

DUROC



**ANNUAL REPORT
-SUMMARY**

JULY 1 2018 – JUNE 30 2019

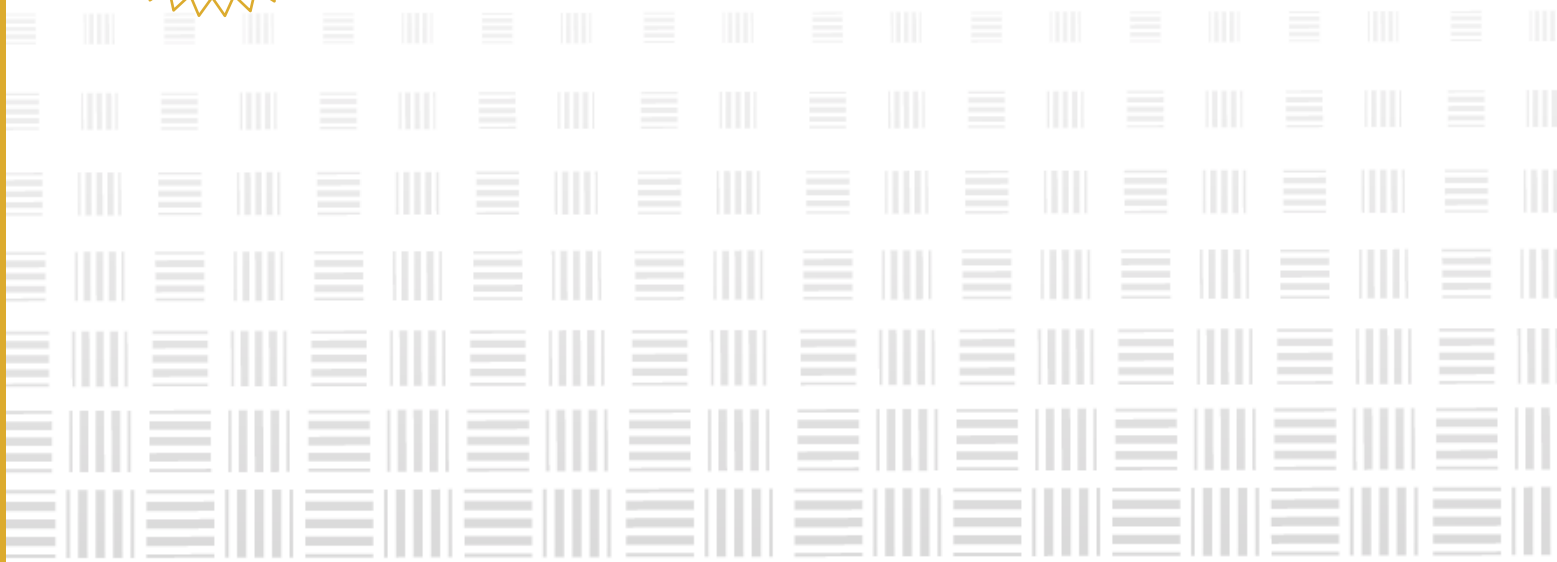
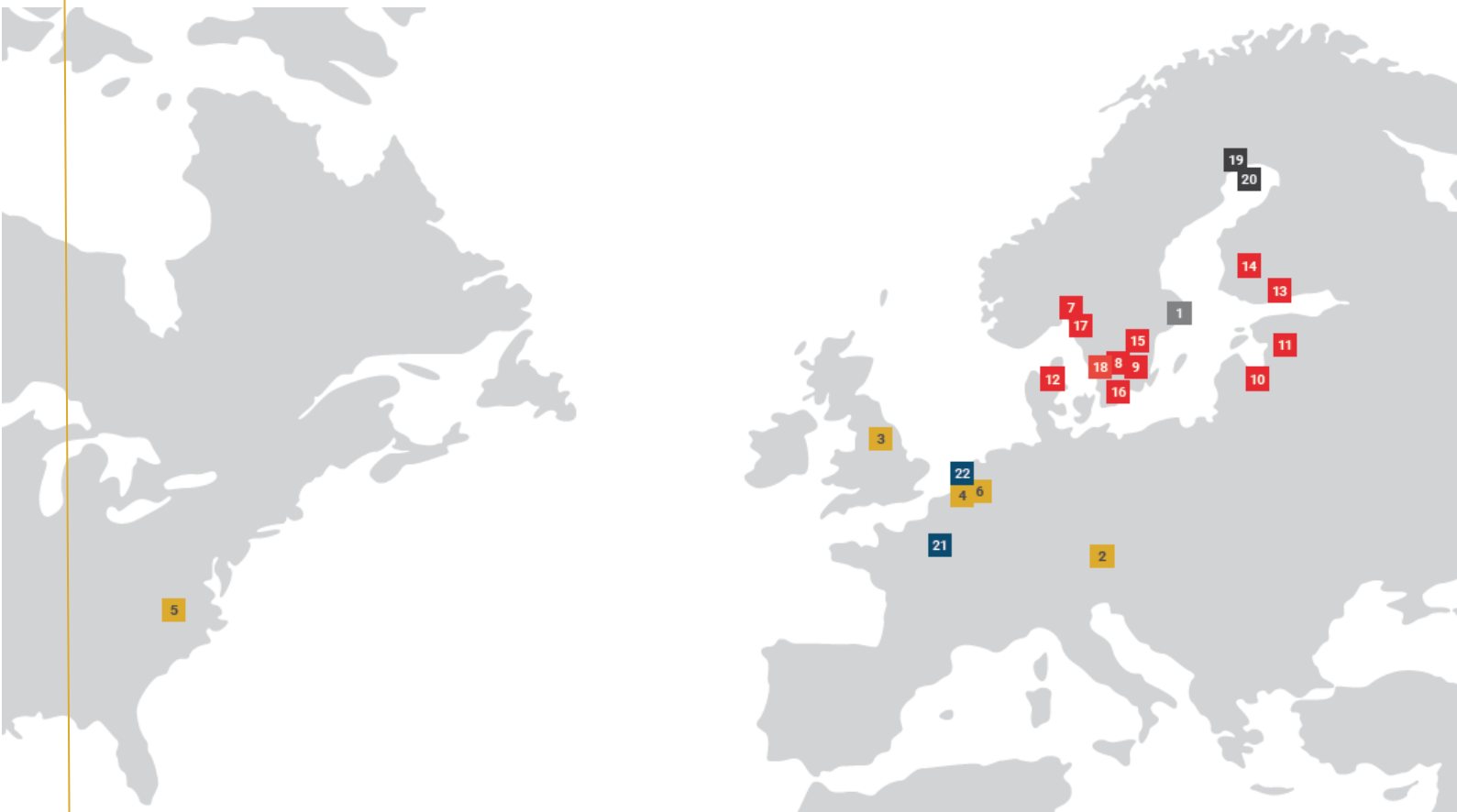


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1 Duroc AB, (Headquarter), Danderyd, Sweden

FIBRE

- 2** IFG Asota, Linz
- 3** IFG Drake, Bradford
- 4** IFG Exelto Staples Fibres, Gent
- 5** Drake Extrusion, Martinsville
- 6** IFG Cresco, Lokeren

INDUSTRIAL TRADING

- 7** Duroc Machine Tool, Ski
- 8** Duroc Machine Tool, Vislanda
- 9** Vislanda Maskin, Vislanda
- 10** Duroc Machine Tool, Riga
- 11** Duroc Machine Tool, Tartu
- 12** Duroc Machine Tool, Randers

- 13** Duroc Machine Tool, Helsingfors
- 14** Duroc Machine Tool, Tammerfors
- 15** Universal Power Nordic, Skänninge
- 16** Universal Power Nordic, Kristianstad
- 17** Universal Diesel, Lörenskog
- 18** Herber Engineering, Värnamo

OTHER INDUSTRY

- 19** Duroc Laser Coating, Luleå
- 20** Duroc Rail, Luleå
- Acquired after balance sheet day
- 21** Griffine Enduction SA, Nucort
- 22** Plastibert & Cie. NV, Wielsbeke



SIGNIFICANT EVENTS DURING THE YEAR

- Consolidated net sales increased by 18 percent during the financial year. Organic growth was 3 percent.
- In June 2019 Duroc agreed to acquire the Cotting corporate group, a French-Belgian producer of technical textiles with sales of approximately MEUR 70. The acquisition was completed in July 2019. Including the Cotting group the Duroc Group now has annual sales of approximately MSEK 3,700 and has about 1,100 employees.
- In April 2019 Duroc acquired Herber Engineering, a manufacturer of advanced tube bending machines for cold forming of tubes and profiles, and with annual sales of approximately MSEK 50.
- Investments of MSEK 62.3 have been made to increase capacity in the existing operations, primarily in the yarn production in the U.S. and Cresco in Belgium.
- Given that Duroc intends continue its capital expenditures at a high level, the Board of Directors proposes that no dividend be paid for the 2018/2019 financial year. The assessment is that the company's capital can generate a satisfactory return for the shareholders by letting it remain in the Company.

834

Average number of employees during the period

MSEK 87.3

Profit after taxes

MSEK 2974.4

Net sales for the period

FINANCIAL YEAR SUMMARY

GROUP	july 2018- june 2019	july 2017- june 2018
Net sales MSEK,	2,974.4	2,526.4
Operating Profit MSEK,	93.7	116.2*
Profit after taxes MSEK	87.3	130.6**
Equity Ratio, %	51	53

**Including MSEK 31 attributable to reversal of negative goodwill

**Including MSEK 45 attributable to reversal of negative goodwill and positive effect of deferred taxes.



CHAIRMAN'S STATEMENT

Duroc is best described as a "conglomerate" with an opportunistic acquisition policy – a group of companies with essentially separate businesses.

According to some players in the financial markets – often called "activists" – conglomerates are something evil that should be expelled. It is stated as an axiom, that the total present value of the components is always higher than the market value of the conglomerate.

I don't believe that Warren Buffett, the world's most successful investor of all time, agrees. It may be true that a so-called break-up value may be higher than the aggregate value of a conglomerate, but over time it may be justified to keep the larger grouping together. It would not have been a good idea to, say in 1970, break up Berkshire Hathaway in different parts.

In the Stockholm stock market, we have seen a relatively large number of groupings that may be called conglomerates, several of which have shown a satisfactory development in recent years.

Ultimately, it is matter of how the various businesses in the conglomerate were acquired, how they were managed and developed – i.e. of "competence" at the director and management levels, and about good management in the individual companies.

The conglomerate offers opportunities of "financial synergies" – risk diversification and "balance", opportunities of letting cash cows support businesses under development and/or units that have profitability problems assessed to be of a short-term nature. It is true that such issues can be handled at the "ownership level", but if in fact you do have a skilled board and management in place in a conglomerate, that is not a bad concept, compared to if tens of thousands of shareholders were to handle these issues individually.

Of course, I do not propose that "focused" companies, as opposed to conglomerates, is a bad strategy. It is a model which just like the conglomerate has its advantages and disadvantages.

Duroc is in good financial shape. Our balance sheet is sound, with relatively modest debt/asset ratio, with debt matched by real assets.

Our cash flow is acceptable, but with potential to become significantly stronger from the 2018/19 level.

The Group owns many of the properties in which our operations are conducted. After the July 2019 acquisition of the Cotting Group, our properties have an aggregate building area of over 120,000 m². In a hypothetical market-adapted sale/lease-back, the value would significantly exceed the Group's total net debt and the booked property value.

It is good to have food in the pantry in the face of bitter times, even if that in a shorter perspective will have a negative effect on the reported return on capital employed and equity.

Duroc's operating profit relative to sale (ROS) was 3.2 percent in 2018/19. The number is 3.6 percent if the cost of core resources (head office etc.) are reversed. This is too low a level, particularly against the background of the fact that a major portion of the Groups business is capital intensive and with relatively high barriers to entry.

There are, however, units in the Duroc Group which in 2018/19 show satisfactory ROS, and a high return on capital employed (ROCE). These units are likely to represent values that significantly exceed the book value of capital tied up in the respective businesses.

In the Business Area Industrial trading, the DMT-group is a good example, which with 2018/19 sales of MSEK 454 generated an EBIT of MSEK 34, with a strong ROCE of 71 percent.

In Other Industry Duroc Rail delivered a ROS in 2018/19 of excellent 11.8 percent – ROCE reached 32.5 percent. Rail has a strong position in its market and is well invested, with good opportunities for stable and high profitability.

In business area Fibre Cresco, acquired in 2017, – Duroc was in fact paid to take over the business – achieved a ROS of 13.4 percent. Since Cresco with good profitability supplies products to markets in growth, and which also meets society's demands for sustainability, a standalone Cresco should be valued at a PE ratio that in any case does not fall below the average of the stock market. This opportunistic acquisition has obviously added significant value to Duroc.

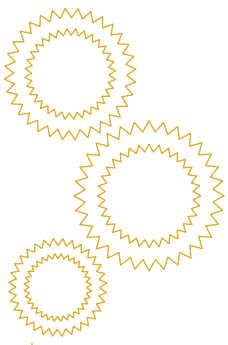
The return in the US-based business did not reach the high levels of previous years in 2018/19 but was still acceptable. Since most of the necessary infrastructure and personnel is already there, newly decided-upon investments in organic growth should be able to raise Drake Inc's profitability over the longer term.

There are thus in the Duroc Group already several units that generate good profit margins with satisfactory ROCE, at the same time as the market positions are strong. Overall, the value of these businesses "stand-alone" exceeds the total book value of the capital they employ.

So why doesn't the Group overall provide positive image as parts of the Group does?

These are the primary factors contributing to it:

1. In the European fibre operations, we have obvious problems with lower capacity utilisation and a deteriorating product mix, partially due to a weakening of the European automobile market, but also due to increased competition. The industry is currently plagued by over-capacity and in Duroc's European fibre group there is a current need of capacity reduction, as well as on efforts to improve the product mix towards one with higher contribution margin than today's. The potential for improved profitability in this business is judged to be good.
2. Duroc consciously enters businesses with profitability that on a short-term basis may be faltering. We acquire companies at low assessed values "as is", and if we succeed in raising their profitability significant values are created for the Group and our shareholders. Cresco is an obvious example hereof. However, in a short-term perspective such acquisitions may be perceived as negative for the valuation of the Duroc share. This is something we are prepared to live with, as long as we feel that we are providing long-term value for our shareholders with this policy.



3. Central costs have been allowed to grow significantly over the past several years. This is a conscious effort to prepare Duroc for continued growth with good control, and with the ability to support subsidiaries in matters concerning strategic planning, financing, recruitment, etc. The resources built up centrally are vital to Duroc's overall strategy: opportunistic acquisitions with ensuing operational long-term management and development of the Group's businesses. This enables value creation that is not visible in the short-term accounts – on the contrary – but certainly creates long-term values for Company's owners. Patience is a virtue.
4. Ownership of many of the properties where the Group conducts its business ties up capital, the alternative return on which is not high. Duroc has, however, chosen to continue ownership of these resources, since we today are able to finance them at a lower cost than if we were to enter into sale/lease-back arrangements. One other aspect hereof is that we want to ensure total control of the properties where we conduct our business – it is very expensive to move the production facilities we use in our business.

Duroc will maintain its acquisition policy – "opportunistic acquisitions with assessed potential for immediate value creation" – even of this may entail a negative effect on our key financial ratios in the short term.

It bears repeating: It is today not difficult to raise capital and then expensively and with high financial risk acquire currently profitable companies. Even though the pricing has been elevated to levels that approaches "vertigo" (in its medical sense), one can at today's interest costs and with non-amortisation of goodwill raise one's earnings per share with such acquisitions.

Although, I strongly doubt that this model will work in a longer perspective, with reduced access to "doped" capital and an inevitable slowdown in the market.

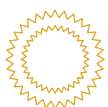
This opportunistic stance makes it probable that Duroc's profile as a "conglomerate" will be strengthened over time. I believe that that is a good thing for our stakeholders, shareholders included.

In a good economy and with an abundance of capital in the market, it may take time for Duroc to identify and implement such opportunistic acquisitions – while waiting for the sparrows to appear, our group management together with local management is working intensely, and usually successfully, to manage and develop the units the group already encompasses.

Finally, I would like to send a Warm Thank You to all the employees of the Duroc Group who with their fine efforts contribute to managing and developing the Group's businesses and resources in a way that makes long-term profitable growth and stable value creation possible for us.

Peter Gyllenhammar

Chairman of the Board of Directors





CEO STATEMENT

PROFITABLE GROWTH

The past financial year can be summarized with an increase in net sales of 18 percent and an increase in adjusted EBITDA by 5 percent. The development in the Group has been uneven.

Business areas Industrial Trade and Other Industry grew significantly during the year, primarily driven by the Duroc Machine Tool group and Rail, both of which increased their sales and contributed with improved earnings. It is gratifying to be able to note that action taken in Duroc Machine Tool, a combination of sales focus and cost efficiency, has led to the desired result.

In business area Fibre restructuring work is ongoing since the beginning of the year in the European staple fibre production. The market is characterized by overcapacity and reduced volumes from the automotive industry, resulting in price pressure. Increased efficiency, increased value creation in our products and cost savings will return profitability to an acceptable level. My expectation is to see the full effect of the restructuring work within a couple of years. In the U.S. business, which developed well during the financial year, we have continued to invest in the profitable yarn business, where we see new business opportunities. These opportunities are based on a good offer in combination with a close relationship with our customers. Also, for Cresco, where both sales and earnings have far exceeded expectations, the future market is deemed to be favourable. Investments in increased production capacity and sales personnel in new markets have the effect that Cresco finds itself in a good position for further success.

THE HISTORY

Sometimes I get questions on Duroc's composition and the logic behind it. Duroc has a long history going back to Luleå in the beginning of the 1980s when an entrepreneur developed a tempering technology by industrial laser. Duroc Laser Coating is still very much a part of Duroc with its unique technology, which has been further developed over the years.

Subsequently, production-oriented companies were added and in a few years into the 2000's Duroc entered industrial trading via acquisitions. The big change came in the beginning of 2017 when Duroc acquired the IFG group with production of synthetic fibre from Peter Gyllenhammar AB. This meant significant growth and the emphasis was moved in the direction of production. Since then Duroc has concentrated on developing our subsidiaries at the same time as we have made a number of acquisitions of both industrial trading-related companies as well as companies with their own production as a base.

THE BASICS

The entrepreneurship, which at one time founded Duroc, is very much alive in the Group. Each subsidiary manager is responsible for the earnings performance and that responsibility is an important element for the development of the individual subsidiaries and the Group as a whole. The leadership is a crucial component. But individual managers do not stand alone behind the success of a subsidiary. The result is achieved through teamwork. Sound leadership is based on trust and respect. Trust creates decisiveness, motivation, team spirit and hence results.

When I visit our subsidiaries, I meet many talented and motivated employees and leaders who themselves confirm that the leader philosophy and the values we work with in the Group exist and work in real life.

THE BUSINESS CONCEPT

Duroc has a very simple business concept based on two components: Further develop what we have and acquire companies with potential and the right price tag.

This means that we in recent years have invested millions in our existing facilities. All investments are based on business plans initiated by our subsidiaries and developed in close co-operation with the customers. This has undoubtedly led to increased market shares and profitable growth.

As far as acquisitions are concerned, Duroc may be misinterpreted in that we buy cheap and thus inferior companies. This interpretation is completely wrong. Duroc's strategy is to acquire companies which for a variety of reasons have not had the right conditions. We perform careful analysis of our potential acquisitions and we are not afraid of acquiring companies that, for example, in the short term have faced financial challenges if there are basic values, such as buildings, machinery, know-how and competence, in parallel with a clear market potential for the offer. A good example of realising Duroc's acquisition strategy is Belgian Cresco, with products for, among other things, climate control in greenhouses. This company has developed far beyond expectations since the acquisition two years ago. The company is today one of the world leaders in that market with good profitability.

WE ARE NOT IN A RUSH

The time perspective is not critical for Duroc. It takes time to learn about new businesses and its mechanisms. We are industrialists, which means that we are experienced in product development, production processes, marketing, sales and distribution. However, it takes time to get to know specific industries. Together with the subsidiaries we develop strategies for each business. The combination of competence from the parent company and the subsidiaries is a strength in these efforts.

Our portfolio is broad and therefore less sensitive economic downturns in specific industries. Over time, there are always challenges for individual subsidiaries in the different business areas. However, our ambition is always the companies must generate acceptable profitability relative to the industry in which they operate. Duroc is a long-term industrial and trading group. We are not worried about short-term profitability problems in acquisition objects provided that the price is attractive relative to the real values included in the transaction. Duroc's business model is not based on valuing an acquisition object only based on future cash flows or trumped-up earnings that may or may not be realised.

GROWTH PLATFORM AND A NEW CHAPTER

The Cotting Group, with production facilities in France and Belgium, was acquired in the beginning of July. The company has sales of approximately MSEK 750 and the products, consisting of plastic-coated textiles, are used in several different application areas, such as the furniture, fashion and automotive interiors. The acquisition creates new opportunities for Duroc to develop further and continue building. The transaction itself is totally in line with our acquisition strategy.

THE ENVIRONMENT AND THE FUTURE

One of the development projects started by Duroc during the year, which I follow with extra interest, and which is also under sharp focus in the Group, is the modernisation of our production equipment in Austria. Together with the Maastricht University in Holland, Duroc has initiated a co-operation to develop new types of fibre which are not based on petroleum products. The investment means that the product development work can be taken to a new level. The goal is to be able to offer the market products that are biodegradable and to increase the possibility of recycling our products. This investment means that the product development work can be taken to a new level. This development is strategically important for Duroc. We believe that the market over time will demand alternatives to synthetic fibre. Duroc wants to contribute to a more sustainable future where industry over time will reduce the use of synthetic materials.

In other parts of the Group we offer sustainable solutions to our customers by repairing their components rather than making new ones. This leads to a smaller imprint regarding resources, such as the supply of raw materials, energy and consumables required in new production. The offer is about recycling and maximising the life of existing components.

The news media are now predicting that a recession is in the offing. Duroc's balance sheet is not burdened by large debts relative to equity. Large goodwill items are absent. Of course, business would be affected by a general downturn in the market, but our conservative financial stance contributes to a secure feeling for the future.

I strongly believe in the development and the ability of our subsidiaries. The vision is to, over time, build an even stronger and well performing industrial group with good diversification in the portfolio, good profitability and stable business supported by sound financing.

I wish to take this opportunity to thank all employees who in a fantastic way contribute to develop the Duroc Group by providing vital expertise, capacity for innovation and willingness to be part of the development.

John Häger
CEO





BUSINESS CONCEPT, -MODEL AND VALUES

BUSINESS CONCEPT

Duroc creates value through opportunistic acquisitions and long-term sustainable development of the subsidiaries

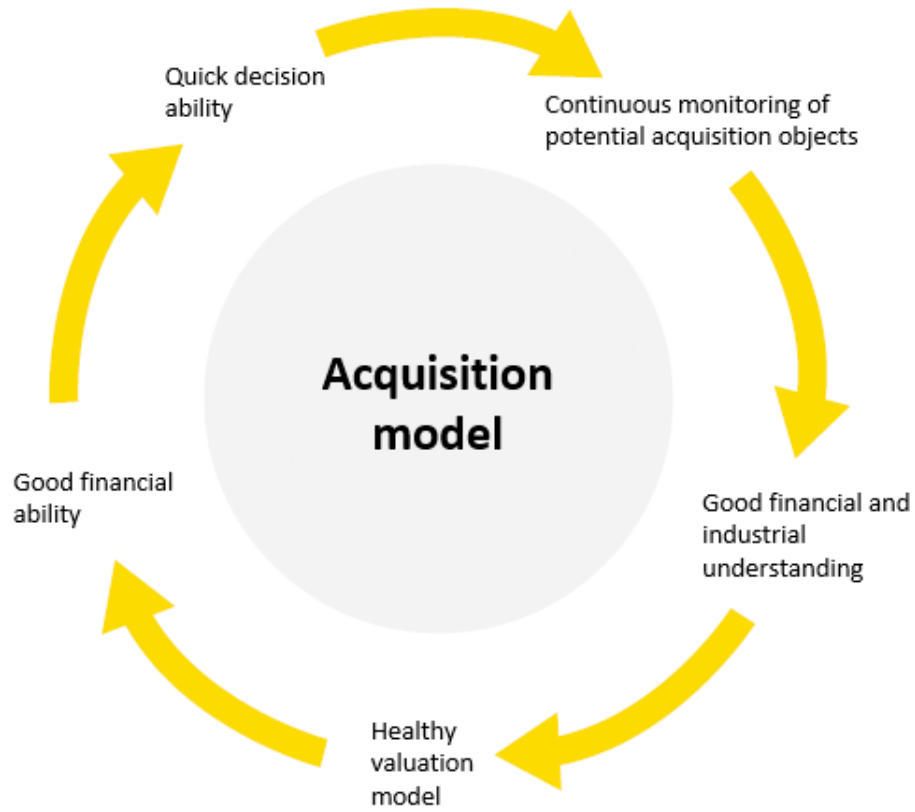
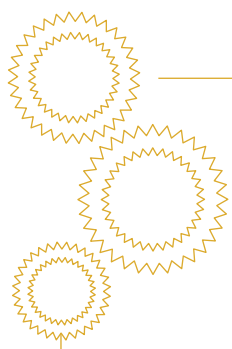
BUSINESS MODEL

OPPORTUNISTIC ACQUISITIONS

- A well-developed acquisition model
- A sound valuation model for acquisitions
- Potential acquisitions should contribute to customer benefit
- Development potential of acquisition objects
- Strong confidence in the subsidiaries' own ability to develop the business
- Utilisation of existing platform and resources
- Acquisition objects that share Duroc's values
- Acquisitions may be in new as well as adjacent sectors

LONG-TERM SUSTAINABLE DEVELOPMENT OF THE SUBSIDIARIES

- Supports subsidiary development plans
- Capital investments
- Joint strategic development
- Appoints the right leaders
- Growth based on real values such as cash flow and material production resources
- Decentralized governance model and entrepreneurial leadership
- Local management with total responsibility for the business



DUROC'S VALUES



COMMITMENT

Duroc works dedicated and devoted in all our business activities

TEAMWORK

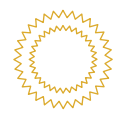
Internal and external cooperation's permeate our entire business. We strongly believe that we can achieve more together

SUSTAINABLE VALUE CREATION

Duroc's goal is to create long term and sound business relationships that lead to a sustainable society. An environmental responsibility is an integrated part of the business

RESPONSIBILITY

Duroc stands for a culture that is built on responsible owners as well as responsible businesses



BUSINESS AREA FIBRE



Development equipment for biodegradable fibres

INTERNATIONAL FIBRES GROUP

Business area Fibre consists of International Fibres Group (IFG). IFG is one of the world's leading independent producers of polypropylene-based fibres and yarns with customers primarily in the automotive, construction, furniture and filter industries. The production facilities are in Belgium, Great Britain, USA and Austria with total annual production of approximately 100,000 tons of fibre.

The business area includes Cresco in Belgium that develops and produces products for professional growers. The products contribute to favourable environments in greenhouses, for fungal cultures and composting plants. They are also found in park environments where they are used to prevent weeds. There are great similarities with the other fibre companies from a production technology perspective.

Fibre has many uses

Synthetic fibre is advantageous compared to natural fibre in many applications. Primarily because synthetic materials are cost-competitive, and they can be adapted to many areas of use. Synthetic fibre can be manufactured in different colours and according to desired properties, such as long-wearing, moisture resistant, flame resistant, light, strong, draining, absorbent or filtering. Polypropylene is IFG's most common raw material. The synthetic fibres are divided into two product areas: staple fibre and filament yarn. Staple fibre is manufactured in different diameters and cut to predetermined lengths. In the next step IFG's customers process the fibre into synthetic fabrics or other materials used in making the end product. Filament yarn is a more refined product than staple fibre. The product consists of a yarn manufactured in different diameters before it is delivered to customers, primarily in the furniture industry.

Global and broad customer base

IFG's staple fibre and filament yarns are sold as input goods to several different sectors such as the automotive industry with areas of use as car interiors and technical solutions, such as bumpers, sound and cable insulation. Staple fibre and filament

yarn is sold to the furniture industry, primarily for use in making flooring, carpets and furniture upholstery. Another area of use is in the construction industry where staple fibre in the form of non-woven fabric is placed under the asphalt with properties to separate, strengthen or drain. Staple fibre is also used in filters for industrial use.

Cresco's products are used by professional growers worldwide. The company is one of the leading players in the world market. The most important product is textiles for greenhouses that control the climate for the cultivation. The function may be to exclude radiant heat, but also an insulating function for lower energy consumption. Locally produced crops and foods are gaining in popularity to reduce transport needs and thus the impact on the environment.

STRUCTURAL PROGRAM IN EUROPE

The staple fibre market was characterized by overcapacity and fierce competition during the year. A change program was therefore launched at the staple fibre units in Europe in the beginning of 2019. It is a structural program that includes organisational changes as well as capacity adjustments in the production. The program has proceeded according to plan since its launch and is necessary to achieve a satisfactory level of profitability in the production over a couple of years.

Significant investments in the yarn operations in the United States were made during the year and the demand for its products is good. The profitability on yarns is significantly higher than on staple fibre and the strategy in the United States is to increase further the emphasis on yarns in the year to come.

DEVELOPMENT OF BIOLOGICALLY DEGRADABLE FIBRES

A facility for developing new, bio-based fibres has been put into operation at the subsidiary's plant in Austria. This is an example of business development that goes hand in hand with the Group's long-term sustainability efforts. The investment is a part of the strategic co-operation with the Maastricht University in Holland. Joint research projects will be conducted with the ambition of developing, among other things, biologically degradable fibres, which can eventually replace petroleum-based products.

BUSINESS AREA INDUSTRIAL TRADE

DUROC MACHINE TOOL

The business area essentially consists of Duroc Machine Tool (DMT). DMT is active in trading with machine tools, including automation solutions, tools, service and support for engineering companies in the Nordic and Baltic markets. DMT represents a large number of internationally known brands, the most important of which is Korean Doosan, one of the world-leading brands in the market and more customers are now becoming aware of the machines that are competitive and reliable.

During the year DMT has focused on increasing sales and efficiency. Both sales and profitability have improved significantly. Denmark, Sweden and the Baltic States were the markets are showing the strongest development.

More efficient production processes for engineering companies

Duroc Machine Tools broad offer in tools and machinery give customers flexibility, stability and security. To buy new machines or production equipment are often the largest investments a company makes. DMT plays an important role in the market by supplying machinery, tools, accessories, product optimisation, and



Example of a machine from Doosan.

financing, service, support and training to companies in the Nordic region – everything needed for a competitive production environment.

Customers can be found in, for instance, the automotive industry, construction machinery, power generation and the forest industry.



Examples of engines from the main suppliers (left to right) Kubota, Kohler and Perkins.

UNIVERSAL POWER NORDIC (UPN)

From July 2018 UPN is a part of the business area. UPN offers diesel engines for industrial and marine use on the Swedish and Norwegian markets and also replacement parts, service, and repairs. The company has exclusive distribution rights for engines made by well-known and quality-assured manufacturers such as British Perkins, Japanese Kubota and American Kohler. In addition to engines from three world-leading manufacturers UPN provides a complete after-market program with original spare parts, service and repairs. The company has a long experience and has been a leader in industrial engines for almost 100 years. The company is headquartered in Skänninge.

HERBER ENGINEERING AB

From May 2019 Herber Engineering is a part of the business area. Herber makes advanced tube bending machines for cold forming pipes and profiles (electric and hydraulic). The company offers customised solutions and also provides service, spare parts and technical support to the market. Customers include companies in the automotive industry, the aerospace industry, the furniture industry HVAC (heating, ventilation and air conditioning) worldwide. The company has about 20 employees and sales amount to about MSEK 50. The business is located in Värnamo, Jönköping.



Example of a tube bending machine.

BUSINESS AREA OTHER INDUSTRY



DUROC LASER COATING AND DUROC RAIL

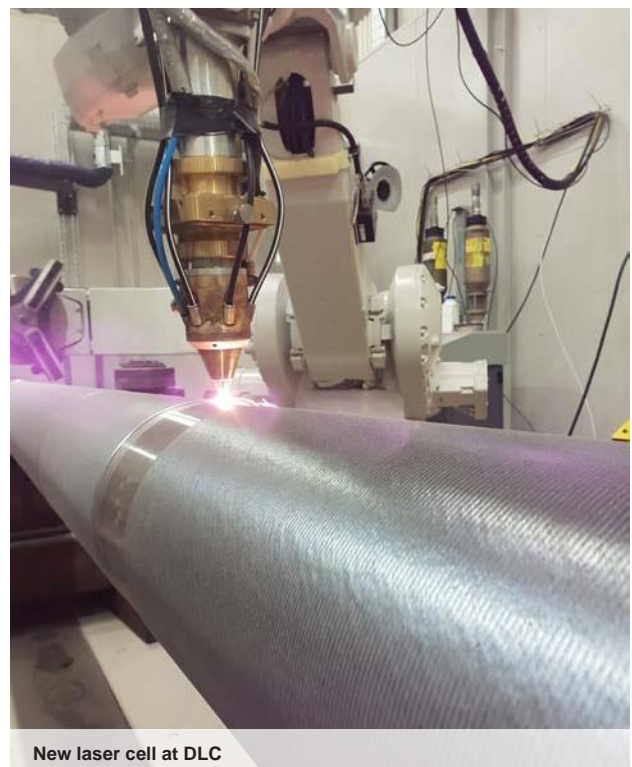
The business area consists of Duroc Rail and Duroc Laser Coating (DLC). Duroc Rail delivers qualified maintenance of railway wheels for locomotives and carriages to railway operators, primarily in the Swedish market. With effective wheel maintenance Duroc Rail contributes to lower operating costs per transport kilometre. The company's largest customers include VTG, LKAB and Swemaint. Duroc Rail's profitability has historically been good and stable.

Increased demand for maintenance

Duroc Rail caters to the northern part of the Swedish rail wheel maintenance market. The availability of iron ore in Norrland entails large volumes of heavy transportation, which means constant wear on railway wheels. Given the focus on environmental issues there is also an increase in railway traffic for transportation of people and goods. Increased railway traffic, Greater axle loads, and faster trains increases the demand for wheels, rails and maintenance with high quality and performance. The number of variants of wheel pairs has increased significantly during the past five years with higher demands on maintenance providers as a result. Duroc Rail has a strength in its ability rapidly to adapt to changes in the market. The business is highly seasonal railway as the winter season causes major wear on the railway wheels.

Duroc Laser Coating (DLC) is Sweden's leading company in laser surface treatment. The company offers refurbishing and new production of industrial components based on laser surface treatment technology. Adding metal using laser technology makes for increased product performance and meets demands for extreme surface and functional properties in terms of, among other things, friction, corrosion and wear.

DLC's customers have high demands on performance, service life and quality assurance and are found in, among other, the utility, mining, steel, paper/pulp, offshore, aerospace and engineering industries. Examples of products are rollers, valves, tools, axles, gears, sleeves and drive wheels. Demand is driven primarily by the level of activity in the process industry. The company moved to newly renovated, modern premises during the year and major investments were made in new laser cells and related equipment. The current customer base is primarily in Sweden, but there is deemed to be a great international potential, which offers good expansion opportunities for the future.



New laser cell at DLC



DUROC GROUP

DUROC GROUP	2018/2019	2017/2018	2016/2017*	2015/2016*	2014/2015*
AMOUNTS IN SEK					
Net sales	2,974.4	2,526.4	2,258.4	2,327.7	2,348.7
Other operating income	13.2	33.3	3.3	7.5	5.1
Change in inventories	1.0	1.1	-0.1	2.7	-5.5
Raw materials and consumables	-1,530.1	-1,382.3	-1,238.9	-1,324.0	-1,369.9
Goods for resale	-412.4	-270.3	-242.5	-212.9	-230.4
Other external expenses	-417.6	-195.1	-184.6	-211.2	-200.1
Personnel costs	-478.5	-393.8	-328.0	-332.8	-335.2
Other costs	-4.6	-158.6	-129.8	-124.2	-104.0
EBITDA*	145.3	160.7**	137.8	132.8	108.7

*Numbers in the table from 2014/2015 to 2016/2017 has been prepared in Pro forma format regarding the acquisition of business area fibre.

**Including solution of negative goodwill amounted to 31,4 MSEK.

DUROC SHARE

Duroc's series B share is listed on Nasdaq Stockholm, Small Cap. During 2018-2019 a total of 5.0 (2.8) million shares with a value of MSEK 139.7 (72.6) were traded. The daily average trading volume was 20,026 shares (11,096) or KSEK 561 (289). The share price at the beginning of the year was SEK 26.1 and at the end of the year SEK 27.9. The highest price during the year for the Duroc share was SEK 36.9 quoted on 1 October 2018 whereas the lowest price of the year was SEK 21.5 quoted on December 20, 2018. The number of shareholders was 2,570 at year-end (1,948).

SHARE CAPITAL

At year-end the share capital of Duroc AB (publ) amounted to SEK 39,000,000, divided into 39,000,000 shares, of which 29,066,783 were series B shares and 9,933,217 were series C shares. Each share entitles its holder to one vote. The par value per share is SEK 1. The total number of votes was 39,000,000, of which 29,066,783 were series B and 9,933,217 series C.

DIVIDEND

The dividend in Duroc will be adapted to the Group's plans for taking advantage of assessed value-creating investments within the framework of the Group's conservative financial policy. The dividend policy will be forward-aiming, which means that dividend decisions will be based on the assessment of coming years, not history. It is reasonable, when planned investments approximate reported depreciation according to plan, at least 50 percent of profit after taxes will be paid to the shareholders. It should be emphasized that Duroc has as its goal also in the future to acquire businesses and companies. Adherence to a

conservative dividend policy may therefore impede on the room for payment of dividends for an individual year.

Duroc intends to continue to maintain a high rate of capital investments and the current assessment of the Board of Directors is that the Company's capital can generate a for the shareholders satisfactory return by remaining active in the Group. The Board of Directors therefore proposes that no dividend shall be paid for the 2018/2019 financial year (previous year SEK 0 per share).

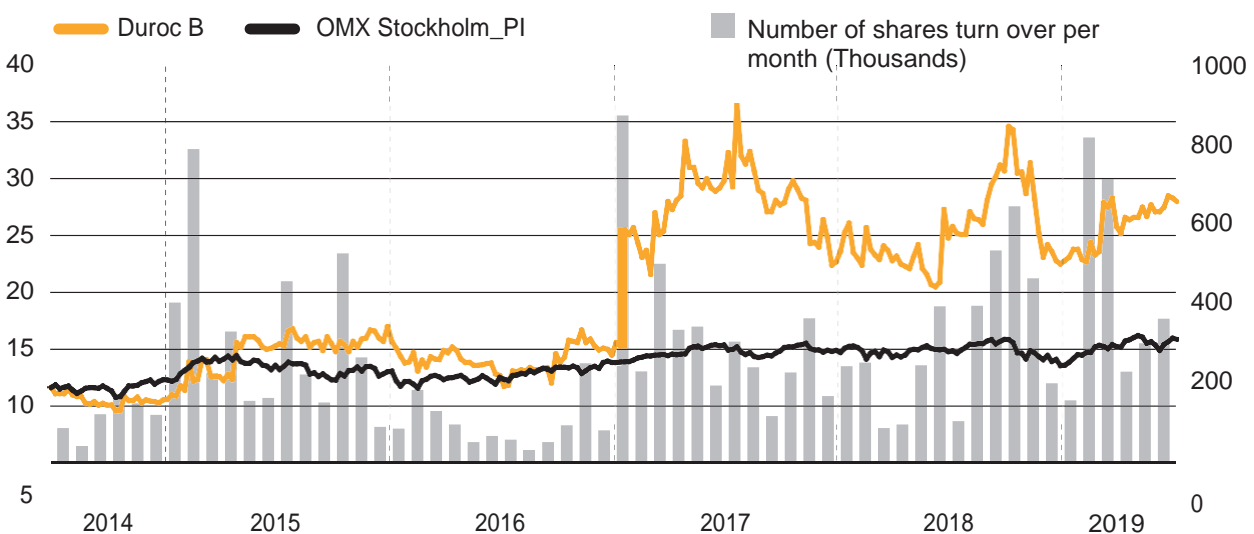
AUTHORISATIONS

The Annual General Meeting held 8 November 2018 decided to authorise the Board of Directors to decide on new issuance of shares in an aggregate maximum number of 4,300,000 series B shares, on one or more occasions. The Board of Directors has not acted on the authorisation.

OPTIONS

No options have been issued by the Company.

Development of the Duroc share July 2014 – June 2019



Source: IDC & WebfinancialGroup

EVOLUTION OF THE SHARE CAPITAL

Year	Transaction	Par value per share, SEK	Change in share capital SEK	Total share capital SEK	Number	Number of Class B shares	Number of Class C shares	Total number of shares
1992	Establishment of Company	100	50,000	50,000	500	0		500
1993	New issue	100	600,000	650,000	6,500	0		6,500
1995	New issue	100	34,200	684,200	6,500	342		6,842
1995	Split	1	0	684,200	650,000	34,200		684,200
1996	New issue	1	300,000	984,200	650,000	334,200		984,200
1996	New issue	1	200,000	1,184,200	250,000	934,200		1,184,200
1997	New issue	1	592,100	1,776,300	375,000	1,401,300		1,776,300
1998	Bonus issue	1	1,776,300	3,552,600	750,000	2,802,600		3,552,600
1999	New issue	1	1,776,300	5,328,900	750,000	4,578,900		5,328,900
2006	Converting series, A-B	1	0	5,328,900	350,000	4,978,900		5,328,900
2007	New issue	1	2,000,000	7,328,900	350,000	6,978,900		7,328,900
2017	New issue	1	31,671,100	39,000,000	350,000	6,978,900	31,671,100	39,000,000
2017	Converting series, A-B	1	0	39,000,000	0	7,328,900	31,671,100	39,000,000
2017	Converting series C-B	1	0	39,000,000	0	29,066,783	9,933,217	39,000,000

LARGEST SHAREHOLDERS AS OF 30 JUNE 2019

Shareholders	Series B shares	Series C shares	Proportion of capital %	Proportion of votes %	Market value series B shares (KSEK)
Peter Gyllenhammar AB	21,066,783	9,933,217	79.5	79.5	587,763
AB Traction	3,816,279	0	9.8	9.8	106,474
Pareto Securities AS	487,065	0	1.3	1.3	13,589
Naeco AB	371,626	0	1.0	1.0	10,368
Försäkringsaktieföretaget, Avanza Pension	277,294	0	0.7	0.7	7,737
Nordnet Pensionsförsäkring AB	223,793	0	0.6	0.6	6,244
SEB Investment Management	190,556	0	0.5	0.5	5,317
Handelsbanken Sweden fund, Index	113,342	0	0.3	0.3	3,162
Almsparre, Claes Göran	80,000	0	0.2	0.2	2,232
Östlund, Artur Stefan	76,500	0	0.2	0.2	2,134
Handelsbanken Sweden Index, Criteria	69,951	0	0.2	0.2	1,952
Aktören AB	59,000	0	0.2	0.2	1,646
Swedbank Försäkring	48,130	0	0.1	0.1	1,343
Johansson, Anders	42,000	0	0.1	0.1	1,172
Bladh, Lars Magnus	40,000	0	0.1	0.1	1,116
Other	2,104,464	0	5.2	5.2	58,715
Total	29,066,783	9,933,217	100.0	100.0	810,963

NUMBER OF SHARES HELD AS OF 30 JUNE 2019

Number of shares	Number of shareholders	Series B shares	Series C shares	Proportion of capital, %	Proportion of votes, %
1 - 500	1,898	306,430	0	0.8	0.8
501 - 1,000	296	248,710	0	0.6	0.6
1,001 - 5,000	287	659,447	0	1.7	1.7
5,001 - 10,000	44	332,452	0	0.9	0.9
10,001 - 15,000	13	166,895	0	0.4	0.4
15,001 - 20,000	7	133,195	0	0.3	0.3
20,001 -	25	27,219,654	9,933,217	95.3	95.3
Total	2,570	29,066,783	9,933,217	100.0	100.0



SUSTAINABLE VALUE CREATION

Duroc's sustainability report has been prepared in accordance with the Swedish Annual Accounts Act and covers the entire Duroc Group, Duroc AB and the subsidiaries listed in Note 33 of this Annual report. This is the third time that Duroc prepares a sustainability report. No changes have been made to the principles of preparation in relation to the previously prepared report.

A long-term approach and profitability are the basic prerequisites for how we conduct our business in the Duroc Group. Everything from decisions regarding important capital investments to daily activities are based on our commitment to creating long-term values, for the shareholders as well as for employees, society and other stakeholders. Sustainable solutions are a prerequisite for creating value in the long term.

DUROC'S SUSTAINABILITY WORK

Duroc supports the UN's sustainability goals in agenda 2030. We work continuously to constantly improve in the areas of sustainability, and we are convinced that the companies that are most competitive long term are the companies that are able to deliver sustainable products produced in a sustainable way and operating in a culture of commitment to do good things in a responsible way. We only invest in companies that we believe have this potential and sustainability is then an important part of our continuous development work.

DUROC ACQUIRES AND DEVELOPS COMPANIES

Duroc's business concept is to acquire the right company at the right price and to constantly develop the existing portfolio by way of gradual improvements. In our acquisition process we identify companies where we can see a clear potential. Where, through investment in proper governance, the right management, capital investments, product development and commitment to operations and employees we can create a company that on a long-term basis can contribute increased value to customers as well as owners, society and other stakeholders. Addressing sustainability issues is an important part of the acquisition process since it contributes to the understanding of to which extent the company intended to be acquired can meet our demands regarding sustainable value creation or has the potential to develop to meet today's demand for sustainable solutions, and that will increase even more in the coming years. Assessment of the company's values, culture and management are important aspects in this context.

Duroc does not invest in companies:

- that makes tobacco products, produces weapons or actively provides pornography
- that in its main business activities produce energy in a non-sustainable way
- with activities in which child labour is utilised
- whose activities do not comply with the UN Charter of Human Rights

Development means for us to look ahead, take the next step and actively promote activities that we believe contribute to a sustainable business development over the longer term. It may for example be a matter of responsible business relationships, strategic investments in production equipment with the goal of being able to offer environmentally sustainable products to the market, or projects aimed at increased use of biologically degradable or recycled materials.

Duroc is a long-term owner and our companies are usually not for sale. Our goal is to create long-lasting relationships and collaborations. We create profitability and grow together with our companies over time. It is our conviction that this provides the best conditions for long-term sustainable solutions and value creation. Duroc's business model and values are described on pages 6-7.

THE RIGHT MANAGERS FOR OUR BUSINESSES

One of the most important components of sustainable value creation is to have the right managers for our companies. Managers who share Duroc's values and basic framework for how to create long-term profitable business in a responsible manner. The Group's subsidiary managers are evaluated on an ongoing basis, based on established criteria by the Group's CEO in consultation with the Board of Directors of Duroc AB.

DUROC'S BUSINESS AREAS

Duroc's companies are divided into business areas Fibre, Industrial Trading and Other Industry. During the 2018/2019 financial year business area Fibre accounted for almost 80 percent of consolidated sales.

Fibre: Business area Fibre consists of International Fibres Group (IFG). IFG produces polypropylene-based fibres and yarns and fibre-based textiles for professional growers.

Industrial Trade: In business area Industrial Trade Duroc Machine Tool is active in trading of machine tools, automatic solutions, tools, service and support for the engineering industry. Herber offers tube bending machines and Universal Power delivers diesel engines for industrial and marine use with accompanying replacement parts, service and repairs.

Other Industry: Business area Other Industry consists of Duroc Rail and Duroc Laser Coating (DLC). Duroc Rail delivers qualified maintenance of railway wheels for locomotives and carriages to railway operators. DLC offers restoration and new manufacturing of industrial components based on laser surface treatment technology.

A more detailed description of each business area can be found on pages 8-10.

SIGNIFICANT SUSTAINABILITY TOPICS

Based on the materiality analysis conducted during the 2017/2018 financial year, Duroc works on the following priority areas:

- Long-term engagements
 - Given our position as long-term committed owner, we dare to bet on investments and development initiatives, which do not always have an effect in the short term. Nor do we give priority to short-term solutions over long-term profitability
- Responsible business
 - We build trust with customers, suppliers and business partners through responsible behaviour and stable finances.
- Sustainable products and services
 - A prerequisite for our long-term perspective on our operations.
- Competent employees
 - A decentralised governance model places extremely high demands on both managers and other employees within the Group. The right competence in key areas is required to ensure long-term profitability.

Duroc's significant sustainability issues include the Swedish Annual Accounts Act's compulsory areas environmental impact, social conditions, human rights, anti-corruption and staff. Given our long-term perspective, we have a position that gives us both great scopes to consider environmental impact when evaluating various investment and development opportunities. Inclusion of environmental impact is an important component for making the right decision just like sustainable products and services are crucial to achieving long-term profitability.

Our long-term perspective also means that we naturally incorporate social conditions into our commitment. As part of developing our products and securing labour, we have, for example, collaborations with local universities. Duroc's companies operate mainly in small communities and the relationship with the local community is important in order to be able to attract competent employees. Respect for human rights and a good staff environment are obvious components here in this context.

Responsible business requires respect for people's equal value and an active stance against corruption.

During 2018/2019 work has been done to set goals and key financial indicators for our focus areas. Follow-up of relevant key financial indicators will be performed starting during the 2019/2020 financial year. We have elected to focus on areas where we will have the greatest possibility of having an impact, such as our staff, our product development and manufacturing. However, areas where we have fewer opportunities of having an impact, such as among our suppliers, are still important for a sustainable development.

In an effort to further drive the Group's development of sustainable solutions, Duroc has initiated a project intended to strengthen the strategic sustainability agenda. The program will be implemented during the 2019/2020 financial year and will be based on the UN Sustainability Goal in Agenda 2030. It will be implemented together with management in the Group's subsidiaries.

We believe that an important success factor for the development and future profitability is to create participation, though-out the Group, around sustainability issues and their importance to the development of the business and its future profitability.

Long-term engagement

Our long-term approach is reflected in everything we do and constitutes the basis for how Duroc's business is conducted and developed. This gives us a position where sustainability issues become an important component. A requirement for our businesses to be competitive is that we include sustainability in long-term strategic plans as well as in our daily activities. In our acquisition process we identify companies where we see an opportunity of long-term engagement and co-operation. For this it is required that the companies have the potential to meet today's and the future's sustainability requirements.

Responsible business

During the 2018/2019 financial year Duroc developed an updated package of common guidelines for the Group, adapted to our decentralised governance model. The package includes a group-wide code of conduct. The code includes guidelines for how employees are expected to act in their work in areas such as health and security, environmental considerations, relations with other people, human rights, influence in society and business ethics. Duroc's code of conduct is based on basic values as expressed in Global Compact's guidelines for sustainable business, OECD's guidelines for multi-national companies and other internationally accepted standards. With a Group-wide code, we create a common starting point for our companies. Follow-up of both the Code of Conduct and other Group-wide guidelines is carried out through active board work in the subsidiaries. The implementation process, which will be ongoing during the 2019/2020 financial year, among other things includes development of a self-assessment tool which will be evaluated annually by subsidiary boards of directors. Required action plans will be evaluated on an ongoing basis.

Failure to comply with laws and regulations in the field of anti-corruption can have serious consequences for Duroc, such as large fines and incarceration for individuals. Corruption also involves a risk that employees act for their own benefit and not on the basis of Duroc's best interests. Duroc has zero tolerance for when it comes to corruption and all employees must be aware of the fact that in Duroc we do business on ethical grounds. Behaviours that do not conform to this are sanctioned.

Duroc is also a financially strong company with low debt and a good stable base.

	30 June 2019	30 June 2018
Net liability (+)/Net cash (-)	124.1	11.5
Equity ratio	51%	53%
Adjusted equity ratio*	63%	63%

*Equity divided by adjusted balance sheet total where cash, cash equivalents and interest-bearing liabilities are reported on a net basis.

Sustainable products and services

PLASTICS AND SUSTAINABILITY

Business area Fibre produces synthetic fibres and yarns made of polypropylene, polyethylene and polyamide, different types of plastics, a material that is the subject of much attention in the Swedish and international debate on the environment.

It is mainly about the impact of plastic on the environment when it gets into the sea. In addition, plastic polymer is derived from crude oil, which is a limited resource. It is important to emphasize that plastic itself is not environmentally hazardous. The material produced by business area Fibre is used in many applications, such as automobile interiors, furniture upholstery soil covering and filters, which contributes to function and improved wear properties. Production of polypropylene fibre also has a lower degree of environmental impact in terms of, for example, consumption of energy and water and CO₂ emissions than other materials such as cotton. Plastic is thus an important complement to natural materials. Through work to increase the proportion of recycled plastic raw materials in the production and building systems to prevent plastic from being thrown or released into our oceans, we can create a responsible use of plastic. In business area Fibre these are two priority development areas. In addition to these efforts we are working in several areas to be able to produce products using alternative materials.

In business area Fibre the central R&D function in Austria initiated co-operation in the beginning of the financial year with the university in Maastricht, Holland, including investment in a new production line. The purpose of the collaboration is to develop new fibres that meet future requirements, both in terms of performance and impact on our environment. The development projects, which to a large degree are customer driven, focus on biologically degradable fibres and a higher degree of recycling.

A first step towards alternative materials is PLA (polylactic acid), which is made from corn starch and sugar beets. This is a 100 percent natural and bio-based material, which can be processed in a way very similar to conventional plastic materials. PLA is biodegradable and is used, among other things, in our production in Cresco.

SUSTAINABLE PRODUCTION

Duroc is involved with production primarily in business area Fibre and Other Industry. All production facilities measure on an ongoing basis and follow up the consumption of energy and water. Several different projects to increase energy efficiency have been implemented in the Group during the financial year. Three of our units have switched to electricity from renewable energy sources, a shift that we encourage more companies in the group to follow. Others have reduced their energy consumption with the help of updated equipment, new working methods and transition to LED lighting.

Each respective production unit has an established process to ensure compliance with environmental laws and regulations and to keep updated on the development thereof. Duroc's goal is for all our production facilities to be environmentally certified in accordance with ISO 14001.

Two units are working on obtaining certification before the end of 2019 and during the first half of 2020, respectively. Once this is accomplished, virtually all facilities in business area Fibre will be operating in accordance with ISO 14001. During the financial year all European units in business area Fibre have joined the international program Operation Clean Sweep, designed to prevent plastic materials from reaching marine environments.

Continuously reducing the amount of waste is another focus area. The amount of waste relative to volume is followed up and analysed on an ongoing basis in business area Fibre. Waste material mainly goes to various forms of recycling.

	2018/2019	2017/2018
Waste	3.65%	3.67%

The amount of material used for packaging of the products is also an area where Duroc's production facilities actively work on improvements. At most of the plants consumption and waste is followed closely. Incoming material is reused whenever possible.

Constantly working with development to reduce consumption of, for example, energy and waste is not just a matter of the environment, it is also a prerequisite for cost-effective and competitive production. Information on safety in our factories can be found under the heading a safe work environment.

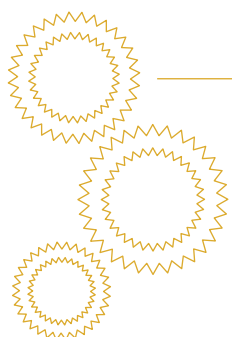
Competent employees

OUR EMPLOYEES

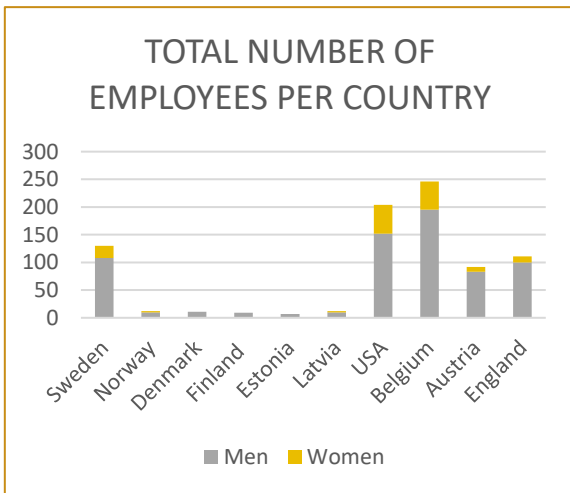
During the financial year the Duroc Group had just over 830 employees, representing a very important and extensive competence. The ability to develop and use this competence in the right way is crucial for the future of operations. The ability to attract complementary or new skills, which is required to meet the challenges of the future, not least in the area of sustainable products, is also crucial. In this area, we must ensure respect for human rights and the right conditions for our staff. If we do not meet these areas well, the risk is that we will not be able to attract the right employees. Healthy and committed employees are a success factor. Duroc has a pronounced decentralized governance model, which is based on our belief that people who can take their own responsibility will be able to develop and influence their work. We are convinced that a culture that utilizes employees' knowledge and good ideas provides better conditions for committed employees and profitable business.

One of the most important factors for our decentralized governance model to function in a good way is that we appoint the right leaders in our companies. Leader who share our values regarding sustainability and long-term value creation, who stand up for all people's equal value and who have the ability to develop operations and employees to reach their full potential.

Duroc strives for a culture where we benefit from the fact that people are different. This creates a better opportunity to see things from multiple perspectives, which benefits the business and brings better, long-term sustainable solutions. Diversity and respect for human rights are fundamental parts of the business and have been documented in the Group-wide Code of Conduct implemented during the 2018/2019 financial year. (See above under the Responsible business section.) Several of the Group's companies also have local, more detailed codes of conduct that deal with these areas.



Absence due to illness by business area	1807-1906	1707-1806
Fibre	2%	4%
Industrial Trade	2%	2%
Other Industry	8%	5%

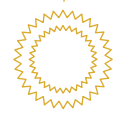


A SAFE WORK ENVIRONMENT

Operations in the Fibre and Other Industry business areas are conducted in factories and workshops. This places high demands on a safe work environment. Duroc's companies must comply with all relevant local environmental, health and safety laws and ensure that we have a safe and reliable environment for our employees. Each company has individual procedures and processes to ensure a safe working environment. These have been developed for to fit the individual factory or workshop. Common to all, however, is that Duroc's employees should feel that they work in a safe environment where they are not only an important part but also have their own responsibility. It is up to everyone not only to follow rules, instructions and routines, but also to contribute and immediately report any risks and threats to a good work environment and to lift things that can be improved.

Several of the Group's companies run health and safety issues, such as, for example, evaluation of protective equipment, vision and hearing tests, stress management and heavy lifting issues, with the help of external expertise in the field. Strategy, standards and routines, as well as risk areas, are evaluated and documented on an ongoing basis, but also more systematically, usually two or more times a year through audits or similar reviews. In the event of an accident, even if minor in nature, follow-up and analysis are carried out, the outcome of which is then taken into account in operational routines and the development of new, safer working methods. Training of employees takes place in accordance with established programs. Both the programs and the employees' knowledge are evaluated on an ongoing basis.

According to Duroc's Group-wide guidelines in this area, each company must have a person responsible for health and safety issues. This person will work systematically and proactively and continuously evaluate the working environment, including through various KPIs. Once a year, an overall risk assessment must be carried out. In the Fibre business area, the work is performed through collaboration between the various units.



EXEMPLES FROM OUR BUSINESSES



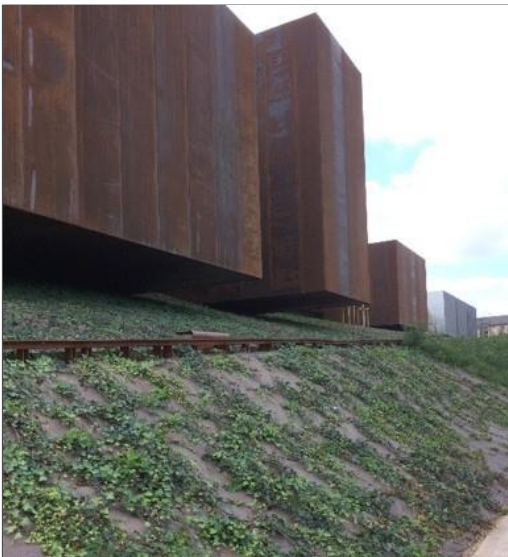
Long-term co-operation between Duroc and experts on bio-based materials from Maastricht University, Holland

Plastic waste in the seas, initiatives to reduce plastic waste in general and EU directives on circular economics are some of the factors that affect future material research programs in the plastic fibre industry.

Through proactive work with sustainability in focus, Duroc has established long-term cooperation with the University of Maastricht, Holland, with the aim of developing new fibres that meet future requirements in terms of both performance and sustainability aspects, such as for example degradability and recycling possibilities.

New production equipment for this purpose has been installed and commissioned at the subsidiary in Linz, Austria. The equipment makes it possible to develop prototypes of new products, which will significantly shorten the development time in the product development chain and ultimately result in a shorter time for the launch of new products.

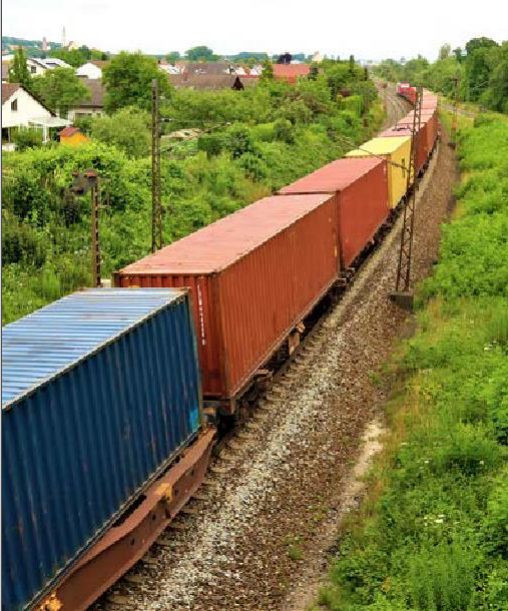
The project is an excellent example of collaboration between industry and academia and opens opportunities to work with customers in new applications and primarily bio-based materials. This co-operation and investment are of strategic importance to Duroc and an important part of the Group's long-term sustainability endeavour.



IFG Cresco—energy efficient cultivation and a biologically degradable solution for ground cover

IFG Cresco supplies textile solutions for professional crop cultivation and ground cover applications. With Cresco's textiles, which are used, in among other places, in greenhouses, the cultivation environment can be designed to be more energy efficient and reduce water consumption. The products make it possible to better control the indoor climate, which increases the opportunities for locally grown crops and thus contributing to a reduced need for transportation. Cresco has also developed Duracover, a biologically degradable ground cover for weed control, made of corn starch (PLA). With Duracover there is an alternative to ground cover, which can replace solutions in plastic and pesticides. Duracover has been used in innumerable park and landscaping projects in public environments. In France, Duracover has for instance been used for the Ligne Grande Vitesse railway project between Tours and Bordeaux, the building of a tramway in Nice and for landscaping work in the park at Musée Soulages in Rodez.

The park at Musée Soulages in Rodez.



Duroc Rail – for a sustainable railway system

The energy consumption for goods and passenger traffic by rail is less than half of the energy consumed in road traffic. Remote transport with road-bound traffic has an energy consumption of 0.2 kWh/ton/km, while the corresponding figure for trains is 0.08 kWh/ton/km. Compared to carbon dioxide emissions, rail traffic has a fraction of road traffic emissions, 53 g CO²/ton/km for a lorry compared to 2.4g CO²/ton/km for trains.

Duroc Rail contributes to a more sustainable railway system by providing high-quality service in maintenance and logistics management of railway wheels in Scandinavia. Duroc Rail provides prompt deliveries, high quality and extensive know-how in the area.

Railway wheels are a critical component the safety of railway traffic which is a guiding principle in our business and means that we carry out our work with the greatest accuracy. By securing the supply of railway wheels to our customers, we contribute to increased confidence in rail transport and that more transport can be transferred to rail. In this way, we contribute to a reduced environmental impact in both passenger and freight transport.



Duroc Laser Coating – The right properties in the right place for efficient and sustainable production

Duroc Laser Coating is the market leader in surface enhancement and surface restoration using laser technology. Both areas provide a clear reduction in industry's utilisation of natural resources as components last longer and can be corrected in the event of a failure instead of being replaced.

A large, but often hidden, part of the climate impact in most technology-intensive industries comes from the production of spare parts. In many cases, it is a small area of a large component that has failed due to wear, but to rectify this the entire part is discarded and a new one is installed. Instead, renovating the worn surface saves both energy and natural resources. Furthermore, since the function and durability of the component can in many cases be improved using materials with more adapted properties, the advantage is doubled. The life of components subject to wear, corrosion or high temperatures can in most cases be doubled, but even three or four times as long is not uncommon.

Duroc Laser Coating also helps to minimise breakdowns of newly manufactured products by already in the production process improving the surface properties of components subject to wear by means of laser welding, laser impregnation and laser tempering.



New environmental requirements strengthen Universal Power's competitiveness

Universal Power (UPN) represents the world's leading developers and makers of diesel engines for industrial and marine use. In Sweden and Norway UPN delivers modern engines at the cutting edge of technology.

During 2019 and 2020 strict, new emission requirements will be introduced for the entire spectrum of industrial diesel engines. The new requirements are referred to as Step V by EU and mean, inter alia, that the levels of nitrogen oxides (NOx) must be further reduced.

During 2019, UPN satisfied the Swedish market's demand for engines that amply meet the new emission standard and stands well prepared for 2020. Our co-operation partners have already developed their entire engine program in several crucial ways, for example by significantly reducing fuel consumption, by making the drive lines and hydraulic systems more efficient, and by developing advanced diesel particle (DPF) filters. The new engines have also been thoroughly tested.

By being at the cutting edge of technology with an engine program well in line with the current environmental requirements, UPN strengthens its competitiveness and can further advance its position in a growing market.

GROUP CONSOLIDATED INCOME STATEMENT

MSEK	Note	1 July 2018– 30 June 2019	1 July 2017– 30 June 2018
Net sales	6	2,974.4	2,526.4
Other operating income	7	13.2	33.3
Change in inventories		1.0	1.1
Raw materials and consumables		-1,530.1	-1,382.3
Goods for resale		-412.4	-270.3
Other external expenses	8	-417.6	-338.9
Personnel costs	9	-478.5	-393.8
Depreciation of tangible and intangible assets	12,13,14	-51.6	-44.4
Other costs		-4.6	-14.8
Operating profit		93.7	116.2
Financial income	10	2.0	5.6
Financial costs	10	-6.7	-9.0
Net financial items		-4.7	-3.4
Profit before tax		89.0	112.8
Deferred taxes	11	13.0	29.8
Current taxes	11	-14.8	-12.0
PROFIT FOR THE YEAR		87.3	130.6
Attributable to:			
The Parent Company's shareholders		87.3	130.6
Earnings per share, SEK, attributable to the parent company's shareholders			
Before and after dilution	21	2.24	3.35

CONSOLIDATED REPORT OF COMPREHENSIVE INCOME

MSEK	1 July 2018– 30 June 2019	1 July 2017– 30 June 2018
PROFIT FOR THE YEAR	87.3	130.6
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to the income statement		
Translation differences	13.9	40.0
Hedge accounting (net)	0.6	1.0
Tax attributable to items that may be reclassified to the income statement	0.0	0.0
Items that will not be reclassified to the income statement		
Revaluation of strategic holdings	-26.1	-
Actuarial gains and losses	-9.8	22.2
Tax attributable to items that will not be reclassified to the income statement	1.6	-3.7
Total other comprehensive income	-19.7	59.5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	67.6	190.1
Total comprehensive income for the period attributable to:		
The Parent company's equity holders	67.6	190.1
PROFIT FOR THE YEAR	67.6	190.1

CONSOLIDATED BALANCE SHEET

MSEK	Note	30 june 2019	30 june 2018
ASSETS			
Fixed assets			
Goodwill	12	82.5	77.1
Other intangible assets	12	9.5	6.0
Tangible assets	13,14	460.3	433.4
Long term investments	15	28.7	9.4
Other long term assets	16	2.3	-
Deferred tax assets	11	69.8	58.1
TOTAL FIXED ASSETS		653.0	584.0
Current assets			
Inventories	17	385.8	353.9
Advances to suppliers		2.8	0.9
Accounts receivables	18	434.4	421.5
Current tax assets		2.2	0.5
Other current assets		17.8	26.0
Prepaid expenses and accrued income	19	10.4	13.2
Cash	20	352.5	262.2
Total current assets		1,206.0	1,078.2
TOTAL ASSETS		1,859.0	1,662.2
EQUITY AND LIABILITIES			
Equity			
Share capital		39.0	39.0
Other capital provided		260.5	260.5
Reserves		119.1	104.6
Retained earnings including profit for the year		531.4	478.3
Equity attributable to the parent company's shareholders		950.0	882.4
TOTAL EQUITY	35	950.0	882.4
Long term liabilities			
Provisions for pensions	22	51.1	42.6
Provisions for guarantees	23	2.7	2.0
Other provisions	23	10.9	26.6
Long-term interest-bearing liabilities	24	105.7	93.9
Deferred tax assets	11	36.0	39.9
Total long term liabilities		206.4	205.0
Current liabilities			
Short-term interest-bearing liabilities	24	370.9	179.8
Advances from costumers		30.1	28.2
Accounts payables		176.4	251.6
Current tax liabilities		7.0	3.8
Other liabilities	25	43.6	55.9
Accrued expenses and prepaid income	26	74.6	55.5
Total current liabilities		702.6	574.8
Total liabilities		909.1	779.8
TOTAL EQUITY AND LIABILITIES		1,859.0	1,662.2

CHANGES IN THE CONSOLIDATED EQUITY

MSEK	Attributable to the parent company's shareholders					TOTAL	TOTAL Share capital
	Share capital	Other capital provided	Hedge accounting	Translation-reserve	Retained earnings		
Opening balance 1/7 2017	39.0	260.5	-0.6	64.2	329.3	692.4	692.4
Profit for the year	-	-	-	-	130.6	130.6	130.6
Other comprehensive income							
Actuarial gains/losses	-	-	-	-	18.5	18.5	18.5
Translation differences	-	-	-	40.0	-	40.0	40.0
Hedge accounting	-	-	1.0	-	-	1.0	1.0
Total other comprehensive income	-	-	1.0	40.0	149.1	190.1	190.1
Closing balance 30/6 2018	39.0	260.5	0.4	104.2	478.4	882.5	882.5
Opening balance 1/7 2018	39.0	260.5	0.4	104.2	478.4	882.5	882.5
Profit for the year	-	-	-	-	87.3	87.3	87.3
Other comprehensive income							
Actuarial gains/losses	-	-	-	-	-8.2	-8.2	-8.2
Translation differences	-	-	-	13.9	-	13.9	13.9
Revaluation of strategic holdings	-	-	-	-	-26.1	-26.1	-26.1
Hedge accounting	-	-	0.6	-	-	0.6	0.6
TOTAL OTHER COMPREHENSIVE INCOME	-	-	0.6	13.9	-34.3	67.5	67.5
Closing balance 30/6 2019	39.0	260.5	1.0	118.1	531.4	950.0	950.0



CONSOLIDATED CASHFLOW

MSEK	Note	1 July 2018 – 30 June 2019	1 July 2017 – 30 June 2018
OPERATING ACTIVITIES			
Profit before tax		89.0	112.8
Adjustment for items not included in cash flow		43.0	13.4
		132.0	126.2
Income taxes paid		-13.1	-13.3
Cash flow from operating activities before changes in working capital		119.0	112.9
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Changes in inventories		-1.1	-70.7
Changes in current receivables		23.9	-109.9
Changes in current liabilities		-71.0	144.8
Changes in working capital		-48.2	-35.8
Cash flow from operating activities		70.8	75.7
INVESTMENT ACTIVITIES			
Purchase of intangible assets		-1.3	-1.4
Purchase of tangible assets		-61.0	-39.8
Sales of tangible assets		0.3	0.0
Cash flow from acquisitions		-34.1	-64.7
Investments in financial instruments		-47.6	-
Cash flow from investment activities		-143.7	-106.0
FINANCIAL ACTIVITIES			
New loans		213.0	78.2
Repayments		-31.8	-103.4
Changes in credit facilities		-21.0	2.0
Cash flow from financial activities		160.2	-23.2
Total Cash flow		87.3	-53.5
Cash and equivalents in the beginning of the year		262.2	295.4
Translation differences		3.0	20.3
Cash and equivalents at period end	34	352.5	262.2

PARENT COMPANY INCOME STATEMENT

MSEK	Note	1 July 2018 – 30 June 2019	1 July 2017 – 30 June 2018
Net sales	6	4.6	3.6
Other external costs	8	-7.2	-8.2
Personnel costs	9	-9.5	-6.4
Depreciation	12,13,14	-0.4	-0.2
Operating profit		-12.5	-11.2
Result from shares in group companies		58.8	-
Other financial income		1.6	1.0
Financial cost		-0.8	-0.4
Net finance items	10	59.6	0.6
Group contributions received/paid		19.4	6.3
Profit before tax		66.5	-4.4
Current taxes	11	-	-
Deferred taxes	11	-1.7	-0.8
Profit after tax		64.7	-5.2

PARENT COMPANY REPORT OF COMPREHENSIVE RESULT

MSEK	1 July 2018 – 30 June 2019	1 July 2017 – 30 June 2018
PROFIT	64.7	-5.2
Other comprehensive income	-	-
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	64.7	-5.2



PARENT COMPANY BALANCE SHEET

MSEK	Note	30 June 2019	30 June 2018
ASSETS			
Fixed assets			
Other intangible assets	12	1.3	0.9
Tangible assets	13	0.0	0.0
Shares in subsidiaries	33, 34	876.5	856.5
Shares in other companies	15	0.4	0.4
Long term receivables from group companies	16	48.2	-
Deferred tax assets	11	22.2	23.9
Total fixed assets		948.5	881.7
Current assets			
Short term receivables from group companies	32	25.2	31.9
Other current assets		0.6	1.2
Prepaid expenses and accrued income	19	0.6	0.4
Cash and cash equivalents	20	203.7	36.3
Total current assets		230.1	69.8
TOTAL ASSETS		1,178.7	951.5
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		39.0	39.0
Other restricted equity		1.1	1.1
Unrestricted equity			
Additional paid in capital		821.5	821.5
Retained earnings		33.7	38.9
Result for the year		64.7	-5.2
TOTAL EQUITY	35	960.0	895.3
Long term receivables			
Liabilities to group companies	24	3.2	-
Short term liabilities			
Short-term interest-bearing liabilities	24	181.6	4.3
Accounts payables		1.4	0.3
Liabilities to group companies	24	27.9	46.5
Other short term liabilities	25	0.3	-
Accrued costs and prepaid income	26	4.2	5.1
Total current liabilities		215.5	56.2
Total liabilities		218.7	56.2
TOTAL EQUITY AND LIABILITIES		1,178.7	951.5

PARENT COMPANY'S EQUITY

MSEK	Restricted equity		Unrestricted equity			Total equity
	Share-capital	Restricted reserves	Other capital provided	Retained earnings	Result for the year	
Opening balance 1/7 2017	39.0	1.1	821.5	48.7	-9.8	900.5
Disposition of last year's result	-	-	-	-9.8	9.8	-
Result for the period						
Profit for the period	-	-	-	-	-5.2	-5.2
Other comprehensive income	-	-	-	-	-	-
Result for the period	-	-	-	-	-5.2	-5.2
Closing balance 30/6 2018	39	1.1	821.5	38.9	-5.2	895.3
Opening balance 1/7-2018	39.0	1.1	821.5	38.9	-5.2	895.3
Disposition of last year's result	-	-	-	-5.2	5.2	-
Result for the period						
Profit for the period	-	-	-	-	64.7	64.7
Other comprehensive income	-	-	-	-	-	-
Result for the period	-	-	-	-	64.7	64.7
Transactions with shareholders	-	-	-	-	-	-
Closing balance 30/6-2019	39.0	1.1	821.5	33.7	64.7	960.0

PARENT COMPANY CASH FLOW

MSEK	Note	1 July 2018 – 30 June 2019	1 July 2017 –30 June 2018
OPERATING ACTIVITIES			
Profit before tax		66.5	-4.4
Adjustment for items not affecting cash flow		-25.6	-6.1
		40.9	-10.5
Paid taxes		-0.1	0.0
Cash flow from the operating activities before changes in working capital		40.7	-10.5
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/Decrease (+) in current assets		-0.4	-1.4
Increase (+)/Decrease (-) in current liabilities		0.9	-1.2
Changes in working capital		0.5	-2.6
Cash flow from operating activities		41.8	-13.1
INVESTMENT ACTIVITIES			
Purchase of intangible assets		-0.7	-1.4
Purchase of tangible assets		-0.0	-
Shareholder contribution to subsidiaries		-20.0	-
CASH FLOW FROM INVESTMENT ACTIVITIES		-20.7	-1.4
FINANCING ACTIVITIES			
New loans		179.5	-
Repayments		-2.1	-2.1
Net change in group internal receivables and liabilities		-30.2	41.1
Cash flow from financing activities		147.1	39.0
Cash flow for the period		167.5	24.5
Cash and equivalents in the beginning of the period		36.3	11.8
Translation difference		-0.1	-
Cash and equivalents at the end of the period	34	203.7	36.3

NOTE 6 NET SALES AND SEGMENT REPORTING

DISTRIBUTION OF REVENUE

Classification of sales	GROUP		PARENT COMPANY	
	1807-1906	1707-1806	1807-1906	1707-1806
MSEK				
Sale of goods	2,844.6	2,421.5	-	-
Commission income	0.5	0.7	-	-
Service assignments	125.8	102.5	4.6	3.6
Other	3.6	1.7	-	-
Net sales	2,974.4	2,526.4	4.6	3.6

SEGMENT REPORTING

The management team has stated the segment based on the information that is treated by the board and the managing director, and which is used to make strategic decisions. The highest executive decision-making body in the group is the board and the Group CEO. The Group's different business areas are managed and organised independently with starting point in the product and services provided, where each branch is representing a strategic business unit offering different products. The Groups primary segment is organised in independent business units. The internal reporting system is built upon monitoring the return on the Groups goods and services, why the segments are the primary group of diversion. The business in each business are consists of:

Fibre: Business area Fibre consists of International Fibres Group (IFG). IFG produces polypropylene based fibres and yarns and also fibre-based textiles for professional growers.

Industrial trade: In business area industrial trade, Duroc Machine Tool carries out trade with tooling machines, automatic solutions,

tools, service and support to the manufacturing industry. Herber Engineering offers tube bending machines and Universal Power delivers diesel engines for industrial and marine use, with spare parts, service and repairs.

Other industry: Business unit Other industry contains of Duroc Rail and Duroc Laser Coating (DLC). Duroc Rail delivers qualified maintenance of railway wheels for locomotives and wagons for actors in the rail way industry. DLC offers maintenance and manufacturing of industrial components based on laser coating technique.

Transfer pricing is conducted on market-based terms. Internal trade is mainly conducted between the subsidiaries and the parent company and within the business units.

In the segments result, assets and liabilities, directly derived items and items that can be distributed between the different segments in a reasonable and reliable way.

Business units

GROUP MSEK	Fibre		Industrial trade		Other industry		Group internal items and eliminations		Group	
	1807-1906	1707-1806	1807-1906	1707-1806	1807-1906	1707-1806	1807-1906	1707-1806	1807-1906	1707-1806
Net sales	2,252.0	2,040.0	590.2	375.7	132.2	110.9	4.6	3.6	2,979.0	2,530.2
external	2,252.0	2,040.0	590.2	375.7	132.2	110.9	0.0	-0.2	2,974.4	2,526.4
Internal	-	-	-	-	-	-	4.6	3.7	4.6	3.7
Operating profit	59.0	97.5	33.1	19.9	14.1	10.0	-12.5	-11.2	93.7	116.2
Financial net	-3.3	-2.1	-1.1	-0.6	-1.1	-1.2	0.8	0.6	-4.7	-3.4
Taxes	4.5	23.3	-4.4	-3.7	-0.1	-2.0	-1.7	0.2	-1.7	17.8
Profit for the year	60.2	118.7	27.6	15.6	12.9	6.8	-13.4	-10.4	87.3	130.6
Assets	1,252.5	1,293.5	256.1	215.8	75.5	67.5	274.8	85.5	1,859.0	1,662.2
Liabilities	541.7	609.3	186.1	135.3	67.2	59.4	114.1	-24.2	909.1	779.8
Investments	-44.7	-98.0	-21.5	-1.2	-8.6	-5.7	-0.8	-1.1	-75.5	-106.0
Depreciation	33.4	36.7	12.9	1.7	1.6	5.8	0.4	0.3	48.4	44.4

Ingroup internal items Duroc AB is included. The activities of Duroc AB is partly to serve the other companies. Duroc invoices a service fee to the other companies in the group

as compensation for the services provided. Dividends from the subsidiaries amounting to 58,8 MSEK are not presented here.

Geographical areas

Group MSEK	Sweden		Nordics		Europe		USA		Other markets		Group	
	1807- 1906	1707- 1806	1807- 1906	1707- 1806	1807- 1906	1707- 1806	1807- 1906	1707- 1806	1807- 1906	1707- 1806	1807- 1906	1707- 1806
Net sales	346.3	243.9	258.2	196.1	1,558.2	1,365.7	685.5	602.7	126.2	118.0	2,974.4	2,526.4
Tangible assets	44.7	38.1	4.3	4.8	238.4	220.6	172.9	169.9	0.0	0.0	460.3	433.4
Investments	-21.5	-16.8	0.0	-0.8	-36.2	-69.6	-17.8	-18.8	0.0	0.0	-75.5	-106.0

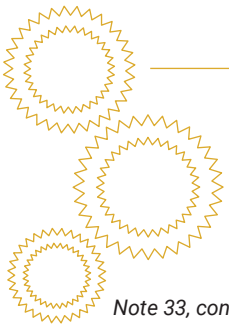
Net sales are based on the area where the costumers are located. The assets are presented based on where the assets are located.

NOTE 33 GROUP COMPANIES

Group companies	Company reg.nr	Country	Municipality	Business type	Ownership in %
Duroc Produktion AB	556618-5178	Sweden	Täby	Holding	100
Duroc Rail AB	556562-8442	Sweden	Luleå	Manufacturing	100
Duroc Laser Coating AB	556619-9328	Sweden	Luleå	Manufacturing	100
Duroc Reserv 1 AB	556169-0156	Sweden	Danderyd	Holding	100
Duroc Machine Tool Holding AB	556716-0782	Sweden	Täby	Holding	100
Duroc Machine Tool AB	556282-7633	Sweden	Täby	Trade	100
Duroc Machine Tool Oü	109 815 71	Estonia	Tartu	Trade	100
Duroc Machine Tool SIA	4000 371 649 5	Latvia	Riga	Trade	100
Duroc Machine Tool OY	2580623-8	Finland	Helsingfors	Trade	100
Vislanda Maskin AB	556586-8394	Sweden	Alvesta	Trade	100
Duroc Machine Tool AS	956346215	Norway	Ski	Trade	100
Universal Power Nordic AB	559139-1312	Sweden	Skänninge	Trade	100
Universal Diesel AS	946 598 771	Norway	Lørenskog	Trade	100
Herber Engineering AB	556716-3919	Sweden	Värnamo	Trade	100
IQT Technology AB	556823-0360	Sweden	Värnamo	Manufacturing	100
International Fibres Group AB	556933-2694	Sweden	Danderyd	Holding	100
International Fibres Group (Holdings) Limited	468624	Great Britain	Bradford	Holding	100
Terry Holdings (Horbury) Limited	352990	Great Britain	Bradford	Holding	100
Speciality Coatings Group Limited	1243319	Great Britain	Bradford	Holding	100
Chamberlain Coatings Limited	3080757	Great Britain	Bradford	Dormant	100
Accrington Packing & Storage Limited	586470	Great Britain	Bradford	Dormant	100
Chapelthorpe Inc	887210	U.S.A.	Martinsville	Dormant	100
Chapelthorpe Investments Inc	887211	U.S.A.	Martinsville	Dormant	100
Ifg Holdings Inc	885934	U.S.A.	Martinsville	Holding	100
International Fibres Group Limited	7503139	Great Britain	Bradford	Holding	100
Drighlington Fibres Limited	4229856	Great Britain	Bradford	Holding	100
IFG Asota GmbH	FN86129k	Austria	Linz	Manufacturing	100
Drake Extrusion Inc	2483026	U.S.A.	Martinsville	Manufacturing	100
IFG Drake Limited	395461	Great Britain	Bradford	Manufacturing	100
IFG Exelto NV	BE-75.127.961	Belgium	Gent	Manufacturing	100
IFG Cresco NV	0428.205.708	Belgium	Lokeren	Manufacturing	100
Speciality Coatings (Darwen) Limited	2023995	Great Britain	Darwen	Joint Venture	40

PARENT COMPANY

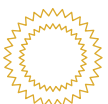
MSEK	30/6-2019	30/6-2018
Accumulated purchase value		
Opening balance	945.5	945.5
Shareholders contribution to subsidiaries in conjunction with acquisitions	20.0	-
Closing balance	965.5	945.5
Accumulated impairment		
Opening balance	-89.0	-89.0
Closing balance	-89.0	-89.0
Carrying amount	876.5	856.5



Note 33, continued

Specification of parent company's direct shares in other group companies

	Company reg. nr	Number of shares	Ownership in (%)	Booked value	
				2019-06-30	2018-06-30
Duroc Produktion AB	556618-5178	1 000	100	10.6	10.6
Duroc Machine Tool Holding AB	556716-0782	4 278	100	74.1	54.1
International Fibres Group AB	556933-2694	31 671 100	100	791.8	791.8
				876.5	856.5





KEY FINANCIALS

Key financial (amounts in MSEK)	IFG DUROC		IFG			
	1807-1906	1707-1806	1607-1706	1507-1606	1407-1506	1307-1406
Income statement						
Net sales	2,974.4	2,526.4	2,021.5	1,908.3	1,839.5	1,700.6
Operating result	93.7	116.2	83.8	120.9	90.5	92.2
Operating result excluding depreciation and amortization	145.3	160.6	120.8	89.5	58.4	62.9
Result after financial items	89.0	112.8	76.8	88.5	49.9	53.9
Result per share	87.3	130.6	54.3	62.4	36.6	57.5
Return on Equity	9.5	14.8	7.8	15.2	9.8	19.7
Balance sheet						
Total assets	1,859.0	1,662.2	1,320.8	940.2	928.7	812.2
Cash and equivalents	352.5	262.2	295.4	136.2	133.1	136.7
Interest bearing items	475.7	273.7	213.6	117.0	106.3	114.5
Net debt / Net cash	124.1	11.5	-25.5	19.2	26.8	22.2
Capital employed	1,425.7	456.3	410.5	527.4	517.6	451.3
Equity	950.0	882.4	692.4	410.5	411.3	338.6
Equity ratio (%)	51	53	52	44	44	42
Equity/share (SEK)	24.4	22.6	17.8	10.5	10.6	8.7
Cash flow						
Cash flow from the operating activities before changes in working capital	119.0	112.9	88.3	80.4	64.5	66.1
Cash flow from the operating activities	70.8	75.7	112.6	40.9	57.0	49.5
Cash flow from investment activities	-143.7	-106.0	-9.0	-35.1	-54.8	-48.1
Cash flow from financing activities excl. dividends	160.2	-23.2	55.9	1.1	-20.3	11.7
Cash flow for the period	87.3	-53.5	159.5	6.9	-18.1	13.1
Dividends	-	-	-	-	-	-
Personnel						
Average number of employees	834	724	572	455	441	455
Net sales/average number of employees (MSEK)	3.5	3.4	3.5	2.6	2.6	3.7
Refining value/average number of employees (MSEK)	1.7	0.8	0.9	1.0	1.1	0.4



DEFINITION OF KEY FINANCIAL INDICATORS

Organic growth	Net sales growth adjusted for acquisitions and translation differences
Equity	Total of restricted and unrestricted capital
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
Adjusted EBITDA	EBITDA adjusted for items affecting comparability
Equity ratio	Equity/Total assets
Adjusted equity ratio	Equity/Assets, where cash and interim liabilities is presented on a net basis
Items affecting comparability	Items in the income statement, which if they are not adjusted for, will affect the ability to analyse the development of the Group's performance
Earnings per share	Result after tax/Average number of outstanding shares
+ Net debt/ - Net cash	Interest bearing liabilities minus cash and cash equivalent
Net debt ratio	Net debt/Equity



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