



FIRST NINE MONTHS OF 2014

Presentation by CEO Frank Gad
4 November 2014

AGENDA



- SP Group – an overview
- Results first nine months of 2014
- 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 Steel Shipyard Ltd.

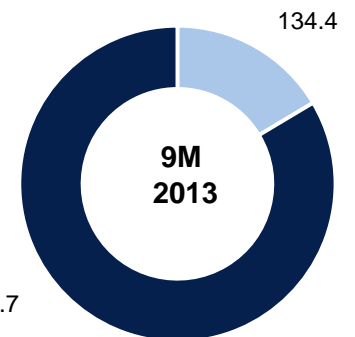
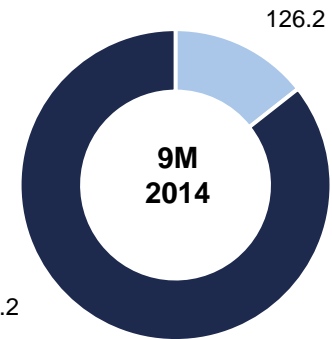
– most recent title: EVP



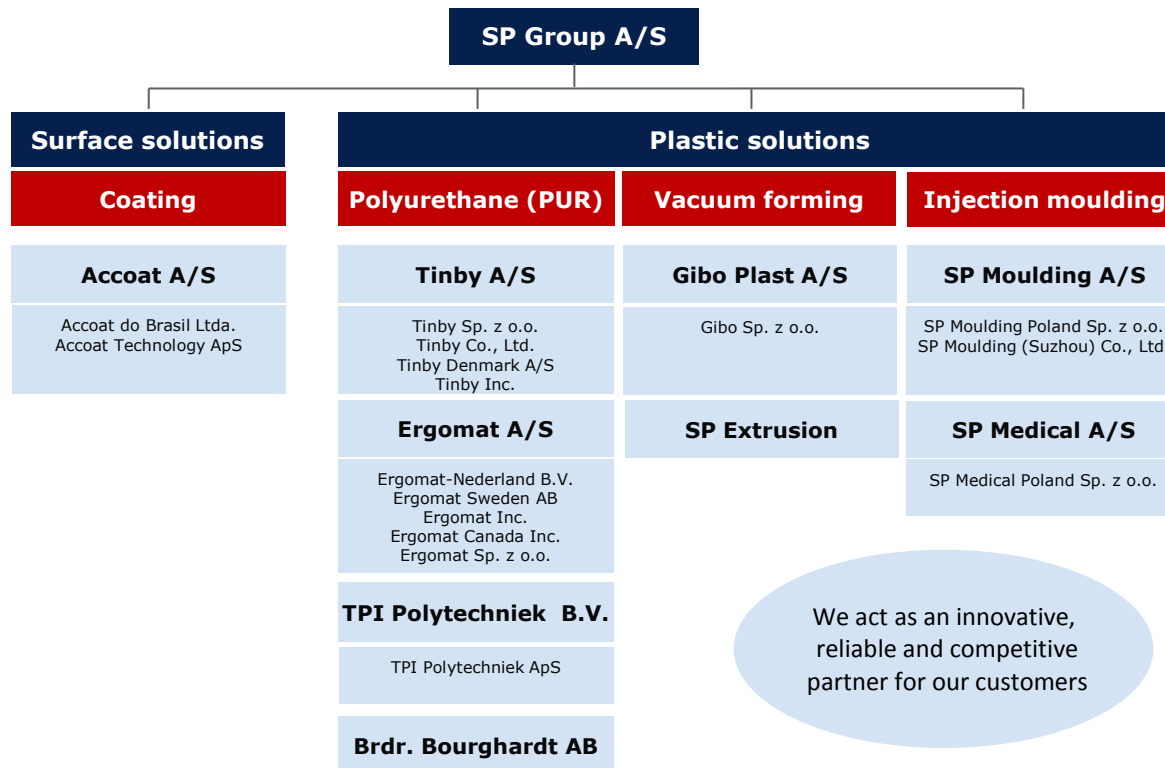
SP GROUP – AN OVERVIEW

- 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 accents on their bases. They are set against a clear, deep blue sky and a calm, blue sea. The perspective is from a low angle, looking down the line of turbines.

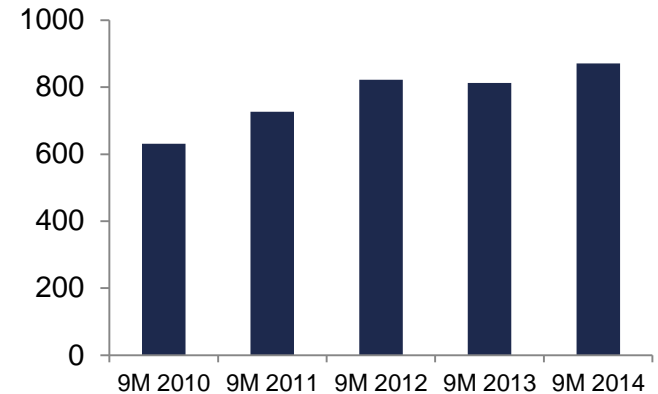
RESULTS FIRST NINE MONTHS OF 2014



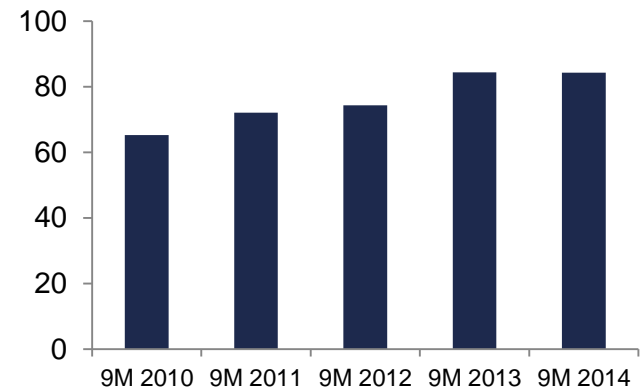
GROUP HIGHLIGHTS (1)

- Revenue was up by 7.2% relative to 9M 2013 to DKK 871.2m. In Q3 revenue was up by 8.0% to DKK 298.2m
- Almost the entire change in revenue was due to higher volume sales
 - Sales to the healthcare industry increased by 7.5% to DKK 336.0m – now accounting for 38.6% of revenue. Q3 increased by 11.7%
 - Sales to the cleantech industry increased by 9.2% to DKK 245.0m – now accounting for 28.1% of revenue. However, Q3 sales fell by 8.0%
 - Sales to the food-related industry increased by 14.1% to DKK 141.0m – now accounting for 16.2%. Q3 increased by 20.1%
 - International sales now account for 51.4% of revenue (50.0% in 9M 2013)
- EBITDA was DKK 84.8m in 9M 2014 up from DKK 84.4m in 9M 2013. Earnings adversely affected by the cost of:
 - Acquisition of Bröderna Bourghardt
 - Start-up of SP Extrusion
 - Production start-up in the USA by Tinby and ErgomatQ3 EBITDA of DKK 30.4m (Q3 2013 DKK 31.3m)
- EBIT was DKK 45.0m in 9M 2014 against DKK 46.7m in 9M 2013
- Net financials were an expense of DKK 6.6m in 9M 2014, a DKK 3.8m improvement

Revenue (DKKm)



Operating profit (EBITDA) (DKKm)





GROUP HIGHLIGHTS (2)

- 9M 2014 profit before tax and non-controlling interest of DKK 38.4m from DKK 36.4m in 9M 2013. Q3 profit of DKK 17.2m from DKK 15.2m in 9M 2013 – the best result of any quarter ever
- Earnings per share (diluted) was DKK 14.51 in 9M 2014, against DKK 14.60 in 9M 2013
- The Coating business reported:
 - Revenue in 9M 2014 DKK 126.2m from DKK 134.4m in 9M 2013
 - EBITDA fell in 9M 2014 to DKK 13.5m from DKK 18.5m in 9M 2013
- The plastic businesses reported:
 - Revenue in 9M 2014 was DKK 750.2m - an aggregated revenue improvement of DKK 66.5m
 - Increase in EBITDA in 9M 2014 to DKK 78.9m against DKK 73.0m in 9M 2013 – an increase of 8.1%
- Cash flows from operating activities were an inflow of DKK 50.9m in 9M 2014 against an inflow of DKK 35.0m in 9M 2013
- NIBD at end-September 2014 was DKK 454.3m from DKK 416.4m by end of September 2013 and DKK 430.0m end 2013



GROUP FINANCIAL HIGHLIGHTS 9M 2014



DKKm	Q3 2014	Q3 2013	9M 2014	9M 2013	2013
Revenue	298.2	276.0	871.2	812.9	1,102.1
EBITDA	30.4	31.3	84.8	84.4	114.2
EBIT	17.6	19.2	45.0	46.7	65.3
Profit before tax and non-controlling interests	17.2	15.2	38.4	36.4	50.2
Equity incl. non-controlling interests			282.6	243.4	252.3
Cash flows from operations	29.4	8.8	50.9	35.0	66.9
Cash flows from investments	-13.3	-14.9	-46.5	-47.4	-67.1
Cash flows from financing	-14.9	-8.1	-36.9	-34.8	-47.9
Change in cash and cash equivalents	1.2	-14.1	-32.5	-47.2	-48.1
NIBD			454.3	416.4	430.0
Equity ratio, incl. non-controlling interests, %			29.6	28.2	28.5

GROUP FINANCIAL HIGHLIGHTS 2013

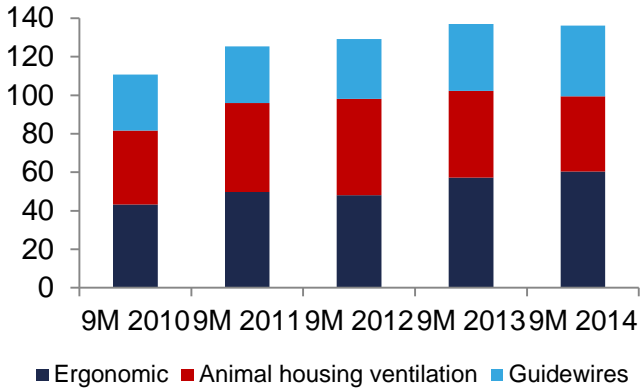


DKKm	2013	2012	2011	2010	2009
Revenue	1,102.1	1,108.5	976.8	851.9	681.9
EBITDA	114.2	105.2	96.5	83.0	40.2
EBIT	65.3	58.1	52.8	41.7	-1.0
Profit before tax and non-controlling interests	50.2	41.6	34.3	28.8	-14.5
Equity incl. non-controlling interests	252.3	240.1	205.6	190.7	159.7
Cash flows from operations	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

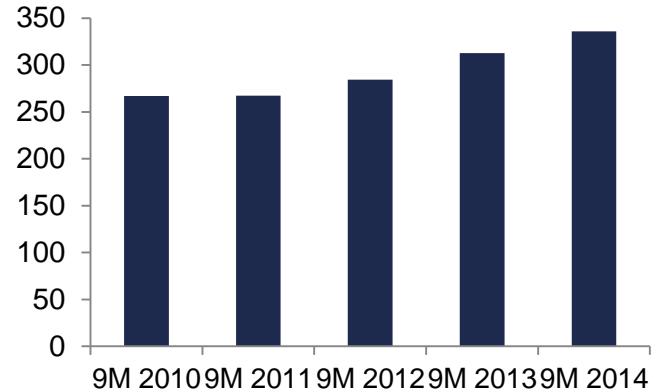


REVENUE SPLIT BY PRODUCT AREA

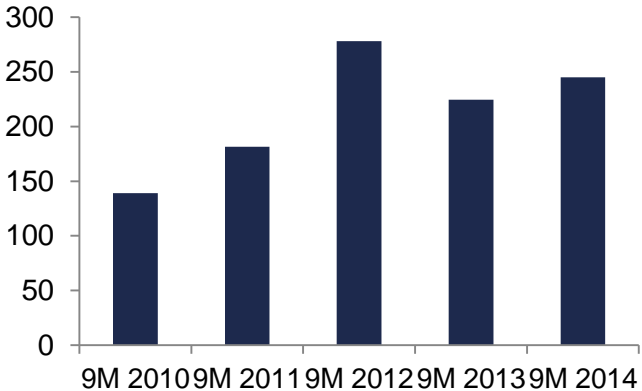
Revenue from own brands (DKKkM)



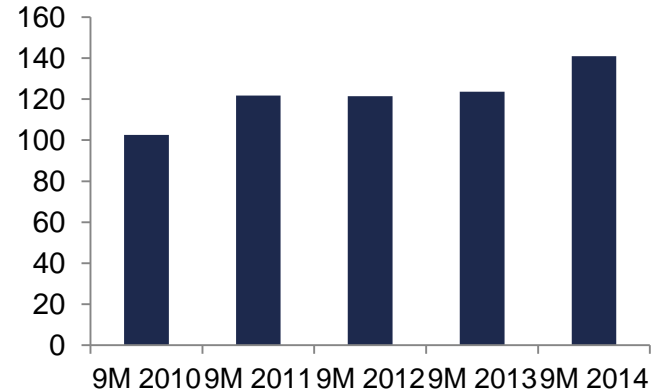
Revenue healthcare products (DKKkM)



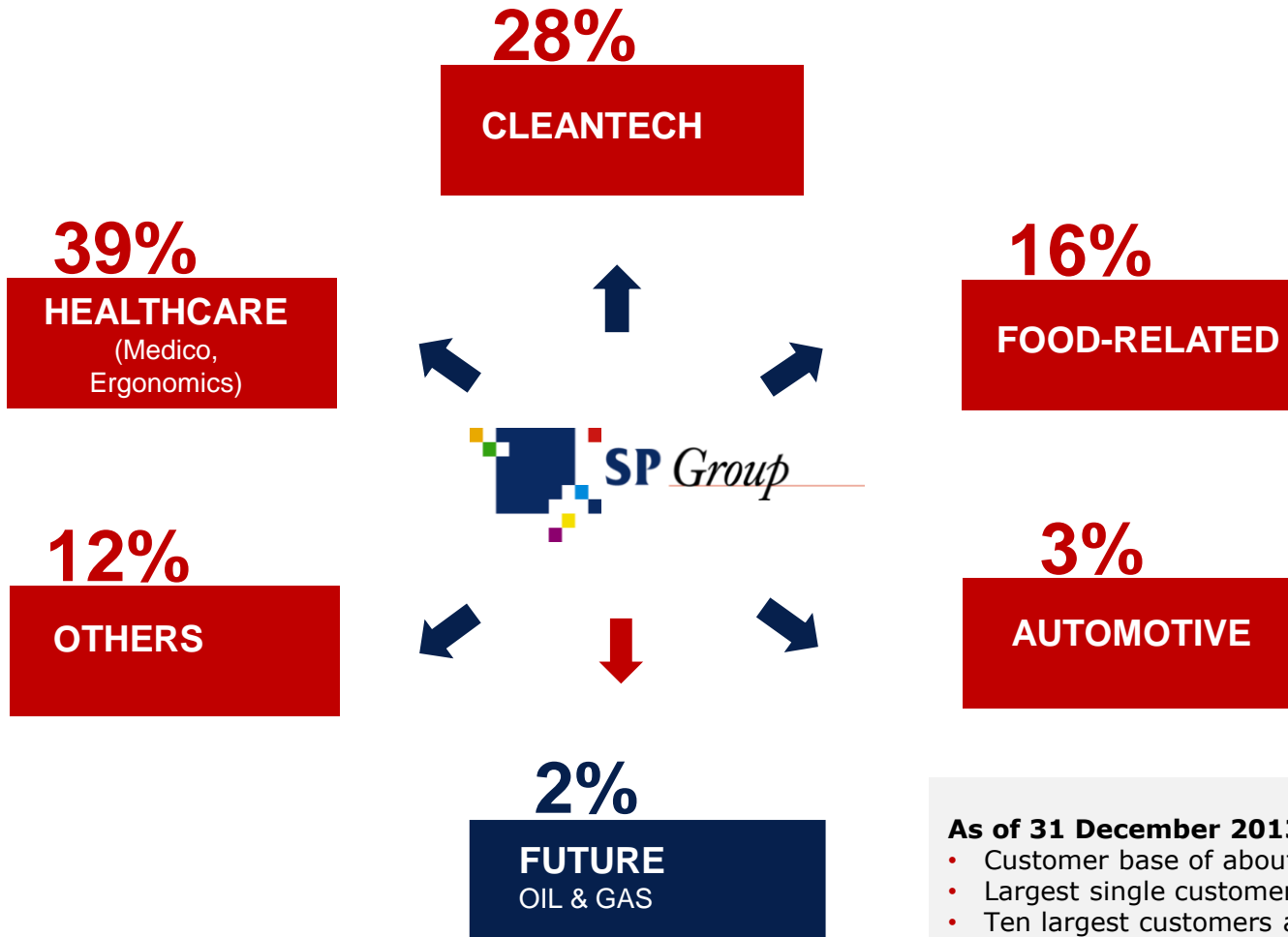
Revenue cleantech industries (DKKkM)



Revenue food-related industries (DKKkM)



REVENUE BY INDUSTRIAL SEGMENT 9M 2014



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



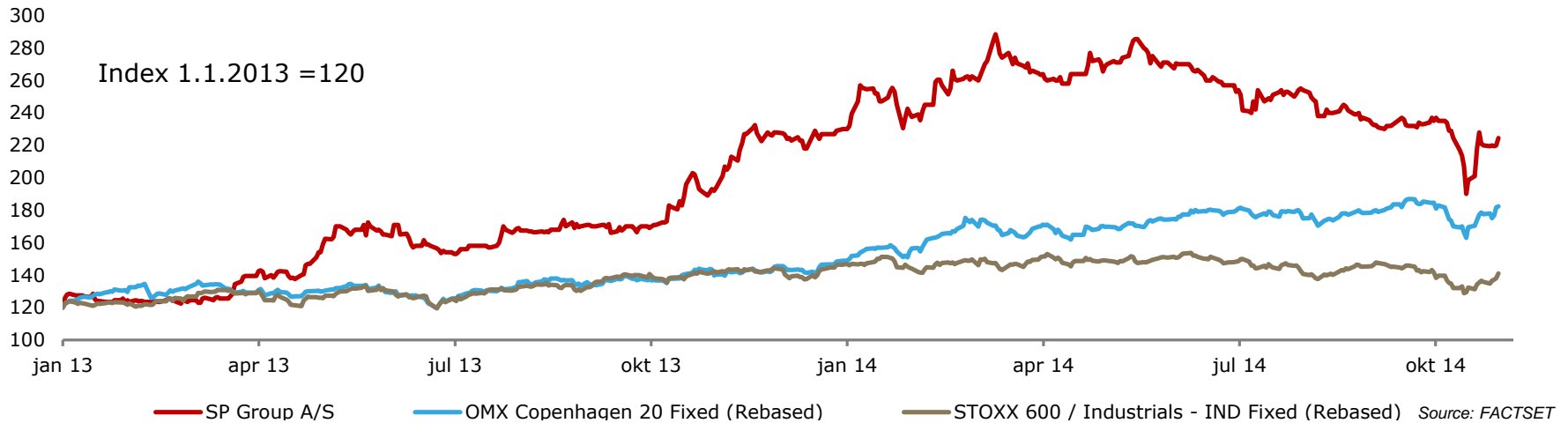
DKKm	2005	2012	2013	2015E
Share of sales outside Denmark	37%	46%	50%	~60%
Share of employees outside Denmark	23%	57%	61%	~75%
Number of factories outside Denmark	2	9	9	~11
Total number of factories	18	15	15	17





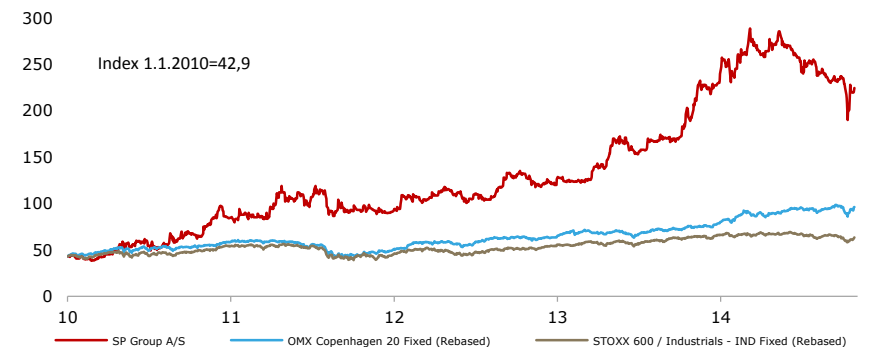
SHARE PRICE PERFORMANCE

Share price performance from 1 January 2013 to 31 October 2014



- 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 established 11 April 2014, the programme was increased by DKK 6m to DKK 14m and extended until 10 April 2015

Share price performance from 1 January 2010 to 31 October 2014



Source: FACTSET



OUTLOOK AND FINANCIAL GOALS



OUTLOOK FOR 2014

- The global economy is expected to continue to grow in 2014 – but it still 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 lower than in 2013 – largest single investment expected to be for production of medical devices
- Depreciation and amortisation expected to be realised at a 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 (DKK 50.2m)
- Level of activity slightly higher than in 2013 (DKK 1,102m) - 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



A close-up photograph of a stack of white, ribbed cylindrical components, likely mechanical parts or rollers. Each component has a central metal insert. The components are arranged in a slightly overlapping, fan-like pattern, creating a sense of depth and texture. The lighting is bright, highlighting the smooth surface of the white material and the metallic sheen of the inserts.

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)





9M 2014 in highlights

- Revenue fell in 9M 2014 to DKK 126.2m against DKK 134.4m in 9M 2013
- EBITDA fell in 9M 2014 compared to 9M 2013 due to a change in the product mix
- Stepped-up marketing efforts towards customers in the oil and gas industry, mainly in Europe, won new jobs for future shipment
- A number of customers in the medical devices and chemical industries increasingly demanding services for friction reduction and corrosion protection

Outlook for 2014

- Revenue and EBITDA now expected to fall compared to 2013

Development in Coatings

DKKm	Q3 2014	Q3 2013	9M 2014	9M 2013
Revenue	37.3	45.6	126.2	134.4
EBITDA	2.8	6.7	13.5	18.5
EBIT	0.5	4.5	6.7	12.0
Employees (avg.)			81	82



PLASTIC SOLUTIONS



Plastic businesses include:

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

9M 2014 in highlights

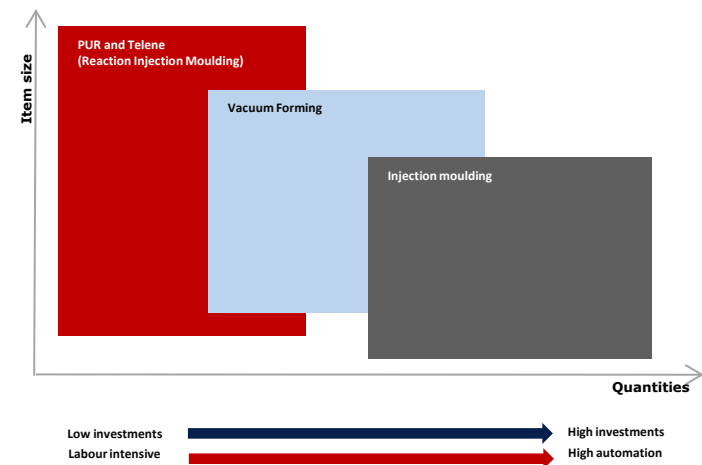
- Revenue was DKK 750.2m in 9M 2014 from DKK 683.7m in 9M 2013. Q3 revenue up by 13.0%
- EBITDA up by 8.1% to DKK 78.9m from DKK 73.0m in 9M 2013
- Generally positive performances and rising headcounts at factories in Poland, Denmark, Latvia and China
- We continue to optimise production
- A number of new PUR products launched, several more planned
- As expected, starting up SP Extrusion and the start-up of Tinby's and Ergomat's production facilities in the USA impacted H1 2014 EBIT

Outlook 2014:

- Revenue and earnings expected to continue to improve on 2013
- Healthcare and cleantech activities to be expanded in the USA, Denmark, Poland, Latvia and China
- Sales and marketing activities to be stepped up globally

Development in Plastics

DKKm	Q3 2014	Q3 2013	9M 2014	9M 2013
Revenue	262.2	232.1	750.2	683.7
EBITDA	29.6	27.1	78,9	73.0
EBIT	20.0	18,0	48.3	44.3
Employees (avg.)			1,154	1,009



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

PLASTIC SOLUTIONS

INJECTION MOULDING (2)



9M 2014 in highlights

- Generally positive performances and rising headcounts at the factories in Poland, SP Moulding and SP Medical
- The factories in Denmark show slightly higher earnings and rise in activities
- We continue to optimise production
- Continuing to step up marketing efforts towards new customers – several new, regular customers
- In China SP Moulding experiences increase in both sales and earnings

SP Medical

- Production and sale of guidewires up by 5.5% in 9M 2014 – broader, more comprehensive market coverage

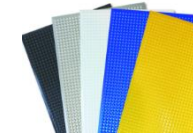


POLYURETHANE (1)



- Four business activities: Ergomat A/S, Tinby A/S, TPI Polytechnik BV and Bröderna Bourghardt AB
- Locations: Sønderlø (DK), Zdunska Wola (PL), 's-Hertogenbosch (NL), Helsingborg (SE), Cleveland (USA), Montreal (CAN), Suzhou (Kina), Liepāja (LV) and Kungsbacka (SE)

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 Polytechnik 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.



Bröderna Bourghardt specialised in composite processes: prepreg and manual lamination. Brdr. Bourghardt apply advanced varnishing methods. Scandinavia's leading manufacturer of Telene® products.



Plastic component, Telene



9M 2014 in highlights

Ergomat

- Higher sales and stronger earnings in 9M 2014. Global sales up by 5.4%. In Q3 2014 global sales up by 9.2%
- Local production set up in the USA – for better service
- Established own subsidiary in Poland that has taken over production of ergonomic mats from Tinby – local sales efforts stepped up

Tinby

- Customers in the cleantech and insulation industries reporting growth
- In China Tinby has expanded production of PUR-components for customers in the cleantech industry
- Local production set up in the USA in order to better serve North American customers

TPI

- Falling revenue and earnings, mainly due to the prevailing political uncertainty
- New customers in Asia, the Middle East and Africa
- Scandinavian market continues to feel the lack of appetite or opportunities for investing in large animal housing facilities

Brøderna Bourghardt

- Revenue in 9M 2014 DKK 17.2m
- Performing well and, as expected, bringing in new customers to SP Group's existing business activities



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, the new high-pressure and twin-sheet technologies and CNC milling
- Market leader in Scandinavia
- Locations: Skjern (DK) and Sieradz (PL)



Vacuum forming



Furniture



Automotive

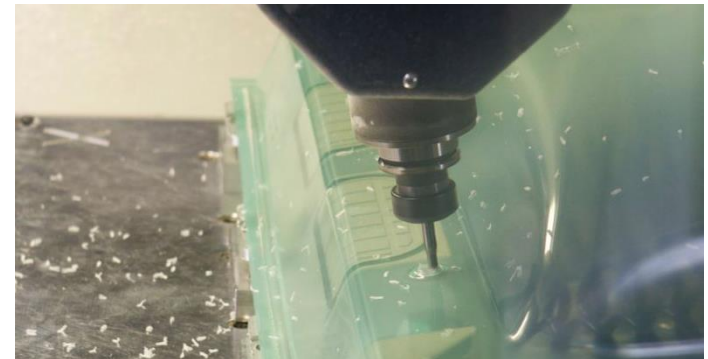


Cleantech



9M 2014 in highlights

- Gibo Plast has developed new projects and solutions for customers in the cleantech and automotive industries
- Expanding operations in Poland





STRATEGY



STRATEGIC DEVELOPMENTS

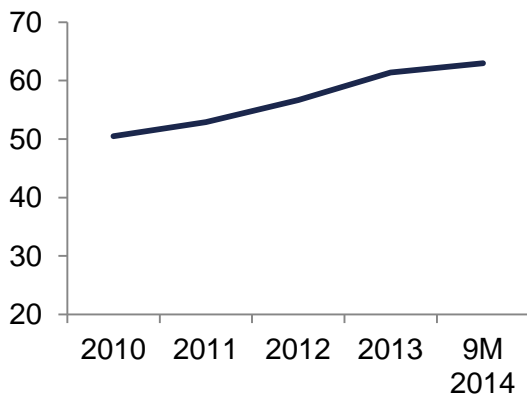
- Continuing to enhance skill sets and efficiency enhancing of production at factories in China, Poland, Brazil, Latvia, the USA and Denmark
- Focused sales efforts, especially in healthcare, cleantech and food-related products
- Focus on sale of own brands
- Increased efforts towards existing and new 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
- PUR production in China expanded (Tinby)
- PUR production to be established in the USA (Ergomat and Tinby)
- With the acquisition of Bröderna Bourghardt AB in February 2014 SP Group have increased the local presence in Sweden and Latvia – sale and production of Telene® products and composite solutions

GROWING SALES AND INTERNATIONALISATION OF THE BUSINESS

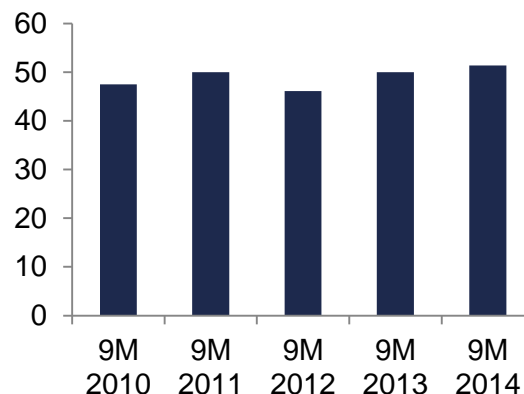


- Organic growth of 5.1% in 9M 2014
- Strengthened sales and marketing efforts in all units
- Consultancy within plastics and coatings
- Differentiation on processes, design and knowledge
- Focus on both existing and new customers
- Increased exports from production sites in Denmark, China, Poland, Latvia, the USA and Brazil focusing on the Americas, Europe and Asia

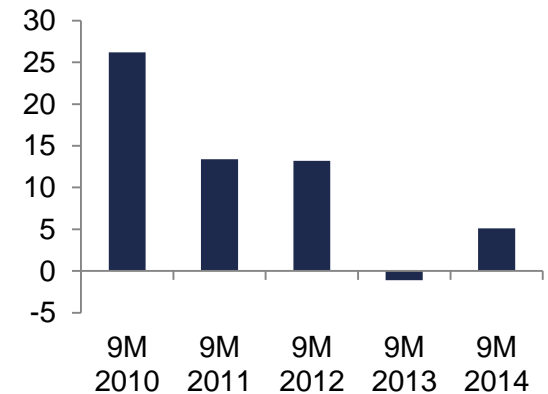
Employees based outside Denmark (avg.), %



International sales, %



Organic growth, %, Group revenue





GROWTH INDUSTRIES AND OWN BRANDS

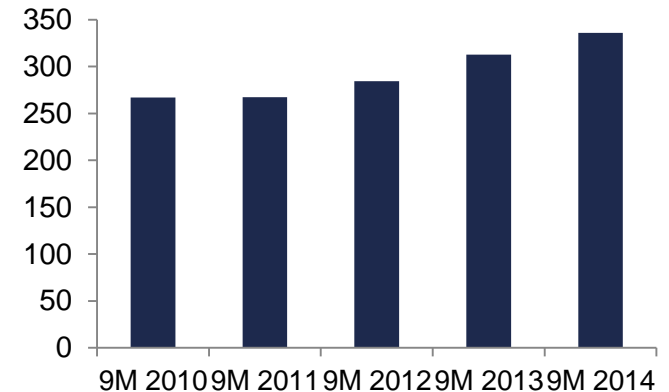
- Committed efforts to growth industries and new segments, e.g. healthcare and cleantech and food-related industries
- Sustain growth in sales to the medical devices industry
- Enhance sales and earnings growth from own brands, i.e. ventilation equipment (TPI), guidewires (SP Medical) and ergonomic solutions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

ERGOMAT®

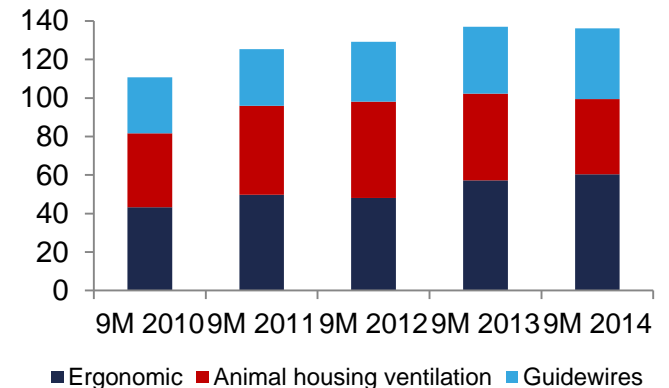
DURASTRIPE



Revenue healthcare products (DKK m)



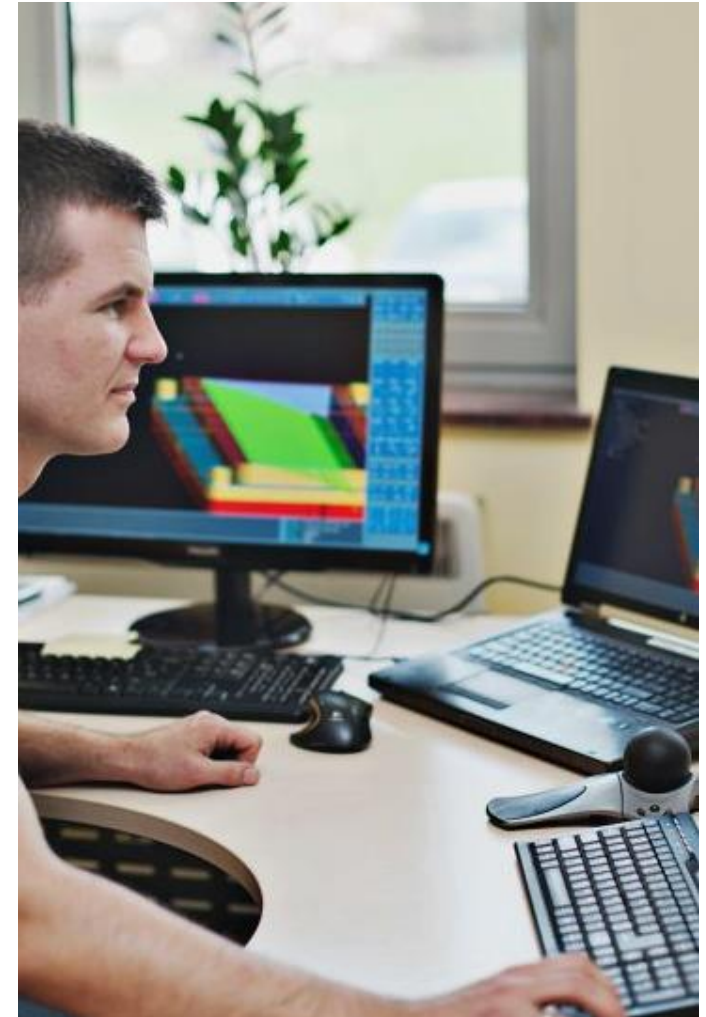
Revenue from own brands (DKK m)



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.

The background of the slide features several blue plastic mold parts, likely for injection molding. These parts are arranged in a stack, with the top one being the most prominent. Each part has a complex, embossed design consisting of various lines, curves, and rectangular sections. The lighting is bright, highlighting the texture and color of the plastic. A dark blue rectangular box is overlaid on the bottom left of the image, containing white text.

Further information:

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