NASDAQ OMX Copenhagen A/S
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Announcement no. 8/2011
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Company reg. (CVR) no.
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## Interim report - First quarter of 2011

*Summary: SP Group generated a profit before tax and minority interests of DKK 10.1m in Q1 2011 as against DKK 4.5m in Q1 2010. Revenue was up by 23.2% to DKK 249.2m and EBITDA improved from DKK 16.8m to DKK 25.7m (53 %), as the positive trend in revenue and earnings achieved in 2010 has continued into 2011. Full-year guidance is maintained: The full-year 2011 profit before tax and minority interests is expected to exceed DKK 30m.*

The Board of Directors of SP Group A/S has today considered and approved the interim report for the three months ended 31 March 2011. Highlights of the interim report:

- Revenue improved by DKK 47.0m (23.2%) in Q1 2011 relative to the year-earlier period to DKK 249.2m.
- EBITDA for Q1 2011 was DKK 25.7m, up from DKK 16.8m in Q1 2010 (53 %).
- Earnings before interest and tax (EBIT) came to DKK 14.8m in Q1 2011 against DKK 7.0m in Q1 2010.
- Net financial items were an expense of DKK 4.8m in Q1 2011, a DKK 2.3m decline relative to Q1 2010.
- The profit before tax and minority interests was DKK 10.1m in the first quarter as against DKK 4.5m in Q1 2011.
- The coating business (Accoat) reported a DKK 0.6m drop in Q1 2011 revenue. EBITDA was DKK 2.2m, down from 3.9m in Q1 2010.
- The Plastics businesses (SP Moulding, SP Medical, Tinby, TPI, Ergomat and Gibo Plast) reported a decent combined revenue improvement and a substantial increase in operating profit. Their EBITDA for Q1 2011 was DKK 28.0m, up from DKK 16.0m in Q1 2010.
- There was a cash outflow from operating activities of DKK 12.9m, against a DKK 10.7m cash inflow in Q1 2010.
- The full-year 2011 profit before tax and minority interests is still expected to be about DKK 30m, after running-in costs for four new production units, in China, Brazil, Denmark and Poland, respectively. We continue to expect full-year revenue of more than DKK 850m, but it is still too early to quantify the amount, as market prospects remain unclear.

CEO Frank Gad said: "*We are pleased to see that our customers are buying more of our products and that our earnings have continued to improve. The EUR appreciation against USD and the Asian currencies combined with the rising prices of raw materials and higher energy taxes render our customers' and our own exports out of Europe difficult and this is a big cause for concern in the long term.*"

## FINANCIAL HIGHLIGHTS AND KEY RATIOS

| DKK ’000 (key ratios excepted) | Q1 2011 | Q1 2010 | FY 2010 |
|---|---|---|---|
| **Income statement** | | | |
| Revenue | 249,214 | 202,243 | 851,902 |
| Earnings before depreciation/amortisation and impairment losses (EBITDA) | 25,710 | 16,830 | 83,019 |
| Depreciation/amortisation and impairment losses | -10,871 | -9,864 | -41,327 |
| Earnings before interest and tax (EBIT) | 14,839 | 6,966 | 41,692 |
| Net financials | -4,766 | -2,459 | -12,894 |
| Profit before tax and minority interests | 10,073 | 4,507 | 28,798 |
| Profit/loss for the period | 7,857 | 3,902 | 25,281 |
| - of which attributable to SP Group A/S | 6,873 | 3,260 | 21,440 |
| Earnings per share (DKK) | 3.40 | 1.61 | 10.59 |
| Diluted earnings per share (DKK) | 3.34 | 1.61 | 10.45 |
| **Balance sheet** | | | |
| Non-current assets | 417,389 | 403,982 | 420,221 |
| Total assets | 781,371 | 697,183 | 741,653 |
| Equity | 179,872 | 155,201 | 176,217 |
| Equity including minority interests | 192,019 | 166,593 | 190,667 |
| Investments in property, plant and equipment (excluding acquisitions) | 6,648 | 14,150 | 37,463 |
| **Net interest-bearing debt (NIBD)** | 391,885 | 380,327 | 367,441 |
| NIBD/EBITDA | 4.3 | 6.8 | 4.4 |
| **Cash flows** | | | |
| Cash flows from: | | | |
| - operating activities | -12,913 | 10,716 | 57,828 |
| - investing activities | -11,531 | -14,150 | -46,889 |
| - financing activities | -3,739 | 4,597 | 47,285 |
| Change in cash and cash equivalents | -28,183 | 1,163 | 58,224 |
| **Key ratios** | | | |
| EBITDA margin (%) | 10.3 | 8.3 | 9.7 |
| EBIT margin (%) | 6.0 | 3.4 | 4.9 |
| Profit before tax and minority interests as a percentage of revenue | 4.0 | 2.2 | 3.4 |
| Return on invested capital, including goodwill, % | | | 7.3 |
| Return on invested capital, excluding goodwill, % | | | 9.0 |
| Return on equity, excluding minorities | | | 13.2 |
| Equity ratio, excluding minority interests (%) | 23.0 | 22.3 | 23.8 |
| Equity ratio including minority interests (%) | 24.6 | 23.9 | 25.7 |
| Financial gearing | 2.0 | 2.3 | 1.9 |
| Cash flow per share, DKK | -6,3 | 5,3 | 28.4 |
| Total dividends for the year | 0 | 0 | 0 |
| Market price, end of period (DKK per share) | 95.0 | 45.0 | 84.50 |
| Net asset value per share, end of period (DKK) | 89 | 77 | 87 |
| Market price/net asset value, end of period | 1.07 | 0.59 | 0.97 |
| Number of shares, end of period | 2,024,000 | 2,024,000 | 2,024,000 |
| Average number of employees | 971 | 893 | 895 |

## Q3 PERFORMANCE REVIEW

We continued to record higher sales to many of our customers across industries and geographies in the first quarter. The improvements were the most pronounced in our export markets, as sales grew by more than 33% in Q1 2011. Sales to our Danish customers were up by almost 15%.

The revenue gain was almost entirely due to greater volume sales. The appreciation of the USD-DKK exchange rate (and with it the RMB-DKK rate) in mid-2010 gave us better selling opportunities in North America and Asia. Accordingly, SP Group continued to generate strong growth in both of these regions in the first quarter of 2011.

Sales to the healthcare industry rose by 9.7% to DKK 96.0m and now accounts for 38.5% of consolidated revenue.

Sales to the cleantech industry were up by 45.5% to DKK 55.0m and now make up 22.1% of consolidated revenue.

Sales to the food industry were up by 35.8% to DKK 44.4m and now make up 17.8% of consolidated revenue.

SP Group continued to step up marketing efforts towards both existing and potential customers. The inflow of new customers continued in the first quarter, and the Group is taking active steps to develop and market a number of new solutions to the healthcare, cleantech and food industries, in which management believes the company has an attractive growth potential.

International sales now account for 49.9% of revenue (compared with 46.1% in Q1 2010).

We have won several minor coating orders from the oil and gas industry. Our sales to the cleantech industry are rising, and we have won orders for many new plastics components for regular shipment.

SP Group continues the work to optimise the business under the current market conditions by raising production efficiency, aligning capacity and through tight cost management. These efforts produced a significant improvement in operating profit in Q1 2011.

In addition to capacity adjustments, we are also dedicated to reducing our general costs. Our goal at SP Group is for all of our production facilities to manufacture and deliver better, cheaper and faster. We continually consider steps to cut consumption of raw materials and resources (reducing carbon emissions, etc.) and to reduce the time necessary to commission equipment and restructure production. We are continuing the current roll-out of our LEAN project, focusing on improving our processes and flows and on enhancing the skill sets of our organisation. We increased our headcount in Poland, China and Brazil by a total of 44 people during Q1 2010. We increased our headcount in Denmark by 10 people in Q1 2010. Some 52% of our staff are employed outside Denmark.

Four new factories became operational in 2010: Tinby in China, Accoat in Brazil, Accoat in Stoholm, Denmark and another Tinby factory in Poland. All four factories were completed on time and within the approved financial framework. The four factories need to be commissioned and production needs to be ramped up, which continues to have a negative impact on operations. All four factories are expected to contribute to earnings in 2011.

On 1 October 2010, SP Moulding acquired Phasion Group's injection moulding activities, thereby gaining a number of new customers who will be served from the factories in Stoholm and Juelsminde in Denmark and from Poland. Phasion Group's injection moulding factory in Skive was shut down in Q4 2010. The new customer relationships are progressing well.

Following the release of the 2010 Annual Report, SP Group has had its bank margins reduced and its lines with existing financial business partners have been increased. The lower banking costs are expected to offset the rising market rates predicted for the coming quarters.

As stated in Announcement no. 2/2011, the Board of Directors has established a new warrant programme for the company's Executive Board and 21 managers. The 100,000 warrants of the new programme can vest over the next three years.

SP Group has acquired another 10% of the shares in TPI Polytechniek BV and now holds 90% of TPI. The remaining 10% is held by the company's CEO Jeroen van der Heijden.

## FINANCIAL PERFORMANCE REVIEW

Revenue for the first three months of 2011 amounted to DKK 249.2m, against DKK 202.2m for the year-earlier period, equal to a 23.2% improvement.

Deserving mention is the sale of products under own brands from Ergomat, SP Medical (guidewires) and TPI (ventilation equipment). Sales improved in all three product groups. Overall, the sale of own brands rose by about 26%.

The consolidated Q1 2011 EBITDA was DKK 25.7m compared with DKK 16.8m in Q1 2010. The EBITDA margin improved to 10.3% from 8.3% in Q1 2010.

Earnings before interest and tax (EBIT) came to DKK 14.8m in Q1 2011 against a loss of DKK 7.0m in Q1 2010. The EBIT margin was 6.0% in Q1 2011 against 3.4% in Q1 2010.

Net financial items were an income of DKK 4.8m in Q1 2011, a DKK 2.3m decline relative to Q1 2010 caused by the higher level of interest rates and the fall of the USD/DKK exchange rate in the first quarter of 2011.

The profit before tax and minority interests amounted to DKK 10.1m for Q1 2011 as against DKK 4.5m in Q1 2010.

Total assets amounted to DKK 781.4m at 31 March 2011 compared with DKK 697.2m at 31 March 2010. The equity ratio was 24.6% at 31 March 2011 (up from 23.9%).

Total assets rose by DKK 39.7m during the first three months of the year due to the growing level of business activity.

Net interest-bearing debt amounted to DKK 391.9m at 31 March 2011, against DKK 367.4m beginning of 2011 and DKK 380.3m at 31 March 2010. Net interest-bearing debt thus increased by DKK 11.6m during the past 12 months which has been a period of strongly increasing business activity. Net-interest bearing debt was 4.3 times EBITDA of the last 12-month period which at DKK 91.9m exceeds the levels recorded for 2010, the Group's best year to date. NIBD/EBITDA was 6.8 at 31 March 2010. We remain strongly focused on reducing the interest-bearing debt by increasing cash flows from operating activities and selling an additional two properties.

The property in Flensburg, Germany remains fully let.

## Cash flows

SP Group recorded a cash outflow from operating activities of DKK 12.9m in Q1 2011, which was DKK 23.6m lower than in the same period of 2010.

In Q1 2011, the Group spent DKK 11.5m on investments, while the net amount of DKK 3.7m was raised by way of long-term loans.

Accordingly, the net change in cash and cash equivalents was an outflow of 28.2m.

Management believes that the company continues to have an adequate level of capital resources relative to its operations and sufficient cash resources to meet its current and future liabilities. The company has good, long-standing and constructive relationships with its financial business partners, which are expected to continue.

## Equity

Changes in equity since 1 January 2011:

| Q1 2011 accumulated | Equity attributable to parent company shareholders | | Equity including minority interests | |
|---|---|---|---|---|
| **DKKm** | **2011** | **2010** | **2011** | **2010** |
| Equity at beginning of period (after tax) | 176,217 | 148,399 | 190,667 | 159,719 |
| Share issue | 0 | 0 | -3,294 | 0 |
| Share premium account | 0 | 0 | 0 | 0 |
| Sale of treasury shares | 0 | 0 | 0 | 0 |
| Value adjustment of derivative financial instruments | 0 | | | |
| Change in ownership, minority interests | 0 | 0 | 0 | -595 |
| Recognition of share-based payment | 48 | 315 | 48 | 315 |
| Exchange rate adjustments | -3,266 | 3,227 | -3,259 | 3,252 |
| Profit/(loss) for the period (after tax) | 6,873 | 3,260 | 7,857 | 3,902 |
| Equity at end of period (after tax) | 179,872 | 155,201 | 192,019 | 166,593 |

## Statement of comprehensive income

| Q1 2011 accumulated | Statement of comprehensive income | |
|---|---|---|
| **DKKm** | **2011** | **2010** |
| Profit/Loss for the period | 7,857 | 3,902 |
| Foreign exchange adjustment relating to foreign companies | -3,259 | 3,252 |
| Other comprehensive income | -3,259 | 3,252 |
| Comprehensive income | 4,598 | 7,154 |
| Allocation of comprehensive income for the period | | |
| Parent company shareholders | 3,607 | 6,487 |
| Minority shareholders | 991 | 667 |
| | 4,598 | 7,154 |

## OUTLOOK FOR THE REST OF 2011

The global economy is expected to continue on the road to recovery in 2011, but it remains fragile. Weak economic growth is generally expected in our neighbouring European markets, as a number of countries have disturbingly large public sector deficits and large debts.

We assume that inventory replenishment has largely been completed in most parts of the value chain.

We plan to launch a number of new products and solutions, especially to customers in the healthcare, cleantech and food industries. These new solutions are expected to contribute to growth and earnings.

We intend to maintain a high level of investment in 2011. We expect the largest single investment to be made in the medical devices operations. The company has received loan commitments for DKK 20m for the financing of specific investments.

Depreciation and amortisation charges are expected to be a little higher than in 2010.

Financial expenses are expected to be in line with 2010.

Combining these factors with tight cost management and swift capacity adjustments and with a continued strong focus on risk, liquidity and capital management, our Group has a strong base from which to take on what the future may bring.

A slightly improved profit before tax and minorities and a slightly higher level of activity are expected in 2011 relative to 2010, but it is still premature to quantify the improvements, as market prospects remain unclear.

## COATINGS

(Accoat)

| DKK'000 | Q1 2011 | 2010 |
|---|---|---|
| Revenue | 32,961 | 33,608 |
| EBITDA | 2,177 | 3,908 |
| EBIT | -216 | 2,296 |
| Average no. of employees | 62 | 64 |

### Q1 highlights

The Q1 revenue amounted to DKK 33.0m, against DKK 33.6m in the year-earlier period.

As expected, EBITDA fell slightly in Q1 2011 compared with Q1 2010, held back by the construction and start-up of new factories in Brazil and Stoholm, Denmark in 2011. The new factory in Brazil has been completed and validated and was put into operation in Q4 2010. In the near term, the facility will serve customers in the medical devices industry. Longer term, plans are to win orders from the Brazilian oil and gas industry as well as from the country's cleantech industry.

The new coating facility in Stoholm, built to be a provider of friction reduction and corrosion protection in pipes for the oil and gas industry, began operations in the first quarter of 2011, and Accoat won two small orders for shipment later in 2011.

At current oil prices, coating of pipes creates a lot of value for oil producers, because the coating helps to increase production and reduce production costs.

Pipe coatings provided previously continue to meet customer expectations, helping to improve Accoat's references.

Q1 2011 operations were impacted by the start-up of the new factory in Stoholm and the factory is not expected to be a positive contributor until running at a stable serial production.

Accoat continues its marketing efforts towards customers in the oil and gas industry in the USA, Brazil, Russia and Europe, and has won new orders for future shipment. Accoat's sales to the medical devices industries fell. The decline is expected to be temporary.

A number of customers in the medical devices and chemical industries are increasingly demanding Accoat's services for friction reduction and corrosion protection.

Accoat is working closely together with selected customers to develop new coating solutions for the oil and gas industry. These solutions are expected to come on the market later this year.

Accoat projects an increase in revenue in 2011. EBITDA is expected to improve slightly on 2010.

## PLASTICS

(SP Moulding, SP Medical. Gibo Plast, Ergomat, Tinby, TPI Polytechniek)

| DKK'000 | Q1 2011 | 2010 |
|---|---|---|
| Revenue | 219,409 | 171,659 |
| EBITDA | 28,021 | 16,000 |
| EBIT | 20,151 | 8,043 |
| Average no. of employees | 900 | 820 |

**Q1 highlights**

Revenue for the first three months of 2011 amounted to DKK 219.4m, against DKK 171.7m in the year-earlier period, equal to a 27.8% improvement.

Revenue improved, driven by an inflow of new customers, intensified marketing efforts combined with new products and concepts launched and a general market improvement.

The three Polish factories, SP Moulding, SP Medical and Tinby, and the Chinese factories, SP Moulding and Tinby Co. Ltd. (Suzhou), are all continuing their strong performances, and all five are now generating positive earnings and producing more jobs. The Danish factories are also reporting earnings improvements and a growing headcount. The sales subsidiaries Ergomat and TPI Polytechniek are both reporting strong improvements in activity levels and earnings.

EBITDA improved strongly to DKK 28.0m in Q1 2011, from DKK 16.0m in Q1 2010.

All installations are continuing to implement production efficiency improvements, such as our LEAN projects, energy optimisation (reducing carbon emissions), more automation, focus on raw materials consumption, scrappings and restructuring times.

SP Medical has fully restored its production and sales of guidewires following the fire at the Polish factory two years ago. The damage resulting from the fire has been repaired and production is back to normal.

SP Moulding and SP Medical continue to step up marketing efforts towards new customer leads. The stronger marketing effort in a number of markets has produced several new, stable customers.

Tinby is experiencing surging growth from customers in the graphics, cleantech and insulation industries.

Ergomat generated strong growth in sales of ergonomic mats and of DuraStripe® striping in North America. Europe also reported decent growth.

TPI improved its sales of stable ventilation equipment, especially to customers in eastern and central Europe. New customers have also been identified in Asia, the Middle East and Africa. The Scandinavian market continues to feel the lack of appetite or opportunities for investing in large stable facilities.

A number of new PUR products were launched this year, and all three businesses are planning several product launches later in the year.

The new 6,500 sq.m. factory building in Poland has been completed. Ergomat's production has been relocated from Denmark to Poland and the production of a number of products in Poland has been relocated to the new premises. We expect that to give us more systematic and competitive production in the long term. However, H1 2011 will still be affected by relocation expenses and commissioning. The new space in Poland thus provides an opportunity for growth for Tinby, TPI, Ergomat as well as for SP Medical, SP Moulding and Gibo Plast, which will take over the existing leases in Poland. Gibo Plast will start up production in Poland in H1 2011, and SP Medical plans to increase its injection moulding capacity in white rooms in Poland.

Tinby has started up production of PUR-components in China for customers in the cleantech industry. This set-up is expected to contribute positively to EBIT, but it will impact the net profit in H1 2011.

Gibo Plast sells a large part of its production to customers in the automotive industry (cars, buses, lorries, contractors' equipment and agricultural vehicles) and has built a strong position in this market. This business area remains affected by the economic crisis, as customers are selling fewer of their products, but there are signs of budding optimism.

Gibo Plast has developed new projects and solutions for customers in the cleantech industry, which the company expects will contribute to sales and earnings in 2011 and onwards.

For example, Gibo has won orders for a number of prototypes from the cleantech industry. The prototypes have been delivered and will replace existing metal and fibreglass solutions. Orders for regular shipment in 2011 have also been won.

Consolidating the Danish production at Skjern is expected to lead to enhanced efficiencies and lower costs.

A new management was appointed in Gibo Plast in Q3 2010. A new CEO, a sales manager and a factory manager were appointed to implement the planned turnaround, which is progressing.

We expect revenue and earnings in the PLASTICS business area to improve in 2011 relative to 2010. The medical devices and cleantech activities will be expended in Denmark, Poland and China. Sales and marketing activities will be stepped up globally.

**Statement by the Board of Directors and the Executive Board**

The Board of Directors and the Executive Board have today considered and approved the interim report of SP Group A/S for the three months ended 31 March 2011.

The interim report is presented in accordance with IAS 34 "*Interim financial reporting*" as adopted by the EU and additional Danish disclosure requirements for the interim reports of listed companies.

We consider the accounting policies applied to be appropriate to the effect that the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 31 March 2011 and of the results of the Group's operations and cash flows for the three months ended 31 March 2011.

In our opinion, the management's report gives a true and fair view of the development and performance of the Group, the results for the period and of the Group's financial position in general and gives a fair description of significant risk and uncertainty factors that may affect the Group. The interim report is unaudited.

Søndersø, 26 April 2011

**Executive Board**

| | |
|---|---|
| Frank Gad CEO<br>CEO | Jørgen Hønnerup Nielsen<br>CFO |

**Board of Directors**

| | |
|---|---|
| Niels K. Agner<br>Chairman | Erik P. Holm<br>Deputy Chairman |
| Erik Christensen | Hans W. Schur |

**Accounting policies:**

The Group's interim report for the three months ended 31 March 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting and additional Danish disclosure requirements for interim reports. The application of IAS 34 means that the presentation is limited relative to the presentation of a full annual report and that the valuation principles of the International Financial Reporting Standards (IFRS) have been applied. The accounting policies are unchanged from the policies applied in the Annual Report for 2010. The financial ratios have been calculated on the basis of "Recommendations & Financial Ratios 2010", issued by the Danish Society of Financial Analysts.

In case of any discrepancies the Danish version shall prevail.

**Forward-looking statements**

This interim report contains forward-looking statements reflecting management's current perception of future trends and financial performance. Statements relating to 2011 and the following years are inherently subject to uncertainty and SP Group's actual results may thus differ from expectations. Factors that may cause actual results to differ from expectations include, but are not limited to, changes in SP Group's activities, raw materials prices, foreign exchange rates and economic conditions. This interim report does not constitute an invitation to buy or sell shares in SP Group A/S.

**About SP Group**

SP Group manufactures moulded plastic components as well as coatings.

SP Group is a leading supplier of plastic manufactured products for the manufacturing industries in Denmark and has increasing exports and growing production from own factories in China and Poland. SP Group has subsidiaries in Denmark, Sweden, Germany, the Netherlands, Poland, the USA, Canada, Brazil and China. SP Group is listed on NASDAQ OMX Copenhagen and had some 1,000 employees at 31 March 2011.

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

- Coatings
- Plastics