



ANNUAL REPORT 2013

Presentation by CEO Frank Gad
27 March 2014

AGENDA



- SP Group – an overview
- Results 2013
- Outlook and financial goals
- Business units
- Strategy



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

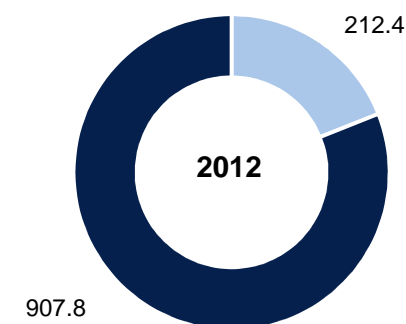
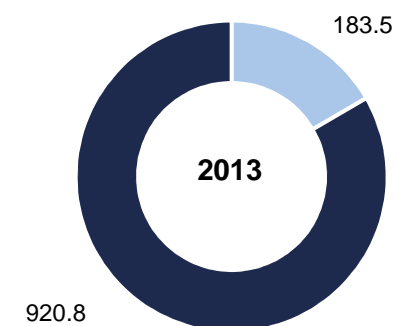
– most recent title: EVP



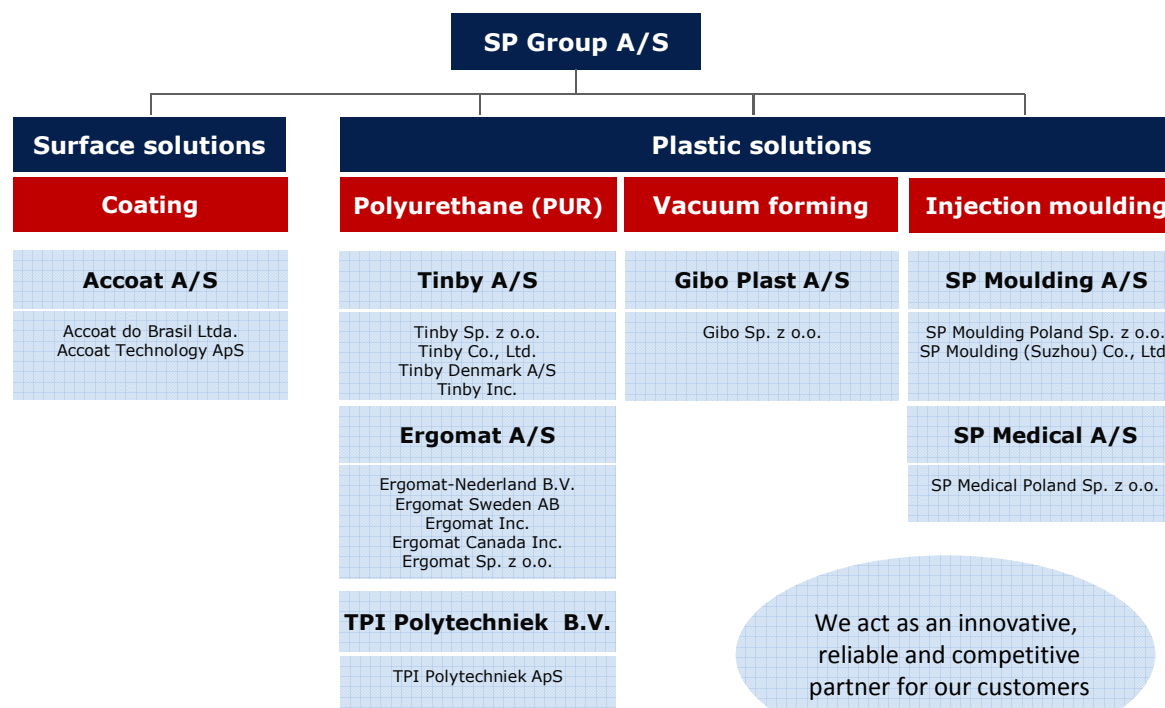
SP GROUP – AN OVERVIEW

- 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, the USA, Latvia, China, Poland and Brazil

Revenue split by business area (DKKm)



■ Surface solutions ■ Plastic solutions



A photograph of several offshore wind turbines in a row, extending from the foreground into the distance. The turbines are white with yellow bases, set against a deep blue sea and a clear blue sky. A dark blue rectangular box is overlaid on the left side of the image, containing the text 'RESULTS 2013'.

RESULTS 2013



GROUP HIGHLIGHTS

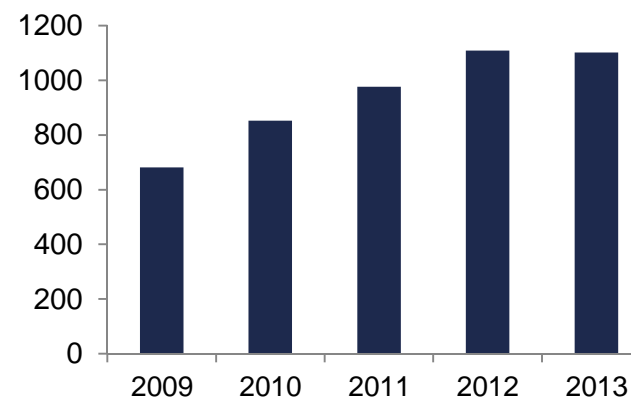
Q4 2013 in highlights

- In Q4 2013 revenue was DKK 289.2m – a slight increase compared to Q4 2012
- EBITDA amounted to DKK 29.8m in Q4 2013, which is a decrease of 1.5% compared to Q4 2012
- Profit before tax and non-controlling interests was improved by DKK 0.5m, totalling DKK 13.8m or 3.5%
- Cash flows from operating activities amounted to DKK 31.9m

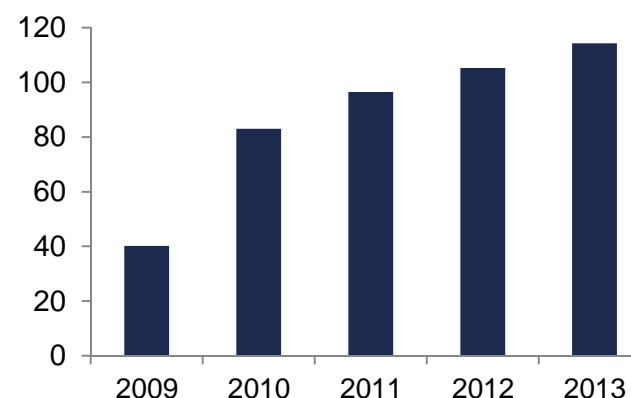
2013 in highlights

- Revenue decreased by 0.6% to DKK 1,102.1m compared to 2012
- Sales to the healthcare industry increased by 9.1% - now account for 38.1% of revenue
- Foreign sales increased by 8.1% and now account for 50.1%
- EBITDA increased to DKK 114.2m from DKK 105.2m
- EBIT increased to DKK 65.3m from DKK 58.1m in 2012
- Profit before tax and non-controlling interests was improved by DKK 8.6m, totalling DKK 50.2m
- Diluted earnings per share increased by 22.2% to DKK 18.74 per share
- Cash flows from operating activities were positive, amounting to DKK 66.9m
- Net interest-bearing debt (NIBD) increased by 34.6m to DKK 430.0m at the end of 2013 – and amounted to 3.8 times EBITDA for the year
- A new share buy-back programme of DKK 8.0m will be initiated

Revenue (DKK m)



Operating profit (EBITDA) (DKK m)



GROUP FINANCIAL HIGHLIGHTS Q4 2013



DKKm	Q4 2013	Q4 2012	2013	2012
Revenue	289.2	285.9	1,102.1	1,108.5
EBITDA	29.8	30.3	114.2	105.2
EBIT	18.6	18.6	65.3	58.1
Profit before tax, non-controlling interests	13.8	13.3	50.2	41.6
Equity incl. non-controlling interests			252.3	240.1
Cash flows from operations	31.9	60.6	66.9	100.1
Cash flows from investments	-19.7	20.0	-67.1	-87.6
Cash flows from financing activities	-13.1	-42.0	-47.9	0.9
Change in cash and cash equivalents	-0.9	38.6	-48.1	13.4
NIBD			430.0	395.4
Equity ratio, incl. non-controlling interests, %			28.5	28.7

GROUP FINANCIAL HIGHLIGHTS 2013

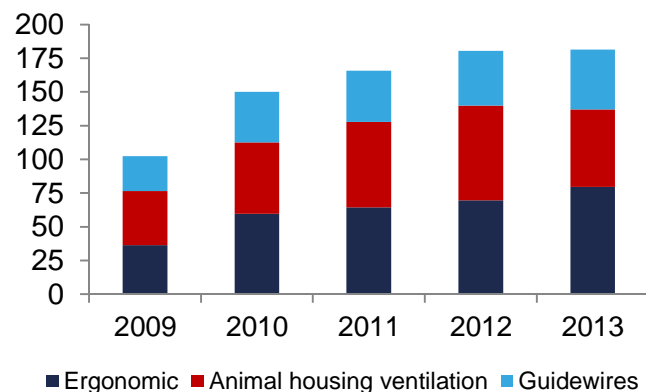


DKKm	2013	2012	2011	2010	2009
Revenue	1,102.1	1,108.5	976.8	851.9	681.9
EBITDA	114.2	105.2	96.5	83.0	40.2
EBIT	65.3	58.1	52.8	41.7	-1.0
Profit before tax, non-controlling interest	50.2	41.6	34.3	28.8	-14.5
Equity incl. non-controlling interests	252.3	240.1	205.6	190.7	159.7
Cash flows from operations	66.9	100.1	66.9	57.8	45.3
Cash flows from investments	-67.1	-87.6	-51.9	-46.9	-35.8
Cash flows from financing activities	-47.9	0.9	-13.7	47.3	-16.3
Change in cash and cash equivalents	-48.1	13.4	1.3	58.2	-6.8
NIBD	430.0	395.4	355.0	367.4	376.9
Equity ratio, incl. non-controlling interests, %	28.5	28.7	26.7	25.7	23.7

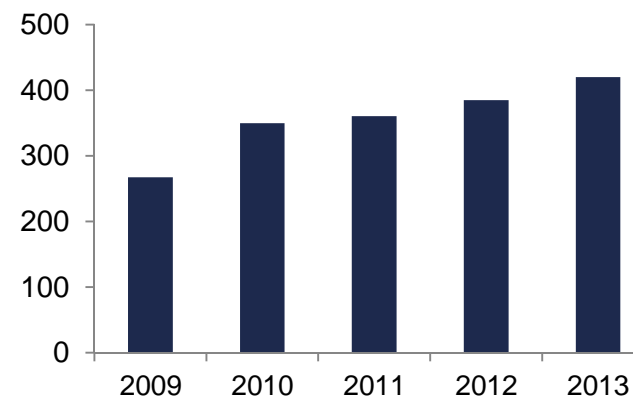


REVENUE SPLIT BY PRODUCT AREA

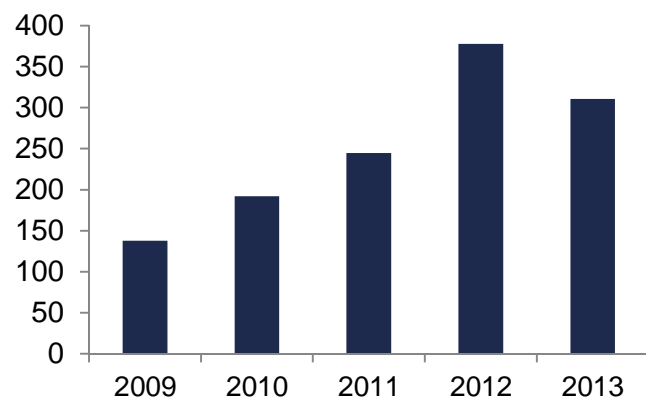
Revenue from own brands (DKKkM)



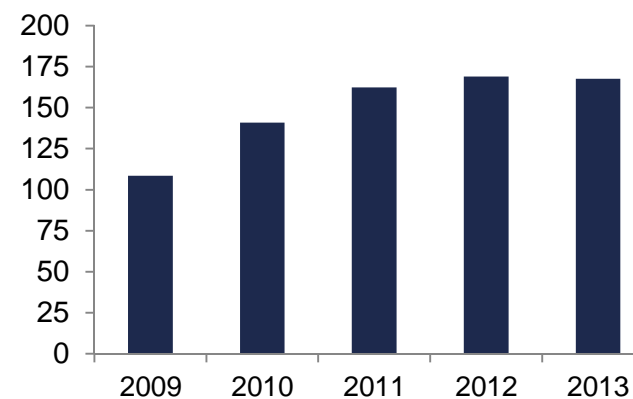
Revenue healthcare products (DKKkM)



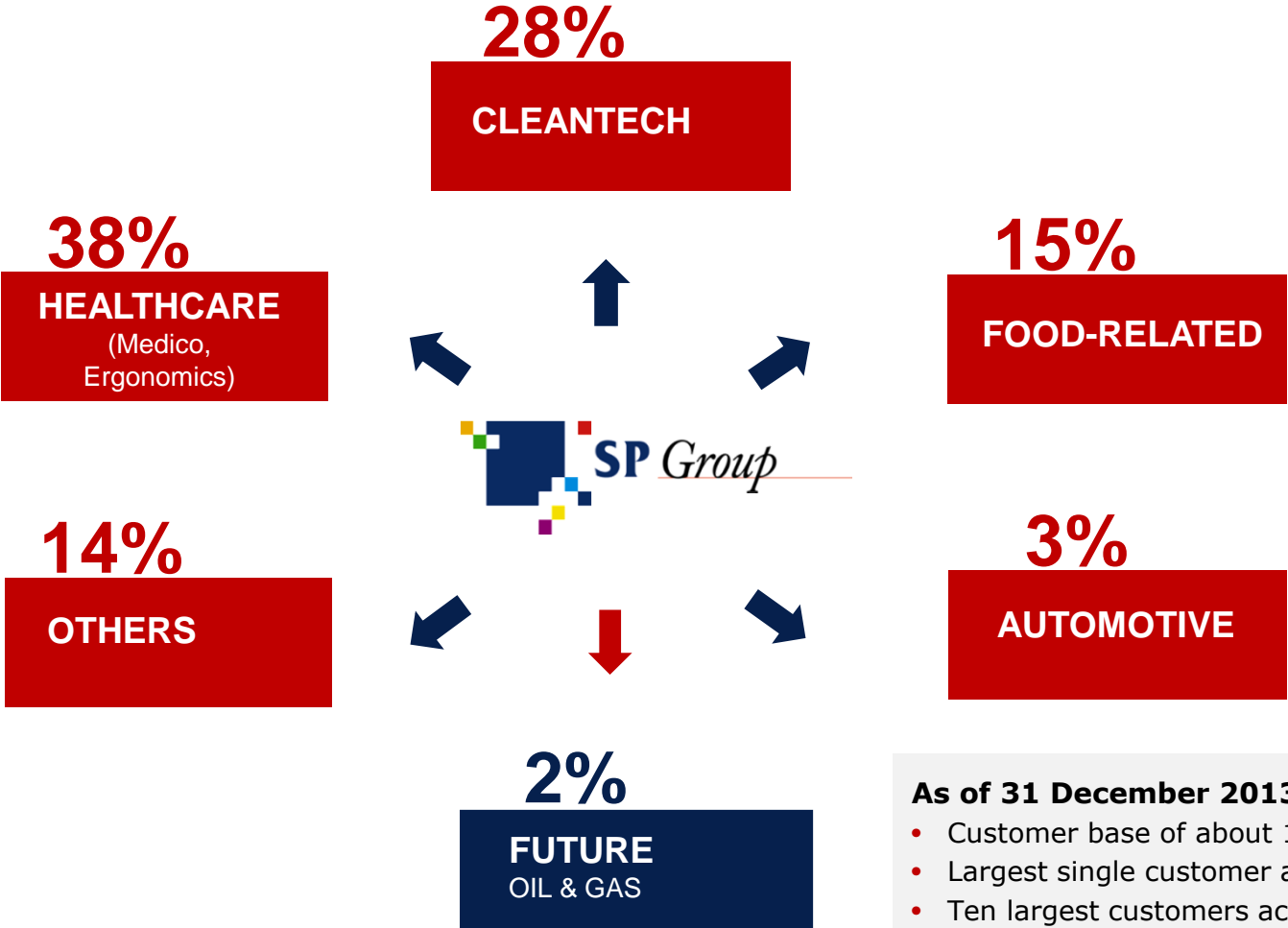
Revenue cleantech industries (DKKkM)



Revenue food-related industries (DKKkM)



REVENUE BY INDUSTRIAL SEGMENT IN 2013



- As of 31 December 2013:**
- Customer base of about 1,000 companies
 - Largest single customer accounts for 13% of revenue
 - Ten largest customers account for 52% of revenue
 - Twenty largest customers account for 65% of revenue

SP GROUP'S GLOBAL PRESENCE



Production and sales

- Denmark (6)
- Poland (6)
- China (2)
- Brazil (1)
- US (1)
- Latvia (1)

Distribution

- Holland (1)
- Sweden (1)
- Canada (1)



INTERNATIONALISATION



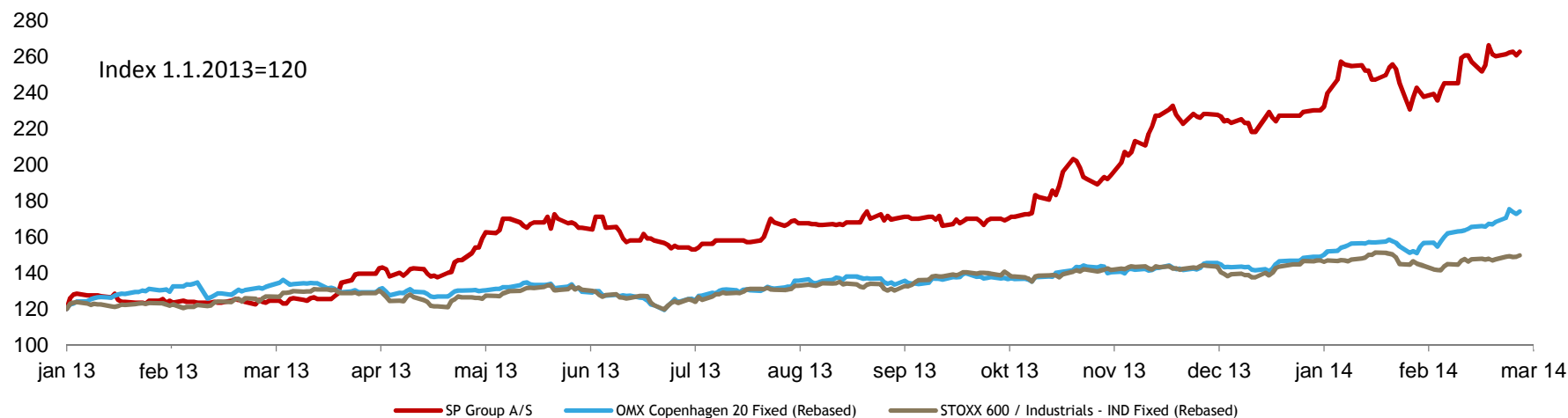
DKKm	2005	2012	2013	2015E
Share of sales outside Denmark	37%	46%	50%	~60%
Share of employees outside Denmark	23%	57%	61%	~75%
Number of factories outside Denmark	2	9	9	~11
Total number of factories	18	15	15	17



SHARE PRICE PERFORMANCE



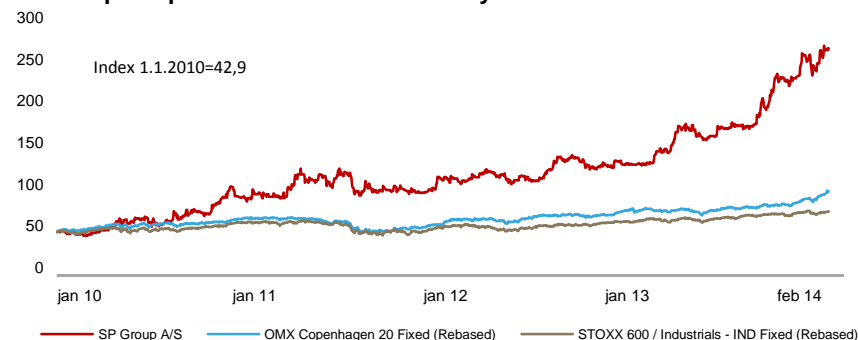
Share price performance from 1 January 2013 to 28 Februar 2014



Source: FACTSET

- Share capital of DKK 20,24m
- All shares have equal rights
- SP Group shares yielded a return of +93.8% in 2013
- Accordingly, SP Group's shares outperformed the general market on NASDAQ OMX Copenhagen by a considerable margin
- Dividends to the shareholders of DKK 3.00 per share in 2014
- Previous share buy-back programme for DKK 13m completed in April 2013
- New DKK 8m share buy-back programme approved in April 2013. In November 2013, the programme was increased by DKK 10m to DKK 18m and extended until 10 April 2014.
- New DKK 8m share buy-back programme to be established 11 April 2014

Share price performance from 1 January 2010 to 28 Februar 2014



FOLLOW-UP ON PROFIT GUIDANCE



Most recent profit guidance on 4 November 2013		2013
Revenue slightly above DKK 1,108m, but the market prospects are still uncertain	was DKK	1,102.1m
Profit for the year before tax and non-controlling interest of DKK 45-50m	was DKK	50.2m
Other targets achieved:		
EBIT margin > 5.0%	was	5.9%
NIBD/EBITDA of between 3 and 4	was	3.8
Equity ratio incl. non-controlling interests at 20-35%	was	28.5%

A photograph of an industrial manufacturing process. In the foreground, a yellow cardboard box is filled with numerous light blue, cylindrical tubes. Some tubes are standing upright, while others are lying horizontally. In the background, a blue industrial machine with several vertical rollers or extruders is visible, suggesting a tube-making or extrusion process. The scene is brightly lit, and the overall color palette is dominated by the blue of the machine and tubes, and the yellow of the box.

OUTLOOK AND FINANCIAL GOALS

OUTLOOK FOR 2014



- The global economy is expected to continue to grow in 2014 – but it remains fragile and marred by financial uncertainty
- 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 and the oil and gas industry is expected to contribute to SP Group growth and earnings
- Maintaining a high level of investment in 2014 – but not as high as in 2013 – largest single investment expected to be for production of medical devices
- Depreciation and amortisation expected to be realised at a somewhat higher level than in 2013
- Financial expenses expected to be at a lower level than in 2013
- Tight cost control, capacity adjustments and a continued strong focus on risk, liquidity and capital management provides a strong base for the future
- A slightly larger profit before tax and non-controlling interests in 2014 than in 2013
- Level of activity slightly higher - but the market prospects for the year are still uncertain



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 – NIBD/EBITDA ratio was 3.8 by end-2013 – and to reduce it to 2-3 at year-end 2015
- Equity ratio (incl. equity attributable to non-controlling interests) maintained at 28.5% by end-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
- In continuation of our results for 2013, it is still our opinion that we will be able to meet the goals by 2015 or 2016



INVESTMENT CASE



- Emerging stronger from the crisis: four straight years of record earnings 2010–2013
 - We believe that by staying focused on customers and industries experiencing structural growth (healthcare, cleantech, food-related and oil and gas) and through continued relocation, lifting our revenue to DKK 1.5bn and profit before tax to DKK 100m (from DKK 29m in 2010, DKK 34m in 2011, DKK 42m in 2012 and DKK 50m in 2013) is a realistic target.
- Efficiency and internationalisation
 - By opening more factories in the USA, Brazil, Poland, China and Latvia and closing down sites in Denmark, we have continued to expand the international reach of SP Group. Through this process, we expect to be able to follow our customers as they become more international and to improve our margins. We now generate more than 50% of our sales directly in international markets and more than 60% of our staff work outside Denmark.
- Creating shareholder value
 - During the crisis, Management invested in the company's shares. We have launched share buyback programmes and have paid dividends; of DKK 2 per share in 2012, of DKK 2.50 in 2013. We are proposing DKK 3 per share in 2014.
- Ambitious long-term goals
 - Revenue: DKK 1.5bn in 2015 (DKK 1.1bn in 2013)
 - EBITDA margin 12% (9.4% in 2012 and 10.4% in 2013)
 - Pre-tax profit margin of 6–7% (3.4% in 2010, 3.5% in 2011, 3.8% in 2012 and 4.6% in 2013)

INVESTOR CONCERNS



- The company is a sub-supplier
 - We provide customer-specific solutions that our customers integrate into their products. Our customers focus on their core business. We create value for our customers
- The company's customers relocate their production to low-wage countries
 - We are strongly positioned internationally, and more than 60% of our staff work outside Denmark
- Is SP Group a strong cyclical company?
 - No. We are 38% healthcare, 28% cleantech, 15% food-related and 2% oil & gas
- Is your debt of about DKK 430m (3.8x EBITDA) too high?
 - Our financial position is satisfactory and we are within our target of a NIBD/EBITDA ratio of 3–4x.
 - We expect to reduce the ratio to 2–3x EBITDA by end-2015
- Do hikes in raw material prices have a negative impact on your financial results?
 - Generally, we have back-to-back agreements with our customers
- You carry goodwill of DKK 100m in your balance sheet?
 - Yes, and it is tested for impairment (at least) once a year
- The shares are not liquid?
 - Turnover in SP Group shares was 803,000 shares in 2011, corresponding to 40% of the share capital. In 2012, the turnover was 491,208 shares, corresponding to 24% of the share capital. In 2013, 572,007 shares were traded, corresponding to 28% of the share capital.
- Things are not happening fast enough?
 - No!

ACQUISITION OF A SWEDISH COMPANY



- On 24 February 2014, we acquired AB Bröderna Bourghardt, a company founded in 1926
- Production facilities in Latvia, sales and service in Sweden
- They are experts in Telene and composites solutions, large workpieces, impact resistant, chemical resistant
- We are offering these new products to our existing customers (mainly cleantech and automotive)
- We are also offering our products (plastics and coating) to Bröderna Bourghardt's existing customers
- Purchase price: SEK 7m + earn-out of up to SEK 4m in 2016
- Annual revenue: SEK 20m with a substantial upside potential
- Profit: ~ SEK 0



BUSINESS UNITS

SURFACE SOLUTIONS



- Accoat develops and produces environmentally-friendly technical solutions involving fluoroplast (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)





Q4 2013 in highlights

- In Q4 revenue was DKK 49.1m – a decrease of DKK 15.5m compared to Q4 2012 or 23.9%. The decrease is attributable to a decrease in the number of large projects in the cleantech industry
- EBITDA decreased to DKK 9.5m in Q4 against DKK 10.1m i Q4 2012. The decrease of 5.9% is primarily attributable to a lower level of activity and a change in product mix
- EBIT decreased to DKK 7.3m in Q4 against DKK 8.5m in Q4 2012 – decrease primarily attributable to the lower level of activity

2013 in highlights

- Revenue fell by 13.6% to DKK 183.5m
- Revenue to the medical device and oil and gas industries increased as expected
- Revenue to the cleantech industry decreased due to a decrease in the number of large projects compared to 2012 which was historically high
- Increased marketing efforts towards customers in the oil and gas industry in the USA, Brazil, Denmark and Norway – resulted in new tasks for future delivery
- EBITDA decreased as expected in 2013 compared to 2012 as the product mix was changed and level of activity was lower
- EBITDA decreased from DKK 38.4m to DKK 28.0m

Outlook for 2014

- Increase in revenue
- Increase in EBITDA

Development in Coatings

DKKm	2013	2012	2011
Revenue	183.5	212.4	138.8
EBITDA	28.0	38.4	13.6
EBIT	19.3	29.7	3.5
Employees (avg.)	81	73	63



PLASTIC SOLUTIONS



Plastic businesses include:

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

Q4 2013 in highlights

- Revenue was DKK 237.1m in Q4 - an increase of DKK 7.9m or 3.4% - due to increased sales to all customer groups and increased sales from all three technologies
- EBITDA increased to DKK 23.3m in Q4 against DKK 21.3m in Q4 2012, corresponding to an increase of 9.6%
- EBIT increased to DKK 15.1m in Q4 against DKK 12.0m in Q4 2012 - primarily due to increased revenue

2013 in highlights

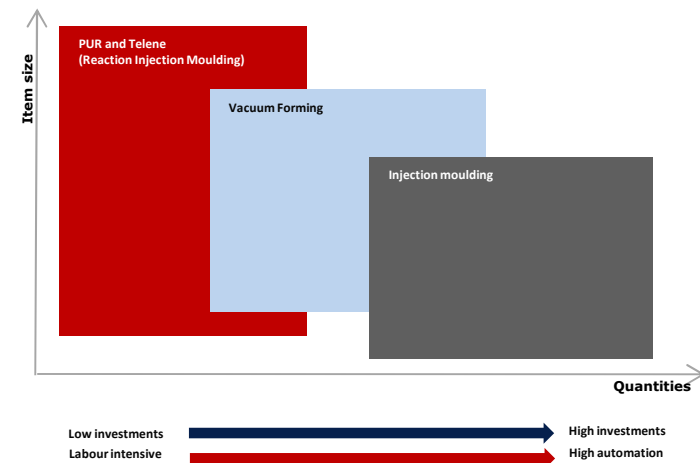
- Revenue increased by 1.4% to DKK 920.8m - lower than expected at the beginning of the year
- EBITDA amounted to DKK 96.3m against DKK 78.2m an increase by 23.1% - the best operating profit to date
- Very large investments were made in 2013 which adversely affected revenue - are expected to contribute positively to results as from 2014
- The significant improvements in results is primarily attributable to Ergomat and Gibo Plast

Outlook for 2014

- Growth in revenue and earnings
- Activities are expected to be expanded in the Netherlands, Poland, China, the USA, Latvia and Denmark

Development in Plastics

DKKm	2013	2012	2011
Revenue	920.8	907.8	843.5
EBITDA	96.3	78.2	90.5
EBIT	59.4	43.2	58.9
Medarb., gns.	1,042	977	927



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), Sieradz (PL), Zdunska Wola (PL) and Suzhou (China)



Medico



Technical plast



Medico



3K moulding



Medico



2013 in highlights

- Improved economic trends combined with a number of new solutions and the sale of a number of new moulds resulted in an increase in activities and operating profit
- Considerable amounts were invested in new advanced production equipment (robots, special-purpose machines, injection moulding machines, energy savings and IT)

SP Moulding

- Reasonable entry of a number of new industrial customers in Europe, America and Asia
- Business with existing customers increased in both Europe and Asia

SP Medical

- Entered into a number of new agreements with both new and existing customers in the medical device industry
- The factories in Poland and Denmark were fitted with more machines



POLYURETHANE (1)



- Three business activities: Ergomat A/S, Tinby A/S and Polytechniek BV
- Locations: Sønderød (DK), Zdunska Wola (PL), '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.





2013 in highlights

Ergomat

- High growth in the sale of ergonomic mats and the striping product DuraStipe® on almost all global markets
- Highest growth rates were seen in North America and France
- Also Asia and the neighbouring markets in Northern Europe saw good progress
- Set up of local production of ergonomic mats in Poland and the USA



Tinby

- Fair growth in global activities
- The new factories in Poland and China still meets expectations
- In Poland an additional factory was set up – put into operation in 2013
- Setting up local production in the USA in order to service its North American customers better



TPI

- Experienced a decline in global activities
- The agricultural sector is reluctant to invest in new large animal housing
- TPI maintained and strengthened its sale of minor projects

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



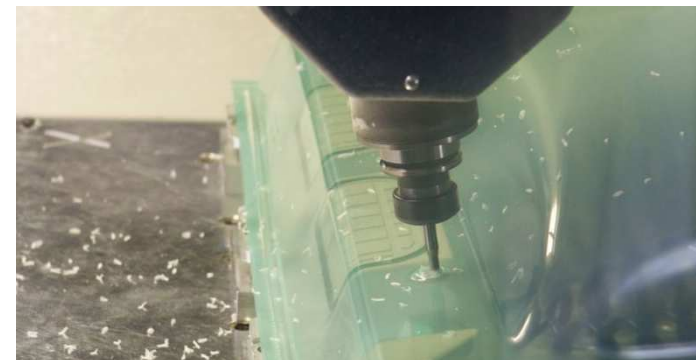
Cleantech

VACUUM FORMING (1)



2013 in highlights

- Ensuring a solid improvement in operating profit despite a decreasing level of activity
- Expansion of activities in Poland and transferred machinery and production to Poland
- Much money and many efforts were invested in the installation and commission of two new production lines which facilitate better and more effective servicing of existing customers
- As expected, investments in new plant and the relocation of parts of production to Poland have entailed lower costs and improved operating results
- The merger of Gibo Plast and DKI Form produced one of the largest vacuum forming facilities in Scandinavia to perform complex tasks





STRATEGY

STRATEGIC DEVELOPMENTS



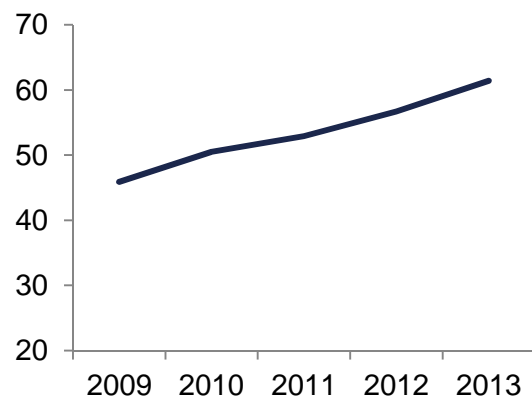
- Additional rationalisation and efficiency enhancing of production structure in 2013:
 - The four new factories commissioned in Brazil, Poland, China and Denmark in 2010 are operating at full speed
- Continuing to enhance skill sets at factories in China, Poland, Brazil and Denmark
- Focused sales efforts, especially in healthcare, cleantech and food-related products
- Focus on sale of own brands
- Increased efforts towards existing and new customers
- Wage-intensive production facilities to be relocated from Denmark to Poland
- Factory in Poland for production of injection-moulded medical device products expanded
- Vacuum forming factory in Poland expanded
- Two large vacuum forming facilities commissioned in Denmark
- PUR production in China expanded (Tinby)
- PUR production to be established in the USA in 2013 (Ergomat and Tinby)
- With the acquisition of Bröderna Bourghardt AB in february 2014 SP have increased the local presence in Sweden and Latvia – sale and production of Telene products and composite solutions

GROWING SALES AND INTERNATIONALISING THE BUSINESS

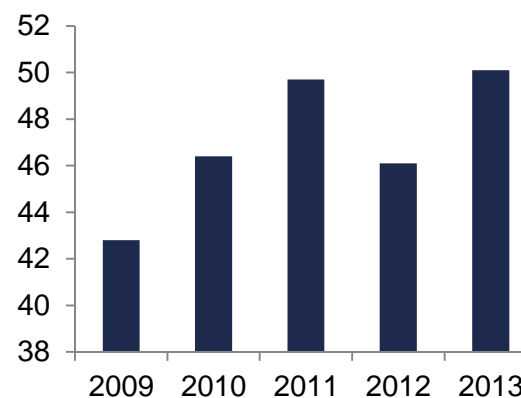


- Organic growth fell by 0.6% in 2013
- Strengthened sales and marketing efforts in all units
- Consultancy within plastics and coatings
- Differentiation on processes, design and knowledge
- Focus on both existing and new customers
- Increased exports from production sites in Denmark, China, Poland and Brazil focusing on the Americas, Europe and Asia

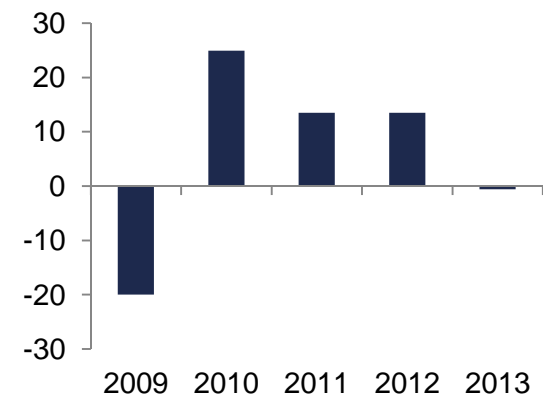
Employees based outside Denmark (avg.), %



International sales, %



Organic growth, %, Group revenue





GROWTH INDUSTRIES AND OWN BRANDS

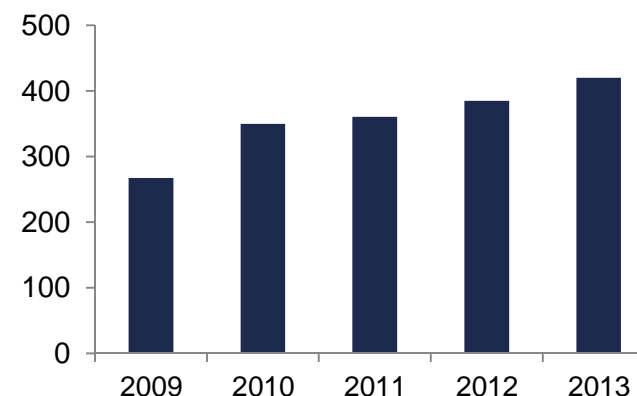
- Committed efforts to growth industries and new segments, e.g. healthcare and cleantech and food-related industries
- Sustain growth in sales to the medical devices industry
- Enhance sales and earnings growth from own brands, i.e. ventilation equipment (TPI), guidewires (SP Medical) and ergonomic solutions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

ERGOMAT®

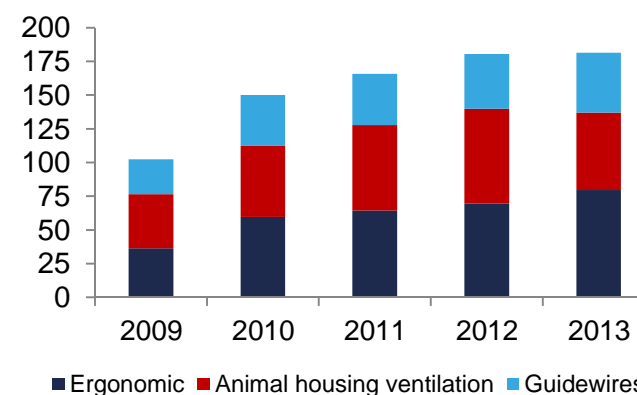
DURASTRIPE



Revenue healthcare products (DKKkM)



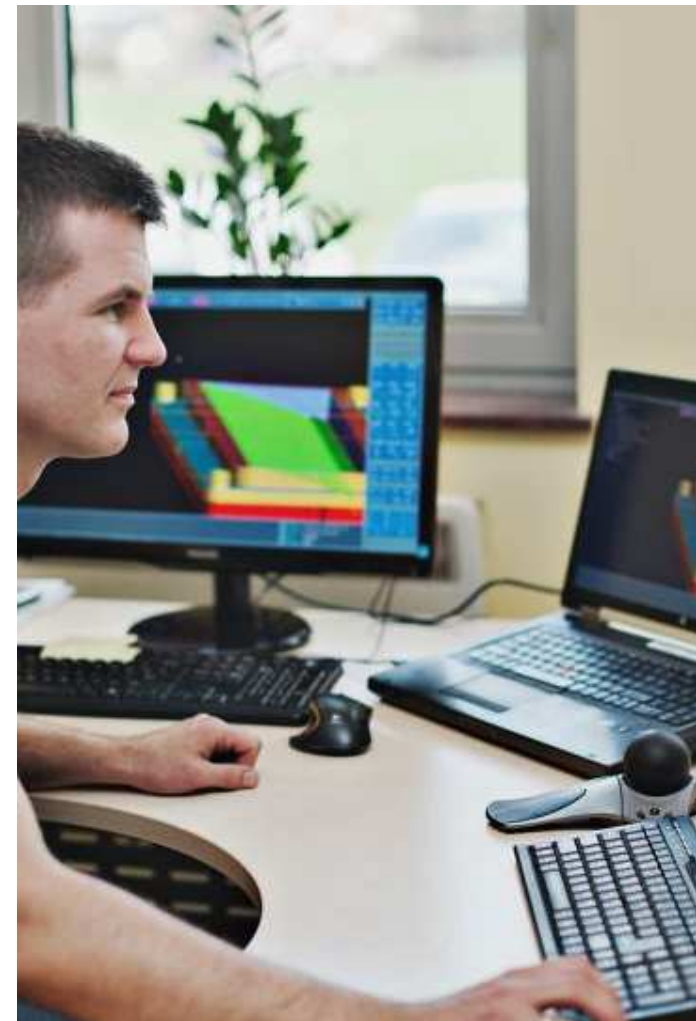
Revenue from own brands (DKKkM)



EFFICIENCY ENHANCEMENT AND RATIONALISATION



- 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

This presentation contains forward-looking statements reflecting management's expectations for future events and financial results.

Statements relating to 2014 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.



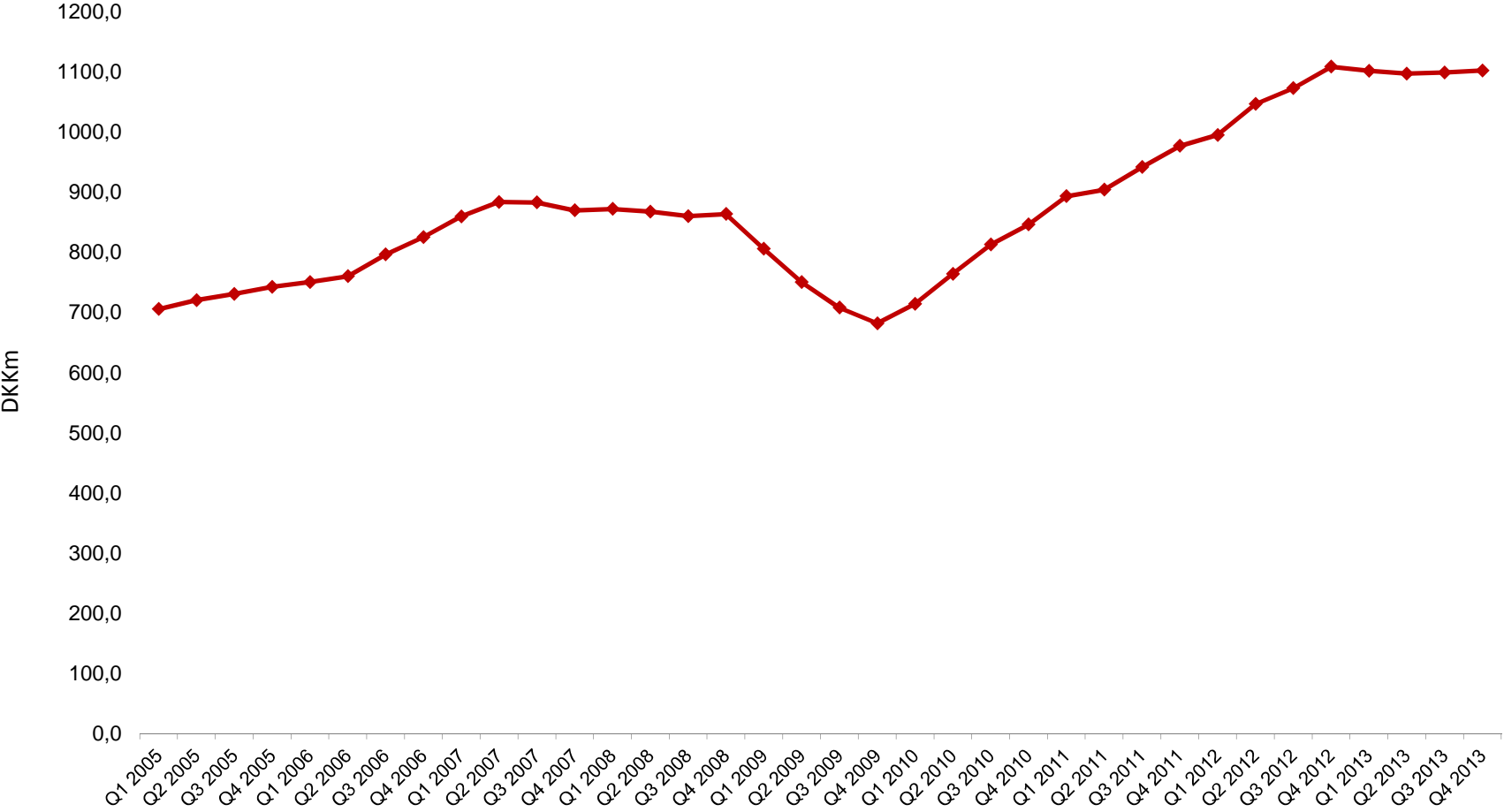
Further information:

Frank Gad, Chief Executive Officer
SP Group A/S,
Snavevej 6-10, DK-5471 Søndersø
Phone: +45 7023 2379 / +45 3042 1460
E-mail: fg@sp-group.dk
www.sp-group.dk

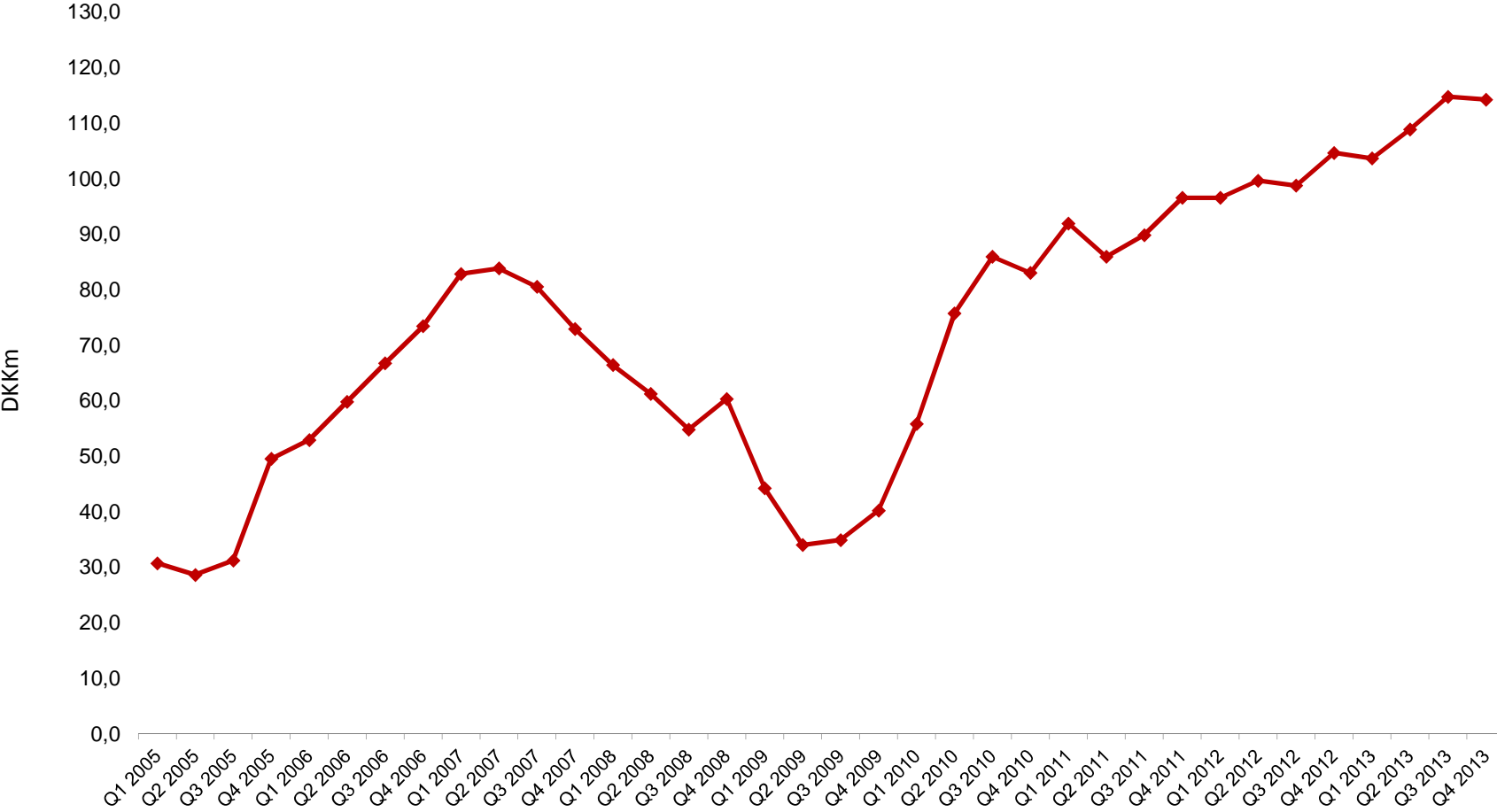


APPENDIX

DEVELOPMENT IN SALES LATEST 12 MONTHS



DEVELOPMENT IN EBITDA LATEST 12 MONTHS



SP GROUP'S VALUE CREATION

