

NASDAQ Copenhagen A/S
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Announcement no. 46 / 2019
22 August 2019
Company reg. (CVR) no.
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Interim report – Second quarter of 2019

Summary: SP Group generated profit before tax of DKK 100.1 million in H1 2019, a 0.4% increase from DKK 99.7 million in H1 2018. Relative to the year-earlier period, revenue was up by 4.7% to DKK 1,035.8 million and EBITDA was up by 18.8% to DKK 163.4 million from DKK 137.5 million. Earnings were in line with expectations. We maintain the FY 2019 guidance provided in Announcement no. 39/2019. We continue to guide for profit before tax at the level of DKK 200 million on revenue of DKK 2.0-2.1 billion.

The Board of Directors of SP Group A/S today considered and approved the interim report for the six months ended 30 June 2019.

Highlights of the interim report:

- The H1 2019 revenue was up by DKK 46.1 million to DKK 1,035.8 million, a 4.7% improvement on the year-earlier period. Q2 revenue fell by 2.1% year on year. This year, Easter was in the second quarter.
- Profit before depreciation, amortisation and impairment losses (EBITDA) for H1 2019 was DKK 163.4 million, as against DKK 137.5 million in H1 2018. Company acquisitions added DKK 0.1 million to EBITDA, while external due diligence and other costs related to the acquisition of Coreplast reduced EBITDA by DKK 2.2 million. The implementation of IFRS 16 had a positive effect (DKK 17.2 million) on H1 2019 EBITDA. Comparative figures have not been restated.
- Depreciation, amortisation and impairment losses amounted to DKK 61.8 million, an increase of DKK 16.4 million relative to H1 2018. The implementation of IFRS 16 had a negative effect (DKK 13.8 million) on depreciation, amortisation and impairment losses.
- Profit before net financials (EBIT) came to DKK 101.5 million in H1 2019, against DKK 92.1 million in H1 2018. The implementation of IFRS 16 had a positive effect (DKK 3.4 million) on EBIT. Comparative figures have not been restated.
- Net financials were an expense of DKK 1.4 million, an DKK 8.9 million greater expense than in H1 2018 due to the implementation of IFRS 16 (DKK 4.0 million) and exchange rate adjustments.
- Profit before tax was DKK 100.1 million in H1 2019, as against DKK 99.7 million in H1 2018. The implementation of IFRS 16 reduced the profit before tax by DKK 0.6 million.
- Earnings per share (diluted) came to DKK 7.10 in H1 2019 against DKK 6.75 in H1 2018, for a 5.2% increase.
- Sales of our own brands were up by 0.2% in H1 2019 to DKK 225.5 million and now make up 21.8% of revenue.
- There was a cash inflow from operating activities of DKK 97.7 million in H1 2019, against DKK 68.6 million in H1 2018. The implementation of IFRS 16 added DKK 13.2 million to cash flows from operations.
- Net interest-bearing debt (NIBD) amounted to DKK 782.9 million at 30 June 2019, against DKK 559.5 million at 30 June 2018. At 31 December 2018, NIBD was DKK 576.9 million. NIBD was 2.5 times LTM EBITDA. NIBD grew by approximately DKK 165 million at 1 January 2019 due to the implementation of IFRS 16. NIBD/EBITDA grew from 2.0 to 2.5, mainly due to the implementation of IFRS 16. The IFRS 16 effects were reduced to DKK 128.7 million at 30 June 2019 due to the acquisition of two leased properties and lease payments made in the first six months of 2019.
- We continue to guide for profit before tax at the level of DKK 200 million on revenue of DKK 2.0-2.1 billion.

Statement by CEO Frank Gad: *"In the first six months of 2019, we once again delivered growth in revenue and EBITDA despite global turbulence, many market challenges and rising prices of raw materials. The six months to 30 June 2019 marks our best first half-year ever in terms of both the top and bottom lines, and we remain confident that we will generate full-year profit before tax of about DKK 200 million on revenue of DKK 2.0-2.1 billion, but current geopolitical developments are a cause of concern."*

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK '000 (key ratios excepted)	Q2 2019 (unaud.)	Q2 2018 (unaud.)**	Acc. Q2 2019 (unaud.)	Acc. Q2 2018 (unaud.)**	FY 2018 (audited)**
Income statement					
Revenue	506,167	516,816	1,035,796	989,695	1,965,028
Profit before depreciation, amortisation and impairment losses (EBITDA)	77,921	65,491	163,351	137,533	285,619
Depreciation, amortisation and impairment losses	-31,556	-23,176	-61,839	-45,406	-89,695
Profit before net financials (EBIT)	46,365	42,315	101,512	92,127	195,924
Net financials	-811	6,044	-1,408	7,537	4,189
Profit before tax	45,554	48,359	100,104	99,664	200,113
Profit for the period	37,707	38,790	80,760	77,981	160,083
Earnings per share (DKK)*			7.23	6.94	14.37
Earnings per share, diluted (DKK)*			7.10	6.75	14.10
Balance sheet					
Non-current assets			1,164,285	901,558	938,668
Total assets			1,948,395	1,582,721	1,640,509
Equity			664,366	545,144	617,682
Equity including non-controlling interests			666,603	547,757	620,030
Investments in property, plant and equipment (excluding acquisitions)	34,449	29,435	60,246	52,902	123,648
Net interest-bearing debt (NIBD)			782,893	559,501	576,598
NIBD/EBITDA (LTM)			2.5	2.1	2.0
Cash flows					
Cash flows from:					
- operating activities	60,352	50,972	97,699	68,581	173,401
- investing activities	-58,253	-33,469	-82,579	-59,343	-124,647
- financing activities	-1,821	-21,154	-9,783	-40,230	-62,917
Change in cash and cash equivalents	278	-3,651	5,337	-30,992	-14,163
Key ratios					
EBITDA margin (%)	15.4	12.7	15.8	13.9	14.5
EBIT margin (%)	9.2	8.2	9.8	9.3	10.0
Profit before tax as a percentage of revenue	9.0	9.4	9.7	10.1	10.2
Return on invested capital including goodwill (%)					15.8
Return on invested capital excluding goodwill (%)					18.6
Return on equity, excluding non-controlling interests					27.8
Equity ratio, excluding non-controlling interests (%)			34.1	34.4	37.7
Equity ratio, including non-controlling interests (%)			34.2	34.6	37.8
Financial gearing			1.2	1.0	0.9
Cash flow per share, DKK*			8.58	5.93	15.24
Total dividends for the year per share (DKK)*					2.40
Market price, end of period (DKK per share)*			257.00	258.00	197.50
Net asset value per share, end of period (DKK)*			59.36	48.19	55.35
Market price/net asset value, end of period*			4.33	5.35	3.57
Number of shares, end of period*			11,390,000	11,390,000	11,390,000
of which treasury shares, end of period*			196,974	77,932	230,351
Average no. of employees			2,066	1,963	1,994

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 2018 Annual Report.

* Ratio adjusted for stock split in May 2018.

** Comparative figures have not been restated to reflect the implementation of IFRS 16 effective from 1 January 2019.



MANAGEMENT COMMENTARY

PERFORMANCE REVIEW

We continued to record higher sales to many customers across industries and geographies in the first six months of 2019. Denmark was our fastest growing market with sales up by 7.6%, Sales to our international customers improved by 2.9%.

International sales were up by 1.5% in local currencies.

Performance numbers relative to the corresponding period of 2018:

	Q2 2019	H1 2019
Healthcare	-10.4%	-4.7%
Cleantech	1.5%	10.0%
Food-related	-9.6%	-6.8%
Automotive	12.9%	15.5%
of which own brands	-9.1%	0.2%

Most of the change in H1 revenue was due to higher volume sales. Exchange rate developments added about DKK 8.5 million to revenue (SEK and BRL depreciating and USD and RMB appreciating sharply against DKK), equal to 0.9%.

Acquired businesses and operations contributed about DKK 8.5 million of the revenue improvement in the first half year.

Organic growth in local currencies was about 2.9% in H1 2019.

Sales slowed across geographies and industries towards the end of the second quarter, resulting in negative top and bottom line performances

Organic growth in local currencies was minus 3.2% in the second quarter. We believe the slowdown was due to geopolitical developments.

Sales to the healthcare industry were down by 4.7% year-on-year to DKK 297.5 million and now account for 28.7% of consolidated revenue.

Sales to the cleantech industry were up by 10.0% to DKK 360.1 million and now make up 34.8% of consolidated revenue.

Sales to food-related industries fell by 6.8% to DKK 137.0 million and now make up 13.2% of consolidated revenue.

Sales to the automotive sector were up by 15.5% to DKK 58.9 million, equal to 5.7% of revenue.

Sales of our own brands were up by 0.2% and now account for 21.8% of consolidated revenue.

SP Medical reported a 4.5% decline in guidewire sales.

Ergomat reported a 0.4% improvement in sales of ergonomic products.

TPI reported a 3.0% improvement in sales of farm ventilation components.

MedicoPack reported a 6.0% decline in medical device packaging.

Tinby Skumplast, MM Composite and Nycopac along with SP Moulding and Tinby all reported improved own-brand sales – standard industry components – which were up by 3.4% to a total of DKK 63.1 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, food-related and other industries, which we believe hold an attractive growth potential for our company.

Our sales to the healthcare industry are declining in volume terms, because customers are currently phasing out their older proprietary products faster than their new products are gaining acceptance. 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 own-brand products.

International sales make up 61.2% of revenue (compared with 62.3% in H1 2018).

SP Group continually seeks to optimise its business 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



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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 72% of our staff are employed outside Denmark.

The Group's headcount grew by 24 in the six months to 30 June 2018 due to organic initiatives.

The new employees are based in Poland (26) and Slovakia (18). The headcount in Denmark was reduced by 19 employees, while there was a net reduction of one in the rest of the world.

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

Through the acquisition of the Finnish company Coreplast, we added about 110 new colleagues, bringing our global headcount at 30 June 2019 to about 2,200.

Exchange rate developments lifted the H1 revenue expressed in Danish kroner (by about DKK 8.5 million).

Higher prices of raw materials and frequent force majeure claims by our suppliers had a negative impact on EBITDA in the H1 2019 period. We expect to pass on the higher prices of raw materials to our customers at a certain time lag.

As announced in Announcement No. 14/2019, 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 2019. The programme has been increased by DKK 15 million to DKK 55 million (see Announcement No. 29 of 29 April 2019). The Board of Directors resolved today to increase the share buy-back programme by a further DKK 40 million to DKK 95 million and to extend the programme to 10 April 2020 (see Announcement No. 45/2019).

In April 2019, the Company sold 190,000 treasury shares to cover the cost of warrants exercised under the 2015 and 2016 warrant programmes (see Announcement No. 23/2019). The proceeds added DKK 17.1 million in cash to equity.

The short three-day Easter work week fell in the second quarter this year, while last year it was in the first quarter. That had a negative effect on this year's Q2 business activity and earnings relative to the year-earlier period.

FINANCIAL PERFORMANCE REVIEW

Revenue for the first six months of 2019 amounted to DKK 1,035.8 million, a 4.7% improvement from DKK 989.7 million in the year-earlier period. Acquired businesses and operations added approximately 0.9ppt to revenue. Exchange rate developments contributed about 0.9ppt. This is the first time our revenue has exceeded DKK 1 billion in a six-month period.

Consolidated H1 2019 EBITDA was DKK 163.4 million compared with DKK 137.5 million in H1 2018. Acquired businesses and operations contributed DKK 0.1 million. The implementation of IFRS 16 added DKK 17.2 million to EBITDA.

The EBITDA margin improved to 15.8% from 13.9% in the H1 2018 period (of which 1.7ppt related to IFRS 16). The Q2 EBITDA margin was 15.4% against 12.7% in Q2 2018. An amount of DKK 2.2 million was expensed in the second quarter to cover anticipated costs related to the acquisition of Coreplast.

Profit before net financials (EBIT) came to DKK 101.5 million in H1 2019, against DKK 92.1 million in H1 2018. The H1 2019 EBIT margin was 9.8%, compared with 9.3% in H1 2018. The implementation of IFRS 16 added DKK 3.4 million to EBIT.

Net financials were an expense of DKK 1.4 million in H1 2019, an DKK 8.9 million greater expense than in H1 2018. The decline was due to the implementation of IFRS 16 (DKK 4.0 million) and exchange rate adjustments.

The profit before tax amounted to DKK 100.1 million in H1 2019 as against DKK 99.7 million in H1 2018. The implementation of IFRS 16 reduced profit before tax by DKK 0.6 million.

The tax rate fell to 19.3% from 21.8%, due specifically to lower corporate tax rates in the USA and Latvia.

Total assets amounted to DKK 1,948.4 million at 30 June 2019, compared with DKK 1,582.7 million at 30 June 2018. The equity ratio was 34.2% at 30 June 2019, as against 34.6% at 30 June 2018 and 37.8% at 31 December 2018.

Total assets grew by a total of approximately DKK 307.9 million during the six months to 30 June 2019. The amount breaks down as follows: the addition of property, plant and equipment (DKK 128.1 million) due to the implementation of IFRS 16, the acquisition of Coreplast (DKK 76.5 million), property acquisitions (DKK 24.8 million), an increase in gross working capital (DKK 45.1 million), an increase in cash and cash equivalents (of DKK 4.0 million) an



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increase in intangible assets (DKK 8.1 million) and an increase in other property, plant and equipment (DKK 21.3 million).

Net interest-bearing debt amounted to DKK 782.9 million at 30 June 2019, against DKK 576.6 million at 31 December 2018 and DKK 559.5 million at 30 June 2018. The implementation of IFRS 16 added DKK 128.7 million to interest-bearing debt.

Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt at 30 June 2019 was 2.5 times LTM EBITDA (DKK 311.5 million). NIBD/EBITDA was 2.1x at 30 June 2018. We remain strongly committed to reducing interest-bearing debt by increasing cash flows from operating activities.

Equity was negatively affected in the H1 reporting period by exchange rate adjustments of foreign subsidiaries (by DKK 1.0 million) while value adjustment of financial instruments acquired to hedge future cash flows had a positive effect, such instruments consisting mainly of forward contracts (PLN against EUR, by DKK 9.6 million).

Equity was reduced by the purchase of treasury shares in the reporting period for a net amount of DKK 17.3 million and dividend payments amounting to DKK 26.9 million.

Equity amounted to DKK 666.6 million at 30 June 2019 against DKK 547.8 million at 30 June 2018 and 620.0 million at 31 December 2018.

Equity increased by DKK 46.6 million in H1 2019.

Cash flows

Cash flows from operating activities were DKK 97.7 million in H1 2019, which was DKK 29.1 million more than in H1 2018.

In H1 2019, the Group spent DKK 82.6 million on investments, DKK 77.0 million on reducing net long-term loans, DKK 16.3 million net on buying and selling treasury shares and warrants, DKK 1.5 million on changes in deposits, 76.0 million on raising long-term debt (including DKK 6.0 million on finance leases), DKK 26.9 million on paying dividends and DKK 38.9 million on an adjustment to its short-term bank debt. In aggregate, this produced a net change in cash and cash equivalents of DKK 5.3 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 2019

The global economic recovery is expected to continue through the rest of 2019, but it remains fragile and subject to political uncertainty and economic volatility. Our neighbouring markets in Europe have grave government budget deficits and high indebtedness.

Brexit is expected to have only a marginally 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.

A number of older customer-proprietary products will be phased out over the coming months, and will be replaced by new ones.

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 in 2019. We expect the largest single investment to be made in our cleantech operations.

Amortisation and depreciation charges are expected to be slightly higher than in 2018 due in part to the implementation of IFRS 16.

Financial expenses are expected to be higher than in 2018 due in part to the implementation of IFRS 16.

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.

Our goal is to increase revenue and earnings once again in 2019, but we have a short order horizon. We maintain our FY 2019 guidance of profit before tax at the level of DKK 200 million on revenue of about DKK 2.0-2.1 billion.



OTHER MATTERS

SP Group A/S acquired Finnish company Coreplast Laitila Oy in June at a total price including debt (enterprise value) of up to DKK 70 million.

Coreplast is an advanced injection moulding company with production and assembly facilities in Finland. The company has roots dating back to 1968 and has expanded regularly since being founded. Its customers are primarily leading Finnish export companies with high quality requirements. As a result, Coreplast is certified to ISO13485, IATF16949, ISO9001 and ISO14001. See Announcement No. 39/2019.

MM Composite Inc. paid approximately DKK 17 million to acquire the premises in Iowa, USA that the company had previously leased.

Opido AB paid approximately DKK 6 million to acquire the premises in Sweden that the company had previously leased.

The two acquisitions raised the interest-bearing debt by DKK 23 million and will lift earnings before tax by approximately DKK 2 million on an annualised basis.

In the USA, Gibo has installed production equipment and has begun to provide vacuum-forming services for customers in the local market.

In China, Gibo has leased a 10,000 m² building and plans to set up warehouse and assembly facilities and sales offices. The company plans to add vacuum-formed and rotation-moulded components to its local production capabilities in 2020.

In Poland, SP Moulding has leased a 1,600 m² building that will be used as a finished goods warehouse.

SP Group has been named a preferred supplier by another of our major customers.

Adam Czyzynski, the managing director of SP Group's operations in Poland, has announced his retirement after more than 30 years of valued service to SP Group, including almost 20 years in Poland. During those 20 years under Adam's capable management, SP Group grew from one employee in the year 2000 to currently more than 1,000 employees.

Iwona Czyzynski, plant manager at SP Medical's guidewire facility, has also announced her retirement. Iwona has very skilfully managed the guidewire factory since its inception in 2006.

We wish to thank both Adam and Iwona for their outstanding contributions.

Monika Karczewska, who was previously plant manager at SP Moulding, has been appointed new managing director of SP Moulding Poland.

Prezemyslaw Tuzikiewicz, who was previously plant manager at Tinby, has been appointed new managing director of Tinby Poland and Acccoat Poland.

Rafal Szefer has been appointed managing director of SP Medical Poland from his previous position as R&D manager.

Lars Bering, the managing director of the Gibo group, will now also serve as managing director of Gibo Poland, while Claus Lendal, managing director of the Ergomat group, will now also serve as managing director of Ergomat Poland.

Izabela Filipiak has been appointed plant manager of Ergomat Poland. In her previous position, Izabela was department manager with Tinby Poland.

Anna Szymczak has been appointed CFO of all SPG's Polish companies. In her previous position, Anna was finance manager with SP Moulding Poland and Gibo Poland.



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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 2019.

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 2019 and of the results of the Group's operations and cash flows for the six months ended 30 June 2019.

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 2019

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	Q2 2019 (unaud.)	Q2 2018 (unaud.)**	Acc. Q2 2019 (unaud.)	Acc. Q2 2018 (unaud.)**	FY 2018 (aud.)**
Revenue	506,167	516,816	1,035,796	989,695	1,965,028
Production costs	-341,906	-358,582	-703,512	-674,163	-1,319,356
Contribution margin	164,261	158,234	332,284	315,532	645,672
Profit before depreciation, amortisation and impairment losses (EBITDA)	77,921	65,491	163,351	137,533	285,619
Depreciation, amortisation and impairment losses	-31,556	-23,176	-61,839	-45,406	-89,695
Profit before net financials (EBIT)	46,365	42,315	101,512	92,127	195,924
Net financials	-811	6,044	-1,408	7,537	4,189
Profit before tax	45,554	48,359	100,104	99,664	200,113
Tax on profit for the period	-7,847	-9,569	-19,344	-21,683	-40,030
Profit for the period	37,707	38,790	80,760	77,981	160,083
Attributable to:					
Parent company shareholders	37,668	38,810	80,844	78,046	160,434
Non-controlling shareholders	39	-20	-84	-65	-351
Earnings per share (DKK)			7.23	6.94	14.37
Earnings per share, diluted (DKK)			7.10	6.75	14.10

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Q2 2019 (unaud.)	Q2 2018 (unaud.)**	Akk Q2 2019 (unaud.)	Akk Q2 2018 (unaud.)**	FY 2018 (aud.)**
Profit for the period	37,707	38,790	80,760	77,981	160,083
<i>Poster der kan blive reklassificeret til resultatopgørelsen:</i>					
Exchange rate adjustment relating to foreign companies	-2,919	-5,180	-1,013	-10,547	-3,988
Net fair value adjustment of financial instruments acquired to hedge future cash flows	7,053	-20,715	9,647	-24,777	-9,037
Other comprehensive income	4,134	-25,895	8,634	-35,324	-13,025
Comprehensive income	41,841	12,895	89,394	42,657	147,058
Allocation of comprehensive income for the period:					
Parent company shareholders	41,818	12,932	89,505	42,783	147,452
Non-controlling shareholders	23	-37	-111	-126	-394

**Comparative figures have not been restated to reflect the implementation of IFRS 16 effective from 1 January 2019.



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BALANCE SHEET (summary)

DKK '000	30.06. 2019 (unaud.)	30.06. 2018 (unaud.)**	31.12. 2018 (aud.)**
Intangible assets	278,960	254,922	258,433
Property, plant and equipment	880,970	640,193	674,413
Financial assets	1,534	2,611	3,001
Deferred tax assets	2,821	3,832	2,821
Total non-current assets	1,164,285	901,558	938,668
Inventories	404,223	356,199	385,818
Receivables	313,108	280,350	254,581
Cash	66,779	44,614	61,442
Total current assets	784,110	681,163	701,841
Total assets	1,948,395	1,582,721	1,640,509
Equity including non-controlling interests	666,603	547,757	620,030
Non-current liabilities	633,503	370,601	428,683
Current liabilities	648,289	664,363	591,796
Equity and liabilities	1,948,395	1,582,721	1,640,509

**Comparative figures have not been restated to reflect the implementation of IFRS 16 effective from 1 January 2019.



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CASH FLOW STATEMENT

DKK '000	Acc. Q2 2019 (unaud.)	Acc. Q2 2018 (unaud.)**	FY 2018 (aud.)**
Profit before net financials (EBIT)	101,512	92,127	195,924
Depreciation, amortisation and impairment losses	61,839	45,406	89,695
Share-based payment	329	210	495
Value adjustments, etc.	-289	9,634	1,544
Change in working capital	-26,083	-59,828	-75,353
Interest expenses paid	-12,259	-6,962	-12,776
Income tax received/paid	-27,350	-12,005	-26,128
Cash flows from operating activities	97,699	68,581	173,401
Acquisition of subsidiary	-26,139	-5,244	-5,244
Acquisition of intangible assets	-2,144	-4,207	-11,722
Acquisition of property, plant and equipment, net	-60,246	-52,902	-123,249
Portion relating to finance leases	5,950	3,010	15,568
Cash flows from investing activities	-82,579	-59,343	-124,647
Dividend to non-controlling shareholders	0	0	0
Dividends paid	-26,892	-22,670	-22,669
Deposits, adjustment	1,467	-54	-405
Acquisition of treasury shares	-34,448	-31,606	-64,294
Sale of treasury shares and warrants	17,118	16,838	16,838
Sale of warrants	1,072	1,495	1,495
Raising of long-term loans	75,950	23,490	136,048
Portion relating to finance leases	-5,950	-3,010	-15,568
Instalments on non-current liabilities	-77,042	-64,474	-115,803
Bank debt, adjustment	38,942	39,761	1,441
Cash flows from financing activities	-9,783	-40,230	-62,917
Change in cash and cash equivalents	5,337	-30,992	-14,163
Cash and cash equivalents at 1 January	61,442	44,614	75,605
Cash and cash equivalents at end of period	66,779	13,622	61,442

**Comparative figures have not been restated to reflect the implementation of IFRS 16 effective from 1 January 2019.



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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	
	2019 (unaud.)	2018 (unaud)**	2019 (unaud.)	2018 (unaud)**	2019 (unaud.)	2018 (unaud)**
DKK '000						
Equity at 1 January	617,682	536,599	2,348	1,088	620,030	537,687
Profit for the period	80,844	78,046	-84	-65	80,760	77,981
Other comprehensive income:						
Exchange rate adj., foreign subsidiaries	-986	-10,486	-27	-61	-1,013	-10,547
Value adjustment of derivative financial instruments	9,647	-24,777	0	0	9,647	-24,777
Total other comprehensive income	8,661	-35,263	-27	-61	8,634	-35,324
Comprehensive income for the period	89,505	42,783	-111	-126	89,394	42,657
Share-based payment	1,401	210	0	0	1,401	210
Sale of warrants	0	1,495	0	0	0	1,495
Acquisition of treasury shares	-34,448	-30,111	0	0	-34,448	-30,111
Sale of treasury shares	17,118	16,838	0	0	17,118	16,838
Dividends paid	-26,892	-22,670	0	0	-26,892	-22,670
Addition from acquisitions	0	0	0	1,651	0	1,651
Transactions with shareholders	-42,821	-34,238	0	1,651	-42,821	-32,587
Equity at 30 June	664,366	545,144	2,237	2,613	666,603	547,757

**Comparative figures have not been restated to reflect the implementation of IFRS 16 effective from 1 January 2019.



Effective 25 June 2019, the Group acquired all shares in Finnish company Coreplast Laitila Oy, a production business specialising in specialising in injection moulding of technical plastics.

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

	DKK '000
Customer files	11,195
Intangible assets	1,231
Property, plant and equipment	35,696
Financial assets	784
Inventories	21,666
Order book	663
Trade receivables	7,053
Other receivables	239
Deferred tax	-6,788
Trade payables	-10,158
Income tax	-336
Other payables	-9,732
Acquired net assets	51,513
Goodwill	12,171
Total consideration	63,684
Cash consideration	18,263
Acquired net interest-bearing debt	14,150
Debt instruments	12,595
Contingent consideration	18,676
Total consideration	63,684

The acquired entity had an EBITDA of about DKK 10 million in its most recent financial year.

The consideration was for an amount up to DKK 49,534 thousand, of which DKK 18,263 thousand was paid in cash.

Debt instruments with a total nominal value of DKK 12,884 thousand, which fall due in the period 2020-2021, have been issued. The discounted amount is DKK 12,595 thousand.

In addition, there is a contingent consideration with a nominal value of DKK 19,428 thousand. The discounted amount is DKK 18,676 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 2.2 million, which amount has been recognised in June 2019.

In connection with the acquisitions, goodwill has been made up at DKK 12,171 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.



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

The Board of Directors resolved on 27 March 2019 (see Announcement no. 15/2019) to set up an incentive programme for the Company's Executive Board and 42 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 240,000 warrants were issued, of which 30,000 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 210.00 per share with a nominal value of DKK 2 plus a 7.5% premium per annum calculated from 1 April 2019 until the date of exercise. The exercise price has been fixed on the basis of market conditions immediately before the release of the 2018 Annual Report on 27 March 2019.

Warrants issued under the programme may be exercised to buy shares in the Company during the period from 1 April 2022 to 31 March 2025, 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 7.52 each for an aggregate market value of DKK 1,804,605.00. 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 196.00 and assuming that warrants awarded are exercised in April 2022. Allowance is made for any dividend payments to be made during the period.

Members of the Executive Board and the 42 senior managers were given the option of buying the warrants at market price as calculated above against payment in cash. The offer to buy applied on 27 March 2019.

Members of the Executive Board and 17 senior managers (19 participants) opted to buy their warrants (total of 140,000 warrants).

The 15,000 outstanding warrants from the 2015 programme were exercised in April 2019. In addition, 175,000 outstanding warrants from the 2016 programme were also exercised in April 2019.

SP Group currently has incentive programmes consisting of 120,000 warrants (2016 programme) that are exercisable as from 2019, 350,000 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.



Accounting policies

The interim report for the six months to 30 June 2019 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 2018, 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 2019, SP Group A/S has implemented the following new or amended standards and interpretations:

- IFRS 16 Leases
- Amendments to IFRS 9 on prepayment features
- Amendments to IAS 19 regarding plan amendments during the reporting period
- Amendments to IAS 28 regarding long-term interests in associates and joint ventures
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS 2015-2017.

Of these, only IFRS 16 affected recognition and measurement in the interim report. The effects are detailed below.

When implementing IFRS 16, the Group applied the modified retrospective transition method, for which the effects of the transition are recognised in equity at 1 January 2019 without comparative figures being restated.

In accordance with the transition provisions of IFRS 16, the Group applied the following transition provisions when implementing the standard:

- Not to recognise leases of low value
- Not to reassess whether a current contract is or comprises a lease
- To determine a discount rate on a portfolio of leases with similar characteristics.

When assessing the future lease payments, the Group reviewed its operating leases and identified the lease payments related to a lease component that are fixed or variable but change in line with changes in an index or an interest rate.

When assessing the expected lease term, the Group identified the non-cancellable lease term in the lease plus periods covered by an extension option that Management is reasonably likely to exercise and plus periods covered by a termination option that Management is reasonably unlikely to exercise.

For leases on equipment, the Group has assessed that the expected lease term is the non-cancellable lease term in the leases, as the Group has not historically exercised the extension options in similar leases.

When assessing the expected lease term of leases on properties, the Group has divided its portfolio into properties that are primary production facilities and other properties where location is less important to the Group or where relocation is expected. For the primary production facilities, the Group assesses that the expected lease term is 7-10 years, whereas the lease term for the other properties are assessed to be 1-5 years. Notwithstanding this assessment, the lease terms have been determined taking into consideration the extension option.

When discounting the lease payments to present value, the Group used its incremental borrowing rate, which is the costs of obtaining external financing for a corresponding asset with a financing period corresponding to the term of the lease denominated in the currencies in which lease payments are settled.

The Group has documented the incremental borrowing rate of each portfolio of leases with similar characteristics.

When measuring the lease liability, the Group used an average incremental borrowing rate for discounting future lease payments of about 5% p.a.



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The Group has recognised lease assets and a corresponding lease liability of approximately DKK 165 million. The equity impact at 1 January 2019 was DKK 0.

Recognised lease liabilities at 1 January 2019

DKK '000

Operational lease liability at 31 December 2018	112,357
Discounted using incremental borrowing rate at 1 January 2019	97,391
Finance lease liability recognised at 31 December 2018	54,316
Purchase option that may reasonably be expected to be exercised	19,835
Lease payments for periods during extension options that may reasonably be expected to be exercised	48,363
Lease liability recognised at 1 January 2019 (IFRS 16)	219,905

Impact of implementing IFRS 16 in H1 2019

DKK '000	Profit at 30 June 2019		Balance sheet at 30 June 2019
Profit before depreciation, amortisation and impairment losses (EBITDA)	17,218	Non-current assets	128,085
Depreciation, amortisation and impairment losses	-13,844	Non-current liabilities	128,742
Profit before net financials (EBIT)	3,374	NIBD	128,742
Net financials	-4,031	NIBD/EBITDA	+0.3
Profit before tax	-657		

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 2018. Reference is made to the information provided on estimates and judgments in the consolidated and the parent company financial statements for 2018.

In addition, estimates have been made in relation to IFRS 16, including estimates of estimated lease period and incremental borrowing rate.

Impairment test

The annual test for impairment of intangible assets, including goodwill, will be made at 31 December 2019 following the completion of budgets and strategy plans for the upcoming period. Management has not identified evidence of impairment of the carrying amount of goodwill at 30 June 2019.



Forward-looking statements

This interim report contains forward-looking statements reflecting Management's current perception of future trends and financial performance. Statements relating to 2019 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 and has increasing sales and growing production from own factories in Denmark, China, Brazil, 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 2,200 employees and about 2,300 registered shareholders at 30 June 2019.

Ergomat's ergonomic mats from Ergomat with built-in LED lighting are among the most durable in the world.

