**	**96,747**	**96,489**	**870,029**

Notes

39. 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
2019					
Non-derivative financial liabilities					
Bank debt	117,441	91,458	70,400	45,500	324,799
Financial institutions	19,488	39,011	31,366	14,806	104,671
Lease liabilities	400	847	0	0	1,247
Other non-current liabilities other than provisions	42,580	16,818	0	203	59,601
Trade payables	778	0	0	0	778
Interest	6,622	7,570	3,905	1,727	19,824
	187,309	**155,704**	**105,671**	**62,236**	**510,920**
Derivative financial instruments					
Derivative financial instruments held to hedge future cash flows	0	0	0	0	0
	187,309	**155,704**	**105,671**	**62,236**	**510,920**
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**
Derivative financial instruments					
Derivative financial instruments held to hedge future cash flows	0	0	0	0	0
	91,721	**163,934**	**77,044**	**61,605**	**394,304**

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.

40. Sale of financial assets

As in previous years, the Group sold selected trade receivables without recourse as part of its credit and risk management. The Group's continued involvement is limited to administration of sold receivables and a limited financial expense 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 121 million (2018: DKK 162 million). The maturity date is within a period of less than 4 months.

41. Segment information for the Group

Geographical segments

The Group has only one business segment as the same employees and the same capital stock serve several product types and customers. Therefore, no reporting is made on business-related segments.

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	2019	2018
Denmark	717,493	751,679
Rest of Europe	816,941	767,681
Americas	204,626	186,219
Asia (incl. the Middle East)	232,085	227,352
Australia	8,247	11,882
Africa	33,540	20,215
	2,012,932	**1,965,028**
Sale of goods	2,012,842	1,955,787
The selling price of the year's production output relating to construction contracts	90	9,241
	2,012,932	**1,965,028**
The Group has one customer from which revenue exceeds 10 % of consolidated revenue	339,127	359,571
Revenue in %	16.8%	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	**2019**	**2018**	**2019**	**2018**
Denmark	612,722	602,686	45,801	56,660
Norway	1,960	320	1,706	287
Sweden	56,752	44,346	19,600	5,524
Finland	57,688	0	2,505	0
Latvia	16,757	5,213	12,725	314
Slovakia	45,272	24,752	21,952	10,648
The Netherlands	22,418	20,351	4,371	2,827
Poland	300,112	188,561	134,650	46,929
North America	54,105	33,830	24,783	5,134
China	50,429	17,643	35,388	7,047
Brazil	59	966	59	0
	1,218,274	**938,668**	**303,540**	**135,370**

Notes

42. Shareholder information

At the beginning of March 2020, 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 (17.5%)

Frank Gad (including related parties), Frederiksberg (13.2%)

Odin Fund Management, Oslo (7.2%)

Arbejdsmarkedets Tillægspension, Hillerød (5.5%)

43. Acquisition of subsidiary in 2019

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

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

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

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

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

Debt instruments of a nominal DKK 12,138 thousand falling due in the period 2020-2021 have been issued. The discounted amount is DKK 11,849 thousand. In addition, there is a conditional cash consideration of a nominal DKK 19,247 thousand. The discounted amount is DKK 18,758 thousand. The contingent consideration has been recognised at fair value at the 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.

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

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

44. Acquisition of subsidiary 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 before takeover 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.

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 before takeover 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

45. 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.

The current coronavirus outbreak is a non-adjusting event. The outbreak may affect assets and liabilities in 2020.

PARENT				GROUP	
2018	**2019**	**Note**	DKK '000	**2019**	**2018**
			46. Income statement classified by nature		
7,431	7,400	3	Revenue	2,012,932	1,965,028
0	0	4,7	Production costs	-1,060,837	-1,035,199
7,431	**7,400**		**Contribution margin**	**952,095**	**929,829**
5,165	5,725	5	Other operating income	2,500	1,834
-7,674	-8,808	6	External expenses	-102,755	-132,530
-14,463	-14,908	6,7,8	Staff costs	-544,330	-513,514
-9,541	**-10,591**		**Profit/loss before depreciation, amortisation and impairment losses (EBITDA)**	**307,510**	**285,619**
-2,742	-3,174	9	Depreciation, amortisation and impairment losses	-129,681	-89,695
-12,283	**-13,765**		**Profit/loss before net financials (EBIT)**	**177,829**	**195,924**
56,334	55,957	10	Dividends from subsidiaries	-	-
16,215	19,862	11	Other financial income	21,501	17,514
-8,715	-8,173	12	Financial expenses	-23,937	-13,325
51,551	**53,881**		**Profit/loss before tax**	**175,393**	**200,113**
2,884	4,770	13	Tax for the year	-35,124	-40,030
54,435	**58,651**		**Profit/loss for the year**	**140,269**	**160,083**
			Attributable to:		
			The Parent Company's shareholders	140,188	160,434
			Non-controlling interests	81	-351
				140,269	**160,083**
			Earnings per share (EPS)		
		14	Earnings per share (DKK)	12.57	14.37
		14	Earnings per share, diluted (DKK)	12.46	14.10
			Proposed distribution of profit/loss		
27,336	0		Dividends		
27,099	58,651		Retained earnings		
54,435	**58,651**				

Notes

47. Group chart at 31 December 2019

			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 %
Coreplast Laitila Oy	Finland	EUR	50	100 %
MedicoPack A/S	Denmark	DKK	20,000	100 %
Gibo Plast A/S	Denmark	DKK	31,000	100 %
Gibo Danmark A/S	Denmark	DKK	6,000	100 %
Gibo Sp. z o.o.	Poland	PLN	3,005	100 %
Gibo Inc.	USA	USD	500	100 %
Gibo Plast Co., Ltd.	China	USD	0	100 %
Plexx AS	Norway	NOK	3,541	100 %
Opido AB	Sweden	SEK	100	100 %
SPG Fastigheter AB	Sweden	SEK	50	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.	USA	USD	360	100 %
Ergomat Canada Inc.	Canada	CAD	0	100 %
Tinby A/S	Denmark	DKK	10,000	100 %
Tinby Denmark A/S	Denmark	DKK	500	100 %
Tinby Skumplast A/S	Denmark	DKK	500	100 %
Tinby Sp. z o.o.	Poland	PLN	50	100 %
Tinby Inc.	USA	USD	100	100 %
Tinby Co., Ltd.	China	USD	210	100 %
TPI Polytechniek B.V.	The Netherlands	EUR	113	100 %
TPI Polytechnics Inc.	USA	USD	0	100 %
TPI Polytechnics Co., Ltd.	China	USD	0	100 %
Bröderna Bourghardt AB	Sweden	SEK	100	100 %
Baltic Rim SIA	Latvia	EUR	3	100 %
Tinby SIA	Latvia	EUR	3	100 %
MM Composite A/S	Denmark	DKK	500	100 %
MM Composite Inc.	USA	USD	0	100 %
MM Composite Co., Ltd.	China	USD	0	100 %
MM Trading Co., Ltd.	China	USD	0	100 %
Nycopac AB	Sweden	SEK	500	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 2019, SP Group transferred SP Extrusion to Gibo A/S, which subsequently changed name to Gibo Danmark A/S.
In 2019, the ownership interest in Mt. Pl. Building II L.L.C increased from 33 1/3% to 100% and subsequently merged with MM Composite Inc.
In 2019, all of the shares in Para Fastigheter Lagan AB were acquired. The company subsequently changed its name to SPG Fastigheter AB.
In 2019, all the shares in Coreplast Laitila Oy were bought.
In 2019, the company TPI Polytechnics Inc.was founded.
In 2019, the company TPI Polytechnics Co., Ltd. was founded.
In 2019, the company MM Composite Co., Ltd. was founded.
In 2019, the company MM Trading Co., Ltd. was founded.
In 2019, the company Gibo Plast Co., Ltd. was founded.

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