

NASDAQ Copenhagen A/S
Nikolaj Plads 6
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Announcement no. 26/ 2020
26 May 2020
Company reg. (CVR) no. 15701315

Interim report – First quarter of 2020

Summary: SP Group generated profit before tax of DKK 50.2 million in Q1 2020, an 8.0% decline from DKK 54.6 million in Q1 2019. Relative to the year-earlier period, revenue was up by 3.2% to DKK 546.4 million and EBITDA was up by 2.9% to DKK 87.9 million from DKK 85.4 million.

The Board of Directors of SP Group A/S has today considered and approved the interim report for Q1 2020.

Highlights of the interim report:

- Revenue was up by DKK 16.8 million to DKK 546.4 million in Q1 2020, or by 3.2% year on year. Company acquisitions added to consolidated revenue (DKK 26.3 million).
- Operating income (EBITDA) for Q1 2020 was DKK 87.9 million, as against DKK 85.4 million in Q1 2019. Company acquisitions added DKK 2.7 million to EBITDA.
- Depreciation, amortisation and impairment losses amounted to DKK 34.1 million, an increase of DKK 3.8 million relative to Q1 2019.
- Earnings before interest and tax (EBIT) came to DKK 53.8 million in Q1 2020, against DKK 55.1 million in Q1 2019.
- Net financials were an expense of DKK 3.6 million, a DKK 3.0 million increase relative to Q1 2019.
- Profit before tax was DKK 50.2 million in Q1 2020, as against DKK 54.6 million in Q1 2019.
- Earnings per share (diluted) were DKK 3.47 in Q1 2020, against DKK 3.80 in Q1 2019.
- Sales of our own brands were down by 1.5% in Q1 2020 to DKK 114.9 million. At 21.0% of Q1 2020 revenue, SP Group's own brands still account for a substantial proportion of revenue.
- 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 79.6 million in Q1 2020, against DKK 37.3 million in Q1 2019.
- Net interest-bearing debt (NIBD) amounted to DKK 853.3 million at 31 March 2020, against DKK 747.2 million at 31 March 2019. At 31 December 2019, NIBD was DKK 875.7 million. NIBD was 2.8 times LTM EBITDA. NIBD declined by DKK 22.4 million during the first quarter.
- Due to the spread of the coronavirus and the actions taken by authorities, our level of activities and cash flows in the coming months are subject to great uncertainty. At present, we are therefore unable to provide reliable guidance for 2020 revenue and earnings. We continue to lack well-functioning markets.

Statement by CEO Frank Gad: *"We successfully delivered growth in revenue and EBITDA in the first quarter 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."*

In case of any discrepancies the Danish version shall prevail.

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

	Q1 2020 (unaud)	Q1 2019 (unaud.)	FY 2019 (audited)
DKK '000 (key ratios excepted)			
Income statement			
Revenue	546,407	529,629	2,012,932
Profit before depreciation, amortisation and impairment losses (EBITDA)	87,928	85,430	307,510
Depreciation, amortisation and impairment losses	-34,100	-30,283	-129,681
Profit before net financials (EBIT)	53,828	55,147	177,829
Net financials	-3,625	-597	-2,436
Profit before tax	50,203	54,550	175,393
Profit for the period	39,274	43,053	140,269
Earnings per share (DKK)	3.54	3.88	12.57
Earnings per share, diluted (DKK)	3.47	3.80	12.46
Balance sheet			
Non-current assets	1,195,202	1,101,592	1,218,274
Total assets	2,071,002	1,837,001	2,058,615
Equity including non-controlling interests	681,703	656,442	710,402
Investments in property, plant and equipment (excluding acquisitions)	21,535	25,797	154,997
Net interest-bearing debt (NIBD)	853,278	747,241	875,677
NIBD/EBITDA (LTM)	2.8	2.5	2.8
Cash flows			
Cash flows from:			
- operating activities	79,609	37,347	158,630
- investing activities	-23,746	-24,326	-180,202
- financing activities	-30,089	-7,962	8,836
Change in cash and cash equivalents	25,774	5,059	-12,736
Key ratios			
EBITDA margin (%)	16.1	16.1	15.3
EBIT margin (%)	9.9	10.4	8.8
Profit before tax as a percentage of revenue	9.2	10.3	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 (%)	32.8	35.6	34.4
Equity ratio, including non-controlling interests (%)	32.9	35.7	34.5
Financial gearing	1.3	1.1	1.2
Cash flow per share, DKK	7.01	3.29	14.10
Total dividends for the year per share (DKK)			0.00
Market price, end of period (DKK per share)	175.00	209.65	242.00
Net asset value per share, end of period (DKK)	61.58	58.91	63.51
Market price/net asset value, end of period	2.84	3.56	3.81
Number of shares, end of period	11,390,000	11,390,000	11,390,000
of which treasury shares, end of period	356,691	285,247	242,594
Average no. of employees	2,184	2,057	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 grow sales to many customers across industries and geographies in the first quarter. The improvements were the most pronounced in our international markets, as sales outside Denmark grew by 14.4%. Sales to our Danish customers were down by 14.8%.

International sales were up by 13.9% in local currencies.

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

	Q1 2020
Healthcare	2.1%
Cleantech	-0.8%
Food-related	4.7%
Automotive	-7.6%
Other demanding industries	15.2%
Of which own brands	-1.5%

Most of the change in revenue for the Q1 period was due to higher volume sales. Exchange rate developments added about DKK 1.8 million to revenue (SEK and BRL depreciating and USD and EUR appreciating against DKK), equal to 0.3% of revenue.

Acquired businesses and operations contributed about DKK 26.3 million of the revenue improvement in the first three months.

Organic growth in local currencies was negative at about 2.1% in the first three months.

Sales to the healthcare industry were up by 2.1% year-on-year to DKK 154.6 million and now account for 28.3% of consolidated revenue.

Sales to the cleantech industry were down by 0.8% to DKK 187.6 million and now make up 34.4% of consolidated revenue.

Sales to food-related industries were up by 4.7% to DKK 69.5 million and now make up 12.7% of consolidated revenue.

Sales to the automotive sector declined 7.6% to DKK 26.9 million to make up 4.9% of revenue.

Sales to other demanding industries were up by 15.2% to DKK 107.8 million and now account for 19.7% of consolidated revenue.

Sales of our own brands were down by 1.5% and now account for 21.0% of consolidated revenue.

SP Medical reported a 1.8% decline in guidewire sales.

Ergomat reported a 17.2% improvement in sales of ergonomic products. 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 12.2% decline in sales of farm ventilation components.

MedicoPack reported an 8.7% decline in medical device packaging.

Tinby Skumplast, MM Composite and Nycopac along with SP Moulding all reported negative growth in own-brand sales – standard industry components – which were down by 10.9% to a total of DKK 30.3 million.

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, 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 68.2% of revenue (compared with 61.5% in Q1 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.

Currently, some 73% of our staff are employed outside Denmark.



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The Group's headcount grew by 32 in the first quarter.

The new employees are based in Denmark (9), the USA (4) and Slovakia (22), while there was a net reduction of three employees in the rest of the world.

The larger headcount had a negative impact on EBITDA for the period but is expected to create a potential for profitable growth over the coming quarterly periods.

At 31 March 2020, SP Group had 2,213 employees worldwide.

Exchange rate developments lifted the Q1 revenue expressed in Danish kroner (by about DKK 1.8 million).

Volatility in prices of raw materials and frequent coronavirus-related force majeure claims by our suppliers had a negative impact on EBITDA in Q1 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 85% of our employees are working. Everybody is not back at work yet, because Denmark, 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 spreading 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.

Some parts of our Group saw their activity levels go up because of the coronavirus. Ergomat's 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.

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.

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



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- 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 has increased following the acquisition of Dan-Hill-Plast A/S but remains well below 4.0x LTM EBITDA. NIBD is expected to be less than 3.0 by 31 December 2020.

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.

The Group will consider the opportunities to strengthen its capital resources so as to provide the best possible scope for continuing to act as a market consolidator.

FINANCIAL PERFORMANCE REVIEW

Revenue for the first three months of 2020 amounted to DKK 546.4 million, a 3.2% improvement from DKK 529.6 million in the year-earlier period. Acquired businesses and operations accounted for approximately 5.0ppts. Exchange rate developments contributed about 0.3ppt.

The consolidated Q1 2020 EBITDA was DKK 87.9 million compared with DKK 85.4 million in Q1 2019. Acquired businesses and operations contributed DKK 2.7 million.

The EBITDA margin was unchanged at 16.1%.

Profit before net financials (EBIT) came to DKK 53.8 million in Q1 2020, against DKK 55.1 million in Q1 2019. The Q1 2020 EBIT margin was 9.9%, compared with 10.4% in Q1 2019.

Net financials were an expense of DKK 3.6 million in Q1 2020, a DKK 3.0 million increase relative to Q1 2019 that was due to a decline in value adjustments.

Profit before tax amounted to DKK 50.2 million in Q1 2020 as against DKK 54.6 million in Q1 2019.

The tax rate rose slightly to 21.8% from 21.1%.

Total assets amounted to DKK 2,071.0 million at 31 March 2020, compared with DKK 1,837.0 million at 31 March 2019 and DKK 2,058.6 million at 31 December 2019. The equity ratio was 32.9% at 31

March 2020, as against 35.7% at 31 March 2019 and 34.5% at 31 December 2019.

Total assets grew by approximately DKK 12.4 million during the three months to 31 March 2020. The amount breaks down as follows: an increase in gross working capital (DKK 9.7 million), an increase in cash and cash equivalents (DKK 25.8 million), an increase in intangible assets (1.7 million), a reduction of property, plant and equipment (DKK 25.6 million) and an increase in financial assets (DKK 0.8 million).

Net interest-bearing debt amounted to DKK 853.3 million at 31 March 2020, against DKK 875.7 million at 1 January 2020 and DKK 747.2 million at 31 March 2019.

Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 2.8x LTM EBITDA (DKK 310.0 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 Q1 reporting period due to exchange rate adjustments of foreign subsidiaries (by DKK 18.2 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 25.7 million).

Equity was also reduced by the purchase of treasury shares in the reporting period for a net amount of DKK 24.2 million.

Equity amounted to DKK 681.7 million at 31 March 2020 against DKK 656.4 million at 31 March 2019 and 710.4 million at 31 December 2019.

Equity fell by DKK 28.7 million in the first quarter of 2020.

Cash flows

Cash flows from operating activities were DKK 79.6 million in Q1 2020, which was DKK 42.3 million more than in the Q1 2019 period.

The Group spent DKK 23.7 million on investments in Q1 2020, DKK 37.6 million on reducing non-current loans, DKK 24.2 million on buying treasury shares, DKK 0.8 million on changes in deposits and DKK 32.5 million on changes in short-term bank debt. The resulting change in cash and cash equivalents was DKK 25.8 million.

Management believes that the company continues to have adequate capital resources relative to its operations as well as sufficient cash resources to meet its current and future liabilities. The company has good, long-standing and constructive



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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 have considerable adverse effects on the global economy and on our customers and suppliers – and thus on developments in 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.

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 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.

Financial expenses are expected to be higher than in 2019.

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.

Due to 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 present, we are therefore unable to provide reliable guidance for 2020 revenue and earnings.

Our revenue in April 2020 was up by 7.7% year on year. Acquisitions accounted for 5.7ppts of this increase.

The EBITDA and EBIT margins were on same level as the April 2019 margins.

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 12.

As stated in Announcement No. 15/2020 of 27 March 2020, the following management changes have been made at SP Group:

CFO Jørgen Hønnerup Nielsen, aged 63, retired at the end of April 2020, having served SP Group for more than 33 years. Hønnerup Nielsen was employed with Tinby A/S in 1987 and was appointed CFO and a member of the Executive Board of SP Group A/S in 2007.

Tilde Kejlhof, aged 42, has been appointed new CFO of SP Group effective from 1 May 2020. She holds an MSc (Economics) and has worked for MedicoPack A/S for the past ten years, most recently as finance manager. Kejlhof joined SP Group in 2016 when the Group acquired MedicoPack A/S.

Søren Ulstrup, aged 53 and a plastics engineer, has been appointed member of the Executive Board of SP Group effective from 1 May 2020 in charge of injection moulding and plastic chip cutting activities. Ulstrup also serves as managing director of SP Moulding A/S and Ulstrup Plast A/S. He joined SP Group in 2015 when the Group acquired Ulstrup Plast A/S. Ulstrup also serves as chairman of the Danish Plastics Federation.

Lars Ravn Bering, who is 44 and holds an MSc (Engineering) and an HD Diploma, has been appointed member of the Executive Board of SP Group effective from 1 May 2020 in charge of vacuum forming, extrusion, rotation moulding and Group IT. Ravn Bering also serves as managing



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director of Gibo Plast A/S. He joined SP Group in 2008 when the Group acquired DKI Form A/S.

After 20 years of service, Torben Nielsen, aged 67, retired as managing director of Tinby A/S effective from the end of April 2020. Michael Vinbech Therkelsen, aged 47, was appointed new managing director of Tinby A/S effective from 1 May 2020. Vinbech Therkelsen was promoted from a position as head of sales with Tinby A/S. Nielsen will be staying on for a period of time in a part-time position.

We wish to thank both Jørgen Hønnerup Nielsen and Torben Nielsen for their outstanding contributions.

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



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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 three months ended 31 March 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 31 March 2020 and of the results of the Group's operations and cash flows for the three months ended 31 March 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, 26 May 2020

Executive Board and other members of Group management

Frank Gad
CEO

Søren Ulstrup
Executive Vice President

Lars Ravn Bering
Executive Vice President

/Tilde Kejlhof
CFO

Board of Directors

Hans W. Schur
Chairman

Erik P. Holm
Deputy Chairman

Hans-Henrik Eriksen

Bente Overgaard



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INCOME STATEMENT (summary)

DKK '000	Q1 2020 (unaud.)	Q1 2019 (unaud.)	FY 2019 (audited)
Revenue	546,407	529,629	2,012,932
Production costs	-371,002	-361,606	-1,370,187
Contribution margin	175,405	168,023	642,745
Profit before depreciation, amortisation and impairment losses (EBITDA)	87,928	85,430	307,510
Depreciation, amortisation and impairment losses	-34,100	-30,283	-129,681
Profit before net financials (EBIT)	53,828	55,147	177,829
Net financials	-3,625	-597	-2,436
Profit before tax	50,203	54,550	175,393
Tax on profit for the period	-10,929	-11,497	-35,124
Profit for the period	39,274	43,053	140,269
Attributable to:			
Parent company shareholders	39,365	43,176	140,188
Non-controlling shareholders	-91	-123	81
Earnings per share (DKK)	3.54	3.88	12.57
Earnings per share, diluted (DKK)	3.47	3.80	12.46

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Q1 2020 (unaud.)	Q1 2019 (unaud.)	FY 2019 (audited)
Profit for the period	39,274	43,053	140,269
<i>Items that may be reclassified to the income statement:</i>			
Exchange rate adjustment relating to foreign companies	-18,204	1,906	3,546
Net fair value adjustment of financial instruments acquired to hedge future cash flows	-25,746	2,594	12,131
Other comprehensive income	-43,950	4,500	15,677
Comprehensive income	-4,676	47,553	155,946
Allocation of comprehensive income for the period:			
Parent company shareholders	-4,533	47,687	155,879
Non-controlling shareholders	-143	-134	67
Earnings per share (DKK)	-0.42	4.27	14.01
Earnings per share, diluted (DKK)	-0.41	4.19	13.73



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BALANCE SHEET (summary)

DKK '000	31.03. 2020 (unaud.)	31.03. 2019 (unaud.)	31.12. 2019 (audited)
Intangible assets*	265,724	256,311	264,007
Property, plant and equipment	925,805	839,689	951,355
Other non-current assets	1,913	2,771	1,152
Deferred tax assets	1,760	2,821	1,760
Total non-current assets	1,195,202	1,101,592	1,218,274
Inventories	497,853	371,070	488,843
Receivables*	303,468	297,838	302,792
Cash	74,479	66,501	48,706
Total current assets	875,800	735,409	840,341
Total assets	2,071,002	1,837,001	2,058,615
Equity including non-controlling interests	681,703	656,442	710,402
Non-current liabilities	543,136	568,618	573,462
Current liabilities*	846,163	611,941	774,751
Equity and liabilities	2,071,002	1,837,001	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.



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CASH FLOW STATEMENT

DKK '000	Q1 2020 (unaud.)	Q1 2019 (unaud.)	FY 2019 (audited)
Profit before net financials (EBIT)	53,828	55,147	177,829
Depreciation, amortisation and impairment losses	34,100	30,283	129,681
Share-based payment	186	143	702
Value adjustments, etc.	-7,880	1,076	-1,430
Change in working capital	8,761	-20,940	-83,690
Interest expenses paid	-5,416	-5,939	-23,528
Income tax received/paid	-3,970	-22,423	-40,934
Cash flows from operating activities	79,609	37,347	158,630
Acquisition of subsidiary	0	0	-17,778
Acquisition of intangible assets	-3,031	-1,093	-8,490
Acquisition of property, plant and equipment, net	-20,715	-23,233	-153,934
Cash flows from investing activities	-23,746	-24,326	-180,202
Dividend to non-controlling shareholders	0	0	0
Dividends paid	0	0	-26,994
Deposits, adjustment	-761	230	170
Acquisition of treasury shares	-24,209	-11,284	-68,516
Sale of treasury shares and warrants	0	0	26,886
Sale of warrants	0	0	1,072
Instalments on non-current liabilities	-37,598	-30,924	-152,540
Bank debt, adjustment	32,479	34,016	72,065
Cash flows from financing activities	-30,089	-7,962	8,836
Change in cash and cash equivalents	25,774	5,059	-12,736
Cash and cash equivalents at 1 January	48,706	61,442	61,442
Cash and cash equivalents at end of period	74,480	66,501	48,706



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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	
	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	39,365	43,176	-91	-123	39,274	43,053
Other comprehensive income:						
Exchange rate adj., foreign subsidiaries	-18,152	1,917	-52	-11	-18,204	1,906
Value adjustment of derivative financial instruments	-25,746	2,594	0	0	-25,746	2,594
Total other comprehensive income	-43,898	4,511	-52	-11	-43,950	4,500
Comprehensive income for the period	-4,533	47,687	-143	-134	-4,676	47,553
Share-based payment	186	143	0	0	186	143
Sale of warrants	0	0	0	0	0	0
Acquisition of treasury shares	-24,209	-11,284	0	0	-24,209	-11,284
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	-24,023	-11,141	0	0	-24,023	-11,141
Balance at 31 March	679,431	654,228	2,272	2,214	681,703	656,442



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.

The EBITDA in 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 have been granted or exercised in 2020.

SP Group currently has incentive programmes consisting of 11,535 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.



Note 1. Accounting policies

The interim report for the three months to 31 March 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 01 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 31 March 2020.



Note 3. Intangible assets

Goodwill

DKK '000	31.03. 2020 (unaud.)	31.03. 2019 (unaud.)	31.12. 2019 (audited)
Cost at 1 January	200,853	196,071	196,071
Foreign exchange adjustment	277	248	333
Addition from acquisitions	0	0	4,449
Additions	0	0	0
Cost at end of period	201,130	196,319	200,853
Depreciation and impairment at 1 January	1,861	1,861	1,861
Impairment	0	0	0
Foreign exchange adjustment	0	0	0
Depreciation and impairment at end of year	1,861	1,861	1,861
Carrying amount at 31 March	199,269	194,458	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	31.03. 2020 (unaud.)		31.03. 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	0	0	16,387	16,387	27,777	27,777
Financial liabilities						
Derivative financial instruments to hedge future cash flows	2,262	2,262	0	0	0	0

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 2,200 employees and about 2,400 registered shareholders at 31 March 2020.

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

