

NASDAQ Copenhagen A/S
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Announcement no. 69 / 2018
12 November 2018
Company reg. (CVR) no.
15701315

Interim report - Third quarter of 2018

Summary: SP Group generated profit before tax and non-controlling interests of DKK 145.7 million in 9M 2018, a 4.6% increase from DKK 139.3 million in 9M 2017. Revenue was up by 2.8% year on year to DKK 1,461.4 million, while EBITDA fell 3.6% to DKK 209.2 million from DKK 217.0 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 30 September 2018.

Highlights of the interim report:

- The 9M 2018 revenue was up by DKK 39.6 million to DKK 1,461.4 million, equal to a 2.8% improvement on the year-earlier period. Q3 revenue grew by 6.3%.
- Operating income (EBITDA) for the 9M 2018 period was DKK 209.2 million, as against DKK 217.0 million in 9M 2017. Company acquisitions detracted from EBITDA (by DKK 3.3 million). EBITDA was up by DKK 3.5 million in the Q3 period.
- Profit before net financials (EBIT) came to DKK 140.5 million in 9M 2018, against DKK 154.7 million in 9M 2017. EBIT for Q3 2017 was DKK 48.4 million, compared with DKK 46.7 million in Q3 2017.
- Net financials were an income of DKK 5.1 million, a 20.5 million improvement on 9M 2017 driven by value adjustments and lower interest expenses.
- Profit before tax and non-controlling interests was DKK 145.7 million in 9M 2018, as against DKK 139.3 million in 9M 2017. The Q3 2018 profit before tax and non-controlling interests was DKK 46.0 million against DKK 42.0 million in Q3 2017.
- Earnings per share (diluted) came to DKK 9.99 in 9M 2018 against DKK 9.20 in 9M 2017, for an 8.6% increase.
- Sales of our own brands and own products were up by 16.7% in the 9M 2018 period to DKK 337.1 million and now make up 23.1% of revenue. Sales of our own brands were up by 20.7% in Q3 2018 to DKK 112.1 million.
- There was a cash inflow from operating activities of DKK 119.8 million in 9M 2018, against DKK 108.7 million in 9M 2017.
- Net interest-bearing debt (NIBD) amounted to DKK 575.7 million at 30 September 2018, against DKK 524.0 million at 30 September 2017. At 31 December 2017, NIBD was DKK 509.1 million. NIBD was 2.2 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: *"In the third quarter, we once again delivered growth in our sales and earnings despite global turbulence, many market challenges and rising prices of raw materials. The first three quarters of 2018 mark our best nine-month period ever in terms of both our top and bottom line performance, and we remain confident that we will generate full-year profit before tax of about DKK 200 million on revenue of close to DKK 2 billion."*

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK '000 (key ratios excepted)	Q3 2018 (unaud.)	Q3 2017 (unaud.)	Acc. 9M 2018 (unaud.)	Acc. 9M 2017 (unaud.)	FY 2017 (audited)
Income statement					
Revenue	471,713	443,614	1,461,408	1,421,767	1,884,144
Operating income (EBITDA)	71,681	68,155	209,214	217,004	274,994
Depreciation, amortisation and impairment losses	-23,264	-21,438	-68,670	-62,350	-81,477
Profit before net financials (EBIT)	48,417	46,717	140,544	154,654	193,517
Net financials	-2,379	-4,719	5,158	-15,351	-17,801
Profit before tax and non-controlling interests	46,038	41,998	145,702	139,303	175,716
Profit for the period	36,742	32,192	114,723	107,494	132,259
of which attributable to SP Group A/S	36,868	32,127	114,914	107,382	132,169
Earnings per share (DKK)*			10.25	9.59	11.84
Diluted earnings per share (DKK)*			9.99	9.20	11.42
Balance sheet					
Non-current assets			921,240	819,950	873,977
Total assets			1,616,512	1,467,417	1,515,159
Equity			583,161	505,337	536,599
Equity including non-controlling interests			585,661	506,466	537,687
Investments in property, plant and equipment (excluding acquisitions)	36,488	45,900	89,390	107,257	182,341
Net interest-bearing debt (NIBD)			575,688	524,009	509,123
NIBD/EBITDA (LTM)			2.2	1.9	1.9
Cash flows					
Cash flows from:					
- operating activities	51,262	38,927	119,843	108,706	180,767
- investing activities	-28,556	-32,031	-87,899	-137,852	-204,793
- financing activities	-43,626	67,194	-123,617	81,606	65,426
Change in cash and cash equivalents	-20,920	74,090	-91,673	52,460	41,400
Key ratios					
EBITDA margin (%)	15.2	15.4	14.3	15.3	14.6
EBIT margin (%)	10.3	10.5	9.6	10.9	10.3
Profit before tax and non-controlling interests as a percentage of revenue	9.8	9.5	10.0	9.8	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 (%)			36.1	34.4	35.4
Equity ratio, including non-controlling interests (%)			36.2	34.5	35.5
Financial gearing			1.0	1.0	0.9
Cash flow per share, DKK*			10.4	9.3	15.6
Total dividends for the year per share (DKK)*					2.0
Market price, end of period (DKK per share)*			239.85	221.00	219.00
Net asset value per share, end of period (DKK)*			51.87	44.95	48.03
Market price/net asset value, end of period*			4.62	4.92	4.56
Number of shares, end of period*			11,390,000	11,390,000	11,390,000
of which treasury shares, end of period*			148,158	147,280	217,460
Average no. of employees			1,989	1,846	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 improve sales to many customers across industries and geographies in the first nine months of 2018. The improvements were the most pronounced in our international markets, as sales outside Denmark grew by 6.4% in the 9M period. Sales to our Danish customers were down by 2.7%. Adjusted for an amended logistics agreement, sales to the Danish market improved by 1.8%.

International sales were up by 8.2% in local currencies.

Our performance numbers relative to the corresponding period of 2017:

	Q3 2018	Acc. Q3 2018
Healthcare	2.5%	-6.4%
Cleantech	-1.3%	-2.0%
Food-related	12.1%	17.4%
Automotive	39.9%	18.0%
Oil and gas	50.0%	88.5%
of which own brands	20.7%	16.7%

Most of the change in Q3 revenue was due to higher volume sales. Changes in foreign exchange rates had a negative impact of about DKK 1.0 million (SEK, RMB, BRL, NOK all depreciating against DKK and USD appreciating slightly). Amended logistics agreements had no impact on Q3 revenue, but reduced the 9M revenue by about DKK 25 million.

Company businesses and operations contributed about DKK 29.9 million of the revenue improvement in the 9M period.

Organic growth in local currencies was about 1.8% in 9M 2018 and about 5.5% in the Q3 period.

Sales to the healthcare industry were down by 6.4% year-on-year, mainly due to an amended logistics agreement, to DKK 458.8 million and now account for 31.4% of consolidated revenue. Sales improved by 2.5% in the third quarter.

Sales to the cleantech industry were down by 2.0% to DKK 481.0 million and now make up 32.9% of consolidated revenue. Q3 sales were down by 1.3%.

Sales to food-related industries were up by 17.4% to DKK 213.0 million and now make up 14.6% of consolidated revenue. Q3 sales were up by 12.1%.

Sales to the automotive sector were up by 18.0% to DKK 76.6 million. Q3 sales were up by 39.9%.

Sales to the oil and gas industry were up due to the slightly higher oil prices, totalling DKK 4.9 million for the 9M period.

Sales of our own brands were up by 16.7% and now account for 23.1% of consolidated revenue. Own-brand sales were up by 20.7% in the Q3 period.

SP Medical’s guidewire sales fell by 15.0%, 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 an 8.6% improvement in sales of ergonomic products.

TPI reported a 9.1% improvement in sales of farm ventilation components.

MedicoPack reported a 16.2% 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 97.4 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 nine 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 62.6% of revenue (compared with 60.5% in the 9M 2017 period).



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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 68% of our staff are employed outside Denmark.

The Group's headcount grew by 153 in the nine months to 30 September 2018.

The new employees are based in Poland (101), Latvia (36) and Slovakia (11), while there was a net increase of five employees in the rest of the world.

The larger headcount in Eastern Europe reduced the 9M 2018 EBITDA but is expected to create a potential for new profitable growth over the coming quarterly periods.

Lastly, our headcount in Sweden increased by some five people as a result of acquired operations.

At 30 September 2018, SP Group had 2,086 employees worldwide.

Exchange rate developments (by about DKK 16 million) and an amended logistics agreement (by about DKK 25 million) had a negative impact on the 9M 2018 revenue.

Higher prices of raw materials and frequent force majeure claims by our suppliers had a negative impact on EBITDA in the 9M 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 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 increased SP Group's debt by a net amount of DKK 10.8 million and will increase the future EBITDA by DKK 0.9 million and profit before tax by about DKK 0.7 million per year. The property acquisition was partly funded by way of a mortgage loan.

FINANCIAL PERFORMANCE REVIEW

Revenue for the first nine months of 2018 amounted to DKK 1,461.4 million, a 2.8% improvement from DKK 1,421.8 million in the year-earlier period. Acquired businesses and operations added approximately 2.1pp to revenue. Q3 sales were up by 6.3%.

The consolidated 9M 2018 EBITDA was DKK 209.2 million compared with DKK 217.0 million in 9M 2017. Acquired businesses and operations reduced EBITDA by approximately DKK 3.3 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 14.3% from 15.3% in 9M 2017. The Q3 2018 EBITDA margin was 15.2%.

Profit before net financials (EBIT) came to DKK 140.5 million in 9M 2018, against DKK 154.7 million in 9M 2017. The 9M 2018 EBIT margin was 9.6%, compared with 10.9% in 9M 2017.

Net financials were an income of DKK 5.2 million in 9M 2018, a DKK 20.5 million improvement relative to 9M 2017 that was due to value adjustments and lower interest expenses.

Profit before tax and non-controlling interests amounted to DKK 145.7 million for 9M 2018 as against DKK 139.3 million in 9M 2017.

Profit before tax and non-controlling interests improved by DKK 4.0 million to DKK 46.0 million in the Q3 period.



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Total assets amounted to DKK 1,616.5 million at 30 September 2018, compared with DKK 1,467.4 million at 30 September 2017. The equity ratio was 36.2% at 30 September 2018 (as against 34.5% at 30 September 2017 and 35.5% at 31 December 2017).

Total assets grew by approximately DKK 101.3 million during the nine months to 30 September 2018 due to property acquisitions (approximately DKK 26.3 million), company acquisitions (DKK 23.3 million), an increase in other non-current assets (DKK 3.2 million), an increase in gross working capital (DKK 67.5 million) and a reduction of cash and cash equivalents (of DKK 19.0 million).

Net interest-bearing debt amounted to DKK 575.7 million at 30 September 2018, against DKK 509.1 million at 31 December 2017 and DKK 524.0 million at 30 September 2017.

Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 2.2 times LTM EBITDA (DKK 267.2 million). NIBD/EBITDA was 1.9 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 7.9 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 9.8 million).

Equity was impacted by the purchase of treasury shares in the reporting period for a net amount of DKK 29.9 million.

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

Equity amounted to DKK 585.7 million at 30 September 2018 against DKK 506.9 million at 30 September 2017 and 537.7 million at 31 December 2017.

Equity increased by DKK 37.9 million during the Q3 2018 period.

Cash flows

Cash flows from operating activities were DKK 119.8 million in 9M 2018, which was DKK 11.1 million more than in 9M 2017.

The Group spent DKK 87.9 million on investments in 9M 2018, of which DKK 5.3 million was for acquisitions, raised new long-term debt of DKK 20.5 million, spent DKK 92.2 million on reducing non-current loans, DKK 29.8 million net on buying and selling treasury shares and warrants, changed

deposits by DKK 0.6 million, and paid dividends of DKK 22.7 million. Accordingly, the net change in cash and cash equivalents was an outflow of DKK 91.7 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 through the rest of 2018, but it 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 a marginal direct impact on SP Group, but it will adversely affect us indirectly through a number of our customers.

Trade barriers between the USA and the EU and between the USA and China may have a strong adverse effect on the global economy and, by extension, on the performance of SP Group. A higher level of interest rates would also have an adverse effect on the performance of SP Group.

Higher prices of raw materials and frequent force majeure claims had a negative impact on EBITDA in the 9M 2018 period. We expect to pass on the higher prices of raw materials to our customers. Political uncertainty has also had a negative effect on EBITDA.

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.



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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 earlier this 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 in early 2019.

The two newly-formed companies detracted from earnings for the 9M period, but are expected to make positive contributions starting in 2019.

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 our 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. Key ratios provided in this interim report have been restated.

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

The purpose of the stock split was 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 was 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.

The companies have spent the third quarter getting the leased premises ready for production.

Jan Kyser Madsen has resigned as managing director of SP Extrusion and has been replaced by Lars Bering. SP Extrusion will merge with Gibo Plast at the end of the year. Lars Bering is managing director of Gibo Plast. The purpose of the merger is to increase efficiency and adjust costs.



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 September 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 September 2018 and of the results of the Group's operations and cash flows for the nine months ended 30 September 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, 12 November 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



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INCOME STATEMENT (summary)

DKK '000	Q3 2018 (unaud.)	Q3 2017 (unaud.)	Acc. 9M 2018 (unaud.)	Acc. 9M 2017 (unaud.)	FY 2017 (audited)
Revenue	471,713	443,614	1,461,408	1,421,767	1,884,144
Production costs	-321,853	-297,843	-996,016	-960,123	-1,276,934
Contribution margin	149,860	145,771	465,392	461,644	607,210
Operating income (EBITDA)	71,681	68,155	209,214	217,004	274,994
Depreciation, amortisation and impairment losses	-23,264	-21,438	-68,670	-62,350	-81,477
Profit before net financials (EBIT)	48,417	46,717	140,544	154,654	193,517
Net financials	-2,379	-4,719	5,158	-15,351	-17,801
Profit before tax	46,038	41,998	145,702	139,303	175,716
Tax on profit for the period	-9,296	-9,806	-30,979	-31,809	-43,457
Profit for the period	36,742	32,192	114,723	107,494	132,259
Attributable to:					
Parent company shareholders	36,868	32,127	114,914	107,382	132,169
Non-controlling shareholders	-126	65	-191	112	90
Earnings per share (DKK)			10.25	9.59	11.84
Diluted earnings per share (DKK)			9.99	9.20	11.42

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Q3 2018 (unaud.)	Q3 2017 (unaud.)	Acc. 9M 2018 (unaud.)	Acc. 9M 2017 (unaud.)	FY 2017 (audited)
Profit for the period	36,742	32,192	114,723	107,494	132,259
<i>Items that may be reclassified to the income statement:</i>					
Exchange rate adjustment relating to foreign companies	2,661	-5,901	-7,886	-9,884	-2,727
Net fair value adjustment of financial instruments acquired to hedge future cash flows	14,942	-8,017	-9,835	12,674	24,426
Other comprehensive income	17,603	-13,918	-17,721	2,790	21,699
Comprehensive income	54,345	18,274	97,002	110,284	153,958
Allocation of comprehensive income for the period:					
Parent company shareholders	54,458	18,211	97,241	110,186	153,908
Non-controlling shareholders	-113	63	-239	98	50



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BALANCE SHEET (summary)

DKK '000	30.09. 2018 (unaud.)	30.09. 2017 (unaud.)	31.12. 2017 (audited)
Intangible assets	256,184	238,355	235,819
Property, plant and equipment	659,275	570,824	631,769
Financial assets	1,949	2,808	2,557
Deferred tax assets	3,832	7,963	3,832
Total non-current assets	921,240	819,950	873,977
Inventories	355,297	335,155	336,210
Receivables	283,383	250,260	229,367
Cash	56,592	62,052	75,605
Total current assets	695,272	647,467	641,182
Total assets	1,616,512	1,467,417	1,515,159
Equity including non-controlling interests	585,661	506,466	537,687
Non-current liabilities	349,744	435,318	400,652
Current liabilities	681,107	525,633	576,820
Equity and liabilities	1,616,512	1,467,417	1,515,159



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CASH FLOW STATEMENT

DKK '000	Acc. 9M 2018 (unaud.)	Acc. 9M 2017 (unaud.)	FY 2017 (audited)
Profit before net financials (EBIT)	140,544	154,654	193,517
Depreciation, amortisation and impairment losses	68,670	62,350	81,477
Share-based payment	353	145	251
Value adjustments, etc.	701	-18,420	-5,539
Change in working capital	-64,231	-62,815	-43,704
Interest expenses paid	-10,296	-10,130	-12,318
Income tax received/paid	-15,898	-17,079	-32,917
Cash flows from operating activities	119,843	108,706	180,767
Acquisition of subsidiary	-5,244	-44,464	-44,464
Acquisition of intangible assets	-7,877	-851	-2,247
Acquisition of property, plant and equipment, net	-89,390	-107,257	-181,358
Portion relating to finance leases	14,612	14,720	23,276
Cash flows from investing activities	-87,899	-137,852	-204,793
Dividend to non-controlling shareholders	0	-309	-302
Dividends paid	-22,670	-13,482	-13,482
Deposits, adjustment	608	263	-536
Acquisition of treasury shares	-48,190	-34,480	-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	35,092	185,481	221,400
Portion relating to finance leases	-14,612	-14,720	-23,276
Instalments on non-current liabilities	-92,178	-56,439	-83,679
Cash flows from financing activities	-123,617	81,606	65,426
Change in cash and cash equivalents	-91,673	52,460	41,400
Cash and cash equivalents at 1 January	-129,693	-171,093	-171,093
Cash and cash equivalents at end of period	-221,366	-118,633	-129,693



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CHANGES IN EQUITY since 1 January:

	Equity attributable to parent company shareholders		Equity attributable to non-controlling interests		Equity including non-controlling interests	
	2018 (unaud.)	2017 (unaud.)	2018 (unaud.)	2017 (unaud.)	2018 (unaud.)	2017 (unaud.)
DKK '000						
Balance at 1 January	536,599	427,636	1,088	1,340	537,687	428,976
Profit for the period	114,914	107,382	-191	112	114,723	107,494
Other comprehensive income:						
Exchange rate adj., foreign subsidiaries	-7,838	-9,870	-48	-14	-7,886	-9,884
Value adjustment of derivative financial instruments	-9,835	12,674	0	0	-9,835	12,674
Total other comprehensive income	-17,673	2,804	-48	-14	-17,721	2,790
Comprehensive income for the period	97,241	110,186	-239	98	97,002	110,284
Share-based payment	353	185	0	0	353	185
Sale of warrants	1,495	448	0	0	1,495	448
Acquisition of treasury shares	-46,695	-34,480	0	0	-46,695	-34,480
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	-50,679	-32,485	1,651	-309	-49,028	-32,794
Balance at 30 September	583,161	505,337	2,500	1,129	585,661	506,466



Interim report - Third quarter of 2018

Effective 25 April 2018, the Group acquired all shares in Nycopac AB, a Swedish company which designs and sells 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	754
Trade receivables	4,039
Other receivables	46
Prepayments	191
Cash	1,883
Deferred tax	-2,153
Trade payables	-899
Income tax	-644
Other payables	-2,141
Acquired net assets	11,352
Goodwill	10,023
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 was for an amount 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 10,023 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.



Interim report - Third quarter of 2018

Accounting policies

The interim report for the nine months to 30 September 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 Customers
- 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 September 2018. Reference is made to the information on this matter 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 2,086 employees and about 2,200 registered shareholders at 30 September 2018.

Ergomat's bubblemats are among the most durable in the world.

