



Annual Report  
'10

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# Company details

## **The Company**

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Central Business Registration No: 15 70 13 15  
Financial year: 1 January to 31 December  
Registered in: Northern Funen, Denmark  
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## **Board of Directors**

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

## **Executive Board**

Frank Gad, CEO  
Jørgen Hønnerup Nielsen, CFO

## **Company Auditor**

Deloitte Statsautoriseret Revisionsaktieselskab  
Tværkajen 5  
DK-5100 Odense C

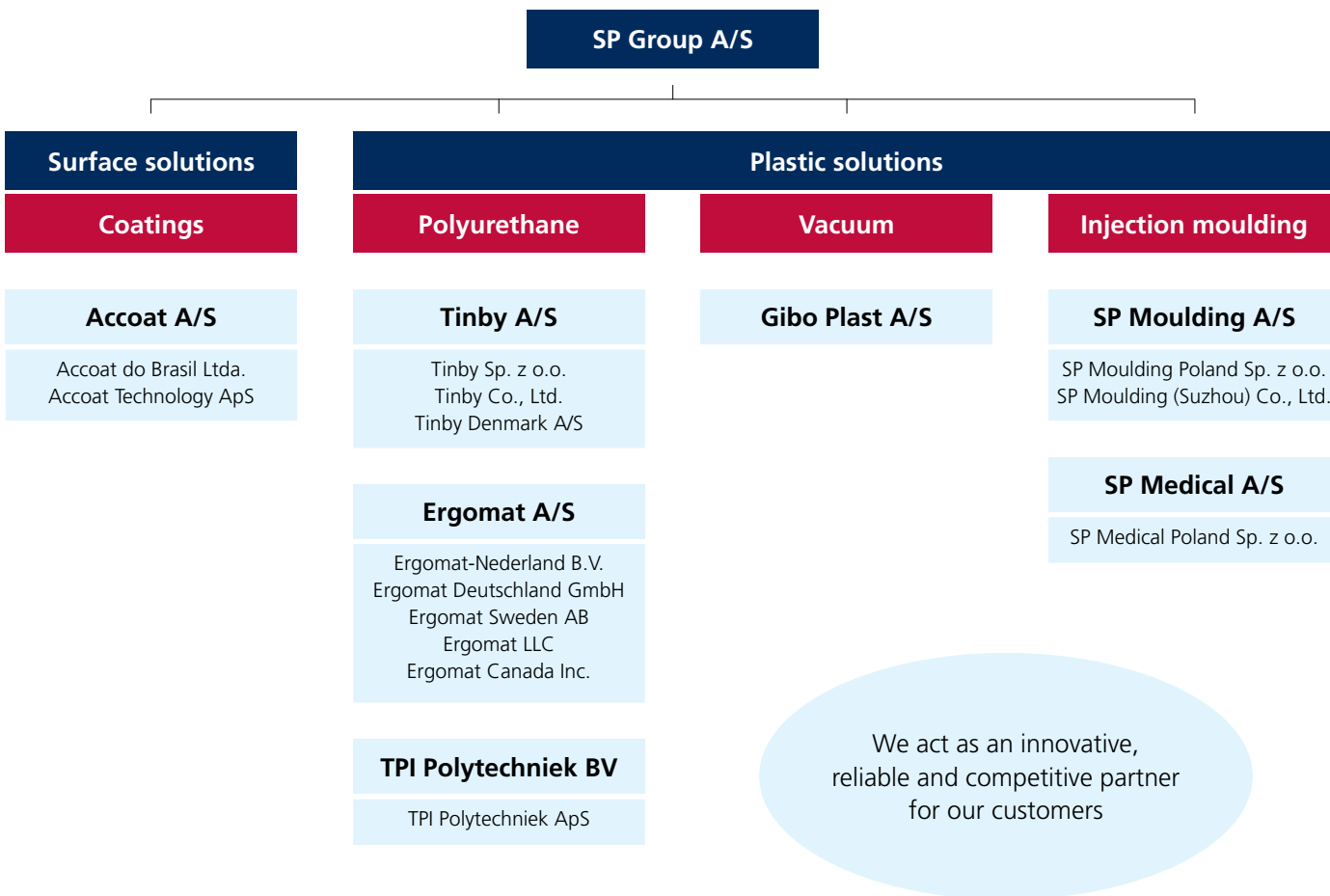
## **Annual General Meeting**

The Annual General Meeting will be held on Tuesday 26 April 2011 at 12.00 pm at SP Group A/S, Snavevej 6-10, 5471 Søndersø, Denmark

# Group chart

## Activities

SP Group manufactures moulded plastic components and performs plastic coatings. SP Group is a leading supplier of plastic manufactured products for Danish industry with increasing exports and growing production from own factories in Poland, China and Brazil. SP Group has subsidiaries in Denmark, Sweden, Germany, Netherlands, Poland, USA, Canada, Brazil and China. SP Group is listed on NASDAQ OMX Copenhagen and employed an average of 895 people in 2010.



SP Group's two business areas have the following activities: Coatings and Plastic solutions

**Coatings:** develops and produces fluoroplastic coatings (Teflon®), PTFE and other noble materials for a number of customers' products and production plants. The customers are primarily in the medical device and cleantech industries.

**Plastic solutions:** Created by using one or more of the following technologies: Reaction injection moulding (Polyurethane), vacuum forming and injection moulding – these are elaborated below.

- **Polyurethane (PUR):** Manufactures moulded products in solid, foamed, flexible and light-foam PUR for a number of industries, among these the cleantech industry. Moreover, it manufactures ventilation equipment, ergonomic mats and striping products.
- **Vacuum:** Manufactures thermo-moulded plastic pieces for refrigerators and freezers, cars, buses and other rolling stock (automotive) and the cleantech and medical device industries through traditional vacuum forming and the new High-pressure and Twinsheet moulding methods.
- **Injection moulding:** Manufactures injection-moulded, plastic precision components for a wide range of industries. The business area also has FDA-registered production for medico customers.

## Dear shareholders and other stakeholders

2010 was an interesting year with global economy starting to recover.

The central banks' medicine with a low interest rate and cash contribution to the markets was effective.

The more favourable global financial winds have naturally affected the development for our customers and for us in SP Group.

At the beginning of the year we expected modest growth in the activities in our business areas. At the end of the year we ended up realising a growth rate of 24.9%. The growth was entirely organic. The first progress was seen in our export markets where our sales grew by 35.4% in 2010. For comparison, sales to our customers in Denmark increased by 17.1%.

The reason for part of the growth is probably that the level of inventories in the different parts of the value chain had become too low in 2009.

Profit before tax and minority interests was DKK 28.8 million, which is the best ever for the Group.

Net interest-bearing debt was reduced by DKK 9.5 million to DKK 367.4 million at the end of 2010, which is equal to 4.4 times EBITDA for the year.

2010 was an eventful year and moreover:

- Our sales to the medical device industry continued to grow, now amounting to 34.0% of our sales (up on 33.4%)
- We entered into a number of contracts and partnership agreements with a good potential for the future
- We set up a small coating factory in Brazil, which was put into operation in Q4 2010
- We set up a new factory of 6,500 sqm. in Poland for PUR production. The factory was put into operation in H2 2010 and is located close to our existing factories
- We set up a new factory of 2,300 sqm. in China for PUR production. This factory was also put into operation in H2 2010. The factory is located in the immediate vicinity of our existing injection moulding factory
- We set up a new coating factory in Denmark for coating of pipes for the oil and gas industry. The factory is located in Stoholm next to the existing injection moulding factory. The factory was put into operation in Q1 2011
- We took over the injection moulding activities from Phasion Group and moved the activities to our existing factories in Denmark and Poland at the end of the year
- Our sales to the cleantech industry rose again, and many new components are still under development. The customers replace glass fibre, wood and metal by plastic, which is often better, lighter and cheaper
- We obtained a number of new large customers and did not lose any major customers in 2010
- We have launched a number of new and improved products in 2010 (guidewires, ergonomic mats and farm ventilation equipment). Moreover, new products have been developed to be launched in 2011. We are developing our medico competences in Denmark, Poland, Brazil and China and started in Q1 2010 to deliver injection-moulded components to a new large medico customer. The deliveries have increased steadily over the year and have, as expected, required extra capacity.

Last but not least:

- Our shareholders got a return of 97%, which made the SPG share the third best share on NASDAQ OMX Copenhagen in 2010.

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

We have previously mentioned the case about the lost tender on the license plate production for the Danish government. The city court made a judgment in 2009. The judgment followed the Appeals Board's decision and also ordered the tax authorities to pay DKK 600,000 as compensation to SP Group. The Danish tax authorities decided not to appeal the judgment and paid the compensation but have still not cancelled the contract with the enterprise which took over the production of the licence plates. The Confederation of Danish Industries intervened in the case on our side. It is incomprehensible that the Danish tax authorities continue to set aside the laws of the land and the decisions made by the courts.

The central banks' low-interest policy and the fiscal relief packages continue to have a positive and stabilising influence on world economy, and we must hope that authorities do not overreact when they begin to slow down again as the improved prospects are fragile.

We will continue to adjust capacity, save – and pursue new opportunities in the medical device industry, the cleantech industry and food-related industries – and move labour-intensive production from Denmark to Poland and China.

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

I want to thank our many good and loyal customers and other partners. Thanks to shareholders and lenders for backing us up. Also thank you to our employees for their committed contribution and readiness to change. We will continue to put all our creativity into creating even better solutions for the benefit of both our customers and shareholders.

Frank Gad  
CEO

# Group financial highlights

DKK '000	2010	2009	2008	2007	2006
Revenue	851,902	681,943	863,705	869,687	825,381
Profit/loss before depreciation and amortisation (EBITDA)	83,019	40,216	60,311	72,914	73,424
Depreciation, amortisation and impairment losses	-41,327	-41,209	-43,317	-38,348	-37,439
Profit/loss before financial items (EBIT)	41,692	-993	16,994	34,566	35,985
Net financials	-12,894	-13,465	-31,855	-13,365	-15,348
Profit/loss before tax and minority interests	28,798	-14,458	-14,861	21,201	20,637
Profit/loss for the year	25,281	-12,395	-10,314	15,904	12,920
SP Group A/S's share	21,440	-13,580	-12,802	12,577	10,254
Non-current assets	420,221	405,760	402,363	383,064	383,768
Total assets	741,653	674,255	708,092	668,251	670,635
Equity	176,217	148,399	159,547	167,040	154,220
Equity including minority interests	190,667	159,719	170,471	178,949	167,075
Investments in property, plant and equipment, excluding acquisitions	37,463	32,656	63,266	48,893	61,308
Cash flows from operating activities	57,828	45,338	35,353	53,623	37,501
Cash flows from investing activities	-46,889	-35,783	-69,499	-52,198	-67,471
Cash flows from financing activities	47,285	-16,354	-17,464	9,662	38,573
Increase/decrease in cash and cash equivalents	58,224	-6,799	-51,610	11,087	8,603
Net interest-bearing debt (NIBD)	367,441	376,864	393,400	333,330	337,255
NIBD/EBITDA	4.4	9.4	6.5	4.6	4.6
Operating profit (EBITDA margin), %	9.7	5.9	7.0	8.4	8.9
Profit margin (EBIT margin), %	4.9	-0.1	2.0	4.0	4.4
Profit/loss before tax and minority interests in % of revenue	3.4	-2.1	-1.7	2.4	2.5
Return on invested capital including goodwill, %	7.3	-0.2	3.0	6.6	7.2
Return on invested capital excluding goodwill, %	9.0	-0.2	3.6	7.9	8.7
Return on equity (ROE), excluding minority interests, %	13.2	-8.8	-7.8	7.8	7.4
Equity ratio, excluding minority interests, %	23.8	22.0	22.5	25.0	23.0
Equity ratio, including minority interests, %	25.7	23.7	24.1	26.8	24.9
Financial gearing	1.9	2.4	2.3	1.9	2.0
Earnings per share, DKK each unit	10.59	-6.74	-6.39	6.33	5.36
Earnings per share, diluted, DKK each unit	10.45	-6.74	-6.39	6.24	5.29
Cash flow per share, DKK	28.4	22.6	17.6	27.1	20.2
Total dividends for the year	0	0	0	0	0
Listed price, DKK per share, year-end	84.5	42.9	42.0	175.0	157.0
Net asset value per share, DKK per share, year-end	87	73	79	84	77
Listed price/net asset value, year-end	0.97	0.59	0.53	2.10	2.04
Average number of employees	895	849	1,021	954	891
Average number of shares (excluding treasury shares)	2,024,000	2,014,373	2,003,492	1,986,025	1,914,270

The key figures and ratios for 2006-2010 have been prepared in accordance with IFRS. The ratios have been compiled in accordance with "Recommendations and Ratios 2010" issued by the Danish Society of Financial Analysts. See page 48 for definitions.

# Year 2010 in outline

## 2010 in outline

The sale of plastics and surface coatings to almost all industries increased significantly. We realised particularly high growth rates in our sales to the medical device and cleantech industries.

Group revenue increased by 24.9% to DKK 851.9 million.

The sale of own brands also increased. Almost all the increase in revenue is attributable to higher volumes.

Sales to the medical device industry increased by 27.2% and were widely based on customers, products, geography and technology. Sales to the medical device industry now account for 34.0% of our sales (up on 33.4% in 2009).

Foreign sales increased even faster than domestic sales and now account for 46.4% of revenue (42.8% in 2009). Especially North America and Asia have seen high growth rates. The Group's operating profit – EBITDA – increased from DKK 40.2 million in 2009 to DKK 83.0 million, which is the highest ever. The increase is partly attributable to the higher level of activity, partly a generally higher internal efficiency and the results of the preceding years' relocations and efforts to optimise the product mix. During the year considerable resources have been dedicated to the establishment of new production facilities in Brazil, China, Poland and Denmark, which had a negative impact on the operating profit. Investments in property, plant and equipment amounted to DKK 37.5 million, which is DKK 4.8 million up on 2009.

Depreciation, amortisation and impairment losses amounted to DKK 41.3 million, which is at the level of 2009.

EBIT was DKK 41.7 million equal to 4.9% of revenue.

The Group's financial expenses decreased to DKK 12.9 million from DKK 13.5 million in 2009.

The financial expenses are equal to 3.5% per annum including lending margins on the Group's net interest-bearing debt (NIBD).

At the end of 2010, net interest-bearing debt was specified by currency as follows:

DKK	DKK	150 million
EUR	DKK	213 million
PLN	DKK	5 million
USD	DKK	4 million
RMB	DKK	-5 million
Total	DKK	367 million

## Cash flows and balance sheet

Cash flows from operating activities have increased to DKK 57.8 million (up on DKK 45.3 million in 2009).

Cash flows from investing activities amounted to DKK 46.9 million, which partly related to capacity and competency development within the medical device industry (approx. DKK 22 million), the cleantech industry (approx. DKK 7 million), oil and gas (approx. DKK 6 million) partly to general productivity promoting investments (approx. DKK 14 million). The Group succeeded in selling off some of its old machines and a minor property, which altogether resulted in a reduction in net investments (approx. DKK 2 million).

Instalments on non-current debt amounted to DKK 25.9 million, and non-current loans raised amounted to DKK 74.5 million.

The change in cash and cash equivalents was positive by DKK 58.2 million.

The balance sheet total was increased from DKK 674.3 million to DKK 741.7 million, which is attributable to an increase in working capital.

Net interest-bearing debt (NIBD) was reduced to DKK 367.4 million from DKK 376.9 million and amounted to approx. 4.4 times EBITDA for the year.

It is Management's opinion that the Company continues to have reasonable capital resources compared to the Company's operations and sufficient liquidity to meet the Company's present and future liabilities. The Company has a long and fruitful cooperation with its financial cooperative partners, which is expected to continue.

The capital structure has changed so that the current interest-bearing debt has been reduced from 31.8% to 21.7% of the balance sheet, and the non-current interest-bearing debt has increased from 27.7% to 31.8% of the balance sheet. Equity has increased from 23.7% to 25.7%, and non-interest bearing debt has increased from 15.7% to 20.2%.

The net interest-bearing debt was thus reduced from 55.9% to 49.5% of the balance sheet.

## Q4 2010

In Q4 2010, SP Group sold for approx. DKK 220.7 million, which was 21.5% more than in the same period the year before.

EBITDA decreased to DKK 17.7 million from DKK 20.6 million in the same period the year before. In Q4 2009 the Company succeeded in selling a property, which resulted in a profit of DKK 8.6 million.

EBIT decreased to DKK 8.4 million from DKK 9.3 million in the same period in 2009.

Profit before tax and minority interests was improved by DKK 0.8 million reaching DKK 6.8 million.

As expected, the profit for Q4 was negatively affected by the running-in expenses of three new production entities in China, Brazil and Poland as well as the relocation of the injection moulding activities from Phasion Group in Skive to SP Moulding's facilities in Stoholm, Juelsminde and Poland. Phasion Group's injection moulding factory in Skive was closed in Q4 2010 as planned.

The EBITDA margin in Q4 was 8.0%, and profit/loss before tax and minority interests was 3.1% of revenue.

In Q4, cash flows from operating activities amounted to DKK 24.9 million. DKK 15.6 million was used on investments, and DKK 25.6 million net was raised in non-current liabilities. The change in cash and cash equivalents was therefore positive by DKK 34.9 million.

Because of the results generated in 2010, expectations for 2011 combined with the increased cash resources, Management is no longer planning to issue new shares as previously stated in the annual report for 2009.

## Events after the balance sheet date

After the balance sheet date until the publication of this annual report no significant events have occurred which have not already been incorporated in this annual report and which change the evaluation of the Group and its financial position.



## Outlook for 2011

Global economy is also expected to grow in 2011, but it is still fragile. In the close markets in Europe a low growth rate is expected in economy in general as a number of countries have very large deficits on public finances and a large debt.

It is assumed that inventories in most links in the value chain are almost restored.

We are going to launch a number of new products and solutions to customers, especially in health care, cleantech and food-related industries. These new solutions are expected to contribute to growth and earnings.

A high investment level will be maintained in 2011. The largest single investment is expected to be made in the medical device activities. The

Company has received loan commitments of DKK 20 million to finance specific investments.

Depreciation and amortisation are expected to be realised at a higher level than in 2010.

Financial expenses are expected to be realised at the 2010 level.

This together with strict cost control and early capacity adjustment as well as continued strong focus on risk management, cash management and capital management contributes to creating a good basis for the Group in future.

A slightly larger profit before tax and minority interests and a level of activity slightly higher than in 2010 are expected for 2011 but too early to be quantified as market prospects are still uncertain.



# Strategic Development

## Financial goals are maintained

In the annual report for 2007 we wrote:

*"In December 2007, the Supervisory Board treated the Group strategy until 2012 and laid down the overall guidelines and financial goals for this five-year plan.*

*SP Group expects all four business units to create organic growth in the coming years based on the present markets. Moreover, SP Group will be open to acquisitions, which will increase the Group's growth and strengthen the position on the Scandinavian market. This happened recently with Gibo Plast's acquisition of DK1 Form. Previously, SP Group took over Danfoss's plastic production in Nordborg and a Swedish producer of ergonomic mats for workplaces.*

*The financial goals 2012 are based on the assumption of annual average GNP growth of 3% on the Group's markets and generally successful markets."*

Unfortunately, the GNP growth on the Group's markets was far below 3% in 2008 as well as in 2009, and the markets did not work well. In 2010 the markets gradually improved, and BNP growth normalised. Due to the financial crisis and the subsequent global recession, it will hardly be possible for the Group to meet the objectives for 2012 until later and probably not until in 2014 or 2015.

With the initiatives comprised by the Group's strategy plan, revenue is expected to grow to DKK 1.5 billion.

The operating margin before depreciation, amortisation and financial items (EBITDA) is to be increased. It is Management's goal to lower the ratio of net interest-bearing debt to EBITDA to 3-4 and maintain it at this level in future.

In the long term, profit before tax and minority interests is expected to gradually grow to around 6-7% of revenue as the share of own products is expected to grow relatively more than rest of the revenue. When it comes to sub-supplier tasks, the goal is still to achieve a profit before tax and minority interests equal to 5% of revenue.

SP Group will continue to reduce net interest-bearing debt by strengthening cash flows from operating activities and by selling non-value-creating assets or by entering into sale-lease back agreements to release capital.

The equity ratio (including minority interests' share of equity) will be maintained at 20-35% in the period. Should the equity ratio be lower due to the expansion of activities, the Company will consider asking the shareholders for additional capital. If, on the other hand, the equity ratio turns out to be higher, the excess capital will be transferred back to the shareholders.

SP Group aims at giving its shareholders a fair return through increases in the share price as the Group does not pay any dividend in the short term. The goal is that earnings per share over a five-year period will increase by at least 20% p.a. on an average. In 2010 the share price increased by 97%.

## Customers

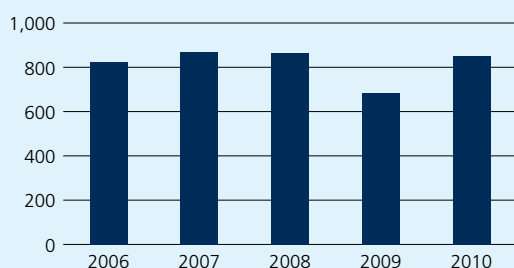
A service level adapted to the individual customer's requirements and expectations is decisive for the customer's perception of us as a competitive, innovative, reliable and decent supplier.

Customers' requirements and expectations are constantly growing as development offers more and more options, and a number of areas seem to be increasingly complex. Therefore, the customers take advantage of SP Group's competences when making decisions on plastic and surface coatings. SP Group's offer for its customers is based on ambitions of being the best local partner within plastics and coatings – both when it comes to innovation, product supply, competitiveness, availability and value creation. Often SP Groups succeeds in solving the customers' global needs through local presence in China and Poland or by creating a global competitive solution from one factory. In 2010 the local presence in Brazil was established. In North America we have placed sales and service activities.

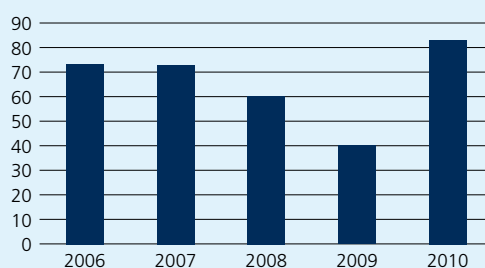
Advisory services within plastics and surface treatment are becoming increasingly important, and SP Group is using the Group's competences and technologies to provide additional value to the customers' products. In 2010, the co-operation with leading universities in the EU was extended as well as the 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 must continue to be increased. In a number of global niches SP Group controls a large part of the value chain with own products which have higher margins than many of the products SP Group manufactures as a sub-supplier. The total sale of ventilation equipment

Group revenue 2006-2010 (DKK million)



Operating profit EBITDA 2006-2010 (DKK million)



from TPI, ergonomic workplace equipment from Ergomat and guidewires under the SP Medical brand has grown from DKK 90 million in 2004 to DKK 140 million in 2010. A number of new products (logo mats, 'hard surface' ventilation equipment and special guidewires) have been developed and marketed in 2010. Apart from increasing sales of the present products, the Group will continue to develop more new products under its own brands.

Growth must also be created with customers and growth industries. A clear example is the medical device industry which buys 34.0% of Group revenue. Sales to this industry have increased by more than 100% since 2005 and amounted to DKK 290 million in 2010. The growth in medical device sales must be maintained with the dedicated business unit SP Medical as the primary driver. The sale of products to the medical device industry and the sale of own ergonomic products are reported as a whole as "health care". The below figure shows the development in total health care sales, which amounted to 41.1% of revenue in 2010.

SP Group has also created an international position as a supplier of solutions for cleantech, and this position must be strengthened.

The below figure shows the development in sales to the cleantech industry, which amounted to 21.0% of revenue in 2010.

Many customers are food manufacturers or suppliers to food manufacturers. This segment is called "food-related industries". The below figure shows the development in sales to the food-related industries.

The health care, cleantech and food-related industries accounted for 79% of revenue in 2010.

The geographic expansion will continue through increased exports from factories in Denmark, Brazil, China and Poland and special focus on new markets in Southern and Eastern Europe, South America and Asia. International sales have increased over the past five years from approx. 37% to 46%, and the share is to be further increased.

## Efficiency and rationalisation

In 2010, the Group's production structure was further rationalised and production efficiency enhanced.

The competency development will continue at the factories in China, Poland, Brazil and Denmark so we will be able to meet our customers' needs efficiently and in a better and cheaper way.

In Denmark we have built a new factory for coating of pipes for the oil and gas industry (friction reduction and corrosion protection).

In Brazil we have established a new factory for coating of medico components.

In Denmark and Poland we have established new white rooms to solve tasks for customers in the medical device industry.

In China we have improved a number of methods, systems and processes, which have contributed to a significant increase in efficiency. Moreover, one of our largest customers in China has voted us "Number 1 in 2010" among its suppliers measured in terms of reliability of quality and delivery.

In Poland we have built a factory for the manufacture of PUR components to the cleantech industry.

In Denmark we have closed two factories in Spentrup and Sønderød.

The reliability of delivery (on time delivery) from all factories was increased and has now reached 98-99% and must be further improved.

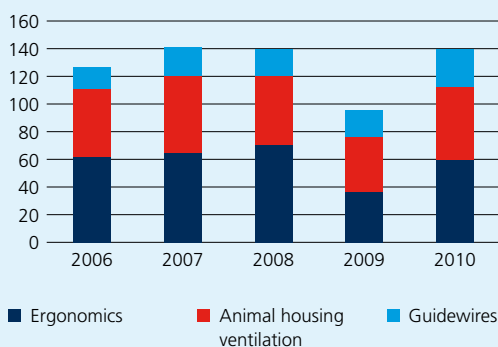
The level of quality is measured continuously, and constant efforts are made to raise this level.

The roll-out of Lean continues and has contributed to improving efficiency at all plants.

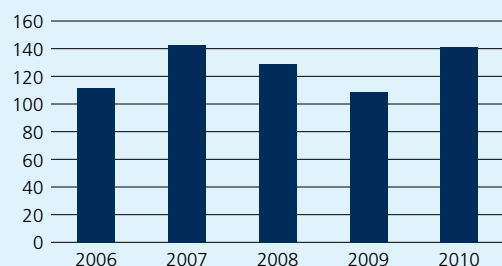
The recession has 'inspired' us to adjust and develop the organisation in a number of factories, so the number of organisational levels has been reduced. In five factories in Denmark we have reduced the size of the organisation and at the same time improved customer service.

Finally, SP Group will continuously make a critical analysis of the Group's activities. If activities and enterprises are unable to attain reasonable earnings, they will be closed down or sold.

Revenue under own brands 2006-2010 (DKK million)

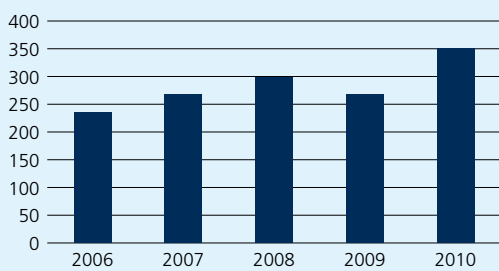


Revenue from food-related industries 2006-2010 (DKK million)

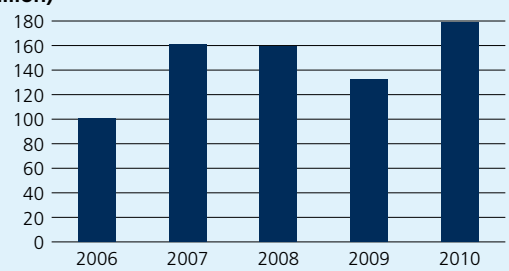




Revenue from health care products 2006-2010 (DKK million)



Revenue from energy and environmental products 2006-2010 (DKK million)



# Coatings

- New tasks in the oil and gas industry
- New tasks in the cleantech industry
- More tasks in the medical device industry

## 2010 in outline

Revenue remained at DKK 133.9 million, which is a little lower than expected at the beginning of the year as a number of projects had been postponed. Revenue to the medical device industry increased as expected.

Accoat increased its marketing efforts towards customers in the oil and gas industry in the US, Denmark and Norway, which has resulted in new tasks for future delivery.

Operating profit/loss (EBITDA) decreased from DKK 16.2 million to DKK 15.3 million and was negatively affected by poorer product mix as well as higher development and marketing costs.

Considerable growth is expected in the coming years. Therefore, in 2009 and 2010 investments were made in further furnace capacity as well as

a phosphatizing plant to be used for coating tasks for customers in the cleantech and oil and gas industries. As a major expansion of the facilities in Kvistgaard is not possible, the new coating plant has been set up in Stoholm in buildings owned by SP Moulding, which has reduced their area requirements. The plant was put into operation in Q1 2011.

In Brazil investments have been made in a small coating plant, which was put into operation in Q4 2010. In the short term, the plant will solve tasks for the customers in the medical device industry. In the long term, the plant is also planned to solve tasks for the Brazilian oil and gas industry and the cleantech industry.

In this way, capacity and efficiency are increased.

After a number of investments the plant in Kvistgaard is able to treat the surfaces of extremely heavy and large items with dimensions of up to 12 x 3 x 3 metres. The plant holds one of the largest furnaces in Europe for sintering Teflon-coated items and is able to manufacture multiple batches in three furnaces at a time. With these facilities Accoat is among the most modern and environment-friendly coating enterprises in the EU.

During the year, Accoat has solved tasks for customers in 12 countries.

## Markets and products

In 2010, Accoat coated a range of different products, such as medical device equipment, chemical reactors, tanks, car components, thermocouples, ovens, baking machines, filling machines, engine components, ventilation equipment as well as equipment for the oil and gas industries. 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 coating market are quite high as it requires great expertise to manufacture coatings in environment-friendly synthetic materials. Accoat develops and tests an increasing part of the coatings in own laboratories 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. Coatings, for instance, facilitate the cleaning of surfaces, which reduces the use of detergents, water and time and which also results in shorter production stoppage during cleaning.

Coatings, for instance, may also make products oil- and waterproof, heat insulating, electrically insulating or resistant to chemicals. In some industries coatings are necessary to comply with safety requirements. For instance in the semi-conductor industry where large requirements are made of clean rooms and ventilation from these rooms. Here ventilation ducts are coated inside with Accotron, which protects against corrosion from the aggressive gases, makes the ducts fireproof and facilitates cleaning.

<b>Name:</b>	Accoat A/S
<b>Website:</b>	www.accoat.dk
<b>Location:</b>	Kvistgaard in North Zealand, Stoholm in Jutland, Denmark, and São Paulo in Brazil
<b>Executive Board:</b>	Niels Uhrbrand, Managing Director
<b>Activities:</b>	Accoat performs coatings for industrial products and production plants. The products coated range from very small needles to large tank facilities.
<b>Description:</b>	Accoat develops and manufactures environment-friendly technical solutions for industrial and medical purposes, including fluoroplastics (Teflon®), PTFE and other refined materials.
<b>Environment/quality:</b>	See outline of certificates on page 28.

Pipes for the oil and gas industry are coated to obtain friction reduction and corrosion protection, which increases the customers' value creation.



The customers also experience that they can replace expensive materials such as titanium with other and low-cost surface-treated materials. Consequently, the total demand for coatings, including nanocoatings, is expected to grow significantly over a number of years.

Several customers demand coatings approved for food. According to new legislation Acccoat was approved in 2010 by the Danish Veterinary and Food Administration to manufacture food contact materials.

## Strategy

Acccoat continues to strengthen product development, improve the properties of the coatings and develop and test new products and processes together with the customers.

Acccoat is involved in research-related projects. At present, Acccoat participates in a project within EU's 7th framework programme (FP7) on transport of CO<sub>2</sub>. A PhD project on coatings for frying at temperatures higher than 260 °C has just been finalised.

Marketing is improved globally, and Acccoat A/S has increased the visibility on the largest markets and cultivated prospective customers in the medical device and food industries, the oil and gas industry and the cleantech industry.

Sales are strengthened through more systems selling in which Acccoat A/S advises the customers on the construction of the items and on the choice of materials before the items are coated. For this purpose Acccoat Technology ApS was established.

Acccoat A/S's efforts to develop customised processes and products are made in close cooperation with customers and suppliers. Examples of these are the development of antistatic coatings for the paint and varnish industry and inside coating of pipes for the oil industry.

In 2010 Acccoat established a coating factory in Brazil, which is to serve customers in South America. A contract has been made with an existing customer on deliveries from the factory.

## Outlook for 2011

Acccoat is expected to increase revenue in 2011. Operating profit (EBITDA) is expected to become slightly higher than in 2010.

### Development in Coatings 2008-2010

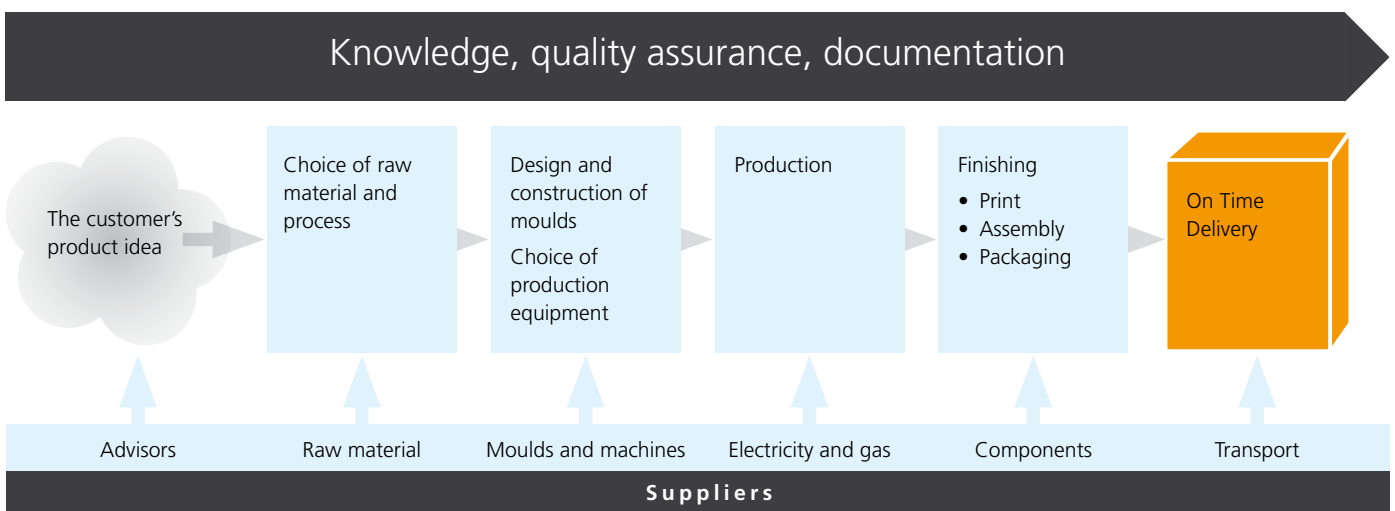
DKK million	2010	2009	2008
Revenue	133.9	134.1	113.8
Profit/loss before financial items, depreciation and amortisation (EBITDA)	15.3	16.2	16.1
Profit/loss before financial items (EBIT)	8.5	9.6	10.7
Total assets	122.2	116.1	100.5
Average number of employees	63	63	63

# Plastics

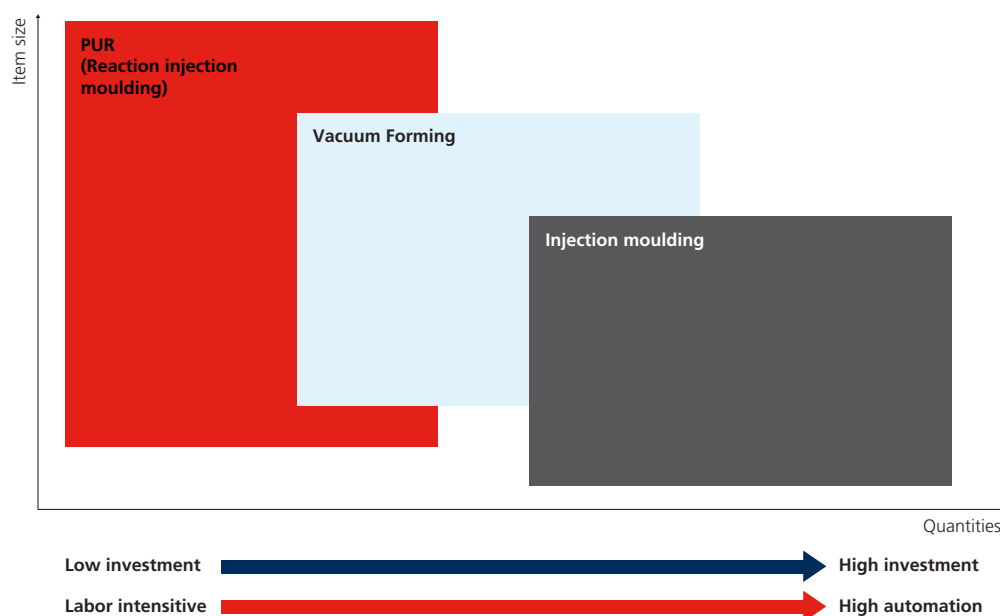
- New tasks in the healthcare industry
- New tasks in the cleantech industry
- More tasks in food-related industries

All plastic enterprises in SP Group carry out customised solutions in close cooperation with the customers.

## SP Group's value creation



The choice of production technology depends on the size of the component and the number to be produced.



Often a product starts its life cycle in PUR. When the product has attained a certain market penetration, "Mark II" is made in vacuum, and much later when the production reaches a high amount, Mark III is injection moulding.

### LifeStraw® Family supplies clean drinking water

For more than three years SP Moulding has cooperated with the Swiss enterprise Vestergaard Frandsen on the development of LifeStraw® Family, an advanced water purification unit which can purify dirty and bacteria-filled water so it can be drunk directly without boiling, electrical power, high water pressure or other resource-demanding purifying processes.

The target group is developing countries and disaster areas.

Ergomat sells the striping products DuraStripe® for Lean projects



We will therefore in future report the plastic enterprises

- SP Moulding and SP Medical (Injection moulding)
- Gibo Plast (Vacuum)
- Ergomat, Tinby and TPI Polytechnik (PUR)

as a whole as PLASTICS.

### 2010 in outline

Revenue increased by 31.3% to DKK 733.1 million, which is somewhat higher than expected at the beginning of the year. Sales increased to all customer groups and from all three technologies (injection moulding, vacuum and PUR).

The operating profit measured by EBITDA was DKK 74.5 million, which is more than double compared to 2009 and the best operating profit to date.

### Outlook for 2011

The business segment expects growth in revenue and earnings.

The activities are expected to be extended both in Poland, China, USA and Denmark.

### Development in Plastics 2008-2010

DKK million	2010	2009	2008
Revenue	733.1	558.4	762.7
Profit/loss before financial items, depreciation and amortisation (EBITDA)	74.5	35.8	56.0
Profit/loss before financial items (EBIT)	41.1	2.5	19.4
Total assets	617.0	561.2	625.8
Average number of employees	823	779	950

# Injection moulding

- Global progress
- Reasonable results
- Many new tasks

## 2010 in outline

The improved economic trends combined with a number of new solutions resulted in a heavy increase in activities. This together with a trimmed cost base resulted in an increase in capacity utilisation and thereby operating profit.

SP Moulding saw a reasonable entry of new industrial customers in Europe and Asia.

In October SP Moulding took over the injection moulding activities from Phasion Group in Skive. Production was moved to SP Moulding's factories in Stoholm, Juelsminde and Poland.

At the end of 2009, SP Medical entered into a large multi-annual contract with a medical device customer, who wants to source out his injection moulding. SP Medical won the task in close competition with the world's leading enterprises in the field. Production started in Q1 2010 and has increased over the year and fully phased in at the end of 2010. Production takes place in Denmark, and in the course of 2011 also in Poland. From 2011 the contract is expected to contribute with approx. DKK 20 to 25 million in annual revenue and contribute positively to the bottom line.

Over the year SP Medical has invested many resources in the project which proceeds as planned.

<b>Name:</b>	SP Moulding A/S, SP Medical A/S
<b>Website:</b>	www.sp-moulding.dk and www.sp-medical.dk
<b>Location:</b>	Juelsminde, Stoholm, Karise (Denmark), Sieradz (Poland) and Suzhou (China)
<b>Executive Board:</b>	Frank Gad, CEO
<b>Activities:</b>	SP Moulding is the leading Danish manufacturer of injection-moulded plastic precision components for a wide range of industrial enterprises. SP Moulding (Suzhou) Co. Ltd. in China and SP Moulding (Poland) Sp. z.o.o. manufacture technical plastics and perform assembly work. The business unit SP Medical manufacture to medical device customers in Karise and Sieradz (Poland).
<b>Description:</b>	In addition to the actual moulding, which is carried out in modern production facilities, the technology area handles all finishing treatment such as ultrasound welding, surface treatment and compression. SP Moulding is also handling part or full assembly, packaging and consignment for a large number of customers.
<b>Environment/quality:</b>	See outline of certificates on page 28.

SP Medical has made a contract on purchase of a number of injection moulding machines for delivery in 2011. SP Medical has received and accepted loan commitments to finance the purchase price of approx. DKK 15 million. The machines are to be used to expand activities with existing customers.

## Markets and products

With almost 300 injection-moulding machines SP Moulding and SP Medical are the largest independent injection moulders in Denmark, ranking among the largest two in the Nordic countries. The Danish market is estimated to be approx. DKK 3-4 billion including large industrial groups' own production. The market is still characterised by many small suppliers and excess capacity in certain areas, and a number of customers are moving to low-wage areas. On the other hand, several groups with own production of technical plastics choose to source out to specialists like SP Moulding. It will also be possible for SP Moulding to expand market shares by replacing other materials with plastics.

SP Moulding has evident advantages on the Danish market by virtue of its size and competences within design, product development, international sourcing of moulds and raw materials as well as additional services such as full assembly, packaging and dispatch of finished products often in cooperation with the factory in Poland. Price is still a decisive parameter, and therefore production needs to be made even more efficient. In Poland and China, SP Moulding is a small supplier of technical plastics, but in both countries there is a basis for considerable growth by virtue of the enterprise's total knowhow.

SP Medical addresses a potential market of approx. DKK 15 billion with annual growth of 5-7%. SP Medical ranks as number 2-3 in Scandinavia, and in the niche of PTFE-coated guidewires for urology and radiology, etc, SP Medical is among the three largest suppliers in Europe. SP Medical also manufactures medical components and equipment and surface treats products with function-enhancing coatings. With its competences and quality standards, SP Medical has good opportunities to increase its market shares.

## Strategy

SP Moulding will increase exports from the two Danish factories to the close markets, and the Polish factory is to strengthen the sale of technical plastics and assembly on the growth markets in Eastern and Southern Europe. In China production capacity is being expanded, and sales are strengthened. SP Moulding will continue moving labour-intensive tasks from Denmark to Poland and China.

On all markets SP Moulding will win market shares by improving customer services, intensified participation in the customer product development and a targeted effort towards growth sectors. Competences should be currently strengthened, so SP Moulding will also differentiate itself in future. In all plants, the production efficiency programme will continue,





through Lean projects, more automation and focus on raw material consumption, disposals as well as switch-over times, etc. SP Moulding will continue participating in the strengthening of the position in the Nordic countries where relevant.

SP Medical will continue intensifying marketing efforts towards new customers, especially taking advantage of the fact that the unit with the Polish factory has become increasingly competitive in relation to labour-intensive tasks. The medical competences must be currently strengthened, and the clean room production in Denmark and Poland expanded. In China "white room production" will be established.



For Nature Urn® SP Moulding has developed a special biodegradable material, which is used for the manufacture of buried urns. The material degrades in less than 10 years when buried in the ground.

# Polyurethane

- Higher activity
- New products
- Expansion in Poland and China

## 2010 in outline

Ergomat experienced heavy growth in the sale of ergonomic mats and the striping product DuraStripe® in almost all global markets. The highest growth was seen in North America and in Southern Europe. Also Asia and the close markets in Northern Europe saw good progress.

<b>Name:</b>	The technology area consists of three activities with polyurethane (PUR) as the common denominator: Ergomat A/S, Tinby A/S and the 80%-owned TPI Polytechniek BV.
<b>Websites:</b>	www.ergomat.com, www.tinby.dk, www.tpi-polytechniek.com.
<b>Location:</b>	Søndersø (Denmark), Zdunska Wola (Poland) 's-Hertogenbosch (Netherlands), Helsingborg (Sweden), Cleveland (USA), Montreal (Canada) and Zeil am Main (Germany).
<b>Executive Board:</b>	Claus Lendal, Managing Director of Ergomat A/S. Torben Nielsen, Managing Director of Tinby A/S, and Steen Ole Therkelsen, Director of Tinby A/S. Jeroen van der Heijden, Managing Director, of TPI-Polytechniek BV.
<b>Ergomat A/S</b>	develops, manufactures and sells ergonomic solutions under own brands: Ergomat® mats and DuraStripe® striping tape to global enterprise customers. Ergomat has sales companies in Europe and North America.
<b>Tinby A/S</b>	manufactures moulded products in solid, foamed and flexible PUR for the graphics, medical device, furniture, refrigerator and cleantech industries, among others. In Poland Tinby Sp. z o.o. manufactures light-foam products for the sister subsidiaries TPI and Ergomat, among others. The Chinese company manufactures light-foam products and other plastic solutions for the cleantech industry.
<b>TPI Polytechniek BV</b>	develops and sells concepts for ventilation of industrial buildings as well as poultry and pig houses, primarily products under the brand of TPI, which is manufactured by Tinby in Poland. Global sales are handled from the Netherlands. Sales in Scandinavia are handled from Søndersø in Denmark.
<b>Description:</b>	PUR is manufactured by mixing two special liquids, which react, and by pressing the mixture into a mould forming the required component. Competencies consist in knowing the possibilities of variation and making the best of the material.
<b>Environment/quality:</b>	See outline of certificates on page 28.

Tinby experienced heavy growth in global activities. In 2010, Tinby set up a new factory in Poland of 6,500 sqm. and a new factory in China of 2,400 sqm. Both factories were established and put into operation within the approved financial limits and schedules.

TPI experienced heavy growth in global activities. Agriculture (outside Scandinavia) has started again to invest in new, large animal housing. TPI maintained and strengthened its sale of small projects. In countries where poultry and pig houses are increasingly being closed to prevent air-borne diseases from reaching the livestock, negative static pressure ventilation equipment needs to be installed.

## Markets and products


Ergomat is a market leader in Europe and ranks among the three largest suppliers in the world of ergonomic workplace mats, supplemented with the striping product, DuraStripe®, as well as working chairs and tables. Ergomat sells 24 different mats and a number of different chairs and tables. The demand is driven by a focus on working environment and prevention of work-related injuries as well as a wish to use the properties of the mats, such as antistatic and fire resistant properties. The main markets are the USA, Canada, Germany and South Korea, but Ergomat sells in approximately 30 countries through own offices and distributors. On the main markets there is a gradual shift of workplaces from industry towards the commercial sector, the service and health sectors. Moreover, industries are being automated and flag out labour-intensive production. Therefore, Ergomat is highly focusing on new markets in Eastern Europe and Asia and on new industries such as the commercial, service, administrative and health sectors.

Ergomat has developed 'Logomats™' for this segment. Ergomat has applied for a patent on 'Logomats™'.

Ergomat has also developed 'Ergomat Extreme™', which has a stronger surface, is easier to clean and comes in all colours. Ergomat has also applied for a patent on 'Ergomat Extreme™'.

'Ergomat Extreme™' and 'Logomats™' were launched globally at the end of 2010. The products were received well by the market.

Tinby is Scandinavia's leading sub-supplier of moulded components in solid, foamed, flexible polyurethane as well as combinations thereof. Tinby's components are used for cleantech tasks, in medical products, instruments, furniture, graphic machines, ventilation, coatings, window and construction profiles, insulation caps and cabinets. Tinby develops special raw materials for narrow and broad product solutions and masters a number of technologies for the processing of the products, including combination technologies, in-mould coating, painting and coatings.



TPI develops and sells ventilation equipment for poultry and pig houses which improves the health and growth of the animals.

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

TPI is the leading manufacturer in Europe of light-foamed chimneys, air intake, air gratings and ventilation ducts for the agricultural and industrial sectors. PUR is especially suitable for these purposes as the material is light, well-insulating and weather resistant and does not develop condensed water when temperature changes. The demand is especially driven by the industrialisation of agriculture in Eastern Europe, which is expected to continue for the next 5-10 years, but also Western Europe and Southern Europe are significant markets. Moreover, the Middle East and overseas markets will come to play a more important role. TPI has agents in 40 countries.

TPI has improved a number of its products, which were launched in the spring of 2010. The products were received well by the market.

### Strategy

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

Plagiarism and increased competition require development of new products and concepts, and Ergomat will differentiate itself by offering integrated solutions cutting across present products and by offering supplementary services. Production was moved to Poland in 2010.

As a result of the heavy increase in sales and to secure a place for future growth, Tinby has entered into a contract with a local investor in Poland on construction and rental of a new factory of 6,500 sqm. The factory was ready in the middle of 2010. To strengthen its competitive power further and continue to improve customer service, Tinby has set up a factory in China in close connection to SP Moulding's existing factory.

Tinby is planning to set up a facility in North America in 2011 in close connection to Ergomat's existing facilities to improve customer service and the competitive power.

TPI currently expands its product programme within ventilation for agriculture. The company is cultivating new markets in Asia, Middle East and Southern Europe on a direct basis and at the same time enhancing the relationship with large turnkey suppliers. TPI will increasingly focus on industrial ventilation solutions to increase revenue and to reduce the dependency on the agricultural sector. TPI will be open to consolidation internationally. The expected growth in production will be handled by Tinby's Polish factory.

# Vacuum forming

- Unsatisfactory operating results in 2010
- New tasks in the cleantech industry
- Consolidation of production

## 2010 in outline

In August 2010 Management was replaced in order to obtain profitable operations in 2011.

Gibo Plast succeeded in reversing several years' decline in activities and created small growth.

Production in Spentrup was moved to Skjern.

The strengthening of SEK and NOK has contributed to Gibo Plast having recovered some of the lost competitive power.

The merger of Gibo Plast and DK1 Form has created the largest vacuum forming facility in Scandinavia to solve complex tasks. In the long term, the merger will enable considerable synergies. In close cooperation with Tinby, Gibo has created a number of interesting solutions to our customers in which the two enterprises' competences are united.

## Markets and products

The Scandinavian market for vacuum-formed plastics accounts for DKK 5-600 million. The market is breaking up as a number of traditional users of vacuum-formed plastics are pressed by competitors in low-wage areas and are therefore moving their production to Southern and Eastern Europe or Asia. On the other hand, there are many items made of materials such as glass fibre, wood and metal which might benefit from being re-

<b>Name:</b>	Gibo Plast A/S
<b>Website:</b>	www.gibo.dk
<b>Location:</b>	Skjern, Denmark
<b>Executive Board:</b>	Managing Director Jens Møller
<b>Activities:</b>	Gibo Plast develops, designs and produces thermo-formed plastic products. The products are mainly used in refrigerators and freezers, buses and cars (automotive), medical and lighting equipment as well as in the cleantech industry. Gibo Plast has specialised in traditional vacuum forming and the High-pressure and Twinsheet technologies.
<b>Description:</b>	Vacuum forming is a process in which plastic sheets are heated and subsequently moulded under vacuum and/or high pressure. The products are subsequently finished by cutting (CNC cutting) and finally assembled into the finished product.
<b>Environment/quality:</b>	See outline of certificates on page 28.

placed by plastic as plastic is lighter and easier to mould, and consequently there is a basis for a growing demand.

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

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

## Strategy

After the acquisition of DK1 Form in 2008, Gibo Plast has consolidated production at the 12,000 sqm. large plant in Skjern. The small plant in Spentrup will be mothballed in the coming period. The consolidation of production in Skjern is expected to increase efficiency and further reduce costs. Production has been streamlined and made more efficient by using Lean, Kaizen and SMED, and just-in-time deliveries are in focus. At the same time, Gibo will focus on being a total supplier of assembled parts, which are delivered according to the kanban principles.

After the acquisition of DK1 Form, Gibo Plast has obtained a balanced customer portfolio and a good exposure to a number of industries. The enterprise is making targeted efforts to create new large customers. At the same time, the relationship with the existing customers is being developed. Gibo Plast will increasingly contribute to the customers' development phase so new projects and solutions can be designed and implemented in cooperation with the customers.

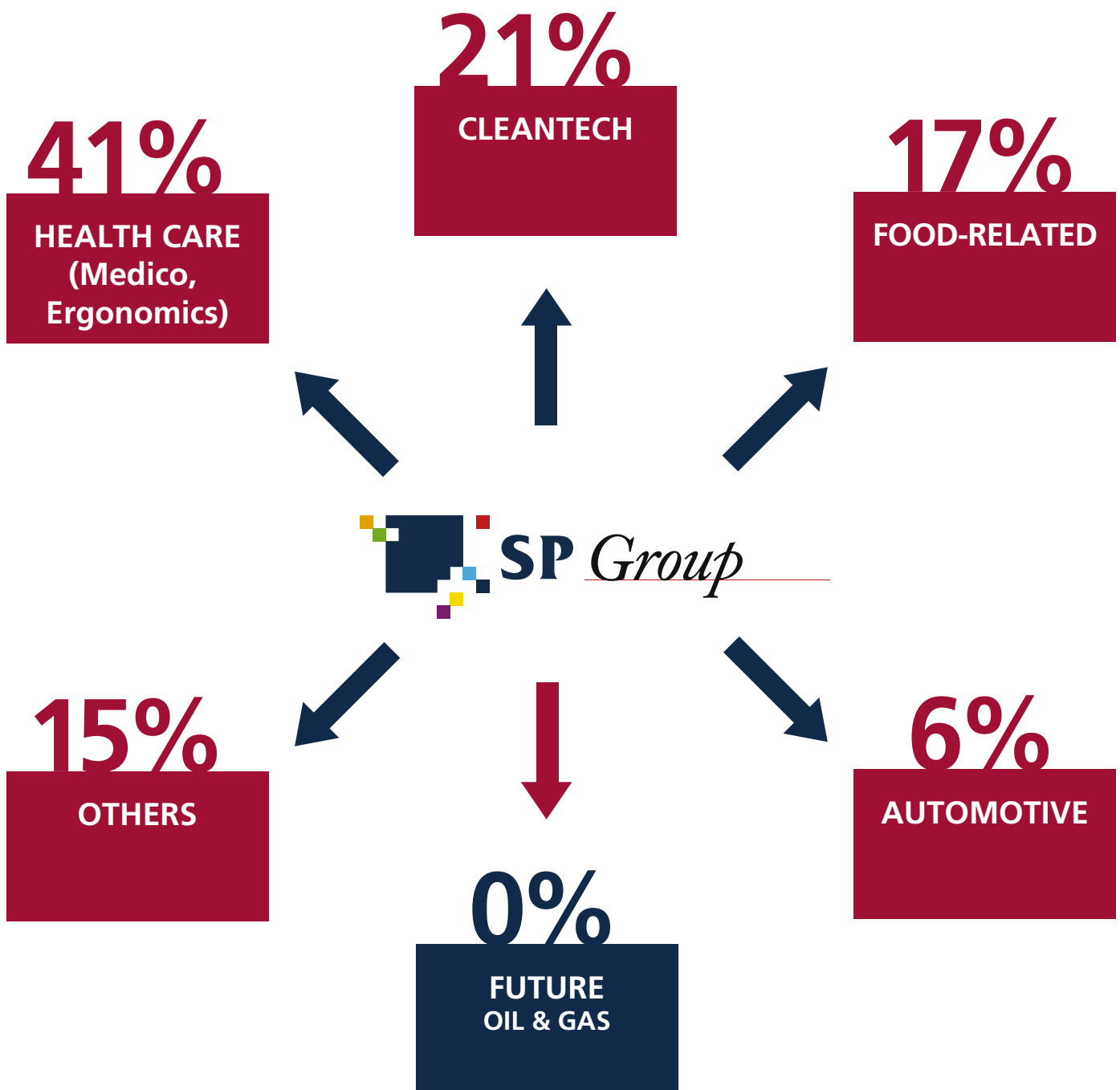
Gibo Plast will cultivate new markets in Eastern and Central Europe. Gibo Plast is planning to set up production in Poland in 2011. Focus will be on the marketing on new and existing markets by increasing the knowledge of plastics in sectors which have traditionally used glass fibre, metals and wood and especially by marketing the High-pressure and Twinsheet methods allowing greater freedom in design and flexible production of complicated large-sized items. In the longer term, Gibo Plast will test new plastic technologies.

Gibo Plast has developed new projects for customers in the cleantech industry, which are expected to contribute positively to sales and earnings in 2011.



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

## SP Group's sales in 2010 broken down by industry segment:



# Risk Management

Identification of business risks and management of such risks are part of the annual strategy plan of the Group and the two business areas approved by the Board of Directors. Further, the Board of Directors determines the framework of the management of interest rate, credit and currency risks and addressing of risks related to raw materials and energy prices. The framework is assessed at least once annually.

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

## Commercial risks

### Market and competitor risks

The recession had a different impact on SP Group's customers, but by far the majority of the customers' sales are affected. SP Group's sales and earnings are therefore very dependent on the future development in GNP in the OECD countries.

Several segments of the Danish primary market of SP Group have been 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 the low cost producers in Eastern Europe and Asia. In order to reduce the dependence on the Danish market, SP Group is operating on several fronts:

Firstly, exports are increased on a continuous basis. The Group focuses in particular on other Northern European markets while selected niche products are sold globally. The international share of revenue amounted in 2010 to 46.4% of revenue.

Secondly, SP Group is continuously transferring production to its plants in Poland and China, and this relocation will continue. Moreover, production has been set up in Brazil. With these measures, the Group will continue to be able to provide services to customers who source out their production to these areas and also be able to find new customers in Eastern Europe, China and America.

Thirdly, SP Group's Danish plants are undergoing continuous modernisation and automation in order to become more efficient and flexible. This work will continue. Finally, SP Group is consolidating parts of the Danish industry either by acquisitions or by merging own plants. This process will also continue, and SP Group has intense focus on reducing costs and utilising the size and competencies of the Group to improve competitiveness. As part of the strategy to differentiate itself, the Group is also strengthening its knowledge and competencies in relation to processes, design and material.

### Customers

SP Group has about 1,000 active customers. The ten largest customers account for 51% of the Group's revenue, and this share has increased by two percentage points compared to 2009. The ten largest customers are large, consolidated, internationally operating industrial groups.

The largest single customer takes 14.0% of the Group's revenue (a decrease from 16.8% in 2009). At plant level, the dependence on single customers is higher as a result of the specialisation and focus on specific industries.

Well over one third of the Group's sales relates to the medical device sector, which is thus the largest single industry. SP Group has deliberately cultivated this industry because it is a growth sector offering a variety of opportunities for utilising the competencies of SP Group across its business areas. The exposure to the medical device industry is therefore desired,

and risks are reduced by the Group supplying to a number of different medical device enterprises in several segments and on all continents. At group level, SP Group is not over-exposed to certain lines of businesses.

Declining sales to individual or several customers may have a material impact on the Group's earning capacity. To minimise this risk, the Group seeks also to enter into multi-annual customer and cooperation agreements which stipulate the terms of future orders. Furthermore, SP Group is engaged in tasks of production development in cooperation with the customers in order to clearly stand out as a strategic partner. Finally, the Group works on the development of more niche products and products under own brands where the Group is able to control sales to a higher extent. Products under own brands accounted for approx. 17% of Group revenue in 2010 (up on 14% in 2009), including medical device products (guidewires).

## Raw material prices and suppliers

The earnings of SP Group depend on the prices of energy, raw materials (plastics) and other production materials. Most of the Group's raw materials are oil-based, and large fluctuations in oil prices may therefore lead to price increases, which SP Group cannot transfer directly to sales prices.

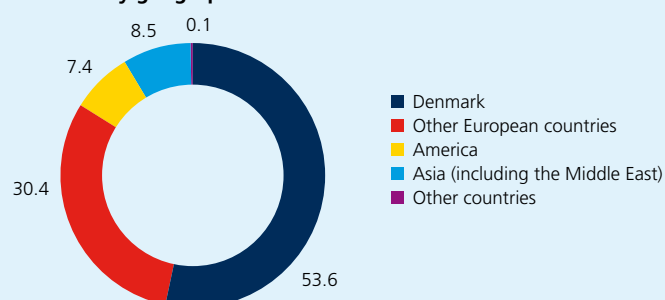
SP Group continues to enter into hedging agreements on electricity, gas and raw materials and has agreed sales price adjustments with a number of customers in case of energy and raw material price increases. The Group has centralised its purchase of critical raw materials to increase the level of delivery reliability and to achieve a better bargaining position by purchasing larger bulks. At the same time, SP Group is continuously investigating the possibility of sourcing critical raw materials globally. The exposure to oil price-driven increases in raw material prices may be reduced but will fundamentally remain present.

## Restructuring the production system

Production systems are continuously changed, partly by investing in new production equipment and partly by modifying the systems and distribution of tasks. This means that the Group gradually builds up improved specialisation of the production at each individual plant and that efficiency is increased. There is a risk that the implementation of these changes may cause delays and disruptions and thus inflict extra costs on the Group or affect the business volume. There is also the risk that transferring production equipment and production tasks may cause delays and price increases.

Through careful planning, SP Group aims at minimising costs and time spent by restructuring the production systems. A smooth and swift implementation of these processes is a necessary condition for increasing the profitability of the Group.

Revenue by geographical area in % – 2010





## Key persons

SP Group is dependent on a number of key persons in the Executive Management and among the Group's specialists. SP Group seeks to retain the key persons by offering them challenging tasks, a basic salary in conformity with applicable market conditions and incentive programmes rewarding special performances.

## Insurance

SP Group has an extensive insurance programme reflecting 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 current adjustments supporting the Group's development, thereby minimising any impact on the Group's financial performance. Once a year, the insurance policies are also examined by the Board of Directors and adjusted as required.

## Environmental performance

The production plants are subject to a number of environmental requirements in all countries, and further, a number of environmental and quality assurance systems have been implemented by the plants on a voluntary basis. SP Group complies with applicable environmental requirements but provides no guarantees that the general as well as the working environment may not be affected by accident.

## Financial risks

The Group's cash flows and incurring of debt are controlled centrally. No speculation in financial risks takes place.

### Interest rate risks

Interest rate risks primarily derive from the interest-bearing net debt, i.e. mortgage debt and bank debt less liquid funds. By the end of the year, the net interest-bearing debt amounted to approx. DKK 367 million. 98% of the debt carried a floating rate, of which mortgage debt with an average interest rate of 2.5% for the next six months. An increase in the general interest level of one percentage point would result in an increase in the Group's annual interest expenses before tax of approx. DKK 3.7 million.

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

### Credit risks

SP Group is systematically and continuously supervising the credit rating of customers and cooperative partners and makes use of credit insurance to hedge the credit risks partially. Trade with blue-chip groups and Danish government is not subject to credit insurance, however. No individual customers or cooperative partners pose an unusual credit risk to the Group. The customers and cooperative partners are normally well-reputed companies operating in many different business sectors and countries, which reduces the total credit risk.

### Currency risks

SP Group concludes currency transactions to hedge commercial agreements. The hedging takes the form of loan raising, forward exchange contracts or options, and Management is continuously assessing the need for hedging each individual transaction.

There is generally a good balance between income and expenses. Approx. 95% of sales is thus recognised in DKK or EUR, and approx. 90% of the Group's fixed costs is incurred in DKK or EUR. The most important commercial currency risk is indirect and relates to the customers' sales outside Europe. Similarly, purchasing is primarily conducted in DKK and EUR although the prices of the goods depend on the USD.

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.

58% of the Group's financing has been obtained in EUR, and the remaining debt has been obtained in DKK. A fluctuation of 1% in the EUR rate against DKK may therefore affect the financial performance by up to DKK 2.1 million. To reduce the currency risk and match income and expenses even better, debt relating to the Chinese and the Polish enterprises has been raised in USD, PLN and EUR.

### Liquidity risks

It is the Group's objective to have sufficient cash resources to be able to continuously make appropriate arrangements in case of unforeseen changes in the drain on liquidity.

It is Management's opinion that the Company still has reasonable capital resources compared to the Company's operations and sufficient liquidity to meet the Company's present and future liabilities. The Company has a long, good and constructive cooperation with its financial business partners. This is expected to be continued. The Group has not neglected nor been in breach of loan agreement terms in the financial year or the comparative year.



# Corporate Governance and Remuneration

## 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 is continuously making appraisal of these goals in order for all stakeholders to be able to evaluate the development and future of the Group. It is essential for 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 want their work and attitude to management to be subject to openness. On the website [www.sp-group.dk/investor+relations](http://www.sp-group.dk/investor+relations) under the section Corporate Governance, the Board of Directors therefore makes a systematic presentation of the recommendations for corporate governance made by the Committee on Corporate Governance as well as SP Group's own practice. SP Group complies with the majority of the recommendations but has chosen a different practice for some areas which is more suitable for SP Group. These are the main deviations:

- SP Group has not set up any age limit for the members of the Board of Directors. SP Group finds that age limits are discriminating and also that the capacity and contribution of each member are more important than their birth certificates.
- There is no annual formalised self-assessment of the Board of Directors. At each meeting, the Board of Directors instead has a brief discussion behind closed doors about their work and results, the mutual interplay and the interplay with the Executive Board. The Board of Directors finds that this on-going discussion represents more value for the ability of the Board of Directors to develop than one annual gathering would have.

In a few areas, SP Group has not formalised the procedures and policies to the same extent as suggested by the Committee on Corporate Governance. SP Group has, for instance, no actual stakeholder policy (but a clear attitude towards and policy for communication) nor has it any separate engagement description for the chairman (instead this is part of the rules of procedure).

The Board of Directors has considered appointing committees under the Board of Directors but found that because of the size of the Group SP Group does not need such committees and that the Board of Directors is not so large that it would be unnatural or inappropriate for the entire Board of Directors to discuss subjects such as audit and remuneration. SP Group has decided to let the entire Board of Directors make up the Audit Committee.

## The work of the Board of Directors

In 2010, the Board of Directors held nine meetings of which two of them focused on strategy and budgets, respectively. The meetings are held according to a fixed annual schedule. At the strategy meeting in December, the Board of Directors also discussed business risks and management of such risks at Group level and in the business areas. Once a year, the Board of Directors determines the framework of the management of interest rate, credit and currency risks and risks related to raw materials and energy prices, and the Board of Directors is continuously following up on the implementation of this framework. Discussion and revision of the rules of procedure in June are a routine procedure.

The Board of Directors is continuously assessing the Group's financial position, goals, dividend policy and share structure. The dividend policy is specified in the section Shareholder information, and the financial goals are specified in the section Strategic development. The Board of Directors assesses that the financial structure is suitable for the present size

and challenges of SP Group, and the Board of Directors is still aiming at a solvency of 20-35% to ensure an efficient capital structure. If solvency increases, the excess capital will be paid to the shareholders.

The Board of Directors receives a weekly report from the Executive Board on a number of fixed subjects, including cash flow and development of the business areas. Moreover, the Board of Directors receives an actual monthly report with detailed financial follow-up.

## Composition of the Board of Directors

The shareholder-elected board members are up for election each year. During recent years, the Board of Directors has been reduced from eight to four members. This is assessed as an appropriate number because the Board of Directors can work efficiently and gather quickly, while at the same time being diverse enough to represent several different experiences.

The Board of Directors is composed of persons with relevant insight into the plastics industry and management experience from internationally operating production enterprises. The Chairman of the Board of Directors, Niels K. Agner, has previously represented a large shareholder in the Board of Directors, and Hans W. Schur is still connected to a large shareholder of the company, but none of these could have been characterised as principal shareholders. At present, no member of the Board of Directors has thus any other interest in SP Group than safeguarding the shareholders' interests, and SP Group assesses that the Board of Directors currently possesses the qualifications and experience necessary to be able to manage the Group and act as an efficient sparring partner to the Executive Board. Of the Board members elected by the general meeting only Erik Christensen is assessed to be independent according to 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 twelve years.

At the general meeting in 2009 the two employee-elected members of the Board of Directors, Karen M. Schmidt and Poul H. Jørgensen resigned as their term of office expired. No new members have been elected according to 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 shareholder-elected members.

## Remuneration of Management

The Board of Directors has no incentive programmes but receives an ordinary remuneration determined by the Annual General Meeting. As announced at the latest annual general meeting, the remuneration for 2010 is recommended to be unchanged, i.e. DKK 300,000 to the chairman, DKK 175,000 to the deputy chairman and DKK 150,000 to other members. The members of the Board of Directors will not receive any remuneration for any ad hoc tasks but will be reimbursed travelling expenses for meetings, etc.

The Board of Directors will propose that the remuneration for 2011 remains unchanged.

Remuneration was most recently changed at 1 January 2008.

Remuneration of the Executive Board is negotiated by the chairman and adopted by the Board of Directors. The remuneration consists of a basic salary and usual allowances such as telephone, company car, etc free of charge. The total remuneration of the Executive Board amounted to DKK 4.1 million in 2010 against DKK 4.2 million in the previous year. The Executive Board bears the pension contributions itself. The Company's notice of dismissal to CEO Frank Gad is 24 months and 12 months to CFO Jørgen

## Directorship in Danish and foreign companies, etc at 1 March 2011



### Niels Kristian Agner

Director, Værløse, born in 1943.  
Member of the Board of Directors and Chairman since 1995.

Remuneration: DKK 300,000.

No. of shares: 23,000 personally owned (+10,000) and 3,572 through his own company (+3,572). Related party: 4,000 (+3,000)

Other directorships: Pigro Management ApS (D), Dantherm A/S (BM), Dantherm Fonden (BM), Aktieselskabet Schouw & Co. (BM), G.E.C. Gad A/S (BF), G.E.C.

Gads Boghandel A/S (NF), G.E.C. Gads Forlag Aktieselskab af 1994 (BM), G. W. Energi A/S (BM), Direktør Hans Hornsyld og Hustru Eva Hornsylds Legat (BM), Direktør Svend Hornsylds Legat (BM), D.F. Holding, Skive A/S (BM), Indeks Retail Invest (NF) and SP Moulding A/S (BF).



### Erik Preben Holm,

CEO, Hellerup, born in 1960.

Member of the Board of Directors since 1997, Deputy Chairman.

Remuneration: DKK 175,000.

No. of shares: 1,960 (+1,960) and 26,790 through his own company (+20,790)

Other directorships: Arvid Nilssons Fond (BM), Dyrup A/S (D), LD Fond 1, Investeringskomité (BM), Ao Invest A/S (BM), Brødrene A & O Johansen A/S (BM), SP Moulding A/S (NF) and KK Group (BF).

BF = chairman.

D = director.

NF = deputy chairman.

BM = board member.

( ) = Change in the year.

### Erik Christensen,

Director, Vejle, born in 1937.

Member of the Board of Directors since 2002.

No. of shares: 16,066 personally owned (+7,366) and 24,003 through his own company (+12,378). Related party: 36,800 (+15,000)

Remuneration: DKK 150,000.

Other directorships: Andreas Andresen A/S (BM), Andresen Services A/S (BF), B. Christiansen Holding A/S (BM), B. Import A/S (BM), British Car Import

A/S (BM), China Car Import A/S (BM), Ejendomsselskabet af 1. oktober 1999 A/S (BM), Ejendomsselskabet Petersbjerg Kolding A/S (BM), Ejendomsselskabet Sjællandsvej A/S (BM), , Hyundai Bil Import A/S (BM), K. Christiansen Holding A/S (BM), Konsul Axel Schur og Hustrus Fond (BM), Luise Andresens Fond (BF), Morten Rahbek A/S (BF), Nic. Christiansen Holding A/S (BF), Nic. Christiansen Holding af 1985 ApS (BF), Nic. Christiansen Import A/S (BF), Nic. Christiansen Invest A/S (BM), Nic. Christiansens Fond (BF), Olitec Packaging Solution A/S (BM), Sarepta A/S (BM), Schur Conference Center A/S (BM), Schur International A/S (BM), Schur International Holding A/S (BM), Schur Invest A/S (BM), SP Moulding A/S (BM), Terminalen A/S (BM), Vamdrup Klargøringscentral A/S (BM), Lact Innovation ApS (BM), Ertech Stål A/S (BM) and Handelsselskabet af 26. august 2010 A/S (BM).



### Hans Wilhelm Schur,

CEO, Horsens, born in 1951.

Member of the Board of Directors since 1999.

Remuneration: DKK 150,000.

No. of shares: 0 (related party 273,711)

Other directorships: Dansk Industri, Horsens (BM), Danmarks Industrimuseum (BF), Konsul Axel Schur og Hustrus Fond (BF), Schur International a/s (D and BM) and Schur Invest a/s (D and BM), Dit Pulterkammer A/S (BM), SP Moulding A/S (BM) and member of Nykredit's Committee of Representatives.



Hønnerup Nielsen. If the Executive Board is dismissed in connection with a take-over of SP Group (including a merger or other acquisition), the Company will not be obliged to pay any further severance pay.

The Executive Board has no short-term incentive programmes such as bonus. But SP Group has set up long-term incentive programmes. In 2007, Frank Gad as well as Jørgen Hønnerup Nielsen were granted warrants of 14,000 and 6,000 shares respectively. The warrants granted in 2007 will expire at the end of March 2011 and will not be exercised. No warrants or options were granted in 2008 and 2009. In 2010, Frank Gad and Jørgen Hønnerup Nielsen are granted 14,000 and 6,000 warrants, respectively.

The granting in 2010 was based on the Annual General Meeting's permission in April 2009 to the Board of Directors to issue up to 80,000 warrants to the Executive Board and executives of the Group and later increase the share capital by up to DKK 0.8 million when and if the warrants were ex-

ercised. Based on this permission, the Board of Directors granted warrants to the Executive Board and 20 other executives in March 2010.

The warrants issued can be utilised to buy shares from 1 April 2013 to 31 March 2015. However, the executives can only exercise warrants during the first two weeks of the open windows when insiders are normally allowed to trade the Company's shares. The exercise price is DKK 45 which was the price when SP Group presented the annual report for 2009 plus an annual interest at the rate of 7.5% until the time when the warrants are exercised. By means of this interest, SP Group ensures that the programme will not start carrying value for the executives until the shareholders have ascertained increasing share prices.

The Board of Directors believes that share-based arrangements are appropriate to ensure that SP Group will be able to attract and retain qualified executives and key persons. The Board of Directors wishes to tie the

## Executive Board



### Frank Gad, CEO

Born in 1960, MSc in Economics and Business Administration, lives in Fredriksberg.

Salary in 2010: DKK 2.6m and a car.

Share-based salary in 2010: DKK 112,565\*.

Frank Gad took up his position in November 2004 and is also CEO of SP Moulding A/S.

Previous employment: CEO of FLSmidth A/S (1999-2004), CEO of Mærsk Container Industri A/S (1996-1999) and em-

ployment at Odense Staalskibsværft (1985-1999), last as Executive Vice President.

External directorships: Chairman of the Board of Directors of Skamol A/S and Skamol Holding A/S, Member of the Board of Directors of Danionics A/S and Danionics Asia Ltd. Director of Frank Gad ApS and Gadmol ApS. Member of the Committee of Representatives of Foreningen Nykredit.

Shares in SP Group: 72,216 personally owned (+21,530) and 54,298 (+22,000) through his own company. Related party: 3,990 (+2,600).

\* Assessed according to Black Scholes at the time of granting.



### Jørgen Hønnerup Nielsen, CFO

Born in 1956, Graduate Diploma in Business Administration, lives in Odense.

Salary in 2010: DKK 1.2m and a car.

Share-based salary in 2010: DKK 40,742\*.

Jørgen Nielsen was employed in Tinby in 1987 and has been employed in SP Group since 2002. Jørgen Nielsen was admitted as member of the Group Executive Board as of 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: 5,600 stk. (+1,400).

\* Assessed according to Black Scholes at the time of granting.

executives closer to the Group, reward them for their contribution to the long-term value creation and establish that executives and shareholders have a common interest in increased share prices.

SP Group's programmes so far have all been multi-annual programmes to promote long-term conduct among the executives, and as a result of the annual interest surcharge, the exercise price has been higher than the share price at the granting. These principles will also apply in future.

At the Annual General Meeting in 2011, the Board of Directors will ask for permission to issue up to another 100,000 warrants to the executives of the Group. This motion will appear from the notice of the Annual General Meeting.

Further information on Corporate Governance is available in the Corporate Governance section on the SP Group's website [www.sp-group.dk/investor+relations](http://www.sp-group.dk/investor+relations).

## Management team

Other executive employees of SP Group are:

**Niels Uhrbrand**, Managing Director of Accoat

**Jens Møller**, Managing Director of Gibo Plast (from 1 September 2010)

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

**Steen Ole Therkelsen**, Director of Tinby

**Jeroen van der Heijden**, Managing Director of TPI-Polytechniek bv., Netherlands

**Claus Lendal**, Managing Director of Ergomat (from 1 April 2010)

**Kenny Rosendahl**, Director of SP Medical

**Mogens Laigaard**, Director of SP Medical, guidewire department

**Jens Hinke**, Director of R&D of SP Group

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

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

**Jens Birklund Andersen**, Plant Manager of SP Moulding, Stoholm

**John Overby Andersen**, Plant Manager of SP Moulding, Juelsminde

**Jesper R. Holm**, Plant Manager of SP Moulding, Poland

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

**Per Escherich**, Plant Manager of Accoat, Stoholm

**Renato Miom**, Plant Manager of Accoat do Brasil Ltda., Brazil

## Ownership interest at 29 March 2011:

Board of Directors and Executive Board:	Private	Own company	Related
Niels Kristian Agner	23,000	3,572	4,000
Erik Preben Holm	1,960	26,790	0
Hans Wilhelm Schur	0	0	273,711
Erik Christensen	16,066	24,003	36,800
Frank Gad	72,216	54,298	3,990
Jørgen Nielsen	5,600	0	0
	<b>118,842</b>	<b>108,663</b>	<b>318,501</b>
In % of share capital	5.9%	5.4%	15.7%

# Shareholder Information

## Overall objective

SP Group seeks to communicate the Group's operations, development, strategy and goal openly. The purpose is to ensure the liquidity of the Company's share and that the pricing reflects the established results as well as future earnings potential. SP Group's goal is to create a positive return for the shareholders through increases in the share price and – in the longer term – also dividends.

## Share capital

SP Group's shares are listed on NASDAQ OMX Copenhagen under the short name SPG, the ISIN code is DK0010244771 and ID CSE3358. SP Group is included in the sector Materials.

The share capital of DKK 20.24 million is distributed on 2,024,000 shares of DKK 10. SP Group only has one class of shares, and all shares are freely negotiable, and the voting and ownership rights are not subject to restrictions.

The Board of Directors is authorised to perform a capital increase in accordance with the existing warrant programme and may also issue up to 100,000 new warrants in the period until 1 May 2011 and perform the related increase of share capital. At the same time, the Board of Directors is authorised to increase the share capital by up to a nominal amount of DKK 10 million in the period until 1 April 2015 by subscribing for new shares at the market price or a lower price fixed by the Board of Directors, however, not below DKK 10.

## 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

The Board of Directors of SP Group presently intends to use profits to strengthen the Company's financial position and finance initiatives contributing to profitable growth. The Board of Directors will not propose any dividends to the shareholders until the Group has reduced its debt to under four times EBITDA and until SP Group has steadily met its objective of having a profit before tax and minority interests of 5% of revenue.

Until then, the shareholders' return will be created by increases in the share price.

The share ended the year at a price of DKK 84.5, which corresponds to a market value of DKK 171 million. The share return was +97% in 2010. The rise in the price of the SP Group share was thus considerably larger than the general increase on NASDAQ OMX Copenhagen.

## Ownership and liquidity

At the beginning of March 2011, three shareholders gave notice of holding more than 5% of the shares, i.e. Schur Finance A/S, Shareholder Invest Growth A/S and Frank Gad (including related party) with a total of 27.6%. The number of shareholders registered increased from 724 to 788 in the period, and the registered shareholders' total ownership interest accounts for 76.2% of the share capital.

The known shareholder base outside Denmark is still modest. 32 international shareholders with a total of 7.3% of the shares have been registered by name.

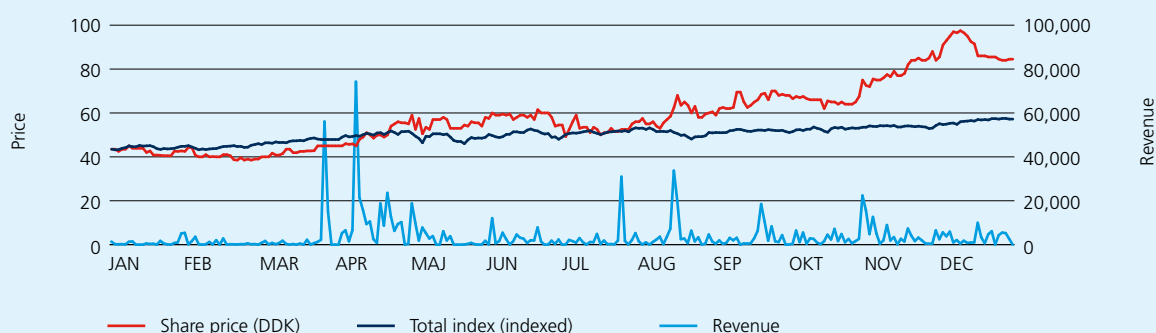
During the year, 937,666 shares were traded corresponding to 46.3% of the share capital. The share price of the traded shares amounted to DKK 55.5 million. Revenue measured in DKK was more than twice the year before, and measured in number, the increase in revenue was 32%.

## Strengthened information

Generally, SP Group seeks to maintain an ongoing, timely and balanced dialogue with present and potential shareholders, share analysts and other stakeholders. The Company's Executive Board continuously participates in meetings with both professional and private investors as well as 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, SP Group finds it important that all requests and inquiries from shareholders and other stakeholders are handled as quickly as possible.

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

## Development in share prices of SP Group 1 January to 31 December 2010. Index 4.1.2010 = 43,5





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

Further shareholder information is available on the website [www.sp-group.dk](http://www.sp-group.dk).

Announcements to NASDAQ OMX Copenhagen in 2010:

Announcements are available on SP Group's website [www.sp-group.dk](http://www.sp-group.dk).

## Financial Calendar for 2011

<b>30 March</b>	Annual report for 2010
<b>26 April</b>	Annual General Meeting and interim report for Q1 2011
<b>23 August</b>	Interim report for H1 2011
<b>4 November</b>	Interim report for Q3 2011

## Share information – SP Group A/S – beginning of March 2011

Name	Registered in	Number	Share (%)
Schur Finance A/S	Horsens	273,711	13.5%
Shareholder Invest Growth A/S	Horsens	155,000	7.7%
Frank Gad, including related party	Frederiksberg	130,504	6.4%
		<b>559,215</b>	<b>27.6%</b>
<b>Distribution of other shares</b>			
SP Group (treasury shares)		0	0.0%
Registered shares below 5%		983,195	48.6%
Non-registered shares		481,590	23.8%
<b>TOTAL</b>		<b>2,024,000</b>	<b>100.0%</b>

## Development in share prices of SP Group 1 January 2005 to 31 December 2010. Index 4.1.2005=90



# Quality control

All the Group's production sites in Denmark, Poland and China are certified according to ISO 9001 at the end of 2010.

During the year, SP Moulding in Poland and Tinby's factories in Denmark, China and Poland have been certified.

Site	ISO 9001	ISO 14001	ISO 18000	Other
<b>Gibo</b>				
- Denmark	x	x	x	
<b>SP Moulding</b>				
- Juelsminde	x	x		
- Stoholm	x	x		
- Poland	x			
- China	x	x		
<b>SP Medical</b>				
- Karise	x	x		x ISO 13485
- Poland	x			x ISO 13485
<b>Tinby</b>				
- Denmark	x			
- Poland	x			
- China	x	x		
<b>Accoat</b>				
- Stoholm	x	x		
- Kvistgaard	x	x		
- Brazil				



# Reporting on corporate social responsibility

## Corporate social responsibility

SP Group acknowledges the Group's responsibility to contribute to a sustainable development, and SP Group sees good coherence in acting responsible on the one hand and increasing the Group's earnings and growth on the other.

The basis of SP Group's work with social responsibility is the UN Global Compact – the ten principles of human rights, employee rights, environment and anti-corruption according to which the UN has listed guidelines for companies' work to create a more sustainable development. SP Group follows the 10 principles set out in the UN Global Compact and gives an account of the four areas in the following.

## Environmental performance

In accordance with the UN Global Compact, SP Group takes initiatives to promote greater environmental responsibility and reduce the Group's impact on the internal and external environment, and SP Group also seeks to promote the use of more environment-friendly technologies and materials.

It is SP Group's strategy that all production companies must implement a certifiable environment control system which ensures:

- use of environment-friendly products in the production and development processes
- minimisation of waste and refuse as well as resource consumption
- recycling of materials and products to the widest extent possible
- a satisfactory working environment for the employees, prioritising safety and environmental impacts

With the heavy increase in energy and raw material prices as well as increasing waste disposal expenses, it is financially worthwhile to reduce energy and raw material consumption and reduce the waste percentage. Therefore, all plants focus on these efforts. SP Moulding's factories have introduced decentralised grinders on all machines to replace the central grinders. This ensures that the remaining material from the production of each item is grinded immediately and led down a closed system together with the plastic material for the next item. In this way, a larger part of the plastic material is used. The processes have been improved, so materials are now fed more effectively, which increases the rate of use and reduces waste.

Every month, SP Group measures on a number of key figures for consumption of energy, heating, water and raw materials in all its factories. The results are used for internal benchmarking and to widely implement initiatives which, at some plants, have proved to reduce the resource consumption. If the duty system is changed in Denmark, a greater part of the excess waste heat can be used for heating.

The most considerable impact on environment occurs when SP Group's enterprises consume energy (particularly power) and raw materials during production and diverts waste from production. The direct CO<sub>2</sub> emission from the companies is limited, but CO<sub>2</sub> indirectly impacts the environment when power plants produce the power and when transporting products from SP Group. SP Group has no direct influence on the power plants' production, but a substantial part of the power is purchased from Danish plants where the power is produced from renewable energy, primarily wind turbines. Within transportation, SP Group selects partners with modern and environmental friendly materials.

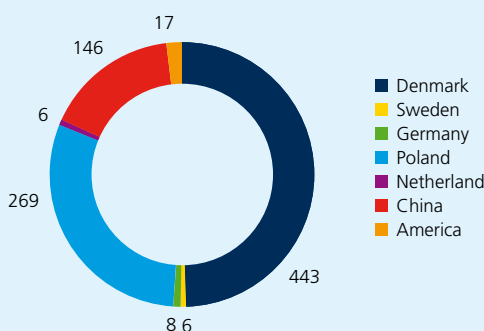
Plastics produced and used with care have a positive impact on environment. In environmental life cycles, plastics are generally superior to most alternative materials. Therefore, an increased use of plastics will reduce the total impact on environment.

Acid gasses, however, are produced during production of fluorine plastic coatings, but they are removed in a flue gas scrubber before being led out through the chimney and are therefore not a nuisance to the surroundings. The use of fluorine plastic coatings is very beneficiary for the environment in many ways. They are, for example, used as corrosion protection in flue gas purifying plants in coal-fired power plants to avoid acid rainwater. At the same time, the coating of surfaces with fluorine plastic creates large savings on cleaning materials and solvents as well as water.

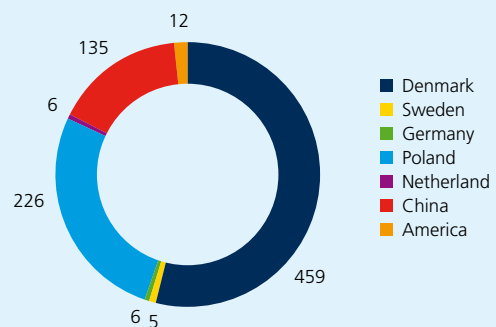
Generally, plastics are lighter than metal, and the lower weight can be used to increase the capacity of transport equipment and, thus, reduce their fuel consumption, which is good for environment. Obvious examples are rolling stock like agricultural machines, tractors, combine harvesters, buses and cars in which the outer parts can be manufactured in plastic instead of metal, and the plastic lasts for many years – even when used outdoors – without corroding.

The unique insulation properties of polyurethane are used to reduce waste of heat, for example, and to ensure environment-friendly and efficient district heating systems.

Distribution of employees by geographical area in 2010 (average)



Distribution of employees by geographical area in 2009 (average)



## Plastics drives innovation, improves quality of life, facilitates resource efficiency and climate protection

Health and safety have been taken into account in the production processes at the individual plants.

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

### Employees

SP Group's average staff outside Denmark increased in 2010 by approx. 10% to 452 employees. The number of employees in Denmark dropped by 2% to 443. In the future, growth will primarily take place in Eastern Europe and Asia.

SP Group complies with the principles of the International Labor Organisation's convention and the UN Declaration on Human Rights (UNDHR). This means that the Group will not tolerate child labour or forced labour, will not employ minors and that any form of discrimination in working and employment conditions is prohibited. SP Group solely recruits, appoints and promotes employees on the basis of their qualifications and experiences. The employees have the right to freely unionise, express their opinions and participate in or select people to participate in collective bodies. At Danish companies, the employees appoint representatives for consultation committees and working environment committees where they meet with local management. At the production units in Poland and China, systems have been established in which the employees appoint spokesmen for negotiations with management.

In Denmark, wages and salaries and working conditions are determined through agreements resulting from local negotiations. In Poland and China, the conditions and rights of the employees are widely laid down by law, codes and regulations. As an employer SP Group observes national laws and agreements as well as rules governing working hours, etc as a minimum. Furthermore, SP Group seeks to offer employees extra benefits.

In recent years, SP Group has closed down a number of Danish plants and discharged employees. Such measures are regrettable but necessary to strengthen competitiveness. In connection with many dismissals, SP Group complies with the rules of notices and negotiations with employees, but at the same time SP Group seeks to ease the consequences for the affected employees by taking extra measures.

Furthermore, SP Group seeks to improve the employees' qualifications through supplementary and continuing education. The goal is to upgrade the employees to enable them to handle several different tasks, which increases production flexibility and creates a varied workday for the individual employee. SP Group also applies the systematic roll-out of Lean processes to the plants to enable the employees to influence their own working situation as well as processes and workflow.

### Corruption combat

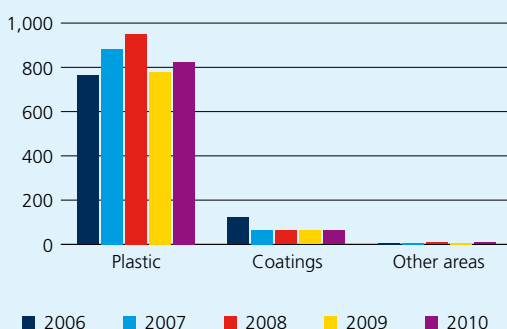
SP Group does not participate in corruption or bribery. Unfortunately, we are often met with requests for secret commission, which we refuse.

### Continued CSR work

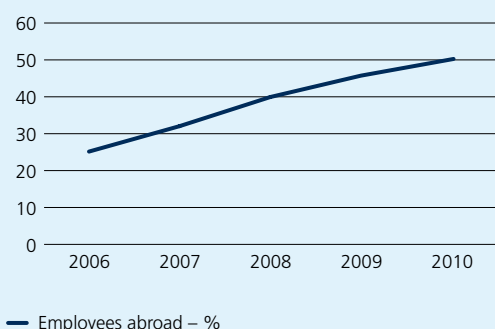
SP Group complies with the ten principles of the UN Global Compact in word and action and will accede to the Global Compact charter. Moreover, the Group will focus on further promotion of the use of environment-friendly technologies and materials and seek to disseminate knowledge of the unique qualities of plastics.

At present, SP Group has no plans to make extensive systematic CSR control at the Group's suppliers of material as the majority of them are large respected international groups which give a detailed account of their efforts within Corporate Social Responsibility in information materials made available to the public. SP Group performs CSR control at the Group's mould suppliers.

Distribution of employees (average)



Distribution of employees abroad (average) 2006-2010







## **Statutory report on corporate management**

This statutory report on corporate management covers the financial period 1 January to 31 December 2010.

## **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 create reasonable but not absolute assurance that inappropriate use of assets, loss and/or material misstatements in connection with the financial reporting is 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. 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 continuously supervises the compliance with relevant legislation and other directions and provisions in connection with the financial reporting, which is currently reported to the Board of Directors.

### **Risk assessment**

At least once a year, the Board of Directors makes an overall assessment of risks relating to the financial reporting. 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 accounting manipulation or other fraud is discussed.

### **Audit committee**

The audit committee consists of the entire Board of Directors.

### **Company auditors**

To safeguard the shareholders' and the public interests, a firm of state authorised public accountants is appointed at the annual general meeting. The auditor reports to the entire Board of Directors at least twice a year and also immediately after observance of any matters which the Board of Directors should approach. The auditors participate in the Board meetings in connection with the presentation of 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

# Statement by Management on the annual report

We have today presented the annual report of SP Group A/S for the financial year 1 January to 31 December 2010.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2010 as well as of their financial performance and their cash flows for the period 1 January to 31 December 2010.

We also believe that the management commentary contains a fair review of the development and performance of the Group's and the Parent's business and of their financial position as a whole, together with a description of the principal risks and uncertainties that they face.

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

Søndersø, 30 March 2011

## Executive Board



Frank Gad  
CEO



Jørgen Hønerup Nielsen  
CFO

## Board of Directors



Niels K. Agner  
Chairman



Erik Preben Holm  
Deputy Chairman



Erik Christensen



Hans Wilhelm Schur

# Independent auditor's report

## To the shareholders of SP Group A/S

### Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of SP Group A/S for the financial year 1 January to 31 December 2010, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as the Parent. The consolidated financial statements and parent financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

### Management's responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements and parent financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on these consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with the Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and parent financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2010 and of their financial performance and cash flows for the financial year 1 January to 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

### Statement on the management commentary

Management is responsible for preparing a management commentary that contains a fair review in accordance with Danish disclosure requirements for listed companies.

Our audit did not include the management commentary, but we have read it pursuant to the Danish Financial Statements Act. We did not perform any procedures other than those performed during our audit of the consolidated financial statements and parent financial statements.

Based on this, we believe that the disclosures in the management commentary are consistent with the consolidated financial statements and parent financial statements.

Odense, 30 March 2011

**Deloitte**  
Statsautoriseret Revisionsaktieselskab

 Henning Jensen State Authorised Public Accountant	 Claus Kolin State Authorised Public Accountant
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# Income statement 2010

PARENT				GROUP	
2009	2010	Note	DKK'000	2010	2009
2,233	9,241		Revenue	851,902	681,943
0	(4,295)	3,6	Production costs	(600,228)	(503,973)
<b>2,233</b>	<b>4,946</b>		<b>Contribution margin</b>	<b>251,674</b>	<b>177,970</b>
2,278	1,704	4	Other operating income	1,708	17,965
(2,784)	(3,639)	5	External expenses	(64,676)	(51,845)
(10,259)	(9,453)	5,6,7	Staff costs	(105,687)	(103,874)
<b>(8,532)</b>	<b>(6,442)</b>		<b>Profit/loss before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>83,019</b>	<b>40,216</b>
(1,316)	(1,137)	8	Depreciation, amortisation and impairment losses	(41,327)	(41,209)
<b>(9,848)</b>	<b>(7,579)</b>		<b>Profit/loss before financial items (EBIT)</b>	<b>41,692</b>	<b>(993)</b>
16,980	20,362	9	Income from group enterprises	-	-
3,907	2,324	10	Other financial income	2,692	3,180
(5,880)	(7,246)	11	Financial expenses	(15,586)	(16,645)
<b>5,159</b>	<b>7,861</b>		<b>Profit/loss before tax</b>	<b>28,798</b>	<b>(14,458)</b>
2,530	3,129	12	Tax on profit/loss for the year	(3,517)	2,063
<b>7,689</b>	<b>10,990</b>		<b>Profit/loss for the year</b>	<b>25,281</b>	<b>(12,395)</b>
			<b>Tax on profit/loss for the year</b>		
			Parent's shareholders	21,440	(13,580)
			Minority interests	3,841	1,185
				<b>25,281</b>	<b>(12,395)</b>
			<b>Earnings per share (EPS)</b>		
		13	Earnings per share (DKK)	10,59	(6,74)
		13	Earnings per share, diluted (DKK)	10,45	(6,74)
			<b>Proposed distribution of profit/loss</b>		
7,689	10,990		Retained earnings		
<b>7,689</b>	<b>10,990</b>				

# Statement of comprehensive income 2010

PARENT				GROUP	
2009	2010	Note	DKK'000	2010	2009
<b>7,689</b>	<b>10,990</b>		<b>Profit/loss for the year</b>	<b>25,281</b>	<b>(12,395)</b>
			Other comprehensive income:		
0	0		Exchange adjustments relating to foreign subsidiaries	5,155	499
0	0		Other adjustments	2,009	0
0	(583)		Net fair value adjustment of financial instruments acquired to hedge future cash flows	(583)	0
	146		Tax on other comprehensive income	146	0
<b>0</b>	<b>(437)</b>		<b>Other comprehensive income</b>	<b>6,727</b>	<b>499</b>
<b>7,689</b>	<b>10,553</b>		<b>Total comprehensive income</b>	<b>32,008</b>	<b>(11,896)</b>
			Of which:		
			Minority interests	4,472	1,140
			Shareholders of SP Group A/S	27,536	(13,036)
				<b>32,008</b>	<b>(11,896)</b>

# Balance sheet at 31 December 2010

PARENT				GROUP	
2009	2010	Note	DKK'000	2010	2009
0	0		Completed development projects	13,861	3,368
110	0		Software	1,056	1,613
0	0		Customer files	2,100	2,400
0	0		Goodwill	104,771	103,862
0	0		Development projects in progress	0	6,850
<b>110</b>	<b>0</b>	14	<b>Intangible assets</b>	<b>121,788</b>	<b>118,093</b>
18,231	17,450		Land and buildings	98,364	94,796
0	0		Plant and machinery	150,790	141,680
723	605		Other fixtures and fittings, tools and equipment	18,351	15,550
0	0		Leasehold improvements	8,767	7,021
0	539		Property, plant and equipment in progress	8,914	15,298
<b>18,954</b>	<b>18,594</b>	15	<b>Property, plant and equipment</b>	<b>285,186</b>	<b>274,345</b>
299,453	299,453	16	Investments in subsidiaries	-	-
0	3,000		Deposits	13,022	13,086
0	0	17	Other securities	11	11
<b>299,453</b>	<b>302,453</b>		<b>Financial assets</b>	<b>13,033</b>	<b>13,097</b>
<b>6,118</b>	<b>8,770</b>	26	<b>Deferred tax assets</b>	<b>214</b>	<b>225</b>
<b>324,635</b>	<b>329,817</b>		<b>Non-current assets</b>	<b>420,221</b>	<b>405,760</b>
<b>0</b>	<b>0</b>	18	<b>Inventories</b>	<b>160,043</b>	<b>126,463</b>
0	0	19	Trade receivables	109,222	88,922
12,170	6,770		Receivables from subsidiaries	-	-
0	0		Income taxes receivable	87	237
64	42	20	Other receivables	8,111	8,493
698	1,468		Prepayments and accrued income	5,808	3,537
<b>12,932</b>	<b>8,280</b>		<b>Receivables</b>	<b>123,228</b>	<b>101,189</b>
<b>40,845</b>	<b>75,393</b>	21	<b>Cash</b>	<b>22,308</b>	<b>19,025</b>
<b>0</b>	<b>0</b>	22	<b>Non-current assets held for sale</b>	<b>15,853</b>	<b>21,818</b>
<b>53,777</b>	<b>83,673</b>		<b>Current assets</b>	<b>321,432</b>	<b>268,495</b>
<b>378,412</b>	<b>413,490</b>		<b>Assets</b>	<b>741,653</b>	<b>674,255</b>

PARENT				GROUP	
2009	2010	Note	DKK'000	2010	2009
20,240	20,240	23	Share capital	20,240	20,240
4,103	3,820	24	Other reserves	8,486	4,245
142,284	153,402		Retained earnings	147,491	123,914
<b>166,627</b>	<b>177,462</b>		<b>Equity attributable to Parent's shareholders</b>	<b>176,217</b>	<b>148,399</b>
-	-		<b>Equity attributable to minority interests</b>	<b>14,450</b>	<b>11,320</b>
<b>166,627</b>	<b>177,462</b>		<b>Equity</b>	<b>190,667</b>	<b>159,719</b>
89,604	77,059	25	Bank debt	81,647	95,509
14,782	75,984	25	Financial institutions	153,941	91,141
0	0	26	Deferred tax liabilities	2,613	6,894
<b>104,386</b>	<b>153,043</b>		<b>Non-current liabilities</b>	<b>238,201</b>	<b>193,544</b>
12,381	11,727	25	Current portion of non-current liabilities	21,089	19,856
90,714	58,278	21	Bank debt	139,935	194,876
0	0		Prepayments received from customers	1,599	969
0	0	27	Trade payables	94,651	56,766
2,723	8,223		Payables to subsidiaries	-	-
0	0		Income taxes	3,837	896
1,581	4,757	28	Other payables	45,094	39,613
0	0		Accruals and deferred income	421	423
107,399	82,985			306,626	313,399
0	0	22	Liabilities related to assets held for sale	6,159	7,593
<b>107,399</b>	<b>82,985</b>		<b>Current liabilities</b>	<b>312,785</b>	<b>320,992</b>
<b>211,785</b>	<b>236,028</b>		<b>Liabilities</b>	<b>550,986</b>	<b>514,536</b>
<b>378,412</b>	<b>413,490</b>		<b>Equity and liabilities</b>	<b>741,653</b>	<b>674,255</b>

29-31 Assets charged and contingent liabilities, etc

36-40 Other notes

# Statement of changes in equity for 2010

						GROUP
DKK'000	Share capital	Other reserves	Retained earnings	Equity attributable to the Parent's shareholders	Equity attributable to minority interests	Total equity
<b>Equity at 1 January 2009</b>	<b>202,400</b>	<b>2,441</b>	<b>(45,294)</b>	<b>159,547</b>	<b>10,924</b>	<b>170,471</b>
Profit/loss for the year	0	0	(13,580)	(13,580)	1,185	(12,395)
Other comprehensive income after tax for the financial year	0	544	0	544	(45)	499
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>544</b>	<b>(13,580)</b>	<b>(13,036)</b>	<b>1,140</b>	<b>(11,896)</b>
Capital reduction	(182,160)	0	182,160	0	0	0
Minority interests' share of dividends in subsidiaries	0	0	0	0	(744)	(744)
Sale of treasury shares	0	0	628	628	0	628
Share-based remuneration	0	1,680	0	1,680	0	1,680
Tax on transactions in equity	0	(420)	0	(420)	0	(420)
<b>Other changes in equity</b>	<b>(182,160)</b>	<b>1,260</b>	<b>182,788</b>	<b>1,888</b>	<b>(744)</b>	<b>1,144</b>
<b>Equity at 31 December 2009</b>	<b>20,240</b>	<b>4,245</b>	<b>123,914</b>	<b>148,399</b>	<b>11,320</b>	<b>159,719</b>
Profit/loss for the year	0	0	21,440	21,440	3,841	25,281
Other comprehensive income after tax for the financial year	0	4,524	1,572	6,096	631	6,727
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>4,524</b>	<b>23,012</b>	<b>27,536</b>	<b>4,472</b>	<b>32,008</b>
Share-based remuneration	0	613	0	613	0	613
Share-based remuneration, schemes expired without being exercised	0	(743)	743	0	0	0
Minority interests' share of dividends in subsidiaries	0	0	0	0	(1,342)	(1,342)
Tax on transactions in equity	0	(153)	(178)	(331)	0	(331)
<b>Other changes in equity</b>	<b>0</b>	<b>(283)</b>	<b>565</b>	<b>282</b>	<b>(1,342)</b>	<b>(1,060)</b>
<b>Equity at 31 December 2010</b>	<b>20,240</b>	<b>8,486</b>	<b>147,491</b>	<b>176,217</b>	<b>14,450</b>	<b>190,667</b>



	PARENT			
DKK'000	Share capital	Other reserves	Retained earnings	Total equity
<b>Equity at 1 January 2009</b>	<b>202,400</b>	<b>2,843</b>	<b>(48,193)</b>	<b>157,050</b>
Profit/loss for the year	0	0	7,689	7,689
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>7,689</b>	<b>7,689</b>
Capital reduction	(182,160)	0	182,160	0
Sale of treasury shares	0	0	628	628
Share-based remuneration	0	1,680	0	1,680
Tax on transactions in equity	0	(420)	0	(420)
<b>Other changes in equity</b>	<b>(182,160)</b>	<b>1,260</b>	<b>182,788</b>	<b>1,888</b>
<b>Equity at 31 December 2010</b>	<b>20,240</b>	<b>4,103</b>	<b>142,284</b>	<b>166,627</b>
Profit/loss for the year	0	0	10,990	10,990
Other comprehensive income after tax for the financial year	0	0	(437)	(437)
<b>Other comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>10,553</b>	<b>10,553</b>
Share-based remuneration	0	613	0	613
Share-based remuneration, schemes expired without being exercised	0	(743)	743	0
Tax on transactions in equity	0	(153)	(178)	(331)
<b>Other changes in equity</b>	<b>0</b>	<b>(283)</b>	<b>565</b>	<b>282</b>
<b>Equity at 31 December 2010</b>	<b>20,240</b>	<b>3,820</b>	<b>153,402</b>	<b>177,462</b>

# Cash flow statement for 2010

PARENT				GROUP	
2009	2010	Note	DKK'000	2010	2009
(9,848)	(7,579)		Profit/loss before financial items (EBIT)	41,692	(993)
1,316	1,137		Depreciation, amortisation and impairment losses	41,327	41,209
0	0		Profit from sale of operating equipment recognised under other operating income	0	(8,587)
1,680	613		Share-based remuneration	613	1,680
0	0		Exchange adjustments, etc	625	(1,038)
(10,032)	13,328	32	Net working capital changes	(8,813)	30,493
0	0		Value adjustment of derivative financial instruments	(583)	0
<b>(16,884)</b>	<b>7,499</b>		<b>Cash flows from primary operating activities</b>	<b>74,861</b>	<b>62,764</b>
445	174		Exchange adjustments, foreign currency loans	174	444
3,907	2,324		Interest income, etc received	2,692	3,180
(5,880)	(7,246)		Interest expenses, etc paid	(15,586)	(16,645)
1,030	(291)		Income taxes received/paid	(4,313)	(4,405)
<b>(17,382)</b>	<b>2,460</b>		<b>Cash flows from operating activities</b>	<b>57,828</b>	<b>45,338</b>
0	0	33	Acquisition of enterprises and activities	(5,992)	0
16,980	20,362		Dividends from subsidiaries	-	-
0	0		Acquisition of intangible assets	(5,903)	(8,010)
(364)	(666)		Acquisition of property, plant and equipment	(37,463)	(34,406)
0	0	34	Sale of property, plant and equipment	2,469	6,633
<b>16,616</b>	<b>19,696</b>		<b>Cash flows from investing activities</b>	<b>(46,889)</b>	<b>(35,783)</b>
0	0		Dividends to minority shareholders	(1,342)	(744)
628	0		Sale of treasury shares	-	628
0	(3,000)		Change, deposit	64	(3,086)
0	62,500		Raising of long-term loans	74,500	4,983
(12,516)	(14,672)		Instalments on non-current liabilities	(25,937)	(18,135)
<b>(11,888)</b>	<b>44,828</b>		<b>Cash flows from financing activities</b>	<b>47,285</b>	<b>(16,354)</b>
<b>(12,654)</b>	<b>66,984</b>		<b>Increase/decrease in cash and cash equivalents</b>	<b>58,224</b>	<b>(6,799)</b>
(37,215)	(49,869)		Cash and cash equivalents at 1 January 2010	(175,851)	(169,052)
<b>(49,869)</b>	<b>17,115</b>	35	<b>Cash and cash equivalents at 31 December 2010</b>	<b>(117,627)</b>	<b>(175,851)</b>

# Notes

## Note summary

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## 1. Accounting policies

The consolidated financial statements and parent financial statements for 2010 of the Group and SP Group A/S are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class D (listed) enterprises, see the Danish Executive Order on IFRS Adoption issued in accordance with the Danish Financial Statements Act. SP Group A/S is a public limited company with registered office in Denmark.

The consolidated financial statements and parent financial statements also comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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

Except for certain financial instruments which are measured at fair value, the consolidated financial statements and parent financial statements are presented on a historical cost basis. Otherwise, the accounting policies are as described below.

### Implementation of new and revised Standards and Interpretations

The annual report is presented in accordance with the accounting standards (IFRS/IAS) and the financial reporting interpretation contributions (IFRIC), which apply to financial years beginning on or after 1 January 2010.

The implementation of new or changed standards and interpretation contributions has resulted in the following changes in accounting policies.

#### IFRS 3, Business Combinations

The revised IFRS 3 was implemented in the present financial year and is used for business combinations with acquisition date on or after 1 January 2010.

The main changes are:

- Possibility of recognising 100% of the goodwill from the acquired enterprise, irrespective of the ownership interest acquired being lower than 100%.
- Change in recognition of acquisition costs so that these are recognised directly in the income statement.
- Change in recognition and subsequent accounting treatment of the contingent purchase consideration. Changes in the contingent purchase consideration in connection with acquisitions are recognised directly in the income statement in future.

#### IAS 27, Consolidated and Separate Financial Statements

The revised IAS 27 results in a change in the Group's treatment of profits and losses from sale of investments in subsidiaries, which results in ceding of control and no ceding of control over the enterprise, respectively. As a result of the amendment, the Company cannot recognise profit on sale of investments in a subsidiary if the sale does not result in ceding of control. Such sale transactions must be recognised directly on equity. Moreover, the calculation of profit or loss on ceding of control must be based on the entire subsidiary and not only on the share sold.

The implementation of new and revised standards and interpretations has not affected profit for the year or previous year's profit or financial position.

### Standards and Interpretations that have not yet become effective

New standards and interpretations or amendments to existing standards which have not become effective at the time this annual report was made public are not incorporated in this annual report.

Management believes that application of standards and interpretations which have not become effective will not impact significantly on the annual report for the coming financial years.

### Consolidated financial statements

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

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

#### Basis of consolidation

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

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

#### Minority interests

On initial recognition, minority interests are either measured at fair value or at their pro rata share of the fair value of the acquiree's identifiable assets, liabilities or contingent liabilities. The choice of method is made for every single transaction. Minority interests are adjusted subsequently for their pro rata share of changes in the subsidiary's equity. The comprehensive income is allocated to the minority interests, irrespective of the minority being negative.

Acquisition of minority interests in a subsidiary and sale of minority interests in a subsidiary, which does not cause control to cease, are accounted for in the consolidated financial statements as an equity transaction, and the difference between the consideration and the carrying amount is allocated to the Parent's share of equity.

#### Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Time of acquisition is the date on which control of

the enterprise is actually acquired. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up. Time of divestment is the date on which control of the enterprise actually passes to a third party.

When acquiring new enterprises, over which the Group obtains controlling influence, the purchase method is applied under which identifiable assets, liabilities and contingent liabilities of these enterprises are measured at fair market value at the acquisition date. Non-currents assets acquired for the purpose of resale, however, are measured at fair market value less anticipated selling costs. Restructuring costs are only recognised in the pre-acquisition balance sheet if they constitute a liability for the acquired enterprise. Allowance is made for the tax effect of restatements.

Cost of an enterprise consists of the fair value of the consideration paid for the acquired enterprise. If the final determination of the consideration is conditional upon one or several future events, these are recognised at fair value thereof at the time of acquisition. Costs which are attributable to the acquisition of the enterprise are recognised directly in profit/loss when incurred.

Positive differences (goodwill) between on one hand the acquisition consideration for the enterprise acquired, the value of minority interests in the acquiree and the fair value of the previously acquired 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 tested for impairment at least once a year. If the asset's carrying amount is higher than its recoverable amount, it is written down to this lower recoverable amount.

For negative differences (negative goodwill), the calculated fair values, the calculated acquisition consideration for the enterprise, the value of minority interests in the acquiree and the fair value of the previously acquired investments are reassessed. If the difference continues to be negative, the difference is recognised as income in the income statement.

If at the acquisition date, the identification or measurement of acquired assets, liabilities or contingent liabilities or determination of the acquisition consideration is subject to uncertainty, initial recognition is made on the basis of preliminary values. The preliminary values can be adjusted, or further assets or liabilities recognised, until 12 months after the acquisition if new information has occurred on matters which existed at the acquisition date which would have affected the calculation of the values at the acquisition date, had the information been known.

Changes in estimates of contingent acquisition considerations are, as a general rule, recognised directly in profit/loss.

On transition to IFRS, business combinations that occurred before 1 January 2004 have not been restated to reflect the changes in accounting policies, except for the separation of any identifiable assets. The carrying amount at 1 January 2004 of goodwill relating to business combinations performed before 1 January 2004 is considered to be the cost of goodwill. At 31 December 2010, the carrying amount of goodwill relating to business combinations performed before 1 January 2004 totals DKK 72,872 thousand.

#### **Profits or losses from divestment or winding-up of subsidiaries**

Profits or losses from divestment or winding-up of subsidiaries which result in ceding of control respectively significant influence are calculated as

the difference between, on one hand, the fair value of the sales proceeds or the settlement price and the fair value of any remaining investments and, on the other hand, the carrying amount of net assets at the time of divestment or winding-up, including goodwill, with deduction of any minority interests. The calculated profit or loss from such divestment or winding-up is recognised in profit/loss together with accumulated foreign exchange adjustments, which were previously recognised in other comprehensive income.

#### **Foreign currency translation**

On initial recognition, transactions in currencies different from the individual enterprise' reporting currency are translated applying the exchange rate 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 using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured on the basis of historical cost are translated applying the transaction date exchange rate. If non-monetary items that are restated at fair value, they are translated using the exchange rate at the date of restatement.

When enterprises that present their financial statements in a functional currency different from DKK are recognised in the consolidated financial statements, the income statements 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 using the exchange rates at the balance sheet date. Goodwill is considered belonging to the relevant acquired entity and is translated using the exchange rate at the balance sheet date.

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

Upon recognition in the consolidated financial statements of foreign subsidiaries which present their financial statements in a functional currency different from DKK, monetary assets and monetary liabilities are translated at the balance sheet date exchange rate. Non-monetary assets and liabilities which are measured based on historical cost are translated at the transaction date exchange rate. Non-monetary items measured at fair value are translated using the exchange rate at the date of the latest fair value adjustment. The income statement items are translated at the average exchange rates of the months unless these differ significantly from the actual exchange rates at the time of the transaction, except for items deriving from non-monetary assets and liabilities, which are translated using the historical rates applicable to the relevant non-monetary assets and liabilities.

## Derivative financial instruments

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

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

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for efficiently hedging future transactions are recognised 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 cost of the relevant transactions.

Derivative financial instruments which do not qualify for treatment as hedging instruments are regarded as trading portfolios and measured at fair value with current recognition of fair value adjustments in the income statement under financial items.

## Share-based incentive schemes

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

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

## 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 recognised directly in equity or other comprehensive income by the portion attributable to entries directly in equity or in other comprehensive income, respectively. Exchange adjustments on deferred tax are recognised as part of the year's adjustment in deferred tax.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this period's taxable income, adjusted for pre-paid tax.

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

Deferred tax is recognised according to the balance-sheet liability method of all temporary differences between carrying amounts and tax base values of assets and liabilities, apart from deferred tax on all temporary differences occurring on initial recognition of goodwill or on initial recognition of a transactions which is not a business combination, and for which the

temporary difference found at the time of initial recognition neither affects the profit or loss in terms of accounting or the taxable income.

Deferred tax is recognised on all temporary differences related to investments in subsidiaries, unless the parent company is able to control when the deferred tax is realized, and it is probable that the deferred tax will not crystallize 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 by using the tax rates and tax rules in the relevant countries which are based on acts passed or acts passed in reality at the balance sheet date and which are expected to apply when the deferred tax is expected to be triggered as current tax. Changes in deferred tax resulting from changed tax rates or tax rules are recognised in the income statement 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 their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. On each balance sheet date, it is assessed whether sufficient taxable income is likely to arise in the future for the deferred tax asset to be used.

The Parent is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income.

## Discontinued activities and non-current assets held for sale

Discontinued activities are material business areas or geographical areas sold or held for sale according to an overall plan.

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

Non-current 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.

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

## Income statement and statement of comprehensive income

### Revenue

Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement when delivery has taken place and risks have been transferred to the buyer. Revenue is calculated net of VAT, duties, etc collected on behalf of a third party as well as discounts.

### Production costs

Production costs comprise expenses incurred to realise the revenue. Commercial enterprises include cost of sales in production costs, and manufac-

turing 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 primary activities.

#### External expenses

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

Other external expenses also include costs of development projects which do not meet the criteria for recognition in the balance sheet.

#### Staff costs

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

#### Public grants

Public grants are recognised when it is considered fairly certain that the grant conditions have been met and the grant will be received.

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

#### Net financials

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

Interest income and expenses are accrued based on the principal amount and the effective interest rate. The effective interest rate is the discount rate that is 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 net book value.

Dividends from equity investments are recognised when a final right to these dividends has been obtained. This is typically the date on which the general meeting adopts distribution from the relevant company.

## Balance sheet

#### Goodwill

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

When goodwill is recognised, the goodwill is allocated to the activities of the Group generating separate payments (cash-generating units). Determination of cash-generating units complies with the managerial structure and internal financial management and reporting in the Group.

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

#### Other intangible assets

Development projects on 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 the development costs of each asset can be measured reliably. Other development costs are recognised as costs in the income statement as incurred.

On initial recognition, development costs are measured at cost.

The cost of development projects comprises costs such as salaries and amortisation that are directly attributable to the development projects and are needed to complete the project, calculated from the time at which the development project first meets the criteria for being recognised as an asset.

Interest expenses on loans for financing of the manufacture 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 using the estimated useful lives of the assets. The amortisation period is up to five years.

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

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

Straight-line amortisation is made on the basis of the following estimated useful lives of the assets:

Software	3 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, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For own-manufactured assets, cost comprises costs directly attributable to the manufacture of the asset, including materials, components, sub-suppliers and wages. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments. Interest expenses on loans for financing the manufacture 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 estimated residual value. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs if the asset is of an age and a condition that is expected after the end of useful life. Cost of a total asset is divided into small components depreciated individually if the useful life is different.

# Notes

Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	40 years
Building installations	10 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	5-10 years
Computer purchase	3-5 years

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

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

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

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

The carrying amounts of property, plant and equipment and intangible assets with definite useful lives as well as investments in subsidiaries are tested at the balance sheet date for any indication of impairment. If impaired, the recoverable amount of the asset is estimated to determine the need for any write-down and the extent thereof.

The recoverable amount of development projects and goodwill is estimated annually irrespective of any indications of impairment.

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

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

If the recoverable amount of the asset or the cash-generating unit is lower than carrying amount, the carrying amount is written down to recoverable amount. For cash-generating units, write-down is distributed in such way that goodwill amounts are written down first and then any remaining need for write-down is distributed on the other assets of the unit, however, the individual asset is not written down to an amount that is a lower than its fair value net of estimated selling costs.

Impairment losses are recognised in the income statement. In case of any subsequent reversals of impairment losses resulting from change in assumptions of the 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, to no more than the carrying amount which the asset or the cash generating unit would have had if the write-down had not been performed. Impairment losses relating to goodwill are not reversed.

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

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

If cost exceeds the recoverable amount of the investments, the investments are written down to such lower value, see above paragraph on impairment losses. If more dividends are distributed than have in aggregate been earned by the enterprise since the Parent's acquisition of the investments, this is regarded as an indication of impairment, see above paragraph on impairment losses.

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

## **Inventories**

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

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

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

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

## **Receivables**

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

On initial recognition, receivables are measured at fair value and subsequently at amortised cost usually equalling nominal value less provisions for bad debts. Writedowns are made on an individual as well as on a portfolio basis using a provisions account.

## **Prepayments**

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

## **Dividends**

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

## **Treasury shares**

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

## **Pension commitments, etc**

Under defined contribution plans, the Group pays fixed contributions to independent pension providers, etc. on a current basis. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling the pension contribution. Contributions payable are recognised in the balance sheet under liabilities.



In the case of defined benefit plans, the Group is liable to pay a specific benefit when the relevant employees retire. The Group has not entered into any defined benefit plans.

#### **Mortgage debt**

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

#### **Lease obligations**

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

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

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

#### **Other financial liabilities**

Other financial liabilities comprise bank debt, trade payables and other payables to public authorities, etc.

On initial recognition, other financial liabilities are measured at fair value less any transaction costs. The liabilities are subsequently measured at amortised cost applying 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.

#### **Deferred income**

Deferred income is income received for subsequent financial years. Deferred income is measured at cost.

## **Cash flow statement**

The cash flow statement of the Group 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 acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

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

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and financial assets as well as acquisition, development, improvement and sale of intangible assets and property, plant and equipment. Furthermore, cash flows in the form of lease payments made on assets held under finance leases are recognised.

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

Cash flows in currencies other than the functional currency are recognised in the cash flow statement, using the average exchange rates on a monthly basis, unless they vary significantly from the actual exchange rate at the transaction dates. In the latter case, the actual exchange rates of each day are applied.

Cash and cash equivalents are cash less any overdraft facilities forming an integral part of cash management.

## **Segment information**

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

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

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

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

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

Transactions among the segments are priced at estimated market values.

# Notes

## Financial highlights

Financial highlights have been defined and calculated in accordance with "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts.

### Key figures

Computation of earnings per share and diluted earnings per share is specified in note 13.

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

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

Ratios	Calculation formula	Ratios reflect
Operating profit/loss, EBITDA margin (%)	$= \frac{\text{Profit/loss before depreciation, amortisation, and impairment losses (EBITDA)} \times 100}{\text{Revenue}}$	The enterprise's operating profitability expressed as the enterprise's ability to generate profits on operating activities.
Profit margin, EBIT margin (%)	$= \frac{\text{Profit/loss before financial items (EBIT)} \times 100}{\text{Revenue}}$	The enterprise's operating profitability expressed as the enterprise's ability to generate profits on operating activities before financial items.
Return on invested capital including goodwill (%)	$= \frac{\text{Profit/loss before financial items (EBIT)} \times 100}{\text{Average invested capital including goodwill}}$	The return generated by the enterprise on investors' funds through the operating activities.
Return on invested capital excluding goodwill (%)	$= \frac{\text{Profit/loss before financial items (EBIT)} \times 100}{\text{Average invested capital excluding goodwill}}$	The return generated by the enterprise on invested capital through the operating activities.
Return on equity (%)	$= \frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The enterprise's ability to generate return to the Parent's shareholders when considering the enterprise's capital base.
Financial gearing	$= \frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The enterprise's financial gearing expressed as the enterprise's sensitivity to fluctuations in the interest rate level, etc.
Equity ratio, excl. minority interests (%)	$= \frac{\text{Equity excl. minority interests} \times 100}{\text{Balance sheet total}}$	The enterprise's financial standing
Equity ratio, incl. minority interests (%)	$= \frac{\text{Equity incl. minority interests} \times 100}{\text{Balance sheet total}}$	The enterprise's financial standing
Equity value per share	$= \frac{\text{Equity excl. minority interests}}{\text{Number of shares at year-end}}$	The value of equity per share according to the enterprise's annual report
Cash flow per share	$= \frac{\text{Cash flows from operating activity}}{\text{Average number of foreign shares}}$	Cash flows from operating activities generated per share by the enterprise

## 2. Material accounting estimates, assumptions and uncertainties

Several financial statement items cannot be measured reliably, but only be 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.

### Material accounting estimates

In connection with the accounting policies applied as described in this note, Management has made accounting estimates, for instance relating to the valuation of subsidiaries, the useful lives of property, plant and equipment, the valuation of receivables and the valuation of goodwill.

Assumptions and uncertainties of the valuation of goodwill are described below. Furthermore, it is assessed that Management has not made accounting estimates that materially affect the annual report, and the accounting estimates made are not considered to be subject to material uncertainty.

### Changes in accounting estimates

No 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 2010, the following assumptions and uncertainties should especially be noted as they have had considerable impact on 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

A review for impairment of recognised goodwill amounts requires a calculation of the values in use of the cash-generating units to which the goodwill amounts are allocated. The determination of the value in use requires an estimate of the expected future cash flows in each cash-generating unit as well as determination of a fair discount rate. The carrying amount of goodwill amounts to DKK 104,771 thousand at 31 December 2010. For a further description of the discount rates, etc applied, see note 14.

### Property, plant and equipment

Gibo Plast A/S took a writedown in 2009 of DKK 1,500 thousand on a machine which was planned to be sold to make room for new projects. It would probably be difficult to sell the machine on the market at that time, and the selling price would be subject to uncertainty, but was assessed to be at the level of or higher than the written-down value. Plans have now changed so that in future the machine will be used in operating activities, and in the financial statements for 2010 the machine has therefore been reclassified from assets held for sale to property, plant and equipment.

### Inventories

As a result of the financial crisis, some goods have lower marketability than usual, and in the financial statements for 2009 an additional provision of DKK 2,200 thousand was made for inventory risks apart from the individual writedown on inventories. In 2010 a further provision of approx. DKK 1,500 thousand was made for inventory risks.

### Receivables

The financial crisis has resulted in more bankruptcies and suspensions of payments than usual, and in the financial statements for 2009 an additional provision of DKK 2,200 thousand was made for collective writedown on receivables. In 2010 the debtor group has paid all receivables, and as there are no outstanding accounts against the debtor group at the end of 2010, the amount has been reversed in the financial statements for 2010.

# Notes

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
		<b>3. Production costs</b>		
0	4,295	Cost of sales	465,296	386,857
0	0	Writedown of inventories	3,751	3,037
0	0	Staff costs	131,181	114,079
<b>0</b>	<b>4,295</b>		<b>600,228</b>	<b>503,973</b>
		<b>4. Other operating income</b>		
2,135	1,704	Rent	438	495
0	0	Profit from sale of fixed assets	0	10,036
0	0	Compensation, the Danish tax authorities	0	750
0	0	Compensations	1,215	4,996
143	0	Other income	55	1,688
<b>2,278</b>	<b>1,704</b>		<b>1,708</b>	<b>17,965</b>
		<b>5. Development costs</b>		
		The following has been expensed:		
2,628	2,669	Development costs incurred	3,145	3,298
<b>2,628</b>	<b>2,669</b>		<b>3,145</b>	<b>3,298</b>
		<b>6. Staff costs</b>		
7,698	7,911	Wages and salaries	205,546	190,011
235	317	Pension contribution, defined contribution plan	11,150	10,989
71	91	Other social security costs	9,592	8,256
575	572	Other staff costs	12,538	11,188
1,680	613	Share-based remuneration	613	1,680
0	(51)	Refund from public authorities	(2,571)	(4,171)
<b>10,259</b>	<b>9,453</b>		<b>236,868</b>	<b>217,953</b>
		The staff costs are broken down as follows:		
0	0	Production costs	131,181	114,079
10,259	9,453	Staff costs	105,687	103,874
<b>10,259</b>	<b>9,453</b>		<b>236,868</b>	<b>217,953</b>
<b>7</b>	<b>9</b>	Average number of employees	<b>895</b>	<b>849</b>

## 6. Staff costs (continued)

### Remuneration for Management

Members of the Parent's Executive Board and Board of Directors are remunerated as follows:

DKK '000	GROUP			
	Board of Directors		Executive Board	
	2010	2009	2010	2009
Fees to the Board of Directors	775	869	-	-
Wages and salaries	0	0	3,966	3,828
Share-based remuneration	0	0	153	420
	<b>775</b>	<b>869</b>	<b>4,119</b>	<b>4,248</b>

DKK '000	PARENT			
	Board of Directors		Executive Board	
	2010	2009	2010	2009
Fees to the Board of Directors	775	869	-	-
Wages and salaries	0	0	3,846	3,708
Share-based remuneration	0	0	153	420
	<b>775</b>	<b>869</b>	<b>3,999</b>	<b>4,128</b>

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

Under the agreements made, the Company pays a monthly contribution to independent pension providers.

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
<b>235</b>	<b>317</b>	Contributions to defined pension plans taken to the income statement	<b>11,150</b>	<b>10,989</b>

## 7. Share-based remuneration

### Equity-settled share option plans, Parent and Group

To tie the Executive Board and other executives more closely to the Group, SP Group A/S has set up the following share-based remuneration plans:

#### Warrant plan 2010

In 2010 the Group set up an incentive scheme for the Company's Executive Board and 18 executives. The scheme is based on warrants. A total of 80,000 warrants were issued of which the Executive Board was granted 20,000 and the rest was granted to executives.

The warrants were granted based on a wish to tie the executives more closely to the Group.

The exercise price is fixed at DKK 45 per share of nominally DKK 10 plus 7.5% p.a. calculated from 1 April 2010 and until the warrants are exercised. The exercise price is fixed based on the listed price immediately before and after the publication of the annual report on 30 March 2010. 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 can be used to buy shares in the Company in the period 1 April 2013 to 31 March 2015.

The estimated fair value of the warrants issued is calculated at approx. DKK 770 thousand on the assumption that the granted warrants are exercised in March 2013. The warrants are valued using the Black-Scholes pricing model. Measurement is based on the following assumptions:

Expected volatility	45%
Risk-free interest rate	2.02%
Share price	42
Estimated dividend rate	0%

The estimated volatility is determined on the basis of the Company's share prices during the six months preceding 30 March 2010.

#### Development in the financial year

The development in unexercised options and warrants can be specified as follows:

	Number of share options	Number of share options	Number of warrants	Number of warrants	Average exercise price warrants	Average exercise price warrants
	2010	2009	2010	2009	2010	2009
Options/warrants outstanding at 1 January	13,975	13,975	80,000	80,000	198	198
Granted in the financial year	0	0	80,000	0	56	0
Exercised in the financial year	0	0	0	0	0	0
Expired in the financial year	(13,975)	0	0	0	0	0
	<b>0</b>	<b>13,975</b>	<b>160,000</b>	<b>80,000</b>	<b>127</b>	<b>198</b>
Number to exercise at 31 December	0	13,975	80,000	0		

The fair values of the warrants and options issued calculated on the date of grant are recognised proportionally in the income statement as staff costs over the period until the exercise date.

#### Warrant plan 2007

In 2007 the Group set up an incentive scheme for the Company's Executive Board and 20 executives. The scheme is based on warrants. A total of 80,000 warrants were issued of which the Executive Board was granted 20,000 and the rest was granted to executives.

The warrants were granted based on a wish to tie the executives more closely to the Group.

The exercise price is fixed at DKK 160 per share of nominally DKK 100 plus 7.5% p.a. calculated from 1 May 2007 and until the warrants are exercised. The exercise price is fixed based on the listed price immediately before and after the publication of the annual report on 29 March 2007. 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 can be used to buy shares in the Company in the period 1 April 2010 to 31 March 2011.

The estimated fair value of the warrants issued is calculated at approx. DKK 4,900 thousand on the assumption that the granted warrants are exercised in March 2010. The warrants are valued using the Black-Scholes pricing model. Measurement is based on the following assumptions:

Estimated volatility	31%
Risk-free interest rate	4.25%
Share price	215
Estimated dividend rate	0%

The estimated volatility is determined on the basis of a 12 months' historic volatility based on daily observations of the Company's share price.

#### Option plan 2006

In 2006, the Company set up an option program for the Parent's CEO. The option program expired on 31 March 2010 without being exercised.

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
		<b>7. Share-based remuneration</b>		
		<b>Equity-settled share option plans, Parent and Group</b>		
		<i>Development in the financial year</i>		
		Share-based remuneration recognised in income statement, equity-settled share option plan		
<b>1,680</b>	<b>613</b>		<b>613</b>	<b>1,680</b>
		<b>8. Depreciation, amortisation and impairment losses</b>		
263	110	Amortisation of intangible assets	3,186	1,917
1,053	1,027	Depreciation of property, plant and equipment	35,730	37,493
0	0	Impairment losses on property, plant and equipment	2,068	2,050
0	0	Profit/loss on sale of assets	343	(251)
<b>1,316</b>	<b>1,137</b>		<b>41,327</b>	<b>41,209</b>
		<b>9. Income from group enterprises</b>		
16,980	20,362	Dividends from subsidiaries	-	-
<b>16,980</b>	<b>20,362</b>		<b>-</b>	<b>-</b>
		<b>10. Other financial income</b>		
1,976	2,273	Interest, etc	1,176	263
83	51	Interest from group enterprises	0	0
<b>2,059</b>	<b>2,324</b>	<b>Interest income from financial assets not measured at fair value through profit/loss</b>	<b>1,176</b>	<b>263</b>
960	0	Fair value adjustment of derivative financial instruments acquired to hedge the fair value of financial instruments	0	960
0	0	Other financial income	0	85
888	0	Foreign exchange adjustments	1,516	1,872
<b>3,907</b>	<b>2,324</b>		<b>2,692</b>	<b>3,180</b>

# Notes

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
		<b>11. Financial expenses</b>		
5,349	5,964	Interest, etc	15,642	16,943
531	421	Interest to group enterprises	0	0
<b>5,880</b>	<b>6,385</b>	<b>Interest expenses on financial liabilities not measured at fair value through profit/loss</b>	<b>15,642</b>	<b>16,943</b>
0	0	Of which recognised in cost of non-current assets	(56)	(298)
<b>5,880</b>	<b>6,385</b>		<b>15,586</b>	<b>16,645</b>
0	861	Foreign exchange adjustments	0	0
<b>5,880</b>	<b>7,246</b>		<b>15,586</b>	<b>16,645</b>
		Finance costs recognised in the cost of non-current assets are calculated based on the costs occurred in the financial year and based on the Group's finance costs.		
		<b>12. Tax on profit/loss for the year</b>		
0	0	Current tax	1,132	3,279
(2,530)	(3,129)	Change in deferred tax	4,466	(5,301)
0	0	Adjustment concerning previous years	(2,081)	(41)
<b>(2,530)</b>	<b>(3,129)</b>		<b>3,517</b>	<b>(2,063)</b>
		The current income tax for the financial year is calculated based on a tax rate of 25% for Danish enterprises (2009: 25%). For foreign enterprises the current tax rate in the country in question is used.		
		<b>Tax on other comprehensive income</b>		
0	146	Fair value adjustment of financial instruments acquired to hedge future cash flows	146	0
<b>0</b>	<b>146</b>		<b>146</b>	<b>0</b>
		Tax on items recognised in other comprehensive income can be specified as follows:		
0	146	Change in deferred tax	146	0
<b>0</b>	<b>146</b>		<b>146</b>	<b>0</b>
		Tax on profit/loss for the year can be specified as follows:		
		<b>Reconciliation of tax rate</b>		
25	25	Danish tax rate	25	25
0	0	Effect of differences in tax rates for foreign enterprises	(6)	6
(82)	(65)	Income from group enterprises	-	-
0	0	Tax on profit on sale of property	0	(13)
8	0	Other non-taxable and non-deductible costs	0	(4)
0	0	Other, including adjustment concerning previous years	(7)	0
<b>(49)</b>	<b>(40)</b>	<b>Effective tax rate for the year</b>	<b>12</b>	<b>14</b>

The Parent's tax rate in 2009 as well as in 2010 is materially affected by tax-exempt dividends from subsidiaries.



PARENT		GROUP	
	DKK '000	2010	2009
<b>13. Earnings per share</b>			
The calculation of earnings per share is based on the following:			
	Profit/loss to the Parent's shareholders	21,440	(13,580)
Number		2010	2009
	Average number of shares issued	2,024,000	2,024,000
	Average number of treasury shares issued	0	(9,627)
	<b>Number of shares used to calculate earnings per share</b>	<b>2,024,000</b>	<b>2,014,373</b>
	<b>Average dilution effect of warrants outstanding</b>	<b>28,140</b>	<b>0</b>
	<b>Number of shares used to calculate diluted earnings per share</b>	<b>2,052,140</b>	<b>2,014,373</b>

# Notes

DKK '000	GROUP				
	Completed development projects	Software	Customer files	Goodwill	Development projects in progress
<b>14. Intangible assets</b>					
Cost at 1 January 2010	6,530	11,849	3,000	105,723	6,850
Value adjustment	69	14	0	909	0
Additions	12,621	132	0	0	3,914
Disposals	(1,069)	(124)	0	0	(10,764)
<b>Cost at 31 December 2010</b>	<b>18,151</b>	<b>11,871</b>	<b>3,000</b>	<b>106,632</b>	<b>0</b>
Amortisation and impairment losses at 1 January 2010	3,162	10,236	600	1,861	0
Value adjustment	0	14	0	0	0
Amortisation for the year	2,197	689	300	0	0
Reversal relating to disposals	(1,069)	(124)	0	0	0
<b>Amortisation and impairment losses at 31 December 2010</b>	<b>4,290</b>	<b>10,815</b>	<b>900</b>	<b>1,861</b>	<b>0</b>
<b>Carrying amount at 31 December 2010</b>	<b>13,861</b>	<b>1,056</b>	<b>2,100</b>	<b>104,771</b>	<b>0</b>
Cost at 1 January 2009	5,361	10,578	3,000	105,938	2,183
Value adjustment	0	1	0	(215)	0
Additions	2,044	1,299	0	0	6,711
Disposals	(875)	(29)	0	0	(2,044)
<b>Cost at 31 December 2009</b>	<b>6,530</b>	<b>11,849</b>	<b>3,000</b>	<b>105,723</b>	<b>6,850</b>
Amortisation and impairment losses at 1 January 2009	3,895	8,787	300	1,861	0
Value adjustment	0	4	0	0	0
Amortisation for the year	142	1,474	300	0	0
Reversal relating to disposals	(875)	(29)	0	0	0
<b>Amortisation and impairment losses at 31 December 2009</b>	<b>3,162</b>	<b>10,236</b>	<b>600</b>	<b>1,861</b>	<b>0</b>
<b>Carrying amount at 31 December 2009</b>	<b>3,368</b>	<b>1,613</b>	<b>2,400</b>	<b>103,862</b>	<b>6,850</b>

DKK '000	PARENT	
	Software 2010	Software 2009
<b>14. Intangible assets (continued)</b>		
Cost at 1 January	1,167	1,167
Additions	0	0
Disposals	0	0
<b>Cost at 31 December</b>	<b>1,167</b>	<b>1,167</b>
Amortisation and impairment losses at 1 January	1,057	794
Amortisation for the year	110	263
Reversal relating to disposals	0	0
<b>Amortisation and impairment losses at 31 December</b>	<b>1,167</b>	<b>1,057</b>
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>110</b>

#### Goodwill

Goodwill arising from business acquisitions, etc is distributed at the time of acquisition to the cash-generating units which are expected to achieve financial benefits from the business combination.

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

DKK '000	GROUP	
	2010	2009
Coatings	9,823	9,823
Plastics	94,948	94,039
	<b>104,771</b>	<b>103,862</b>

## 14. Intangible assets (continued)

### Goodwill

Goodwill is tested at least once a year for impairment and more frequently in the event of indications of impairments. The annual impairment test is usually made at 31 December.

Goodwill has not been written down in 2009 or 2010.

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

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

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

The calculation of the net present value is based on the cash flows stated in the most recent management-approved forecasts for the coming three financial years. 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 for calculating recoverable amounts are as follows:

	2010	2009
Discount rate after tax	7,5%	7,5%
Discount rate before tax	10%	10%
Growth rate in the terminal period	3%	3%
Inflation in the terminal period	0%	0%

The parameters used are maintained unchanged from last year as uncertainties are recognised in cash flows.

The above parameters have been used for both cash-generating units as it is assessed that there are no material differences in the parameters affecting the net present value in the individual cash-generating units.

### Other intangible assets

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

	GROUP				
DKK '000	Land and buildings	Plant and machinery	Other fixtures, etc	Leasehold improve- ments	Property, plant and equipment in progress
<b>15. Property, plant and equipment</b>					
Cost at 1 January 2010	158,598	490,933	59,921	13,233	15,298
Value adjustment	0	3,916	363	838	2
Reclassification	26	6,806	0	(26)	0
Additions relating to acquisition of enterprise	0	1,450	1,200	0	0
Additions	8,054	26,684	5,912	3,199	14,670
Disposals	0	(11,825)	(1,797)	0	(21,056)
<b>Cost at 31 December 2010</b>	<b>166,678</b>	<b>517,964</b>	<b>65,599</b>	<b>17,244</b>	<b>8,914</b>
Depreciation and impairment losses at 1 January 2010	63,802	349,253	44,371	6,212	0
Value adjustment	0	1,669	224	482	0
Reclassification	0	2,067	0	0	0
Depreciation for the year	4,512	25,246	4,189	1,783	0
Reversal relating to disposals	0	(11,061)	(1,536)	0	0
<b>Depreciation and impairment losses at 31 December 2010</b>	<b>68,314</b>	<b>367,174</b>	<b>47,248</b>	<b>8,477</b>	<b>0</b>
<b>Carrying amount at 31 December 2010</b>	<b>98,364</b>	<b>150,790</b>	<b>18,351</b>	<b>8,767</b>	<b>8,914</b>
Of this, assets held under finance leases at 31 December 2010	0	0	0	0	0
Cost at 1 January 2009	156,042	468,144	55,151	12,514	19,461
Value adjustment	0	(231)	5	5	5
Reclassification	(257)	41	216	0	0
Additions	2,813	27,720	5,577	714	21,161
Disposals	0	(4,741)	(1,028)	0	(25,329)
<b>Cost at 31 December 2009</b>	<b>158,598</b>	<b>490,933</b>	<b>59,921</b>	<b>13,233</b>	<b>15,298</b>
Depreciation and impairment losses at 1 January 2009	59,381	326,921	40,297	4,578	0
Value adjustment	0	(27)	10	(3)	0
Reclassification	(58)	2	56	0	0
Depreciation for the year	4,479	26,756	4,689	1,637	0
Reversal relating to disposals	0	(4,399)	(681)	0	0
<b>Depreciation and impairment losses at 31 December 2009</b>	<b>63,802</b>	<b>349,253</b>	<b>44,371</b>	<b>6,212</b>	<b>0</b>
<b>Carrying amount at 31 December 2009</b>	<b>94,796</b>	<b>141,680</b>	<b>15,550</b>	<b>7,021</b>	<b>15,298</b>
Of this, assets held under finance leases at 31 December 2009	0	879	0	0	0

# Notes

DKK '000	PARENT		
	Land and buildings	Other fixtures, etc	Property, plant and equipment in progress
<b>15. Property, plant and equipment (continued)</b>			
Cost at 1 January 2010	23,124	1,143	0
Additions	50	78	588
Disposals	0	0	(49)
<b>Cost at 31 December 2010</b>	<b>23,174</b>	<b>1,221</b>	<b>539</b>
Depreciation and impairment losses at 1 January 2010	4,893	420	0
Depreciation for the year	831	196	0
Reversal relating to disposals	0	0	0
<b>Depreciation and impairment losses at 31 December 2010</b>	<b>5,724</b>	<b>616</b>	<b>0</b>
<b>Carrying amount at 31 December 2010</b>	<b>17,450</b>	<b>605</b>	<b>539</b>
Cost at 1 January 2009	22,416	1,135	353
Additions	708	8	303
Disposals	0	0	(656)
<b>Cost at 31 December 2009</b>	<b>23,124</b>	<b>1,143</b>	<b>0</b>
Depreciation and impairment losses at 1 January 2009	4,027	233	0
Depreciation for the year	866	187	0
Reversal relating to disposals	0	0	0
<b>Depreciation and impairment losses at 31 December 2009</b>	<b>4,893</b>	<b>420</b>	<b>0</b>
<b>Carrying amount at 31 December 2009</b>	<b>18,231</b>	<b>723</b>	<b>0</b>

PARENT		
2009	2010	DKK '000
<b>16. Investments in subsidiaries</b>		
540,288	540,288	Cost at 1 January
<b>540,288</b>	<b>540,288</b>	<b>Cost at 31 December</b>
(240,835)	(240,835)	Impairment losses at 1 January
0	0	Impairment losses for the year
<b>(240,835)</b>	<b>(240,835)</b>	<b>Impairment losses at 31 December</b>
<b>299,453</b>	<b>299,453</b>	<b>Carrying amount at 31 December</b>

Investments in subsidiaries comprise:

	Registered office	Ownership interest		Share of voting rights		Activity
		2010	2009	2010	2009	
SP Moulding A/S	Denmark	100%	100%	100%	100%	Production and sale of injection-moulded items
Accoat A/S	Denmark	100%	100%	100%	100%	Production and sale of coatings
Gibo Plast A/S	Denmark	100%	100%	100%	100%	Production and sale of vacuum-formed items
Tinby A/S	Denmark	100%	100%	100%	100%	Production and sale of polyurethane products
Ergomat A/S	Denmark	100%	100%	100%	100%	Production and sale of polyurethane products
Tinby GmbH	Germany	100%	100%	100%	100%	Lease of property
TPI Polytechniek B.V.	Netherlands	80%	80%	80%	80%	Sale of polyurethane products

There has been no change in ownership interest in 2009 and 2010.

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
		<b>17. Other securities</b>		
0	0	Cost at 1 January	11	11
<b>0</b>	<b>0</b>	<b>Cost at 31 December</b>	<b>11</b>	<b>11</b>
<b>0</b>	<b>0</b>	<b>Carrying amount at 31 December</b>	<b>11</b>	<b>11</b>
		<b>18. Inventories</b>		
0	0	Raw materials and consumables	77,573	52,858
0	0	Work in progress	10,511	5,389
0	0	Manufactured goods and goods for resale	71,959	68,216
<b>0</b>	<b>0</b>		<b>160,043</b>	<b>126,463</b>
		<b>19. Trade receivables</b>		
<b>0</b>	<b>0</b>	Written down for the year recognised in the income statement	<b>(1,765)</b>	<b>2,351</b>
		Trade receivables are written down directly if, based on an individual assessment of the debtors' ability to pay, the value has depreciated, e.g. in case of suspension of payments, bankruptcy, etc. Trade receivables are written down to net realisable value.		
		The carrying amount of receivables written down to net realisable value based on an individual assessment amounts to DKK 0 (2009: DKK 0).		
		Due receivables not written down:		
0	0	Due by up to one month	14,158	10,376
0	0	Due between one and three months	2,637	2,846
0	0	Due by more than three months	2,305	418
<b>0</b>	<b>0</b>		<b>19,100</b>	<b>13,640</b>
		An allowance account is used to reduce the carrying amount of receivables the value of which has depreciated due to risk of loss.		
0	0	Allowance account at 1 January	2,000	0
0	0	Bad debt provisions for the year	0	2,000
0	0	Reversed provisions	(2,000)	0
<b>0</b>	<b>0</b>	<b>Allowance account at 31 December</b>	<b>0</b>	<b>2,000</b>



## 20. Other receivables

Receivables are not subject to any special credit risks, and as in the previous year writedown of these is not recognised. None of the receivables have fallen due.

## 21. Cash

The Group's and the Parent's cash primarily consists of bank deposits. Consequently, cash is not considered to be subject to any special credit risk. Bank deposits and bank debt carry floating interest rates. The carrying amounts are equal to the fair values of the assets. The Group has undrawn credit facilities totalling DKK 85 million (at 31 December 2009: DKK 40 million).

## 22. Non-current assets held for sale

Management has decided to sell some of the Group's assets which are not expected to be used for the Group's operating activities. The assets are expected to be sold within 12 months. The assets and the related mortgage debt are classified in the balance sheet as non-current assets held for sale and liabilities related to assets held for sale, respectively.

In 2010, the Group sold a property which was classified as an asset held for sale at 31 December 2009. The property was written down by DKK 550 thousand in 2009. The sale generated a further loss of DKK 99 thousand which is included in depreciation, amortisation and impairment losses.

In 2010 a machine has been reclassified from an asset held for sale to property, plant and equipment as the machine is going to be used again in the Group's future operating activities.

In 2009, the Group sold a property which was classified as an asset held for sale at 31 December 2008. The sale generated a profit of DKK 8.6 million, which is included in the item Other operating income.

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
0	0	Properties	15,853	17,080
0	0	Plant and machinery	0	4,738
0	0	Mortgage debt	(6,159)	(7,593)
<b>0</b>	<b>0</b>		<b>9,694</b>	<b>14,225</b>

## 23. Share capital

The share capital consists of 2,024,000 shares. The shares are fully paid. The shares have not been divided into classes. The shares do not carry any special rights.

PARENT		
2009	2010	Number
2,024,000	2,024,000	Number of shares at 1 January
<b>2,024,000</b>	<b>2,024,000</b>	<b>Number of shares at 31 December</b>

	PARENT					
	Number		Nominal value DKK '000		% of share capital	
	2010	2009	2010	2009	2010	2009
<b>Treasury shares</b>						
Treasury shares at 1 January	0	13,975	0	1,398	-	0.69
Sale during the year	0	(13,975)	0	(1,398)	-	(0.69)
<b>Treasury shares at 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Treasury shares had been acquired to cover incentive programmes made.

The sales price of treasury shares amounted to DKK 628 thousand in 2009.

# Notes

			GROUP
DKK '000	Reserve for exchange adjustments	Reserve for base set share based remuneration	Total
<b>24. Other reserves</b>			
Reserve at 1 January 2009	(402)	2,843	2,441
Exchange adjustment relating to foreign enterprises	544	0	544
Recognition of share-based remuneration, net	0	1,260	1,260
<b>Reserve at 31 December 2009</b>	<b>142</b>	<b>4,103</b>	<b>4,245</b>
Exchange adjustment relating to foreign enterprises	4,524	0	4,524
Recognition of share-based remuneration, net	0	460	460
Share-based remuneration, schemes expired without being exercised	0	(743)	(743)
<b>Reserve at 31 December 2010</b>	<b>4,666</b>	<b>3,820</b>	<b>8,486</b>

			PARENT
DKK '000		Reserve for share based remuneration	Total
Reserve at 1 January 2009		2,843	2,843
Recognition of share-based remuneration, net		1,260	1,260
<b>Reserve at 31 December 2009</b>		<b>4,103</b>	<b>4,103</b>
Recognition of share-based remuneration, net		460	460
Share-based remuneration, schemes expired without being exercised		(743)	(743)
<b>Reserve at 31 December 2010</b>		<b>3,820</b>	<b>3,820</b>

The reserve for exchange adjustments comprises all exchange adjustments arising from the translation of financial statements of entities with a different functional currency than Danish kroner.

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

DKK'000	Bank debt		Finance lease obligations minimum (lease payments)		Financial institutions	
	2010	2009	2010	2009	2010	2009
<b>25. Non-current liabilities</b>						
Non-current liabilities are due as follows:						
Within one year from the balance sheet date	12,357	13,000	0	134	8,732	6,722
Between one and two years from the balance sheet date	12,326	12,518	0	0	10,351	7,602
Between two and three years from the balance sheet date	12,326	12,518	0	0	71,366	8,525
Between three and four years from the balance sheet date	12,326	12,518	0	0	6,732	7,816
Between four and five years from the balance sheet date	11,326	12,518	0	0	5,926	5,789
After five years from the balance sheet date	33,343	45,437	0	0	59,566	61,409
	<b>94,004</b>	<b>108,509</b>	<b>0</b>	<b>134</b>	<b>162,673</b>	<b>97,863</b>
Liabilities are recognised in the balance sheet as follows:						
Current liabilities	12,357	13,000	0	134	8,732	6,722
Non-current liabilities	81,647	95,509	0	0	153,941	91,141
	<b>94,004</b>	<b>108,509</b>	<b>0</b>	<b>134</b>	<b>162,673</b>	<b>97,863</b>
Fair value	94,004	108,509	0	134	162,765	98,115

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.

# Notes

DKK '000	GROUP	
	Present value of minimum lease payments	
	2010	2009
<b>25. Non-current liabilities (continued)</b>		
Due within one year from the balance sheet date	0	125
Due between one and five years from the balance sheet date	0	0
	<b>0</b>	<b>125</b>

DKK '000	PARENT			
	Bank debt		Financial institutions	
	2010	2009	2010	2009
Non-current liabilities are due as follows:				
Within one year from the balance sheet date	11,008	11,640	719	741
Between one and two years from the balance sheet date	11,008	11,201	689	753
Between two and three years from the balance sheet date	11,008	11,201	63,201	765
Between three and four years from the balance sheet date	11,008	11,201	713	777
Between four and five years from the balance sheet date	11,008	11,201	725	789
After five years from the balance sheet date	33,027	44,800	10,656	11,698
	<b>88,067</b>	<b>101,244</b>	<b>76,703</b>	<b>15,523</b>
Liabilities are recognised in the balance sheet as follows:				
Current liabilities	11,008	11,640	719	741
Non-current liabilities	77,059	89,604	75,984	14,782
	<b>88,067</b>	<b>101,244</b>	<b>76,703</b>	<b>15,523</b>
Fair value	88,067	101,244	76,703	15,523

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.

PARENT			GROUP	
Deferred tax assets	Deferred tax liabilities	DKK '000	Deferred tax assets	Deferred tax liabilities
<b>26. Deferred tax</b>				
7,035	0	Deferred tax at 1 January 2009	260	11,761
0	0	Exchange rate adjustment	0	(21)
2,530	0	Change in deferred tax recognised in the income statement	(35)	(5,266)
(420)	0	Change in deferred tax recognised in equity	0	420
(3,027)	0	Transfer, subsidiaries	0	0
<b>6,118</b>	<b>0</b>	<b>Deferred tax at 31 December 2009</b>	<b>225</b>	<b>6,894</b>
0	0	Exchange rate adjustment	0	(11)
3,129	0	Change in deferred tax recognised in the income statement	(11)	(4,455)
(185)	0	Change in deferred tax recognised in equity	0	185
(292)	0	Transfer, subsidiaries	0	0
<b>8,770</b>	<b>0</b>	<b>Deferred tax at 31 December 2010</b>	<b>214</b>	<b>2,613</b>

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
Deferred tax is recognised in the balance sheet as follows:				
6,118	8,770	Deferred tax assets	214	225
0	0	Deferred tax liabilities	(2,613)	(6,894)
<b>6,118</b>	<b>8,770</b>		<b>(2,399)</b>	<b>(6,669)</b>

# Notes

						GROUP
DKK '000	1 January	Recognised in income statement	Recognised in other comprehensive income	Recognised directly in equity	31 December	
<b>26. Deferred tax (continued)</b>						
<b>2010</b>						
Intangible assets	10,936	817	0	0	11,753	
Property, plant and equipment	15,516	3,116	0	0	18,632	
Inventories	4,036	(1,178)	0	0	2,858	
Receivables	399	(963)	0	0	(564)	
Liabilities	218	(605)	0	0	(387)	
Share-based remuneration	942	0	0	331	1,273	
Value adjustment of derivative financial instruments	0	0	(146)	0	(146)	
Tax loss carryforwards	(25,378)	(5,642)	0	0	(31,020)	
	<b>6,669</b>	<b>(4,455)</b>	<b>(146)</b>	<b>331</b>	<b>2,399</b>	
<b>2009</b>						
Intangible assets	9,567	1,369	0	0	10,936	
Property, plant and equipment	13,682	1,834	0	0	15,516	
Inventories	4,000	36	0	0	4,036	
Receivables	622	(223)	0	0	399	
Liabilities	172	46	0	0	218	
Share-based remuneration	0	522	0	420	942	
Tax loss carryforwards	(16,542)	(8,836)	0	0	(25,378)	
	<b>11,5010</b>	<b>(5,252)</b>	<b>0</b>	<b>420</b>	<b>6,669</b>	
<b>PARENT</b>						
DKK '000	1 January	Transfer, subsidiaries	Recognised in income statement	Recognised in other comprehensive income	Recognised directly in equity	31 December
<b>2010</b>						
Intangible assets	(34)	0	34	0	0	0
Property, plant and equipment	(538)	0	75	0	0	(463)
Liabilities	250	0	(312)	0	0	(62)
Share-based remuneration	942	0	0	0	331	1,273
Value adjustment of derivative financial instruments	0	0	0	(146)	0	(146)
Tax loss carryforwards	(6,738)	292	(2,926)	0	0	(9,372)
	<b>(6,118)</b>	<b>292</b>	<b>(3,129)</b>	<b>(146)</b>	<b>331</b>	<b>(8,770)</b>
<b>2009</b>						
Intangible assets	(30)	0	(4)	0	0	(34)
Property, plant and equipment	(769)	0	231	0	0	(538)
Liabilities	260	0	(10)	0	0	250
Share-based remuneration	0	0	522	0	420	942
Tax loss carryforwards	(6,496)	3,027	(3,269)	0	0	(6,738)
	<b>(7,035)</b>	<b>3,027</b>	<b>(2,530)</b>	<b>0</b>	<b>420</b>	<b>(6,118)</b>

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
		<b>27. Trade payables</b>		
0	0	Trade payables	94,651	56,766
		The carrying amount is equal to the fair value of the liabilities.		
		<b>28. Other payables</b>		
		Other payables comprise items payable relating to payroll, withholding taxes, social contributions, holiday pay, derivatives, VAT and duties as well as other expenses payable. Carrying amount is equivalent to the fair market value of the liabilities.		
		The holiday pay obligation represents the Group's obligation to pay salaries in the employees' holidays for which they have qualified at the balance sheet date to take in the subsequent financial year.		
		<b>29. Assets charged</b>		
		Mortgage debt is secured by way of mortgage on properties.		
		The mortgage also comprises the plant and machinery deemed part of the properties.		
17,835	17,054	Carrying amount of mortgaged properties	104,342	105,055
		Loans with credit institutions are secured by way of a letter of indemnity on real property and mortgages registered to the mortgagor with secondary liability.		
17,835	17,054	Carrying amount of mortgaged properties	104,342	105,055
		Loans with credit institutions are secured by way of a letter of indemnity and mortgages on movable property registered to the mortgagor secured upon operating equipment and fixtures and fittings, tools and equipment of a nominal amount of DKK 25,000 thousand.		
0	0	Carrying amount of mortgaged operating equipment	31,853	19,337
		Bank debt is secured by way of mortgage on shares in the Group's Danish subsidiaries		
293,795	293,795	Carrying amount of mortgaged shares (cost)		
		Carrying amount of mortgaged enterprises (equity value)	296,191	282,739

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
		<b>30. Rental, lease and contractual obligations</b>		
		For the years 2010 - 2021, the Group has entered into operating leases on buildings. The leases have fixed lease payments which are indexed annually. Future minimum lease payments in accordance with interminable lease contract fall due as follows:		
0	1,278	Within one year from the balance sheet date	4,239	4,139
0	5,372	Between one and five years from the balance sheet date	17,977	17,553
0	8,900	After five years from the balance sheet date	25,512	30,142
<b>0</b>	<b>15,550</b>		<b>47,728</b>	<b>51,834</b>
		The leases include options to purchase in the lease period at agreed fixed prices. If the options are not exercised, the leases will continue until 2021.		
		For the years 2011 – 2017, 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:		
142	168	Within one year from the balance sheet date	2,399	2,299
70	256	Between one and five years from the balance sheet date	4,581	1,075
0	0	After five years from the balance sheet date	149	0
<b>212</b>	<b>424</b>		<b>7,129</b>	<b>3,374</b>
		For the years 2011 – 2016, the Group has entered into operating leases on a production machine. Future minimum lease payments in accordance with interminable leases fall due as follows:		
0	0	Within one year from the balance sheet date	5,026	4,318
0	0	Between one and five years from the balance sheet date	9,393	10,216
0	0	After five years from the balance sheet date	239	709
<b>0</b>	<b>0</b>		<b>14,658</b>	<b>15,243</b>
<b>172</b>	<b>168</b>	Minimum lease payments recognised in the income statement for the year	<b>10,638</b>	<b>10,389</b>
		The Group has entered into rental contracts on office and production facilities. Rental obligation in the period of interminability amounts to:		
0	0	Within one year from the balance sheet date	10,059	7,294
0	0	Between one and five years from the balance sheet date	11,698	13,342
0	0	After five years from the balance sheet date	419	2,856
<b>0</b>	<b>0</b>		<b>22,176</b>	<b>23,492</b>
<b>0</b>	<b>0</b>	Minimum rental payments recognised in the income statement for the year	<b>8,722</b>	<b>7,003</b>
<b>0</b>	<b>0</b>	Contracts on acquisition of machines for delivery in 2011	<b>15,000</b>	<b>0</b>



PARENT			GROUP	
2009	2010	DKK '000	2010	2009
		<b>31. Recourse guarantee commitments and contingent liabilities</b>		
		Together with its subsidiaries, the Parent has entered into bank commitments in which the Parent is liable for the total bank overdraft withdrawal.		
<b>163,261</b>	<b>179,729</b>	Subsidiaries' bank debt		
		The Parent has guaranteed the subsidiaries' debt to financial institutions or has joint and several liability.		
<b>66,717</b>	<b>61,531</b>	Surety, guarantee and liability		
		The Parent is jointly and severally liable for the subsidiaries' lease obligations.		
<b>53,151</b>	<b>42,580</b>	Minimum lease payments		
		<b>32. Net working capital changes</b>		
0	0	Change in inventories	(30,238)	28,521
(6,324)	4,652	Change in receivables	(22,189)	8,911
(3,708)	8,676	Change in trade payables, etc	43,614	(6,939)
<b>(10,032)</b>	<b>13,328</b>		<b>(8,813)</b>	<b>30,493</b>
		<b>33. Acquisition of enterprises and activities</b>		
0	0	Tangible assets	2,650	0
0	0	Inventories	3,342	0
<b>0</b>	<b>0</b>		<b>5,992</b>	<b>0</b>

In 2010, the Group acquired an activity within production and sale of plastic components. The acquisition date was 1 October 2010. The acquisition primarily relates to take-over of seven plastic injection moulding machines, which from the date of acquisition have been an integral supplement to SP Moulding AVS's existing production facility. As the acquisition of the activity relates to purchase of assets, which are an integral part of the existing production facility, it is not possible to calculate profit/loss and cash flows from the activity on a stand-alone basis. There is no independent goodwill relating to the acquisition of the activity as the purchase price of the activity is equal to the fair value of the acquired production plant.

# Notes

PARENT			GROUP	
2009	2010	DKK '000	2010	2009
		<b>34. Non-cash items</b>		
		<b>Sale of property, plant and equipment</b>		
0	0	Selling price	2,469	14,173
0	0	Debt taken over	0	(7,540)
<b>0</b>	<b>0</b>		<b>2,469</b>	<b>6,633</b>
		<b>35. Cash and cash equivalents</b>		
40,845	75,393	Cash	22,308	19,025
(90,714)	(58,278)	Short-term bank debt	(139,935)	(194,876)
<b>(49,869)</b>	<b>17,115</b>		<b>(117,627)</b>	<b>(175,851)</b>
		<b>36. Fees to the Parent's auditors appointed by the general meeting</b>		
		External expenses include fees to the Parent's auditors appointed by the general meeting.		
		<b>Deloitte</b>		
205	200	Statutory audit	970	970
10	10	Other assurance engagements	10	25
40	6	Tax advisory services	6	55
148	126	Non-audit services	210	381
-	-	Other services, abroad	230	230
<b>403</b>	<b>342</b>		<b>1,426</b>	<b>1,661</b>

## 37. Related parties

### Controlling related parties

There are no related parties with controlling influence on SP Group A/S.

For an outline of subsidiaries, see group chart.

### Related party transactions

SP Group A/S has had the following transactions with related parties in the financial year:

DKK'000	Rental income	Sale of goods and services	Purchase of goods and services	Interest income	Interest expenses	Receivables	Payables
From subsidiaries	1704	9,241	4,605	51	916	6,770	8,223
<b>2010</b>	<b>1,704</b>	<b>9,241</b>	<b>4,605</b>	<b>51</b>	<b>916</b>	<b>6,770</b>	<b>8,223</b>
From subsidiaries	2,135	1,118	189	83	531	12,170	2,723
<b>2009</b>	<b>2,135</b>	<b>1,118</b>	<b>189</b>	<b>83</b>	<b>531</b>	<b>12,170</b>	<b>2,723</b>

Moreover, SP Group has received dividend from the subsidiaries amounting to DKK 20,362 thousand (DKK 16,980 thousand in 2009).

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

The Group has not had any transactions with related parties in 2009 and 2010 apart from remuneration to the Board of Directors and the Executive Board.

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

Sale of services relates to assistance provided to subsidiaries. Intra-group purchase and sale is made at cost with addition of a market-based profit.

No security or guarantees have been provided for intercompany accounts at the balance sheet apart from what is stated in note 31. Receivables as well as payables will be settled by cash payment. The Group has not realised bad debt from related parties or made writedown for such likely bad debts.

### Remuneration to the Board of Directors and the Executive Board

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

PARENT		DKK '000	GROUP	
2009	2010		2010	2009
<b>38. Financial risks and financial instruments</b>				
<b>Classes of financial instruments</b>				
0	3,000	Deposits	13,022	13,086
0	0	Trade receivables	109,222	88,922
12,170	6,770	Receivables from subsidiaries	-	-
0	0	Income taxes receivable	87	237
64	42	Other receivables	8,111	8,493
40,845	75,393	Cash	22,308	19,025
<b>53,079</b>	<b>85,205</b>	<b>Loans and receivables</b>	<b>152,750</b>	<b>129,763</b>
960	0	Derivative financial instruments acquired to hedge the fair value of recognised assets and liabilities	0	960
0	583	Derivative financial instruments acquired to hedge future cash flows	583	0
<b>960</b>	<b>583</b>	<b>Financial assets applied as hedging instruments</b>	<b>583</b>	<b>960</b>
15,523	76,703	Financial institutions	162,673	97,863
191,958	146,345	Bank debt	233,939	303,385
0	0	Finance lease obligations	0	134
0	0	Trade payables	94,651	56,766
2,723	8,223	Payables to subsidiaries	-	-
0	0	Income taxes	3,837	896
1,581	4,174	Other payables	44,511	39,613
0	0	Liabilities related to assets held for sale	6,159	7,593
<b>211,785</b>	<b>235,445</b>	<b>Financial liabilities measured at amortised cost</b>	<b>545,770</b>	<b>506,250</b>

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

The Parent's and the Group's foreign exchange risks and interest rate risks are shown below. The individual risks, including the Group's policy for control of financial risks and sensitivity provisions are further described in management commentary.

#### Currency exposure – recognised assets and liabilities

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

At the balance sheet date, the fair value of the Group's derivatives entered into to hedge recognised financial assets and liabilities totals DKK 0 thousand (at 31 December 2009: DKK 960 thousand).

There is generally a good balance between income and expenses. Approx. 95% of sales is thus recognised in DKK or EUR, and approx. 90% of the Group's fixed costs is incurred in DKK or EUR. The most important commercial currency risk is indirect and relates to the customers' sales outside Europe. Similarly, purchasing is primarily conducted in DKK and EUR although the prices of the goods depend on the USD.

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.

58% of the Group's financing has been obtained in EUR, and the remaining debt has been obtained in DKK. A fluctuation of 1% in the EUR rate against DKK may therefore affect the financial performance by up to DKK 2.1 million. To reduce the currency risk and match income and expenses even better, debt relating to the Chinese and the Polish enterprises has been raised in USD, PLN and EUR.

					GROUP
DKK'000	Cash	Receivables	Liabilities	Of this hedged	Net position
EUR	11,129	25,108	252,940	0	(216.703)
PLN	310	2,799	14,260	0	(11.151)
USD	8,852	9,328	10,853	0	7.327
CAD	233	1,709	312	0	1.630
SEK	564	1,653	746	0	1.471
RMB	6,076	9,907	9,908	0	6.075
BRL	67	361	681	0	(253)
<b>31 December 2010</b>	<b>27,231</b>	<b>50,865</b>	<b>289,700</b>	<b>0</b>	<b>(211.604)</b>
EUR	10,303	18,313	169,991	(100.807)	(242.182)
PLN	54	6,589	10,901	0	(4.258)
USD	4,226	6,746	4,553	0	6.419
CAD	312	705	447	0	570
SEK	584	1,515	1,113	0	986
JPY	44	0	0	0	44
RMB	832	3,713	4,899	0	(354)
CHF	0	0	100,807	100.807	0
GBP	0	6	166	0	(160)
<b>31 December 2009</b>	<b>16,355</b>	<b>37,587</b>	<b>292,877</b>	<b>0</b>	<b>(238.935)</b>

					PARENT
DKK'000	Cash	Liabilities	Of this hedged	Net position	
EUR	0	141,855	0	(141,855)	
USD	1,744	3	0	1,741	
<b>31 December 2010</b>	<b>1,744</b>	<b>141,858</b>	<b>0</b>	<b>(140,114)</b>	
EUR	0	80,253	(100,807)	(181,060)	
USD	0	505	0	(505)	
CHF	0	100,807	100,807	0	
<b>31 December 2009</b>	<b>0</b>	<b>181,565</b>	<b>0</b>	<b>181,565</b>	

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

### Interest rate exposure

Interest rate risks primarily derive from the interest-bearing net debt, i.e. mortgage debt and bank debt less negotiable current-asset investments and liquid funds. By the end of the year, the net interest-bearing debt amounted to approx. DKK 367 million. 98% of the debt carried a floating rate, of which mortgage debt with an average interest rate of 2.5% for the next six months. An increase in the general interest level of one percentage point would result in an increase in the Group's annual interest expenses before tax of approx. DKK 3.7 million.

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

The interest rate exposure on financial assets and liabilities can be described as follows with disclosure of date of interest rate adjustment or maturity, whichever occurs first, and effective interest rates:

<b>GROUP</b>						
DKK'000	Time of interest rate adjustment or maturity			Total	Of this fixed interest rate	Effective rate
	Within 1 year	Between 1 and 5 years	After 5 years			
Bank deposit	22,308	0	0	22,308	0	0.2%
Deposit	13,022	0	0	13,022	10,000	6.3%
Financial institutions	(156,990)	(4,862)	(821)	(162,673)	(8,119)	3.4%
Bank debt	(233,939)	0	0	(233,939)	0	3.7%
Interest rate swaps	0	0	(583)	(583)	(583)	4.3%
<b>31 December 2010</b>	<b>(355,599)</b>	<b>(4,862)</b>	<b>(1,404)</b>	<b>(361,865)</b>	<b>1,298</b>	
Bank deposit	19,025	0	0	19,025	0	0,5%
Deposit	13,086	0	0	13,086	10,000	6,3%
Financial institutions	(97,348)	(6,908)	(1,200)	(105,456)	(10,526)	2,5%
Lease obligation	(134)	0	0	(134)	0	5,0%
Bank debt	(303,385)	0	0	(303,385)	0	3,6%
<b>31 December 2009</b>	<b>(368,756)</b>	<b>(6,908)</b>	<b>(1,200)</b>	<b>(376,864)</b>	<b>(526)</b>	
<b>PARENT</b>						
DKK'000	Time of interest rate adjustment or maturity			Total	Of this fixed interest rate	Effective rate
	Within 1 year	Between 1 and 5 years	After 5 years			
Bank deposit	75,393	0	0	75,393	0	3.7%
Financial institutions	(76,703)	0	0	(76,703)	0	3.7%
Bank debt	(146,345)	0	0	(146,345)	0	3.7%
Interest rate swaps	0	0	(583)	(583)	(583)	4.3%
<b>31 December 2010</b>	<b>(147,655)</b>	<b>0</b>	<b>(583)</b>	<b>(148,238)</b>	<b>(583)</b>	
Bank deposit	40,845	0	0	40,845	0	4.4%
Financial institutions	(15,523)	0	0	(15,523)	0	2.3%
Bank debt	(191,958)	0	0	(191,958)	0	3.1%
<b>31 December 2009</b>	<b>(166,636)</b>	<b>0</b>	<b>0</b>	<b>(166,636)</b>	<b>0</b>	

The fair value of the interest rate swaps outstanding at the balance sheet date made to hedge the interest rate exposure of floating-rate loans amounts to DKK 583 thousand. Interest rate swaps expire at the end of 2017.

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

#### Credit risks

SP Group is systematically and continuously supervising the credit rating of customers and cooperative partners and makes use of credit insurance to hedge the credit risks partially. Trade with blue-chip groups and Danish government is not subject to credit insurance, however. No individual customers or cooperative partners pose an unusual credit risk to the Group. The customers and cooperative partners are normally well-reputed companies operating in many different business sectors and countries, which reduces the total credit risk. The Company's primary credit risk is related to trade receivables. The Company is not exposed to material risks in relation to a single customer. All major customers are currently credit rated, and credit insurance is taken out. No special credit risks are assessed to be associated with specific groups of debtors.

PARENT			GROUP	
2009	2010	DKK'000	2010	2009
		Due receivables not written down:		
0	0	Due by up to one month	14,158	10,376
0	0	Due between one and three months	2,637	2,846
0	0	Due by more than three months	2,305	418
<b>0</b>	<b>0</b>		<b>19,100</b>	<b>13,640</b>

The maximum credit risk of trade receivables is equal to their carrying amount.

#### Liquidity risks

It is the Group's objective to have sufficient cash resources to be able to continuously make appropriate arrangements in case of unforeseen changes in the drain on liquidity. It is Management's opinion that the Company still has reasonable capital resources compared to the Company's operations and sufficient liquidity to meet the Company's present and future liabilities. The Company has a long, good and constructive cooperation with its financial business partners. This is expected to be continued. The Group has not neglected nor been in breach of loan agreement terms in the financial year or the comparative year. The time of maturity of financial liabilities is specified below. The amounts specified represent the amounts falling due exclusive of interest, etc.

DKK'000	GROUP			
	Within 1 year	Between 1 and 5 years	After 5 years	Total
<b>2010</b>				
<b>Non-derivative financial liabilities</b>				
Bank debt	152,292	48,304	33,343	233,939
Financial institutions	8,732	94,375	59,566	162,673
Trade payables	94,651	0	0	94,651
Income taxes	3,837	0	0	3,837
Other payables	44,511	0	0	44,511
Liabilities related to assets held for sale	6,159	0	0	6,159
	<b>310,182</b>	<b>142,679</b>	<b>92,909</b>	<b>545,770</b>
<b>Derivative financial instruments</b>				
Derivative financial instruments acquired to hedge future cash flow	0	0	583	583
	<b>310,182</b>	<b>142,679</b>	<b>93,492</b>	<b>546,353</b>
<b>2009</b>				
<b>Non-derivative financial liabilities</b>				
Bank debt	207,876	50,072	45,437	303,385
Financial institutions	6,722	29,732	61,409	97,863
Finance lease obligations	134	0	0	134
Trade payables	56,766	0	0	56,766
Income taxes	896	0	0	896
Other payables	39,613	0	0	39,613
Liabilities related to assets held for sale	7,593	0	0	7,593
	<b>319,600</b>	<b>79,804</b>	<b>106,846</b>	<b>506,250</b>
<b>Derivative financial instruments</b>				
Derivative financial instruments acquired to hedge the fair value of recognised assets and liabilities	(960)	0	0	(960)
	<b>318,640</b>	<b>79,804</b>	<b>106,846</b>	<b>505,290</b>

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

### Liquidity risks

DKK'000	PARENT			
	Within 1 year	Between 1 and 5 years	After 5 years	Total
<b>2010</b>				
<b>Non-derivative financial liabilities</b>				
Bank debt	69,286	44,032	33,027	146,345
Financial institutions	719	65,328	10,656	76,703
Other payables	4,174	0	0	4,174
	<b>74,174</b>	<b>109,360</b>	<b>43,683</b>	<b>227,222</b>
<b>Derivative financial instruments</b>				
Derivative financial instruments acquired to hedge future cash flow	0	0	583	583
	<b>74,179</b>	<b>109,360</b>	<b>44,266</b>	<b>227,805</b>
<b>2009</b>				
<b>Non-derivative financial liabilities</b>				
Bank debt	102,354	44,804	44,800	191,958
Financial institutions	741	3,084	11,698	15,523
Other payables	1,581	0	0	1,581
	<b>104,676</b>	<b>47,888</b>	<b>56,498</b>	<b>209,062</b>
<b>Derivative financial instruments</b>				
Derivative financial instruments acquired to hedge the fair value of recognised assets and liabilities	(960)	0	0	(960)
	<b>103,716</b>	<b>47,888</b>	<b>56,498</b>	<b>208,102</b>

In accordance with IFRS the level used for measurement of the fair value of financial instruments must be disclosed. Derivative financial instruments are measured according to a valuation method according to which all material data are based on observable market data. Apart from this, the Group has no assets and liabilities measured at fair value.



## 39. Segment information of the Group

### Segments

The segment presentation has been changed because plastics are seen as a total business area for plastic solutions where the placement of the task at the individual companies exclusively depends on the technology used. The management reporting has been adjusted accordingly.

Segments are reported in accordance with the internal reporting to the top decision-maker. The top decision-maker is identified as the Board of Directors.

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

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

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

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

### Business segments

	Coatings	Plastics	Other <sup>*)</sup>	Group
DKK '000	2010	2010	2010	2010
Revenue, external customers	125,706	726,193	3	851,902
Revenue among segments	8,238	6,879	(15,117)	0
<b>Revenue</b>	<b>133,944</b>	<b>733,072</b>	<b>(15,114)</b>	<b>851,902</b>
<b>Profit/loss before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>15,291</b>	<b>74,526</b>	<b>(6,798)</b>	<b>83,019</b>
Depreciation, amortisation and impairment losses	(6,755)	(33,389)	(1,183)	(41,327)
<b>Profit/loss before financial items (EBIT)</b>	<b>8,536</b>	<b>41,137</b>	<b>(7,981)</b>	<b>41,692</b>
Financial income and expenses				(12,894)
<b>Profit/loss before tax</b>				<b>28,798</b>
Tax on profit/loss for the year				(3,517)
<b>Profit/loss for the year</b>				<b>25,281</b>
Additions of non-current property, plant and equipment	18,458	26,891	667	46,016
Segment assets	121,798	580,738	3,486	706,022
Non-allocated assets				35,631
				<b>741,653</b>
Segment liabilities, non-interest bearing	27,943	133,160	(13,178)	147,925
Non-allocated liabilities				403,061
				<b>550,986</b>

<sup>\*)</sup> Comprises eliminations and non-allocated overhead costs.

### Disclosure on significant customers

Of the Group's revenue from the segments Coatings and Plastics, 14% (2009: 16.8%) originates from sale to the Group's largest customer.

Of the Group's revenue the 10 largest customers account for 50.9% of revenue. Similarly the 20 largest customers account for 62.5% of revenue.

## 39. Segment information of the Group (continued)

<b>Business segments</b>				
	<b>Coatings</b>	<b>Plastics</b>	<b>Other<sup>*)</sup></b>	<b>Group</b>
DKK '000	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>
Revenue, external customers	128,195	552,490	1,258	681,943
Revenue among segments	5,872	5,937	(11,809)	0
<b>Revenue</b>	<b>134,067</b>	<b>558,427</b>	<b>(10,551)</b>	<b>681,943</b>
<b>Profit/loss before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>16,196</b>	<b>35,832</b>	<b>(11,812)</b>	<b>40,216</b>
Depreciation, amortisation and impairment losses	(6,586)	(33,307)	(1,316)	(41,209)
<b>Profit/loss before financial items (EBIT)</b>	<b>9,610</b>	<b>2,525</b>	<b>(13,128)</b>	<b>(993)</b>
Financial income and expenses				(13,465)
<b>Profit/loss before tax</b>				<b>(14,458)</b>
Tax on profit/loss for the year				2,063
<b>Profit/loss for the year</b>				<b>(12,395)</b>
Additions of non-current property, plant and equipment and intangible assets	20,249	20,056	363	40,668
Segment assets	113,508	511,711	16,701	641,920
Non-allocated assets				32,335
				<b>674,255</b>
Segment liabilities, non-interest bearing	26,671	78,913	(220)	105,364
Non-allocated liabilities				409,172
				<b>514,536</b>

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

### 39. Segment information of the Group (continued)

#### Geographical segments

The Group's activities are primarily located in Denmark, the other EU countries, America and Asia. The following table shows the Group's sale of goods by geographical market.

DKK '000	2010	2009
Denmark	456.675	390.029
Other European countries	259.098	227.690
America	62.813	28.748
Asia (incl. the Middle East)	72.648	35.059
Other countries	668	417
	<b>851.902</b>	<b>681.943</b>

The below table specifies the carrying amounts and additions for the year of non-current intangible assets and property, plant and equipment by geographical area on the basis of the physical location of the assets.

DKK '000	Non-current assets		Additions of non-current intangible assets and property, plant and equipment	
	2010	2009	2010	2009
Denmark	333.349	331.165	29.579	33.305
Sweden	44	44	33	0
Germany	115	81	106	33
The Netherlands	20.868	19.041	2.085	724
Poland	33.342	31.151	6.663	14.221
North America	12.074	11.330	65	106
China	12.222	12.948	1.272	2.471
Brazil	7.993	0	8.062	0
Intragroup transfer	0	0	(1.849)	(10.192)
	<b>420.007</b>	<b>405.760</b>	<b>46.016</b>	<b>40.668</b>

### 40. Ownership

SP Group A/S has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Schur Finance A/S, Horsens

Shareholder Invest Growth A/S, Horsens

Frank Gad (including related parties), Frederiksberg

# Companies in SP Group 1 March 2011

SP Group A/S	Nominal share capital ('000)			Ownership
	Denmark	DKK	20,240	
SP Moulding A/S	Denmark	DKK	50,000	100%
SP Medical Poland Sp. z o.o.	Poland	PLN	1,000	100%
SP Moulding Poland Sp. z o.o.	Poland	PLN	1,100	100%
SP International A/S	Denmark	DKK	5,600	75%
SP Moulding (Suzhou) Co., Ltd.	China	USD	4,080	100%
Gibo Plast A/S	Denmark	DKK	26,000	100%
Accoat A/S	Denmark	DKK	10,000	100%
Accoat do Brasil	Brazil	BRL	392	100%
Accoat Technology ApS	Denmark	DKK	200	100%
Ergomat A/S	Denmark	DKK	10,000	100%
Ergomat-Nederland B.V.	Nederland	EUR	75	100%
Ergomat Deutschland GmbH	Germany	EUR	50	60%
Ergomat Sweden AB	Sweden	SEK	100	60%
Tinby USA, Inc.	USA	USD	360	100%
Ergomat LLC	USA	USD	582	100%
Ergomat Canada Inc.	Canada	CAD	0	100%
Tinby A/S	Denmark	DKK	10,000	100%
Tinby Sp. z o.o.	Poland	PLN	50	100%
Tinby Denmark A/S	Denmark	DKK	500	100%
Tinby Co., Ltd	China	USD	210	100%
TPI Polytechniek B.V.	Nederland	EUR	113	80%
TPI Polytechniek ApS	Denmark	DKK	125	100%
Tinby GmbH	Germany	EUR	154	100%

There have not been any changes in investments in subsidiaries compared to 2009.

In 2010 the companies Tinby Denmark A/S and Tinby Co., Ltd have been established.



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This document is an unofficial translation of the Danish original.  
In the event of any inconsistencies the Danish version shall apply.