

INTERIM REPORT

JULY 2019-SEPTEMBER 2019

STRONG EARNINGS AND CASH FLOW

First quarter July-September 2019

- Net sales increased by 23 percent to MSEK 866.2 (704.4).
- Adjusted EBITDA*, where the positive effects of IFRS 16 have been excluded, increased by 66 percent, amounting to MSEK 47,1 (28.5), equivalent to an adjusted EBITDA* margin of 5.4 percent (4.0).
- Operating profit amounted to MSEK 94.7 MSEK (15.5), including reversal of negative good will from the acquisition of Cotting Group in the amount of MSEK 65.7.
- Cash flow from operating activities amounted to MSEK 113.5 (-27.1).
- Profit after taxes amounted to MSEK 83.4 MSEK (10.0).
- Earnings per share amounted to SEK 2.14 (0.26).
- Cotting Group, acquired on 1 July 2019, was consolidated as of that date.

Group (MSEK)	2019/2020 Q1	2018/2019 Q1	2019/2020 R12 SEP	2018/2019 JUL-JUN
Net sales	866.2	704.4	3,136.2	2,974.4
EBITDA	119.4	28.5	236.2	145.3
Adjusted EBITDA*	47.1	28.5	161.0	142.3
Adjusted EBITDA-margin, %	5.4	4.0	5.1	4.8
Operating profit/loss	94.7	15.5	173.0	93.7
Profit/loss after tax	83.4	10.0	160.7	87.3
Profit per share, before and after dilution, %	2.14	0.26	4.12	2.24
Cashflow from operating activities	113.5	-27.1	211.4	70.8
Net debt excl. IFRS 16	226.6	47.9	226.6	124.1
Net debt/Equity ratio, %	22	5	22	13

* Adjusted for items affecting comparability and effects from IFRS 16. Reconciliation of amounts will be found on page 20.

Duroc AB

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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. Including recently acquired Cotting Group, consolidated sales amount to approximately MSEK 3,700. The Group has approximately 1,200 employees. Duroc is listed on Nasdaq Stockholm (symbol: DURC).

www.duroc.se

DUROC

CEO STATEMENT

Duroc delivers a first quarter 2019/2020 with a significant earnings improvement and a strong cash flow. The acquisition of Cotting Group opens a global market with good opportunities for growth, organic as well as in the form of opportunistic acquisitions.

First quarter July-September 2019

Development during the first quarter, which contains one holiday month, was positive for Duroc. Consolidated net sales grew by 23 percent to MSEK 866.2 (704.4) and the operating profit amounted to MSEK 94.7 (15.5). Not including items affecting comparability*, operating profit increased by 89 percent to MSEK 29.3 (15.5). Thanks to a strong operative cash flow, net debt, adjusted for the acquisition of Cotting Group, was reduced during the period by MSEK 88. As of 30 September, net debt amounted to MSEK 226.6, equivalent to approximately 1.4 times EBITDA (not including IFRS 16) on a moving 12-month basis. Duroc owns a significant portion of the properties where the Group conducts its business. The market value of these properties is expected to exceed the Group's net debt by a wide margin.

All business areas improved their profitability during the first quarter. Marginally weaker demand was noted in some areas of the Group, at the same time as improved margins contributed to a positive development. Manufacturing of yarns in the United States, DMT and Rail are the products and units with the strongest development during the period. Geographically, the Nordic countries and USA showed the best performance.

1st of July 2019, possession was taken of the French/Belgian Cotting Group, which increases the Duroc Group's consolidated sales by approximately 25 percent. In connection with the acquisition, Duroc creates a new business area – Technical Textiles – thereby creating a platform for continued growth, organically as well as by acquisitions. The global market for, primarily, PVC and PU coated textiles, used by a large number of segments, primarily in B2B business, is today estimated to amount to approximately SEK 170 billion, with annual volume growth of about 4 percent. The industry is highly fragmented and Duroc believes that the prospects for carrying out further opportunistic acquisitions are good.

The prospects ahead

Specific industries and geographic markets are currently signalling weaker demand for goods and services. This applies primarily to areas related to automotive industry in Europe. Customers are more cautious overall in their investments for the future and decisions for capacity increases are deferred. The picture is not all gloomy, however, and the Duroc Group counters any weakening in demand with product development, investments in new markets and good preparedness to fend off a more substantial decline with cost adjustments. This applies primarily to areas related to the automotive industry in Europe. Duroc's strong financial position is an extra security, while also making us well prepared to seize future opportunities for acquisitions in flight. In its operations, the Duroc Group has a good spread across various industries as well as geographic markets. This breadth of operations is deemed to be an additional factor of strength for the Group.

Financial goals

With its current structure, the Duroc Group has net sales of approximately MSEK 3,700 on an annual basis, with an operating margin of about 3.5 percent. Within a three-year period, the goal is to elevate the operating margin to at least 6 percent. This case is well-founded in Duroc's strategic plan, prepared together with all the Group's companies. This strategic plan contains actual activities, some of which have already been implemented. Continued investments in customer-controlled product and market development, investments in efficiency-promoting and capacity-improving machinery and ongoing reduction of operating costs create conditions for a significant improvement of the Group's earnings capacity as well as its cash flow.

Historically, Duroc has managed to elevate the results of underperforming units and my assessment is that we are well placed to realize our ambitions also going forward.

John Häger
CEO

*Mainly negative goodwill in the amount of MSEK 65.7 from the acquisition of Cotting Group. Refer to page 18.

THE GROUP'S DEVELOPMENT

The Duroc Group consists of business areas Fibre, Industrial Trading and Other Industry and the newly formed business area Technical Textiles. Acquired Cotting Group and Herber are included in the Group since 1 July 2019 and 1 May 2019, respectively and are consolidated as of these dates.

First quarter July-September 2019

Net sales amounted to MSEK 866.2 (704.4), an increase of 23 percent compared to the equivalent period of the previous financial year. Organic growth was negative and amounted to -2 percent. Parts of business areas Fibre and Industrial Trading encountered certain economic weakness, while market demand continued to be strong in the United States and the Nordic Region. Other Industry had a strong quarter, doubling net sales.

Earnings improved in all business areas. EBITDA amounted to MSEK 119.4 (28.5), affected by the acquisition of Cotting Group, with negative goodwill of MSEK 65.7, as well as effects of the transition to IFRS 16. Adjusted EBITDA, where these effects have been removed, amounted to MSEK 47.1 (28.5) and the adjusted EBITDA margin landed at 5.4 percent (4.0).

Cash flow from operating activities amounted to MSEK 113.5 (-27.1), influenced by positive effects from trade receivables and lower levels of inventory.

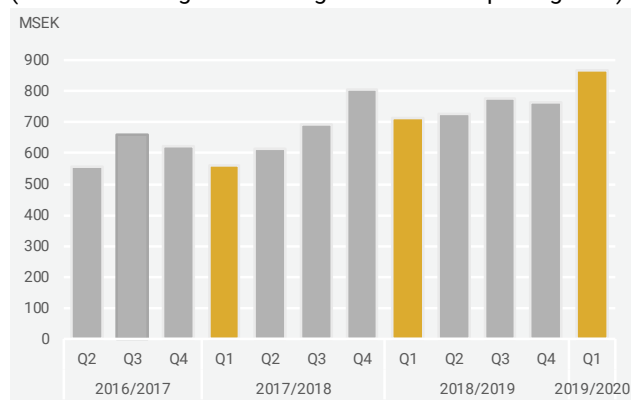
The acquisition of Cotting Group, a French-Belgian producer of technical textiles with net sales of approximately 70 MEUR was finalised 1th of July 2019. The preliminary purchase price amounted to MSEK 190.1. Cotting Group is reported as a separate business area, Technical Textiles, contributing net sales of MSEK 140.8 and operating income of MSEK 70.6 for the first quarter. Adjusted EBITDA for Cotting Group amounted to MSEK 7.5.

Group (MSEK)	2019/2020 Q1	2018/2019 Q1	2019/2020 R12 SEP	2018/2019 JUL-JUN
Net sales	866.2	704.4	3,136.2	2,974.4
EBITDA	119.4	28.5	236.2	145.3
Adjusted EBITDA	47.1	28.5	161.0	142.3
Adjusted EBITDA-margin, %	5.4	4.0	5.1	4.8
Operating profit/loss	94.7	15.5	173.0	93.7
Average number of employees	1,184	824	995	834

The bar charts below show sales and operating profit by quarter totalled for Fibre, Industrial Trading and Other Industry. The comparative data until February 2017 are compiled pro forma for the acquisition of IFG, which is reported as a reverse acquisition.

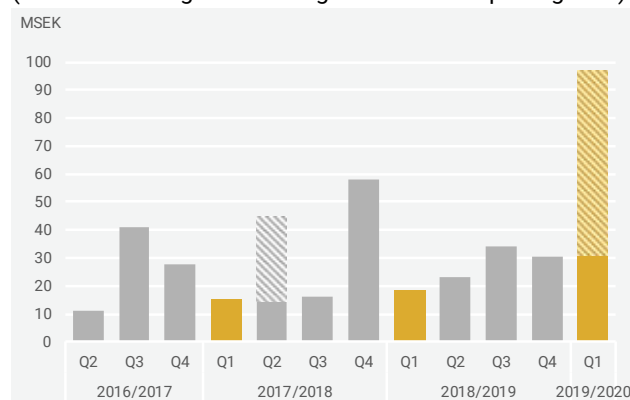
CONSOLIDATED SALES

(Converted using the exchange rate on the reporting date)



CONSOLIDATED OPERATING PROFIT

(Converted using the exchange rate on the reporting date)



The operating profit Q2 2017/2018 and Q1 2019/2020 includes MSEK 31 and MSEK 65.7, respectively, from negative goodwill.

BUSINESS AREA FIBRE

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

First quarter July-September 2019

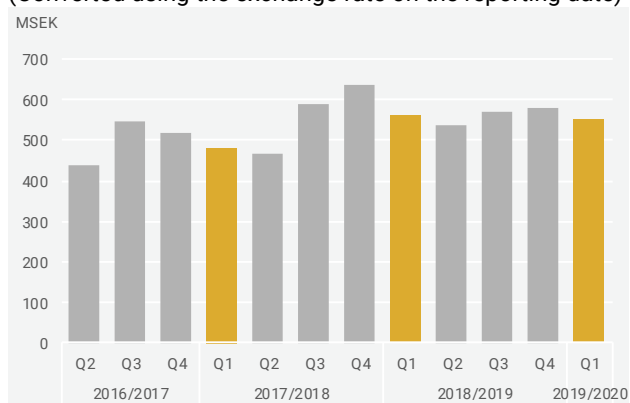
Net sales declined by 1 percent and amounted to MSEK 551.9 MSEK (556.5). Organic growth was also negative, declining by 5 percent. The decrease is primarily attributable to the staple fibre operations, the part of the business area that has the lowest margins. The fact that the more profitable yarns business constitutes a larger portion of sales has helped to improve margins.

EBITDA improved to MSEK 28.9 MSEK (21.1) and adjusted EBITDA, where the positive effects of IFRS have been eliminated, amounted to MSEK 26.1 (21.1). The adjusted EBITDA margin improved to 4.7 (3.8).

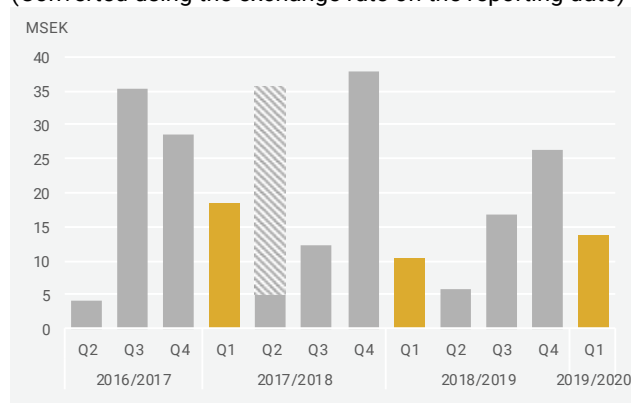
Continued growth and profitability-promoting investments in the operations in the United States and Cresco, together with ongoing efforts to consolidate and co-ordinate the staple fibre operations in Europe, is the main focus during the financial year.

Fibre (MSEK)	2019/2020 Q1	2018/2019 Q1	2019/2020 R12 SEP	2018/2019 JUL-JUN
Net sales	551.9	556.5	2,247.4	2,252.0
EBITDA	28.9	21.1	109.3	101.5
Adjusted EBITDA	26.1	21.1	103.4	98.5
Adjusted EBITDA-margin, %	4.7	3.8	4.6	4.4
Operating profit/loss	13.6	10.2	62.5	59.0
Average number of employees	662	666	669	671

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



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



The operating profit Q2 2017/2018 includes MSEK 31 from negative goodwill.

BUSINESS AREA TECHNICAL TEXTILES

Business area Technical Textiles consists of the Cotting Group. With the acquisition of the Cotting Group in July 2019, the Duroc Group has established itself on the market of coated textiles. The products are PVC and PU coated textiles that are used in several areas including automotive interiors, the fashion industry, protective apparel, hospital beds, dental chairs, furniture and wall coverings.

First quarter July-September 2019

Net sales amounted to MSEK 140.8 and EBITDA amounted to MSEK 73.7, including the effect of negative goodwill in the amount of MSEK 65.7. Negative goodwill arises when the value of the net assets acquired exceeds the purchase price and according to the accounting policies applied by the Group (IFRS 3) must be carried directly to profit and loss.

Adjusted EBITDA, where negative goodwill as well the effects of IFRS 16 have been excluded, amounted to MSEK 7.5 and the adjusted EBITDA margin was 5.3 percent.

Technical Textiles	2019/2020 Q1
Net sales	140.8
EBITDA	73.7
Adjusted EBITDA	7.5
Adjusted EBITDA-margin, %	5.3
Operating profit/loss	70.6
Average number of employees	335

Business area Technical Textiles

Cotting Group is since more than 60 years established on the international market of coated textiles.

The products consist of PVC and PU coated textiles used in a number of areas including automotive interiors, the fashion industry, protective apparel, hospital beds, dental chairs, furniture and wall coverings. Cotting Group owns two production facilities, one in Nucourt, about 50 km north-west of Paris, and one in Wielsbeke, about 30 km south west of Gent.

Market with growth potential

Globally, the market for coated textiles is estimated to amount to approximately MSEK 170 billion, of which the European part where Cotting has most of its sales, is close to SEK 40 billion. The markets for coated textiles are subject to long-term growth and is estimated to grow by 4 percent annually, which means SEK 7 billion a year. The industry is fragmented at the same time as the barriers to entry are high. Operations are capital intensive and customers demand a high degree of delivery dependability. The opportunities for Duroc to grow in this sector organically as well as through continued opportunistic acquisitions, are deemed to be positive and financially attractive.

BUSINESS AREA INDUSTRIAL TRADING

In business area Industrial Trading Duroc Machine Tool (DMT) trades in machine tools and offers automation solutions, tools, service and support for the engineering industry. Universal Power (UPN) supplies diesel engines for industrial and marine use and related spare parts, service and repairs and Herber Engineering develops, manufactures and sells equipment for tube bending. Herber is part of the business area from 1 May 2019 and is therefore included in the comparative data from that point in time.

First quarter July-September 2019

Net sales increased during the first quarter by 7 percent to MSEK 143.4 (133.5). Organic growth was negative, however, and declined by 4 percent compared to the year before. The decrease is attributable to Duroc Machine Tool which has faced a slight slowdown in the market, especially in the automotive industry where customers are deferring their capital investment decisions. Demand for diesel engines from UPN was stable during the quarter.

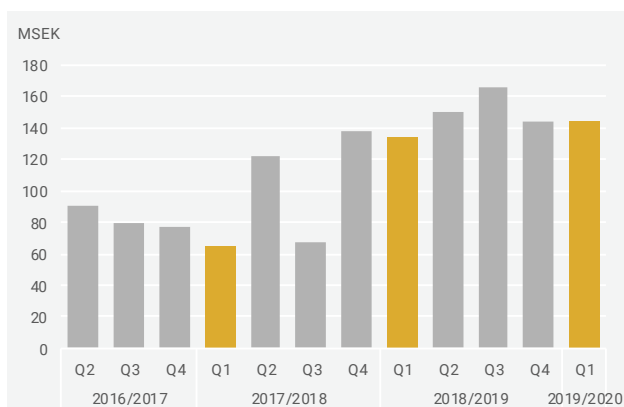
Adjusted EBITDA, where the positive effects of IFRS 16 have been removed, amounted to MSEK 11.4 (9.9). An improvement in Duroc Machine Tool's gross contributed to the improved result. The business area's operating profit amounted to MSEK 10.6 MSEK (9.1).

Herber Engineering, which is a part of the business area since May 2019 developed well and, ending the quarter with a large order backlog. However, seasonal effects mean that the effect on earnings is not expected until the second part of the financial year.

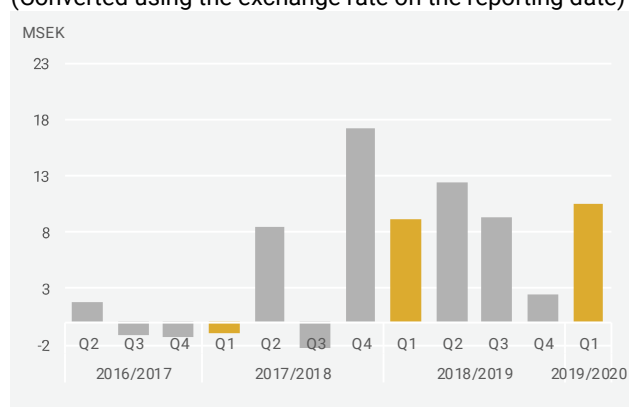
Industrial Trading (MSEK)	2019/2020 Q1	2018/2019 Q1	2019/2020 R12 SEP	2018/2019 JUL-JUN
Net sales	143.4	133.5	600.1	590.2
EBITDA	13.9	9.9	40.1	36.0
Adjusted EBITDA	11.4	9.9	37.5	36.0
Adjusted EBITDA-margin, %	7.9	7.4	6.2	6.1
Operating profit/loss	10.6	9.1	34.6	33.1
Average number of employees	132	99	117	110

The bar charts below show the development of business area Industrial Trading. Comparative data up to February 2017 are reported pro forma for the acquisition of IFG, which was reported as a reverse acquisition.

OMSÄTTNING AFFÄRSOMRÅDE INDUSTRIHANDEL (omräknat till växelkurs vid rapporttillfället)



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



BUSINESS AREA 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 wagons. DLC offers renovation and new manufacturing of industrial components based on laser surface treatment technology.

First quarter July-September 2019

The business area's net sales increased to MSEK 30.2 (14.5), a doubling compared to equivalent year-ago quarter.

Duroc Rail's sales were high during the quarter due to increased demand for more technically advanced work and a large order backlog. Experience from previous cold winters with increased wear made the customers wanting to be well prepared and therefore make sure to perform maintenance earlier rather than later. The order backlog remained at a high level.

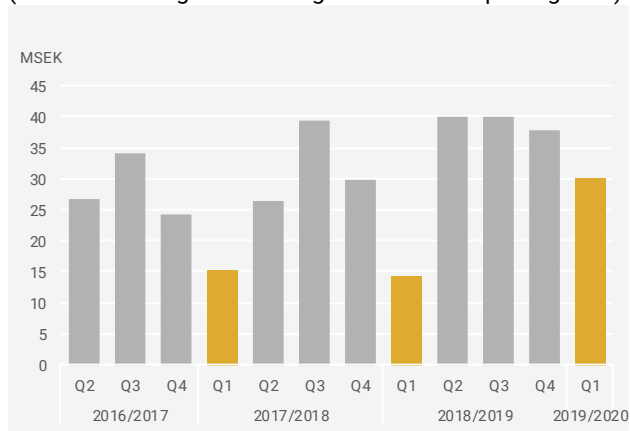
DLC, accounting for approximately 15 percent of the business area's net sales increased its sales by 38 percent during the quarter.

Operating profit amounted to MSEK 2.5 (−0.9), driven by sales growth and improved capacity utilisation at Duroc Rail. Adjusted EBITDA, where the positive effects of IFRS 16 have been removed, amounted to MSEK 4.4 (0.4). The adjusted EBITDA margin amounted to 14.7 percent (2.4). Organic growth equalled actual growth.

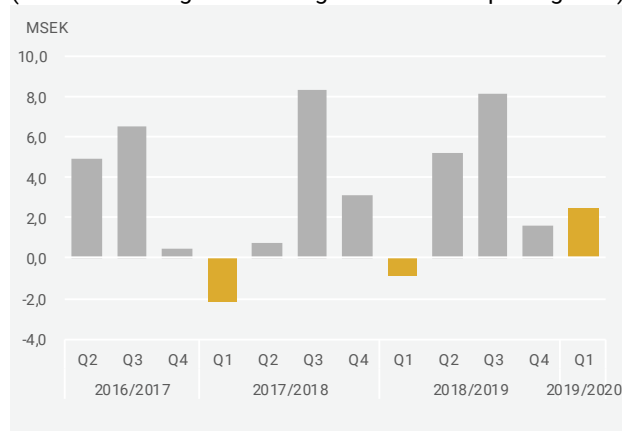
Other Industry (MSEK)	2019/2020 Q1	2018/2019 Q1	2019/2020 R12 SEP	2018/2019 JUL-JUN
Net sales	30.2	14.5	147.8	132.2
EBITDA	4.9	0.4	24.5	20.0
Adjusted EBITDA	4.4	0.4	24.0	20.0
Adjusted EBITDA-margin, %	14.7	2.4	16.3	15.1
Operating profit/loss	2.5	-0.9	17.5	14.1
Average number of employees	49	54	51	49

The bar charts below show the development of business area Other Industry. Comparative data up to February 2017 are reported pro forma for the acquisition of IFG, which was reported 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)



FINANCIAL INFORMATION

PROFIT AND FINANCIAL POSITION

Net sales during the quarter amounted to MSEK 866.2 (704.4). The operating profit amounted to MSEK 94.7 (15.5) and profit after taxes amounted to MSEK 83.4, (10.0), including the positive effect of negative goodwill in the amount of MSEK 65.7 attributable to the acquisition of Cotting Group. Due to the acquisition of Cotting Group in July 2019 the Group has increased its net sales on an annual basis by about 25 percent to MSEK 3,700.

Total other comprehensive income amounted to -17.1 MSEK (-19.7). Actuarial losses and revaluation of strategic holdings to market value have had a negative impact.

The Group's equity amounted to MSEK 1,013.2 at the end of the period (883.3) and the equity ratio stood at 44.7 percent (55.1). The equity ratio, not including IFRS 16 effects stood at 47.7 percent. If cash and cash equivalents and interest-bearing liabilities had been reported on a net basis, the Group's equity ratio would be 49.8 (62.7) percent. Adjusted equity ratio not including IFRS 16-effects stood at 53.7 percent. Refer to the consolidated balance sheet on page 11 for IFRS 16-adjusted figures.

CAPITAL EXPENDITURES

The Group had capital expenditures in tangible and intangible non-current assets totalling MSEK 22.0 during the quarter. During the period the Group acquired Cotting Group for MSEK 190.1 (the net cash flow was MSEK 170.1). Refer to note 3 Acquisitions for further information.

CASH FLOW

Consolidated cash flow from operating activities amounted to MSEK 113.5 during the financial year (-27.1), influenced by positive effects from trade receivables and lower inventory levels. Cash flow from capital investment activities amounted to MSEK -192.4 (-29.4), including the acquisition of Cotting Group, which accounted for MSEK 170.1 and cash flow from investment activities amounted to MSEK -42.4 (-9.3).

Cash and cash equivalents

The Group's cash and cash equivalents amounted to MSEK 235.5 at the end of the quarter (193.6). Interest-bearing liabilities amounted to MSEK 604.4 (241.5). Not including IFRS 16 effects the Group's interest-bearing debt amounts to MSEK 462.4 and the Group's net debt stands at MSEK 226.6 MSEK (47.9). The increased net debt compared to the same quarter one year ago is due to the loan raised in connection with the acquisition of the Cotting Group.

PARENT COMPANY

Duroc AB's primary functions are acquisitions, follow-up on the development in Group companies, business development and financial reporting. Sales consist of internally invoiced services amounting to MSEK 1.3 (1.1) during the financial year). The result after taxes amounted to MSEK -2.7 (-2.0). In addition to shares in subsidiaries the Parent Company's consist primarily of amounts due from Group companies and bank deposits. Duroc AB's equity ratio was 81.4 percent at the end of the period under review (94.1). The decrease is attributable to a loan of MSEK 180 raised in connection with the acquisition of Cotting Group. The debt is short term at the moment but procurement of a long term alternative is ongoing.

PERSONNEL

The average number of employees during the quarter was 1,184 (824). The average number of employees in the Parent Company was 6 (4) for the same period.

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS FOR THE PARENT COMPANY AND THE GROUP

Duroc AB and the companies in the Duroc Group 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 2018-30 June 2019.

OTHER INFORMATION

Work environment investigation in England

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 counsel, the investigation may lead to the imposition of a fine by the British work environment authority HSE in an amount of between KGBP 600-950.

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.

Prioritized creditor Svartöns Specialstål AB's bankruptcy

Duroc is most preferred creditor in the bankruptcy proceedings of Svartöns Specialstål AB where the bankruptcy administration has sued an insurance company for approximately MSEK 24, not including interest. In the case of full success for the bankruptcy estate, Duroc can expect compensation of between MSEK 15 and 20. The process is not expected to impose a burden on Duroc since funds to cover the process costs are already available in the estate in bankruptcy.

Brexit

Great Britain's planned exit from the EU (Brexit) may affect Duroc's business. At present there is uncertainty both with respect to long-term solutions as well as rules for the transition period and there is a risk that there is a Brexit without any set transition rules as well as of a deferral of Brexit. The lack of clarity over what will happen makes it difficult to identify the effects.

Against this background the Board of Directors and management follow the development on an ongoing basis, in order to be able to take appropriate action in case of need.

In business area Fibre approximately 9 percent of sales are exports from Great Britain to the EU or other parts of the world. Major portions of this sales volume can be moved to other Group companies in the EU and any negative effect as a result of Brexit are not considered to be extensive.

Risks affecting the Group's business outside Great Britain pertains mostly to purchases of goods. The volume of goods purchased from Great Britain is limited however and the effects are not judged to impact Duroc's business in a major way.

In addition, the companies in business area Fibre have a British parent company. In the case of a hard Brexit the effect could be that certain transactions between group companies, such as dividends, are charged with withholding tax for a limited period before agreements have been negotiated. Duroc is monitoring the situation. The effects are deemed to be manageable, but uncertainty exists.

This report has not been subject to review by the Company's auditors.

SCHEDULE OF FUTURE INFORMATION

Annual General Meeting 2018/2019 in Duroc AB	7 November 2019
Interim Report October-December 2019	7 February 2020
Interim Report January-March 2020	8 May 2020
Year-end Report April - June 202	21 August 2020

Stockholm, 7 November 2019

For further information, contact

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The information in this year-end report is such that Duroc AB is obliged to publish in accordance with EU's Market Abuse Regulation EU/596/2014. The information herein was provided for publication at 07:15 a.m., 7 November 2019.

John Häger
CEO

SUMMARY CONSOLIDATED INCOME STATEMENT

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
Net sales	866.2	704.4	2,974.4
Other operating income	70.2	0.3	13.2
Change in inventories	-9.1	-1.7	1.0
Raw materials and consumables	-445.1	-392.5	-1,530.1
Goods for resale	-84.8	-80.8	-412.4
Other external costs*	-119.7	-92.1	-417.6
Personnel costs	-157.5	-108.0	-478.5
Depreciation and amortisation of tangible and intangible non-current assets*	-24.7	-13.0	-51.6
Other costs	-0.9	-1.1	-4.6
Operating profit/loss*	94.7	15.5	93.7
Net financial items*	-4.2	-1.2	-4.7
Profit before tax*	90.5	14.2	89.0
Current taxes	-9.0	-3.5	-14.8
Deferred taxes*	1.9	-0.8	13.0
PROFIT FOR THE PERIOD*	83.4	10.0	87.3
Profit for the period attributable to:			
The Parent Company's equity holders	83.4	10.0	87.3
Earnings per share			
Before and after dilution	2.14	0.26	2.24
Average number of shares outstanding before and after dilution	39,000,000	39,000,000	39,000,000

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

CONSOLIDATED REPORT OF COMPREHENSIVE RESULT

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
PROFIT FOR THE PERIOD	83.4	10.0	87.3
Total other comprehensive income			
Items that may be reclassified to the income statement			
Translation differences	26.7	-9.2	13.9
Hedge accounting (net)	0.0	-0.3	0.6
Items that will not be reclassified to the income statement			
Revaluation of strategic holdings	-10.4	-	-26.1
Actuarial gains and losses(net)	-33.3	0.4	-8.2
Total other comprehensive income	-17.1	-9.1	-19.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	66.4	0.9	67.6
Total comprehensive income for the period attributable to:			
The Parent company's equity holders	66.4	0.9	67.6
non-controlling interests	-	-	-

SUMMARY CONSOLIDATED BALANCE SHEET

Amounts in MSEK	2019-09-30	2018-09-30	2019-06-30
ASSETS			
Non-current assets			
Intangible assets	94.4	86.3	92.0
Property plant and equipment	751.1	426.4	460.3
Financial assets	23.1	9.8	31.0
Deferred tax assets	89.2	55.2	69.8
Total non-current assets	957.8	577.7	653.0
Current assets			
Inventories	505.2	396.9	388.6
Trade receivables	495.5	401.7	434.4
Current tax receivables	13.1	0.0	2.2
Other receivables	31.8	17.1	17.8
Prepaid expenses and accrued income	29.9	15.0	10.4
Cash and cash equivalents	235.5	193.6	352.5
Total current assets	1,311.0	1,024.3	1,206.0
Total assets	2,268.8	1,602.0	1,859.0
EQUITY AND LIABILITIES			
Equity			
Share capital	39.0	39.0	39.0
Other capital provided	260.5	260.5	260.5
Reserves	146.6	95.1	119.1
Retained earnings including profit for the year	567.1	488.7	531.4
Equity attributable to owners of the parent	1,013.2	883.3	950.0
Total equity	1,013.2	883.3	950.0
Long-term liabilities			
Provision for pensions	120.5	41.2	51.1
Other provisions	33.7	26.4	13.6
Non-current interest-bearing liabilities	104.4	86.8	105.7
Long term liabilities - right of use assets	113.4	-	-
Deferred tax liabilities	42.8	36.0	36.0
Total non-current liabilities	414.7	190.4	206.4
Current liabilities			
Current interest-bearing liabilities	358.0	154.7	370.9
Current interest bearing liabilities - right of use assets	28.6	-	-
Trade payables	229.5	255.0	206.3
Current tax liabilities	12.8	4.3	7.0
Other liabilities	90.1	52.1	43.6
Accrued expenses and prepaid income	121.8	62.1	74.6
Total current liabilities	840.9	528.3	702.6
Total liabilities	1,255.6	718.7	909.1
TOTAL EQUITY AND LIABILITIES	2,268.8	1,602.0	1,859.0

* Refer to Note 2 for a balance sheet excluding effects of IFRS 16.

SUMMARY OF CHANGES IN CONSOLIDATED EQUITY

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
Opening balance	950.0	882.4	882.4
Adjustment opening balance due to IFRS 16	-3.2	-	-
Profit for the period	83.4	10.0	87.3
Translation differences	26.7	-9.2	13.9
Revaluation of strategic holdings	-10.4	-	-26.1
Actuarial gains and losses (net)	-33.3	0.4	-8.2
Hedge accounting (net)	0.0	-0.3	0.6
Closing balance	1,013.2	883.3	950.0

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
OPERATING ACTIVITIES			
Profit before taxes	90.5	14.2	89.0
Adjustment for items not included in cash flow	-44.9	13.0	43.0
Income tax paid	-4.7	-0.9	-13.1
Cash flow from operating activities before changes in working capital	40.9	26.4	119.0
Cashflow from changes in working capital			
Changes in inventories	18.5	-42.2	-1.1
Changes in current receivables	69.4	-27.0	23.9
Changes in current liabilities	-15.3	15.6	-71.0
Cash flow from operating activities	113.5	-27.1	70.8
INVESTMENT ACTIVITIES			
Purchase and sales of intangible assets	-0.6	-2.6	-1.3
Purchase and sales of tangible assets	-21.1	-4.4	-60.7
Cash flow from acquisitions	-170.1	-21.3	-34.1
Investments in derivatives	-0.6	-1.1	-47.6
Cash flow from investment activities	-192.4	-29.4	-143.7
FINANCING ACTIVITIES			
New loans	1.1	25.3	213.0
Amortization of loans	-22.6	-32.4	-31.8
Changes in short term	-20.7	-2.2	-21.0
Cash flow from financing activities	-42.2	-9.3	160.2
Cash flow for the period	-121.1	-65.8	87.3
Cash and equivalents at beginning of period	352.5	262.2	262.2
Translation difference in cash and cash equivalents	4.1	-2.8	3.0
Cash and equivalents at end of period	235.5	193.6	352.5

SUMMARY PARENT COMPANY INCOME STATEMENT

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
Net sales	1.3	1.1	4.6
Other external costs	-1.1	-1.7	-7.2
Personnel costs	-2.7	-2.1	-9.5
Depreciation and amortisation	-0.1	-0.1	-0.4
Operating result	-2.5	-2.8	-12.5
Result from shares in group companies	-	-	58.8
Financial income	0.5	0.3	1.2
Financial expense	-1.7	-0.1	-0.4
Net finance items	-1.2	0.2	59.6
Group contributions received/rendered	-	-	19.4
Result before taxes	-3.7	-2.6	66.5
Skatt på periodens resultat	0.9	0.6	-1.7
RESULT AFTER TAXES	-2.7	-2.0	64.7

SUMMARY PARENT COMPANY REPORT OF COMPREHENSIVE RESULT

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
RESULT FOR THE PERIOD	-2.7	-2.0	64.7
Other comprehensive result	-	-	-
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	-2.7	-2.0	64.7

SUMMARY PARENT COMPANY BALANCE SHEET

Amounts in MSEK	2019-09-30	2018-09-30	2019-06-30
ASSETS			
Non current assets			
Other intangible assets	1.2	1.1	1.3
Tangible fixed assets	0.2	0.0	0.0
Shares in group companies	1,069.3	864.5	876.5
Other equity	0.4	0.4	0.4
Receivables group companies	49.6	-	48.2
Deferred tax asset	23.2	24.5	22.2
Total non-current assets	1,143.8	890.4	948.5
Current assets			
Receivables group companies	25.6	54.1	25.2
Other receivables	0.3	0.3	0.6
Prepaid expenses and accrued income	0.6	0.3	0.6
Cash and cash equivalents	5.8	4.4	203.7
Total current assets	32.2	59.1	230.1
TOTAL ASSETS	1,176.1	949.6	1,178.7
EQUITY AND LIABILITIES			
Equity			
Restricted equity	40.1	40.1	40.1
Unrestricted equity	917.2	853.2	919.9
Total equity	957.3	893.3	960.0
Long term liabilities			
Liabilities to group companies	3.2	-	3.2
Total long term liabilities	3.2	-	3.2
Current liabilities			
Liabilities to credit institutions	180.7	3.5	181.6
Trade payables	0.4	1.2	1.4
Payables group companies	30.1	48.2	27.9
Other liabilities	0.6	0.1	0.3
Accrued expenses and prepaid income	3.5	3.3	4.2
Total current liabilities	215.4	56.3	215.5
Total liabilities	218.6	56.3	218.7
TOTAL EQUITY AND LIABILITIES	1,176.1	949.6	1,178.7

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) as adopted by the 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.

The Group's accounting policies are described in Note 2 in the 2017/2018 Annual Report. Since July 2019, Duroc applies the accounting standards IFRS 16. In all other respects accounting and valuation principles are unchanged compared to the 2018/2019 annual report.

IFRS 16 Leases

IFRS 16 Leases is applied from the financial year beginning in 2019 and replaces IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The new standard provides that lessees must recognize all contracts that meet the definition of a lease as a right of use assets and financial debt in the report of financial position. The operating cost, equivalent to the period's leasing fee, reported for operating leases is replaced by depreciation and interest expense in the income statement. The standard makes no distinction between operating and financial agreements for lessees.

In the Duroc Group there are leases relating to, among other things, premises and machinery. The length of the leasing contracts is usually 5-10 years for premises, 5 years for machinery and about 3 years for fixtures, tools and installations and cars. Duroc also has a long-term rental premises contract in Belgium that accounts for 54 percent of the IFRS 16 effect on tangible non-current assets.

Leasing contracts under 12 months are handled as short-term leases in accordance with IFRS 16 and are not capitalised.

Leasing contracts where the acquisition value of a similar asset is considered to be low have not been capitalised. The Group has a total of such leasing contracts in an amount of approximately MSEK 1. These contracts mostly refer to items such as printers, mobile telephones and office equipment.

The new standard affects Duroc's balance sheet in the form of an increase of the balance sheet total because a majority of the leases in the Group according to IAS 17 has been classified as operating leases and no asset or liability has thus been entered.

Duroc has chosen to use the simplified method in the transition to IFRS 16, which means that the comparative period will not be recalculated. The effect of the implementation as of the first day of the financial year is instead shown in a note. Opening capitalised value is reported in accordance with the simplified transition method as the discounted present value of all future lease payments.

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

The table below shows the effects on opening balance as of 1 July 2019.

Effect of conversion to IFRS 16 as of st of th july	MSEK
Future payments for leasing agreements regarding tangible assets 1st of july	162.8
Deduction for	
Short term leasing agreements	-0.4
Low value contracts	-1.1
Total	161.3
Financial leasing debts as of 1th of july	9.0
Discounting of future cash flow and exchange rate differences	-33.4
Leasing debt as of 1th of july 2019	-136.9
Right of use assets as of 1th of july 2019	133.7
Effect on Equity	-3.2

The effect of IFRS 16, is due primarily to the previous classification of rental contracts and contracts for leased automobiles as operating leases.

Historic information has been used in assessing the tenor of a leasing contract in cases where there are options to extend or cancel an agreement. The table below shows the effects on the balance sheet upon a transition to IFRS 16. For determining the values of the rights of use and the financial lease liability, the most important assessments are as follows:

Effect of conversion to IFRS 16 as of st of th july	MSEK
Assets	
Tangible assets	133.5
Financial assets	0.1
Total	133.7
Equity and liabilities	
Equity adjustment of opening balance	-3.2
Long term interest bearing liabilities	113.1
Short term interest bearing liabilities	23.8
TOTALT	133.7

Accounting in legal entities

In accordance with RFR 2 Duroc has chosen not to apply IFRS 16 in the Parent Company. Duroc AB recognizes non-terminable leases as cost distributed linearly over the useful life of the asset.

Alternative key financial indicators

In order to facilitate comparison between different periods and follow-up of the different Duroc Group business areas, certain financial information is presented in this report, which is not defined in IFRS, so-called alternative financial indicators. These should be regarded as complements to the financial information. The alternative key financial indicators used are defined where presented, or alternatively, at the end of this report. Reconciliations will be found in Note 4.

Rounding

Amounts are stated in million Swedish kronor (MSEK) with one decimal, unless otherwise stated. Rounding may occur in tables and statements, the effect of which may be that totals are not always the sum of the rounded component amounts.

NOTE 2. IFRS 16 – EFFECTS ON THE GROUP'S INCOME STATEMENT AND BALANCE SHEET

The new leasing standard affects the Company's reported profit as follows:

Amounts in MSEK	2019/2020Q1		
	Enligt IFRS	Exkl. IFRS 16	Differens
Net sales	866.2	866.2	-0.0
Other income	70.2	70.2	-0.0
Cost of goods sold	-539.0	-539.0	0.0
Other external expenses	-119.7	-126.5	6.8
Personel costs	-157.5	-157.5	0.0
Other operating expenses	-0.9	-0.9	-0.0
EBITDA	119.4	112.5	6.8
Depreciations and amortization	-24.7	-17.5	-7.2
Operating profit	94.7	95.1	-0.4
Financial income and cost	-4.2	-3.1	-1.1
Tax expense	-7.1	-7.3	0.3
Profit after tax	83.4	84.6	-1.2

Effects of IFRS 16 on the balance sheet

Amounts in MSEK	Incl. IFRS 16	Excl IFRS 16
	2019-09-30	2019-09-30
ASSETS		
Non-current assets		
Intangible assets	94.4	94.4
Property plant and equipment	751.1	612.3
Financial assets	23.1	23.1
Deferred tax assets	89.2	88.9
Total non-current assets	957.8	818.8
Current assets		
Inventories	505.2	505.2
Trade receivables	495.5	495.5
Current tax receivables	13.1	13.1
Other receivables	31.8	31.8
Prepaid expenses and accrued income	29.9	31.1
Cash and cash equivalents	235.5	235.5
Total current assets	1,311.0	1,312.3
Total assets	2,268.8	2,131.1
EQUITY AND LIABILITIES		
Equity		
Share capital	39.0	39.0
Other capital provided	260.5	260.5
Reserves	146.6	146.6
Retained earnings including profit for the year	567.1	571.4
Equity attributable to owners of the parent	1,013.2	1,017.5
Total equity	1,013.2	1,017.5
Long-term liabilities		
Provision for pensions	120.5	120.5
Other provisions	33.7	33.7
Non-current interest-bearing liabilities	104.4	104.4
Long term liabilities - right of use assets	113.4	-
Deferred tax liabilities	42.8	42.8
Total non-current liabilities	414.7	301.4
Current liabilities		
Current interest-bearing liabilities	358.0	358.0
Current interest bearing liabilities - right of use assets	28.6	-
Trade payables	229.5	229.5
Current tax liabilities	12.8	12.8
Other liabilities	90.1	90.1
Accrued expenses and prepaid income	121.8	121.8
Total current liabilities	840.9	812.3
Total liabilities	1,255.6	1,113.6
TOTAL EQUITY AND LIABILITIES	2,268.8	2,131.1

NOTE 3. ACQUISITIONS**Cotting Group**

In July 2019 Duroc acquired all shares outstanding in Cotting Group, consisting of the French company Griffine Enduction SA ("Griffine") and the Belgian company Plastibert & Cie. NV ("Plastibert"). Cotting Group manufactures and sells technical textiles used in a variety of fields, including the automotive interiors, the fashion industry, protective clothing, hospital beds, dental chairs, furniture and as wall covering.

The preliminary purchase price amounted to approximately MSEK 190.1 (€18m). In the preliminary acquisition analysis negative goodwill amounts to MSEK 65.7. Cotting Group is consolidated in the Duroc Group since July 2019. For the period July-September 2019 net sales amounted to MSEK 140.8 and the operating profit was MSEK 4.9, not including the effect of negative goodwill. For the 2018 operating year aggregate sales in the Cotting Group was about MSEK 750 and EBIT was about MSEK 50. For 2019 the group's net sales is expected to be slightly lower and lower margins in the French operations will lead to a lower result than in 2018. Acquisition-related expenses amount to MSEK 0.9.

The acquisition of Cotting Group increases the Group's net sales by about 25 percent, at the same time as the Group establishes itself in an industry with a fragmented structure and good conditions for growth. With the acquisition of the Cotting Group, Duroc has formed a new business area – Technical Textiles.

Amounts in MSEK	Preliminary acquisition analysis
Cash settled purchase price	190.1
Total acquisition value	190.1
Fair value of acquired net assets	255.8
Negative goodwill	-65.7

Assets and liabilities arising from the acquisition are as follows	Preliminary acquisition analysis
Intangible assets	3.1
Tangible assets	139.8
Financial fixed assets	2.4
Deferred tax asset	3.6
Inventories	127.2
Current assets	162.5
Cash and cash equivalents	19.9
Provisions	-55.0
Interest bearing liabilities	-25.3
Current liabilities	-122.3
Fair value of net assets	255.8

NOTE 4. 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 are the Group's chief decision maker and evaluate the Group's financial position and performance and make 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.

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

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
Net sales			
Fibre	551.9	556.5	2,252.0
Of which external	551.9	556.5	2,252.0
Of which internal	-	-	-
Technical textiles	140.8	-	-
Of which external	140.8	-	-
Of which internal	-	-	-
Industrial trading	143.4	133.5	590.2
Of which external	143.4	133.5	590.2
Of which internal	-	-	-
Other industry	30.2	14.5	132.2
Of which external	30.2	14.5	132.2
Of which internal	-	-	-
Group-wide functions	1.3	1.1	4.6
Eliminations	-1.3	-1.1	-4.6
Total net revenue	866.2	704.4	2,974.4
Operating profit			
Fibre	13.6	10.2	59.0
Technical textiles	70.6	-	-
Industrial trading	10.6	9.1	33.1
Other industry	2.5	-0.9	14.1
Group-wide functions	-2.5	-2.8	-12.5
Total operating profit	94.7	15.5	93.7
Net finance items	-4.2	-1.2	-4.7
Profit before taxes	90.5	14.2	89.0
Operating margin			
Fibre	2.5%	1.8%	2.6%
Technical Textiles	12.8%	-	-
Industrial trading	7.4%	6.8%	5.6%
Other industry	8.2%	-6.2%	10.7%
Total	10.9%	2.2%	3.2%

NOTE 5. ALTERNATIVE KEY FINANCIAL INDICATORS

Presented in this section is a reconciliation of alternative key financial indicators, financial information not defined in IFRS. Alternative key financial indicators are used routinely by the management of Duroc to facilitate comparison between different periods, planning and follow-up of how the business develops. They are presented in Duroc's financial reports as a support to investors and other stakeholders who analyse Duroc's financial information. Definitions will be found at the end of this report. The alternative key financial indicators should be regarded as a complement to the financial information presented in accordance with IFRS.

Organic growth

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
Net sales	866.2	704.4	2,974.4
Effect from change in exchange rates	-22.0	-	-126.8
Effect from acquisitions	-156.0	-	-244.6
Organic growth	688.2	704.4	2,603.0
Organic growth (percent)	-2%		

EBITDA and adjusted EBITDA

Amounts in MSEK	2019/2020 Q1	2018/2019 Q1	2018/2019 JUL-JUN
Operating profit/loss	94.7	15.5	93.7
Depreciation and amortisation of tangible and intangible non-current assets	24.7	13.0	51.6
EBITDA	119.4	28.5	145.3
Effects from IFRS 16	-6.8	-	-
Items affecting comparability			
Negative goodwill	-65.7	-	-3.0
Other	0.3	-	-
Adjusted EBITDA	47.1	28.5	142.3

Net debt

Amounts in MSEK	2019-09-30	2018-09-30	2019-06-30
Long-term interest bearing liabilities	104.4	86.8	105.7
Short-term interest bearing liabilities	358.0	154.7	370.9
Derivatives	-0.3	-	-
Cash and cash equivalents	-235.5	-193.6	-352.5
Net debt	226.6	47.9	124.1

NOTE 6. 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 7. TRANSACTIONS WITH ASSOCIATED COMPANIES

One of the Group's subsidiaries raised a loan from Peter Gyllenhammar AB, holder of approximately 80 percent of the shares outstanding in Duroc AB. The loan amount at the end of the financial year amounts to MSEK 25.9 and carries interest on market terms.

During the financial year Duroc has purchased services in an amount of MSEK 0.5 from a company where Peter Gyllenhammar AB is a majority owner.

DEFINITION OF KEY FINANCIAL INDICATORS

Organic growth	Net sales growth adjusted for acquisitions and currency translation effects.
Equity	The total of share capital, reserves and retained earnings, including this year's result.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
Adjusted EBITDA	EBITDA adjusted for items affecting comparability.
Equity ratio	Equity divided by balance sheet total.
Adjusted equity ratio	Equity divided by adjusted balance sheet total where cash and cash equivalents and interest-bearing liabilities are reported on a net basis.
Items affecting comparability	Items in the income statement, which unless high-lighted, makes understanding of development of the underlying business more difficult.
Earnings per share	Result after taxes divided by the average number of shares outstanding.
+Net debt/-Net cash and cash equivalents	Interest-bearing debt excluding IFRS 16-items, less cash and cash equivalents.
Net debt equity ratio	Net debt divided by equity.