NASDAQ Copenhagen A/S
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Announcement no. 53 / 2021
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Company reg. (CVR) no. 15701315

Interim report - First half year of 2021

Summary: SP Group generated revenue of DKK 1,238.5 million in the H1 2021 reporting period, an 11.1% improvement from DKK 1,114.4 million in H1 2020. EBITDA was up by 18.2% to DKK 210.4 million from DKK 178.0 million last year, and profit before tax was up 28.0% to DKK 129.5 million. Further upgrade of FY 2021 guidance following upgrade provided in Announcement no. 28/2021. SP Group now expects FY 2021 revenue to grow by 8% to 14% (previously 4% to 12%) for an EBITDA margin of 16.0% to 18.0% (unchanged) and an EBT margin of 9% to 12% (unchanged).

The Board of Directors of SP Group A/S has today considered and approved the interim report for the six months ended 30 June 2021. Highlights of the interim report:

- H1 2021 revenue was up by DKK 124.1 million to DKK 1,238.5 million, an 11.1% improvement over H1 2020. Company acquisitions added DKK 28.5 million to consolidated revenue. Q2 revenue grew by 12.8%.
- Profit before depreciation, amortisation and impairment losses (EBITDA) for H1 2021 was DKK 210.4 million, as against DKK 178.0 million in H1 2020. Company acquisitions added DKK 4.5 million to EBITDA. External due diligence costs related to the acquisition of Jollmax Coating Oy reduced EBITDA by DKK 0.3 million. EBITDA grew by DKK 15.1 million in Q2 2021, representing a 16.8% year-on-year increase.
- Depreciation, amortisation and impairment losses amounted to DKK 74.6 million, an increase of DKK 5.4 million relative to H1 2020. Amortisation and depreciation in company acquisitions accounted for DKK 1.3 million of the increase.
- Profit before net financials (EBIT) came to DKK 135.9 million in H1 2021, a 24.8% increase from DKK 108.8 million in H1 2020. EBIT for the second quarter was DKK 67.0 million, a 21.8% increase from DKK 55.0 million in Q2 2020.
- Net financial items were a DKK 6.4 million expense in H1 2021, a DKK 1.3 million improvement on H1 2020 that was driven by fewer negative value adjustments.
- Profit before tax was DKK 129.5 million in H1 2021, a 28.0% improvement from DKK 101.2 million in H1 2020. The Q2 EBT was DKK 62.0 million against DKK 51.0 million in Q2 2020.
- Earnings per share (diluted) came to DKK 8.20 in H1 2021 against DKK 7.05 in H1 2020.
- Sales of our own brands were up by 28.6% in H1 2021 to DKK 316.9 million. At 25.6% of H1 2021 revenue, SP Group's own brands account for a growing proportion of revenue. Sales of our own brands were up by 31.7% in the second quarter to DKK 173.2 million.
- Sales to the healthcare, food-related, automotive and other demanding industries increased during the reporting period, whereas cleantech sales were relatively unaffected.
- There was a cash inflow from operating activities of DKK 135.9 million in H1 2021, against DKK 183.9 million in H1 2020.
- Net interest-bearing debt (NIBD) amounted to DKK 733.1 million at 30 June 2021, against DKK 657.8 million at 30 June 2020. At 31 December 2020, NIBD amounted to DKK 686.1 million. NIBD was 1.9 times LTM EBITDA. NIBD increased by DKK 47.0 million during the H1 2021 period.
- SP Group now expects FY 2021 revenue to grow by 8% to 14% (previously 4% to 12%) for an EBITDA margin of 16.0% to 18.0% (unchanged) and an EBT margin of 9% to 12% (unchanged). However, due to the spread of COVID-19 and the actions taken by the authorities, our levels of activity and cash flows over the coming months remain subject to considerable uncertainty.

Statement by CEO Frank Gad: *"We successfully delivered growth in revenue and EBITDA in the first six months of 2021 despite the coronavirus pandemic, global turbulence, many market challenges and volatile prices of raw materials. All of our 29 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 getting access to new technology, and we're committed to retaining our role as industry consolidators as and when value-adding opportunities arise."*

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK '000 (key ratios excepted)	Q2 2021 (unaud.)	Q2 2020 (unaud.)	Acc. Q2 2021 (unaud.)	Acc. Q2 2020 (unaud.)	FY 2020 (audited)
Income statement					
Revenue	640,391	567,980	1,238,481	1,114,387	2,178,189
Profit before depreciation, amortisation and impairment losses (EBITDA)	105,196	90,064	210,420	177,992	356,381
Depreciation, amortisation and impairment losses	-38,163	-35,049	-74,553	-69,149	-141,550
Profit before net financials (EBIT)	67,033	55,015	135,867	108,843	214,831
Net financials	-5,031	-4,044	-6,363	-7,669	-21,064
Profit before tax (EBT)	62,002	50,971	129,504	101,174	193,767
Profit for the period	48,586	40,031	101,754	79,305	150,841
Earnings per share (DKK)			8.29	7.07	12.85
Earnings per share, diluted (DKK)			8.20	7.05	12.75
Balance sheet					
Non-current assets			1,377,176	1,271,241	1,332,107
Total assets			2,395,851	2,207,960	2,264,875
Equity including non-controlling interests			1,062,025	966,027	1,007,379
Investments in property, plant and equipment (excluding acquisitions)	52,610	33,021	93,848	54,556	143,378
Net working capital (NWC)			513,065	458,212	453,525
Net interest-bearing debt (NIBD)			733,127	657,797	686,142
NIBD/EBITDA (LTM)			1.9	1.8	1.9
Cash flows					
Cash flows from:					
- operating activities	69,557	104,305	135,868	183,914	320,435
- investing activities	-51,216	-77,779	-97,672	-101,525	-203,392
- financing activities	-71,579	2,161	-70,814	-27,928	-43,057
Change in cash and cash equivalents	-53,238	28,687	-32,618	54,461	73,986
Key ratios					
EBITDA margin (%)	16.4	15.9	17.0	16.0	16.4
EBIT margin (%)	10.5	9.7	11.0	9.8	9.9
Profit before tax (EBT) as a percentage of revenue	9.7	9.0	10.5	9.1	8.9
Return on invested capital including goodwill (%)					12.3
Return on invested capital excluding goodwill (%)					14.0
Return on equity, excluding non-controlling interests					17.6
Equity ratio, excluding non-controlling interests (%)			44.2	43.6	44.4
Equity ratio, including non-controlling interests (%)			44.3	43.8	44.5
Financial gearing			0.7	0.7	0.7
Cash flow per share, DKK			10.98	16.32	27.10
Total dividends for the year per share (DKK)					5.00
Market price, end of period (DKK per share)			389.00	207.00	271.00
Net asset value per share, end of period (DKK)			86.25	79.15	82.35
Market price/net asset value, end of period			4.51	2.62	3.29
Number of shares, end of period			12,490,000	12,490,000	12,490,00
of which treasury shares, end of period			209,059	313,907	286,430
Average no. of employees			2,327	2,206	2,214

The financial ratios have been calculated in accordance with 'Recommendations & Ratios' issued by CFA Society Denmark. The definitions are listed on page 80 of the 2020 Annual Report.

MANAGEMENT COMMENTARY

H1 PERFORMANCE REVIEW

We continued to grow sales to many customers across industries and geographies in the first six months of 2021. The improvements were the most pronounced in our international markets, as sales outside Denmark grew by 15.5%. Sales to our Danish customers were up by 1.8%.

International sales were up by 17.4% in local currencies.

Performance numbers by customer group relative to the corresponding period of 2020:

	Q2 2021	H1 2021
Healthcare	11.4%	11.9%
Cleantech	6.1%	-0.2%
Food-related	10.6%	6.4%
Automotive	93.8%	50.1%
Other demanding industries	13.5%	22.7%
of which own brands	31.7%	28.6%

Most of the change in revenue for the H1 period was due to higher volume sales. Exchange rate developments reduced revenue by about DKK 12.2 million (SEK, RMB and USD depreciating), equal to 1.0% of revenue.

Acquired businesses and operations contributed about DKK 28.5 million of the revenue improvement in the first half year. Higher prices of raw materials were also a contributing factor to the revenue increase.

Organic growth in local currencies was about 9.7% in H1 2021. The rate in the Q2 period was about 11.7%.

Sales to the healthcare industry were up by 11.9% year-on-year to DKK 371.9 million and now account for 30.0% of consolidated revenue.

Sales to the cleantech industry were down by 0.2% to DKK 357.0 million and now make up 28.8% of consolidated revenue. Revenue improved 6.1% in the second quarter.

Sales to food-related industries were up by 6.4% to DKK 151.5 million and now make up 12.2% of consolidated revenue.

Sales to the automotive sector were up by 50.1% to DKK 66.8 million, equal to 5.4% of revenue.

Sales to other demanding industries were up by 22.7% to DKK 291.3 million and now account for 23.5% of consolidated revenue.

Sales of our own brands were up by 28.6% and now account for 25.6% of consolidated revenue.

SP Medical reported an 11.3% decline in guidewire sales.

Ergomat reported a 60.6% improvement in sales of ergonomic products. The improvements were driven by new innovative solutions and products, improved market opportunities and a larger sales force. The resulting growth contributed to the increase in operating income.

TPI reported a 9.2% decline in sales of farm ventilation components for the first half-year, but 4.1% growth year on year in the second quarter.

MedicoPack reported a 12.1% decline in sales of own-brand medical device packaging.

Tinby Skumplast, MM Composite, Dan-Hill-Plast, Ulstrup Plast and Nycopac along with SP Moulding reported combined 37.1% growth in own-brand sales – standard industry components – to a total of DKK 87.9 million.

SP Group continued to step up its marketing efforts towards both existing and potential customers. We won new customers in the first six months of 2021 and are continuing our proactive approach to developing and marketing a number of new solutions, including for the healthcare, cleantech and food-related 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 71.0% of revenue (compared with 68.3% in H1 2020).

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. The current LEAN process will continue with focus on improving processes and flows and strengthening our employees' competencies.

Currently, some 74% of our staff are employed outside Denmark.

The Group's headcount grew by 170 in the six-month reporting period.

The new employees are based in Denmark (7), Poland (94), Finland (19), Latvia (45) and Slovakia (7), while there was a net reduction of two employees in the rest of the world. The increased headcount in Finland was due to the acquisition of Jollmax Coating Oy.

At 30 June 2021, SP Group had 2,430 employees worldwide.

Volatility in prices of raw materials and frequent coronavirus-related force majeure claims by our suppliers had a negative impact on EBITDA in the H1 2021 period. We expect to pass on the higher prices of raw materials to our customers at a certain time lag.

All our 29 plants in Europe, North America and Asia are operating and have access to the raw materials they require. All sales offices are open for business.

All locations are continuing a range of measures to ensure that people observe social distancing and that strict hygiene procedures are followed at all times.

We have not had production disrupted due to COVID-19.

On the customer side, we are fortunate that SP Group is not particularly exposed to the sectors and industries most severely impacted by the COVID-19 crisis.

Our largest customer segment, healthcare, also seems to have escaped much of the coronavirus impact.

The second-largest sector, Cleantech, also seems relatively unaffected by the pandemic so far. Meanwhile, the green transition remains a high priority across the world.

The same applies to the third of our large sectors, food manufacturers and food-related industries, although several of our customers have been forced by the authorities to shut down their operations to avoid a spread of the virus.

Sales to the automotive industry have surged.

Sales to Other demanding industries also rose sharply.

Geographically, the impact on our customers varies significantly.

Some parts of our Group saw their activity levels go up because of COVID-19. 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 COVID-19 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.

A third example is online businesses. Due to the rapid growth they are experiencing, they need Ergomat's ergonomic flooring solutions to ensure a sound health and safety environment for their growing staff numbers.

Obviously, SP Group continues to be affected by the COVID-19 crisis, but we manufacture, sell and deliver our products on a daily basis. Our supply chains are intact. We have not incurred any losses on trade receivables due to the crisis, nor do we expect any.

SP Group has not made use of the Danish relief schemes, as we have not had the need. The extension of deadlines for paying in employee income taxes had a positive effect of approximately DKK 18 million on our cash and cash equivalents.

However, it is difficult to provide meaningful guidance in a world where different countries are at different stages in combating the ongoing COVID-19 crisis and where the situation is continuously evolving.

Based on the strong growth generated in the second quarter, we raise our guidance range for FY 2021 revenue growth to 8% to 14% (from previously 4% to 12%) for an EBITDA margin of 16.0% to 18.0% (unchanged) and an EBT margin of 9% to 12% (unchanged).

In addition, SP Group has extended its credit facilities with its primary bankers until spring 2022. The financial covenants are unchanged:

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

NIBD/EBITDA is expected to be less than 3.0 by 31 December 2021.

In April and June 2021, the Company sold 253,425 treasury shares to cover the cost of warrants exercised under the 2016, 2017 and 2018 warrant programmes. The proceeds added DKK 59.4 million in cash to equity.

As announced in Announcement No. 19/2021, SP Group has launched a new DKK 40 million share buy-back programme, which is expected to run until 10 April 2022 and, as announced in Announcement No. 33/2021, increased the programme by DKK 10 million. The purpose of the programme is to hedge warrant programmes. At the Company's annual general meeting on 27 April 2021, it was resolved to distribute dividends of DKK 62.5 million to shareholders. The dividend was paid out at the end of April 2021.

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

FINANCIAL PERFORMANCE REVIEW

Revenue for the first six months of 2021 amounted to DKK 1,238.5 million, an 11.1% improvement from DKK 1,114.4 million in the year-earlier period. Acquired businesses and operations accounted for approximately 2.6ppts of the increase. Exchange rate developments reduced revenue growth by about 1.1ppts.

Consolidated H1 2021 EBITDA was DKK 210.4 million compared with DKK 178.0 million in H1 2020. Acquired businesses and operations contributed DKK 4.5 million.

The EBITDA margin was 17.0%, against 16.0% in H1 2020.

Profit before net financials (EBIT) came to DKK 135.9 million in H1 2021, against DKK 108.8 million in H1 2020. The EBIT margin was 11.0% in H1 2021 compared with 9.8% in H1 2020.

Net financials were an expense of DKK 6.4 million in H1 2021, a DKK 1.3 million improvement year on year that was due to positive value adjustments.

Profit before tax (EBT) amounted to DKK 129.5 million in H1 2021 as against DKK 101.2 million in H1 2020. The EBT margin for H1 2021 was 10.5%, against 9.1% in the same period of last year.

The tax rate fell slightly to 21.4% from 21.6%.

Total assets amounted to DKK 2,395.9 million at 30 June 2021, compared with DKK 2,208.0 million at 30 June 2020 and DKK 2,264.9 million at 31 December 2020. The equity ratio was 44.3% at 30 June 2021, as against 43.8% at 30 June 2020 and 44.5% at 31 December 2020.

Total assets grew by approximately DKK 131.0 million during the six months to 30 June 2021. The amount breaks down as follows: DKK 7.6 million relating to the acquisition of Jollmax Coating Oy, an increase in gross working capital (DKK 111.0 million), a decline in cash and cash equivalents (DKK 32.6 million), an increase in intangible assets (DKK 11.4 million), an increase in property, plant and equipment (DKK 32.3 million) and an increase in financial assets (DKK 1.3 million).

Net interest-bearing debt amounted to DKK 733.1 million at 30 June 2021, against DKK 686.1 million at 1 January 2021 and DKK 657.8 million at 30 June 2020.

Being focused on working capital, the Group has sold selected trade receivables. Net interest-bearing debt was 1.9 times the LTM EBITDA of DKK 388.8 million. NIBD/EBITDA at 31 December 2020 was 1.9. We remain strongly committed to reducing the interest-bearing debt by increasing cash flows from operating activities.

Exchange rate adjustments of foreign subsidiaries (DKK 10.6 million) and value adjustment of financial instruments acquired to hedge future cash flows, such instruments consisting mainly of forward contracts (PLN against EUR, DKK 5.4 million) both had a positive effect on equity in the H1 2021 period.

Equity was also supported by the sale of treasury shares for a total of DKK 59.4 million to cover the cost of warrants exercised.

Equity was reduced by the purchase of treasury shares in the reporting period for a net amount of DKK 61.9 million.

Lastly, equity was reduced by dividends of DKK 61.3 million paid to the shareholders.

Equity amounted to DKK 1,062.0 million at 30 June 2021 against DKK 966.0 million at 30 June 2020 and DKK 1,007.4 million at 31 December 2020.

Equity increased by DKK 54.6 million in the H1 2021 period.

Cash flows

Cash flows from operating activities were an inflow of DKK 135.9 million in H1 2021, which was DKK 48.0 million less than in the H1 2020 period.

In H1 2021, the Group spent DKK 94.2 million on investments, a net amount of DKK 84.3 million on reducing long-term loans and DKK 2.5 million net on buying and selling treasury shares and warrants, deposits were reduced by DKK 0.9 million, 3.5 million was spent on acquiring subsidiary and associate businesses, DKK 61.3 million on paying dividends and DKK 78.2 million on changes in short-term bank debt. The resulting change in cash and cash equivalents was DKK 32.6 million.

Management believes that the company's capital resources remain sound relative to its operations and that is has sufficient cash resources to meet its current and future liabilities. The company has good, long-standing and constructive relationships with its financial business partners and expects to continue those relationships.

OUTLOOK FOR THE REST OF 2021

Hopefully, the global economy will grow in 2021, but it remains fragile and subject to political uncertainty and economic volatility. Our neighbouring markets in Europe have grave government budget deficits and high indebtedness. The outbreak of the COVID-19 pandemic, which has subsequently spread worldwide, may have considerable adverse effects on the global economy and on our customers and suppliers – and thus on SP Group's performance.

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 drive growth and earnings.

We intend to maintain a high level of investment in 2021. We expect to make the largest investments in our cleantech operations.

Amortisation and depreciation charges are expected to be higher than in 2020, in part due to the substantial investments made in 2020.

Financial expenses are expected to be at a lower level than in 2020.

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 COVID-19 and the actions taken by the authorities combined with the fact that bottleneck issues have emerged in a number of global supply chains, our levels of activity and cash flows will be subject to considerable uncertainty over the coming months.

Based on the strong growth generated in the second quarter, we raise our guidance range for FY 2021 revenue growth to 8% to 14% (from previously 4% to 12%) for an EBITDA margin of 16.0% to 18.0% (unchanged) and an EBT margin of 9% to 12% (unchanged).

OTHER MATTERS AND EVENTS AFTER THE BALANCE SHEET DATE

On 18 February 2021, SP Group A/S acquired, through its subsidiary Coreplast Oy, the company Jollmax Coating Oy based in Salo, Finland.

Jollmax Coating Oy are specialists in wet painting, powder coating, printing, water printing and other decorating services on plastics and other materials. The company has more than 30 years of experience in these areas. Jollmax Coating Oy is Finland's sole supplier of industrial water printing.

The acquisition of Jollmax Coating Oy has complemented SP Group's broad range of skills and strengthened its surface activities, while also expanding SP Group's operations in Finland.

The company's highly skilled management and committed employees will be staying on.

The acquisition was announced in Announcement no. 10/2021 of 18 February 2021.

On 5 March 2021, SP Group A/S agreed, through its subsidiary Tinby A/S, to acquire selected assets from Dupont Plastic under konkurs.

Dupont Plastic ApS was a minor PUR company based in Hjortshøj, Denmark, acting as sub-supplier to a number of manufacturing companies.

The acquisition was announced in Announcement no. 13/2021 of 5 March 2021.

On 14 July 2021, SP Group A/S acquired, through its subsidiary SP Moulding A/S, all shares in Neptun Plast A/S and Atlantic Floats Denmark A/S.

Founded in 1933, Neptun Plast A/S is an advanced injection-moulding company with production and assembly facilities based in Vordingborg, Denmark.

Atlantic Floats Denmark A/S develops and sells trawl floats and is rooted in Iceland and Denmark. The products are designed for fishing at great depths (from 300 to 3,200 metres) and in cold waters. Production takes place at Neptun Plast.

The acquisition of these two well-run companies with in-house production and specialising in injection moulding of technical plastics and the production and sale of floats, baskets, cod end rings, bobbins and buckets for the fishing industry will accelerate growth in SP Group and adds yet another attractive product and customer portfolio to our existing broad portfolio.
The companies' highly skilled management and committed employees will be staying on.

The acquisition was announced in Announcement no. 49/2021 of 14 July 2021.

Accoat's factory in Poland was shut down at the beginning of 2021 due to a change in market conditions.

Discontinuing the operations in Poland had no effect on the profit for the period.

The start-up phase at Gibo's new factory in China continues. The initial machinery has been installed and production is ongoing.

Gibo has added rotation moulding facilities to the factory in China in 2021. The machinery has arrived in China and the first production runs have been successfully completed.

SP Moulding has acquired a 1600 tonne injection moulding machine for its operations in China and is now also able to manufacture large items.

The projects to expand the facilities in Slovakia and at Stoholm, Denmark, have been completed.

Ergomat has commenced a major extension project in the USA. Tinby Skumplast has relocated its operations to Søndersø, Denmark.

Dan-Hill-Plast A/S has acquired a building adjacent to its current site, intending to ensure expansion opportunities in Denmark.

Construction of a new factory of about 11,500m² in Poland will begin as soon as a building permit has been issued.

As part of the efforts to develop SP Group and increase our focus on sustainability and the green transition, Lotte Burmølle Andersen has been appointed to a newly established position as Group ESG Manager effective from 15 August 2021. Lotte is a qualified engineer and has worked with the SP Group since 2008, mainly for Gibo Plast as a project manager, quality assurance manager, environmental manager and in sustainability.

SP Group intends to focus on sustainability along the entire value chain, both by reducing the Group's own footprint from own factories and by helping customers determine the impact of plastics components in their designs, so future components can also be selected based on a sustainability perspective.

On 18 June 2021, SP Group A/S co-founded the company Juelsmindehalvøens Solar A/S together with Palsgaard A/S, Jual Group A/S and Aarstiderne A/S. The four companies plan to establish and operate a shared solar farm near the village of Glud, which will be able to generate 60 GWh per year.

SP Group wants to support and make a responsible contribution to the green transition, and the Group aims to become carbon neutral by 2030. When the project goes into operation, SP Group is to take 50% of the output, which will cover our entire power consumption in Denmark and about 50% of our global power consumption.

In Poland, we recently completed a wall-mounted solar panel installation on the exterior of Tinby's factory and a roof-mounted installation at SP Moulding's factory.

Kent Bøllingtoft Madsen has resigned his position as managing director of MM Composite A/S. The position has been filled by Michael V. Therkelsen, who will continue to serve as managing director of Tinby A/S as well.

STATEMENT BY MANAGEMENT

The Board of Directors, the Executive Board and the rest of management have today considered and approved the interim report of SP Group A/S for the six months ended 30 June 2021.

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 2021 and of the results of the Group's operations and cash flows for the six months ended 30 June 2021.

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 August 2021

Executive Board and other members of Group management

Frank Gad CEO	Søren Ulstrup Member of the Executive Board
Lars Ravn Bering Member of the Executive Board	/Tilde Kejlhof CFO

Board of Directors

Hans W. Schur Chairman	Erik P. Holm Deputy Chairman
Hans-Henrik Eriksen	Bente Overgaard

INCOME STATEMENT (summary)

DKK '000	Q2 2021 (unaud.)	Q2 2020 (unaud.)	Acc. Q2 2021 (unaud.)	Acc. Q2. 2020 (unaud.)	FY 2020 (audited)
Revenue	640,391	567,980	1,238,481	1,114,387	2,178,189
Production costs	-438,656	-392,454	-843,051	-763,456	-1,481,395
Contribution margin	**201,735**	**175,526**	**395,430**	**350,931**	**696,794**
Profit before depreciation, amortisation and impairment losses (EBITDA)	**105,196**	**90,064**	**210,420**	**177,992**	**356,381**
Depreciation, amortisation and impairment losses	-38,163	-35,049	-74,553	-69,149	-141,550
Profit before net financials (EBIT)	**67,033**	**55,015**	**135,867**	**108,843**	**214,831**
Net financials	-5,031	-4,044	-6,363	-7,669	-21,064
Profit before tax (EBT)	**62,002**	**50,971**	**129,504**	**101,174**	**193,767**
Tax on profit for the period	-13,416	-10,940	-27,750	-21,869	-42,926
Profit for the period	**48,586**	**40,031**	**101,754**	**79,305**	**150,841**
Attributable to:					
Parent company shareholders	48,453	40,081	101,455	79,446	150,806
Non-controlling shareholders	133	-50	299	-141	35
Earnings per share (DKK)			8.29	7.07	12.85
Earnings per share, diluted (DKK)			8.20	7.05	12.75

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Q2 2021 (unaud.)	Q2 2020 (unaud.)	Acc. Q2 2021 (unaud.)	Acc. Q2 2020 (unaud.)	FY 2020 (audited)
Profit for the period	**48,586**	**40,031**	**101,754**	**79,305**	**150,841**
Items that may be reclassified to the income statement:					
Exchange rate adjustment relating to foreign companies	5,341	1,310	10,583	-16,894	-33,894
Net fair value adjustment of financial instruments acquired to hedge future cash flows	19,971	19,962	5,382	-5,784	-20,116
Other comprehensive income	**25,312**	**21,272**	**15,965**	**-22,678**	**-54,010**
Comprehensive income	**73,898**	**61,303**	**117,719**	**56,627**	**96,831**
Allocation of comprehensive income for the period:					
Parent company shareholders	73,755	61,312	117,426	56,779	96,772
Non-controlling shareholders	143	-9	293	-152	59
Earnings per share (DKK)			9.62	5.04	8.25
Earnings per share, diluted (DKK)			9.52	5.03	8.19

BALANCE SHEET (summary)

DKK '000	30.06. 2021 (unaud.)	30.06. 2020 (unaud.)	31.12. 2020 (audited)
Intangible assets*	308,745	300,552	297,308
Property, plant and equipment	1,062,632	967,032	1,030,325
Financial assets	2,392	1,897	1,067
Deferred tax assets	3,407	1,760	3,407
Total non-current assets	**1,377,176**	**1,271,241**	**1,332,107**
Inventories	531,338	512,171	500,282
Receivables*	397,262	321,381	309,794
Cash	90,075	103,167	122,692
Total current assets	**1,018,675**	**936,719**	**932,768**
Total assets	**2,395,851**	**2,207,960**	**2,264,875**
Equity including non-controlling interests	1,062,025	966,027	1,007,379
Non-current liabilities	531,319	571,199	580,464
Current liabilities*	802,507	670,734	677,032
Equity and liabilities	**2,395,851**	**2,207,960**	**2,264,875**

* See notes 3 and 4 to the financial statements on page 17 for changes in goodwill and fair value of derivative financial instruments.

CASH FLOW STATEMENT

DKK '000	Q2 2021 (unaud.)	Q2 2020 (unaud.)	Acc. Q2 2021 (unaud.)	Acc. Q2 2020 (unaud.)	FY 2020 (audited)
Profit before net financials (EBIT)	67,033	55,015	135,867	108,843	214,831
Depreciation, amortisation and impairment losses	38,163	35,049	74,553	69,149	141,550
Share-based payment	585	170	747	356	683
Value adjustments, etc.	6,768	-5,252	13,097	-13,132	4,530
Change in working capital	-23,680	23,017	-54,281	31,778	25,433
Interest expenses paid	-5,519	-3,534	-10,843	-8,950	-29,925
Income tax received/paid	-13,793	-160	-23,272	-4,130	-36,667
Cash flows from operating activities	**69,557**	**104,305**	**135,868**	**183,914**	**320,435**
Acquisition of subsidiary and associate businesses	-400	-44,792	-3,461	-44,792	-44,792
Acquisition of intangible assets	-4,647	-1,766	-8,778	-4,797	-15,222
Acquisition of property, plant and equipment, net	-46,169	-31,221	-85,433	-51,936	-143,378
Cash flows from investing activities	-51,216	-77,779	**-97,672**	**-101,525**	**-203,392**
Dividend to non-controlling shareholders	0	0	0	0	0
Dividends paid	-61,310	0	-61,310	0	0
Deposits, adjustment	-113	16	-925	-745	85
Acquisition of treasury shares	-29,234	-2,314	-61,923	-26,523	-45,602
Sale of treasury shares	59,413	10,304	59,413	10,304	30,467
Capital increase	0	214,861	0	214,861	214,538
Sale of warrants	0	0	0	0	0
Raising of long-term loans	0	72,363	0	72,363	72,401
Instalments on non-current liabilities	-50,003	-90,100	-84,298	-127,698	-189,340
Bank debt, adjustment	9,668	-202,969	78,229	-170,490	-125,606
Cash flows from financing activities	**-71,579**	**2,161**	**-70,814**	**-27,928**	**-43,057**
Change in cash and cash equivalents	**-53,238**	**28,687**	**-32,618**	**54,461**	**73,986**
Cash and cash equivalents at 1 January	143,312	74,480	122,692	48,706	48,706
Cash and cash equivalents at end of period	**90,074**	**103,167**	**90,074**	**103,167**	**122,692**

CHANGES IN EQUITY since 1 January:

DKK '000	Equity attributable to parent company shareholders 2021 (unaud.)	2020 (unaud.)	Equity attributable to non-controlling interests 2021 (unaud.)	2020 (unaud.)	Equity including non-controlling interests 2021 (unaud.)	2020 (unaud.)
Balance at 1 January	**1,004,905**	**707,987**	**2,474**	**2,415**	**1,007,379**	**710,402**
Profit for the period	**101,455**	**79,446**	**299**	**-141**	**101,754**	**79,305**
Other comprehensive income:						
Exchange rate adj., foreign subsidiaries	10,589	-16,883	-6	-11	10,583	-16,894
Value adjustment of derivative financial instruments	5,382	-5,784	0	0	5,382	-5,784
Total other comprehensive income	**15,971**	**-22,667**	**-6**	**-11**	**15,965**	**-22,678**
Comprehensive income for the period	**117,426**	**56,779**	**293**	**-152**	**117,719**	**56,627**
Share-based payment	747	356	0	0	747	356
Sale of warrants	0	0	0	0	0	0
Acquisition of treasury shares	-61,923	-26,523	0	0	-61,923	-26,523
Sale of treasury shares	59,413	10,304	0	0	59,413	10,304
Dividends paid	-61,310	0	0	0	-61,310	0
Capital increase	0	214,861	0	0	0	214,861
Additions from acquisitions	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
Transactions with shareholders	**-63,073**	**198,998**	**0**	**0**	**-63,073**	**198,998**
Balance at 30 June	**1,059,258**	**963,764**	**2,767**	**2,263**	**1,062,025**	**966,027**

On 18 February 2021, the Group acquired all shares in Finnish company Jollmax Coating Oy, a company specialising in wet painting, powder coating, printing, water printing and other decorating services on plastics and other materials.

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

	DKK '000
Customer files	2,752
Intangible assets	82
Property, plant and equipment	1,354
Inventories	902
Order book	134
Trade receivables	1,922
Other receivables	64
Cash and cash equivalents	2,170
Deferred tax	-577
Financial liabilities	-879
Trade payables	-937
Other payables	-2,207
Acquired net assets	**4,780**
Goodwill	5,545
Total consideration	**10,325**
Cash consideration	5,232
Debt instruments	2,679
Contingent consideration	2,414
Total consideration	**10,325**

Prior to the acquisition, the acquired entity had EBITDA of about DKK 2.2 million in its most recent financial year.

The consideration was for an amount up to DKK 10,325 thousand, of which DKK 5,232 thousand was paid in cash.

Debt instruments with a total nominal value of DKK 2,744 thousand, which fall due in the period 2022-2024, have been issued. The discounted amount is DKK 2,679 thousand.

In addition, there is a contingent consideration with a nominal value of DKK 2,488 thousand. The discounted amount is DKK 2,414 thousand. The contingent consideration is recognised at its fair value at the date of acquisition. The amount recognised is the maximum that may become payable, because the earn-out conditions are expected to be met.

Acquisition costs amounted to DKK 0.3 million, which amount has been recognised in 2021.

In connection with the acquisition, goodwill has been made up at DKK 5,545 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.

Effective 14 July 2021, the Group acquired all shares in Neptun Plast A/S and Atlantic Floats Denmark A/S. Neptun Plast A/S is an advanced injection-moulding company, and Atlantic Floats Denmark A/S develops and sells trawl floats.

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

	DKK '000
Customer files	7,500
Property, plant and equipment	7,763
Financial assets	100
Inventories	2,137
Order book	132
Trade receivables	4,652
Other receivables	659
Cash and cash equivalents	3,487
Deferred tax	-2,543
Financial liabilities	-1,403
Trade payables	-3,295
Other payables	-2,624
Acquired net assets	**16,565**
Goodwill	15,584
Total consideration	**32,149**
Cash consideration	17,263
Debt instruments	7,123
Contingent consideration	7,763
Total consideration	**32,149**

The acquired entity had EBITDA of about DKK 3.8 million in its most recent financial year. After normalisations are accounted for, EBITDA was approximately DKK 5.4 million.

The consideration was for an amount up to DKK 32,149 thousand, of which DKK 17,263 thousand was paid in cash.

Debt instruments with a total nominal value of DKK 7,398 thousand, which fall due in the period 2023-2024, have been issued. The discounted amount is DKK 7,123 thousand.

In addition, there is a contingent consideration with a nominal value of DKK 8,000 thousand. The discounted amount is DKK 7,763 thousand. The contingent consideration is recognised at its fair value at the date of acquisition. The amount recognised is the maximum that may become payable, because the earn-out conditions are expected to be met.

Acquisition costs amounted to DKK 0.3 million, which amount has been recognised in 2021.

In connection with the acquisition, goodwill has been made up at DKK 15,584 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

The Board of Directors resolved on 25 March 2021 to set up an incentive programme for the Company's Executive Board and 41 managers. The programme is based on warrants to be issued by the Board of Directors exercising the authorisation provided in article 5(5) of the articles of association and granted at the Annual General Meeting in 2019, on which occasion the programme was presented to the shareholders. A total of 108,750 warrants were issued, of which 22,500 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 400.00 per share with a nominal value of DKK 2 plus a 7.5% premium calculated from 1 April 2021 and until the date of exercise. The exercise price was fixed on the basis of market conditions applying on 25 March 2021.

Warrants issued under the programme may be exercised to buy shares in the Company during the period from 1 April 2024 to 31 March 2027, 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 58.44 each for an aggregate market value of approximately DKK 6,355,311.00. The market value of the warrants issued was calculated using the Black–Scholes model with volatility of 39.6% calculated on the basis of the price of the Company's shares during the past 36 months, a level of interest rates of 0.00%, a share price of DKK 361.00 (closing price at 25 March 2021) and assuming that warrants awarded are exercised in April 2024. Allowance is made for any dividend payments to be made during the period.

A total of 253,425 warrants were exercised in April and June 2021.

SP Group currently has incentive programmes consisting of 6,535 warrants (2016 programme) that are exercisable as from 2019, 23,200 warrants (2017 programme) that are exercisable as from 2020, 115,295 warrants (2018 programme) that are exercisable as from 2021, 240,000 warrants (2019 programme) that are exercisable as from 2022, and 107,500 warrants (2021 programme) that are exercisable as from 2024.

If a participant resigns from the group company in which he or she is employed, the number of warrants will be reduced on a pro rata basis so as to reflect that the participant was only associated with the Group for a part of the term of the programme. This does not apply if a participant has bought and paid for his or her warrants.

Note 1. Accounting policies
The interim report for the six months to 30 June 2021 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 2020, 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 2021, SP Group A/S has implemented the following new or amended standards and interpretations:

- Amendments to IFRS 9, IAS 39 and IFRS 7 phase 2 of the IBOR reform.

SP Group A/S has implemented the standards and interpretations taking effect in the EU for 2021.
None of these have affected recognition and measurement in 2021 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 2020. Reference is made to the information provided on estimates and judgments in note 2 to the consolidated and the parent company financial statements for 2020.

Impairment test
Management had not identified evidence of impairment of the carrying amount of intangible assets including goodwill at 30 June 2021.

Note 3. Intangible assets
Goodwill

DKK '000	**30.06. 2021** (unaud.)	**30.06. 2020** (unaud.)	**31.12. 2020** (audited)
Cost at 1 January	220,050	200,853	200,853
Foreign exchange adjustment	503	-87	-1,361
Additions from acquisitions	5,545	23,639	20,558
Cost at 30 June	226,098	224,405	220,050
Depreciation and impairment at 1 January	1,861	1,861	1,861
Impairment	0	0	0
Foreign exchange adjustment	0	0	0
Cost at 30 June	1,861	1,861	1,861
Carrying amount at 30 June	**224,237**	**222,544**	**218,189**

Note 4. Fair value measurement of financial instruments
Listed below are relevant disclosure requirements relevant for the Group's forward exchange contracts.

Derivative financial instruments are measured in accordance with a recognised valuation method, under which all material data are based on observable market data, i.e. level 2.

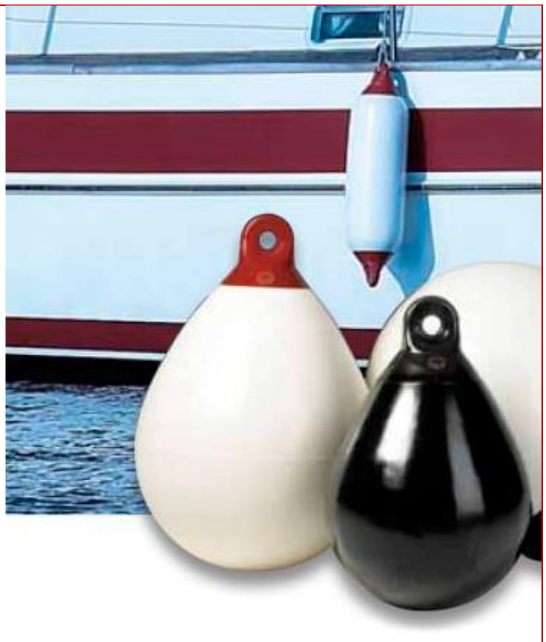
DKK '000		**30.06. 2021** (unaud.)		**30.06. 2020** (unaud.)		**31.12. 2020** (audited)
Financial assets	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Derivative financial instruments to hedge future cash flows	9,569	9,569	21,254	21,254	3,057	3,057
Financial liabilities						
Derivative financial instruments to hedge future cash flows	0	0	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 as approved by the Board of Directors, which hedge 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 2021 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 2,430 employees and about 2,850 registered shareholders at 30 June 2021.



Dan-Hill-Plast develops, manufactures and sells own-brand products, such as fenders for yachts and boats under the Dan-Fender brand which is sold globally.