

NASDAQ Copenhagen A/S
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DK-1007 Copenhagen K

Announcement no. 48 / 2017
23 August 2017
Company reg. (CVR) no.
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Interim report - First half year of 2017

Summary: SP Group generated profit before tax and non-controlling interests of DKK 97.3 million in H1 2017, a 64.2% increase from DKK 59.2 million in H1 2016. Relative to the year-earlier period, revenue was up by 34.2% to DKK 978.2 million and EBITDA was up by 52.1% to DKK 148.8 million from DKK 97.8 million. Earnings were in line with expectations. We maintain the FY 2017 guidance announced in Announcement no. 39/2017. We expect profit before tax and non-controlling interests of DKK 170-190 million on revenue of DKK 1.8-1.9 billion. If we can continue to accelerate performance in the current market, SP Group may report even higher revenue and earnings for FY 2017.

The Board of Directors of SP Group A/S today considered and approved the interim report for the six months ended 30 June 2017.

Highlights of the interim report:

- The H1 2017 revenue was up by DKK 249.4 million to DKK 978.2 million, a 34.2% improvement on the year-earlier period. Organic growth was 11.6%. Q2 revenue was up by 32.2%, of which organic growth accounted for 4.6 percentage points.
- Profit before depreciation, amortisation and impairment losses (EBITDA) for H1 2017 was DKK 148.8 million, as against DKK 97.8 million in H1 2016. Company acquisitions added DKK 25.7 million to EBITDA. Q2 EBITDA was up by 43.2% to DKK 76.0 million.
- Profit before net financials (EBIT) came to DKK 107.9 million in H1 2017, against DKK 64.8 million in H1 2016.
- Net financials were an expense of DKK 10.6 million, a DKK 5.1 million decline from H1 2016 resulting from exchange rate adjustments and the greater debt.
- Profit before tax and non-controlling interests was DKK 97.3 million in H1 2017, as against DKK 59.2 million in H1 2016.
- Earnings per share (diluted) came to DKK 32.03 in H1 2017 against DKK 19.68 in H1 2016, This is an increase of 62.8%.
- Sales of own brands rose by 71.6% to DKK 196.0 million, with the organic growth rate at 20.8%. All five business areas with SP Group brands (ergonomics, guidewires, ventilation components, med-tech packaging and standard industry components) generated strong growth.
- There was a cash inflow from operating activities of DKK 69.8 million in H1 2017, against DKK 72.0 million in H1 2016.
- Net interest-bearing debt (NIBD) amounted to DKK 469.2 million at 30 June 2017, against DKK 401.9 million at 30 June 2016. At 31 December 2016, NIBD was DKK 407.7 million. NIBD was 1.8 times LTM EBITDA.
- We continue to guide for profit before tax and non-controlling interests of DKK 170-190 million on revenue of DKK 1.8-1.9 billion. If we can continue to accelerate performance in the current market, SP Group may report even higher revenue and earnings for FY 2017.

Statement by CEO Frank Gad: *"Despite the many market challenges, we succeeded in once again growing our sales and earnings in the first half-year. The six months to 30 June 2017 marks our best first half-year ever in terms of both the top and bottom lines. The Q2 period was the first time ever we generated revenue of more than DKK 500 million in a quarter."*

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK '000 (key ratios excepted)	Q2 2017 (unaud.)	Q2 2016 (unaud.)	H1 2017 (unaud.)	H1 2016 (unaud.)	FY 2016 (audited)
Income statement					
Revenue	501,333	379,219	978,153	728,725	1,519,044
Profit before depreciation, amortisation and impairment losses (EBITDA)	76,030	53,079	148,849	97,835	202,857
Depreciation, amortisation and impairment losses	-20,728	-16,627	-40,912	-33,066	-69,442
Profit before net financials (EBIT)	55,302	36,452	107,937	64,769	133,415
Net financials	-7,575	-3,125	-10,632	-5,522	-10,799
Profit before tax and non-controlling interests	47,727	33,327	97,305	59,247	122,616
Profit for the period	36,859	25,614	75,302	45,638	93,387
of which attributable to SP Group A/S	36,861	25,275	75,255	45,127	92,420
Earnings per share (DKK)			33.54	20.44	41.87
Diluted earnings per share (DKK)			32.03	19.68	40.33
Balance sheet					
Non-current assets			797,781	648,856	669,136
Total assets			1,445,921	1,095,957	1,200,671
Equity			501,032	393,549	427,636
Equity including non-controlling interests			502,098	396,076	428,976
Investments in property, plant and equipment (excluding acquisitions)	36,452	14,469	61,357	53,563	107,035
Net interest-bearing debt (NIBD)			469,236	401,863	407,711
NIBD/EBITDA (LTM)			1.8	2.1	2.0
Cash flows					
Cash flows from:					
- operating activities	9,166	34,722	69,779	71,951	140,439
- investing activities	-36,452	-13,141	-105,821	-52,836	-80,126
- financing activities	-26,137	-26,314	14,412	-37,690	-124,102
Change in cash and cash equivalents	-53,423	-4,733	-21,630	-18,575	-63,789
Key ratios					
EBITDA margin (%)	15.2	14.0	15.2	13.4	13.4
EBIT margin (%)	11.0	9.6	11.0	8.9	8.8
Profit before tax and non-controlling interests as a percentage of revenue	9.5	8.8	9.9	8.1	8.1
Return on invested capital including goodwill (%)					15.5
Return on invested capital excluding goodwill (%)					18.6
Return on equity, excluding non-controlling interests					22.6
Equity ratio, excluding non-controlling interests (%)			34.7	35.9	35.6
Equity ratio, including non-controlling interests (%)			34.7	36.1	35.7
Financial gearing			0.9	1.0	1.0
Cash flow per share, DKK			29.7	31.4	61.3
Total dividends for the year per share (DKK)					6.0
Market price, end of period (DKK per share)			1,170.0	519.0	674.0
Net asset value per share, end of period (DKK)			222	178	192
Market price/net asset value, end of period			5.27	2.92	3.52
Number of shares, end of period			2,278,000	2,224,000	2,278,000
of which treasury shares, end of period			21,834	10,452	46,359
Average no. of employees			1,810	1,501	1,559



MANAGEMENT COMMENTARY

H1 PERFORMANCE REVIEW

We continued to record higher sales to many of our customers across industries and geographies in the first half of 2017. The improvements were the most pronounced in our international markets, as our H1 sales outside Denmark grew by 60.5%. Sales to our Danish customers were up by 7.7%.

Our performance numbers relative to the corresponding period of 2016:

	Q2 2017	H1 2017
Healthcare	9.7%	24.4 %
Cleantech	87.6 %	71.9 %
Food-related	-7.8 %	3.0 %
Automotive	94.4 %	119.8 %
Oil and gas	-72.7 %	-74.2 %
of which own brands	76.9 %	71.6 %

Most of the change in revenue was due to higher volume sales. Changes in foreign exchange rates did not contribute to the revenue increase, as the currency effect accounted for virtually none of the 34.2% overall revenue improvement. Acquired businesses and operations contributed about 22.6 percentage points.

Sales to the healthcare industry were up by 24.4% year-on-year to DKK 347.1 million and now account for 35.5% of consolidated revenue. Q2 sales were up by 9.7% year on year.

Sales to the cleantech industry were up by 71.9% to DKK 335.3 million and now make up 34.3% of consolidated revenue. Q2 sales were up by 87.6% year on year.

Sales to food-related industries were up by 3.0% to DKK 122.5 million and now make up 12.5% of consolidated revenue. Sales were 7.8% lower in the second quarter.

Sales to the oil and gas industry declined despite the slightly higher oil prices.

Sales of our own brands were up by 71.6% and now account for 20.0% of consolidated revenue. Our own-brand sales were up by 76.9% in the second quarter.

SP Medical reported a 25.9% improvement in guidewire sales. Ergomat reported a 20.6% improvement in sales of ergonomic products. TPI

reported a 16.2% improvement in sales of farm ventilation components.

MedicoPack, Tinby Skumplast and MM Composite, which were not part of the comparative figures, and SP Moulding and Tinby all reported fair growth in own-brand sales – a category we will refer to as standard industry components – to DKK 58.0 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 six months of 2017 and are taking proactive steps to develop and market a number of new solutions for the healthcare, cleantech and food-related industries, among others, which we believe hold an attractive growth potential for our Company.

Our sales to the healthcare industry are growing strongly, and we have won orders for many new plastics components for regular shipment.

We expect the acquisitions of Tinby Skumplast A/S and MM Composite A/S to further accelerate our sales to the cleantech industry. Together, we can offer our customers innovative and value-adding solutions. Some of these solutions consist of standard industry components.

International sales now make up 60.0% of revenue (compared with 50.2% in H1 2016).

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 65% of our staff are employed outside Denmark.

The Group's headcount grew by 212 in the six months to 30 June 2017 (62 through acquisitions and 150 due to organic growth).



The new employees are based in Poland (115), Denmark (57), the USA (17), Slovakia (9) and China (10). There was a net increase of 4 employees in other countries of operation.

At 30 June 2017, SP Group had 1,908 employees worldwide.

Business activity in the second quarter was impacted by the timing of Easter (in 2016, Easter fell in the first quarter). The financial markets no longer reflect the very bullish sentiments seen in the early months of the year.

As announced in Announcement No. 17/2017, SP Group has launched a DKK 30 million share buy-back programme under the Safe Harbour regulations to cover existing warrant programmes (Market Abuse Regulation). The share buy-back programme will be extended until 10 April 2018 and increased by DKK 30 million to DKK 60 million, as announced in Announcement No. 49 issued today.

The Company sold 50,300 treasury shares in April and May 2017 to cover the cost of warrants exercised under the 2012, 2013 and 2014 warrant programmes (as announced in Announcements Nos. 25/2017 and 33/2017). The proceeds added DKK 14.8 million in cash to equity.

On 6 January 2017, SP Group acquired LM Skumplast A/S, a company offering customised PUR and PIR foam solutions. LM Skumplast subsequently changed its name to Tinby Skumplast A/S (as announced in Announcement No. 02/2017). CEO Kim Andersen has stayed on with the company. The company has performed extremely well since the acquisition.

On 21 March 2017, SP Group acquired MM Composite A/S (as announced in Announcement No. 14/2017), a company offering customised composite solutions and with production facilities in the USA and Denmark. The former owners Kent Bøllingtoft Madsen and Mogens D. Marxen have both stayed on with the company. The company has performed extremely well since the acquisition.

Both acquisitions are well-run businesses, and they will enhance SP Group's value proposition to customers in the cleantech industry. Both acquisitions were made with borrowed funds.

SP Group signed a seven-year DKK 100 million loan agreement with the Nordic Investment Bank (NIB) on 29 June. The purpose of the loan is to support the Group's continued organic growth (see Announcement No. 42/2017).

In July, SP Group acquired a property at Langeskov in Funen, which serves as the head office of

MedicoPack. Technically speaking, SP Group bought shares in the company owning the property. See page 11 for more information on the acquisition of LNS1 ApS. The acquisition has increased SP Group's debt by a net amount of DKK 22.6 million and will increase the future EBITDA by approximately DKK 2.2 million and future profit before tax by approximately DKK 1.6 million per year.

FINANCIAL PERFORMANCE REVIEW

Revenue for the first six months of 2017 amounted to DKK 978.2 million, a 34.2% improvement from DKK 728.7 million in the year-earlier period. Approximately 22.6 percentage points of the improvement derived from acquired businesses and operations. Q2 sales were up by 32.2% year on year.

The consolidated H1 2017 EBITDA was DKK 148.8 million compared with DKK 97.8 million in H1 2016. Approximately DKK 25.7 million of the revenue increase derived from acquired businesses and operations. The EBITDA margin improved to 15.2% from 13.4% in the H1 2016 period. The Q2 2017 EBITDA margin was also 15.2%.

Profit before net financials (EBIT) came to DKK 107.9 million in H1 2017, against DKK 64.8 million in H1 2016. The H1 2016 EBIT margin was 11.0%, compared with 8.9% in H1 2016.

Net financials were an expense of DKK 10.6 million in H1 2017, a DKK 5.1 million decline relative to H1 2016 that was due to exchange rate adjustments and the greater debt.

The profit before tax and non-controlling interests amounted to DKK 97.3 million in H1 2017 as against DKK 59.2 million in H1 2016.

Total assets amounted to DKK 1,445.9 million at 30 June 2017, compared with DKK 1,096.0 million at 30 June 2016. The equity ratio was 34.7% at 30 June 2017, as against 36.1% at 30 June 2016 and 35.7% at 31 December 2016.

Total assets grew by approximately DKK 245.2 million during the six months to 30 June 2017 due to the acquisitions of Tinby Skumplast A/S and MM Composite A/S (approximately DKK 160.0 million) an increase in gross working capital (of about DKK 83.4 million), an increase in property, plant and equipment (DKK 20.0 million) and a drop in cash holdings (of about DKK 18.2 million).

Net interest-bearing debt amounted to DKK 469.2 million at 30 June 2017, against DKK 407.7 million at 31 December 2016 and DKK 401.9 million at 30 June 2016. Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 1.8 times LTM EBITDA



(DKK 254.0 million), marking an improvement on the level recorded in the Group's previous best year to date. NIBD/EBITDA was 2.1 at 30 June 2016. We remain strongly committed to reducing the interest-bearing debt by increasing cash flows from operating activities.

Equity was reduced in the H1 reporting period due to exchange rate adjustments of foreign subsidiaries (by DKK 4.0 million) and increased as a result of value adjustment of financial instruments acquired to hedge future cash flows, such instruments consisting mainly of forward contracts (PLN against EUR, by DKK 20.7 million).

Equity was impacted by the purchase of treasury shares in the reporting period for a net amount of DKK 5.7 million.

Equity was reduced by dividends paid (DKK 13.8 million). For the first time ever, equity is above the DKK 500 million mark.

Cash flows

Cash flows from operating activities were DKK 69.8 million in H1 2017, which was DKK 2.2 million less than in H1 2016.

The Group spent DKK 61.3 million on investments in H1 2017, DKK 44.5 million on acquisitions, raised new long-term debt of DKK 70.5 million, spent DKK 36.8 million on reducing non-current loans, DKK 5.7 million net for buying treasury shares, paid dividends of DKK 13.8 million and deposits paid increased by DKK 0.2 million.

Accordingly, the net change in cash and cash equivalents was a DKK 21.6 million outflow.

The DKK 100 million loan from NIB was paid out in July and is thus not part of the H1 cash flows.

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 2017

The global economy is expected to continue on the road to recovery in 2017, but it remains fragile and marred by political uncertainty and financial volatility. Weak economic growth is generally expected in our neighbouring European markets, as a number of countries continue to have disturbingly large public sector deficits and large public debts.

Brexit is expected to have only a marginal direct effect on SP Group, but it will affect us indirectly through several of our customers.

Any potential new trade barriers between the USA and the EU would have a significant negative impact on the performance of SP Group. A lasting weakness in the US dollar would also have a negative impact on the performance of SP Group.

We plan to launch a number of new products and solutions, especially to customers in the healthcare, cleantech and food-related industries. These new solutions are expected to contribute to growth and earnings.

In connection with the signing of a new logistics agreement with a customer, we will no longer buy components and resell them at no markup. This will reduce full-year revenue by about DKK 70 million. The effect of the change in 2017 is estimated at about DKK 55 million, of which about DKK 40 million will be recognised in the second half-year.

We intend to maintain a high level of investment in 2017. The largest single investment is expected to be made in our cleantech and medical devices operations.

Depreciation and amortisation charges are expected to be slightly higher than in 2016.

Financial expenses are expected to be higher than in 2016.

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.

As revealed in Announcement No. 39/2017 of 13 June 2017, we maintain our FY 2017 guidance of profit before tax and non-controlling interests of DKK 170-190 million on revenue of DKK 1.8-1.9 billion.

If we can continue to accelerate performance in the current market, SP Group may report even higher revenue and earnings for FY 2017.

OTHER MATTERS

As our Coating business accounts for less than 10% of our consolidated business and is run as part of the overall business, it no longer constitutes an separate segment. Accordingly, the Group has only one segment and does not provide individual segment reporting.

All companies of the SP Group reported improving sales and EBITDA in the first half of 2017 compared



with the same period of 2016. The companies selling our own brands reported the largest advances.

We took over a leased 6,700 m² building in Poland in the first half-year. The building is used by SP Moulding and Gibo Plast in their production of large injection-moulded and vacuum-formed plastics.

Activities are being expanded in the USA, Denmark, Poland, Slovakia, Latvia, Sweden, Norway, the Netherlands and China.

We are confident that the acquisitions of MedicoPack PlexxOpido, LM Skumplast and MM Composite will further accelerate SP Group's growth and earnings.

The companies all performed as expected during the reporting period. These companies did not form part of the SP Group in the first half-year of 2016.

To support and accelerate operational developments in SP Extrusion, Jan Kyster Madsen will dedicate all of his time as managing director of SP Extrusion and has therefore resigned as managing director of Gibo Plast.

Lars Bering has succeeded Mr Kyster Madsen as managing director of Gibo Plast in addition to his current position as VP Business Development with SP Group.

Søren Ulstrup has been appointed managing director of SP Moulding and he joins CEO Frank Gad on the company's management board.

Søren Ulstrup will continue to serve as managing director of Ulstrup Plast A/S, which has performed extremely well since being acquired by SP Group in 2015.



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 six months ended 30 June 2017.

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 2017 and of the results of the Group's operations and cash flows for the six months ended 30 June 2017.

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, 23 August 2017

Executive Board

Frank Gad
CEO

Jørgen Hønnerup Nielsen
CFO

Board of Directors

Niels K. Agner
Chairman

Erik P. Holm
Deputy Chairman

Hans W. Schur

Hans-Henrik Eriksen

Bente Overgaard

**INCOME STATEMENT (summary)**

DKK '000	Q2 2017 (unaud.)	Q2 2016 (unaud.)	Acc. Q2 2017 (unaud.)	Acc. Q2 2016 (unaud.)	FY 2016 (audited)
Revenue	501,333	379,219	978,153	728,725	1,519,044
Production costs	-338,274	-262,330	-662,280	-504,262	-1,053,294
Contribution margin	163,059	116,889	315,873	224,463	465,750
Profit before depreciation, amortisation and impairment losses (EBITDA)	76,030	53,079	148,849	97,835	202,857
Depreciation, amortisation and impairment losses	-20,728	-16,627	-40,912	-33,066	-69,442
Profit before net financials (EBIT)	55,302	36,452	107,937	64,769	133,415
Net financials	-7,575	-3,125	-10,632	-5,522	-10,799
Profit before tax and non-controlling interests	47,727	33,327	97,305	59,247	122,616
Tax on the profit for the period	-10,868	-7,713	-22,003	-13,609	-29,229
Profit for the period	36,859	25,614	75,302	45,638	93,387
SP Group A/S' share	36,861	25,275	75,255	45,127	92,420
Earnings per share (DKK)			33.54	20.44	41.87
Diluted earnings per share (DKK)			32.03	19.68	40.33

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Q2 2017 (unaud.)	Q2 2016 (unaud.)	Acc. Q2 2017 (unaud.)	Acc. Q2 2016 (unaud.)	FY 2016 (audited)
Profit for the period	36,858	25,614	75,301	45,638	93,387
<i>Items that may be reclassified to the income statement:</i>					
Exchange rate adjustment relating to foreign companies	-8,178	-5,335	-3,981	-8,943	-4,922
Net fair value adjustment of financial instruments acquired to hedge future cash flows	2,064	-18,158	20,691	-18,330	-18,051
Other comprehensive income	-6,114	-23,493	16,710	-27,273	-22,973
Comprehensive income	30,744	2,121	92,011	18,365	70,414
Allocation of comprehensive income for the period:					
Parent company shareholders	30,760	1,129	91,976	17,216	69,564
Non-controlling shareholders	-16	256	35	413	850

**BALANCE SHEET (summary)**

	30.06. 2017 (unaud.)	30.06. 2016 (unaud.)	31.12. 2016 (audited)
DKK '000			
Intangible assets	240,800	171,960	174,306
Property, plant and equipment	546,132	472,626	486,486
Financial assets	2,886	478	381
Deferred tax assets	7,963	3,792	7,963
Total non-current assets	797,781	648,856	669,136
Inventories	335,338	250,951	282,572
Receivables	277,289	160,780	195,238
Cash	35,513	35,370	53,725
Total current assets	648,140	447,101	531,535
Total assets	1,445,921	1,095,957	1,200,671
Equity including non-controlling interests	502,098	396,076	428,976
Non-current liabilities	336,116	251,775	228,328
Current liabilities	607,707	448,106	543,367
Equity and liabilities	1,445,921	1,095,957	1,200,671

CASH FLOW STATEMENT (summary)

	Q2 2017 (unaud.)	Q2 2016 (unaud.)	Acc. Q2 2017 (unaud.)	Acc. Q2 2016 (unaud.)	FY 2016 (audited)
DKK '000					
Cash flows from operating activities	9,166	34,722	69,779	71,951	140,439
Cash flows from investing activities	-36,452	-13,141	-105,821	-52,836	-80,126
Cash flows from financing activities	-26,137	-26,314	14,412	-37,690	-124,102
Change in cash and cash equivalents	-53,423	-4,733	-21,630	-18,575	-63,789

CHANGES IN EQUITY since 1 January:

	Equity attributable to parent company shareholders		Equity including non- controlling interests	
	2017 (unaud.)	2016 (unaud.)	2017 (unaud.)	2016 (unaud.)
DKK '000				
Balance at 1 January (after tax)	427,635	391,098	428,975	393,561
Capital increase	0	0	0	0
Exchange rate adj., foreign subsidiaries	-3,969	-8,845	-3,981	-8,943
Acquisition of treasury shares	-20,507	-13,737	-20,507	-13,737
Sale of treasury shares	14,844	7,754	14,844	7,754
Other adjustments	0	-736	0	-736
Dividends paid	-13,482	-8,767	-13,791	-9,509
Value adjustment of derivative financial instruments (after tax)	20,691	-18,330	20,691	-18,330
Change in ownership, non-controlling interests	0	-393	0	0
Recognition of share-based payment	566	378	566	378
Profit for the period (after tax)	75,254	45,127	75,301	45,638
Balance at 30 June (after tax)	501,032	393,549	502,098	396,076



Effective 6 January 2017, the Group acquired all shares in LM Skumplast A/S, a company specialising in foam plastics solutions.

Effective 21 March 2017, the Group acquired all shares in MM Composite A/S, a company specialising in composite solutions.

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

	DKK '000
Property, plant and equipment	33,293
Customer files	22,000
Investments	2,700
Inventories	24,290
Trade receivables	22,075
Other receivables	1,800
Cash	5,519
Deferred tax	-7,462
Leasing debt	-4,500
Bank debt	-7,500
Trade payables	21,167
Income tax payable	-2,545
Other payables	-10,851
Acquired net assets	57,652
Goodwill	50,719
Total consideration	108,371
Cash consideration	47,340
Debt instruments	27,812
Contingent consideration	33,219
Total consideration	108,371

The acquired entities had combined EBITDA of about DKK 14 million in the most recent financial year.

Consideration amounted to DKK 108,371 thousand. The amount includes conditional purchase consideration of DKK 33,219 thousand. An amount of DKK 47,340 thousand was paid in cash. Debt instruments totalling DKK 27,812 thousand, which fall due in the period 2017-2020, have been issued.

The debt instruments totalling DKK 27,812 thousand were recognised at fair value at the date of acquisition. The undiscounted amount is DKK 29,860 thousand.

The conditional consideration of DKK 33,219 thousand 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. The undiscounted amount is DKK 35,000 thousand.

Acquisition costs are expected to be DKK 1.0 million, which amount has been recognised in 2017.

In connection with the acquisitions, goodwill was been made up at DKK 50,719 thousand after recognition at fair value of identifiable assets, liabilities and contingent liabilities. Goodwill represents the expected value of synergies and know-how resulting from the combination with SP Group. Goodwill is not depreciable for tax purposes.

**Effective 3 July 2017, the Group acquired all shares of the property company LNS 1 ApS.**

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

	DKK '000
Property, plant and equipment	23,267
Other receivables	91
Cash	1,659
Other payables	-109
Total cash consideration	24,908



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

The Board of Directors resolved on 24 April 2017 (see Announcement no. 28/2017) to set up an incentive programme for the Company's Executive Board and 37 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 70,000 warrants were issued, of which 10,000 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 775.00 per share with a nominal value of DKK 10 plus a 7.5% premium calculated from 1 April 2017 and until the date of exercise. The exercise price has been fixed on the basis of the official market price immediately before and after the release of the Annual Report on 30 March 2017.

Warrants issued under the programme may be exercised to buy shares in the Company during the period from 1 April 2020 to 31 March 2023, 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 10.43 each for an aggregate market value of approximately DKK 730,380. 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 in recent months, a level of interest rates of 0.48%, a share price of DKK 700.00 and assuming that warrants awarded are exercised in April 2020. Allowance is made for any dividend payments to be made during the period.

Members of the Executive Board and the 37 senior managers were given the option of buying the warrants at market price as calculated above against payment in cash. The offer to buy was in force for two months from 24 April 2017.

Members of the Executive Board and 19 senior managers (21 participants) opted to buy their warrants (total of 43,000 warrants).

As a result, 50,000 warrants are exercisable under existing programmes as from 2017 (of which 37,300 have been exercised), 50,000 warrants become exercisable in 2018, 59,000 become exercisable in 2019, and 70,000 become exercisable in 2020.

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 2017 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 2016, 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 2017, SP Group A/S has implemented the following new or amended standards and interpretations:

Amendments to IAS 7 on disclosure requirements for cash flows, Amendments to IFRS 12 on the recognition of deferred tax assets for unrealised losses and partial implementation of Annual Improvements to IFRS 2014-2016. In Annual Improvements to IFRS 2014-2016, only the amendment to IFRS 12 *Disclosure of Interests in Other Entities* took effect from 1 January 2017 with a specification of the extent of the disclosure requirements of IFRS 12. The rest of the amendments will not take effect until 1 January 2018.

The new disclosure requirements of IAS 7 are not mandatory for interim reports and therefore will only apply as from the 2017 Annual Report.

None of the above amendments have affected recognition or measurement in the interim report.

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 2016. Reference is made to the information provided on estimates and judgments in the consolidated and the parent company financial statements for 2016.

Impairment test

The annual test for impairment of intangible assets, including goodwill, will be made at 31 December 2017 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 2017 and, accordingly, has not tested goodwill for impairment at 30 June 2017. Reference is made to the information provided on estimates and judgments in the consolidated and the parent company financial statements for 2016.

Forward-looking statements

This interim report contains forward-looking statements reflecting Management's current perception of future trends and financial performance. Statements relating to 2017 and the following years are inherently subject to uncertainty and SP Group's actual results may thus differ from expectations. Factors that may cause actual results to differ from expectations include, but are not limited to, changes in SP Group's activities, raw materials prices, foreign exchange rates and economic conditions. This interim report does not constitute an invitation to buy or sell shares in SP Group A/S.

About SP Group

SP Group manufactures moulded plastic and composite components and applies plastic coatings on plastic and metal surfaces.

SP Group is a leading supplier of plastic manufactured products for the manufacturing industries in Denmark and has increasing sales and growing production from own factories in Denmark, China, Brazil, the USA, Latvia, Slovakia 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 an average of 1,810 employees in the six months to 30 June 2017 and about 1,650 registered shareholders at 30 June 2017.

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