NASDAQ Copenhagen A/S
Nikolaj Plads 6
DK-1007 Copenhagen K

Announcement no. 26/ 2018
23 April 2018
Company reg. (CVR) no. 15701315

# Interim report – First quarter of 2018

*Summary: SP Group generated profit before tax and non-controlling interests of DKK 51.3 million in Q1 2018, a 3.5% increase from DKK 49.6 million in Q1 2017. Revenue was down by 0.8% year on year to DKK 472.9 million and EBITDA fell 1.1% to DKK 72.0 million from DKK 72.8 million. Earnings were in line with expectations. We maintain the FY 2018 guidance provided in the 2017 Annual Report released in Announcement no. 13/2018. We continue to guide for profit before tax and non-controlling interests at the level of DKK 200 million on revenue of about DKK 2.0 billion.*

The Board of Directors of SP Group A/S has today considered and approved the interim report for the three months ended 31 March 2018.

Highlights of the interim report:

- The Q1 2018 revenue was down by DKK 3.9 million to DKK 472.9 million, or by 0.8%, relative to the year-earlier period.
- Earnings before depreciation, amortisation and impairment losses (EBITDA) for Q1 2018 were DKK 72.0 million, as against DKK 72.8 million in Q1 2017. Company acquisitions added DKK 2.5 million to EBITDA.
- Earnings before interest and tax (EBIT) came to DKK 49.8 million in Q1 2018, against DKK 52.6 million in Q1 2017.
- Net financials were an income of DKK 1.5 million, a 4.5 million improvement on Q1 2017 driven by value adjustments and lower interest rates.
- Profit before tax and non-controlling interests was DKK 51.3 million in Q1 2018, as against DKK 49.6 million in Q1 2017.
- Earnings per share (diluted) were DKK 16.91 in Q1 2018, a 1.9% improvement from DKK 16.60 in Q1 2017.
- Sales of our own brands were up by 19.7% in Q1 2018 to DKK 105.2 million.
- There was a cash inflow from operating activities of DKK 17.6 million in Q1 2018, against DKK 60.6 million in Q1 2017.
- Net interest-bearing debt (NIBD) amounted to DKK 544.2 million at 31 March 2018, against DKK 430.3 million at 31 March 2017. At 31 December 2017, NIBD was DKK 509.1 million. NIBD was 2.0 times LTM EBITDA.
- We continue to guide for profit before tax and non-controlling interests at the level of DKK 200 million on revenue of about DKK 2.0 billion.

Statement by CEO Frank Gad: *"As expected, our revenue declined slightly due to market challenges, changes in foreign exchange rates combined with an amended logistics agreement and this year's timing of Easter. The Q1 2018 period was our best ever quarterly bottom line performance, and we are confident that we will generate full-year profit before tax at the level of DKK 200 million on revenue at the level of DKK 2 billion."*

*In case of any discrepancies, the Danish version shall prevail.*

**Further information:**
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## FINANCIAL HIGHLIGHTS AND KEY RATIOS

| DKK '000 (key ratios excepted) | **Q1 2018** (unaud.) | **Q1 2017** (unaud.) | **FY 2017** (audited) |
|---|---|---|---|
| **Income statement** | | | |
| Revenue | 472,879 | 476,879 | 1,884,144 |
| Profit before depreciation, amortisation and impairment losses (EBITDA) | 72,042 | 72,819 | 274,994 |
| Depreciation, amortisation and impairment losses | -22,230 | -20,184 | -81,477 |
| Profit before net financials (EBIT) | 49,812 | 52,635 | 193,517 |
| Net financials | 1,493 | -3,057 | -17,801 |
| Profit before tax and non-controlling interests | 51,305 | 49,578 | 175,716 |
| Profit for the period | 39,191 | 38,443 | 132,259 |
| of which attributable to SP Group A/S | 39,236 | 38,394 | 132,169 |
| Earnings per share (DKK) | 17.61 | 17.24 | 59.19 |
| Diluted earnings per share (DKK) | 16.91 | 16.60 | 57.12 |
| **Balance sheet** | | | |
| Non-current assets | 874,948 | 785,704 | 873,977 |
| Total assets | 1,542,272 | 1,442,265 | 1,515,159 |
| Equity | 551,713 | 481,858 | 536,599 |
| Equity including non-controlling interests | 552,712 | 483,249 | 537,687 |
| Investments in property, plant and equipment (excluding acquisitions) | 23,467 | 24,905 | 182,341 |
| **Net interest-bearing debt (NIBD)** | 544,222 | 430,252 | 509,123 |
| NIBD/EBITDA (LTM) | 2.0 | 1.9 | 1.9 |
| **Cash flows** | | | |
| Cash flows from: | | | |
| - operating activities | 17,610 | 60,613 | 180,767 |
| - investing activities | -25,874 | -69,369 | -204,793 |
| - financing activities | -45,294 | 40,549 | 65,426 |
| Change in cash and cash equivalents | -53,558 | 31,793 | 41,400 |
| **Key ratios** | | | |
| EBITDA margin (%) | 15.2 | 15.3 | 14.6 |
| EBIT margin (%) | 10.5 | 11.0 | 10.3 |
| Profit before tax and non-controlling interests as a percentage of revenue | 10.8 | 10.4 | 9.3 |
| Return on invested capital including goodwill (%) | | | 18.8 |
| Return on invested capital excluding goodwill (%) | | | 22.3 |
| Return on equity, excluding non-controlling interests | | | 27.4 |
| Equity ratio, excluding non-controlling interests (%) | 35.8 | 33.4 | 35.4 |
| Equity ratio, including non-controlling interests (%) | 35.8 | 33.5 | 35.5 |
| Financial gearing | 1.0 | 0.9 | 0.9 |
| Cash flow per share, DKK | 7.6 | 26.2 | 78.1 |
| Total dividends for the year per share (DKK) | | | 10.0 |
| Market price, end of period (DKK per share) | 1,090.0 | 704.0 | 1,095.0 |
| Net asset value per share, end of period (DKK) | 242 | 217 | 240 |
| Market price/net asset value, end of period | 4.39 | 3.25 | 4.56 |
| Number of shares, end of period | 2,278,000 | 2,278,000 | 2,278,000 |
| of which treasury shares, end of period | 56,922 | 56,781 | 43,492 |
| Average no. of employees | 1,919 | 1,752 | 1,852 |

The financial ratios have been calculated in accordance with "Recommendations & Ratios'. issued by the CFA Society Denmark. The definitions are listed on page 64 of the 2017 Annual Report.

## MANAGEMENT COMMENTARY

## PERFORMANCE REVIEW

We continued to record rising sales to many of our customers across industries and geographies in the first three months of 2018. The improvements were the most pronounced in our international markets, as sales outside Denmark grew by 6.3% in the first quarter. Sales to our Danish customers were down by 10.9%.

Our performance numbers relative to the corresponding period of 2017:

| | Q1 2018 |
|---|---|
| Healthcare | -18.8% |
| Cleantech | 7.9% |
| Food-related | 4.4% |
| Automotive | -4.7% |
| Oil and gas | 157.1% |
| | |
| of which own brands | 19.7% |

The timing of Easter this year had a negative impact on business activity.

Changes in foreign exchange rates had a negative impact on revenue, as the currency effect accounted for about 2.5 percentage points (pp) of the 0.8% overall drop in revenue (USD, RMB and BRL depreciating against DKK). An amended logistics agreement had a negative impact of 3.8pp. Acquired businesses and operations contributed 7.0pp. Organic growth was negative at 7.8 %.

Sales to the healthcare industry were down by 18.8% year-on-year to DKK 149.2 million and now account for 31.6% of consolidated revenue.

Sales to the cleantech industry were up by 7.9% to DKK 159.0 million and now make up 33.6% of consolidated revenue.

Sales to food-related industries were up by 4.4% to DKK 68.9 million and now make up 14.6% of consolidated revenue.

Sales to the automotive sector were down by 4.7 % to DKK 24.6 million.

Sales to the oil and gas industry were up due to the slightly higher oil prices. Sales amounted to DKK 1.8 million in the first quarter.

Sales of our own brands were up by 19.7% and now account for 22.3% of consolidated revenue.

SP Medical reported a 4.5% decline in guidewire sales. Ergomat reported a 3.8% decline in sales of ergonomic products.

TPI reported an 8.9% decline in sales of farm ventilation components.

MedicoPack reported a 6.8% decline in medical device packaging.

Tinby Skumplast and MM Composite, which were not fully reflected in the comparative figures, and SP Moulding and Tinby all reported fair growth in own-brand sales – standard industry components – to a total of DKK 28.4 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 three months of 2018 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 volume 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 63.0% of revenue (compared with 58.8% in Q1 2017).

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 66% of our staff are employed outside Denmark.

The Group's headcount grew by 23 in the three months to 31 March 2018 due to organic growth.

The new employees are based in Poland (13), Latvia (9) and Slovakia (14). The staff was reduced by a total of 13 people in the USA, China and Denmark.

At 31 March 2018, SP Group had 1,956 employees worldwide.

Revenue in the first quarter was impacted by exchange rate developments (approx. minus DKK 12 million) and an amended logistics agreement (approx. minus DKK 18 million). The very buoyant market trends seen in the first quarter of 2017 have subsided.

As announced in Announcement No. 14/2018, SP Group has launched a DKK 40 million share buy-back programme under the Safe Harbour regulations to cover existing warrant programmes (Market Abuse Regulation). The share buy-back programme runs until 31 December 2018.

In April 2018, the Company sold 49,000 treasury shares to cover the cost of warrants exercised under the 2014 and 2015 warrant programmes (as announced in Announcement No. 21/2018. The proceeds added DKK 15.3 million in cash to equity.

In January, SP Group acquired a property in Poland, which serves as the head office of Tinby. The acquisition has increased SP Group’s debt by a net amount of DKK 15.5 million and will add approximately DKK 2.0 million per year to the future EBITDA and approximately DKK 1.5 million per year to profit before tax.

The property acquisition was funded by way of a bank loan.

## FINANCIAL PERFORMANCE REVIEW

Revenue for the first three months of 2018 amounted to DKK 472.9 million, a 0.8% decline from DKK 476.8 million in the year-earlier period. Acquired businesses and operations added approximately 7.0pp to revenue.

The consolidated Q1 2018 EBITDA was DKK 72.0 million compared with DKK 72.8 million in Q1 2017. Approximately DKK 2.5 million of the revenue increase derived from acquired businesses and operations. The EBITDA margin fell to 15.2% from 15.3% in Q1 2017.

Profit before net financials (EBIT) came to DKK 49.8 million in Q1 2018, against DKK 52.6 million in Q1 2017. The Q1 2018 EBIT margin was 10.5%, compared with 11.0% in Q1 2017.

Net financials were an income of DKK 1.5 million in Q1 2018, a DKK 4.5 million improvement relative to Q1 2017 that was due to value adjustments lower interest rates.

The profit before tax and non-controlling interests amounted to DKK 51.3 million in Q1 2018 as against DKK 49.6 million in Q1 2017.

Total assets amounted to DKK 1,542.3 million at 31 March 2018, compared with DKK 1,442.3 million at 31 March 2017. The equity ratio was 35.8% at 31 March 2018, as against 33.5% at 31 March 2017 and 35.5% at 31 December 2017.

Total assets grew by a total of approximately DKK 27.1 million during the three months to 31 March 2018 due to the acquisition of the property in Poland (approximately DKK 15.5 million), a reduction of property, plant and equipment (DKK 14.5 million) and a reduction of cash and cash equivalents (of DKK 27.3 million).

Net interest-bearing debt amounted to DKK 544.2 million at 31 March 2018, against DKK 509.1 million at 31 December 2017 and DKK 430.3 million at 31 March 2017.

Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 2.0 times LTM EBITDA (DKK 274.2 million). NIBD/EBITDA was 1.9 at 31 March 2017. We remain strongly committed to reducing the interest-bearing debt by increasing cash flows from operating activities.

Equity was reduced in the Q1 reporting period due to exchange rate adjustments of foreign subsidiaries (by DKK 5.4 million) and 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 4.1 million).

Equity was impacted by the purchase of treasury shares in the reporting period for a net amount of DKK 14.8 million.

Equity amounted to DKK 552.7 million at 31 March 2018 against DKK 483.2 million at 31 March 2017 and 537.7 million at 31 December 2017.

### Cash flows

Cash flows from operating activities were DKK 17.6 million in Q1 2018, which was DKK 43.0 million less than in the Q1 2017 period.
The Group spent DKK 25.9 million on investments in the Q1 2018 period (including DKK 0.0 million for finance leases), DKK 0.0 million on acquisitions, raised new long-term debt of DKK 0.0 million, spent

DKK 30.5 million on reducing non-current loans, DKK 14.8 million net for buying treasury shares and paid dividends of DKK 0.0 million.

Accordingly, the net change in cash and cash equivalents was a DKK 53.6 million cash outflow. 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 2018

The global economic recovery is expected to continue in 2018, but the economy remains fragile and subject to political uncertainty and financial volatility. Our neighbouring markets in Europe have grave government budget deficits and high indebtedness.

Brexit is expected to have only marginally direct impact on SP Group, but it will adversely affect us indirectly through a number of our customers.

New potential new trade barriers between the USA and the EU may have a strong adverse effect on the development of SP Group. A permanently weak the US dollar will also have an adverse effect on the development of SP Group.

We plan to launch a number of new products and solutions for our customers, particularly 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 in 2017, we stopped buying components and reselling them at no markup. This will reduce our full-year revenue by about DKK 70 million. The effect in 2018 is estimated at about DKK 20 million.

As usual, we expect business activity and earnings to be higher in the second half of the year than in the first half.

We intend to maintain a high level of investment in 2018. We expect the largest single investment to be made in our medical devices operations.

Depreciation and amortisation charges are expected to be higher than in 2017.

Financial expenses are expected to be at a lower level than in 2017.

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.

We maintain our FY 2018 guidance of profit before tax and non-controlling interests at the level of DKK 200 million on revenue of about DKK 2.0 billion.

## OTHER MATTERS

Accoat established Accoat Sp. z o.o. in Poland in the current year. The company will offer coating solutions to existing and new customers.

Gibo Plast established Gibo Inc. in Iowa, USA in late 2017. Gibo Inc. will begin to offer logistics solutions to Gibo Plast’s customers in the USA and Canada in 2018. Gibo Inc. has bought new machinery and will start vacuum forming operations in the USA at the end of 2018.

The companies of the SP Group performed largely as expected during the reporting period.

## 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 period 1 January–31 March 2018.

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 additional requirements of 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 31 March 2018 and of the results of the Group’s operations and cash flows for the three months ended 31 March 2018.

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, 23 April 2018

**Executive Board**

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

**Board of Directors**

| | | |
|---|---|---|
| Niels K. Agner<br>Chairman | Erik P. Holm<br>Deputy Chairman | |
| Hans W. Schur | Hans-Henrik Eriksen | Bente Overgaard |

## INCOME STATEMENT (summary)

| DKK '000 | Q12018 (unaud.) | Q1 2017 (unaud.) | FY 2017 (audited) |
|---|---|---|---|
| Revenue | 472,879 | 476,820 | 1,884,144 |
| Production costs | -315,581 | -324,006 | -1,276,934 |
| **Contribution margin** | **157,298** | **152,814** | **607,210** |
| **Profit before depreciation, amortisation and impairment losses (EBITDA)** | **72,042** | **72,819** | **274,994** |
| Depreciation, amortisation and impairment losses | -22,230 | -20,184 | -81,477 |
| **Profit before net financials (EBIT)** | **49,812** | **52,635** | **193,517** |
| Net financials | 1,493 | -3,057 | -17,801 |
| **Profit before tax** | **51,305** | **49,578** | **175,716** |
| Tax on profit for the period | -12,114 | -11,135 | -43,457 |
| **Profit for the period** | **39,191** | **38,443** | **132,259** |
| **Attributable to:** | | | |
| Parent company shareholders | 39,236 | 38,394 | 132,169 |
| Non-controlling shareholders | -45 | 49 | 90 |
| Earnings per share (DKK) | 17.61 | 17.24 | 59.19 |
| Diluted earnings per share (DKK) | 16.91 | 16.60 | 57.12 |

## STATEMENT OF COMPREHENSIVE INCOME

| DKK '000 | Q1 2018 (unaud.) | Q1 2017 (unaud.) | FY 2017 (audited) |
|---|---|---|---|
| **Profit for the period** | **39,191** | **38,443** | **132,259** |
| *Items that may be reclassified to the income statement:* | | | |
| Exchange rate adjustment relating to foreign companies | -5,367 | 4,197 | -2,727 |
| Net fair value adjustment of financial instruments acquired to hedge future cash flows | -4,062 | 18,627 | 24,426 |
| **Other comprehensive income** | **-9,429** | **22,824** | **21,699** |
| **Comprehensive income** | **29,762** | **61,267** | **153,958** |
| **Allocation of comprehensive income for the period:** | | | |
| Parent company shareholders | 29,851 | 61,216 | 153,908 |
| Non-controlling shareholders | -89 | 51 | 50 |

## BALANCE SHEET (summary)

| DKK '000 | 31.03. 2018 (unaud.) | 31.03. 2017 (unaud.) | 31.12. 2017 (audited) |
|---|---|---|---|
| Intangible assets | 234,738 | 243,838 | 235,819 |
| Property, plant and equipment | 633,884 | 530,832 | 631,769 |
| Financial assets | 2,494 | 3,071 | 2,557 |
| Deferred tax assets | 3,832 | 7,963 | 3,832 |
| **Total non-current assets** | **874,948** | **785,704** | **873,977** |
| Inventories | 353,598 | 322,670 | 336,210 |
| Receivables | 265,461 | 282,288 | 229,367 |
| Cash | 48,265 | 51,603 | 75,605 |
| **Total current assets** | **667,324** | **656,561** | **641,182** |
| **Total assets** | **1,542,272** | **1,442,265** | **1,515,159** |
| Equity including non-controlling interests | 552,726 | 483,249 | 537,687 |
| Non-current liabilities | 373,783 | 408,065 | 400,652 |
| Current liabilities | 615,763 | 550,951 | 576,820 |
| **Equity and liabilities** | **1,542,272** | **1,442,265** | **1,515,159** |

## CASH FLOW STATEMENT

| DKK '000 | **Q1 2018** (unaud.) | **Q1 2017** (unaud.) | **FY 2017** (audited) |
|---|---|---|---|
| Profit before net financials (EBIT) | 49,812 | 52,635 | 193,517 |
| Depreciation, amortisation and impairment losses | 22,230 | 20,184 | 81,477 |
| Share-based payment | 67 | 50 | 251 |
| Value adjustments, etc. | -1,506 | -4,723 | -5,539 |
| Change in working capital | -47,165 | 2,015 | -43,704 |
| Interest expenses paid | 1,611 | -3,435 | -12,318 |
| Income tax received/paid | -7,439 | -6,113 | -32,917 |
| **Cash flows from operating activities** | **17,610** | **60,613** | **180,767** |
| | | | |
| Acquisition of subsidiary | 0 | -44,464 | -44,464 |
| Acquisition of intangible assets | -2,407 | 0 | -2,247 |
| Acquisition of property, plant and equipment, net | -23,467 | -24,905 | -181,358 |
| Portion relating to finance leases | 0 | 0 | 23,276 |
| **Cash flows from investing activities** | **-25,874** | **-69,369** | **-204,793** |
| | | | |
| Dividend to non-controlling shareholders | 0 | 0 | -302 |
| Dividends paid | 0 | 0 | -13,482 |
| Deposits, adjustment | 0 | 0 | -536 |
| Acquisition of treasury shares | -14,790 | -7,044 | -51,592 |
| Sale of treasury shares and warrants | 0 | 0 | 16,805 |
| Sale of warrants | 0 | 0 | 448 |
| Raising of long-term loans | 0 | 64,679 | 221,400 |
| Portion relating to finance leases | 0 | 0 | -23,276 |
| Instalments on non-current liabilities | -30,567 | -17,086 | -83,679 |
| **Cash flows from financing activities** | **-45,294** | **40,549** | **65,426** |
| | | | |
| **Change in cash and cash equivalents** | **-53,558** | **31,793** | **41,400** |
| Cash and cash equivalents at 1 January | -129,693 | -171,093 | -171,093 |
| **Cash and cash equivalents at 31 December** | **-183,251** | **-139,300** | **-129,693** |

CHANGES IN EQUITY since 1 January:

| DKK '000 | Equity attributable to parent company shareholders 2018 (unaud.) | 2017 (unaud.) | Equity attributable to non-controlling interests Q1 2018 (unaud.) | Q1 2017 (unaud.) | Equity including non-controlling interests 2018 (unaud.) | 2017 (unaud.) |
|---|---|---|---|---|---|---|
| **Balance at 1 January** | **536,599** | **427,636** | **1,088** | **1,340** | **537,687** | **428,976** |
| **Profit for the period** | **39,236** | **38,394** | **-45** | **49** | **39,191** | **38,443** |
| **Other comprehensive income:** | | | | | | |
| Exchange rate adj., foreign subsidiaries | -5,323 | 4,195 | -44 | 2 | -5,367 | 4,197 |
| Value adjustment of derivative financial instruments (after tax) | -4,062 | 18,627 | 0 | 0 | -4,062 | 18,627 |
| **Total other comprehensive income** | **-9,385** | **22,822** | **-44** | **2** | **-9,429** | **22,824** |
| **Comprehensive income for the period** | **29,851** | **61,216** | **-89** | **51** | **29,762** | **61,267** |
| Share-based payment | 67 | 50 | 0 | 0 | 67 | 50 |
| Sale of warrants | 0 | 0 | 0 | 0 | 0 | 0 |
| Acquisition of treasury shares | -14,790 | -7,044 | 0 | 0 | -14,790 | -7,044 |
| Sale of treasury shares | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 |
| **Transactions with shareholders** | **-14,723** | **-6,994** | **0** | **0** | **-14,723** | **-6,994** |
| **Balance at 31 March** | **551,727** | **481,858** | **999** | **1,391** | **552,726** | **483,249** |

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

The Board of Directors resolved on 22 March 2018 (see Announcement no. 15/2018) to set up an incentive programme for the Company's Executive Board and 41 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 41,500 warrants were issued, of which 5,000 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 1,250.00 per share with a nominal value of DKK 10 plus a 7.5% premium calculated from 1 April 2018 and until the date of exercise. The exercise price has been fixed on the market conditions immediately before the release of the Annual Report on 22 March 2018.

Warrants issued under the programme may be exercised to buy shares in the Company during the period from 1 April 2021 to 31 March 2024, 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 65.00 each for an aggregate market value of approximately DKK 2,678,077. 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 during the past three months, a level of interest rates of 0.00%, a share price of DKK 1,075.00 and assuming that warrants awarded are exercised in April 2021. Allowance is made for any dividend payments to be made during the period.

Members of the Executive Board and the 41 senior managers were given the option of buying the warrants at market price as calculated above against payment in cash. This offer to buy will remain in force for the next two months.

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.

SP Group currently has incentive programmes consisting of 8,000 warrants (2015 programme) that are exercisable as from 2018, 59,000 warrants (2016 programme) that are exercisable as from 2019, 70,000 warrants (2017 programme) that are exercisable as from 2020, and 41,500 warrants (2017 programme) that are exercisable as from 2021.

The 2015, 2016 and 2017 programmes are described in further detail in the 2017 Annual Report.

**Accounting policies**
The interim report for the three months to 31 March 2018 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 2017, 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 2018, SP Group A/S has implemented the following new or amended standards and interpretations:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Costumers
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions
- Amendments to IFRS 4 – Applying IFRS 9 with IFRS 4
- Amendments to IAS 40 – Transfers of Investment Property
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Parts of Annual Improvements to IFRSs 2014-2016

In Annual Improvements to IFRS 2014-2016, the outstanding parts relating to IFRS 1 and IAS 28 take effect as from 1 January 2018. Of the above amendments, only IFRS 9 and IFRS 15 affected recognition and measurement in the interim report. The effect of the amendments is immaterial. Reference is made to the description provided in note 1 to the financial statements for 2017.

**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 2017. Reference is made to the information provided on estimates and judgments in the consolidated and the parent company financial statements for 2017.

**Impairment test**
The annual test for impairment of intangible assets, including goodwill, will be made at 31 December 2018 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 31 March 2018 and, accordingly, has not tested goodwill for impairment at 31 March 2018. Reference is made to the information provided on estimates and judgments in the consolidated and the parent company financial statements for 2017.

**Forward-looking statements**
This interim report contains forward-looking statements reflecting Management's current perception of future trends and financial performance. Statements relating to 2018 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 1956 employees and about 2,000 registered shareholders at 31 March 2018.

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