NASDAQ Copenhagen A/S
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Announcement no. 66/2017
16 November 2017
Company reg. (CVR) no.
15701315

Interim report - Third quarter of 2017

Summary: SP Group generated profit before tax and non-controlling interests of DKK 139.3 million in 9M 2017, a 52.6% increase from DKK 91.3 million in 9M 2016. Relative to the year-earlier period, revenue was up by 29.6% to DKK 1,421.8 million and EBITDA was up by 43.9% to DKK 217.0 million from DKK 150.8 million. Earnings were in line with expectations. We maintain the FY 2017 guidance provided in Announcement no. 39/2017. We continue to guide for profit before tax and non-controlling interests of DKK 170-190 million on revenue of DKK 1.8-1.9 billion.

The Board of Directors of SP Group A/S has today considered and approved the interim report for the nine months ended 30 September 2017.

Highlights of the interim report:

- The 9M 2017 revenue was up by DKK 324.3 million to DKK 1,421.8 million, equal to a 29.6% improvement on the year-earlier period. Organic growth was 7.4%. Q3 revenue was up by 20.3%, of which organic growth accounted for minus 0.8pp. The organic growth was reduced by 1.2pp due to exchange rate adjustments, and an amended logistics agreement with a major customer accounted for minus 5.4pp.
- Profit before depreciation, amortisation and impairment losses (EBITDA) for the 9M 2017 period was DKK 217.0 million, as against DKK 150.8 million in 9M 2016. Company acquisitions added DKK 32.5 million to EBITDA. Q3 EBITDA was up by 28.7% to DKK 68.2 million.
- Profit before net financials (EBIT) came to DKK 154.7 million in 9M 2017, against DKK 100.0 million in 9M 2016. EBIT for Q3 2017 was DKK 46.7 million, compared with DKK 35.3 million in Q3 2016.
- Net financials were an expense of DKK 15.4 million, a DKK 6.6 million greater expense than in the 9M 2016 period due to exchange rate adjustments and the larger debt.
- Profit before tax and non-controlling interests was DKK 139.3 million in 9M 2017, as against DKK 91.3 million in 9M 2016. The Q3 2017 profit before tax and non-controlling interests was DKK 42.0 million against DKK 32.0 million in Q3 2016.
- Earnings per share (diluted) came to DKK 45.99 in 9M 2017 against DKK 30.01 in 9M 2016, for a 53.3% increase.
- Sales of own brands rose in 9M 2017 by 62.6% to DKK 288.9 million, with the organic growth rate at 21.6%. All five business areas with SP Group brands (ergonomics, guidewires, ventilation components, med-tech packaging and standard industry components) generated strong growth. Own-brand sales were up by 46.3% in Q3 2017, of which organic growth made up about 15.0pp.
- There was a cash inflow from operating activities of DKK 108.7 million in 9M 2017, against DKK 113.8 million in 9M 2016.
- Net interest-bearing debt (NIBD) amounted to DKK 524.0 million at 30 September 2017, against DKK 329.7 million at 30 September 2016. At 31 December 2016, NIBD was DKK 407.7 million. NIBD was 1.9 times LTM EBITDA.
- We continue to guide for profit before tax and non-controlling interests of DKK 170-190 million on revenue of DKK 1.8-1.9 billion.

Statement by CEO Frank Gad: "*We've once again succeeded in growing our sales and earnings despite the many market challenges in the third quarter. The first three quarters of 2017 mark our best nine-month period ever in terms of both the top and bottom lines.*

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK '000 (key ratios excepted)	Q3 2017 (unaud.)	Q32016 (unaud.)	Acc. Q3 2017 (unaud.)	Acc. Q3 2016 (unaud.)	FY 2016 (audited)
Income statement					
Revenue	443,614	368,772	1,421,767	1,097,497	1,519,044
Profit before depreciation, amortisation and impairment losses (EBITDA)	68,155	52,966	217,004	150,801	202,857
Depreciation, amortisation and impairment losses	-21,438	-17,689	-62,350	-50,755	-69,442
Profit before net financials (EBIT)	46,717	35,277	154,654	100,046	133,415
Net financials	-4,719	-3,256	-15,351	-8,778	-10,799
Profit before tax and non-controlling interests	41,998	32,021	139,303	91,268	122,616
Profit for the period	32,192	24,672	107,494	70,310	93,387
of which attributable to SP Group A/S	32,127	24,264	107,382	69,391	92,420
Earnings per share (DKK)			47.94	31.18	41.87
Diluted earnings per share (DKK)			45.99	30.01	40.33
Balance sheet					
Non-current assets			819,950	614,801	669,136
Total assets			1,467,417	1,092,618	1,200,671
Equity			505,337	423,349	427,636
Equity including non-controlling interests			506,466	426,226	428,976
Investments in property, plant and equipment (excluding acquisitions)	45,900	12,402	107,257	65,965	107,035
Net interest-bearing debt (NIBD)			524,009	329,729	407,711
NIBD/EBITDA (LTM)			1.9	1.6	2.0
Cash flows					
Cash flows from:					
- operating activities	38,927	41,890	108,706	113,841	140,439
- investing activities	-32,031	34,743	-137,852	-18,093	-80,126
- financing activities	67,194	-45,987	81,606	-83,677	-124,102
Change in cash and cash equivalents	74,090	30,646	52,460	12,071	-63,789
Key ratios					
EBITDA margin (%)	15.4	14.4	15.3	13.7	13.4
EBIT margin (%)	10.5	9.6	10.9	9.1	8.8
Profit before tax and non-controlling interests as a percentage of revenue	9.5	8.7	9.8	8.3	8.1
Return on invested capital including goodwill (%)					15.5
Return on invested capital excluding goodwill (%)					18.6
Return on equity, excluding non-controlling interests					22.6
Equity ratio, excluding non-controlling interests (%)			34.4	38.7	35.6
Equity ratio, including non-controlling interests (%)			34.5	39.0	35.7
Financial gearing			1.0	0.8	1.0
Cash flow per share, DKK			46.6	49.2	61.3
Total dividends for the year per share (DKK)					6.0
Market price, end of period (DKK per share)			1,105.0	629.0	674.0
Net asset value per share, end of period (DKK)			225	188	192
Market price/net asset value, end of period			4.92	3.34	3.52
Number of shares, end of period			2,278,000	2,278,000	2,278,000
of which treasury shares, end of period			29,456	28,058	46,359
Average no. of employees			1,846	1,592	1,559

MANAGEMENT COMMENTARY

9M PERFORMANCE REVIEW

We continued to record rising sales to many of our customers across industries and geographies in the first nine months of 2017. The improvements were the most pronounced in our international markets, as sales outside Denmark grew by 51.7% in the 9M period. Sales to our Danish customers were up by 5.8%.

Our performance numbers relative to the corresponding period of 2016:

	Q3 2017	Acc. Q3 2017
Healthcare	-7.9%	12.8%
Cleantech	71.4%	71.8%
Food-related	6.9%	4.3%
Automotive	53.8%	96.1%
Oil and gas	66.7%	-61.8%
of which own brands	46.3%	62.6%

Most of the change in Q3 revenue was due to higher volume sales. Changes in foreign exchange rates had a negative impact on revenue, as the currency effect accounted for about minus 1.2 percentage point (pp) of the 20.3% overall revenue increase (USD, RMB and BRL have depreciated against DKK). An amended logistics agreement had a negative impact of 5.4pp. Acquired businesses and operations contributed 21.2pp.

Revenue for the nine months to 30 September was up by 29.6%, of which foreign exchange developments accounted for minus 0.4pp, acquired businesses and operations accounted for 21.7pp and an amended logistics agreement with a major customer accounted for minus 2.5pp.

Sales to the healthcare industry were up by 12.8% year-on-year to DKK 490.1 million and now account for 34.5% of consolidated revenue. Q3 revenue was down by 7.9% due to an amended logistics agreement.

Sales to the cleantech industry were up by 71.8% to DKK 490.9 million and now make up 34.5% of consolidated revenue. Q3 sales were up by 71.4% year-on-year.

Sales to food-related industries were up by 4.3% to DKK 181.4 million and now make up 12.8% of consolidated revenue. Sales improved by 6.9% in the third quarter.

Sales to the oil and gas industry declined despite the slightly higher oil prices.

Sales of our own brands were up by 62.6% and now account for 20.3% of consolidated revenue. Q3 sales were up by 46.3% year-on-year.

SP Medical reported a 23.1% improvement in guidewire sales. Ergomat reported a 19.8% improvement in sales of ergonomic products. TPI reported a 10.8% improvement in sales of farm ventilation components.

MedicoPack, Tinby Skumplast and MM Composite, which were not part of the comparative figures, and SP Moulding and Tinby all reported fair growth in own-brand sales – standard industry components – to DKK 88.7 million. The improvements were driven by new innovative solutions and products, improved marketing opportunities and a larger sales force. The resulting growth contributed to the higher earnings.

SP Group continued its intensified marketing efforts towards both existing and potential customers. We won new customers in the first nine months of 2017 and are taking proactive steps to develop and market a number of new solutions for the healthcare, cleantech and food-related industries, among others, which we believe hold an attractive growth potential for our Company.

Our sales to the healthcare industry are growing strongly, and we have won orders for many new plastics components for regular shipment.

We expect the acquisitions of Tinby Skumplast A/S and MM Composite A/S to further accelerate our sales to the cleantech industry. Together, we can offer our customers innovative and value-adding solutions. Some of these solutions consist of standard industry components.

International sales now make up 60.5% of revenue (compared with 51.7% in the 9M 2016 period).

SP Group continually seeks to optimise its business under the prevailing market conditions by raising production efficiency, aligning capacity and pursuing tight cost management.

In addition to capacity adjustments, we focus on adjusting our general costs on an ongoing basis. 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 input materials and resources (reducing carbon emissions, etc.) and to reduce the time necessary to commission equipment and switch-over times. We are continuing the current roll-out of our LEAN project, which aims to improve our processes and flows and to enhance the skill sets of our organisation.

Currently, some 65% of our staff are employed outside Denmark.

The Group's headcount grew by 225 in the nine months to 30 September 2017 (59 through acquisitions and 166 due to organic growth).

The new employees are based in Poland (137), Denmark (60), the USA (15) and Slovakia (14). There was a net reduction of 1 employee in other countries of operation.

At 30 September 2017, SP Group had 1,921 employees worldwide.

Business activity in the third quarter was impacted by exchange rate adjustments (DKK 5 million) and an amended logistics agreement (minus DKK 20 million). The buoyant market trends seen in the early months of the year have faded.

As announced in Announcement No. 17/2017, SP Group has launched a DKK 30 million share buy-back programme under the Safe Harbour regulations to cover existing warrant programmes (Market Abuse Regulation). The share buy-back programme will be extended until 10 April 2018 and increased by DKK 30 million to DKK 60 million, as announced in Announcement No. 49/2017.

The Company sold 56,000 treasury shares in April, May and August 2017 to cover the cost of warrants exercised under the 2012, 2013 and 2014 warrant programmes (as announced in Announcements Nos. 25/2017, 33/2017 and 53/2017). The proceeds added DKK 16.8 million in cash to equity.

On 6 January 2017, SP Group acquired LM Skumplast A/S, a company offering customised PUR and PIR foam solutions. LM Skumplast subsequently changed its name to Tinby Skumplast A/S. See Announcement No. 02/2017. CEO Kim Andersen has stayed on with the company. The company has performed extremely well since the acquisition.

On 21 March 2017, SP Group acquired MM Composite A/S (see Announcement No. 14/2017), a company offering customised composite solutions and with production facilities in the USA and Denmark. The former owners Kent Bøllingtoft Madsen and Mogens D. Marxen have both stayed on with the company. The company has performed well since the acquisition.

Both acquisitions are well-run businesses, and they will enhance SP Group's value proposition to customers in the cleantech industry. Both acquisitions were made with borrowed funds.

SP Group signed a seven-year DKK 100 million loan agreement with the Nordic Investment Bank (NIB) on 29 June. The purpose of the loan is to support the Group's continued organic growth (see Announcement No. 42/2017).

In July, SP Group acquired a property at Langeskov in Funen, which serves as the head office of MedicoPack. Technically speaking, SP Group bought shares in the company owning the property. See page 11 for more information on the acquisition of LNS1 ApS, which has subsequently changed its name to SPG Ejendomme 1 ApS. The acquisition has increased SP Group's debt by a net amount of DKK 22.6 million and will increase the future EBITDA by approximately DKK 2.2 million and future profit before tax by approximately DKK 1.6 million per year.

In October, SP Group acquired a number of properties in the town of Nørre Aaby in Funen, which serve as the head office of MM Composite A/S. Technically speaking, SP Group bought shares in the company owning the properties. See page 11 for more information on the acquisition of SPG Ejendomme 2 ApS. The acquisition has increased SP Group's debt by a net amount of DKK 16.7 million and will increase the future EBITDA by DKK 3.3 million and future profit before tax by approximately DKK 2.5 million per year.

The property acquisitions were partially financed by way of a 20-year mortgage with the interest rate locked in for the first five years.

FINANCIAL PERFORMANCE REVIEW

Revenue for the first nine months of 2017 amounted to DKK 1,421.8 million, a 29.6% improvement from DKK 1,097.5 million in the year-earlier period. Approximately 21.7 percentage points of the improvement derived from acquired businesses and operations. Q3 sales were up by 20.3% year-on-year.

The consolidated 9M 2017 EBITDA was DKK 217.0 million compared with DKK 150.8 million in 9M 2016. Approximately DKK 32.5 million of the revenue increase derived from acquired businesses and operations. The EBITDA margin improved to 15.3% from 13.7% in the 9M 2016 period. The Q3 EBITDA margin was 15.4% – our highest ever.

Profit before net financials (EBIT) came to DKK 154.7 million in 9M 2017, against DKK 100.0 million in 9M 2016. The 9M 2017 EBIT margin was 10.9%, compared with 9.1% in 9M 2016.

Net financials were an expense of DKK 15.4 million in 9M 2017, a DKK 6.6 million greater expense than in 9M 2016 that was due to exchange rate adjustments and the larger debt.

The profit before tax and non-controlling interests amounted to DKK 139.3 million for 9M 2017 as against DKK 91.3 million in 9M 2016.

Total assets amounted to DKK 1,467.4 million at 30 September 2017, compared with DKK 1,092.6 million at 30 September 2016. The equity ratio was 34.5% at 30 September 2017 (as against 39.0% at 30 September 2016 and 35.7% at 31 December 2016).

Total assets grew by a total of approximately DKK 266.7 million during the nine months to 30 September 2017 due to the acquisitions of Tinby Skumplast A/S and MM Composite A/S (approximately DKK 160.0 million), an increase in gross working capital (of about DKK 60.7 million), an increase in property, plant and equipment (DKK 43.8 million) and an increase in cash holdings (of about DKK 2.2 million).

Net interest-bearing debt amounted to DKK 524.0 million at 30 September 2017, against DKK 407.7 million at 31 December 2016 and DKK 329.7 million at 30 September 2016. Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 1.9 times LTM EBITDA (DKK 269.1 million), marking an improvement on the level recorded in the Group's previous best year to date. NIBD/EBITDA was 2.1 at 30 September 2017. We remain strongly committed to reducing the interest-bearing debt by increasing cash flows from operating activities.

Equity was reduced in the 9M reporting period due to exchange rate adjustments of foreign subsidiaries (by DKK 9.9 million) and increased due to value adjustment of financial instruments acquired to hedge future cash flows, such instruments consisting mainly of forward contracts (PLN against EUR, by DKK 12.7 million).

Equity was impacted by the purchase of treasury shares in the reporting period for a net amount of DKK 19.6 million.

Equity was reduced by dividends paid (DKK 13.8 million).

Equity has passed the DKK 500 million mark.

Cash flows
Cash flows from operating activities were DKK 108.7 million in 9M 2017, which was DKK 5.1 million less than in the 9M 2016 period.

The Group spent DKK 108.1 million on investments in the 9M 2017 period (including DKK 14.7 million for financial leases), DKK 44.5 million on acquisitions, raised new long-term debt of DKK 185.5 million, spent DKK 56.0 million on reducing non-current loans, DKK 19.6 million net for buying treasury shares, paid dividends of DKK 13.8 million and deposits paid increased by DKK 0.3 million.

Accordingly, the net change in cash and cash equivalents was a DKK 52.5 million cash inflow.

The DKK 100 million loan from NIB was paid out in July.

Management believes that the company continues to have adequate capital resources relative to its operations as well as sufficient cash resources to meet its current and future liabilities. The company has good, long-standing and constructive relationships with its financial business partners and expects to continue those relationships.

OUTLOOK FOR THE REST OF 2017

The global economy is expected to continue on the road to recovery during the rest of 2017, but it remains fragile and marred by political uncertainty and financial volatility. Weak economic growth is generally expected in our neighbouring European markets, as a number of countries continue to have disturbingly large public sector deficits and large public debts.

Brexit is expected to have only a marginal direct effect on SP Group, but it will affect us indirectly through several of our customers.

Any potential new trade barriers between the USA and the EU would have a significant negative impact on the performance of SP Group. A lasting weakness in the US dollar would also have a negative impact on the performance of SP Group.

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

In connection with the signing of a new logistics agreement with a customer, we will no longer buy components and resell them at no markup. This will reduce full-year revenue by about DKK 70 million. The effect of the change in 2017 is estimated at about DKK 55 million, of which about DKK 40 million will be recognised in the second half-year.

We intend to maintain a high level of investment in 2017. The largest single investment is expected to be made in our cleantech and medical devices operations.

Depreciation and amortisation charges are expected to be higher than in 2016.

Financial expenses are expected to be higher than in 2016.

By combining these factors with tight cost management and swift capacity alignment, and by maintaining a strong focus on risk management, cash management and capital management, our Group is strongly positioned for the future.

As revealed in Announcement No. 39/2017 of 13 June 2017, we maintain our FY 2017 guidance of profit before tax and non-controlling interests of DKK 170-190 million on revenue of DKK 1.8-1.9 billion.

OTHER MATTERS

As our Coating business accounts for less than 10% of our consolidated business and is run as part of the overall business, it no longer constitutes an separate segment. Accordingly, the Group has only one segment and does not provide individual segment reporting.

All companies of the SP Group reported improving sales and EBITDA in the first nine months of 2017 compared with the same period of 2016. The companies selling our own brands reported the largest advances.

We have taken over a leased 6,700 m² building in Poland in 2017. The building is used by SP Moulding and Gibo Plast in their production of large injection-moulded and vacuum-formed plastics.

Activities are being expanded in the USA, Denmark, Poland, Slovakia, Latvia, Sweden, Norway, the Netherlands and China.

We are confident that the acquisitions of MedicoPack PlexxOpido, LM Skumplast and MM Composite will further accelerate SP Group's growth and earnings.

The companies all performed as expected during the reporting period. These companies did not form part of the SP Group in the first nine months of 2016.

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the interim report of SP Group A/S for the nine months ended 30 September 2017.

The interim report, which has been neither audited nor reviewed by the company's auditors, was prepared in accordance with IAS 34 '*Interim Financial Reporting'* as adopted by the EU and and additional requirementsof the Danish Financial Statements Act.

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 September 2017 and of the results of the Group's operations and cash flows for the nine months ended 30 September 2017.

Furthermore, in our opinion, the Management commentary gives a true and fair review of the development of the Group's activities and financial affairs, the financial results for the period and the Group's financial position in general as well as a true and fair description of the principal risks and uncertainties which the Group faces.

Søndersø, 16 November 2017

Executive Board

Frank Gad
CEO

Jørgen Hønnerup Nielsen
CFO

Board of Directors

Niels K. Agner
Chairman

Erik P. Holm
Deputy Chairman

Hans W. Schur

Hans-Henrik Eriksen

Bente Overgaard

INCOME STATEMENT (summary)

DKK '000	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Acc. Q3 2017 (unaud.)	Acc. Q3 2016 (unaud.)	FY 2016 (audited)
Revenue	443,614	368,772	1,421,767	1,097,497	1,519,044
Production costs	-297,843	-252,692	-960,123	-756,954	-1,053,294
Contribution margin	**145,771**	**116,080**	**461,644**	**340,543**	**465,750**
Profit before depreciation, amortisation and impairment losses (EBITDA)	**68,155**	**52,966**	**217,004**	**150,801**	**202,857**
Depreciation, amortisation and impairment losses	-21,438	-17,689	-62,350	-50,755	-69,442
Profit before net financials (EBIT)	**46,717**	**35,277**	**154,654**	**100,046**	**133,415**
Net financials	-4,719	-3,256	-15,351	-8,778	-10,799
Profit before tax and non-controlling interests	**41,998**	**32,021**	**139,303**	**91,268**	**122,616**
Tax on the profit for the period	-9,806	-7,349	-31,809	-20,958	-29,229
Profit for the period	**32,192**	**24,672**	**107,494**	**70,310**	**93,387**
SP Group A/S' share	**32,127**	**24,264**	**107,382**	**69,391**	**92,420**
Earnings per share (DKK)			47.94	31.18	41.87
Diluted earnings per share (DKK)			45.99	30.01	40.33

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Acc. Q3 2017 (unaud.)	Acc. Q3 2016 (unaud.)	FY 2016 (audited)
Profit for the period	**32,192**	**24,672**	**107,494**	**70,310**	**93,387**
Items that may be reclassified to the income statement:					
Exchange rate adjustment relating to foreign companies	-5,901	2,366	-9,884	-6,577	-4,922
Net fair value adjustment of financial instruments acquired to hedge future cash flows	8,017	6,010	12,674	-12,320	-18,051
Other comprehensive income	**-13,918**	**8,376**	**2,790**	**-18,897**	**-22,973**
Comprehensive income	**18,274**	**33,048**	**110,284**	**51,413**	**70,414**
Allocation of comprehensive income for the period:					
Parent company shareholders	18,211	32,698	110,186	49,914	69,564
Non-controlling shareholders	63	350	98	763	850

BALANCE SHEET (summary)

DKK '000	30.09 2017 (unaud.)	30.09 2016 (unaud.)	31.12. 2016 (audited)
Intangible assets	238,355	169,646	174,306
Property, plant and equipment	570,824	440,885	486,486
Financial assets	2,808	478	381
Deferred tax assets	7,963	3,792	7,963
Total non-current assets	**819,950**	**614,801**	**669,136**
Inventories	335,155	264,583	282,572
Receivables	250,260	171,579	195,238
Cash	62,052	41,655	53,725
Total current assets	**647,467**	**477,817**	**531,535**
Total assets	**1,467,417**	**1,092,618**	**1,200,671**
Equity including non-controlling interests	506,466	426,226	428,976
Non-current liabilities	435,318	231,158	228,328
Current liabilities	525,633	435,234	543,367
Equity and liabilities	**1,467,417**	**1,092,618**	**1,200,671**

CASH FLOW STATEMENT (summary)

DKK '000	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Acc. Q3 2017 (unaud.)	Acc. Q3 2016 (unaud.)	FY 2016 (audited)
Cash flows from operating activities	38,927	41,890	108,706	113,841	140,439
Cash flows from investing activities	-32,031	34,743	-137,852	-18,093	-80,126
Cash flows from financing activities	67,194	-45,987	81,606	-83,677	-124,102
Change in cash and cash equivalents	**74,090**	**30,646**	**52,460**	**12,071**	**-63,789**

CHANGES IN EQUITY since 1 January:

	Equity attributable to parent company shareholders		Equity including non-controlling interests	
DKK '000	2017 (unaud.)	2016 (unaud.)	2017 (unaud.)	2016 (unaud.)
Balance at 1 January	**427,636**	**391,098**	**428,976**	**393,561**
Capital increase	0	8,918	0	8,918
Exchange rate adj., foreign subsidiaries	-9,870	-6,421	-9,884	-6,577
Acquisition of treasury shares	-34,480	-25,604	-34,480	-25,604
Sale of treasury shares	14,844	7,754	14,844	7,754
Other adjustments	0	-736	0	-736
Dividends paid	-13,482	-8,767	-13,791	-9,509
Value adjustment of derivative financial instruments (after tax)	12,674	-12,320	12,674	-12,320
Change in ownership, non-controlling interests	0	-393	0	0
Recognition of share-based payment	633	429	633	429
Profit for the period (after tax)	107,382	69,391	107,494	70,310
Balance at 30 September	**505,337**	**423,349**	**506,466**	**426,226**

Effective 6 January 2017, the Group acquired all shares in LM Skumplast A/S, a company specialising in foam plastics solutions.

Effective 21 March 2017, the Group acquired all shares in MM Composite A/S, a company specialising in composite solutions.

Preliminary fair values of the assets and liabilities at the dates of acquisition are set out below.

	DKK '000
Property, plant and equipment	34,788
Customer files	27,000
Investments	2,690
Inventories	23,730
Order books	1,700
Trade receivables	21,533
Other receivables	758
Cash	6,090
Deferred tax	-8,244
Leasing debt	-4,239
Bank debt	-3,214
Trade payables	-24,210
Deferred income	-1,700
Income tax payable	-3,156
Other payables	-9,211
Acquired net assets	**64,315**
Goodwill	45,568
Total consideration	**109,883**
Cash consideration	47,340
Debt instruments	28,619
Contingent consideration	33,924
Total consideration	**109,883**

Before being acquired, the acquired entities had combined EBITDA of about DKK 14 million in the most recent financial year.

The consideration amounted to DKK 109,883 thousand, of which DKK 47,340 thousand was paid in cash. Debt instruments totalling DKK 28,619 thousand, which fall due in the period 2017-2020, have been issued. In addition, there is a contingent consideration of DKK 33,924 thousand.

The debt instruments totalling DKK 28,619 thousand were recognised at fair value at the date of acquisition.

The undiscounted amount is DKK 29,860 thousand.

The conditional consideration of DKK 33,924 thousand is recognised at its fair value at the date of acquisition. The amount recognised is the maximum that may become payable, because the earn-out conditions are expected to be met. The undiscounted amount is DKK 35,000 thousand.

Acquisition costs are expected to be DKK 1.0 million, which amount has been recognised in 2017.

In connection with the acquisitions, goodwill was been made up at DKK 45,568 thousand after recognition at fair value of identifiable assets, liabilities and contingent liabilities. Goodwill represents the expected value of synergies and know-how resulting from the combination with SP Group. Goodwill is not depreciable for tax purposes.

Effective 3 July 2017, the Group acquired all shares of the property company LNS 1 ApS. **The company has subsequently changed its name to SPG Ejendomme 1 ApS**	
Preliminary fair values of the assets and liabilities at the date of acquisition are set out below.	
	DKK '000
Property, plant and equipment	23,267
Other receivables	91
Cash	1,659
Other payables	-109
Total cash consideration	**24,908**

Effective 12 October 2017, the Group acquired all shares of the property company Brofrihed ApS. **The company has subsequently changed its name to SPG Ejendomme 2 ApS**	
Preliminary fair values of the assets and liabilities at the date of acquisition are set out below.	
	DKK '000
Property, plant and equipment	17,872
Receivables	88
Deferred tax	0
Mortgage debt	-8,105
Bank debt	-182
Income tax payable	-1,026
Other payables	-1,217
Total cash consideration	**7,430**

Warrant programme for the Company's Executive Board and senior managers

The Board of Directors resolved on 24 April 2017 (see Announcement no. 28/2017) to set up an incentive programme for the Company's Executive Board and 37 senior managers. The programme is based on warrants to be issued by the Board of Directors exercising the authorisation provided in article 5(4) of the articles of association and granted at the Annual General Meeting in 2016, on which occasion the programme was presented to the shareholders. A total of 70,000 warrants were issued, of which 10,000 were awarded to members of the Executive Board and the rest were awarded to the senior managers.

The reason for the award was a desire to align the interests of the senior managers with those of the Group.

The exercise price was fixed at DKK 775.00 per share with a nominal value of DKK 10 plus a 7.5% premium calculated from 1 April 2017 and until the date of exercise. The exercise price has been fixed on the basis of the official market price immediately before and after the release of the Annual Report on 30 March 2017.

Warrants issued under the programme may be exercised to buy shares in the Company during the period from 1 April 2020 to 31 March 2023, always provided that warrants can only be exercised during the first two weeks of a trading window in which the Company's in-house rules allow management to trade in the Company's shares.

Warrants to be issued are expected to have a value of DKK 10.43 each for an aggregate market value of approximately DKK 730,380. The market value of the warrants issued was calculated using the Black-Scholes model with volatility being calculated on the basis of the price of the Company's shares in recent months, a level of interest rates of 0.48%, a share price of DKK 700.00 and assuming that warrants awarded are exercised in April 2020. Allowance is made for any dividend payments to be made during the period.

Members of the Executive Board and the 37 senior managers were given the option of buying the warrants at market price as calculated above against payment in cash. The offer to buy was in force for two months from 24 April 2017.

Members of the Executive Board and 19 senior managers (21 participants) opted to buy their warrants (total of 43,000 warrants).

As a result, 50,000 warrants are exercisable under existing programmes as from 2017 (of which 43,000 have been exercised), 50,000 warrants become exercisable in 2018, 59,000 become exercisable in 2019, and 70,000 become exercisable in 2020.

If a participant resigns from the group company in which he or she is employed, the number of warrants will be reduced on a pro rata basis so as to reflect that the participant was only associated with the Group for a part of the term of the programme. This does not apply if a participant has bought and paid for his or her warrants.

Accounting policies
The interim report for the nine months to 30 September 2017 is presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and Danish disclosure requirements for listed companies. Other than as set out below, the accounting policies are consistent with those applied in Annual Report 2016, in which the accounting policies are set out in their entirety in note 1 to the financial statements.

Changes to accounting policies
Effective from 1 January 2017, SP Group A/S has implemented the following new or amended standards and interpretations:
Amendments to IAS 7 on disclosure requirements for cash flows, Amendments to IFRS 12 on the recognition of deferred tax assets for unrealised losses and partial implementation of Annual Improvements to IFRS 2014-2016. In Annual Improvements to IFRS 2014-2016, only the amendment to IFRS 12 *Disclosure of Interests in Other Entities* took effect from 1 January 2017 with a specification of the extent of the disclosure requirements of IFRS 12. The rest of the amendments will not take effect until 1 January 2018.

The new disclosure requirements of IAS 7 are not mandatory for interim reports and therefore will only apply as from the 2017 Annual Report.

None of the above amendments have affected recognition or measurement in the interim report.

Accounting estimates and judgments
In preparing the interim financial statements, Management makes accounting judgments and estimates that affect the use of accounting policies and recognised assets, liabilities, income and expenses. Actual results may differ from these judgments.

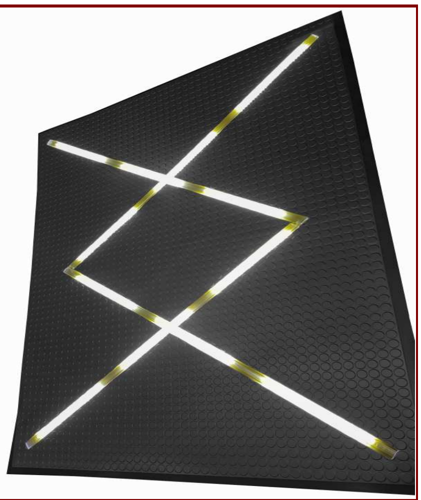
The most significant estimates made by Management when applying the accounting policies and the most significant judgment uncertainty related to preparing these interim financial statements are the same as those used to prepare the consolidated and the parent company financial statements for 2016. Reference is made to the information provided on estimates and judgments in the consolidated and the parent company financial statements for 2016.

Impairment test
The annual test for impairment of intangible assets, including goodwill, will be made at 31 December 2017 following the completion of budgets and strategy plans for the upcoming period. Management has not identified evidence of impairment of the carrying amount of goodwill at 30 September 2017 and, accordingly, has not tested goodwill for impairment at 30 September 2017. Reference is made to the information provided on estimates and judgments in the consolidated and the parent company financial statements for 2016.

Forward-looking statements
This interim report contains forward-looking statements reflecting Management's current perception of future trends and financial performance. Statements relating to 2017 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 and composite components and applies plastic coatings on plastic and metal surfaces.

SP Group is a leading supplier of plastic manufactured products for the manufacturing industries in Denmark and has increasing sales and growing production from own factories in Denmark, China, Brazil, the USA, Latvia, Slovakia, Sweden and Poland. SP Group also has sales and service subsidiaries in Sweden, Norway, the Netherlands and Canada. SP Group is listed on NASDAQ Copenhagen A/S and had 1,921 employees and about 1,900 registered shareholders at 30 September 2017.



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