NASDAQ Copenhagen A/S
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Announcement no. 49 / 2018
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Company reg. (CVR) no. 15701315

Interim report – Second quarter of 2018

Summary: SP Group generated profit before tax and non-controlling interests of DKK 99.7 million in H1 2018, a 2.4% increase from DKK 97.3 million in H1 2017. Revenue was up by 1.2% year on year to DKK 989.7 million, while EBITDA dropped 7.6% to DKK 137.5 million from DKK 148.8 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 and revenue at the level of DKK 2.0 billion.

The Board of Directors of SP Group A/S today considered and approved the interim report for the six months ended 30 June 2018.

Highlights of the interim report:

- The H1 2018 revenue was up by DKK 11.5 million to DKK 989.7 million, a 1.2% improvement on the year-earlier period. Q2 revenue grew by 3.1%.
- Operating income (EBITDA) for H1 2018 was DKK 137.5 million, as against DKK 148.8 million in H1 2017. Company acquisitions detracted from EBITDA (by DKK 3.7 million).
- Profit before net financials (EBIT) came to DKK 92.1 million in H1 2018, against DKK 107.9 million in H1 2017.
- Net financials were an income of DKK 7.5 million, an 18.2 million improvement on H1 2017 driven by value adjustments and lower interest rates.
- Profit before tax and non-controlling interests was DKK 99.7 million in H1 2018, as against DKK 97.3 million in H1 2017.
- Earnings per share (diluted) came to DKK 6.75 in H1 2018 against DKK 6.41 in H1 2017, for a 5.3% increase.
- Sales of our own brands were up by 14.8% in H1 2018 to DKK 225.0 million and now make up 22.7% of revenue.
- There was a cash inflow from operating activities of DKK 68.6 million in H1 2018, against DKK 69.8 million in H1 2017.
- Net interest-bearing debt (NIBD) amounted to DKK 559.5 million at 30 June 2018, against DKK 469.2 million at 30 June 2017 and DKK 509.1 at 31 December 2017. NIBD was 2.1 times LTM EBITDA.
- We continue to guide for profit before tax and non-controlling interests at the level of DKK 200 million and revenue of about DKK 2.0 billion.

Statement by CEO Frank Gad: *"As expected, our revenue improved only slightly due to market challenges and changes in foreign exchange rates combined with an amended logistics agreement. The first half-year of 2018 marks our best ever six-month period in terms of both the top and bottom lines, despite the rising prices of raw materials. We remain confident that we will generate full-year profit before tax of around DKK 200 million on revenue of around DKK 2 billion."*

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK '000 (key ratios excepted)	Q2 2018 (unaud.)	Q2 2017 (unaud.)	H1 2018 (unaud.)	H1 2017 (unaud.)	FY 2017 (audited)
Income statement					
Revenue	516,816	501,333	989,695	978,153	1,884,144
Operating income (EBITDA)	65,491	76,030	137,533	148,849	274,994
Depreciation, amortisation and impairment losses	-23,176	-20,728	-45,406	-40,912	-81,477
Profit before net financials (EBIT)	42,315	55,302	92,127	107,937	193,517
Net financials	6,044	-7,575	7,537	-10,632	-17,801
Profit before tax and non-controlling interests	48,359	47,727	99,664	97,305	175,716
Profit for the period	38,790	36,859	77,981	75,302	132,259
of which attributable to SP Group A/S	38,810	36,861	78,046	75,255	132,169
Earnings per share (DKK)*			6.94	6.71	11.84
Diluted earnings per share (DKK)*			6.75	6.41	11.42
Balance sheet					
Non-current assets			901,558	797,781	873,977
Total assets			1,582,721	1,445,921	1,515,159
Equity			545,144	501,032	536,599
Equity including non-controlling interests			547,757	502,098	537,687
Investments in property, plant and equipment (excluding acquisitions)	29,435	36,452	52,902	61,357	182,341
Net interest-bearing debt (NIBD)			559,501	469,236	509,123
NIBD/EBITDA (LTM)			2.1	1.8	1.9
Cash flows					
Cash flows from:					
- operating activities	50,972	9,166	68,581	69,779	180,767
- investing activities	-33,469	-36,452	-59,343	-105,821	-204,793
- financing activities	-34,697	-26,137	-79,991	14,412	65,426
Change in cash and cash equivalents	-17,194	-53,423	-70,753	-21,630	41,400
Key ratios					
EBITDA margin (%)	12.7	15.2	13.9	15.2	14.6
EBIT margin (%)	8.2	11.0	9.3	11.0	10.3
Profit before tax and non-controlling interests as a percentage of revenue	9.4	9.5	10.1	9.9	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 (%)			34.5	34.7	35.4
Equity ratio, including non-controlling interests (%)			34.6	34.7	35.5
Financial gearing			1.0	0.9	0.9
Cash flow per share, DKK*			5.9	5.9	15.6
Total dividends for the year per share (DKK)*					2.0
Market price, end of period (DKK per share)*			258.0	234.0	219.0
Net asset value per share, end of period (DKK)*			48	44	48
Market price/net asset value, end of period*			5.35	5.27	4.56
Number of shares, end of period*			11,390,000	11,390,000	11,390,00
of which treasury shares, end of period*			77,932	109,170	217,460
Average no. of employees			1,963	1,810	1,852

The financial ratios have been calculated in accordance with "Recommendations & Ratios' issued by CFA Society Denmark. The definitions are listed on page 64 of the 2017 Annual Report.
* Ratio adjusted for stock split in May 2018.

MANAGEMENT COMMENTARY

PERFORMANCE REVIEW

We continued to record higher sales to many of our customers across industries and geographies in the first half of 2018. The improvements were the most pronounced in our international markets, as our H1 sales outside Denmark grew by 4.9%. Sales to our Danish customers were down by 4.5%.

Our performance numbers relative to the corresponding period of 2017:

	Q2 2018	H1 2018
Healthcare	-0.2%	-10.1%
Cleantech	-10.4%	-2.3%
Food-related	38.2%	20.0%
Automotive	26.9%	9.4%
Oil and gas	22.2%	81.3%
of which own brands	10.8%	14.8%

Changes in foreign exchange rates had a negative impact on revenue, as the currency effect accounted for about minus 1.5 percentage points (pp) of the 1.2% overall revenue increase (USD, RMB and BRL have depreciated against DKK). An amended logistics agreement had a negative impact of 2.5pp. Acquired businesses and operations contributed 2.5pp. Organic growth was 2.7%.

Sales to the healthcare industry were down by 10.1% year-on-year, mainly due to an amended logistics agreement, to DKK 312.2 million and now account for 31.5% of consolidated revenue. Q2 sales were down by 0.2%.

Sales to the cleantech industry were down by 2.3% to DKK 327.5 million and now make up 33.1% of consolidated revenue. Q2 sales were down by 10.4%.

Sales to food-related industries were up by 20.0% to DKK 147.0 million and now make up 14.9% of consolidated revenue. Q2 sales were up by 38.2%.

Sales to the automotive sector were up by 9.4% to DKK 51.0 million. Q2 sales were up by 26.9%.

Sales to the oil and gas industry were up due to the slightly higher oil prices, reaching DKK 2.9 million for the H1 2018 period.

Sales of our own brands were up by 14.8% and now account for 22.7% of consolidated revenue.

SP Medical's guidewire sales fell by 15.5%, mainly because a type of coating is being phased out. The coating can no longer be used in the EU, but is still permitted in the USA and China. The finished products can still be sold in EU markets. SP Medical has teamed up with the supplier of the raw materials to develop a new eco-friendly chrome-free coating that is globally compliant.

Ergomat reported a 9.6% improvement in sales of ergonomic products.

TPI reported a 2.5% improvement in sales of farm ventilation components.

MedicoPack reported a 10.5% sales increase in medical device packaging.

Tinby Skumplast, MM Composite and Nycopac, which were not fully reflected in the comparatives, and SP Moulding and Tinby all reported fair growth in own-brand sales – standard industry components – to a total of DKK 61.0 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 six months of 2018 and are continuing our proactive approach to developing and marketing 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, 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 62.3% of revenue (compared with 60.0% in H1 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 our current our LEAN project, which aims to improve our processes and flows and to enhance the competencies of our organisation.

Currently, some 67% of our staff are employed outside Denmark.

The Group's headcount grew by 99 in the six months to 30 June 2018 due to organic growth.

The new employees are based in Poland (51), Latvia (25) and Slovakia (15), while there was a net increase of 8 employees in the rest of the world.

The larger headcount in Eastern Europe reduced the H1 2018 EBITDA but is expected to create a potential for new profitable growth over the coming quarterly periods.

Lastly, both Sweden and Slovakia increased their headcount by some eight people as a result of company acquisitions.

At 30 June 2018, SP Group had 2,048 employees worldwide.

The H1 2018 revenue was impacted by exchange rate developments (approx. minus DKK 15 million) and an amended logistics agreement (approx. minus DKK 25 million).

Higher prices of raw materials and frequent force majeure claims by our suppliers had a negative impact on EBITDA in the H1 2018 period. We expect to pass on the higher prices of raw materials to our customers at a certain time lag.

As described 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. The share buy-back programme is being increased by DKK 40 million to DKK 80 million and extended to 10 April 2019, as notified in Announcement No. 48 of 22 August 2018).

The Company sold 270,000 treasury shares in April and May 2018 to cover the cost of warrants exercised under the 2014 and 2015 warrant programmes (as described in Announcements Nos. 21/2018 and 32/2018). The proceeds added DKK 16.8 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.

SP Group acquired two properties in Lynge, Denmark, in the second quarter, which serve as the head office of Ulstrup Plast. The acquisition has increased SP Group’s debt by a net amount of DKK 10.8 million and will add approximately DKK 0.9 million per year to the future EBITDA and approximately DKK 0.7 million per year to the future profit before tax. The property acquisition was partly funded by way of a mortgage loan.

FINANCIAL PERFORMANCE REVIEW

Revenue for the first six months of 2018 amounted to DKK 989.7 million, a 1.2% improvement from DKK 978.2 million in the year-earlier period. Acquired businesses and operations added approximately 2.5pp to revenue. Q2 sales were up by 3.1%.

The consolidated H1 2018 EBITDA was DKK 137.5 million compared with DKK 148.8 million in H1 2017. Acquired businesses and operations reduced EBITDA by approximately DKK 3.7 million. The acquired businesses reported unusually high levels of activity and earnings in the second quarter of 2017, whereas business activity this year has been lower.

The EBITDA margin fell to 13.9% from 15.2% in H1 2017.

Profit before net financials (EBIT) came to DKK 92.1 million in H1 2018, against DKK 107.9 million in H1 2017. The H1 2018 EBIT margin was 9.3%, compared with 11.0% in H1 2017.

Net financials were an income of DKK 7.5 million in H1 2018, an DKK 18.2 million improvement relative to H1 2017 that was due to value adjustments and lower interest rates.

The profit before tax and non-controlling interests amounted to DKK 99.7 million in H1 2018 as against DKK 97.3 million in H1 2017.

Total assets amounted to DKK 1,582.7 million at 30 June 2018, compared with DKK 1,445.9 million at 30 June 2017. The equity ratio was 34.6% at 30 June 2018, as against 34.7% at 30 June 2017 and 35.5% at 31 December 2017.

Total assets grew by a total of approximately DKK 67.5 million during the six months to 30 June 2018 due to property acquisitions (approximately DKK 26.3 million), an increase in other non-current assets (DKK 1.3 million) and a reduction of cash and cash equivalents (of DKK 31.0 million).

Net interest-bearing debt amounted to DKK 559.5 million at 30 June 2018, against DKK 509.1 million at 31 December 2017 and DKK 469.2 million at 30 June 2017.

Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 2.1 times LTM EBITDA (DKK 263.6 million). NIBD/EBITDA at 30 June 2017 was 1.8x. We remain strongly committed to reducing the interest-bearing debt by increasing cash flows from operating activities.

Equity was reduced in the H1 reporting period due to exchange rate adjustments of foreign subsidiaries (by DKK 10.5 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 24.8 million).

Equity was impacted by the purchase of treasury shares in the reporting period for a net amount of DKK 13.3 million.

Lastly, equity was reduced by dividends of DKK 22.7 million paid to the shareholders.

Equity amounted to DKK 547.8 million at 30 June 2018 against DKK 502.1 million at 30 June 2017 and 537.7 million at 31 December 2017.

Cash flows

Cash flows from operating activities were DKK 68.6 million in H1 2018, which was DKK 1.2 million less than in H1 2017.

The Group spent DKK 59.3 million on investments in H1 2018, of which DKK 5.3 million was for acquisitions, raised new long-term debt of DKK 20.5 million, spent DKK 64.5 million on reducing non-current loans, DKK 13.3 million net on buying and selling treasury shares and warrants, and paid dividends of DKK 22.7 million. Accordingly, the net change in cash and cash equivalents was an outflow of DKK 70.8 million.

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 and between the USA and China 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.

Higher prices of raw materials and frequent force majeure claims had a negative impact on EBITDA in the H1 2018 period. We expect to pass on the higher prices of raw materials to our customers.

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 25 million.

As usual, we expect business activity and EBITDA 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, at the end of 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.

SP Group acquired all shares in Swedish company Nycopac AB on 25 April (see Announcement no. 27/2018).

Nycopac is a well-run business specialising in industrial packaging solutions. The management and staff will be staying on with the company. The acquisition will support growth in SP Group and the strategy of increasing the portfolio of own products.

SP Group acquired a 52% shareholding interest in Slovakian company Kodaň Plast s.r.o. (see Announcement no. 42/2018).

Kodaň Plast is a relatively new company specialising in machining. The management and staff will be staying on with the company. The acquisition will support growth in SP Group and increases our service offering to new and existing customers.

At the Company's annual general meeting on 26 April, the shareholders resolved to change the denomination of the shares in SP Group from DKK 10.00 to DKK 2.00 in a 5:1 stock split. The company's share capital has not changed.

The first day of trading on Nasdaq with the new share denomination was 7 May 2018.

The purpose of the stock split is to improve liquidity in SPG shares and investor interest in the company.

In June, SP Group took possession of a new 5,400 m² lease in China used by Tinby for growth purposes. Later in 2018, Gibo Plast intends to establish a company at the same address that will provide logistics solutions for Gibo's customers.

In July, SP Group took possession of a newly-built 10,700 m² factory facility (leased) in Poland. The property has been taken over on a seven-year lease with an extension option. Ergomat, TPI and Tinby will use the ample space at the facility for business expansion purposes.

SP Moulding and Gibo Plast will also have more space at their disposal, and SP Extrusion will be able to start up production in Poland.

SP Group has appointed Anders Vestermark Hansen for a new position as group accounting manager. Anders has served as finance manager with Tinby A/S for the past 10 years. Tinby has appointed Mette Vett as its new finance manager.

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–30 June 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 30 June 2018 and of the results of the Group's operations and cash flows for the six months ended 30 June 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, 22 August 2018

Executive Board

Frank Gad CEO	Jørgen Hønnerup Nielsen CFO

Board of Directors

Hans W. Schur Chairman	Erik P. Holm Deputy Chairman	
Niels Kr. Agner	Hans-Henrik Eriksen	Bente Overgaard

INCOME STATEMENT (summary)

DKK '000	**Q2 2018 (unaud.)**	**Q2 2017 (unaud.)**	**Acc. Q2 2018** (unaud.)	**Acc. Q2 2017** (unaud.)	**FY 2017** (audited)
Revenue	516,816	501,333	989,695	978,153	1,884,144
Production costs	-358,582	-338,274	-674,163	-662,280	-1,276,934
Contribution margin	**158,234**	**163,059**	**315,532**	**315,873**	**607,210**
Profit before depreciation, amortisation and impairment losses (EBITDA)	**65,491**	**76,030**	**137,533**	**148,849**	**274,994**
Depreciation, amortisation and impairment losses	-23,176	-20,728	-45,406	-40,912	-81,477
Profit before net financials (EBIT)	**42,315**	**55,302**	**92,127**	**107,937**	**193,517**
Net financials	6,044	-7,575	7,537	-10,632	-17,801
Profit before tax	**48,359**	**47,727**	**99,664**	**97,305**	**175,716**
Tax on profit for the period	-9,569	-10,868	-21,683	-22,003	-43,457
Profit for the period	**38,790**	**36,859**	**77,981**	**75,302**	**132,259**
Attributable to:					
Parent company shareholders	38,810	36,861	78,046	75,255	132,169
Non-controlling shareholders	-20	-2	-65	47	90
Earnings per share (DKK)			6.94	6.71	11.84
Diluted earnings per share (DKK)			6.75	6.41	11.42

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	**Q2 2018 (unaud.)**	**Q2 2017 (unaud.)**	**Acc. Q2 2018** (unaud.)	**Acc. Q2 2017** (unaud.)	**FY 2017** (audited)
Profit for the period	**38,790**	**36,859**	**77,981**	**75,302**	**132,259**
Items that may be reclassified to the income statement:					
Exchange rate adjustment relating to foreign companies	-5,180	-8,180	-10,547	-3,983	-2,727
Net fair value adjustment of financial instruments acquired to hedge future cash flows	-20,715	2,064	-24,777	20,691	24,426
Other comprehensive income	**-25,895**	**-6,116**	**-35,324**	**16,708**	**21,699**
Comprehensive income	**12,895**	**30,743**	**42,657**	**92,010**	**153,958**
Allocation of comprehensive income for the period:					
Parent company shareholders	12,932	30,759	42,783	91,975	153,908
Non-controlling shareholders	-37	-16	-126	35	50

BALANCE SHEET (summary)

DKK '000	30.06. 2018 (unaud.)	30.06. 2017 (unaud.)	31.12. 2017 (audited)
Intangible assets	254,922	240,800	235,819
Property, plant and equipment	640,193	546,132	631,769
Financial assets	2,611	2,886	2,557
Deferred tax assets	3,832	7,963	3,832
Total non-current assets	**901,558**	**797,781**	**873,977**
Inventories	356,199	335,338	336,210
Receivables	280,350	277,289	229,367
Cash	44,614	35,513	75,605
Total current assets	**681,163**	**648,140**	**641,182**
Total assets	**1,582,721**	**1,445,921**	**1,515,159**
Equity including non-controlling interests	547,757	502,098	537,687
Non-current liabilities	370,601	336,116	400,652
Current liabilities	664,363	607,707	576,820
Equity and liabilities	**1,582,721**	**1,445,921**	**1,515,159**

CASH FLOW STATEMENT

DKK '000	Acc. Q2 2018 (unaud.)	Acc. Q2 2017 (unaud.)	FY 2017 (audited)
Profit before net financials (EBIT)	92,127	107,936	193,517
Depreciation, amortisation and impairment losses	45,406	40,912	81,477
Share-based payment	210	78	251
Value adjustments, etc.	9,634	-13,162	-5,539
Change in working capital	-59,828	-46,855	-43,704
Interest expenses paid	-6,962	-6,937	-12,318
Income tax received/paid	-12,005	-12,193	-32,917
Cash flows from operating activities	**68,581**	**69,779**	**180,767**
Acquisition of subsidiary	-5,244	-44,464	-44,464
Acquisition of intangible assets	-4,207	0	-2,247
Acquisition of property, plant and equipment, net	-52,902	-61,357	-181,358
Portion relating to finance leases	3,010	0	23,276
Cash flows from investing activities	**-59,343**	**-105,821**	**-204,793**
Dividend to non-controlling shareholders	0	-309	-302
Dividends paid	-22,670	-13,482	-13,482
Deposits, adjustment	-54	185	-536
Acquisition of treasury shares	-31,606	-20,507	-51,592
Sale of treasury shares and warrants	16,838	14,844	16,805
Sale of warrants	1,495	448	448
Raising of long-term loans	23,490	70,481	221,400
Portion relating to finance leases	-3,010	0	-23,276
Instalments on non-current liabilities	-64,474	-37,248	-83,679
Cash flows from financing activities	**-79,991**	**14,412**	**65,426**
Change in cash and cash equivalents	**-70,753**	**-21,630**	**41,400**
Cash and cash equivalents at 1 January	-129,693	-171,093	-171,093
Cash and cash equivalents at 31 December	**-200,446**	**-192,723**	**-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 2018 (unaud.)	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	**78,046**	**75,255**	**-65**	**47**	**77,981**	**75,302**
Other comprehensive income:						
Exchange rate adj., foreign subsidiaries	-10,486	-3,971	-61	-12	-10,547	-3,983
Value adjustment of derivative financial instruments (after tax)	-24,777	20,691	0	0	-24,777	20,691
Total other comprehensive income	**-35,263**	**16,720**	**-61**	**-12**	**-35,324**	**16,708**
Comprehensive income for the period	**42,783**	**91,975**	**-126**	**35**	**42,657**	**92,010**
Share-based payment	210	118	0	0	210	118
Sale of warrants	1,495	448	0	0	1,495	448
Acquisition of treasury shares	-30,111	-20,507	0	0	-30,111	-20,507
Sale of treasury shares	16,838	14,844	0	0	16,838	14,844
Dividends paid	-22,670	-13,482	0	-309	-22,670	-13,791
Addition from acquisitions	0	0	1,651	0	1,651	0
Transactions with shareholders	**-34,238**	**-18,579**	**1,651**	**-309**	**-32,587**	**-18,888**
Balance at 30 June	**545,144**	**501,032**	**962**	**1,066**	**547,757**	**502,098**

Effective 25 April 2018, the Group acquired all shares in Swedish company Nycopac AB, a production business specialising in industrial packaging solutions.

Preliminary fair values of the assets and liabilities at the date of acquisition are set out below:

	DKK '000
Customer files	9,785
Property, plant and equipment	491
Inventories	786
Trade receivables	4,038
Other receivables	46
Prepayments	191
Cash	1,883
Deferred tax	-2,153
Trade payables	-849
Income tax	-661
Other payables	-2,143
Acquired net assets	**11,414**
Goodwill	9,961
Total consideration	**21,375**
Cash consideration	7,248
Debt instruments	1,417
Contingent consideration	12,710
Total consideration	**21,375**

The acquired entity had combined EBITDA of about DKK 2 million in its most recent financial year.

The consideration amounted up to DKK 21,375 thousand, of which DKK 7,248 thousand was paid in cash.

Debt instruments with a total nominal value of DKK 1,450 thousand, which fall due in the period 2018-2019, have been issued. The discounted amount is DKK 1,417 thousand.

In addition, there is a contingent consideration with a nominal value of DKK 13,048 thousand. The discounted amount is DKK 12,710 thousand. The conditional consideration 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.

Acquisition costs amounted to DKK 0.3 million, which amount has been recognised in 2018.

In connection with the acquisitions, goodwill has been made up at DKK 9,961 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 27 June 2018, the Group acquired a 52% shareholding interest in Slovakian company Kodaň Plast s.r.o., a production business specialising in specialising in plastic chip cutting.

Preliminary fair values of the assets and liabilities at the date of acquisition are set out below:

	DKK '000
Customer files	684
Property, plant and equipment	2,320
Inventories	428
Trade receivables	68
Other receivables	64
Cash	1,910
Deferred tax	-150
Finance lease liabilities	-1,337
Trade payables	-158
Other payables	-389
Acquired net assets	**3,440**
Of which non-controlling shareholders	-1,651
Total consideration	**1,789**
Cash consideration	1,789
Total consideration	**1,789**

The acquired entity had EBITDA of about DKK 0 million in its most recent financial year.

The consideration amounted to DKK 1,789 thousand, which has been paid in cash.

Acquisition costs amounted to DKK 0.1 million, which amount has been recognised in 2018.

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 207,500 warrants were issued, of which 25,000 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 250.00 per share with a nominal value of DKK 2 plus a 7.5% premium calculated from 1 April 2018 and until the date of exercise. The exercise price has been fixed on the basis of 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 12.91 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 215.00 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. The offer to buy remained in force for the two months following the date of award.

Members of the Executive Board and 16 senior managers (18 participants) have opted to buy their warrants (total of 115,000 warrants).

SP Group currently has incentive programmes consisting of 15,000 warrants (2015 programme) that are exercisable as from 2018, 295,000 warrants (2016 programme) that are exercisable as from 2019, 350,000 warrants (2017 programme) that are exercisable as from 2020, and 207,500 warrants (2018 programme) that are exercisable as from 2021.

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 six months to 30 June 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. Following up on the impairment tests performed at 31 December 2017, management has not identified evidence of impairment of the carrying amounts of goodwill at 30 June 2018. Reference is made to the information provided 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 2,048 employees and about 2,250 registered shareholders at 30 June 2018.

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