

The background of the slide features a collection of fiber optic cables with various colored connectors (yellow, orange, green, blue, red) and curved white cables. A dark blue horizontal bar is positioned across the middle of the image, containing the main title and presentation details.

# ANNUAL REPORT 2012

Presentation by CEO Frank Gad  
22 March 2013

# AGENDA

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- SP Group – an overview
- Results 2012
- Strategic focus areas
- Financial objectives and outlook



## **Frank Gad**

Born 1960, M. Sc.

### **Career:**

#### **Nov. 2004-:**

CEO, SP Group A/S

#### **1999-2004:**

CEO, FLSmidth A/S

#### **1996-1999:**

CEO, Mærsk Container Industri A/S

#### **1985-1999:**

Odense Staalskibsværft A/S

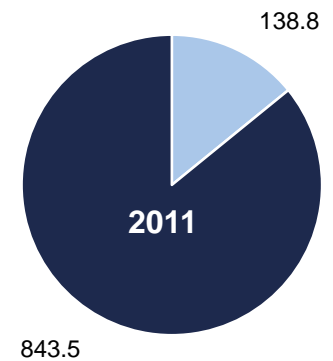
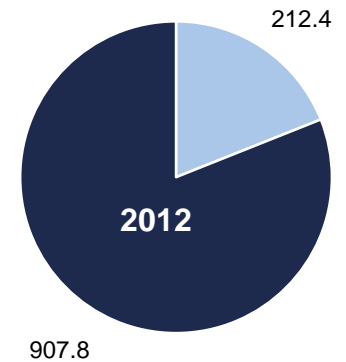
– most recent title: EVP



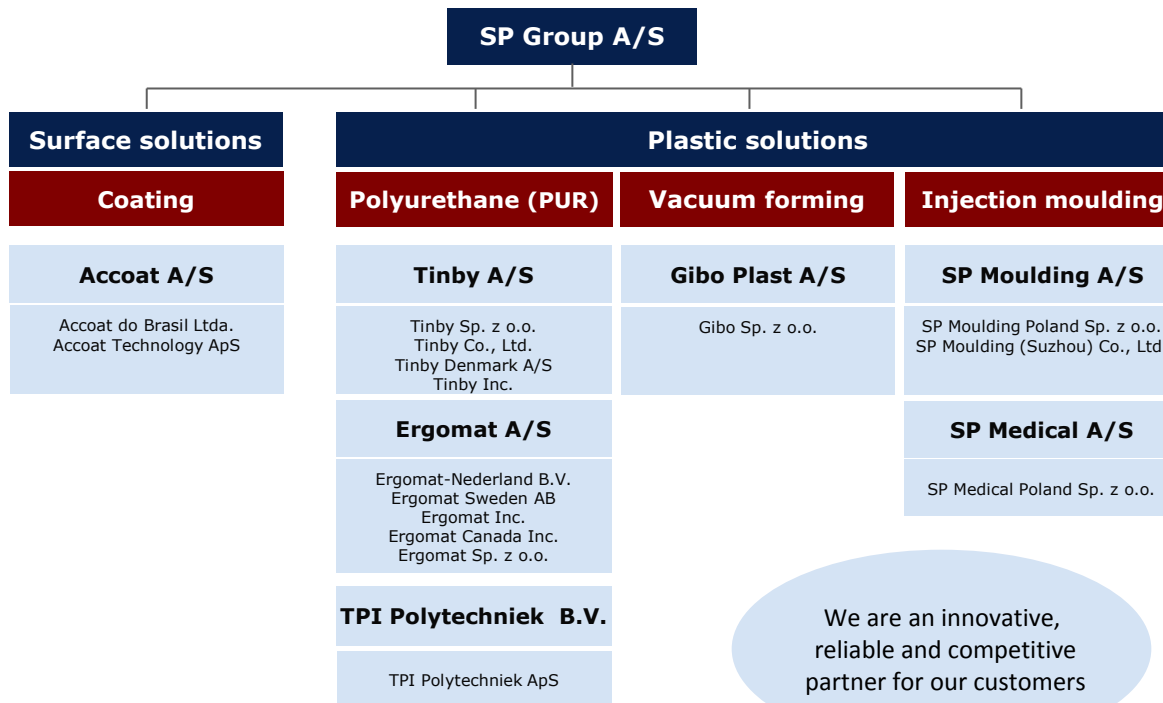
# SP GROUP – AN OVERVIEW

- Manufacturer of moulded plastic components and coatings
- Supplier of customer-specific solutions for a wide range of industries
- Strong international niche positions – also for our own brands
- Increased sales from own plants in Denmark, China, Poland and Brazil

Revenue split by business area (DKKm)



■ Surface solutions ■ Plastic solutions



We are an innovative, reliable and competitive partner for our customers

A photograph of an offshore wind farm with several white wind turbines on a blue sea under a clear sky. A dark blue horizontal bar is overlaid on the left side of the image.

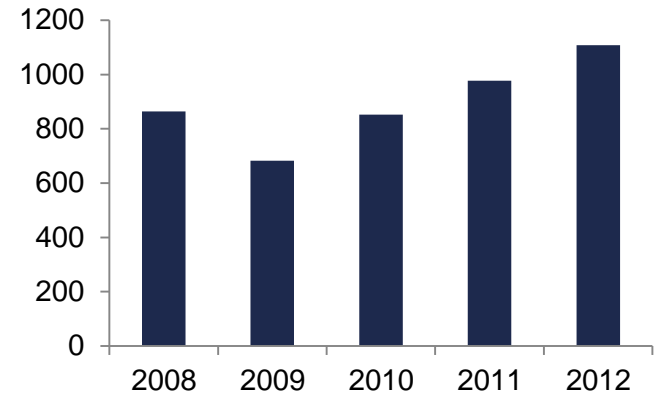
# RESULTS 2012



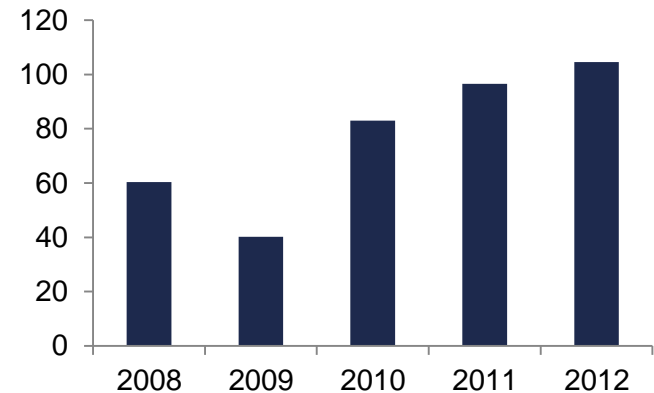
# GROUP HIGHLIGHTS

- 2012 was an interesting year
- Revenue increased by 13.5% to DKK 1,109 mio. – the best ever
  - Denmark was our best performing market with a 21.6% sales improvement
  - Sales outside Denmark were up by 5.2%
- EBITDA up by 8.3% to DKK 104.6m
- EBIT increased by 10.1% to DKK 58.1m
- Profit before tax and non-controlling interests increased by 21.4% to DKK 41.6m – best performance ever
- Diluted earnings per share increased by 38.1% to DKK 15.34 per share
- Cash flows from operations amounted to DKK 100.1m – best cash flow ever
- NIBD increased by DKK 40.4m to DKK 395.4m at the end of 2012 – 3.8 times EBITDA for the year

Revenue (DKKm)



Operating profit (EBITDA) (DKKm)



# GROUP FINANCIAL HIGHLIGHTS – Q4 2012



DKKm	Q4 2012	Q4 2011	2012	2011
Revenue	285.9	250.3	1,108.5	976.8
EBITDA	30.3	24.4	104.6	96.5
EBIT	18.5	13.1	58.1	52.8
Profit before tax, non-controlling interests	13.3	8.6	41.6	34.3
Equity incl. non-controlling interests			240.1	205.6
Cash flows from operations	60.6	66.9	100.1	66.9
Cash flows from investments	20.0	-11.7	-87.6	-51.9
Cash flows from financing activities	-42.0	-7.6	0.9	-13.7
Change in cash and cash equivalents	38.6	47.6	13.4	1.3
NIBD			395.4	355.0
Equity ratio, incl. non-controlling interests, %			28.7	26.7

# GROUP FINANCIAL HIGHLIGHTS

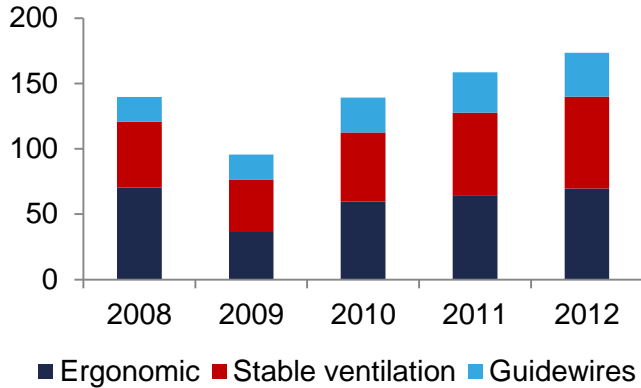


DKKm	2012	2011	2010	2009	2008
Revenue	1,108.5	976.8	851.9	681.9	863.7
EBITDA	104.6	96.5	83.0	40.2	60.3
EBIT	58.1	52.8	41.7	-1.0	17.0
Profit before tax, non-controlling interests	41.6	34.3	28.8	-14.5	-14.9
Equity incl. non-controlling interests	240.1	205.6	190.7	159.7	170.5
Cash flows from operations	100.1	66.9	57.8	45.3	35.4
Cash flows from investments	-87.6	-51.9	-46.9	-35.8	-69.5
Cash flows from financing activities	0.9	-13.7	47.3	-16.3	-17.5
Change in cash and cash equivalents	13.4	1.3	58.2	-6.8	-51.6
NIBD	395.4	355.0	367.4	376.9	393.4
Equity ratio, incl. non-controlling interests, %	28.7	26.7	25.7	23.7	24.1

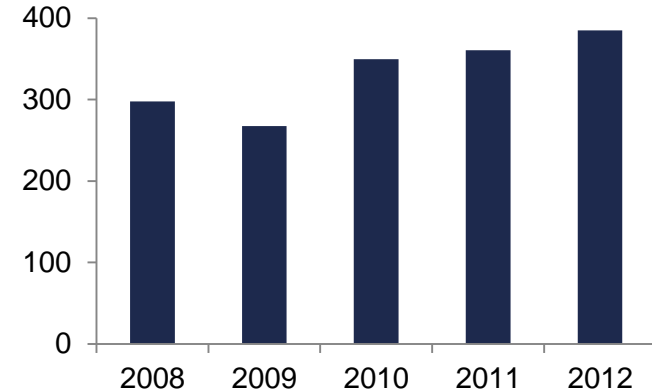


# REVENUE SPLIT BY PRODUCT AREA

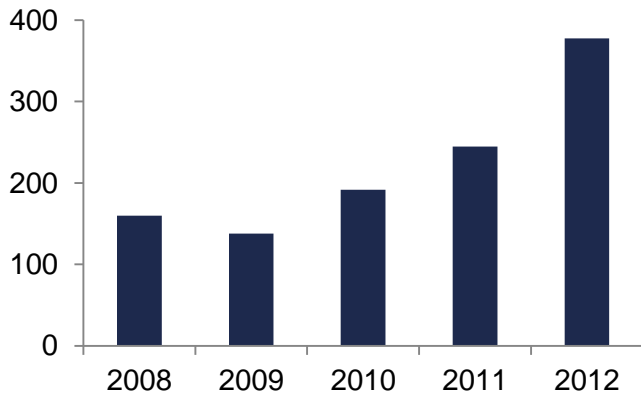
Revenue from own brands (DKKm)



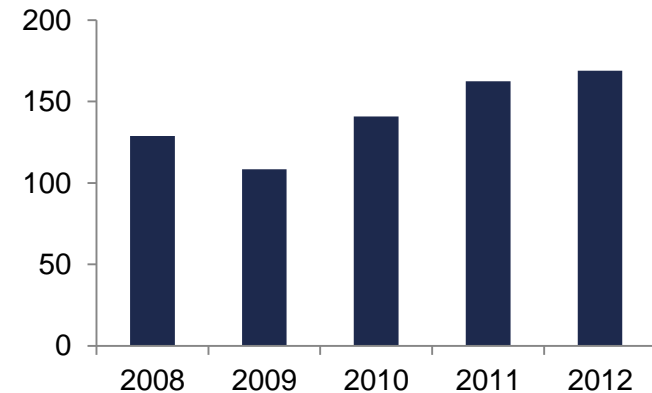
Revenue health care products (DKKm)



Revenue cleantech industries (DKKm)



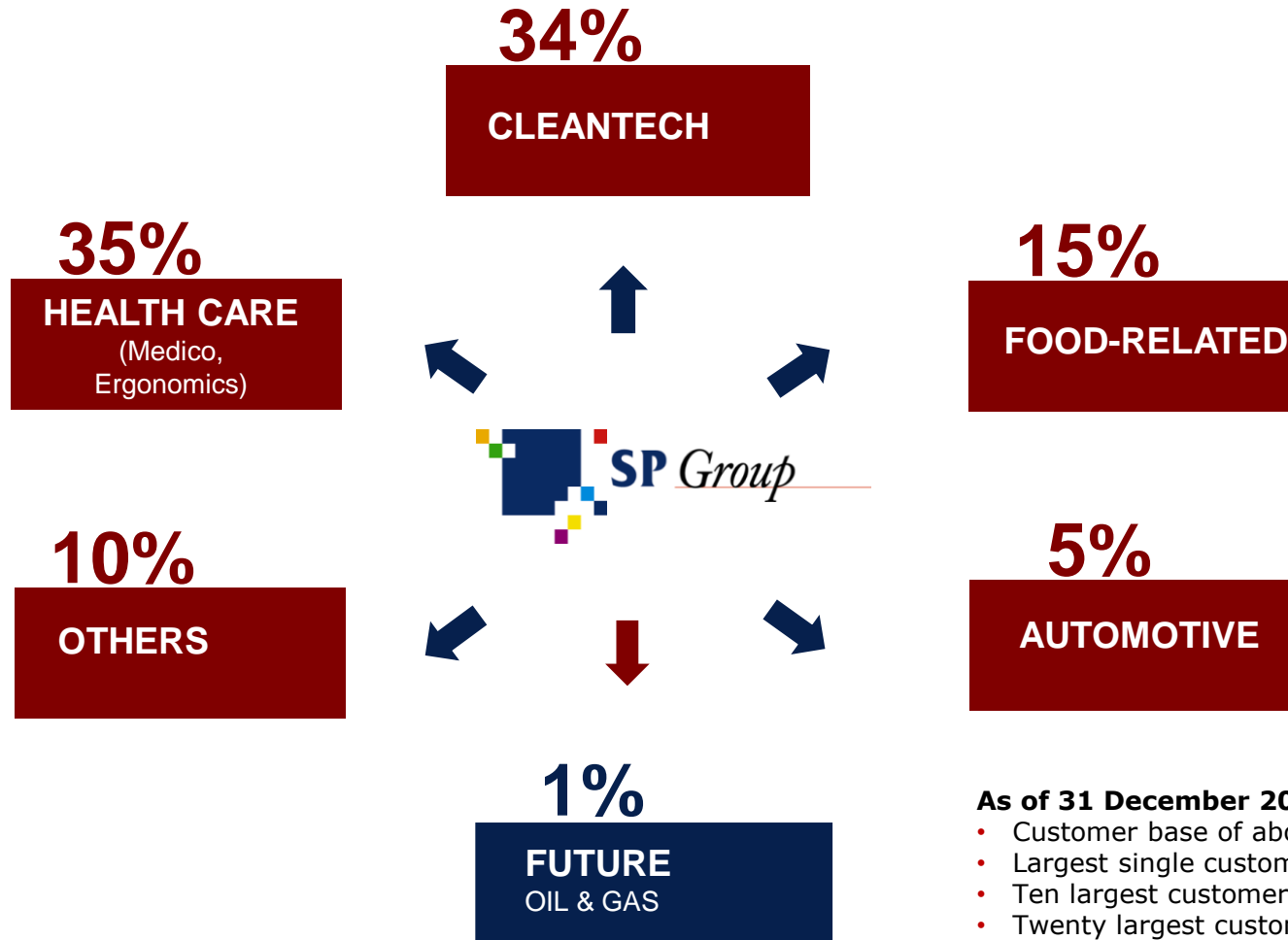
Revenue food-related industries (DKKm)







# REVENUE BY INDUSTRIAL SEGMENT



**As of 31 December 2012:**

- Customer base of about 1,000 companies
- Largest single customer accounts for 12% of revenue
- Ten largest customers account for 54% of revenue
- Twenty largest customers account for 67% of revenue

# SP GROUP'S GLOBAL PRESENCE



## Production and sales

Denmark (6)

Poland (6)

China (2)

Brazil (1)

## Distribution

Holland (1)

Sweden (1)

US (1)

Canada (1)



# INTERNATIONALISATION



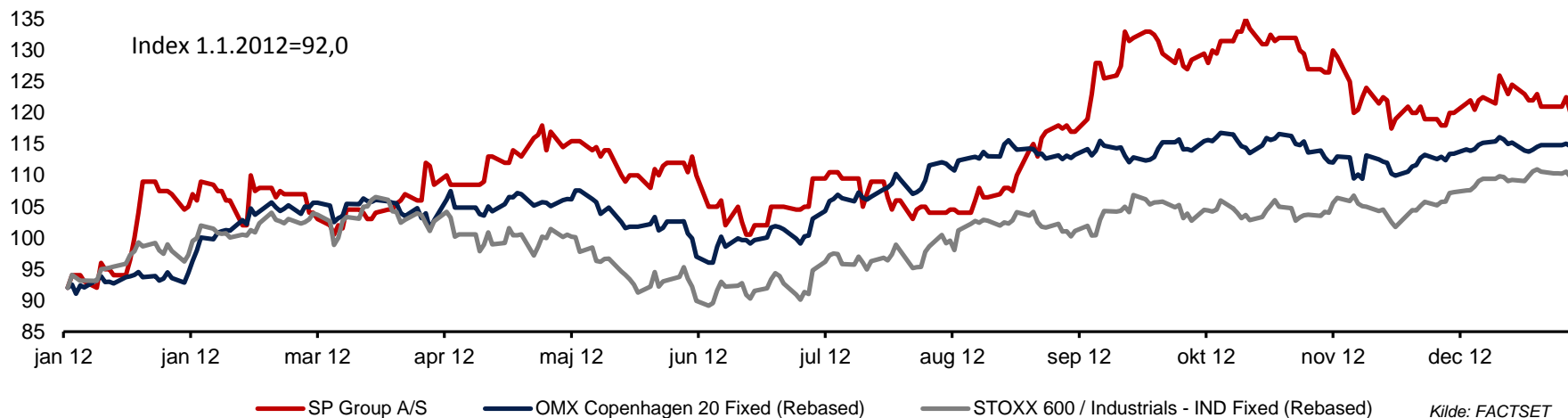
DKKm	2005	2012	2015
Share of sales outside Denmark	37%	46%	~60%
Share of employees outside Denmark	23%	57%	~75%
Number of factories outside Denmark	2	9	~10
Total number of factories	18	15	16



# SHARE PRICE PERFORMANCE

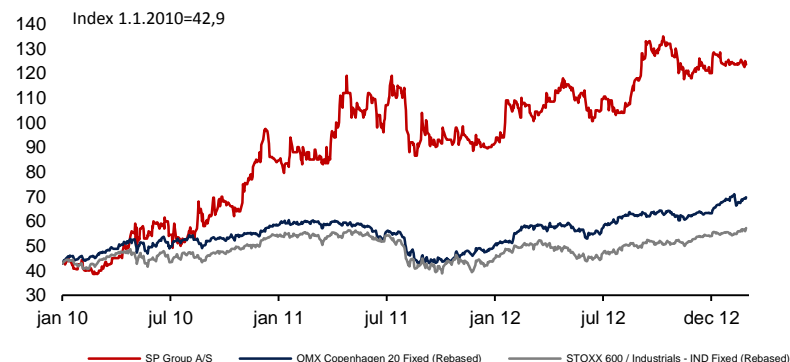


## Share price performance from 1 January to 31 December 2012



- Share capital DKK 20.24m
- All shares have equal rights
- SP Group shares yielded a return of 34.1% in 2012 including a dividend of DKK 2.00 per share
- The increase in the price of SP Group's shares was thus considerably higher than the general development on NASDAQ OMX Copenhagen
- Dividends to the shareholders of DKK 2.50 per share in 2013
- Share buyback of DKK 13.0m

## Udvikling i aktiekursen 1. januar 2010 til 31. december 2012



# FOLLOW-UP ON PROFIT GUIDANCE




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Most recent profit guidance on 2 November 2012 2012

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Revenue of DKK 1,050 – 1,100m was DKK 1,108.5m

Profit for the year before tax and non-controlling interest of DKK 40-45m was DKK 41.6m

Cash flows from operations exceeding investment for the year and repayment of long-term debt was CFFO 100.1m

CFFI -87.6m

CFFF 0.9m

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CF 13.4m

## Other targets achieved:

EBIT margin > 5.0% was 5.2%

NIBD/EBITDA of between 3 and 4 was 3.8%

Equity ratio incl. non-controlling interests at 20-35% was 28.7%

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## OUTLOOK AND FINANCIAL GOALS



# OUTLOOK FOR 2013

- Global economy is expected to continue to grow in 2013 – but it remains fragile
- Economic growth in our neighbouring European markets is expected to remain weak
- New products and solutions designed especially for:
  - customers within healthcare, cleantech and the food-related industries expected to contribute to growth and earnings of the SP Group
- Maintaining a high level of investments in 2013 – but not as high as in 2012
  - Largest single investment expected to be in production of medical devices
- Depreciation and amortisation expected to be at a higher level than in 2012
- Financial expenses expected to be at a lower level than in 2012
- Tight cost control, capacity adjustments and a continued strong focus on risk, liquidity and capital management provides a strong base for the future
- Slight increase in profit before tax and non-controlling interests in 2013 relative to 2012, and a slightly higher level of activity
  - But market outlook for the year remains unclear





# LONG-TERM FINANCIAL OBJECTIVES

- Initiatives in the current strategy plan aims to lift revenue to DKK 1.5bn in 2015
- Enhancing EBITDA margin to 12%
- Long-term target for profit before tax and non-controlling interests of around 6-7% of revenue expected to materialise gradually
- Continuing reduction of NIBD – goal is to maintain NIBD/EBITDA ratio at a level of 3-4 by end-2013 – and to reduce it to 2-3 at year-end 2015
- Equity ratio (incl. equity attributable to non-controlling interests) in the range of 20-35% in 2013 – goal is to gradually lift it to 25-40% by 2015
- Fair return to shareholders mainly through share price appreciation
- The goal is that earnings per share will increase by at least 20% p.a. on average over a five-year period







## BUSINESS UNITS



# SURFACE SOLUTIONS



- Accoat develops and produces environmentally-friendly technical solutions involving flourplast (Teflon®), PTFE and other pure materials for industrial and medical purposes
- Accoat applies plastic coatings on products and production plants in a number of industries. Articles being coated range from very small syringes to large tank facilities
- Accoat is among the five largest suppliers of industrial Teflon coating in the EU
- Locations: Kvistgård (DK), Stoholm (DK) and São Paulo (Brazil)





## 2012 highlights

- Revenue up by 53.0% to DKK 212.3m  
– higher than expected
- EBITDA improvement from DKK 13.6m to DKK 38.4m, positively affected by a number of projects
- Greater activity drives sales improvements to customers in health care, cleantech and oil/gas industries
- Accoat continues marketing efforts towards customers in the oil and gas industry in the USA, Brazil, Russia and Europe

## Outlook for 2013

- Decrease in revenue in 2013
- EBITDA expected to fall compared to 2012

## Development in Coatings 2010-2012

DKKm	2012	2011	2010
Revenue	212.4	138.8	133.9
EBITDA	38.4	13.6	15.3
EBIT	29.7	3.5	8.5
Total assets	124.4	112.7	122.2
Employees (avg.)	73	63	63



# PLASTIC SOLUTIONS



## Plastic businesses include:

- Injection Moulding (SP Moulding and SP Medical)
- Vacuum forming (Gibo Plast)
- PUR (Ergomat, Tinby and TPI Polytechniek)

## 2012 highlights:

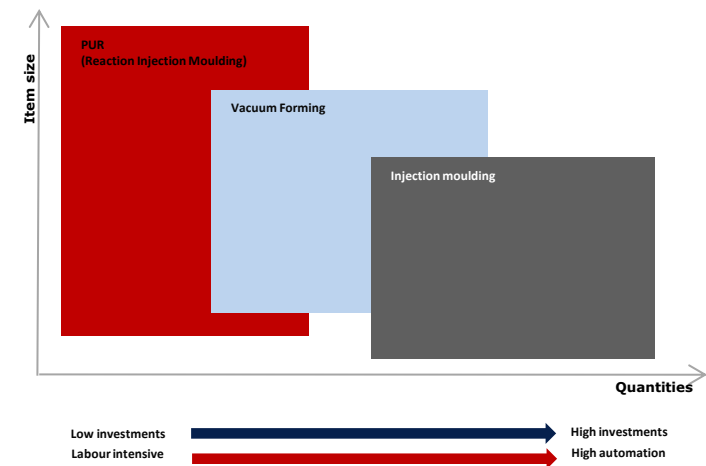
- Revenue was up by 7.6% to DKK 907.8m
- Sales improved to all customer groups and in all three technologies (injection moulding, vacuum forming and PUR)
- EBITDA was DKK 78.2m – a decline of 13.6% compared to 2011 – the best EBITDA to date

## Outlook for 2013:

- Growth in revenue and earnings
- Expecting to expand activities in Poland, China, the USA and Denmark

Development in Plastics 2010-2012

DKKm	2012	2011	2010
Revenue	907.8	843.5	733.1
EBITDA	78.2	9.5	74.5
EBIT	43.2	58.9	41.1
Total assets	720.2	662.6	617.0
Employees (avg.)	977	927	823



# PLASTIC SOLUTIONS

## INJECTION MOULDING (1)



- SP Moulding A/S manufactures advanced plastic precision components for a wide range of industries.
- SP Moulding is a producer of technical plastic devices and performs assembly work. SP Moulding is a market leader in Denmark and among the largest injection moulders in the Nordic region.
- SP Medical A/S manufactures products for customers in the medical devices industry, including finished products such as guidewires. Production takes place in clean rooms. SP Medical is among the 3-4 largest players in the Nordic region.
- SP Moulding and SP Medical have more than 300 injection moulding machines at their disposal with a clamping force ranging from 25 tonnes to 1250 tonnes.
- SP Moulding and SP Medical also provide two- and three-component plastic solutions.
- Locations: Juelsminde (DK), Stoholm (DK), Karise (DK), Zdunska Wola (Poland), Sieradz (Poland) and Suzhou (China)



Medico



Technical plastic devices



Medico



Medico



2K and 3K moulding



## 2012 highlights

- A range of new solutions lifted the level of business activity and led to the sale of a large number of new injection moulds, but earnings were down – mainly in China

## SP Moulding

- Fair inflow of new industrial customers in Europe, the Americas and Asia
- Growth in sales to existing customers in Europe and the Americas

## SP Medical

- A number of new agreements signed with both new and existing customers in the medical devices industry
- Fitting and commissioning a new injection moulding factory in Poland for production of medical device products



# POLYURETHANE (1)



- Three business activities: Ergomat A/S, Tinby A/S and Polytechniek BV
- Locations: Sønderød (DK), Zdunska Wola (POL), 's-Hertogenbosch (NL), Helsingborg (SE), Cleveland (US), Montreal (CAN) and Suzhou (China)

**Ergomat** develops, manufactures and sells ergonomic solutions under own brands, especially Ergomat® mats and DuraStripe™ striping tape for corporate customers worldwide. Market leader in the EU.



Mats



DuraStripe

**Tinby** manufactures moulded products in solid, foamed and flexible PUR for the cleantech and insulation industries, the medical devices, furniture, refrigerator and graphics industries. Global leader in market for hard rollers.



Cleantech



Solid, foamed PUR

**TPI Polytechniek** develops and sells concepts for ventilation of industrial buildings as well as poultry and pig houses, primarily products under its own brand, TPI. Market leader in the EU.





## 2012 highlights

### Ergomat

- Fair growth in sale of ergonomic mats and the striping products DuraStripe® in virtually all markets worldwide

### Tinby

- Customers in graphics, cleantech and insulation industries reporting very strong growth
- Expanded production of PUR-components in China for the cleantech industry
- Postponed plans to set up production operations in the US indefinitely due to change in market conditions

### TPI

- Customers in eastern Europe looking to invest in large animal housing facilities





# VACUUM FORMING (1)



- Gibo Plast develops, designs and manufactures thermoformed plastic products. The products are mainly used in refrigerators and freezers, buses and cars (automotive), medical devices and lighting equipment as well as in the cleantech industry.
- Gibo Plast specialises in traditional vacuum forming as well as the new high-pressure and twin-sheet technologies.
- Market leader in Scandinavia.
- Location: Skjern (DK) and Sieradz (PL)



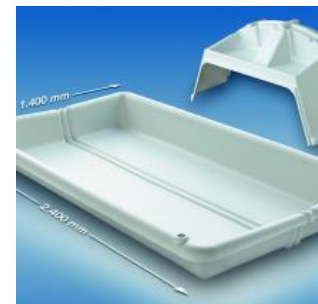
Vacuum forming



Furniture



Automotive



Cleantech

# VACUUM FORMING (2)



## 2012 highlights

- Profit for the year considerably lower than anticipated at the beginning of the year
- New day-to-day management
- Business activity slightly down
- Operations in Poland expanded; machinery production relocated to Poland
- New projects and solutions developed for customers in the cleantech industry
- Investing in new technology to facilitate production of very large plastic components (4.2m x 2.5m x 1.0 metres)
- Extensive reshuffling of organisation at Skjern





# STRATEGY

# STRATEGIC DEVELOPMENTS

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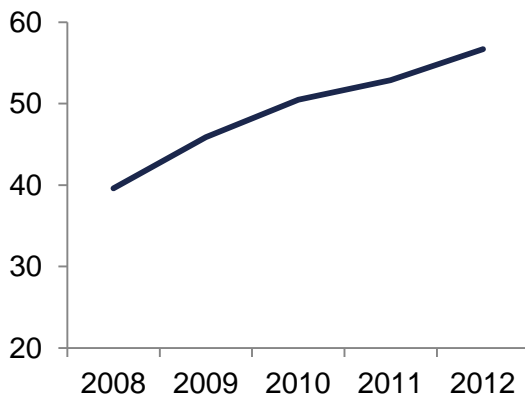
- Additional rationalisation and efficiency enhancing of production structure in 2012:
  - The four new factories commissioned in Brazil, Poland, China and Denmark in 2010 are operating at full speed and combined they contributed positively to the profit for the year
- Continuing to enhance skill sets at factories in China, Poland, Brazil and Denmark
- Focused sales efforts, especially in healthcare, cleantech and food-related products
- Focus on sales of own brands
- Increased efforts towards existing and new customers
- More production facilities to be relocated from Denmark to Poland
- Factory in Poland for production of injection-moulded medical device products expanded in 2012
- Vacuum forming factory in Poland began operations in 2012
- Two large vacuum forming facilities in Denmark installed and commissioned
- PUR production in China (Tinby) expanded in 2012
- PUR production to be established in the USA in 2013 (Ergomat)

# GROWING SALES AND INTERNATIONALISING THE BUSINESS

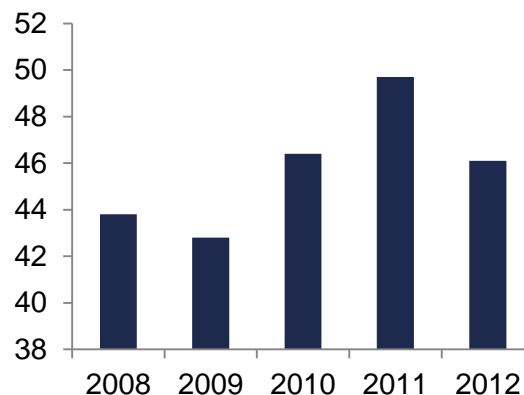


- 13.5% organic growth in 2012
- Strengthened sales and marketing efforts in all units
- Consultancy within plastics and coatings
- Differentiation on processes, design and knowledge
- Focus on both existing and new customers
- Increased exports from production sites in Denmark, China, Poland og Brazil focusing on the Americas, Europe and Asia

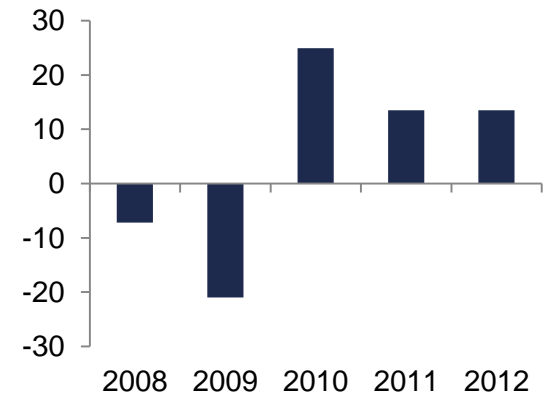
Employees based outside Denmark (avg.), %



International sales, %



Organic growth, %, Group revenue





# GROWTH INDUSTRIES AND OWN BRANDS

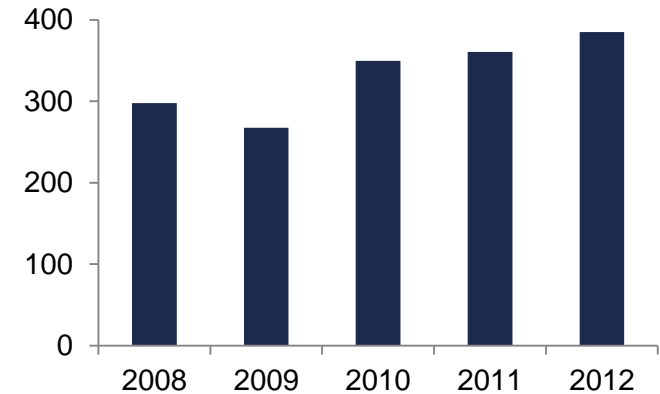
- Committed efforts to growth industries and new segments, e.g. healthcare and cleantech and food-related industries
- Sustain growth in sales to the medical devices industry
- Enhance sales and earnings growth from own brands, i.e. ventilation equipment (TPI), guidewires (SP Medical) and ergonomic solutions and DuraStripe® striping tape (Ergomat)
- Strengthen the international position (North America, Brazil, China and Poland)
- Exploit the potential in other product niches

**ERGOMAT®**

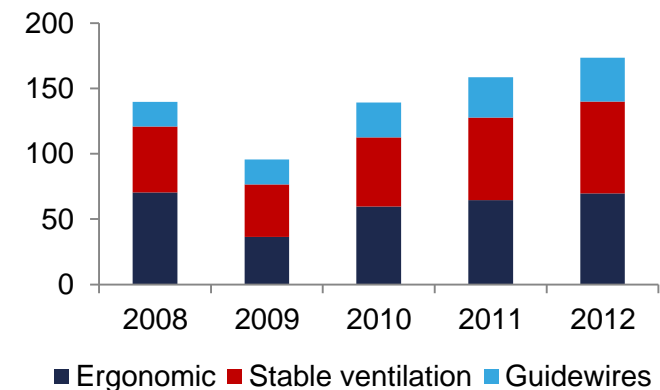
**DURASTRIPE**



Revenue health care products (DKKm)



Revenue from own brands (DKKm)



# EFFICIENCY ENHANCEMENT AND RATIONALISATION

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- Capacity adjustments
- Each production site will seek to produce and deliver better, cheaper and faster
- Reduction in the consumption of materials and resources (reducing carbon emissions)
- Reduction of running-in and set-up times in production
- Reliability of delivery (on-time delivery) from all factories was increased – 98-99% - and must be further improved
- Level of quality measured on an ongoing basis
- Roll-out of LEAN continues
- Continue to enhance efficiency of purchasing and supply chain and strengthen IT systems and management systems
- Broader geographical sourcing
- Continue to adjust and develop the organisation
- Continuously and critically review the Group's activities





# FORWARD-LOOKING STATEMENTS

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- This presentation contains forward-looking statements reflecting management's expectations for future events and financial results.
- Statements relating to 2013 and the following years are inherently subject to uncertainty and SP Group's actual results may thus differ from expectations and targets. Factors that may cause actual results to differ from expectations include, but are not limited to, changes in raw materials and energy prices, changes in foreign exchange rates, changes in macroeconomic and political settings, changes in the demand and production patterns of key customer groups and other external factors.
- This presentation does not constitute an invitation to buy or sell shares in SP Group A/S.





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