

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

Announcement no. 34 / 2020
25 August 2020
Company reg. (CVR) no. 15701315

Interim report - First half year of 2020

Summary: SP Group generated profit before tax of DKK 101.2 million in H1 2020, a 1.1% increase from DKK 100.1 million in H1 2019. Relative to the year-earlier period, revenue was up by 7.6% to DKK 1,114.4 million and EBITDA was up by 9.0% to DKK 178.0 million from DKK 163.4 million.

The Board of Directors of SP Group A/S today considered and approved the interim report for the six months ended 30 June 2020.

Highlights of the interim report:

- The H1 2020 revenue was up by DKK 78.6 million to DKK 1,114.4 million, a 7.6% improvement on the year-earlier period. Company acquisitions added to consolidated revenue (DKK 71.2 million). Q2 sales were up by 12.2%.
- Profit before depreciation, amortisation and impairment losses (EBITDA) for H1 2020 was DKK 178.0 million, as against DKK 163.4 million in H1 2019. Company acquisitions added DKK 10.8 million to EBITDA. External due diligence costs related to the acquisition of Dan-Hill-Plast A/S reduced EBITDA by DKK 0.75 million. EBIT grew by DKK 12.1 million in Q2 2020, representing a 15.6% year-on-year increase.
- Depreciation, amortisation and impairment losses amounted to DKK 69.1 million, an increase of DKK 7.3 million relative to H1 2019. Amortisation and depreciation in company acquisitions amounted to DKK 2.8 million of the increase.
- Profit before net financials (EBIT) came to DKK 108.8 million in H1 2020, against DKK 101.5 million in H1 2019. EBIT for Q2 2020 was DKK 55.0 million, equal to an 18.7% increase from DKK 46.4 million in Q2 2019.
- Net financials were an expense of DKK 7.7 million, a DKK 6.3 million greater expense than in the same period of last year. The decline is due to lower positive value adjustments.
- Profit before tax was DKK 101.2 million in H1 2020, as against DKK 100.1 million in H1 2019. EBT for Q2 2020 was DKK 51.0 million, compared with DKK 45.6 million in Q2 2019.
- Earnings per share (diluted) came to DKK 7.05 in H1 2020 against DKK 7.10 in H1 2019.
- Sales of our own brands were up by 9.3% in H1 2020 to DKK 246.4 million. At 22.1% of H1 2020 revenue, SP Group's own brands still account for a substantial proportion of revenue. Sales of our own brands were up by 20.8% in the second quarter to DKK 131.5 million.
- Sales to the healthcare, food-related and other demanding industries increased during the reporting period, whereas automotive sales declined and cleantech was relatively stable.
- There was a cash inflow from operating activities of DKK 183.9 million in H1 2020, against DKK 97.7 million in H1 2019.
- Net interest-bearing debt (NIBD) amounted to DKK 657.8 million at 30 June 2020, against DKK 782.9 million at 30 June 2019. At 31 December 2019, NIBD was DKK 875.7 million. NIBD was 2.0 times LTM EBITDA. NIBD declined by DKK 217.9 million during the H1 period, in part due to a directed share issue.
- Due to geopolitical developments and the spread of the coronavirus and the actions taken by authorities, our levels of activity and cash flows in the coming months are subject to significant uncertainty. At the present time, we expect to generate FY 2020 revenue in the DKK 2.0–2.2 billion range, an EBITDA margin of 15-16% and an EBT margin of 8-9%.

Statement by CEO Frank Gad: *"We successfully delivered growth in revenue and EBITDA in the first six months of 2020 despite the coronavirus pandemic, global turbulence, many market challenges and volatile prices of raw materials. All of our 27 plants are operating and have access to the raw materials they need, and all our sales offices are open for business. We have benefited from our exposure to relatively resilient industries, and we have grown our sales to the healthcare, food-related and other demanding industries. We have continued to pursue our dedicated M&A strategy, thereby attracting more customers and new technology, and we are committed to retaining our role as industry consolidators as and when value-creating opportunities arise."*

Further information:
CEO Frank Gad
Tel: +45 70 23 23 79
www.sp-group.dk





Interim report - First half year of 2020

FINANCIAL HIGHLIGHTS AND KEY RATIOS

	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Acc. Q2 2020 (unaud.)	Acc. Q2. 2019 (unaud.)	FY 2019 (audited)
DKK '000 (key ratios excepted)					
Income statement					
Revenue	567,980	506,167	1,114,387	1,035,796	2,012,932
Profit before depreciation, amortisation and impairment losses (EBITDA)	90,064	77,921	177,992	163,351	307,510
Depreciation, amortisation and impairment losses	-35,049	-31,556	-69,149	-61,839	-129,681
Profit before net financials (EBIT)	55,015	46,365	108,843	101,512	177,829
Net financials	-4,044	-811	-7,669	-1,408	-2,436
Profit before tax	50,971	45,554	101,174	100,104	175,393
Profit for the period	40,031	37,707	79,305	80,760	140,269
Earnings per share (DKK)			7.07	7.23	12.57
Earnings per share, diluted (DKK)			7.05	7.10	12.46
Balance sheet					
Non-current assets			1,271,241	1,164,285	1,218,274
Total assets			2,207,960	1,948,395	2,058,615
Equity including non-controlling interests			966,027	666,603	710,402
Investments in property, plant and equipment (excluding acquisitions)	33,021	34,449	54,556	60,246	154,997
Net interest-bearing debt (NIBD)			657,797	782,893	875,677
NIBD/EBITDA (LTM)			2.0	2.5	2.8
Cash flows					
Cash flows from:					
- operating activities	104,305	60,352	183,914	97,699	158,630
- investing activities	-77,779	-58,253	-101,525	-82,579	-180,202
- financing activities	2,161	-1,821	-27,928	-9,783	8,836
Change in cash and cash equivalents	28,687	278	54,461	5,337	-12,736
Key ratios					
EBITDA margin (%)	15.9	15.4	16.0	15.8	15.3
EBIT margin (%)	9.7	9.2	9.8	9.8	8.8
Profit before tax as a percentage of revenue	9.0	9.0	9.1	9.7	8.7
Return on invested capital including goodwill (%)					11.8
Return on invested capital excluding goodwill (%)					11.8
Return on equity, excluding non-controlling interests					21.1
Equity ratio, excluding non-controlling interests (%)			43.6	34.1	34.4
Equity ratio, including non-controlling interests (%)			43.8	34.2	34.5
Financial gearing			0.7	1.2	1.2
Cash flow per share, DKK			16.32	8.58	14.10
Total dividends for the year per share (DKK)					0.00
Market price, end of period (DKK per share)			207.00	257.00	242.00
Net asset value per share, end of period (DKK)			79.15	59.36	63.51
Market price/net asset value, end of period			2.62	4.33	3.81
Number of shares, end of period			12,490,000	11,390,000	11,390,000
of which treasury shares, end of period			313,907	196,974	242,594
Average no. of employees			2,206	2,066	2,114

The financial ratios have been calculated in accordance with "Recommendations & Ratios" issued by CFA Society Denmark. The definitions are listed on page 69 of the 2019 Annual Report.



MANAGEMENT COMMENTARY

PERFORMANCE REVIEW

We continued to record higher sales to many customers across industries and geographies in the first six months of 2020. The improvements were the most pronounced in our international markets, as sales outside Denmark grew by 20.1%. Sales to our Danish customers were down by 12.1%.

International sales were up by 19.8% in local currencies.

Performance numbers by customer group relative to the corresponding period of 2019:

	Q2 2020	H1 2020
Healthcare	21.6%	11.7%
Cleantech	-0.5%	-0.6%
Food-related	3.3%	3.9%
Automotive	-40.9%	-24.4%
Other demanding industries	46.1%	30.2%
of which own brands	20.8%	9.3%

Most of the change in revenue for the H1 period was due to higher volume sales. Exchange rate developments added about DKK 2.0 million to revenue (SEK and RMB depreciating, but USD appreciating relatively more against DKK), equal to 0.2% of revenue.

Acquired businesses and operations contributed about DKK 71.2 million of the revenue improvement in the first half year.

Organic growth in local currencies was about 0.5% in H1 2020. The rate in the Q2 period was about 3.3%.

Sales to the healthcare industry were up by 11.7% year-on-year to DKK 332.3 million and now account for 29.8% of consolidated revenue.

Sales to the cleantech industry were down by 0.6% to DKK 357.8 million and now make up 32.1% of consolidated revenue.

Sales to food-related industries were up by 3.9% to DKK 142.4 million and now make up 12.8% of consolidated revenue.

Sales to the automotive sector declined 24.4% to DKK 44.5 million to make up 4.0% of revenue.

Sales to other demanding industries were up by 30.2% to DKK 237.4 million and now account for 21.3% of consolidated revenue.

Sales of our own brands were up by 9.3% and now account for 22.1% of consolidated revenue.

SP Medical reported a 2.8% decline in guidewire sales.

Ergomat reported a 34.6% improvement in sales of ergonomic products. Ergomat's Q2 growth rate was 51.3%. The improvements were driven by new innovative solutions and products, improved marketing opportunities and a larger sales force. The resulting growth contributed to the increase in operating income.

TPI reported a 11.1% decline in sales of farm ventilation components.

MedicoPack reported a 4.6% increase in sales of medical device packaging.

Tinby Skumplast, MM Composite, Dan-Hill-Plast, Ulstrup Plast and Nycopac along with SP Moulding reported combined 1.6% growth in own-brand sales – standard industry components – to a total of DKK 64.1 million.

SP Group continued its intensified marketing efforts towards both existing and potential customers. We won new customers in the first six months of 2020 and are continuing our proactive approach to developing and marketing a number of new solutions for the healthcare, cleantech, food-related and other industries, which we believe hold an attractive growth potential for our company.

We are generating higher volume sales to the healthcare industry and have won orders for many new plastics components for regular shipment.

International sales make up 68.3% of revenue (compared with 61.2% in H1 2019).

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.



Interim report - First half year of 2020

Currently, some 71% of our staff are employed outside Denmark.

The Group's headcount grew by 66 in the six-month reporting period.

The new employees are based in Denmark (56), the USA (4) and Slovakia (12), while there was a net reduction of six employees in the rest of the world. The larger headcount in Denmark was due to the acquisition of Dan-Hill-Plast A/S.

At 30 June 2020, SP Group had 2,246 employees worldwide.

Volatility in prices of raw materials and frequent coronavirus-related force majeure claims by our suppliers had a negative impact on EBITDA in H1 2020. We expect to pass on the higher prices of raw materials to our customers at a certain time lag.

All our 27 plants in Europe, North America and Asia are operating and have access to the raw materials they require. All sales offices are open, and just over 95% of our employees are working. Everybody is not back at work yet, because Poland the USA, China and Slovakia have partially closed schools and day-care facilities, which means some employees need to stay home to look after their children.

It goes without saying that all locations have taken a number of initiatives to ensure that people observe social distancing and that strict hygiene procedures are followed at all times.

The longest shutdown so far was in China. We closed our three factory sites in the last week of January in observance of the Chinese New Year, but the authorities extended the closing period to include the following two weeks as well. Production only restarted in the third week of February and with only half of the staff at work, but our factories in China have been running normally since the end of February. We have had challenges – and still do – particularly delays on shipments coming in and out of China, but our customers are intent on catching up on the production lost during the coronavirus crisis.

We have not had production disrupted in other countries due to the coronavirus.

On the customer side, we are fortunate that SP Group is not particularly exposed to the sectors and industries most severely impacted by the coronavirus crisis.

Our largest sector, cleantech, accounts for one-third of our consolidated sales and so far, it seems relatively unaffected by the coronavirus. Meanwhile, the green transition remains a high priority across the world.

Our second-largest sector, healthcare, also seems to have escaped much of the coronavirus impact. The same applies to the third of our large sectors, food manufacturers and food-related industries, although several of our customers have been forced to shut down their operations by the authorities to avoid a spread of the virus.

Sales to the automotive sector on the other hand have been hard hit, because the coronavirus has forced many factories producing cars and other rolling stock to close.

The picture is quite mixed among other demanding industries.

Geographically, the impact on our customers varies significantly. Our customers in Italy, France and Spain were closed because the authorities implemented general lockdowns. The same goes for a number of customers in the USA, India and Brazil.

Some parts of our Group saw their activity levels go up because of the coronavirus. Ergomats DuraStripe® products are normally used to support health and safety measures in industry. Now, DuraStripe® is also being used to help people observe social distancing, use the correct personal protective equipment (PPE) and generally to help mitigate the spread of the coronavirus in the public domain.

Another example is the use of PlexxOpido's plexiglass solutions to help shield cashiers from shoppers in supermarkets and other retail outlets.

Obviously, SP Group has also been affected by the coronavirus crisis, but we manufacture, sell and deliver our products on a daily basis. Our supply chains are intact. We have not incurred losses on trade receivables on account of the crisis, nor do we expect any.

SP Group has not made use of the Danish relief schemes, as we have not had the need. The extension of deadlines for paying VAT and employee income taxes had a positive effect of approximately DKK 26.2 million on our cash and cash equivalents.

However, it is difficult to provide meaningful guidance in a world where different countries are at different stages in their fight against the coronavirus and where the situation is continuously evolving.

At the end of April 2020, SP Group took out a DKK 50 million loan at market rate with Jyske Bank to fund the acquisition of Dan-Hill-Plast A/S. The loan is scheduled to be repaid over six years.



Interim report - First half year of 2020

In addition, SP Group has extended its credit facilities with its primary bankers until spring 2021. The financial covenants are unchanged:

- Net interest-bearing debt may be up to 3.5x LTM EBITDA, but up to 4x EBITDA during the initial two quarters following a debt-funded acquisition.
- The equity ratio must never be lower than 25%.

NIBD is expected to be less than 3.0 by 31 December 2020.

On 3 June 2020, SP Group issued 1.1 million new shares in a directed issue without preemption rights.

The shares were sold at market price (DKK 200 per share), giving SP Group gross proceeds of DKK 220 million and DKK 214.9 million net issuance costs. The shares were oversubscribed.

In June 2020, the Company sold 55,000 treasury shares to cover the cost of warrants exercised under the 2017 warrant programme. The proceeds added DKK 10.3 million in cash to equity.

SP Group is committed to continuing its aggressive M&A strategy of making value-generating acquisitions that contribute to increasing the scale and diversification of the Group. The acquisition experience compiled in recent years has enabled us to achieve effective synergies leading to both top and bottom-line growth.

FINANCIAL PERFORMANCE REVIEW

Revenue for the first six months of 2020 amounted to DKK 1,114.4 million, a 7.6% improvement from DKK 1,035.8 million in the year-earlier period. Acquired businesses and operations accounted for approximately 6.9ppts. Exchange rate developments contributed about 0.2ppt.

Consolidated H1 2020 EBITDA was DKK 178.0 million compared with DKK 163.4 million in H1 2019. Acquired businesses and operations contributed DKK 10.8 million.

The EBITDA margin was 16.0%, against 15.8% in H1 2019.

Profit before net financials (EBIT) came to DKK 108.8 million in H1 2020, against DKK 101.5 million in H1 2019. The H1 2020 EBIT margin was unchanged at 9.8%.

Net financials were an expense of DKK 7.7 million in H1 2020, a DKK 6.3 million greater expense than in

H1 2019 that was due to a decline in positive value adjustments.

The profit before tax amounted to DKK 101.2 million in H1 2020 as against DKK 100.1 million in H1 2019.

The tax rate rose to 21.6% from 19.3%.

Total assets amounted to DKK 2,208.0 million at 30 June 2020, compared with DKK 1,948.4 million at 30 June 2019 and DKK 2,058.6 million at 31 December 2019. The equity ratio was 43.8% at 30 June 2020, as against 34.2% at 30 June 2019 and 34.5% at 31 December 2019.

Total assets grew by approximately DKK 149.3 million during the six months to 30 June 2020. The amount breaks down as follows: DKK 94.0 million relating to the acquisition of Dan-Hill-Plast, an increase in gross working capital (DKK 23.9 million), an increase in cash and cash equivalents (DKK 51.1 million), an increase in intangible assets (0.9 million), a reduction of property, plant and equipment (DKK 21.3 million) and an increase in financial assets (DKK 0.7 million).

Net interest-bearing debt amounted to DKK 658.0 million at 30 June 2020, against DKK 875.7 million at 31 December 2019 and DKK 782.9 million at 30 June 2019.

Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 2.0 times LTM EBITDA (DKK 322.2 million). NIBD/EBITDA was 2.8 at 31 December 2019. We remain strongly committed to reducing 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 16.9 million) and the value adjustment of financial instruments acquired to hedge future cash flows, such instruments consisting mainly of forward contracts (PLN against EUR, by DKK 5.8 million).

Equity was also reduced by the purchase of treasury shares in the reporting period for a net amount of DKK 16.2 million.

Equity saw a positive effect from the issue of 1.1 million new shares which produced net proceeds of DKK 214.9 million.

Equity amounted to DKK 966.0 million at 30 June 2020 against DKK 666.6 million at 30 June 2019 and 710.4 million at 31 December 2019.

Equity increased by DKK 255.6 million in H1 2020.



Interim report - First half year of 2020

Cash flows

Cash flows from operating activities were DKK 183.9 million in H1 2020, which was DKK 86.2 million more than in the H1 2019 period.

In the H1 2020 period, the Group spent DKK 56.7 million on investments, a net amount of DKK 55.3 million on reducing non-current loans, a net amount of DKK 16.2 million on buying treasury shares, DKK 0.7 million on changes in deposits, DKK 44.8 million on a new acquisition, DKK 170.5 million on changes in short-term bank debt, while the issue of new shares produced net proceeds of DKK 214.9 million. The resulting change in cash and cash equivalents was DKK 54.5 million.

Management believes that the company's capital resources remain sound relative to its operations and that it has 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 2020

The global economy is unlikely to grow in 2020. It remains fragile and subject to political uncertainty and economic volatility. Our neighbouring markets in Europe have grave government budget deficits and high indebtedness. The outbreak of coronavirus in China, which has subsequently spread to the rest of the world, may continue to have considerable adverse effects on the global economy and on our customers and suppliers – and thus on the developments of SP Group.

Brexit is expected to have only a marginally direct impact on SP Group, but it will have an adverse indirect effect on us 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 developments in SP Group. A higher level of interest rates would also have an adverse effect on developments in SP Group. A permanently weaker US dollar would have an adverse effect on the developments 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.

We intend to maintain a high level of investment for the rest of 2020. We expect the largest single investment to be made in our cleantech operations.

Amortisation and depreciation charges are expected to be higher than in 2019, in part due to the substantial investments made in 2019 and a company acquisition.

Financial expenses are expected to be higher than in 2019.

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

Due to geopolitical developments and the spread of the coronavirus and the actions taken by authorities, our levels of activity and cash flows in the coming months are subject to significant uncertainty.

At the present time, we expect to generate FY 2020 revenue in the DKK 2.0–2.2 billion range, an EBITDA margin of 15-16% and an EBT margin of 8-9%.

OTHER MATTERS AND EVENTS AFTER THE BALANCE SHEET DATE

SP Group A/S acquired Danish company Dan-Hill-Plast A/S effective from 30 April 2020.

Dan-Hill-Plast A/S is an advanced rotation-moulding company with production and assembly facilities in Hornsyld in Central Jutland. Dan-Hill-Plast dates back to 1957. The company has seen strong growth and is currently among Scandinavia's leading rotation-moulding businesses. Exports account for about 40% of its revenue. As a subcontractor to demanding industrial businesses, Dan-Hill-Plast manufactures products for a wide range of industries. The company also develops, manufactures and sells own-brand products, such as fenders for yachts and boats under the Dan-Fender brand which is sold globally. The company is certified to the ISO 9001 standard. The company's highly skilled management and committed employees will be staying on. The acquisition was announced in Announcement no. 25/2020. The acquisition price is specified in a note on page 13.

Accoat's factory in Brazil was shut down at the beginning of 2020 due to a change in market conditions.

The coronavirus situation has prevented us from winding up the company, because the relevant public offices were closed.

However, discontinuing operations in Brazil did not affect the profit for the period.

After fourteen years with SP Group, Jesper Romnæs Holm (age 44) has resigned in order to seek new challenges outside SP Group. Jesper served most



Interim report - First half year of 2020

recently as plant manager of SP Moulding in Juelsminde, Denmark and prior to that with SP Moulding in Poland.

Jens Birklund Andersen (age 49), who is currently the managing director of SP Moulding at Stoholm, will take over management of the Juelsminde site as well.

We hope that by joining the forces of our injection moulding plants in Jutland we can provide our customers with even better service and competitive strength.

We wish to thank Jesper for his outstanding contribution.

The share buy-back programme was concluded on 8 April 2020 as per Announcement no. 21/2020 of that date.



Interim report - First half year of 2020

STATEMENT BY MANAGEMENT

The Board of Directors, the Executive Board and the rest of management have today considered and approved the interim report of SP Group A/S for the six months ended 30 June 2020.

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 2020 and of the results of the Group's operations and cash flows for the six months ended 30 June 2020.

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, 25 August 2020

Executive Board and other members of Group management

Frank Gad
CEO

Søren Ulstrup
Member of the Executive Board

Lars Ravn Bering
Member of the Executive Board

/Tilde Kejlhof
CFO

Board of Directors

Hans W. Schur
Chairman

Erik P. Holm
Deputy Chairman

Hans-Henrik Eriksen

Bente Overgaard



Interim report - First half year of 2020

INCOME STATEMENT (summary)

DKK '000	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Acc. Q2 2020 (unaud.)	Acc. Q2 2019 (unaud.)	FY 2019 (audited)
Revenue	567,980	506,167	1,114,387	1,035,796	2,012,932
Production costs	-392,454	-341,906	-763,456	-703,512	-1,370,187
Contribution margin	175,526	164,261	350,931	332,284	642,745
Profit before depreciation, amortisation and impairment losses (EBITDA)	90,064	77,921	177,992	163,351	307,510
Depreciation, amortisation and impairment losses	-35,049	-31,556	-69,149	-61,839	-129,681
Profit before net financials (EBIT)	55,015	46,365	108,843	101,512	177,829
Net financials	-4,044	-811	-7,669	-1,408	-2,436
Profit before tax	50,971	45,554	101,174	100,104	175,393
Tax on profit for the period	-10,940	-7,847	-21,869	-19,344	-35,124
Profit for the period	40,031	37,707	79,305	80,760	140,269
Attributable to:					
Parent company shareholders	40,081	37,668	79,446	80,844	140,188
Non-controlling shareholders	-50	39	-141	-84	81
Earnings per share (DKK)			7.07	7.23	12.57
Earnings per share, diluted (DKK)			7.05	7.10	12.46

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Acc. Q2 2020 (unaud.)	Acc. Q2 2019 (unaud.)	FY 2019 (audited)
Profit for the period	40,031	37,707	79,305	80,760	140,269
<i>Items that may be reclassified to the income statement:</i>					
Exchange rate adjustment relating to foreign companies	1,310	-2,919	-16,894	-1,013	3,546
Net fair value adjustment of financial instruments acquired to hedge future cash flows	19,962	7,053	-5,784	9,647	12,131
Other comprehensive income	21,272	4,134	-22,678	8,634	15,677
Comprehensive income	61,303	41,841	56,627	89,394	155,946
Allocation of comprehensive income for the period:					
Parent company shareholders	61,312	41,818	56,779	89,505	155,879
Non-controlling shareholders	-9	23	-152	-111	67
Earnings per share (DKK)			5.04	8.00	13.98
Earnings per share, diluted (DKK)			5.03	7.85	13.86



Interim report - First half year of 2020

BALANCE SHEET (summary)

DKK '000	30.06. 2020 (unaud.)	30.06. 2019 (unaud.)	31.12. 2019 (audited)
Intangible assets*	300,552	278,960	264,007
Property, plant and equipment	967,032	880,970	951,355
Other non-current assets	1,897	1,534	1,152
Deferred tax assets	1,760	2,821	1,760
Total non-current assets	1,271,241	1,164,285	1,218,274
Inventories	512,171	404,223	488,843
Receivables*	321,381	313,108	302,792
Cash	103,167	66,779	48,706
Total current assets	936,719	784,110	840,341
Total assets	2,207,960	1,948,395	2,058,615
Equity including non-controlling interests	966,027	666,603	710,402
Non-current liabilities	571,199	633,503	573,462
Current liabilities*	670,734	648,289	774,751
Equity and liabilities	2,207,960	1,948,395	2,058,615

* See notes 3 and 4 to the financial statements on page 16 for changes in goodwill and fair value of derivative financial instruments.



Interim report - First half year of 2020

CASH FLOW STATEMENT

DKK '000	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Acc. Q2 2020 (unaud.)	Acc. Q2 2019 (unaud.)	FY 2019 (audited)
Profit before net financials (EBIT)	55,015	46,365	108,843	101,512	177,829
Depreciation, amortisation and impairment losses	35,049	31,556	69,149	61,839	129,681
Share-based payment	170	186	356	329	702
Value adjustments, etc.	-5,252	-1,365	-13,132	-289	-1,430
Change in working capital	23,017	-5,143	31,778	-26,083	-83,690
Interest expenses paid	-3,534	-6,320	-8,950	-12,259	-23,528
Income tax received/paid	-160	-4,927	-4,130	-27,350	-40,934
Cash flows from operating activities	104,305	60,352	183,914	97,699	158,630
Acquisition of subsidiary	-44,792	-26,139	-44,792	-26,139	-17,778
Acquisition of intangible assets	-1,766	-1,051	-4,797	-2,144	-8,490
Acquisition of property, plant and equipment, net	-31,221	-31,063	-51,936	-54,296	-153,934
Cash flows from investing activities	-77,779	-58,253	-101,525	-82,579	-180,202
Dividend to non-controlling shareholders	0	0	0	0	0
Dividends paid	0	-26,892	0	-26,892	-26,994
Deposits, adjustment	16	1,237	-745	1,467	170
Acquisition of treasury shares	-2,314	-23,164	-26,523	-34,448	-68,516
Sale of treasury shares	10,304	17,118	10,304	17,118	26,886
Capital increase	214,861	0	214,861	0	0
Sale of warrants	0	1,072	0	1,072	1,072
Raising of long-term loans	72,363	70,000	72,363	70,000	156,693
Instalments on non-current liabilities	-90,100	-46,118	-127,698	-77,042	-152,540
Bank debt, adjustment	-202,969	4,926	-170,490	38,942	72,065
Cash flows from financing activities	2,161	-1,821	-27,928	-9,783	8,836
Change in cash and cash equivalents	28,867	278	54,461	5,337	-12,736
Cash and cash equivalents at 1 January	74,480	66,501	48,706	61,442	61,442
Cash and cash equivalents at end of period	103,167	66,779	103,167	66,779	48,706



Interim report - First half year of 2020

CHANGES IN EQUITY since 1 January:

	Equity attributable to parent company shareholders		Equity attributable to non-controlling interests		Equity including non-controlling interests	
	2020 (unaud.)	2019 (unaud.)	2020 (unaud.)	2019 (unaud.)	2020 (unaud.)	2019 (unaud.)
DKK '000						
Balance at 1 January	707,987	617,682	2,415	2,348	710,402	620,030
Profit for the period	79,446	80,844	-141	-84	79,305	80,760
Other comprehensive income:						
Exchange rate adj., foreign subsidiaries	-16,883	-986	-11	-27	-16,894	-1,013
Value adjustment of derivative financial instruments	-5,784	9,647	0	0	-5,784	9,647
Total other comprehensive income	-22,667	8,661	-11	-27	-22,678	8,634
Comprehensive income for the period	56,779	89,505	-152	-111	56,627	89,394
Share-based payment	356	329	0	0	356	329
Sale of warrants	0	1,072	0	0	0	1,072
Acquisition of treasury shares	-26,523	-34,448	0	0	-26,523	-34,448
Sale of treasury shares	10,304	17,118	0	0	10,304	17,118
Dividends paid	0	-26,892	0	0	0	-26,892
Capital increase	214,861	0	0	0	214,861	0
Addition from acquisitions	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
Transactions with shareholders	198,998	-42,821	0	0	198,998	-42,821
Balance at 30 June	963,764	664,366	2,263	2,237	966,027	666,603



Effective 30 April 2020, the Group acquired all shares in Danish company Dan-Hill-Plast A/S, a production business specialising in rotation moulding of technical plastics.

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

	DKK '000
Customer files	12,000
Property, plant and equipment	36,962
Inventories	9,443
Order book	869
Trade receivables	8,528
Other receivables	804
Cash and cash equivalents	3,367
Deferred tax	-5,103
Other provisions	-453
Trade payables	-2,952
Income tax	-1,202
Other payables	-4,177
Acquired net assets	58,086
Goodwill	23,639
Total consideration	81,725
Cash consideration	48,158
Debt instruments	14,442
Lease liability	19,125
Total consideration	81,725

The acquired entity had EBITDA of about DKK 6.2 million in its most recent financial year. After rent on the acquired property and other adjustments are accounted for, EBITDA was approximately DKK 12.5 million.

EBITDA for the first four months of 2020 was approximately DKK 3.4 million.

The consideration amounted to DKK 81,725 thousand, of which DKK 48,158 thousand was paid in cash.

Debt instruments with a total nominal value of DKK 15,000 thousand, which fall due in the period 2021-2022, have been issued. The discounted amount is DKK 14,442 thousand.

Concurrently with the acquisition of the company, an agreement was concluded for the lease and purchase of the production facility where Dan-Hill-Plast operates its business. The property was recognised under property, plant and equipment (lease asset) in the purchase price allocation, and the corresponding lease liability was recognised as part of the consideration.

Acquisition costs amount to DKK 0.75 million in a preliminary estimate, which amount has been recognised in 2020.

In a preliminary estimate, goodwill has been made up at DKK 23,639 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 amortised for tax purposes.



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

No warrants were issued in 2020.

A total of 55,000 warrants were exercised in June 2020.

SP Group currently has incentive programmes consisting of 11,535 warrants (2016 programme) that are exercisable as from 2019, 295,000 warrants (2017 programme) that are exercisable as from 2020, 207,500 warrants (2018 programme) that are exercisable as from 2021, and 240,000 warrants (2019 programme) that are exercisable as from 2022.

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.



Note 1. Accounting policies

The interim report for the six months to 30 June 2020 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 2019, 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 2020, SP Group A/S has implemented the following new or amended standards and interpretations:

- Amendments to Reference to the Conceptual framework in IFRS Standards
- Amendments to IFRS 3 on the definition of a business combination
- Amendments to IAS 1 and IAS 8 on the definition of materiality
- Amendments to IFRS 9, IAS 39 and IFRS 7 on the IBOR reform.

SP Group A/S has implemented the standards and interpretations taking effect in the EU for 2020. None of these have affected recognition and measurement in 2020 nor are they expected to affect SP Group A/S.

Note 2. 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 2019. Reference is made to the information provided on estimates and judgments in note 2 to the consolidated and the parent company financial statements for 2019.

Impairment test

Management has not identified evidence of impairment of the carrying amount of intangible assets including goodwill at 30 June 2020.



Note 3. Intangible assets
Goodwill

DKK '000	30.06. 2020 (unaud.)	30.06. 2019 (unaud.)	31.12. 2019 (audited)
Cost at 1 January	200,853	196,071	196,071
Foreign exchange adjustment	-87	65	333
Addition from acquisitions	23,639	11,696	4,449
Additions	0	0	0
Cost at 30 June	224,405	207,832	200,853
Depreciation and impairment at 1 January	1,861	1,861	1,861
Impairment	0	0	0
Foreign exchange adjustment	0	0	0
Cost at 30 June	1,861	1,861	1,861
Carrying amount at 30 June	222,544	205,971	198,992

Note 4. Fair value measurement of financial instruments

Listed below are relevant disclosure requirements relevant for the Group's forward exchange contracts. Derivative financial instruments are measured in accordance with a recognised valuation method, under which all material data are based on observable market data, i.e. level 2

DKK '000	30.06. 2020 (unaud.)		30.06. 2019 (unaud.)		31.12. 2019 (audited)	
Financial assets	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Derivative financial instruments to hedge future cash flows	21,254	21,254	16,387	16,387	27,777	27,777

With a view to hedging the currency risk on the future sale of goods in EUR from the Polish entities, derivative financial instruments have been entered into, in accordance with the Group's currency policy, hedging part of the currency risk related to such sales for a period of up to four years.



Forward-looking statements

This interim report contains forward-looking statements reflecting Management's current perception of future trends and financial performance. Statements relating to 2020 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, pandemics 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 and has increasing sales and growing production from own factories in Denmark, China, the USA, Latvia, Slovakia, Sweden, Finland and Poland. SP Group also has sales and service subsidiaries in Sweden, Norway, the Netherlands and Canada. SP Group is listed on NASDAQ OMX Copenhagen and had some 2,250 employees and about 2,700 registered shareholders at 30 June 2020.

Tinby casts seat and backrest for this DRY chair for Randers+Radius. The DRY chair was awarded German Design Award Gold 2020.

