NASDAQ Copenhagen A/S
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Announcement no. 33 / 2019
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Company reg. (CVR) no.
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Interim report – First quarter of 2019

Summary: SP Group generated profit before tax of DKK 54.6 million in Q1 2019, a 6.3% increase from DKK 51.3 million in Q1 2018. Relative to the year-earlier period, revenue was up by 12.0% to DKK 529.6 million and EBITDA was up by 18.6% to DKK 85.4 million from DKK 72.0 million. Earnings were in line with expectations. We maintain the FY 2019 guidance provided in the 2018 Annual Report and released in Announcement no. 13/2019. We continue to guide for profit before tax and non-controlling interests at the level of DKK 200 million on revenue of about DKK 2.0 billion.

The Board of Directors of SP Group A/S has today considered and approved the interim report for the three months ended 31 March 2019.

Highlights of the interim report:

- Revenue was up by DKK 56.8 million to DKK 529.6 million in Q1 2019, or by 12.0% relative to the year-earlier period.
- Operating income (EBITDA) for Q1 2019 was DKK 85.4 million, as against DKK 72.0 million in Q1 2018. Company acquisitions added DKK 0.1 million to EBITDA. The implementation of IFRS 16 had a positive effect (DKK 8.6 million) on Q1 2019 EBITDA. Comparative figures have not been restated.
- Depreciation, amortisation and impairment losses amounted to DKK 30.3 million, an increase of DKK 8.1 million relative to Q1 2018. The implementation of IFRS 16 had a negative effect (DKK 6.9 million) on depreciation, amortisation and impairment losses.
- Earnings before interest and tax (EBIT) came to DKK 55.1 million in Q1 2019, against DKK 49.8 million in Q1 2018. The implementation of IFRS 16 had a positive effect (DKK 1.7 million) on Q1 2019 EBIT. Comparative figures have not been restated.
- Net financials were an expense of DKK 0.6 million, a decline of DKK 2.1 million relative to Q1 2018 due to the implementation of IFRS 16 (DKK 2.0 million).
- Profit before tax was DKK 54.6 million in Q1 2019, as against DKK 51.3 million in Q1 2018. The implementation of IFRS 16 reduced the Q1 2019 profit before tax by DKK 0.3 million.
- Earnings per share (diluted) were DKK 3.80 in Q1 2019, against DKK 3.38 in Q1 2018, for a 12.4 % increase.
- Sales of our own brands were up by 10.8% in Q1 2019 to DKK 116.6 million and now make up 22.0% of revenue.
- There was a cash inflow from operating activities of DKK 37.3 million in Q1 2019, against DKK 17.6 million in Q1 2018. The implementation of IFRS 16 added DKK 6.6 million to cash flows from operations in Q1 2019.
- Net interest-bearing debt (NIBD) amounted to DKK 747.2 million at 31 March 2019, against DKK 544.2 million at 31 March 2018. At 31 December 2018, NIBD was DKK 576.9 million. NIBD was 2.5 times LTM EBITDA. NIBD grew by DKK 158.7 million in Q1 2019 due to the implementation of IFRS 16. NIBD/EBITDA grew from 2.0 to 2.5 due to the implementation of IFRS 16.
- We continue to guide for profit before tax at the level of DKK 200 million on revenue of about DKK 2.0 billion.

Statement by CEO Frank Gad: *"In the first quarter, we once again delivered growth in sales and earnings despite global turbulence, many market challenges and rising prices of raw materials. The first quarter of 2019 marks our best quarter 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 close to DKK 2 billion."*

In case of any discrepancies the Danish version shall prevail.

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK '000 (key ratios excepted)	Q1 2019 (unaud.)	Q1 2018 (unaud.) **	FY 2018 (audited) **
Income statement			
Revenue	529,629	472,879	1,965,028
Profit before depreciation, amortisation and impairment losses (EBITDA)	85,430	72,042	285,619
Depreciation, amortisation and impairment losses	-30,283	-22,230	-89,695
Profit before net financials (EBIT)	55,147	49,812	195,924
Net financials	-597	1,493	4,189
Profit before tax	54,550	51,305	200,113
Profit for the period	43,053	39,191	160,083
Earnings per share (DKK)*	3.88	3.52	14.37
Earnings per share, diluted (DKK)*	3.80	3.38	14.10
Balance sheet			
Non-current assets	1,101,592	874,948	938,668
Total assets	1,837,001	1,542,272	1,640,509
Equity	654,228	551,727	617,682
Equity including non-controlling interests	656,442	552,726	620,030
Investments in property, plant and equipment (excluding acquisitions)	25,797	23,467	123,648
Net interest-bearing debt (NIBD)	747,241	544,222	576,598
NIBD/EBITDA (LTM)	2.5	2.0	2.0
Cash flows			
Cash flows from:			
- operating activities	37,347	17,610	173,401
- investing activities	-24,326	-25,874	-124,647
- financing activities	-7,962	-19,076	-62,917
Change in cash and cash equivalents	5,059	-27,340	-14,163
Key ratios			
EBITDA margin (%)	16.1	15.2	14.5
EBIT margin (%)	10.4	10.5	10.0
Profit before tax as a percentage of revenue	10.3	10.8	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 (%)	35.6	35.8	37.7
Equity ratio, including non-controlling interests (%)	35.7	35.8	37.8
Financial gearing	1.1	1.0	0.9
Cash flow per share, DKK*	3.29	1.52	15.24
Total dividends for the year per share (DKK)*			2.40
Market price, end of period (DKK per share)*	209.65	218.00	197.50
Net asset value per share, end of period (DKK)*	58.91	49.68	55.35
Market price/net asset value, end of period*	3.56	4.39	3.57
Number of shares, end of period*	11,390,000	11,390,000	11,390,00
of which treasury shares, end of period*	285,247	284,610	230,351
Average no. of employees	2,057	1,919	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 quarter. Denmark was our fastest growing market with Q1 sales up by 16.4%. Sales to our international customers improved by 9.4%.

International sales were up by 7.6% in local currencies.

Our performance numbers relative to the corresponding period of 2018:

	Q1 2019
Healthcare	1.5%
Cleantech	18.9 %
Food-related	-3.6 %
Automotive	18.3 %
of which own brands	10.8 %

Most of the change in Q1 revenue was due to higher volume sales. Changes in foreign exchange rates had a positive impact of about DKK 5.8 million (SEK and BRL depreciating and USD and RMB appreciating sharply against DKK).

Acquired businesses and operations contributed about DKK 5.5 million of the revenue improvement in the first quarter.

Organic growth in local currencies was about 9.6% in Q1 2019.

Sales to the healthcare industry were up by 1.5% year-on-year to DKK 151.4 million and now account for 28.6% of consolidated revenue.

Sales to the cleantech industry were up by 18.9% to DKK 189.1 million and now make up 35.7% of consolidated revenue.

Sales to food-related industries fell by 3.6% to DKK 66.4 million and now make up 12.5% of consolidated revenue.

Sales to the automotive sector were up by 18.3% to DKK 29.1 million, equal to 5.5% of revenue.

Sales of our own brands were up by 10.8% and now account for 22.0% of consolidated revenue.

SP Medical reported a 4.7% decline in guidewire sales.

Ergomat reported a 12.3% improvement in sales of ergonomic products.

TPI reported a 7.4% improvement in sales of farm ventilation components.

MedicoPack reported a 13.1% sales increase in medical device packaging.

Tinby Skumplast, MM Composite and Nycopac along with SP Moulding and Tinby all reported fair growth in own-brand sales – standard industry components – which were up by 19.7% to a total of DKK 34.0 million. The improvements were driven by new innovative solutions and products, improved marketing opportunities and a larger sales force. The resulting growth contributed to the higher earnings.

SP Group continued its intensified marketing efforts towards both existing and potential customers. We won new customers in the first quarter 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.

We are generating higher volume sales to the healthcare industry and 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 make up 61.5% of revenue (compared with 63.0% in Q1 2018).

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 70% of our staff are employed outside Denmark.

The Group's headcount grew by 30 in the first quarter.

The new employees are based in Poland (18) and Slovakia (25). The headcount in China was reduced by 10, while there was a net reduction of three employees 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.

At 31 March 2019, SP Group had 2,098 employees worldwide.

Exchange rate developments lifted the Q1 revenue expressed in Danish kroner (by about DKK 5.8 million).

Higher prices of raw materials and frequent force majeure claims by our suppliers had a negative impact on EBITDA in Q1 2019. 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 share buy-back programme has been increased by DKK 15 million to DKK 55 million (see Announcement No. 29 of 29 April 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 has a positive effect on this year's business activity and earnings relative to last year.

FINANCIAL PERFORMANCE REVIEW

Revenue for the first three months of 2019 amounted to DKK 529.6 million, a 12.0% improvement from DKK 472.9 million in the year-earlier period. Acquired businesses and operations added approximately 1.2pp to revenue. Exchange rate developments contributed about 1.1pp.

The consolidated Q1 2019 EBITDA was DKK 85.4 million compared with DKK 72.0 million in Q1 2018, of which DKK 0.1 million derived from acquired businesses and operations. The implementation of IFRS 16 added DKK 8.6 million to the Q1 2019 EBITDA.

The EBITDA margin improved to 16.1% from 15.2% in the Q1 2018 period.
Profit before net financials (EBIT) came to DKK 55.1 million in Q1 2019, against DKK 49.8 million in Q1 2018. The Q1 2019 EBIT margin was 10.4%, compared with 10.5% in Q1 2018. The implementation of IFRS 16 added DKK 1.7 million to the Q1 2019 EBIT.

Net financials were an expense of DKK 0.6 million in Q1 2019, a decline of DKK 2.1 million relative to Q1 2018. The decline was due to the implementation of IFRS 16.

The profit before tax amounted to DKK 54.6 million in Q1 2019 as against DKK 51.3 million in Q1 2018. The implementation of IFRS 16 reduced the Q1 2019 profit before tax by DKK 0.3 million.

The tax rate fell to 21.1% from 23.6%, due specifically to lower corporate tax rates in the USA and Latvia.

Total assets amounted to DKK 1,837.0 million at 31 March 2019, compared with DKK 1,542.3 million at 31 March 2018. The equity ratio was 35.7% at 31 March 2019, as against 35.8% at 31 March 2018 and 37.8% at 31 December 2018.

Total assets grew by a total of approximately DKK 196.5 million during the three months to 31 March 2019. The amount breaks down as follows: the addition of property, plant and equipment (DKK 158.3 million) due to the implementation of IFRS 16, an increase in gross working capital (DKK 30.2 million), an increase in cash and cash equivalents (of DKK 5.1 million) a reduction of intangible assets (DKK 2.1 million) and an increase in property, plant and equipment (DKK 5.0 million).

Net interest-bearing debt amounted to DKK 747.2 million at 31 March 2019, against DKK 576.6 million at 1 January 2019 and DKK 544.2 million at 31 March 2018. The implementation of IFRS 16 added DKK 158.7 million to the interest-bearing debt.

Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 2.5 times LTM EBITDA (DKK 299.0 million). NIBD/EBITDA was 2.0x at 31 March 2018. We remain strongly committed to reducing the interest-bearing debt by increasing cash flows from operating activities.

Exchange rate adjustments of foreign subsidiaries (DKK 1.9 million) and value adjustment of financial instruments acquired to hedge future cash flows, such instruments consisting mainly of forward contracts (PLN against EUR, DKK 2.6 million) both had a positive effect on equity.

Equity was reduced by the purchase of treasury shares in the reporting period for a net amount of DKK 11.3 million.

Equity amounted to DKK 656.4 million at 31 March 2019 against DKK 552.7 million at 31 March 2018 and 620.0 million at 1 January 2019.

Equity increased by DKK 36.4 million during the Q1 2019 period.

Cash flows
Cash flows from operating activities were DKK 37.3 million in Q1 2019, which was DKK 19.7 million more than in Q1 2018.

In the Q1 2019 period, the Group spent DKK 24.3 million on investments, DKK 30.9 million on reducing net non-current loans, DKK 11.2 million on buying and selling treasury shares and warrants, DKK 0.2 million on changes in deposits, and DKK 34.0 million on an adjustment to its current bank debt. As a result, the net change in cash and cash equivalents was DKK 5.1 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 financial 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.

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.

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 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 billion.

OTHER MATTERS

TPI Polytechniek B.V. has established TPI Polytechnics Inc. in the USA. The new company sells ventilation system components to customers in the USA and Canada.

Tinby A/S has established Tinby SIA in Latvia. The new company sells pultrusion solutions and reaction injection moulding.

Mads Juhl (aged 61) has at his own request resigned as managing director of Accoat A/S and was replaced by Susie-Ann Spiegelhauer. Susie previously served as Head of Quality Assurance with Accoat.

Søren Ulstrup has been appointed managing director of SP Moulding A/S. Frank Gad has resigned from the company's executive management to become chairman of the board.

STATEMENT BY MANAGEMENT

The Board of Directors and the Executive Board have today considered and approved the interim report of SP Group A/S for the period 1 January–31 March 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 31 March 2019 and of the results of the Group's operations and cash flows for the three months ended 31 March 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, 24 May 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

INCOME STATEMENT (summary)

DKK '000	Q1 2019 (unaud.)	Q1 2018 (unaud.)	FY 2018 (audited)
Revenue	529,629	472,879	1,965,028
Production costs	-361,606	-315,581	-1,319,356
Contribution margin	**168,023**	**157,298**	**645,672**
Profit before depreciation, amortisation and impairment losses (EBITDA)	**85,430**	**72,042**	**285,619**
Depreciation, amortisation and impairment losses	-30,283	-22,230	-89,695
Profit before net financials (EBIT)	**55,147**	**49,812**	**195,924**
Net financials	-597	1,493	4,189
Profit before tax	**54,550**	**51,305**	**200,113**
Tax on profit for the period	-11,497	-12,114	-40,030
Profit for the period	**43,053**	**39,191**	**160,083**
Attributable to:			
Parent company shareholders	43,176	39,236	160,434
Non-controlling shareholders	-123	-45	-351
Earnings per share (DKK)	3.88	3.52	14.37
Earnings per share, diluted (DKK)	3.80	3.38	14.10

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Q1 2019 (unaud.)	Q1 2018 (unaud.)	FY 2018 (audited)
Profit for the period	**43,053**	**39,191**	**160,083**
Items that may be reclassified to the income statement:			
Exchange rate adjustment relating to foreign companies	1,906	-5,367	-3,988
Net fair value adjustment of financial instruments acquired to hedge future cash flows	2,594	-4,062	-9,037
Other comprehensive income	**4,500**	**-9,429**	**-13,025**
Comprehensive income	**47,553**	**29,762**	**147,058**
Allocation of comprehensive income for the period:			
Parent company shareholders	47,687	29,851	147,452
Non-controlling shareholders	-134	-89	-394

BALANCE SHEET (summary)

DKK '000	31.03. 2019 (unaud.)	31.03. 2018 (unaud.)	31.12. 2018 (audited)
Intangible assets	256,311	234,738	258,433
Property, plant and equipment	839,689	633,884	674,413
Financial assets	2,771	2,494	3,001
Deferred tax assets	2,821	3,832	2,821
Total non-current assets	**1,101,592**	**874,948**	**938,668**
Inventories	371,070	353,598	385,818
Receivables	297,838	265,461	254,581
Cash	66,501	48,265	61,442
Total current assets	**735,409**	**667,324**	**701,841**
Total assets	**1,837,001**	**1,542,272**	**1,640,509**
Equity including non-controlling interests	656,442	552,726	620,030
Non-current liabilities	568,618	373,783	428,683
Current liabilities	611,941	615,763	591,796
Equity and liabilities	**1,837,001**	**1,542,272**	**1,640,509**

CASH FLOW STATEMENT

DKK '000	Q1 2019 (unaud.)	Q1 2018 (unaud.)	FY 2018 (audited)
Profit before net financials (EBIT)	55,147	49,812	195,924
Depreciation, amortisation and impairment losses	30,283	22,230	89,695
Share-based payment	143	67	495
Value adjustments, etc.	1,076	3,494	1,544
Change in working capital	-20,940	-47,165	-75,353
Interest expenses paid	-5,939	-3,389	-12,776
Income tax received/paid	-22,423	-7,439	-26,128
Cash flows from operating activities	**37,347**	**17,610**	**173,401**
Acquisition of subsidiary	0	0	-5,244
Acquisition of intangible assets	-1,093	-2,407	-11,722
Acquisition of property, plant and equipment, net	-25,797	-23,467	-123,249
Portion relating to finance leases	2,564	0	15,568
Cash flows from investing activities	**-24,326**	**-25,874**	**-124,647**
Dividend to non-controlling shareholders	0	0	0
Dividends paid	0	0	-22,669
Deposits, adjustment	230	63	-405
Acquisition of treasury shares	-11,284	-14,790	-64,294
Sale of treasury shares and warrants	0	0	16,838
Sale of warrants	0	0	1,495
Raising of long-term loans	2,564	0	136,048
Portion relating to finance leases	-2,564	0	-15,568
Instalments on non-current liabilities	-30,924	-30,567	-115,803
Bank debt, adjustment	34,016	26,218	1,441
Cash flows from financing activities	**-7,962**	**-19,076**	**-62,917**
Change in cash and cash equivalents	**5,059**	**-27,340**	**-14,163**
Cash and cash equivalents at 1 January	61,442	48,265	75,605
Cash and cash equivalents at end of period	**66,501**	**20,925**	**61,442**

CHANGES IN EQUITY since 1 January:

DKK '000	Equity attributable to parent company shareholders 2019 (unaud.)	Equity attributable to parent company shareholders 2018 (unaud.)	Equity attributable to non-controlling interests 2019 (unaud.)	Equity attributable to non-controlling interests 2018 (unaud.)	Equity including non-controlling interests 2019 (unaud.)	Equity including non-controlling interests 2018 (unaud.)
Balance at 1 January	**617,682**	**536,599**	**2,348**	**1,088**	**620,030**	**537,687**
Profit for the period	**43,176**	**39,236**	**-123**	**-45**	**43,053**	**39,191**
Other comprehensive income:						
Exchange rate adj., foreign subsidiaries	1,917	-5,323	-11	-44	1,906	-5,367
Value adjustment of derivative financial instruments	2,594	-4,062	0	0	2,594	-4,062
Total other comprehensive income	**4,511**	**-9,385**	**-11**	**-44**	**4,500**	**-9,429**
Comprehensive income for the period	**47,687**	**29,851**	**-134**	**-89**	**47,553**	**29,762**
Share-based payment	143	67	0	0	143	67
Sale of warrants	0	0	0	0	0	0
Acquisition of treasury shares	-11,284	-14,790	0	0	-11,284	-14,790
Sale of treasury shares	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Addition from acquisitions	0	0	0	0	0	0
Transactions with shareholders	**-11,141**	**-14,723**	**0**	**0**	**-11,141**	**-14,723**
Balance at 31 March	**654,228**	**551,727**	**2,214**	**999**	**656,442**	**552,726**

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 three months to 31 March 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 with a term of low value.
- Not to reassess whether a 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.

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 Q1 2019

DKK '000	**Profit Q1 2019**		**Balance sheet 31 March 2019**
Profit before depreciation, amortisation and impairment losses (EBITDA)	8,609	Non-current assets	158,337
Depreciation, amortisation and impairment losses	-6,922	Non-current liabilities	158,665
Profit before net financials (EBIT)	1,687	NIBD	158,665
Net financials	-2,015	NIBD/EBITDA	+0.5
Profit before tax	-328		

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 31 March 2019 and, accordingly, has not tested goodwill for impairment at 31 March 2019. Reference is made to the information provided on estimates and judgments in the consolidated and the parent company financial statements for 2018.

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 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 2,098 employees and about 2,250 registered shareholders at 31 March 2019.

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