

# YEAR-END REPORT JULY 2019-JUNE 2020

## A STRONG DUROC WITH GOOD FUTURE LONG TERM OPPORTUNITIES

### Fourth quarter April-June 2020

- Net sales decreased by 28 percent to SEK 560.1 million (775.5).
- Adjusted EBITDA\*, which excludes positive effects from IFRS 16 and other items affecting comparability, decreased by 11 percent and amounted to SEK 35.4 million (39.6), corresponding to an improved adjusted EBITDA\* margin of 6.3 percent (5.1).
- Operating profit amounted to SEK 10.3 million (26.6). Operating profit excluding restructuring costs of SEK 12.9 million, amounted to SEK 23.2 million.
- Cash flow from operating activities amounted to SEK 133.3 million (31.3). The temporary lower level of activity due to COVID-19 has led to a reduction in working capital.
- Profit after tax amounted to SEK -1.2 million (41.7).
- Earnings per share amounted to -0.03 (1.07).
- Cotting Group, which was acquired on 1 July 2019, was consolidated into the Group from that date.
- COVID-19 affected production and sales in large parts of the Group's operations during the fourth quarter. Duroc has maintained strong cash and a low debt/equity ratio.

### July 2019-June 2020

- Net sales increased with 6 percent to SEK 3,158.2 million (2,974.4).
- Adjusted EBITDA\* increased by 27 percent and amounted to SEK 180.1 million (142.3), corresponding to an adjusted EBITDA\* margin of 5.7 percent (4.8).
- Operating profit amounted to SEK 161.8 million (93.7), including SEK 66.9 million from recording negative goodwill from the acquisition of Cotting Group. Costs from restructuring are included at SEK 19.8 million.
- Cash flow from operating activities amounted to SEK 322.3 million (70.8).
- Profit after tax amounted to SEK 116.5 million (87.3).
- Earnings per share amounted to 2.99 (2.24).
- Cash and cash equivalents at the end of June amounted to SEK 142.3 million and net debt (excluding IFRS 16) was SEK 117.8 million (124.1).
- Duroc also has unutilised credit facilities totalling approximately SEK 240 million and a stable financial position - a good starting point for the new financial year.
- The Board of Directors proposes that no dividend be paid for the financial year 2019/2020.

| Group (MSEK)                                   | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|--|-----------------|-----------------|--------------------|--------------------|
| Net sales                                      | 560.1           | 775.5           | 3,158.2            | 2,974.4            |
| EBITDA   | 41.5            | 39.6            | 269.1              | 145.3              |
| Adjusted EBITDA*                               | 35.4            | 39.6            | 180.1              | 142.3              |
| Adjusted EBITDA-margin, %                      | 6.3             | 5.1             | 5.7                | 4.8                |
| Operating profit/loss                          | 10.3            | 26.6            | 161.8              | 93.7               |
| Profit/loss after tax                          | -1.2            | 41.7            | 116.5              | 87.3               |
| Profit per share, before and after dilution, % | -0.03           | 1.07            | 2.99               | 2.24               |
| Cashflow from operating activities             | 133.3           | 31.3            | 322.3              | 70.8               |
| Net debt excl. IFRS 16                         | 117.8           | 124.1           | 117.8              | 124.1              |
| Net debt/Equity ratio, %                       | 12              | 13              | 12                 | 13                 |

\* Adjusted for items affecting comparability and effects of IFRS 16. Reconciliation of amounts can be found on page 18

#### Duroc AB

Box 5277, SE-102 46 Stockholm. Visiting address: Linnégatan 18

Tel: +46 8 789 11 30.

Corporate Identification Number: 556446-4286

Duroc acquires, develops and manages industrial and commercial companies. With its extensive knowledge of technology and the market, the Group's companies aim to achieve a leading position in their respective industries. As an owner, Duroc actively contributes to the development. Duroc is listed on Nasdaq Stockholm (short name: DURC). [www.duroc.se](http://www.duroc.se)

**DUROC**

## CEO'S COMMENT

The fourth quarter was strongly affected by COVID-19. The quarter is characterised by some factory closures, reduced sales and structural measures based on the new circumstances which had a negative effect on earnings. The recovery at the end of the quarter is however clear and, looking at the year as a whole, net sales and operating profit are increasing.

### Fourth quarter April-June 2020

In large parts of the Group orders received were negatively affected during the period of March to April as a result of the pandemic. Net sales decreased by 28 percent and operating profit amounted to SEK 10.3 million (26.6), including structural adjustments of SEK 12.9 million. Organic growth decreased by 40 percent. Adjusted EBITDA margin increased to 6.3 percent (5.1). Operating cash flow amounted to SEK 133.3 million (31.1). In March and April the focus was on securing cash flows and minimising costs. The units that were completely or partially closed restarted in May, and there has been a major focus on training staff and organising work tasks in order to be able to ensure safe operations.

The business areas Technical Textiles and Fibre were hit hardest in the spring. Closed car factories and less demand for other consumer products such as furniture, carpets, etc. resulted in low levels of orders. More specialised products were less affected during this period. A sharp increase in Technical Textiles was observed for orders to the medical segment, and demand for niche products, e.g. for filtration, stayed at a normal level in Fibre.

Machinery and Industrial Engines saw a sharp slowdown at the end of March. Other Industry has largely been unaffected by the challenges faced this spring.

### Financial year July 2019-June 2020

Net sales increased by 6 percent to SEK 3,158.2 million (2,974.4). Organic growth was negative and decreased by 18 percent. COVID-19 has had negative effects on large parts of the Group since mid-March. Operating profit increased with 72 percent and amounted to SEK 161.8 million (93.7) including SEK 66.9 million from recording negative goodwill from the acquisition of Cotting Group. Adjusted EBITDA increased 27 percent to SEK 180.1 million (142.3).

The financial year was characterised by readjusting and preparing for an upswing and, considering the circumstances, was a good year for the Group.

We have taken a major step forward by accelerating the activities in Fibre Europe through continued structural measures, and through new investments in more profitable niche products and alternative materials to petroleum-based fibres - this is part of our long-term ambition to create more sustainable alternatives for our customers.

Cresco saw a temporary decline in orders in the spring, but the company has now recovered and has seen record order levels for the next financial year. In the USA there are continued investments in yarns, and we are seeing increased demand from existing customers at the same time as experiencing an influx of new customers.

The Cotting Group has been integrated into the Group and has developed as expected. Industrial Trading decreased by 5 percent compared with the previous year, but at the same time the operating margin in the DMT Group, which accounts for about 70 percent of sales, improved. Other Industry showed record performance during the year.

### Future outlook

My assessment is that demand will continue to increase, albeit at varying levels depending on geography and business area. The development of the pandemic is obviously of major significance for the future outcome.

In the autumn, comprehensive work will be carried out on how we can streamline work around the Group. The purpose is to create the necessary conditions to run an efficient, profitable and customer-oriented business, both in existing subsidiaries but also in planned acquisitions, including by adding more industry expertise to the boards of the subsidiaries. As part of this work, it is also necessary to review the investment strategy and find new financing opportunities in order to accelerate the expansion of the Group both organically and through acquisitions. Sound finances, conservative valuations of possible acquisitions and a long-term approach will continue to be among the most important cornerstones of Duroc.

Despite the ongoing pandemic, Duroc is solid with strong cash flow, strong cash reserves and low indebtedness, and it has therefore managed to survive the crisis well. We are still working on improving the results in our subsidiaries with ambition to execute Duroc's core business concept - i.e. creating goodwill not purchasing goodwill. We have seen several good examples of this in recent years. The "old" Duroc has been elevated to a completely new level. The acquisition of Cresco, which is now highly profitable, was largely self-financed and has since grown by about 50 percent. In Fibre there is a strong focus on specialisation and a shift from inputs to more profitable niche products such as yarns, products based on recycled materials and biodegradable fibres - products that the market is crying out for.

Duroc intends to maintain a continued high rate of investment and the Board of Director's view is that the company's capital can generate a return that is satisfactory to the shareholders by remaining active within the Group. The Board of Directors therefore proposes that no dividend be paid for the financial year 2019/2020.

I would like to take this opportunity to thank all the talented employees who have done a fantastic job in challenging conditions.

**John Häger**  
CEO

## DEVELOPMENT OF THE GROUP

The Duroc Group consists of the business areas Fibre, Industrial Trading, Other Industry and Technical Textiles. The acquisitions Cotting Group and Herber became part of the Group as of 1 July 2019 and 1 May 2019 respectively and have been included in the Group from these dates.

### Fourth quarter April-June 2020

Net sales amounted to SEK 560.1 million (775.5), a reduction of 28 percent. Organic growth was negative and decreased by 40 percent. Large parts of the Group's operations have been affected by COVID-19 and sales decreased in all business areas with the exception of Other Industry, which was on a par with the previous year. In business areas Fibre and Technical Textiles, production was stagnant or operating at a low level in April and into part of May. In Industrial Trading, customer visits and installations have been cancelled, while the aftermarket business has been largely maintained at the same level. In Other Industry, business has not been significantly affected by COVID-19. Since mid-May, demand has returned to some extent and production has resumed, although it is still at a lower level than before COVID-19. For Fibre, demand in the profitable yarn segment in the USA has returned with larger volumes than before COVID-19, Cresco improved its order book. In Industrial Trading, the order book in Duroc Machine Tool was strengthened. Uncertainty about the long-term consequences of COVID-19 remains.

Adjusted EBITDA amounted to SEK 35.4 million (39.6) and the adjusted EBITDA margin was 6.3 percent (5.1). Operating profit amounted to SEK 10.3 million (26.6), affected by restructuring costs of SEK 12.9 million. Various forms of state support in relation to COVID-19 of SEK 39.9 million, meant that the number of personnel and corresponding costs could remain almost intact.

Cash flow from operating activities was SEK 133.3 million (31.3) with essential contribution from reduced working capital.

### July 2019-June 2020

Net sales increased by 6 percent to SEK 3,158.2 million (2,974.4). Organic growth was negative and decreased by 18 percent. Since mid-March, the Group's sales have been negatively affected by COVID-19. Even before the pandemic, certain markets within Fibre and Industrial Trading had experienced lower demand. In addition, the net sales in Fibre have been affected by lower raw material prices, which resulted in lower prices to customers through price mechanisms in the agreements. Other parts of the business had increased demand or remained stable during the financial year. Other Industry increased sales during the financial year and Cotting Group, acquired in July 2019, showed high demand until mid-March when COVID-19 changed the conditions to a certain extent.

Cotting Group is a French-Belgian manufacturer of coated textiles. The purchase price was SEK 188.3 million. Cotting Group is reported as a separate business area Technical Textiles within the Duroc Group.

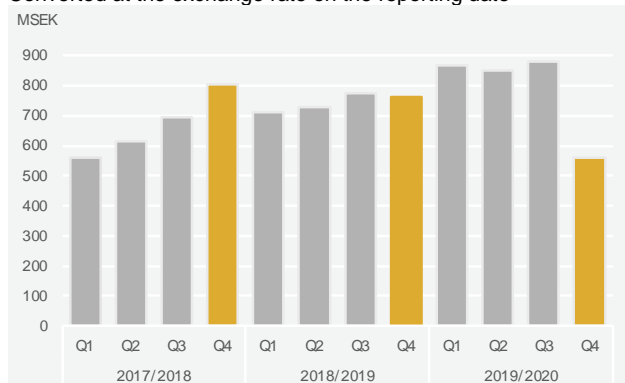
Operating profit for the Group, which includes SEK 66.9 million in negative goodwill from the acquisition, increased to SEK 161.8 million (93.7). Adjusted EBITDA, which excludes negative goodwill and other comparability effects, increased to SEK 180.1 million (142.3). State support related to COVID-19 is included at SEK 45.5 million.

Cash flow from operating activities of SEK 322.3 million (70.8) is driven both by earnings and by reduced working capital. The latter is largely an effect of the temporary lower activity levels.

| Group (MSEK)                | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|-----------------------------|-----------------|-----------------|--------------------|--------------------|
| Net sales                   | 560.1           | 775.5           | 3,158.2            | 2,974.4            |
| EBITDA                      | 41.5            | 39.6            | 269.1              | 145.3              |
| Adjusted EBITDA             | 35.4            | 39.6            | 180.1              | 142.3              |
| Adjusted EBITDA-margin, %   | 6.3             | 5.1             | 5.7                | 4.8                |
| Operating profit/loss       | 10.3            | 26.6            | 161.8              | 93.7               |
| Average number of employees | 1,129           | 839             | 1,182              | 834                |

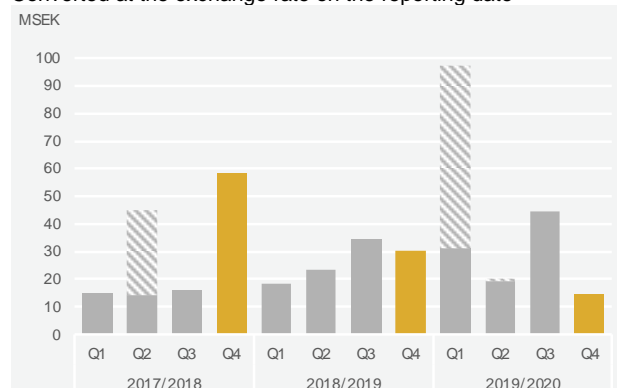
### NET SALES GROUP

Converted at the exchange rate on the reporting date



### OPERATING PROFIT GROUP

Converted at the exchange rate on the reporting date



The graphs show the Group's four business areas. Operating profit Q2 2017/2018 and Q1 and Q2 2019/2020 include SEK 31 million and SEK 65.7 million respectively, and SEK 1.2 million from negative goodwill.

## BUSINESS AREA FIBRE

The business area Fibre consists of the International Fibres Group (IFG). IFG produces polypropylene-based staple fibres and yarns used in various applications mainly in the automotive, construction, furniture and filter industries. Cresco manufactures textiles for professional growers and contributes to favourable environments in greenhouses, for mushroom cultivation and composting facilities.

### Fourth quarter April-June 2020

Net sales decreased by 43 percent and were SEK 334.9 million (592.4). The organic growth was negative in the quarter and decreased by 44 percent. COVID-19 has caused production levels to be low or to stand still in large parts of the business area since the end of March. Since mid-May, all production units have restarted and the situation is now looking significantly better, although there is still uncertainty. Volumes in the profitable yarn business in the USA, where the end product is used in the furniture industry among other areas, have returned with increased demand. In addition, the order book within Cresco, which supplies the cultivation industry, was further strengthened during the quarter. There is a higher degree of uncertainty regarding the already declining volumes in the staple fibre business and the work with the long-term restructuring taking place in the business area has become even more relevant. As part of this, a decision was made to invest SEK 20 million in the USA to grow the yarn business. Thereto, restructuring measures led to costs of SEK 7.4 million, whereof SEK 5.4 million was related to a machine write-down.

Activities have been eligible for varying degrees of state support related to COVID-19 in all countries. In total, this amounted to SEK 28.6 million during the period. Adjusted EBITDA, which excludes positive effects from IFRS 16, amounted to SEK 30.6 million (36.7). The adjusted EBITDA margin improved to 9.1 (6.2). Operating profit amounted to SEK 13.1 million (26.6).

### July 2019-June 2020

Net sales decreased by 17 percent to SEK 1,869.8 million (2,252.0). Organic growth was negative and decreased by 20 percent. The business area was strongly affected by COVID-19, mainly during the fourth quarter. The volumes of staple fibres decreased even before that. In addition, lower raw material prices, which result in lower prices to customers through price mechanisms in the agreements, have contributed to reduced sales but with unchanged gross profit. Before COVID-19, business in the USA was delivering at a high level and the volumes within the profitable yarn operations had returned with increasing strength at the end of the financial year. Cresco, which was able to deliver its products to a relatively good extent even during the fourth quarter, ended the year with an improved order book. There are even some positive signs in the staple fibre business, where any long-term economic effects from COVID-19 are creating more uncertainty.

Good cost control in combination with state support related to COVID-19 of SEK 31.5 million resulted in increased EBITDA despite reduced volumes. Less profitable parts of the business area have decreased in favour of more profitable ones, such as yarns in the USA, which also contributed to the result.

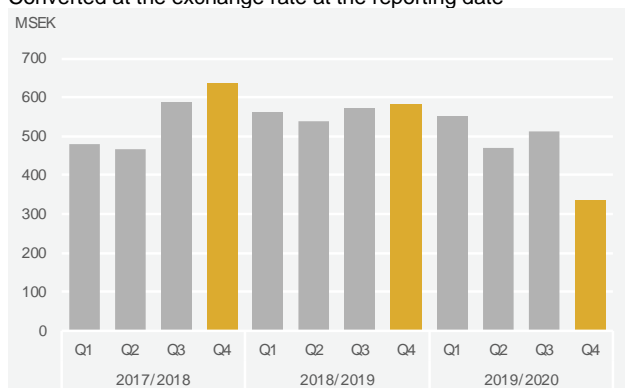
Adjusted EBITDA, which excludes effects from IFRS 16 and other items affecting comparability was SEK 102.2 million (98.5). Operating profit decreased to SEK 47.7 million (59.0).

Work is continuing on measures to drive profitability and a long-term restructuring of the business.

| Fibre (MSEK)                | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|-----------------------------|-----------------|-----------------|--------------------|--------------------|
| Net sales                   | 334.9           | 592.4           | 1,869.8            | 2,252.0            |
| EBITDA                      | 32.8            | 36.7            | 113.3              | 101.5              |
| Adjusted EBITDA             | 30.6            | 36.7            | 102.2              | 98.5               |
| Adjusted EBITDA-margin, %   | 9.1             | 6.2             | 5.5                | 4.4                |
| Operating profit/loss       | 13.1            | 26.6            | 47.7               | 59.0               |
| Average number of employees | 640             | 663             | 662                | 671                |

### SALES BUSINESS AREA FIBRE

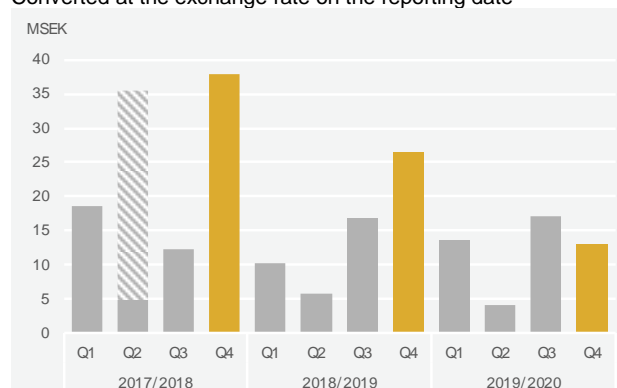
Converted at the exchange rate at the reporting date



Operating profit Q2 2017/2018 includes SEK 31 million from negative goodwill

### OPERATING PROFIT BUSINESS AREA FIBRE

Converted at the exchange rate on the reporting date



## BUSINESS AREA TECHNICAL TEXTILES

The business area Technical Textiles consists of Cotting Group. The acquisition of Cotting Group in July 2019 enabled the Duroc Group to establish itself in the market for coated textiles. The products consist of PVC and PU coated fabrics that are used in a variety of areas, including car interiors, fashion industry, protective clothing, hospital beds, dental chairs, furniture and wall coverings.

### Fourth quarter April-June 2020

Net sales amounted to SEK 84 million, affected by COVID-19 in the French operations where the factory was completely closed throughout April and until mid-May. Large parts of the workforce were furloughed with some compensation from the French state during the period. Production is up and running again since mid May, and sales volumes have gradually recovered during the second half of the quarter. Volumes in automotive are expected to remain at a lower level at least for some time into the next financial year. There is uncertainty about the more long-term economic effects of COVID-19. Work has intensified during the fourth quarter on streamlining and capacity-increasing measures to strengthen long-term profitability in the business area.

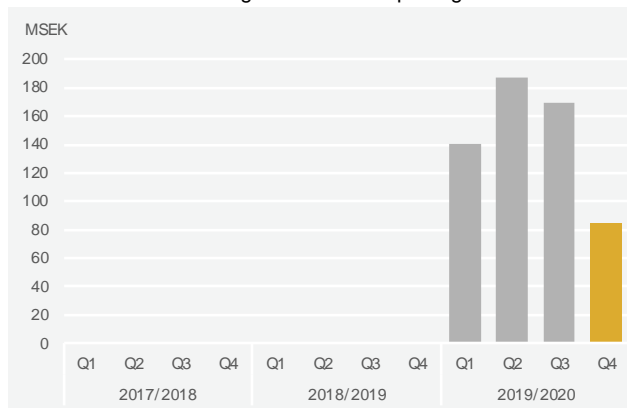
The smaller Belgian operation, which supplies equipment to the healthcare sector among other things, has had increased sales due to COVID-19.

Adjusted EBITDA, which excludes restructuring costs and effects from IFRS 16, amounted to SEK -2.4 million. Operating profit/loss amounted to SEK -7.5 million, affected by restructuring costs of SEK 5.3 million in the French operations. State support due to COVID-19 is included with SEK 6.0 million in the period.

| Technical Textiles          | 2019/2020Q4 | 2019/2020 Q1-Q4 |
|-----------------------------|-------------|-----------------|
| Net sales                   | 84.0        | 581.3           |
| EBITDA                      | -3.2        | 93.9            |
| Adjusted EBITDA             | -2.4        | 31.8            |
| Adjusted EBITDA-margin, %   | -2.9        | 5.5             |
| Operating profit/loss       | -7.5        | 77.6            |
| Average number of employees | 303         | 329             |

### SALES BUSINESS AREA TECHNICAL TEXTILES

Converted at the exchange rate on the reporting date



### July 2019-June 2020

Net sales amounted to SEK 581.3 million and operating profit to SEK 77.6 million, including SEK 66.9 million from the effect of negative goodwill from the acquisition.

The business area, which was acquired in July 2019, started the financial year 2019/2020 with strong demand, primarily in automotive. From mid-March, COVID-19 had major effects on French operations. Adjustment costs have impacted profit during the financial year at SEK 11.2 million. The former CEO of Cotting Group left the company during the second quarter.

Adjusted EBITDA, which excludes negative goodwill, restructuring costs and effects from IFRS 16, amounted to SEK 31.8 million and the adjusted EBITDA margin was 5.5 percent. State support due to COVID-19 is included at SEK 8.7 million.

Negative goodwill arises when the value of the acquired net assets exceeds the purchase price and, in accordance with the accounting rules applied by the Group, must be recorded directly in the income statement.

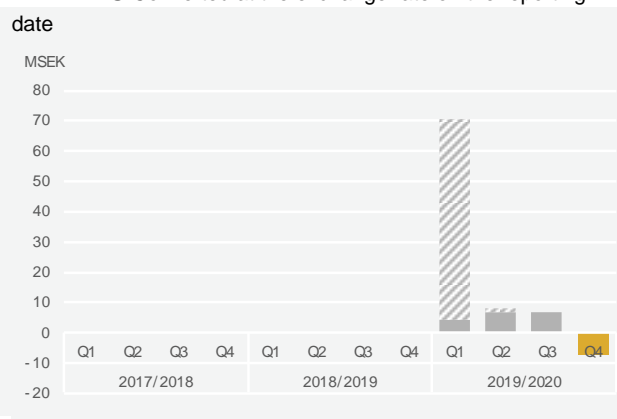
### Business area Technical Textiles

Cotting Group has been established in the international market for coated textiles for more than 60 years.

Globally, the market for coated textiles is estimated to be approximately SEK 170 billion, of which the European share amounts to almost SEK 40 billion. The markets for coated textiles are in long-term growth and are expected to increase by about 4 percent per year. The opportunities for Duroc to grow in this sector, both organically and through continued opportunistic acquisitions, are considered good and financially attractive.

### OPERATING PROFIT BUSINESS AREA TECHNICAL TEXTILES

Converted at the exchange rate on the reporting date



Operating profit for Q1 2019/2020 includes SEK 65.7 million from negative goodwill (adjusted by SEK 1.2 million in the following quarter).



## BUSINESS AREA INDUSTRIAL TRADING

Within the business area Industrial Trading, Duroc Machine Tool (DMT) trades in machine tools and offers automation solutions, tools, service and support to the engineering industry. Universal Power (UPN) provides diesel engines for industrial and marine use with associated spare parts, servicing and repairs. Herber Engineering develops, manufactures and sells equipment for tube bending. Herber has been part of the business area since 1 May 2019.

### Fourth quarter April-June 2020

Net sales during the fourth quarter decreased by 26 percent to SEK 108.2 million (145.3). Organic growth was negative and decreased by 29 percent.

Sales in the business area were affected by COVID-19 and furlough measures were taken in several countries during the period. A certain amount of recovery, in particular in DMT during the second half of the quarter, currently indicates a return to a more normal market situation in the future. Although there is still some uncertainty about the possible long-term financial impact of COVID-19, the situation improved significantly during the quarter. Order levels have recovered and since July 2020 a majority of all furloughed workers have returned to work.

Adjusted EBITDA, where positive effects from IFRS 16 were removed, amounted to SEK 2.9 million (3.3) and, despite low sales, the business area managed to deliver an improved adjusted EBITDA margin of 2.7 percent (2.3) - an effect of good cost control and furlough measures. State support due to COVID-19 has been included in the period at SEK 4.0 million.

Operating profit within the business area amounted to SEK 2.6 million (2.5).

### July 2019-June 2020

Net sales during the 2019/2020 financial year amounted to SEK 559.7 million (590.2), a decrease of 5 percent compared with the previous year. Organic growth was negative and decreased by 16 percent.

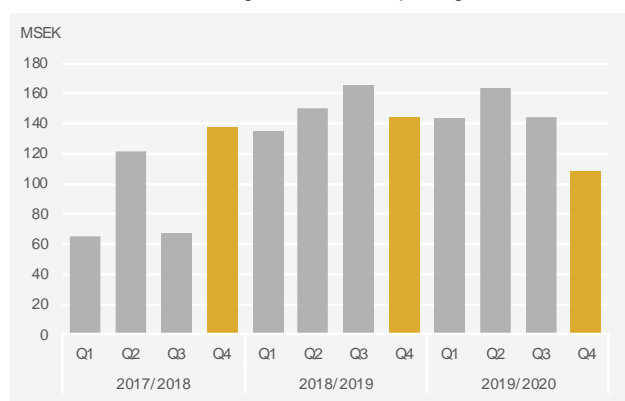
Significant effects of COVID-19 since March 2020 in all operations in combination with a certain slowdown in demand even before this have contributed to lower sales. The impact has mainly been a reduction in machine investments within DMT, but also lower sales within UPN's Norwegian operations. The more profitable aftermarket business within the business area's operations has been maintained intact. This, together with effective cost control, improved gross margins and furlough measures resulted in adjusted EBITDA, where positive effects from IFRS 16 were removed, amounting to SEK 29.8 million (36.0). The adjusted EBITDA margin was 5.3 percent (6.1). State support due to COVID-19 has been included at SEK 4.1 million.

Operating profit amounted to SEK 27.1 million (33.1).

| Industrial Trading (MSEK)   | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|-----------------------------|-----------------|-----------------|--------------------|--------------------|
| Net sales                   | 108.2           | 145.3           | 559.7              | 590.2              |
| EBITDA                      | 6.0             | 3.3             | 40.4               | 36.0               |
| Adjusted EBITDA             | 2.9             | 3.3             | 29.8               | 36.0               |
| Adjusted EBITDA-margin, %   | 2.7             | 2.3             | 5.3                | 6.1                |
| Operating profit/loss       | 2.6             | 2.5             | 27.1               | 33.1               |
| Average number of employees | 127             | 125             | 131                | 110                |

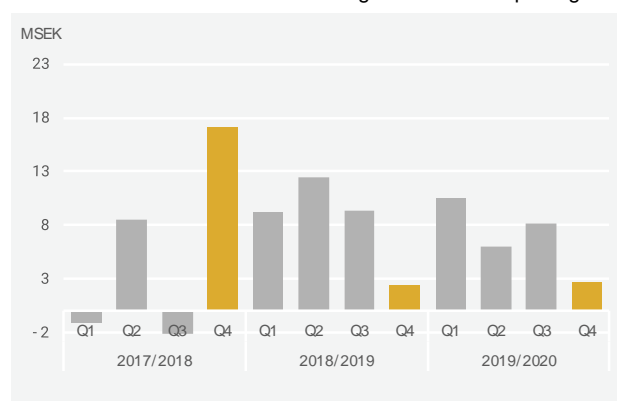
### SALES BUSINESS AREA INDUSTRIAL TRADING

Converted at the exchange rate on the reporting date



### OPERATING PROFIT BUSINESS AREA INDUSTRIAL TRADING

Converted at the exchange rate on the reporting date



## BUSINESS AREA OTHER INDUSTRY

The business area Other Industry consists of Duroc Rail and Duroc Laser Coating (DLC). Duroc Rail provides qualified maintenance of railway wheels for locomotives and wagons. DLC offers renovation and new manufacture of industrial components based on laser surface treatment technology.

### Fourth quarter April-June 2020

Net sales decreased by 13 percent and were SEK 33.0 million (37.8). The reduction is entirely attributable to a reclassification, which increased revenues during the comparison period. The business area ended the year with another strong quarter. Demand for maintenance work within Duroc Rail, which accounts for 85 percent of the business area, has remained good and COVID-19 has not significantly affected the volumes in the business. For Duroc Laser Coating there was slightly subdued demand during the fourth quarter which led to furloughing in June.

Duroc Rail's very strong performance in terms of earnings meant that adjusted EBITDA, where positive effects from IFRS 16 were removed, amounted to SEK 8.0 million (3.7) in the fourth quarter. The adjusted EBITDA margin was 24.1 percent (9.7) due to high volumes of maintenance and efficiency improvements within Duroc Rail.

Operating profit for the quarter amounted to SEK 6.5 million (1.6).

### July 2019-June 2020

Net sales for the financial year 2019/2020 increased by 12 percent and amounted to SEK 147.5 million (132.2).

Duroc Rail has had a year with a significantly high demand for maintenance both from existing customers and through new market shares. Some volume growth has also come from closed production units in central Europe in connection with the outbreak of the coronavirus pandemic.

Duroc Laser Coating has developed well during the year, albeit with some slowdown during the last quarter.

Adjusted EBITDA, where positive effects from IFRS 16 have been removed, amounted to SEK 30.2 million (20.0). The adjusted EBITDA margin was 20.5 percent (15.1). The improved result is due to a record year in Duroc Rail, driven by high volumes, efficient production process and high capacity utilisation.

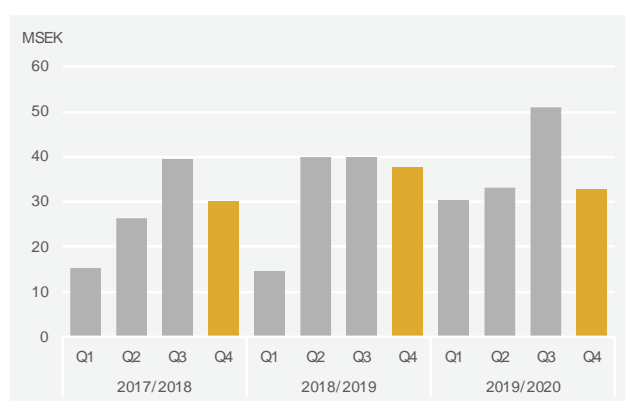
Operating profit amounted to SEK 23.9 million (14.1).

Organic growth corresponds to the reported growth in the business area.

| Other Industry (MSEK)       | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|-----------------------------|-----------------|-----------------|--------------------|--------------------|
| Net sales                   | 33.0            | 37.8            | 147.5              | 132.2              |
| EBITDA                      | 9.2             | 3.7             | 34.4               | 20.0               |
| Adjusted EBITDA             | 8.0             | 3.7             | 30.2               | 20.0               |
| Adjusted EBITDA-margin, %   | 24.1            | 9.7             | 20.5               | 15.1               |
| Operating profit/loss       | 6.5             | 1.6             | 23.9               | 14.1               |
| Average number of employees | 52              | 48              | 54                 | 49                 |

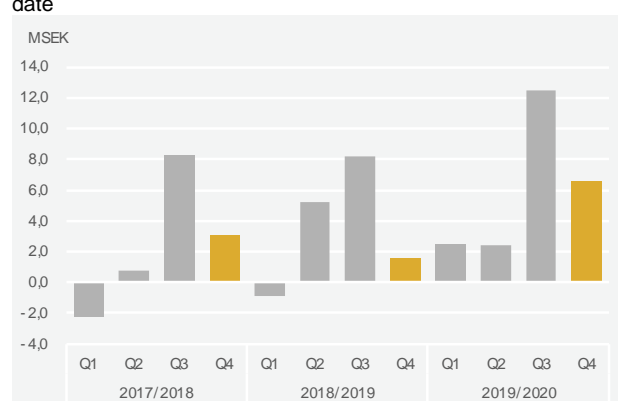
### SALES BUSINESS AREA OTHER INDUSTRY

Converted at the exchange rate on the reporting date



### OPERATING PROFIT BUSINESS AREA OTHER INDUSTRY

Converted at the exchange rate on the reporting date



## FINANCIAL INFORMATION

### RESULTS AND FINANCIAL POSITION

Net sales during the year amounted to SEK 3,158.2 million (2,974.4). Operating profit amounted to SEK 161.8 million (93.7) and profit after tax to SEK 116.5 million (87.3). Other comprehensive income amounted to SEK -115.0 million (-19.7), of which actuarial losses related to pension provision accounted for SEK -100.4 million (-8.2). The actuarial losses occurred when the provisions, in accordance with IFRS, was revaluated with a lower discount rate and the market value of the assets in the pension plan was adjusted. Thus, this corresponded to a calculated value as per the end of accounting period and not to a realized result.

Group equity at the end of the period amounted to SEK 948.4 million (950.0) and the equity ratio to 48.4 percent (51.1). The equity ratio excluding IFRS 16 effects amounted to 52.2 percent. If cash and cash equivalents and interest-bearing liabilities were to be reported net, the Group's adjusted equity ratio would be 52.1 percent (63.1). Adjusted equity ratio excluding IFRS 16 effects amounted to 56.6 percent. See consolidated note 2 for IFRS 16-adjusted figures.

### FINANCING

During the third quarter, Duroc signed a new financing agreement with Danske Bank. The agreement covers a long-term banking facility totalling approximately SEK 400 million, of which approximately SEK 130 million relates to a bank loan with a five-year repayment plan and the remaining portion is a credit facility linked to a group-wide cash pool. In addition, there is a loan facility in subsidiaries of approximately SEK 100 million.

The new loan agreement means that a majority of the Group's loans are financed centrally. The duration of the agreement is three years with the possibility of a two-year extension. Moreover, the agreement includes two financial covenants, net debt in relation to EBITDA and equity ratio. Group Management and the Board of Directors regularly follow forecasts in relation to the limit values in the covenants. This ensures that Duroc meets its obligations to creditors and minimises liquidity and financing risks. As of 30 June 2020, the loan terms were met with a good margin in the covenants.

In connection with the new loan agreement, the shares in the Group's holding company International Fibres Group AB, Duroc Machine Tool Holding AB and Duroc Produktion were pledged.

### INVESTMENTS

During the financial year, the Group made investments in tangible and intangible fixed assets totalling SEK 93.0 million. Cotting Group was acquired in July 2019 for a purchase price of SEK 188.3 million (net cash flow was SEK 168.3 million), see also Note 3 Acquisitions.

### CASH FLOW

The Group's cash flow from operating activities during the year amounted to SEK 322.3 million (70.8), driven by earnings and reduced working capital. The latter is largely an effect of the temporary lower level of activity due to COVID-19. Cash flow

from investing activities amounted to SEK -260.9 million (-143.7), affected by the acquisition of Cotting Group and investments in tangible fixed assets for capacity improvements in the companies.



Cash flow from financing activities amounted to SEK -262.2 million (160.2). Due to the new credit facility that Duroc signed during the third quarter, previously short-term credit of SEK 180 million from the acquisition of Cotting Group was replaced with a long-term loan. At the end of March, liquidity was strengthened by a further EUR 12 million. This amount has largely been used to repay debts in the subsidiaries. With a group-wide cash pool, Duroc's borrowing was reduced during the financial year.

#### *Cash and cash equivalents*

The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 142.3 million (352.5). The interest-bearing liabilities amounted to SEK 399.4 million (476.6). Excluding the IFRS 16 effect, the Group's interest-bearing debt amounts to SEK 260.2 million and the Group's net debt to SEK 117.8 million (124.1). Implementation of a group-wide cash pool has meant that cash and cash equivalents have been used to pay off debts in the subsidiaries during the financial year. Net debt increased by SEK 180 million in connection with the acquisition of Cotting Group at the beginning of the financial year. During the second half of the financial year, net debt decreased, partly as an effect of lower working capital, which was driven downwards with lower activity levels affected by COVID-19.

---

## **PARENT COMPANY**

Duroc AB's main functions are acquisitions, follow-up of developments in the Group companies, business development and financial reporting. Sales consist of internally invoiced services and amounted to SEK 5.6 million (4.6) for the financial year. Profit after tax amounted to SEK 55.3 million (64.7), including dividends from subsidiaries of SEK 30.9 million (58.8). In addition to shares in Group companies, the assets in the Parent Company mainly consist of receivables from Group companies and bank balances. The equity ratio in Duroc AB at the end of the period was 80.5 percent (81.4). The equity ratio has been affected by the centralised loan structure implemented during the second half of the financial year 2019/2020, where external financing mainly takes place in the Parent Company. The new loan agreement signed in Duroc AB in March includes a long-term banking facility of approximately SEK 400 million. Previous short-term loans have been repaid.

---

## **DIVIDEND**

In light of Duroc's continued expansion plans and the uncertainty due to COVID-19, the Board of Directors has decided that there will be no dividend paid out in the financial year 2019/2020. The strategy is to continue investing in the existing business and actively seek new acquisitions.

## **PERSONNEL**

The average number of employees during the financial year was 1,182 (834). The average number of employees in the parent company was 6 (4) for the same period.

## SIGNIFICANT RISKS AND UNCERTAINTIES FOR PARENT COMPANY AND GROUP

Duroc AB and the companies included in the Duroc Group are exposed to risks of both a financial and operational nature, which the companies themselves can influence to a greater or lesser extent. Within the companies, continuous processes are underway to identify existing risks and assess how these should be managed. A detailed description of the parent company's and subsidiaries' risks and risk management was given in Duroc's annual report for the financial year from 1 July 2018 to 30 June 2019.

The extensive spread of COVID-19 affected production and sales in the Duroc Group's business areas from mid-March 2020 and had negative effects on earnings during the last quarter of the financial year. The situation improved significantly during the second half of the fourth quarter with recovering sales volumes and a resumption of production, albeit at an overall level that was lower than before COVID-19. A more challenging business climate and a possible second wave may also affect operations in the financial year 2020/2021. There is still a great deal of uncertainty about the long-term financial consequences and the overview of the future impact on Duroc is limited. Some units within the Group have had increased demand and the falling oil price leads to lower raw material prices in the business areas Fibre and Technical Textiles.

Duroc is well equipped to meet the challenges brought about by COVID-19. The Group does not operate in segments which may suffer more structural and long-term damage such as the aviation industry, tourism and event industry.

## OTHER INFORMATION

### **Work environment investigation in England decided**

IFG Drake, a company within the Duroc Group, was the subject of a work environment investigation due to the workplace accident that occurred in March 2017. The investigation has already established that the accident was not caused by the company.

The work environment investigation was finally decided during the fourth quarter of 2019/2020. The fine was set at GBP 390,000 and is to be paid over a period of 5 years. Duroc has previously booked a reserve for the estimated amount of the fine and no cost for this has arisen in the fourth quarter.

### **Prioritised creditor Svartöns Specialstål AB's bankruptcy estate**

Duroc is the highest priority creditor in Svartöns Specialstål AB's bankruptcy, in which the bankruptcy administrator has sued an insurance company for approximately SEK 24 million excluding interest. In the event of complete success for the bankruptcy estate, Duroc can expect a dividend of between SEK 15 and 20 million. The proceedings are not expected to involve a burden for Duroc as funds to cover litigation costs already exist in the bankruptcy estate.

### **Brexit**

The United Kingdom's withdrawal from the EU (Brexit) may affect Duroc's operations. The UK left the EU on 31 January 2020 and entered into a transition period which runs until 31 December 2020. There is still uncertainty about long-term agreements for the continued relationship with the EU and whether these will be completed in time. There is a risk that there will be a period without no agreement in place after 31 December 2020.

The lack of clarity about what will happen means that it is still difficult to fully map the effects of Brexit. Certain preparatory measures have been taken in the subsidiaries concerned, and the Board of Directors and Group Management are also following developments on an ongoing basis, in order to be able to take further appropriate measures if necessary.

In the business area Fibre, approximately 9 percent of sales are exports from the UK to the EU or other parts of the world. Large parts of these sales can be moved to other Group companies within the EU and any potential negative impact from Brexit is not considered to be significant.

Risks to the Group's operations outside the UK are mainly related to the purchase of goods. However, the quantity of goods from the UK is limited and the effects are not expected to have any significant impact on Duroc's operations.

Moreover, the companies in the business area Fibre have a UK based parent company. No agreement between the UK and the EU could mean that certain transactions between Group companies, for example dividends, could be charged withholding tax for a limited period before agreement have been established. Duroc is monitoring the situation. The effects are judged to be manageable, but there is uncertainty.

This report has not been reviewed by the auditors.

## FUTURE INFORMATION OPPORTUNITIES

|                                     |                 |
|-------------------------------------|-----------------|
| Interim report July-September 2020  | 5 November 2020 |
| Interim report July-December 2020   | 5 February 2021 |
| Interim report July 2020-March 2021 | 7 May 2021      |

Stockholm, 21 August 2020

John Häger  
CEO

### **For further information**

John Häger, CEO, Tel. +46 70 248 72 99.

Duroc AB is obliged to publish this information in accordance with the Market Abuse Regulation EU/596/2014. The information was submitted for publication on 21 August 2020 at 07:15.

## CONSOLIDATED INCOME STATEMENT

| Amounts in MSEK  | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|--|-----------------|-----------------|--------------------|--------------------|
| Net sales  | 560.1           | 775.5           | 3,158.2            | 2,974.4            |
| Other operating income   | 41.6            | -1.6            | 119.3              | 13.2               |
| Change in inventories  | 6.3             | -8.3            | 28.6               | 1.0                |
| Raw materials and consumables                                  | -252.7          | -387.1          | -1,546.1           | -1,530.1           |
| Goods for resale   | -65.5           | -98.0           | -331.2             | -412.4             |
| Other external costs*  | -84.8           | -110.1          | -465.7             | -417.6             |
| Personnel costs  | -163.0          | -128.8          | -689.5             | -478.5             |
| Depreciation/amortisation of tangible and intangible assets*   | -31.2           | -13.0           | -107.3             | -51.6              |
| Other operating costs  | -0.5            | -2.1            | -4.5               | -4.6               |
| <b>Operating profit/loss*</b>                                  | <b>10.3</b>     | <b>26.6</b>     | <b>161.8</b>       | <b>93.7</b>        |
| <b>Net financial items*</b>                                    | <b>-4.5</b>     | <b>-0.0</b>     | <b>-16.2</b>       | <b>-4.7</b>        |
| <b>Profit before tax*</b>                                      | <b>5.8</b>      | <b>26.5</b>     | <b>145.6</b>       | <b>89.0</b>        |
| Current taxes  | 6.0             | -0.8            | -14.1              | -14.8              |
| Deferred taxes*  | -13.0           | 16.0            | -15.0              | 13.0               |
| <b>PROFIT FOR THE PERIOD*</b>                                  | <b>-1.2</b>     | <b>41.7</b>     | <b>116.5</b>       | <b>87.3</b>        |
| Profit for the period attributable to:                         |                 |                 |                    |                    |
| The Parent Company's equity holders                            | -1.2            | 41.7            | 116.5              | 87.3               |
| <b>Earnings per share</b>                                      |                 |                 |                    |                    |
| Before and after dilution                                      | -0.03           | 1.07            | 2.99               | 2.24               |
| Average number of shares outstanding before and after dilution | 39,000,000      | 39,000,000      | 39,000,000         | 39,000,000         |

\*The item 2019/2020 includes effects from the transition to IFRS 16. A summary of how the new accounting standard has affected the Group's earnings can be found in Note 2.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Amounts in MSEK   | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|---|-----------------|-----------------|--------------------|--------------------|
| <b>PROFIT FOR THE PERIOD</b>                                | <b>-1.2</b>     | <b>41.7</b>     | <b>116.5</b>       | <b>87.3</b>        |
| <b>Total other comprehensive income</b>                     |                 |                 |                    |                    |
| Items that may be reclassified to the income statement      |                 |                 |                    |                    |
| Translation differences                                     | -59.3           | 14.0            | -0.6               | 13.9               |
| Hedge accounting (net)                                      | 0.5             | 0.7             | 0.2                | 0.6                |
| Items that will not be reclassified to the income statement |                 |                 |                    |                    |
| Revaluation of strategic holdings                           | 3.8             | -12.7           | -14.3              | -26.1              |
| Actuarial gains and losses(net)                             | -54.0           | 21.1            | -100.4             | -8.2               |
| <b>Total other comprehensive income</b>                     | <b>-109.0</b>   | <b>23.2</b>     | <b>-115.0</b>      | <b>-19.7</b>       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>            | <b>-110.1</b>   | <b>64.9</b>     | <b>1.5</b>         | <b>67.6</b>        |
| Total comprehensive income for the period attributable to:  |                 |                 |                    |                    |
| The Parent company's equity holders                         | -110.1          | 64.9            | 1.5                | 67.6               |
| non-controlling interests                                   | -               | -               | -                  | -                  |

## CONSOLIDATED BALANCE SHEET\*

| Amounts in MSEK  | 2020-06-30     | 2019-06-30     |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| <b>Non-current assets</b>                                  |                |                |
| Intangible assets  | 94.6           | 92.0           |
| Property plant and equipment                               | 738.6          | 460.3          |
| Financial assets   | 18.3           | 31.0           |
| Deferred tax assets  | 73.0           | 69.8           |
| <b>Total non-current assets</b>                            | <b>924.6</b>   | <b>653.0</b>   |
| <b>Current assets</b>                                      |                |                |
| Inventories  | 479.3          | 388.6          |
| Trade receivables  | 355.3          | 434.4          |
| Current tax receivables                                    | 14.7           | 2.2            |
| Other receivables  | 24.7           | 17.8           |
| Prepaid expenses and accrued income                        | 20.7           | 10.4           |
| Cash and cash equivalents                                  | 142.3          | 352.5          |
| <b>Total current assets</b>                                | <b>1,037.0</b> | <b>1,206.0</b> |
| <b>Total assets</b>  | <b>1,961.6</b> | <b>1,859.0</b> |
| <b>EQUITY AND LIABILITIES</b>                              |                |                |
| <b>Equity</b>  |                |                |
| Share capital  | 39.0           | 39.0           |
| Other capital provided                                     | 260.5          | 260.5          |
| Reserves   | 118.8          | 119.1          |
| Retained earnings including profit for the year            | 530.2          | 531.4          |
| <b>Equity attributable to owners of the parent</b>         | <b>948.4</b>   | <b>950.0</b>   |
| <b>Total equity</b>  | <b>948.4</b>   | <b>950.0</b>   |
| <b>Long-term liabilities</b>                               |                |                |
| Provision for pensions                                     | 171.6          | 51.1           |
| Other provisions   | 14.5           | 13.6           |
| Non-current interest-bearing liabilities                   | 163.0          | 105.7          |
| Non-Current liabilities - right of use assets              | 112.7          | -              |
| Other non-current liabilities                              | 3.6            | -              |
| Deferred tax liabilities                                   | 45.5           | 36.0           |
| <b>Total non-current liabilities</b>                       | <b>511.0</b>   | <b>206.4</b>   |
| <b>Current liabilities</b>                                 |                |                |
| Current interest-bearing liabilities                       | 97.2           | 370.9          |
| Current interest bearing liabilities - right of use assets | 26.5           | -              |
| Advance payments from customers                            | 16.4           | 30.1           |
| Trade payables   | 179.4          | 176.4          |
| Current tax liabilities                                    | 14.2           | 7.0            |
| Other liabilities  | 57.4           | 43.6           |
| Accrued expenses and prepaid income                        | 111.0          | 74.6           |
| <b>Total current liabilities</b>                           | <b>502.2</b>   | <b>702.6</b>   |
| <b>Total liabilities</b>                                   | <b>1,013.2</b> | <b>909.1</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        | <b>1,961.6</b> | <b>1,859.0</b> |

\* For balance sheet 30/06/2020-excluded IFRS 16 – see note 2

## SUMMARY OF CHANGES IN CONSOLIDATED EQUITY

| Amounts in MSEK                           | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|---|--------------------|--------------------|
| <b>Opening balance</b>                    | <b>950.0</b>       | <b>882.5</b>       |
| Adjustment opening balance due to IFRS 16 | -3.1               |                    |
| Profit for the period                     | 116.5              | 87.3               |
| Translation differences                   | -0.6               | 13.9               |
| Revaluation of strategic holdings         | -14.3              | -26.1              |
| Actuarial gains and losses (net)          | -100.4             | -8.2               |
| Hedge accounting (net)                    | 0.2                | 0.6                |
| <b>Closing balance</b>                    | <b>948.4</b>       | <b>950.0</b>       |

## CONSOLIDATED CASH FLOW STATEMENT

| Amounts in MSEK  | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|--|-----------------|-----------------|--------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>  |                 |                 |                    |                    |
| <b>Profit before taxes</b>   | <b>5.8</b>      | <b>26.5</b>     | <b>145.6</b>       | <b>89.0</b>        |
| Adjustment for items not included in cash flow                               | 10.1            | 4.2             | 13.0               | 43.0               |
| Income tax paid  | 4.1             | -0.7            | -9.9               | -13.1              |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>20.0</b>     | <b>30.0</b>     | <b>148.8</b>       | <b>119.0</b>       |
| Cashflow from changes in working capital                                     |                 |                 |                    |                    |
| Changes in inventories   | 33.4            | 50.2            | 30.1               | -1.1               |
| Changes in current receivables   | 123.9           | 5.8             | 213.3              | 23.9               |
| Changes in current liabilities   | -44.1           | -54.7           | -69.8              | -71.0              |
| <b>Cash flow from operating activities</b>                                   | <b>133.3</b>    | <b>31.3</b>     | <b>322.3</b>       | <b>70.8</b>        |
| <b>INVESTMENT ACTIVITIES</b>   |                 |                 |                    |                    |
| Purchase and sales of intangible assets                                      | -0.1            | -0.2            | -3.7               | -1.3               |
| Purchase and sales of tangible assets  | -29.5           | -14.5           | -89.3              | -60.7              |
| Cash flow from acquisitions  | -0.0            | -12.8           | -168.3             | -34.1              |
| Cash flow from financial assets  | -0.3            | -5.5            | 0.3                | -47.6              |
| <b>Cash flow from investment activities</b>                                  | <b>-29.9</b>    | <b>-33.0</b>    | <b>-260.9</b>      | <b>-143.7</b>      |
| <b>FINANCING ACTIVITIES</b>  |                 |                 |                    |                    |
| New loans  | 0.0             | 161.2           | 142.8              | 213.0              |
| Amortization of loans  | -199.6          | 1.0             | -283.4             | -31.8              |
| Changes in short term operating financing                                    | -97.6           | 27.3            | -121.6             | -21.0              |
| <b>Cash flow from financing activities</b>                                   | <b>-297.2</b>   | <b>189.6</b>    | <b>-262.2</b>      | <b>160.2</b>       |
| <b>Cash flow for the period</b>  | <b>-193.8</b>   | <b>187.9</b>    | <b>-200.9</b>      | <b>87.3</b>        |
| Cash and equivalents at beginning of period                                  | 354.5           | 164.3           | 352.5              | 262.2              |
| Translation difference in cash and cash equivalents                          | -18.4           | 0.3             | -9.4               | 3.0                |
| <b>Cash and equivalents at end of period</b>                                 | <b>142.3</b>    | <b>352.5</b>    | <b>142.3</b>       | <b>352.5</b>       |

## PARENT COMPANY INCOME STATEMENT

| Amounts in MSEK                       | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|---------------------------------------|-----------------|-----------------|--------------------|--------------------|
| Net sales                             | 1.4             | 1.4             | 5.6                | 4.6                |
| Other external costs                  | -2.5            | -2.9            | -7.1               | -7.2               |
| Personnel costs                       | -3.2            | -2.7            | -12.3              | -9.5               |
| Depreciation and amortisation         | -0.1            | -0.1            | -0.5               | -0.4               |
| <b>Operating result</b>               | <b>-4.4</b>     | <b>-4.2</b>     | <b>-14.3</b>       | <b>-12.5</b>       |
| Result from shares in group companies | 27.8            | -               | 58.7               | 58.8               |
| Financial income                      | -0.9            | 0.6             | 1.9                | 1.6                |
| Financial expense                     | -0.7            | -0.3            | -6.2               | -0.8               |
| <b>Net finance items</b>              | <b>26.2</b>     | <b>0.3</b>      | <b>54.5</b>        | <b>59.6</b>        |
| Group contributions received/rendered | 22.1            | 19.4            | 22.1               | 19.4               |
| <b>Result before taxes</b>            | <b>43.9</b>     | <b>15.4</b>     | <b>62.2</b>        | <b>66.5</b>        |
| Income tax                            | -9.9            | -3.4            | -7.0               | -1.7               |
| <b>RESULT AFTER TAXES</b>             | <b>34.0</b>     | <b>12.0</b>     | <b>55.3</b>        | <b>64.7</b>        |

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

| Amounts in MSEK  | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|--|-----------------|-----------------|--------------------|--------------------|
| <b>RESULT FOR THE PERIOD</b>                                     | <b>34.0</b>     | <b>12.0</b>     | <b>55.3</b>        | <b>64.7</b>        |
| Other comprehensive result - revaluation of strategical holdings | 0.0             | -               | -0.3               | -                  |
| <b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>                 | <b>34.0</b>     | <b>12.0</b>     | <b>55.0</b>        | <b>64.7</b>        |



# PARENT COMPANY BALANCE SHEET

| Amounts in MSEK                     | 2020-06-30     | 2019-06-30     |
|-------------------------------------|----------------|----------------|
| <b>ASSETS</b>                       |                |                |
| <b>Non current assets</b>           |                |                |
| Other intangible assets             | 0.9            | 1.3            |
| Tangible fixed assets               | 0.0            | 0.0            |
| Shares in group companies           | 1,104.7        | 876.5          |
| Other equity                        | 0.1            | 0.4            |
| Receivables group companies         | 26.6           | 48.2           |
| Deferred tax asset                  | 15.2           | 22.2           |
| <b>Total non-current assets</b>     | <b>1,147.4</b> | <b>948.5</b>   |
| <b>Current assets</b>               |                |                |
| Receivables group companies         | 99.8           | 25.2           |
| Other receivables                   | 0.9            | 0.6            |
| Prepaid expenses and accrued income | 1.7            | 0.6            |
| Cash and cash equivalents           | 10.7           | 203.7          |
| <b>Total current assets</b>         | <b>113.2</b>   | <b>230.1</b>   |
| <b>TOTAL ASSETS</b>                 | <b>1,260.6</b> | <b>1,178.7</b> |
| <b>EQUITY AND LIABILITIES</b>       |                |                |
| <b>Equity</b>                       |                |                |
| Restricted equity                   | 40.1           | 40.1           |
| Unrestricted equity                 | 974.9          | 919.9          |
| <b>Total equity</b>                 | <b>1,015.0</b> | <b>960.0</b>   |
| <b>Long term liabilities</b>        |                |                |
| Other interest bearing liabilities  | 94.3           | -              |
| Liabilities to group companies      | -              | 3.2            |
| <b>Total long term liabilities</b>  | <b>94.3</b>    | <b>3.2</b>     |
| <b>Current liabilities</b>          |                |                |
| Liabilities to credit institutions  | 25.2           | 181.6          |
| Trade payables                      | 1.2            | 1.4            |
| Payables group companies            | 120.0          | 27.9           |
| Other liabilities                   | 0.3            | 0.3            |
| Accrued expenses and prepaid income | 4.7            | 4.2            |
| <b>Total current liabilities</b>    | <b>151.3</b>   | <b>215.5</b>   |
| <b>Total liabilities</b>            | <b>245.7</b>   | <b>218.7</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>1,260.6</b> | <b>1,178.7</b> |

## NOTES

### NOT 1. ACCOUNTING PRINCIPLES

Duroc's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations (IFRIC) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions in the Swedish Annual Accounts Act (årsredovisningslag). For the parent company, RFR 2 Accounting for legal entities is also applied.

The Group's accounting principles are described in note 2 in the annual report 2018/2019. Since July 2019, Duroc has applied the new accounting standard IFRS 16. Accounting and valuation principles are otherwise unchanged in relation to the annual report for the financial year 1 July 2018 - 30 June 2019.

#### IFRS 16 Leases

IFRS 16 Leases applies from the financial year beginning in 2019 and replaces IAS 17 Leases and IFRIC 4 Determination of whether an arrangement contains a lease. The new standard means that lessees must report all contracts that meet the definition of a lease as a right of use asset and financial liability in the statement of financial position. Moreover, the operating cost, corresponding to the period's leasing fee which was previously reported as operational leases, has been replaced by depreciation and interest expense in the income statement. The standard makes no distinction for lessees between operational and financial leasing agreements.

Within the Duroc Group, there are leasing contracts for premises and machinery, among other things. The duration of the lease is usually 5-10 years for premises, about 5 years for machinery and about 3 years for equipment, tools and installations, and cars. Duroc also has a longer rental lease contract in Belgium which currently accounts for 51 percent of the IFRS 16 effect on tangible fixed assets.

Leases of less than 12 months are treated as short-term leases in accordance with IFRS 16 and are not capitalised.

Leases where the acquisition value when purchasing a similar asset is judged to be of low value have not been capitalised. In total, the Group has leases of this type to a value of approximately SEK 1 million. These leases mainly concern printers, mobile phones and office equipment.

The new standard affects Duroc's balance sheet through an increase in total assets due to the fact that the majority of the Group's leases in accordance with IAS 17 have been classified as operating leases and therefore no assets or liabilities have been recorded.

Duroc applies IFRS 16 as from 1 July 2019. Duroc has chosen to use the simplified method in the transition to IFRS 16, which means that the comparison period has not been recalculated.

Opening capitalised value is reported in accordance with the simplified transition method as the discounted present value of all future leasing payments.

#### The effect of IFRS 16 is reported in the opening balance as of 1 July 2019.

The table below shows the impact on the opening balance on 1 July 2019.

| Effect of conversion to IFRS 16 as of 1st of July                                   | MSEK          |
|---|---------------|
| <b>Future payments for leasing agreements regarding tangible assets 1st of July</b> | <b>162.8</b>  |
| Deduction for   |               |
| Short term leasing agreements   | -0.4          |
| low value contracts   | -1.1          |
| <b>TOTAL</b>  | <b>161.3</b>  |
| Financial leasing debt as of 1st of July  | 9.0           |
| Discounting of future cash flow and exchange rate differences                       | -33.4         |
| <b>Leasing debt as of 1th of July 2019</b>  | <b>-136.9</b> |
| Right of use assets as of 1th of July 2019  | 133.7         |
| Effect on Equity after deferred tax   | -3.2          |

The effect of IFRS 16 is mainly due to the fact that leases and agreements for car leases have previously been classified as operating leases.

Historical information has been used to assess the term of a lease in cases where there are options to extend or terminate a lease. The table below shows the effect on total assets of the transition to IFRS 16. When determining the value of right of use assets and financial leasing liabilities, the most significant assessments are as follows:

| Effect of conversion to IFRS 16 as of 1st of July | (MSEK)       |
|---|--------------|
| <b>Assets</b>                                     |              |
| Tangible fixed assets                             | 133.5        |
| Financial fixed assets                            | 0.1          |
| <b>TOTAL</b>                                      | <b>133.7</b> |
| <b>Equity and liabilities</b>                     |              |
| Equity adjustment of opening balance              | -3.2         |
| Long term interest bearing liabilities            | 113.1        |
| Short term interest bearing liabilities           | 23.8         |
| <b>TOTAL</b>                                      | <b>133.7</b> |

**Accounting in legal person**

In accordance with RFR 2, Duroc has chosen not to apply IFRS 16 in the parent company. Duroc AB report non cancellable leases as costs distributed on a linear basis over the useful life.

**Alternative key figures**

To facilitate comparison between different periods and follow-up of developments in the Duroc Group and the various business areas, this report presents certain financial information, which is not defined in IFRS, known as alternative key figures.

These should be seen as a complement to the financial information. The alternative key figures used are defined in connection with where they were presented, or alternatively at the end of this report. Reconciliations can be found in Note 5.

**Rounding**

Amounts are stated in millions of kronor (SEK million) There may be rounding in tables and statements which results in the stated total amounts not always being an exact sum of the rounded sub-amounts.

**NOT 2. IFRS 16 – EFFECT ON GROUP EARNINGS AND BALANCE SHEET**

The effect of the new leasing standard affects the company's earnings as follows:

| Amounts in MSEK             | 2019/2020Q4 |               |             | Q1-Q4        |               |             |
|-----------------------------|-------------|---------------|-------------|--------------|---------------|-------------|
|                             | IFRS        | Excl. IFRS 16 | Difference  | IFRS         | Excl. IFRS 16 | Difference  |
| Net sales                   | 560.1       | 560.1         | -           | 3,158.2      | 3,158.2       | -           |
| Other income                | 41.6        | 41.6          | -           | 119.3        | 119.3         | -           |
| Cost of goods sold          | -311.9      | -311.9        | -           | -1,848.7     | -1,848.7      | -           |
| Other external expenses     | -84.8       | -94.5         | 9.7         | -465.7       | -498.3        | 32.6        |
| Personel costs              | -163.0      | -163.0        | -           | -689.5       | -689.5        | -           |
| Other operating expenses    | -0.5        | -0.5          | -           | -4.5         | -4.5          | -           |
| <b>EBITDA</b>               | <b>41.5</b> | <b>31.8</b>   | <b>9.7</b>  | <b>269.1</b> | <b>236.6</b>  | <b>32.6</b> |
| Depreciations/ amortization | -31.2       | -22.5         | -8.6        | -107.3       | -76.7         | -30.6       |
| <b>Operating profit</b>     | <b>10.3</b> | <b>9.2</b>    | <b>1.1</b>  | <b>161.8</b> | <b>159.9</b>  | <b>1.9</b>  |
| Financial income and cost   | -4.5        | -3.5          | -1.0        | -16.2        | -12.5         | -3.7        |
| Tax expense                 | -7.0        | -6.0          | -0.9        | -29.1        | -28.6         | -0.5        |
| <b>Result after taxes</b>   | <b>-1.2</b> | <b>-0.3</b>   | <b>-0.8</b> | <b>116.5</b> | <b>118.8</b>  | <b>-2.3</b> |

The effect of the new leasing standard affects the company's balance sheet as described below

|  | 2020-06-30     | 2020-06-30     |
|--|----------------|----------------|
|  | Incl IFRS 16   | Excl IFRS 16   |
| <b>ASSETS</b>  |                |                |
| <b>Non-current assets</b>                                  |                |                |
| Intangible assets  | 94.6           | 94.6           |
| Property plant and equipment                               | 738.6          | 604.4          |
| Financial assets   | 18.3           | 18.3           |
| Deferred tax assets  | 73.0           | 72.3           |
| <b>Total non-current assets</b>                            | <b>924.6</b>   | <b>789.7</b>   |
| <b>Current assets</b>                                      |                |                |
| Inventories  | 479.3          | 479.3          |
| Trade receivables  | 355.3          | 355.3          |
| Current tax receivables                                    | 14.7           | 14.7           |
| Other receivables  | 24.7           | 24.7           |
| Prepaid expenses and accrued income                        | 20.7           | 21.6           |
| Cash and cash equivalents                                  | 142.3          | 142.3          |
| <b>Total current assets</b>                                | <b>1,037.0</b> | <b>1,037.9</b> |
| <b>Total assets</b>  | <b>1,961.6</b> | <b>1,827.7</b> |
| <b>EQUITY AND LIABILITIES</b>                              |                |                |
| <b>Equity</b>  |                |                |
| Share capital  | 39.0           | 39.0           |
| Other capital provided                                     | 260.5          | 260.5          |
| Reserves   | 118.8          | 119.6          |
| Retained earnings including profit for the year            | 530.2          | 534.7          |
| <b>Equity attributable to owners of the parent</b>         | <b>948.4</b>   | <b>953.8</b>   |
| <b>Total equity</b>  | <b>948.4</b>   | <b>953.8</b>   |
| <b>Long-term liabilities</b>                               |                |                |
| Provision for pensions                                     | 171.6          | 171.6          |
| Other provisions   | 14.5           | 14.5           |
| Non-current interest-bearing liabilities                   | 163.0          | 163.0          |
| Non-Current liabilities - right of use assets              | 112.7          | -              |
| Other non-current liabilities                              | 3.6            | 3.6            |
| Deferred tax liabilities                                   | 45.5           | 45.5           |
| <b>Total non-current liabilities</b>                       | <b>511.0</b>   | <b>398.2</b>   |
| <b>Current liabilities</b>                                 |                |                |
| Current interest-bearing liabilities                       | 97.2           | 97.2           |
| Current interest bearing liabilities - right of use assets | 26.5           | -              |
| Advance payments from customers                            | 16.4           | 16.4           |
| Trade payables   | 179.4          | 179.4          |
| Current tax liabilities                                    | 14.2           | 14.2           |
| Other liabilities  | 57.4           | 57.4           |
| Accrued expenses and prepaid income                        | 111.0          | 111.0          |
| <b>Total current liabilities</b>                           | <b>502.2</b>   | <b>475.7</b>   |
| <b>Total liabilities</b>                                   | <b>1,013.2</b> | <b>873.9</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        | <b>1,961.6</b> | <b>1,827.7</b> |

### NOTE 3 ACQUISITIONS

#### Cotting Group

In July 2019, Duroc acquired all the shares in the French company Griffine Enduction SA ("Griffine") and the Belgian company Plastibert & Cie. NV ("Plastibert"), which together form Cotting Group. Cotting Group produces and sells technical textiles which are used in a number of different areas, including car interiors, the fashion industry, protective clothing, hospital beds, dental chairs, furniture and wall coverings.

The final determined purchase price amounted to SEK 188.3 million. Negative goodwill in the preliminary acquisition analysis amounted to SEK 66.9 million. Cotting Group was consolidated into the Duroc Group from July 2019. For the period July 2019-June 2020, net sales amounted to SEK 581.3 million and operating profit to SEK 10.7 million, excluding the effect of negative goodwill. The result is affected by COVID-19. It was also known at the time of the acquisition that long-term measures would be needed to strengthen profitability, which was reflected in the purchase price.

Acquisition-related costs amounted to SEK 1.1 million.

The acquisition of Cotting Group established Duroc in an industry with good conditions for growth. With the acquisition of Cotting Group, Duroc formed a new business area - Technical Textiles.

The acquisition analysis has been adjusted after the final purchase price was determined in the second quarter. The adjustment means that cash-settled purchase price decreased by SEK 1.8 million and negative goodwill has increased.

| Amounts in MSEK   | Preliminary acquisition analysis |
|---|----------------------------------|
| Cash settled purchase price   | 188.3                            |
| <b>Total acquisition value</b>  | <b>188.3</b>                     |
| Fair value of acquired net assets   | 255.2                            |
| <b>Negative goodwill</b>  | <b>-66.9</b>                     |
| <b>Assets and liabilities arising from the acquisition are as follows</b> |                                  |
| Intangible assets   | 3.1                              |
| Tangible assets   | 139.8                            |
| Financial fixed assets  | 2.4                              |
| Deferred tax asset  | 3.6                              |
| Inventories   | 127.2                            |
| Current assets  | 162.5                            |
| Cash and cash equivalents   | 19.9                             |
| Provisions  | -55.0                            |
| Interest bearing liabilities  | -25.3                            |
| Current liabilities   | -122.9                           |
| <b>Fair value of net assets</b>   | <b>255.2</b>                     |

**NOTE 4 SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the most senior executive decision maker. The Board of Directors and the CEO correspond to the most senior executive decision makers for the Group and evaluate the Group's financial position and results, and make strategic decisions.

Group Management has determined the operating segments based on the information processed by the Board of Directors and the CEO, and which is used as a basis for allocating resources and evaluating results.

Based on the internal reporting, four reportable segments have been identified: Fibre, Technical Textiles, Industrial Trading and Other Industry. The segment Technical Textiles was created in connection with the acquisition of Cotting Group in July 2019.

| Amounts in MSEK               | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|-------------------------------|-----------------|-----------------|--------------------|--------------------|
| <b>Net sales</b>              |                 |                 |                    |                    |
| Fibre                         | 334.9           | 592.4           | 1,869.8            | 2,252.0            |
| Of which external             | 334.9           | 592.4           | 1,869.8            | 2,252.0            |
| Of which internal             | -               | -               | -                  | -                  |
| Technical textiles            | 84.0            | -               | 581.3              | -                  |
| Of which external             | 84.0            | -               | 581.3              | -                  |
| Of which internal             | -               | -               | -                  | -                  |
| Industrial trading            | 108.2           | 145.3           | 559.7              | 590.2              |
| Of which external             | 108.2           | 145.3           | 559.7              | 590.2              |
| Of which internal             | -               | -               | -                  | -                  |
| Other industry                | 33.0            | 37.8            | 147.5              | 132.2              |
| Of which external             | 33.0            | 37.8            | 147.5              | 132.2              |
| Of which internal             | -               | -               | -                  | -                  |
| Group-wide functions          | 1.4             | 1.4             | 5.6                | 4.6                |
| Eliminations                  | -1.4            | -1.4            | -5.6               | -4.6               |
| <b>Total net revenue</b>      | <b>560.1</b>    | <b>775.5</b>    | <b>3,158.2</b>     | <b>2,974.4</b>     |
| <b>Operating profit</b>       |                 |                 |                    |                    |
| Fibre                         | 13.1            | 26.6            | 47.7               | 59.0               |
| Technical textiles            | -7.5            | -               | 77.6               | -                  |
| Industrial trading            | 2.6             | 2.5             | 27.1               | 33.1               |
| Other industry                | 6.5             | 1.6             | 23.9               | 14.1               |
| Group-wide functions          | -4.4            | -4.2            | -14.3              | -12.5              |
| <b>Total operating profit</b> | <b>10.3</b>     | <b>26.6</b>     | <b>161.8</b>       | <b>93.7</b>        |
| <b>Net finance items</b>      | <b>-4.5</b>     | <b>-0.0</b>     | <b>-16.2</b>       | <b>-4.7</b>        |
| <b>Profit before taxes</b>    | <b>5.8</b>      | <b>26.5</b>     | <b>145.6</b>       | <b>89.0</b>        |
| <b>Operating margin</b>       |                 |                 |                    |                    |
| Fibre                         | 3.9%            | 4.5%            | 2.6%               | 2.6%               |
| Technical Textiles            | -8.9%           | -               | 13.4%              | -                  |
| Industrial trading            | 2.4%            | 1.8%            | 4.8%               | 5.6%               |
| Other industry                | 19.7%           | 4.3%            | 16.2%              | 10.7%              |
| <b>Total</b>                  | <b>1.8%</b>     | <b>3.4%</b>     | <b>5.1%</b>        | <b>3.2%</b>        |

**NOTE 5 ALTERNATIVE KEY FIGURES**

This section presents a reconciliation of alternative key figures, financial information which is not defined in IFRS. Alternative key figures are used on an ongoing basis by Duroc's management to facilitate comparison between different periods, planning and follow-up of the business's development. These are presented in Duroc's financial reports as supporting information for investors and other stakeholders who analyse Duroc's financial information. Definitions can be found at the end of this report. The alternative key figures should be seen as a complement to the financial information presented in accordance with IFRS.

**Organic growth**

| Amounts in MSEK                      | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|--------------------------------------|-----------------|-----------------|--------------------|--------------------|
| <b>Net sales</b>                     | <b>560.1</b>    | <b>775.5</b>    | <b>3158.2</b>      | <b>2,974.4</b>     |
| Effect from change in exchange rates | -5.6            |                 | -76.1              |                    |
| Effect from acquisitions             | -94.0           |                 | -648.3             |                    |
| <b>Organic growth</b>                | <b>460.5</b>    | <b>775.5</b>    | <b>2,433.8</b>     | <b>2,974.4</b>     |
| <b>Organic growth (percent)</b>      | <b>-41%</b>     |                 | <b>-18%</b>        |                    |

**EBITDA and adjusted EBITDA**

| Amounts in MSEK   | 2019/2020<br>Q4 | 2018/2019<br>Q4 | 2019/2020<br>Q1-Q4 | 2018/2019<br>Q1-Q4 |
|---|-----------------|-----------------|--------------------|--------------------|
| Operating profit/loss   | 10.3            | 26.6            | 161.8              | 93.7               |
| Depreciation and amortisation of tangible and intangible non-current assets | 31.2            | 13.0            | 107.3              | 51.6               |
| <b>EBITDA</b>   | <b>41.5</b>     | <b>39.6</b>     | <b>269.1</b>       | <b>145.3</b>       |
| Effects from IFRS 16  | -9.7            | -               | -32.6              | -                  |
| Items affecting comparability   |                 |                 |                    |                    |
| Negative goodwill   | -               | -               | -66.9              | -3.0               |
| Restructuring costs   | 7.5             |                 | 14.4               |                    |
| Profit from sale of land  | -3.9            | -               | -3.9               | -                  |
| <b>Adjusted EBITDA</b>  | <b>35.4</b>     | <b>39.6</b>     | <b>180.1</b>       | <b>142.3</b>       |

**Net liabilities**

| Amounts in MSEK                         | 2020-06-30   | 2019-06-30   |
|---|--------------|--------------|
| Long-term interest bearing liabilities  | 163.0        | 105.7        |
| Short-term interest bearing liabilities | 97.2         | 370.9        |
| Derivatives                             | -0.2         | -            |
| Cash and cash equivalents               | -142.3       | -352.5       |
| <b>Net debt excl. IFRS 16</b>           | <b>117.8</b> | <b>124.1</b> |

**NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS**

There were no transfers between levels or valuation categories during the period. Fair value of the Group's other financial assets and liabilities is estimated to be equal to its book values.

**NOTE 7 TRANSACTIONS WITH RELATED PARTIES**

One of the Group's subsidiaries took out a loan from Peter Gyllenhammar AB, which holds approximately 80 percent of the shares in Duroc AB. The loan amount at the beginning of the financial year amounted to SEK 25.9 million and was subject to interest in accordance with market conditions. The loan was repaid in full during the second quarter.

During the financial year 2019/2020, Duroc bought and sold services to companies in which Peter Gyllenhammar AB is the majority owner in an amount of SEK 1.9 million and SEK 0.4 million respectively.



## DEFINITION OF KEY FIGURES

|   |  |
|---|--|
| <b>Organic growth</b>                             | Net sales growth adjusted for acquisitions and currency translation effects.   |
| <b>Equity</b>                                     | Total share capital, reserves and retained earnings including annual profit/loss   |
| <b>EBITDA</b>                                     | Earnings Before Interest, Tax, Depreciation and Amortisation   |
| <b>Adjusted EBITDA</b>                            | EBITDA adjusted for items affecting comparability  |
| <b>Equity ratio</b>                               | Equity divided by total assets   |
| <b>Adjusted equity ratio</b>                      | Equity divided by adjusted total assets where cash and cash equivalents and interest-bearing liabilities are reported net                    |
| <b>Items affecting comparability</b>              | Items in the income statement, which make it difficult to understand the development of the underlying business if they are not highlighted. |
| <b>Earnings/share</b>                             | Earnings after tax divided by the average number of outstanding shares   |
| <b>+Net debt/-Net cash &amp; cash equivalents</b> | Interest-bearing liabilities, excluding the effect of IFRS 16, less cash   |
| <b>Net debt/equity ratio</b>                      | Net debt divided by equity   |