

# Interim Report

## 1 July 2017 - 31 March 2018

### Weak quarter but signs of recovery

#### *Strong cash flow and continued good financial position*

##### Third quarter 1 January - 31 March

- Profit after taxes amounted to MSEK 10.6 (24.7).
- Net sales for the quarter amounted to MSEK 653.2 (584.5). The business in Cresco, acquired during the second quarter, contributed MSEK 61.
- Operating profit for the quarter amounted to MSEK 14.6 (37.8), with business area Fibre accounting for MSEK 11.4 (33.8).
- Cash flow from operating activities for the quarter amounted to MSEK 47.5 (63.8).
- Earnings per share was SEK 0.27 (0.63) for the quarter.

##### Period 1 July 2017 - 31 March 2018

- Profit after taxes amounted to MSEK 80.9 (41.7), including value-creating effects in the amount of MSEK 45 from the acquisition of the business in Cresco from Bonar Agro.
- Net sales for the period amounted to MSEK 1,736.6 (1,435.7).
- Operating profit for the period amounted to MSEK 68.4 (61.3), with MSEK 31 thereof constituting reversal of negative goodwill from the acquisition of Cresco.
- Cash flow from operating activities for the period amounted to MSEK 34.2 (69.2).
- The Group's net debt amounted to MSEK 51.1 (18.7). During the current year the Group has invested MSEK 100 on acquisitions and capacity-increasing installations, primarily in business area Fibre.
- Earnings per share was SEK 2.08 (1.07) for the period.

*In accordance with IFRS rules for reverse acquisitions the figures above include business areas Industrial Trading and Other Industry from February 2017 only. In order to report relevant comparative data for the present Duroc Group, the table below contains pro forma information.*

Group (MSEK)	2017/2018 Q3	2016/2017 Q3 Pro forma	2017/2018 Q1-Q3	2016/2017 Q1-Q3 Pro forma	2017/2018 R12 MAR	2016/2017 FULL YEAR Pro forma
Net sales	653.2	617.9	1,736.6	1,687.5	2,288.8	2,239.7
Operating profit/loss	14.6	38.9	68.4	63.3	93.7	88.6
Profit/loss after tax	10.6	25.9	80.9	37.7	97.5	54.3

#### For additional information

John Häger CEO, telephone +46-70-248 72 99.

This information is of the type Duroc AB (publ) is under obligation to publish in accordance with EU's Market Abuse Regulation, EU/596/2014. The information herein was provided for publication at 7:15 a.m., 7 May 2018.

#### Duroc AB (publ)

Box 612, SE-182 16 Danderyd, SWEDEN. Street address: Svärdvägen 5  
Telephone: +46-8-789 11 30. Telefax: +46-8-789 11 31  
Corporate ID number: 556446-4286

The Duroc Group manages and develops industrial and trading companies. With deep knowledge of technology and market, the Group's companies strive to achieve a leading position in their respective industries. As owner Duroc contributes actively to the development. Consolidated sales amounts to approximately MSEK 2,400. The Group has approximately 700 employees. Duroc is listed on NASDAQ OMX Stockholm (symbol: DURC). [www.duroc.se](http://www.duroc.se)

# DUROC

## CEO comments

Comparative data refer to pro forma data that includes all business areas.

Net sales for the quarter increased by approximately 6 percent amounting to MSEK 653 (618). Cresco, a supplier to the cultivation industry, which was acquired in November 2017 in business area Fibre, contributed MSEK 61 to sales.

The operating profit for the quarter amounted to MSEK 15 (39). The primary reasons for the lower profit was a lower volume in business area Fibre and an increase in raw material prices for which it was not possible to obtain full compensation from customers in the form of price increases. Signals from the fibre market indicate improvements and a return to more normal sales levels.

The operating result is also burdened by the development in business area Industrial Trading, where the beginning of 2018 was marked by slow machinery sales after strong ending in 2017. The market is still good and market demand for consumables continues to be strong. The assessment remains that machinery investments will gain momentum in the coming quarter, which normally is a strong period for machinery sales in general.

Capacity utilisation in the new machines installed for yarn production in the United States in October 2017 increased during the quarter and they are now running at full capacity. In England, the subsidiary is developing a modified fibre to reduce the environmental impact and to meet demand from customers.

Cresco is developing well after the acquisition and the prerequisites for new products and improved efficiency vouches for good growth in the company.

Business area Other Industry generated a better result during the quarter than during the equivalent year-ago quarter. Rail met expectations thanks to a major increase in volume caused by, among other things, a cold winter with lots of snow, which leads to increased need for maintenance of railroad wheels and other components restored by Rail. The order backlog continues to be high at the end of the third quarter. A decision was made during the quarter to invest in Laser Coating in Luleå. The company will move to new, well adapted premises during the autumn at the same time as new laser processing machinery will be installed. Laser Coating, which is unique with its offer in laser welding in Sweden, will be able to improve its capacity and the services it offers to its customers.

As a part of Duroc's growth strategy, we are always working on acquisition issues. We have continued to study a number of opportunities in line with our conservative approach to valuations and financing.

**John Häger**  
Chief Executive Officer

## Duroc Group pro forma \*

Amounts in MSEK	2017/2018 Q1-Q3	2016/2017 FULL YEAR	2015/2016 FULL YEAR	2015/2016 FULL YEAR	2015/2016 FULL YEAR
Net sales	1,736.6	2,258.4	2,327.7	2,348.7	2,158.7
Other operating income	32.4	3.3	7.5	5.1	12.0
Change in inventories	-1.1	-0.1	2.7	-5.5	4.0
Raw materials and consumables	-956.6	-1,238.9	-1,324.0	-1,369.9	-1,296.3
Goods for resale	-173.4	-242.5	-212.9	-230.4	-198.0
Other external costs	-143.0	-184.6	-211.2	-200.1	-180.5
Personnel costs	-278.9	-328.0	-332.8	-335.2	-307.1
Other operating costs	-113.2	-129.8	-124.2	-104.0	-93.6
<b>Profit before depreciation and impairment losses</b>	<b>102.8</b>	<b>137.8</b>	<b>132.8</b>	<b>108.7</b>	<b>99.2</b>

\* Comparative data in the table above have been recalculated on a pro forma basis to reflect the Duroc Group after the acquisition of business area Fibre, thereby giving the reader relevant and comparable information. The numbers have not been readjusted for discontinued business in business area Other Industry.

The above pro forma data shows how each respective financial year would have looked if the former Duroc Group had been combined with acquired business area Fibre also in the periods before the acquisition thereof. The profits of the former Duroc Group have been distributed over IFG's financial reporting periods.

Profit is presented before depreciation, amortisation and impairment charges so as to give an indication of the performance of the new Group. The pro forma accounting is thus not intended to provide a detailed picture of the earnings trend.

## The Group's development

### Third quarter

Net sales amounted to MSEK 653.2 (617.9), an increase of 6 percent compared to the equivalent year-ago period. The business in Cresco, which was acquired during the second quarter, accounted for MSEK 61.

Reduced sales volumes in business area Fibre, combined with higher raw materials prices, which could not be fully passed on to the customers, contributed to a lower operating profit.

Business area Industrial Trading lost sales compared to the equivalent quarter one year ago, primarily in the Baltic States. However, good market demand has contributed to satisfactory order bookings during the third quarter.

In business area Other Industry the business in Duroc Rail contributed to increased sales and generated sharply higher profit. Demand for maintenance and repair of railroad wheels was very strong after a year with cold weather and lots of snow. The business in Duroc Laser Coating also developed well.

For the third quarter consolidated operating profit came in at MSEK 14.6 (38.9).

Operating capital improved during the quarter and the Group's cash flow from operating activities amounted to MSEK +47.5. MSEK 14.4 was invested during the quarter in the Group, most of it relating to increased capacity in the U.S. yarn operations.

The increase in the average number of employees is attributable to the acquisition of Cresco.

### First nine months of 2017/2018

Sales amounted to MSEK 1,736.6 (1,687.5) and the operating profit was MSEK 68.4 (63.3). The reversal of negative goodwill from the acquisition of Cresco in the amount of MSEK 31 had a positive effect on profit during the quarter.

The Group's net debt amounted to MSEK 51.1 (18.7) and the Group continues to be financially strong with an equity ratio of 50.4 percent.

During the first nine months of 2017/2018 more than MSEK 100 has been invested, MSEK 65 of which in the business in Cresco. The remainder mainly consists of capacity increases in business area Fibre.

Cash flow from continuing operations amounted to MSEK 34.2 (69.2) for the first nine months of the financial year. The negative trend in operating capital is due to higher inventories and reduced other liabilities.

The average number of employees during the first nine months of 2017/2018 increased by 108, attributable to the acquired business in Cresco.

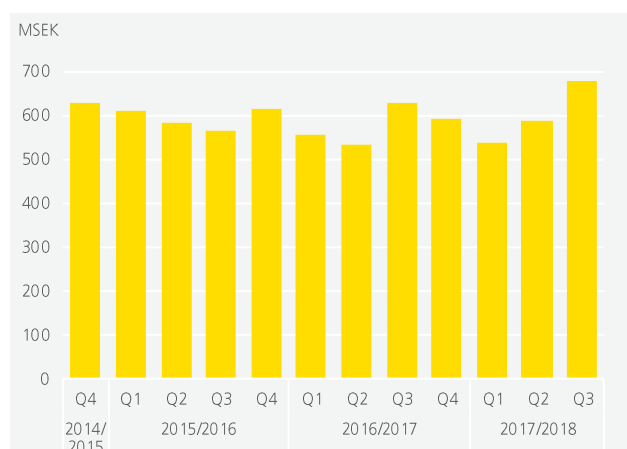
Group (MSEK)	2017/2018 Q3	2016/2017 Q3 Pro forma	2017/2018 Q1-Q3	2016/2017 Q1-Q3 Pro forma	2017/2018 R12 MAR	2016/2017 FULL YEAR Pro forma
Net sales	653.2	617.9	1,736.6	1,687.5	2,288.8	2,239.7
Operating profit/loss	14.6	38.9	68.4	63.3	93.7	88.6
Net debt	51.1	18.7	51.1	18.7	51.1	-25.5
Average number of employees	784	586	695	587	676	572

Data for the comparative periods have been compiled pro forma and include all business areas, also for periods before business area Fibre was acquired.

The bar charts below show sales and operating profit by quarter totalled for Fibre, Industrial Trading and Other Industry.

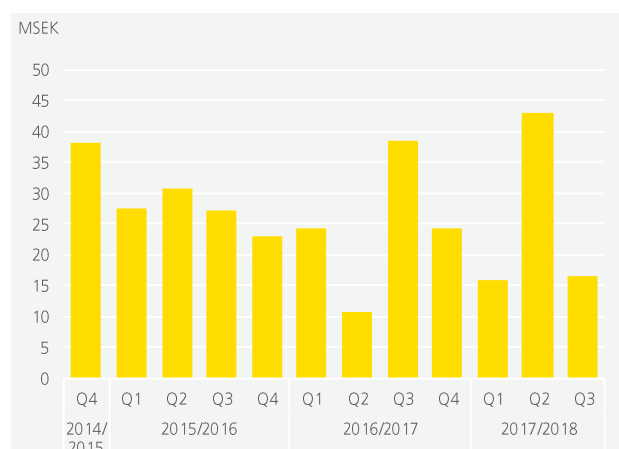
#### CONSOLIDATED SALES

(Converted using the exchange rate on the reporting date)



#### CONSOLIDATED OPERATING PROFIT

(Converted using the exchange rate on the reporting date)

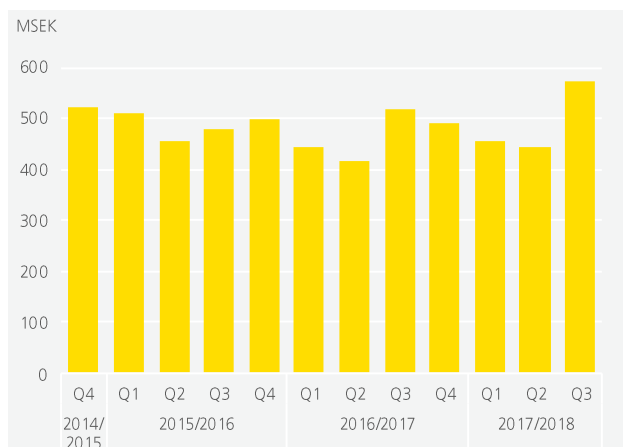


## Business area Fibre

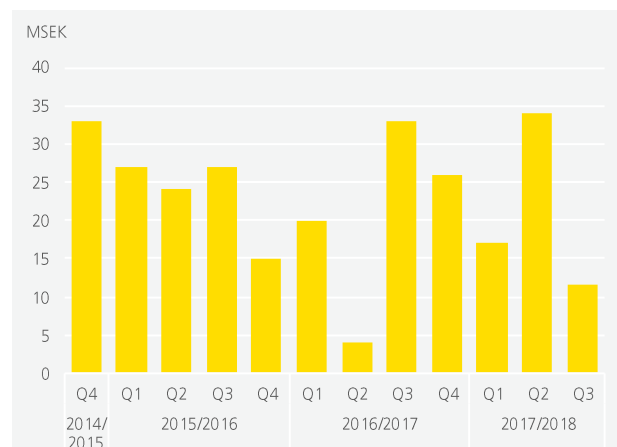
- Net sales for the quarter amounted to MSEK 547.2 (509.0). The increase of 8 percent is attributable to the business in Cresco, which developed well.
- The sales volume declined in the quarter and a return to the long-term higher volumes expected as early as during the third quarter have not materialised.
- Operating profit for the quarter amounted to MSEK 11.4 (33.8), affected by the loss of volume, higher raw materials prices, which were not possible to pass on to customers, and impairment of a trade receivable.
- For the first nine months of 2017/2018 net sales amounted to MSEK 1,413.4 (1,360.3).
- Operating profit for the first nine months of 2017/2018 amounted to MSEK 62.7 (57.3), which result includes reversal of negative goodwill in the amount of MSEK 31 from the acquisition of the business in Cresco.
- Operating profit for the first nine months of 2017/2018 was burdened by cost items affecting comparability in a total amount of MSEK 13, distributed as follows:
  - MSEK 1.8 for work environment improvement measures;
  - MSEK 5.7 in negative currency translation effects;
  - MSEK 1.4 for costs in connection with the acquisition; and
  - MSEK 4.1 relating to Impairment of a trade receivable.

Fibre (MSEK)	2017/2018 Q3	2016/2017 Q3	2017/2018 Q1-Q3	2016/2017 Q1-Q3	2017/2018 R12 MAR	2016/2017 FULL YEAR
Net sales	547.2	509.0	1,413.4	1,360.3	1,902.9	1,849.8
Operating profit/loss	11.4	33.8	62.7	57.3	89.3	83.9
Average number of employees	665	458	576	459	546	458

BUSINESS AREA FIBRE SALES  
(Converted using the exchange rate on the reporting date)



BUSINESS AREA FIBRE OPERATING PROFIT  
(Converted using the exchange rate on the reporting date)



## Business area Industrial Trading

- Continued strong demand for consumables and the business area recorded good order bookings during the quarter.
- Net sales for the quarter amounted to MSEK 66.6 (74.8). The 11 percent decrease is mainly attributable to the Baltic market.
- The January-March quarter is traditionally one of the weakest quarters during the year.
- The operating result amounted to MSEK -4.2 (-0.9), affected by the lower sales and efforts to strengthen the sales force,

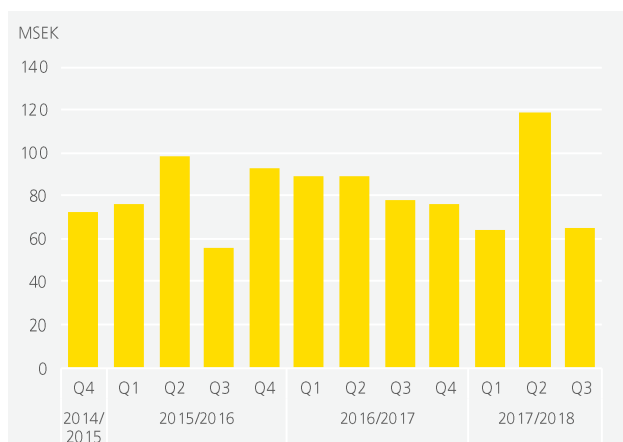
especially on the Swedish markets. The gross margin was stable during the quarter.

- Sales of machinery in Finland continued to be strong during the quarter.
- Net sales for the first nine months of 2017/2018 amounted to MSEK 242.2 (241.5) and the operating profit was MSEK 2.8 (2.6).

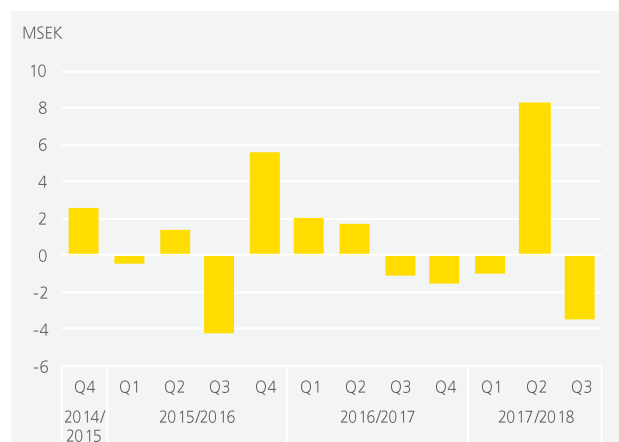
Industrial Trading (MSEK)	2017/2018 Q3	2016/2017 Q3 Pro forma	2017/2018 Q1-Q3	2016/2017 Q1-Q3 Pro forma	2017/2018 R12 MAR	2016/2017 FULL YEAR Pro forma
Net sales	66.6	74.8	242.2	241.5	281.2	280.5
Operating profit/loss	-4.2	-0.9	2.8	2.6	1.1	0.9
Average number of employees	67	78	67	78	78	72

Data for the comparative periods have been compiled pro forma and include all business areas, also for periods before business area Fibre was acquired, which in accordance with IFRS is accounted for as a reverse acquisition.

BUSINESS AREA INDUSTRIAL TRADING SALES  
(Converted using the exchange rate on the reporting date)



BUSINESS AREA INDUSTRIAL TRADING OPERATING RESULT  
(Converted using the exchange rate on the reporting date)



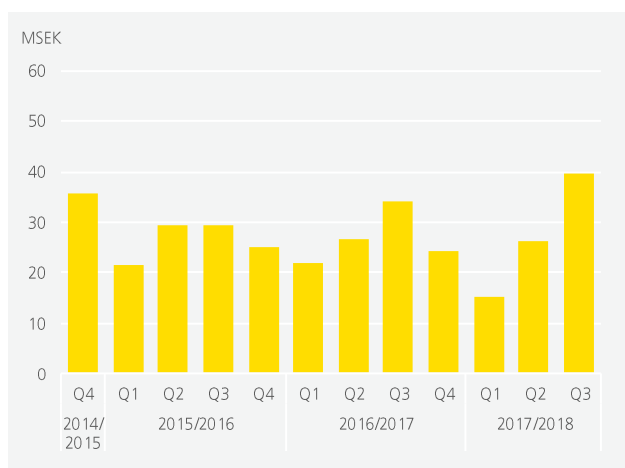
## Business area Other Industry

- Net sales for the quarter amounted to MSEK 39.4 (34.1), sales growth of 16 percent. The snow-rich and cold winter led to increased demand for maintenance and repair of railroad wheels by Duroc Rail. The order backlog continues to be high at the end of the third quarter.
- The operating profit, which was positively affected by strong demand, amounted to MSEK 8.3 (5.8), equivalent to an increase of 43 percent.
- Favourable profit performance also during the first nine months of 2017/2018. MSEK 6.9 (3.3), despite lower sales and extraordinary project-related costs for training and maintenance, and costs related to quality certifications.
- Sales for the first nine months of 2017/2018, MSEK 81.0 (85.7), was affected by last year's warm winter, which reduced demand for maintenance of railroad wheels during the first two quarter of the financial year.
- Positive development also in Duroc Laser Coating, where planned investments create a good base for growth and higher quality.

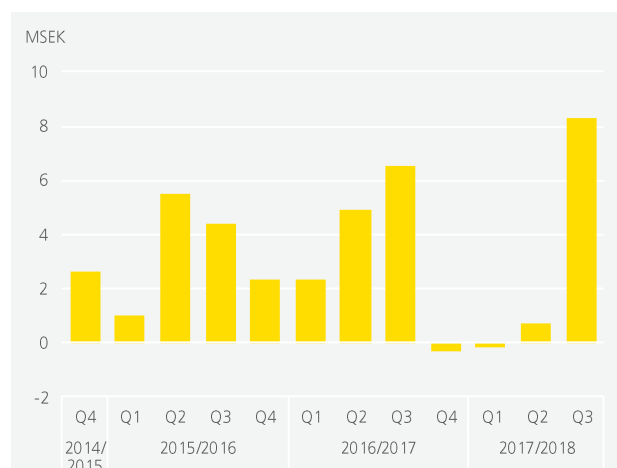
Other Industry (MSEK)	2017/2018 Q3	2016/2017 Q3 Pro forma	2017/2018 Q1-Q3	2016/2017 Q1-Q3 Pro forma	2017/2018 R12 MAR	2016/2017 FULL YEAR Pro forma
Net sales	39.4	34.1	81.0	85.7	105.4	110.1
Operating profit/loss	8.3	5.8	6.9	3.3	7.4	3.8
Average number of employees	52	50	52	50	52	42

Data for the comparative periods have been compiled pro forma and include all business areas, also for periods before business area Fibre was acquired, which in accordance with IFRS is accounted for as a reverse acquisition.

BUSINESS AREA OTHER INDUSTRY SALES  
(Converted using the exchange rate on the reporting date)



BUSINESS AREA OTHER INDUSTRY OPERATING RESULT  
(Converted using the exchange rate on the reporting date)



Prior year sales and operating result have been adjusted for now discontinued operations.

*In accordance with IFRS rules for reverse acquisitions, the figures below include business areas Industrial Trading and Other Industry from February 2017 only.*

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### Profit and financial position

Net sales for the quarter amounted to MSEK 653.2 (584.5). The corresponding figure for the first nine months of 2017/2018 was MSEK 1,736.6 (1,435.7). Profit after taxes amounted to MSEK 10.6 (24.7) for the quarter and MSEK 80.9 (41.7) for the first nine months of the year. The result for the first nine months includes MSEK 45 from value-creating effects in conjunction with acquiring the business in Cresco. The amount includes tax revenue from the capitalisation of existing loss carryforwards, which can be utilised when taxable profits are generated by the acquired business.

#### *Equity ratio*

Consolidated equity amounted to MSEK 801.9 at the end of the period (639.7).

The equity ratio stood at 50.4 percent at the end of the period (50.2). Upon theoretical repayment of all interest-bearing liabilities the equity ratio rises to 57.3 percent, all things being equal.

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### Capital expenditures

During the first nine months of 2017/2018 the Group made investments of MSEK 100.1. During the equivalent period last year capital expenditures were MSEK +6.9 and included MSEK +42.2 from cash and cash equivalents in Duroc at the time of the reverse acquisition. MSEK 64.7 of the year's capital expenditures refers to the acquisition of the business in Cresco. The total acquisition cost for Cresco amounts to MSEK 71.5, of which MSEK 6.7 affected the Group in terms of cash flow during the previous financial year.

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### Cash flow

Consolidated cash flow for current operations was MSEK 47.5 during the quarter (55.7). The corresponding figure for the first nine months of 2017/2018 was MSEK 34.2 (61.1).

#### *Cash and cash equivalents*

The Group's cash and cash equivalents amounted to MSEK 212.6 at the end of the period (191.5). Interest-bearing liabilities amounted to MSEK 263.7 (210.2) and the Group's net liabilities stood at MSEK 51.1 (18.7).

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### Parent Company

Duroc AB's (publ) primary functions are business development, acquisitions, follow-up of the development in Group companies and financial reporting. Sales consists of internally invoiced services amounting to MSEK 5.9 during the first nine months of 2017/2018 (5.0). The result after taxes amounted to MSEK -2.8 (0.5). In addition to shares in Group companies, the Parent Company's assets consist mostly of amounts due from Group companies and bank balances. Duroc's equity ratio stands at 97.4 percent.

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### Personnel

The average number of employees during the first nine months of 2017/2018 was 653 (618). The average number of employees in the Parent Company is 3 (2).

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### Significant risks and uncertainty factors for the Parent Company and the Group

Duroc AB (publ) and its subsidiaries are through their operations subject to both financial and operative risks, which the companies themselves can affect to a major or lesser degree. There are ongoing processes in the companies to identify existing risks and to determine how they are to be managed. A detailed description of the Parent Company's and the subsidiaries' risks and risk management is provided in Duroc's Annual Report 1 July 2016 - 30 June 2017.

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### Other information

IFG Drake, a company in the Duroc Group, is subject to a work environment investigation in England by reason of the workplace accident that occurred in one of the company's factories in March of 2017. According to the assessment of the company's legal representative, the investigation may lead to the imposition of a fine by the British work environment authority HSE in an amount of between KGBP 600 and KGBP 950.

The date of completion of the investigation is still unknown and the amount of the fine may deviate from the above range, up as well as down.

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### Events after the end of the period under review

No significant events have occurred after the end of the period under review.

Stockholm, 7 May 2018

John Häger  
Chief Executive Officer

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### Schedule of future information

Year-end Report	27 August 2018
Annual General Meeting	8 November 2018
Interim Report July - September 2018	8 November 2018
Interim Report October - December 2018	8 February 2019



## Auditor's report

Duroc Aktiebolag (publ) 556446-4286

### Introduction

We have reviewed the condensed interim financial information (interim report) of Duroc Aktiebolag (publ) as of 31 March 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of the review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than

an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 7 May 2018

### PricewaterhouseCoopers AB

Michael Bengtsson  
Authorised Public Accountant

## Summary Consolidated Income Statement

Amounts in MSEK	2017/2018 Q3	2016/2017 Q3	2017/2018 Q1-Q3	2016/2017 Q1-Q3	2017 JAN-JUN
Net sales	653.2	584.5	1,736.6	1,435.7	1,170.3
Other operating income **	0.6	0.8	32.4	0.8	1.1
Change in inventories	-1.1	-3.5	-1.1	-3.5	-5.9
Raw materials and consumables	-376.5	-344.7	-956.6	-899.5	-561.3
Goods for resale	-47.7	-38.6	-173.4	-38.6	-104.4
Other external costs	-52.5	-46.1	-143.0	-118.7	-163.5
Personnel costs	-107.5	-75.8	-278.9	-193.1	-175,3*
Depreciation and amortisation of tangible and intangible non-current assets	-11.4	-10.5	-34.4	-27.7	-19.8
Other operating costs	-42.5	-28.3	-113.2	-94.1	-80.9
<b>Operating profit/loss</b>	<b>14.6</b>	<b>37.8</b>	<b>68.4</b>	<b>61.3</b>	<b>60.3</b>
Financial income	1.8	0.6	4.9	2.2	4.6
Financial expense	-2.0	-1.6	-6.8	-4.7	-10.1
<b>Net financial items</b>	<b>-0.2</b>	<b>-1.1</b>	<b>-1.9</b>	<b>-2.5</b>	<b>-5.5</b>
<b>Profit before tax</b>	<b>14.4</b>	<b>36.7</b>	<b>66.5</b>	<b>58.8</b>	<b>54.8</b>
Deferred taxes	-0.7	-	28.2	-13.2	-21.5
Current taxes	-3.1	-12.0	-13.8	-3.9	4.1
<b>PROFIT FOR THE PERIOD</b>	<b>10.6</b>	<b>24.7</b>	<b>80.9</b>	<b>41.7</b>	<b>37.4</b>
Profit for the period attributable to:					
The Parent Company's equity holders	10.6	24.7	80.9	41.7	37.4
non-controlling interests	-	-	-	-	-
<b>Earnings per share</b>					
Before dilution	0.27	0.63	2.08	1.07	1.01
After dilution	0.27	0.63	2.08	1.07	1.01
Average number of shares outstanding before dilution	39,000,000	39,000,000	39,000,000	39,000,000	37,167,775
Average number of shares outstanding after dilution	39,000,000	39,000,000	39,000,000	39,000,000	37,167,775

\*Personnel costs have been reclassified as an effect of an amended performance monitoring principle.

\*\*Other operating Income for the period Q1-Q3 2017/2018 includes reversal of negative goodwill in an amount of MSEK 30.6.

## Consolidated Statement of Comprehensive Income

Amounts in MSEK	2017/2018 Q3	2016/2017 Q3	2017/2018 Q1-Q3	2016/2017 Q1-Q3	2017 JAN-JUN
<b>PROFIT FOR THE PERIOD</b>	<b>10.6</b>	<b>24.7</b>	<b>80.9</b>	<b>41.7</b>	<b>37.4</b>
<b>Total other comprehensive income</b>					
Items that may be reclassified to the income statement					
Translation differences	21.3	-3.0	20.9	13.4	-13.1
Hedge accounting (net)	-0.2	-	0.7	-	-0.3
Items that will not be reclassified to the income statement					
Actuarial gains and losses(net)	3.8	-	7.0	-5.3	50.7
<b>Total other comprehensive income</b>	<b>24.9</b>	<b>-3.0</b>	<b>28.6</b>	<b>8.1</b>	<b>37.3</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>35.5</b>	<b>21.8</b>	<b>109.5</b>	<b>49.8</b>	<b>74.7</b>
Total comprehensive income for the period attributable to:					
The Parent company's equity holders	35.5	21.8	109.5	49.8	74.7
non-controlling interests	-	-	-	-	-

## Summary Consolidated Statement of financial position

Amounts in MSEK	2018-03-31	2017-03-31	2017-06-30
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	79.8	79.2	79.2
Property plant and equipment	422.1	372.5	362.9
Long-term securities holdings	7.1	2.9	8.8
Long-term receivables	2.5	2.0	2.3
Deferred tax assets	61.9	67.1	49.5
<b>Total non-current assets</b>	<b>573.4</b>	<b>523.7</b>	<b>502.7</b>
<b>Current assets</b>			
Inventories	379.1	180.0	168.9
Advance payments to suppliers	1.0	2.0	1.5
Trade receivables	382.0	332.5	314.4
Prepaid expenses and accrued income	10.0	10.8	12.9
Current tax assets	-	-	5.2
Other receivables	34.5	34.5	19.8
Cash and cash equivalents	212.6	191.5	295.4
<b>Total current assets</b>	<b>1,019.2</b>	<b>751.2</b>	<b>818.1</b>
<b>Total assets</b>	<b>1,592.6</b>	<b>1,274.9</b>	<b>1,320.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	39.0	39.0	39.0
Other capital provided	260.5	230.4	260.5
Reserves	99.1	74.4	63.6
Retained earnings including profit for the year	403.3	296.0	329.3
<b>Equity attributable to owners of the parent</b>	<b>801.9</b>	<b>639.7</b>	<b>692.4</b>
<b>Total equity</b>	<b>801.9</b>	<b>639.7</b>	<b>692.4</b>
<b>Long-term liabilities</b>			
Non-current interest-bearing liabilities	93.6	74.5	56.4
Other non-current liabilities	5.5	-	-
Provision for guarantees	1.8	5.2	1.8
Provision for pensions	55.5	117.1	58.4
Deferred tax liabilities	38.5	26.2	38.8
Other provisions	30.0	-	1.4
<b>Total non-current liabilities</b>	<b>224.9</b>	<b>223.0</b>	<b>156.8</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	170.1	135.7	157.2
Advance payments from customers	35.6	7.1	15.1
Trade payables	254.9	166.3	157.0
Current tax liabilities	6.9	-	4.8
Other liabilities	46.5	57.2	79.1
Accrued expenses and prepaid income	51.8	45.9	58.4
<b>Total current liabilities</b>	<b>565.8</b>	<b>412.2</b>	<b>471.6</b>
<b>Total liabilities</b>	<b>790.7</b>	<b>635.1</b>	<b>628.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,592.6</b>	<b>1,274.9</b>	<b>1,320.8</b>

## Summary Statement of Changes in Consolidated Equity

Amounts in MSEK	2017/2018 Q1-Q3	2016/2017 Q1-Q3	2017 JAN-JUN
<b>Opening balance</b>	<b>692.4</b>	<b>410.5</b>	<b>434.5</b>
Profit for the period	80.9	41.7	37.4
Translation differences	20.9	13.4	-13.1
Actuarial gains and losses (net)	7.0	-5.3	50.7
Hedge accounting (net)	0.7	-	-0.3
Non-cash issue	-	183.4	183.2
Dividend	-	-4.0	-
<b>Closing balance</b>	<b>801.9</b>	<b>639.7</b>	<b>692.4</b>

## Summary Consolidated Statement of Cash Flow

Amounts in MSEK	2017/2018 Q3	2016/2017 Q3	2017/2018 Q1-Q3	2016/2017 Q1-Q3	2017 JAN-JUN
<b>OPERATING ACTIVITIES</b>					
<b>Profite before taxes</b>	<b>14.3</b>	<b>36.7</b>	<b>66.5</b>	<b>58.8</b>	<b>54.8</b>
Adjustment for items not included in cash flow	10.8	10.7	-2.9	18.5	15.3
Income tax paid	-1.4	-0.7	-8.2	-13.1	0.8
<b>Cash flow from operating activities before changes in working capital</b>	<b>23.7</b>	<b>46.7</b>	<b>55.4</b>	<b>64.1</b>	<b>70.9</b>
Changes in working capital	23.7	8.9	-21.3	-3.1	36.2
<b>Cash flow from operating activities</b>	<b>47.5</b>	<b>55.7</b>	<b>34.2</b>	<b>61.1</b>	<b>107.1</b>
Cash flow from acquisitions	-	42.2	-64.7	42.2	49.0
Cash flow from other investment activities	-14.4	-11.3	-35.4	-35.3	-34.0
<b>Cash flow from investment activities</b>	<b>-14.4</b>	<b>30.9</b>	<b>-100.1</b>	<b>6.9</b>	<b>15.0</b>
Cash flow from financing activities(not including dividend)	-8.6	-7.3	-28.5	-10.4	63.0
Dividend	-	-	-	-4.0	-
<b>Cash flow from financing activities</b>	<b>-8.6</b>	<b>-7.3</b>	<b>-28.5</b>	<b>-14.4</b>	<b>63.0</b>
<b>Cash flow for the period</b>	<b>24.5</b>	<b>79.3</b>	<b>-94.4</b>	<b>53.6</b>	<b>185.1</b>
Cash and equivalents at beginning of period	180.9	112.4	295.4	136.2	112.4
Transaltion difference in cash and cash equivalents	7.2	-0.3	11.6	1.7	-2.1
<b>Cash and equivalents at end of period</b>	<b>212.6</b>	<b>191.5</b>	<b>212.6</b>	<b>191.5</b>	<b>295.4</b>

## Summary of Parent Company Income Statement

Amounts in MSEK	2017/2018 Q3	2016/2017 Q3	2017/2018 Q1-Q3	2016/2017 Q1-Q3	2017 JAN-JUN
Net sales	1.9	2.0	5.9	5.0	4.0
Other external costs	-1.6	-0.8	-5.5	-1.9	-3.6
Personnel costs	-1.2	-1.0	-4.3	-3.0	-2.7
Depreciation and amortisation	-	-	-0.1	-	-
<b>Operating result</b>	<b>-0.9</b>	<b>0.2</b>	<b>-4.0</b>	<b>0.1</b>	<b>-2.3</b>
Result from shares in group companies	-	-	-	-9.3	-
Financial income	0.2	0.2	0.7	0.5	0.5
Financial expense	-0.1	-0.1	-0.3	-0.2	-0.2
<b>Net finance items</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>-9.0</b>	<b>0.3</b>
Group contributions received/rendered	-	-	-	9.7	-7.9
<b>Result before taxes</b>	<b>-0.8</b>	<b>0.3</b>	<b>-3.6</b>	<b>0.8</b>	<b>-9.9</b>
Income tax	0.8	-0.1	0.8	-0.3	0.2
<b>RESULT AFTER TAXES</b>	<b>0.0</b>	<b>0.2</b>	<b>-2.8</b>	<b>0.5</b>	<b>-9.7</b>

## Summary Statement of Parent Company Comprehensive Income

Amounts in MSEK	2017/2018 Q3	2016/2017 Q3	2017/2018 Q1-Q3	2016/2017 Q1-Q3	2017 JAN-JUN
<b>RESULT FOR THE PERIOD</b>	<b>0.0</b>	<b>0.2</b>	<b>-2.8</b>	<b>0.5</b>	<b>-9.7</b>
Other comprehensive income	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>0.0</b>	<b>0.2</b>	<b>-2.8</b>	<b>0.5</b>	<b>-9.7</b>

## Summary of Parent Company Balance Sheet

Amounts in MSEK	2018-03-31	2017-03-31	2017-06-30
<b>ASSETS</b>			
<b>Non current assets</b>			
Other intangible assets	0.6	-	-
Shares in group companies	856.5	856.5	856.5
Other equity	0.4	-	-
Deferred tax asset	25.6	24.7	24.8
<b>Total non-current assets</b>	<b>883.1</b>	<b>881.2</b>	<b>881.3</b>
<b>Current assets</b>			
Receivables group companies	34.0	32.4	35.7
Prepaid expenses and accrued income	1.2	0.8	0.5
Other receivables	0.5	2.1	0.7
Cash and cash equivalents	3.2	15.1	11.8
<b>Total current assets</b>	<b>38.9</b>	<b>50.4</b>	<b>48.7</b>
<b>TOTAL ASSETS</b>	<b>922.0</b>	<b>931.6</b>	<b>930.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	40.1	49.0	40.1
Unrestricted equity	857.6	861.6	860.4
<b>Total equity</b>	<b>897.7</b>	<b>910.6</b>	<b>900.5</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	5.0	-	7.1
Trade payables	0.1	1.1	-
Payables group companies	17.0	9.8	20.9
Other liabilities	0.2	9.3	0.3
Accrued expenses and prepaid income	2.0	0.8	1.2
<b>Total current liabilities</b>	<b>24.3</b>	<b>21.0</b>	<b>29.5</b>
<b>Total liabilities</b>	<b>24.3</b>	<b>21.0</b>	<b>29.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>922.0</b>	<b>931.6</b>	<b>930.0</b>

## Notes

### Note 1. Accounting policies

Duroc's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations (IFRIC) issued by the International Accounting Standards Board (IASB) as approved by the European Union (EU). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. For the Parent Company, RFR 2 Accounting for Legal Entities is also applied.

Accounting and valuation principles are unchanged compared to the 2016/2017 annual report.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 deals with the accounting treatment of revenue from contracts and the sale of certain non-financial assets. The standard replaces IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations and must be applied for the financial beginning in 2018. The majority, more than 80 percent, of the Duroc Group's revenue is attributable to business area Fibre, a producer of goods in the form of synthetic fibre and yarns. Business area Industrial Trading offers production solutions by delivering machine tools, service and support, while Other Industry delivers maintenance of railroad wheels and expertise in the field of laser welding. Performance commitments are met mainly at a specific point in time. The existence of variable compensation is limited and the transaction price is essentially separated between specific performance commitments already today. According to IFRS 15, revenue is recognized when control over the product transferred to the customer, while previous standards were based on risks and opportunities, something that could affect the timing of when in time revenue recognition occurs.

Duroc has not yet fully completed the analysis of how the new standard affects the Group's revenue recognition. Each respective business area is working on this. However, based on the work done so far, the preliminary conclusion is that IFRS 15 will not have any significant effects on the Duroc Group's financial position or profit.

### IFRS 9 Financial instruments

IFRS 9 is applied from the financial year beginning in 2018 and replaces IAS 39 Financial Instruments: Recognition and measurement. The new standard primarily affects Duroc in manner of recording bad debts. Most of the trade receivables in business area Fibre are insured, which means that the effects of the new standard will be limited. The occurrence of bad debts is very small also in the other business areas. Hedge accounting is applied to a very small extent. IFRS 9 is not expected to affect Duroc in this respect.

### Note 2. Acquisition analysis

The formal takeover of Bonar Agro's assets took place on 1 November 2017. The business will be conducted in the newly formed company Cresco NV as a part of business area Fibre. The acquisition complements Duroc's business in textile fibre, both in terms of product offerings and selling channels. The existing infrastructure can also be utilised to support sales to the cultivation industry in, for instance, North America. Since the assets in this acquisition have been acquired at on what is judged to be favourable terms, negative goodwill reported as other revenue arises as a consequence of current accounting rules. This is reported as other revenue. As the acquired inventory is sold, strong cash flow will be generated in the Group, mainly during the current year. Since the Belgian business has significant tax loss carryforwards, no tax will be payable as a result of these flows. The acquisition is expected to generate sales of approximately MSEK 200. From the time of acquisition Cresco has contributed to the Group's revenue in an amount of MSEK 102 and to the operating profit in an amount of MSEK 0.7. The acquisition analysis is preliminary and will be established within one year of the time of acquisition.

#### Acquisition analysis Bonar Agro

Amounts in MSEK	
Total purchase price	71.5
Cash settled purchase price *	71.5
<b>Total acquisition value</b>	<b>71.5</b>
Fair value of acquired net assets	102.1
<b>Negative goodwill</b>	<b>-30.6</b>
Assets and liabilities arising from the acquisition are as follows	
Land	34.9
Buildings	15.0
Property plant and equipment	2.2
Inventories	102.7
Provisions	-33.0
Pension provisions	-3.8
Deferred tax liability **	-15.8
<b>Fair value of net assets</b>	<b>102.1</b>

\* Of which MSEK 6.7 has affected consolidated cash flow during the 2016/2017 financial year.

\*\* This tax liability must be regarded as hypothetical since the Group in Belgium has relevant tax loss carryforwards of approximately MSEK 800. In accordance herewith the net value of acquired assets could be carried at a MSEK 16 higher amount.



### Note 3. Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief decision maker. The Board of Directors and the Chief Executive Officer is the Group's chief decision maker and evaluates the Group's financial position and performance and makes strategic decisions. Management has determined the operating segments based on the information dealt with by the Board of Directors and the Chief Executive Officer and which is used as a basis for distributing resources and evaluate results.

Three reportable segments have been identified based on this reporting, Fibre, Other Industry and Industrial Trading. Other Industry and Industrial Trading are deemed to have been added in their entirety as a consequence of the reverse acquisition. For this reason, the financial information for these segments is presented from the time of acquisition only.

Amounts in MSEK	2017/2018 Q3	2016/2017 Q3	2017/2018 Q1-Q3	2016/2017 Q1-Q3	2017 JAN-JUN
<b>Net sales</b>					
Fibre	547.2	509.0	1,413.4	1,360.4	999.5
Of which external	547.2	509.0	1,413.4	1,360.4	999.5
Of which internal	-	-	-	-	-
Industrial trading	66.6	53.1	242.2	53.1	113.8
Of which external	66.6	53.1	242.2	53.1	113.8
Of which internal	-	-	-	-	-
Other industry	39.4	22.2	81.0	22.2	58.0
Of which external	39.4	22.2	81.0	22.2	58.0
Of which internal	-	-	-	-	-
Group-wide functions	1.9	0.2	5.9	-	-1.0
Eliminations	-1.9	-	-5.9	-	-
<b>Total net revenue</b>	<b>653.2</b>	<b>584.5</b>	<b>1,736.6</b>	<b>1,435.7</b>	<b>1,170.3</b>
<b>Operating profit</b>					
Fibre	11.4	33.8	62.7	57.3	60.4
Industrial trading	-4.2	0.3	2.8	0.3	-2.6
Other industry	8.3	3.4	6.9	3.4	2.5
	-0.9	0.1	-4.0	0.1	-
<b>Total operating profit</b>	<b>14.6</b>	<b>37.8</b>	<b>68.4</b>	<b>61.3</b>	<b>60.3</b>
<b>Net finance items</b>	<b>-0.2</b>	<b>-1.1</b>	<b>-1.9</b>	<b>-2.5</b>	<b>-5.5</b>
<b>Profit before taxes</b>	<b>14.4</b>	<b>36.7</b>	<b>66.5</b>	<b>58.8</b>	<b>54.8</b>
<b>Operating margin</b>					
Fibre	2.1%	6.6%	4.4%	4.2%	6.0%
Industrial trading	-6.3%	0.6%	1.2%	0.6%	-2.3%
Other industry	21.1%	15.3%	8.5%	15.3%	4.3%
<b>Total</b>	<b>2.2%</b>	<b>6.5%</b>	<b>3.9%</b>	<b>4.3%</b>	<b>5.1%</b>

**Note 4. Fair value of financial instruments**

There were no transfers between levels or valuation categories during the period. The fair value of the Group's other financial assets and liabilities is estimated to equal their carrying values.

**Note 5. Transactions with closely related parties**

During the first quarter Duroc sold machinery and tools valued at MSEK 0.1 to closely related parties on market terms and conditions.

## DEFINITION OF KEY FINANCIAL INDICATORS

<b>Equity</b>	The sum total of share capital, reserves and retained earnings, including profit for the year.
<b>Equity ratio</b>	Equity divided by the balance sheet total.
<b>Earnings per share</b>	Profit after taxes divided by the average number of shares outstanding.
<b>ROCE</b>	Profit after net finance items, plus financial expenses in percent of average capital employed.
<b>Capital employed</b>	Equity plus interest-bearing liabilities.
<b>+Net liabilities/-Net cash and cash equivalents</b>	Interest-bearing liabilities, less cash and cash equivalents.