

SUMMARY

# ANNUAL REPORT

1 JULY 2019 – 30 JUNE 2020

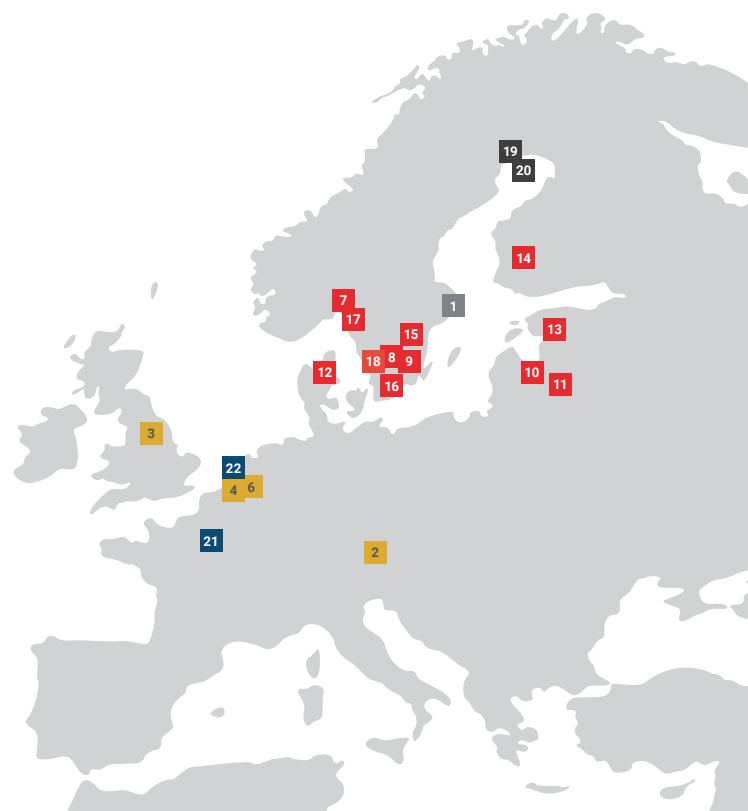


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Addresses and telephone numbers of companies, see the last page.



1 Duroc AB (publ) Head office, Stockholm

#### Business area Fibre

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

#### Business area Industrial Trade

- 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

#### Business area Other Industries

- 19 Duroc Laser Coating, Luleå
- 20 Duroc Rail, Luleå

#### Business area Technical Textiles

- 21 Griffine Enduction SA, Nucort
- 22 Plastibert & Cie. NV, Wielsbeke

# SIGNIFICANT EVENTS 1 JULY 2019 – 30 JUNE 2020

- Net sales increased by 6 percent during the financial year, the organic growth was negative and dropped by 18 percent.
- The operating profit amounted to MSEK 161.8 (93.7), including MSEK 66.9 as dissolution of negative goodwill from the acquisition of Cotting Group. Restructuring costs are included in the operating profit in the amount of MSEK 19.8.
- From the middle of March, large parts of the business were affected by COVID-19. Demand partially recovered during the last two months of the financial year. Within parts of the Group demand has returned to higher levels than before COVID-19.
- Cotting Group, a French-Belgian producer of technical textiles, was acquired in July 2019. The business area technical textiles was created in connection with the acquisition.
- Investments of MSEK 93.0 have been implemented to increase capacity, streamline and develop the Group's businesses.
- In the third quarter, Duroc signed a new financing agreement regarding a banking facility for approx. MSEK 400. In connection with the new agreement most of the Group's loans were financed centrally.
- At the end of the financial year, Duroc had unutilised credit facilities in a total amount of MSEK 240 and the loan conditions were fulfilled with a good margin in the financial covenants.
- The Board believes the company's capital can generate a yield which is satisfactory to the shareholders if it remains in the company, and accordingly proposes that no dividend will be paid for the financial year 2019/2020.

# 3,158.2

## MSEK

Net sales for the period

# 161.8

## MSEK

Operating profit for the period

# 1,182

Average number of employees during the period

## SUMMARY OF THE FINANCIAL YEAR

| Group  | July 2019-<br>June 2020 | July 2018-<br>June 2019 |
|--|-------------------------|-------------------------|
| Net sales, MSEK                                    | 3,158.2                 | 2,974.4                 |
| Operating profit, MSEK                             | 161.8*                  | 93.7                    |
| Profit after tax, MSEK                             | 116.5                   | 87.3                    |
| Equity/assets ratio excluding effects of IFRS16, % | 52                      | 51                      |

\*Including MSEK 66.9 attributable to dissolution of negative goodwill. Including costs of restructuring amounting to MSEK 19.8.

# A WORD FROM THE CEO

## **DOWNTURN DURING THE YEAR – CLEAR RECOVERY**

The first half of the financial year was strong. The acquisition of Cotting Group contributed to a 23 percent increase of sales and 27 percent increase of the operating profit. The pandemic hit in March and affected the second half of the financial year significantly. Some of the entities stood periodically still in spring due to falling demand. Other entities were not at all affected or experienced increased demand.

For the whole year, net sales increased by 6 percent to MSEK 3,158.2 (2,974.4). Organic growth was sharply affected by COVID-19 and dropped by 18 percent. The operating profit increased by 73 percent and amounted to MSEK 161.8 (93.7), including MSEK 66.9 as dissolution of negative goodwill from the acquisition of Cotting Group. Costs of restructuring amounting to MSEK 19.8 are included in the operating profit. Adjusted EBITDA increased 27 per cent to MSEK 180.1 (142.3).

I feel satisfied with the result given the circumstances. Our employees have done a fantastic job in the difficult circumstances resulting from COVID-19. The stress that Duroc has been under has been managed well. We have no control over external circumstances such as the pandemic. However, we have ensured that our work places are safe, we have minimised the financial risks and adjusted the costs based on the new circumstances. We have a strong entrepreneurial culture in our subsidiaries, which, combined with an efficient parent company organisation, has enabled us to fend off the effects mainly in the last quarter.

In the fourth quarter, we received governmental support of approximately MSEK 45.5, thanks to which the Group could retain corresponding costs for staff who would otherwise be short-term redundant. Not having to lay off staff has contributed to a quick start-up of the operations, which are now well prepared for better times with increased order intake.

In the summer, we saw a clear upturn in all business areas. The pace of the recovery varies according to geographic and specific business area, but overall the trend is clearly positive.

Our long-term financial target of an operating margin of at least 6 percent for the Group remains unchanged and has also already been exceeded in several entities. Apart from factors we cannot influence, such as temporary economic downturns, we have every opportunity to improve the performance of our subsidiaries. Part of Duroc's business concept for value creation is based on finding and acquiring companies facing challenges at the right price. The challenges might mean, for example that a "turnaround" is required.

Cresco and the DMT group are examples of companies that have undergone a turnaround in our ownership. These two companies have a total turnover of around MSEK 640 and an operating margin of around 9 percent. Both have significant growth potential and the order backlog is now at high levels. For Cresco, the main plan is geographical expansion going forward. For DMT, it is important to increase the market share in the existing market. Our American fibre unit is another company in a strong growth phase, where we now are seeing great opportunities to grow the yarn business further. This drives profitability in a positive direction for the company, which has sales of approximately MSEK 540 with an operating margin of just about 7 percent. There is a strong belief in the company's future development. During the last 12-month period, the Board has decided to invest MSEK 70 in the entity with the aim of accelerating growth and further improving profitability.

The Technical Textiles business area today consists of the French-Belgian company group Cotting Group. In the French company Griffine, the focus has been on tackling challenges which were identified in connection with its acquisition about 1 year ago. A new CEO is now in place and a new strategy has been developed. During the financial year, Duroc invested MSEK 24 in expanded production capacity, product development equipment and new IT systems. The company has now further improved its future prospects. The Belgian entity is performing well and noted an increase in demand in the medical segment during the ongoing pandemic. Overall, the group has performed better than expected since the acquisition. Duroc has thus, once again, acquired major assets at a low price, invested in machinery, equipment and senior personnel and thereby created better conditions for profitable growth going forward.

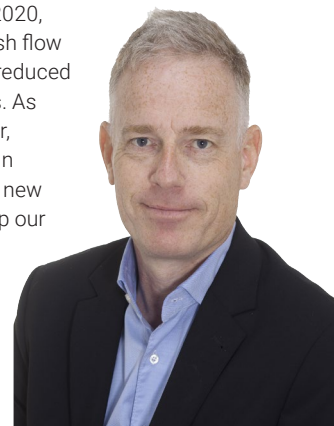
## **Investments in sustainable products create new opportunities**

Fiber Europe, with entities in England, Belgium and Austria, is facing challenges, but also great opportunities. The product is known as stable fibre and is a commodity with many different areas of use. The raw material consists mainly of polypropylene.

Generally, there is overcapacity in staple fibre in Europe and we are therefore working to consolidate and streamline production units. Fiber Europe has for several years conducted development work to find alternative materials for plastics in various applications. Around one year ago, a major step forward was taken in the entity's capabilities in product development. A completely new prototype line was installed in the Austrian facility and a collaboration with Maastricht University was initiated. Since then, intensive work has been underway to develop new materials together with customers. There is enormous potential in the packaging industry for alternative, biodegradable materials. Our goal is for the development work of recent years to bear fruit in concrete products during the next financial year. The company is now investing in switching the latest production line to be able to mass-produce products developed in the prototype line. If we succeed in achieving our product goals, it may mean significant growth with a higher margin compared with today's products.

The goal of Duroc's business model is to create value growth through the entrepreneurial companies. Duroc's business philosophy is not based on paying dearly for expected future growth. The values in the consolidated balance sheet are mainly real assets and our goal is to increase the efficiency of these, to continue to invest in new equipment and personnel to ensure continued profitable growth.

Today we have a strong and stable platform to build on. In 2019/2020, Duroc noted a satisfactory cash flow and our net debt was sharply reduced despite extensive investments. As we enter the new financial year, we note a clear positive trend in order intake and we see many new opportunities ahead to develop our business during the year and thus create continued value growth for shareholders.



**John Häger**  
CEO

# BUSINESS CONCEPT, BUSINESS MODEL AND VALUES

## **BUSINESS CONCEPT**

*Duroc creates value through opportunistic acquisitions and long-term sustainable development of its subsidiaries.*

## **BUSINESS MODEL**

### **OPPORTUNISTIC ACQUISITIONS**

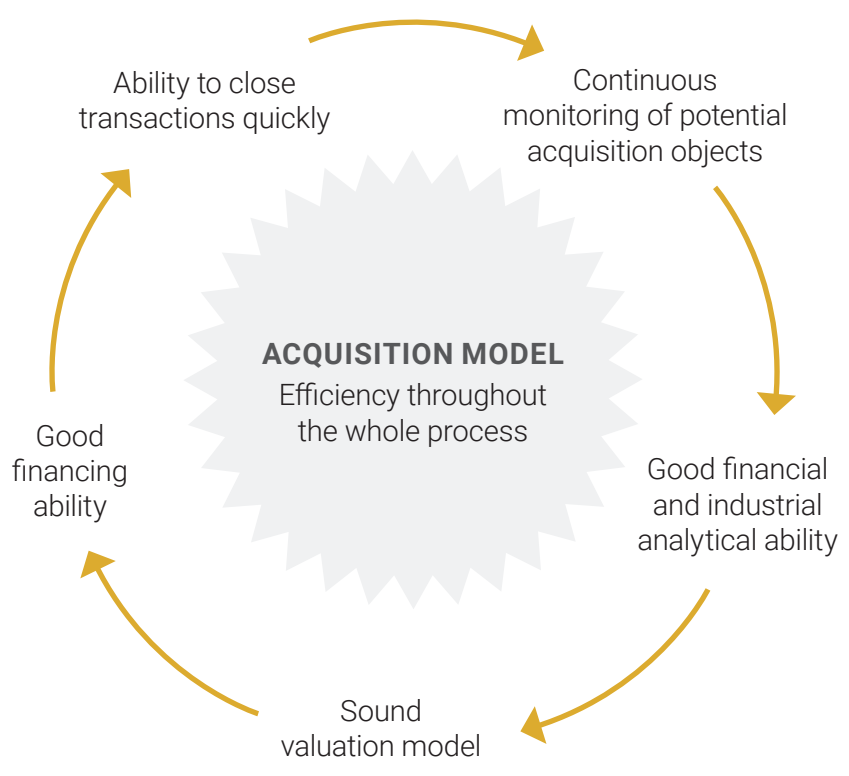
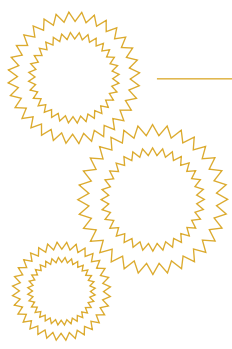
Well developed acquisition model

- Sound valuation model of the acquisitions
- Potential acquisitions to contribute to customer value
- Development potential in acquisitions objects
- Strong confidence in the subsidiaries' own ability to develop the business
- Use of existing platform and resources
- Acquisition objects that share Duroc's values
- Acquisitions can be made within new as well as adjacent sectors

### **LONG-TERM SUSTAINABLE DEVELOPMENT OF SUBSIDIARIES**

Supports the subsidiaries' development plans

- Investments
- Strategic development together
- Appoint the right leaders
- Growth based on real values such as cash flow and materiel production resources
- Decentralised governance model and entrepreneurial leadership
- Local leadership with full responsibility for the operations



**DUROC'S VALUES**



**COMMITMENT**

Duroc is dedicated and committed in relation to all our commitments.

**TEAMWORK**

Internal and external collaborations permeate our business. We believe strongly that we can achieve more if we work together.

**SUSTAINABLE VALUE CREATION**

Duroc's objective is to create long-term and sound business relationships that lead to a sustainable society. Environmental responsibility is an integral part of our operations.

**RESPONSIBILITY**

Duroc stands for a culture based on both responsible owners and leaders as well as responsible businesses.

## BUSINESS AREA FIBRE



Light restriction screen from Cresco for cultivation of roses.



Manufacture of PLA-fibres.

### INTERNATIONAL FIBRES GROUP

The 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 mainly in the furniture, filters, construction and automotive industries. The European entity has production facilities in Belgium, Great Britain and Austria. The American entity is based in Martinsville, Virginia. The European entity (IFG Europe) also includes Cresco in Belgium which develops and produces products for professional growers. The products contribute to favorable environments in greenhouses, for mushroom cultivation 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.

Fibres have many areas of use, and synthetic fibres are advantageous compared to natural fibres in many areas of use. Mainly because synthetic materials are cost-competitive and can be adapted according to area of use. Synthetic fibre can be manufactured in different colours and according to desired properties such as durable, moisture-resistant, flame-resistant, light, strong, draining, absorbent or filtering. Polypropylene is IFG's most common input. The synthetic fibres are divided into two product areas; staple fibres and filament yarn. Staple fibres are 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 the manufacture of the final product. Filament yarn is a more refined product than staple fibre. The product consists of a yarn that is manufactured in different diameters before being delivered to customers, primarily in the furniture industry.

IFG has a global and broad customer base, staple fibre and filament yarns are sold as inputs to many different sectors, including the furniture industry for the manufacture of floors, carpets and upholstery. Another area of use is in the construction industry, where staple fibre is used in non-woven fabric that is placed under-

neath the asphalt with properties to separate, strengthen or drain. In addition, staple fibre is used for filters for industrial use. For the automotive industry, it is used in areas such as car interiors as well as technical solutions such as bumpers, noise- and cable insulation. Cresco products are used by professional growers around the world. 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 cultivation. Functions can include excluding radiant heat but also e.g. an insulating function for lower energy consumption. Locally produced crops and food are becoming increasingly popular in order to reduce transport needs and the negative consequences on the environment.

The staple fibre market in Europe continued to be characterised by over capacity and fierce competition during the year. A change program within the European unit was initiated at the beginning of 2019, including both organisational changes and capacity adjustments within production. The program has run according to plan since its launch and is necessary to reach a satisfactory level of profitability in a couple of years' time. During the year, significant investments were made in the yarn operations in the USA and demand for these products is good. The profitability of yarn is significantly higher than that of staple fibre and the strategy in the USA is to increase the focus on yarns further in the coming years. The growth rate of the yarn business has accelerated during the year, driven among others by the demand for furniture for outdoor use.

The work on developing biodegradable fibres as an alternative to synthetic fibre intensified during the year. IFG Europe has worked closely with numerous customers with the aim to offer the market alternatives to synthetic fibre during the next financial year. There is great interest in renewable products and there is an opportunity for IFG to take a leading position if we succeed in achieving the goals. The business unit is now preparing parts of the machine park for mass production of the new fibres, which place completely different demands on the processes compared to existing products.

# BUSINESS AREA TECHNICAL TEXTILES

## COTTING GROUP

The business area consists of Cotting Group, including the French company Griffine Enduction and the Belgian company Plastibert & Cie. Cotting Group was acquired in July 2019 laying the foundation of a new platform for Duroc to build on.

Plastibert and Griffine have been established in the international market for coated textiles for more than 60 years. The products consist of PVC and PU-coated textiles that are used in a number of different areas, including car interiors, the fashion industry, protective clothing, hospital beds, dental chairs, furniture and wall coverings. Griffine has a wholly owned production facility in Nucourt, about 50 km northwest of Paris, and Plastibert has a wholly owned production facility in Wielsbeke, about 30 km southwest of Ghent.

During the year, several improvement projects were implemented. Investments in increased machine capacity, prototype lines for product development and new IT infrastructure are examples of initiatives that have been implemented. Furthermore, a new CEO of Cotting Group was recruited and a new strategy was developed. In other words, the year has been characterised by improved conditions for addressing new customers and geographical areas in the future.

Globally, the market for coated textiles is estimated to approximately BSEK 170, of which the European part, where Cotting Group currently has the majority of its sales, amounts to almost BSEK 40. The markets for coated textiles are forecasted to remain good in the long term. The industry is fragmented while entry barriers are high. The business is capital-intensive and customers have high demands on delivery reliability.



Coated textiles from Cotting Group are used in car interiors.



# BUSINESS AREA INDUSTRIAL TRADE

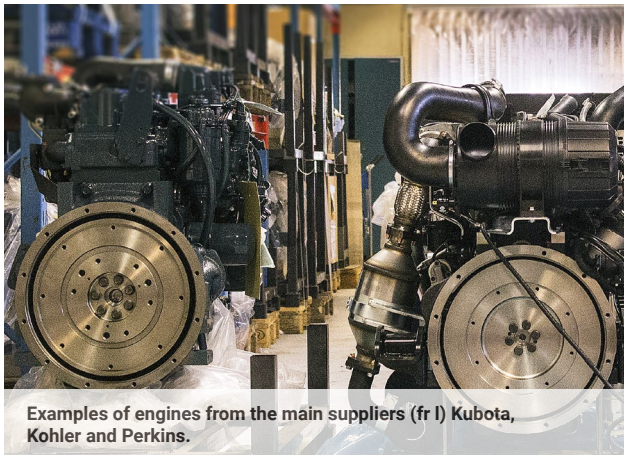
## DUROC MACHINE TOOL

The business area consists mainly of Duroc Machine Tool (DMT). DMT is active in trade in machine tools, including automation solutions, tools, service and support for engineering companies in the Nordic and Baltic markets. The geographical coverage within one and the same distribution channel makes DMT unique in the market. DMT represents a large number of internationally known brands. The most important product is processing machines from Korean Doosan. The brand is one of the world leaders in the market and is perceived by customers as competitive and reliable.

Duroc Machine Tool fulfills an important function in the market by providing engineering companies in the Nordic region with machines, tools and spare parts and also offers production optimisation, financing, service, support and training – everything needed for a competitive production environment. Its customers operate in the automotive industry, construction machinery, power generation and the forest industry.



Examples of machine tools from Doosan.



Examples of engines from the main suppliers (fr I) Kubota, Kohler and Perkins.

## UNIVERSAL POWER NORDIC (UPN)

Universal Power Nordic (UPN) offers the Swedish and Norwegian markets diesel engines for industrial and marine use as well as associated spare parts, service, repairs and more. The company has exclusive distribution rights for engines from well known manufacturers with high quality standards such as Perkins, Kubota, Nanni and Kohler. In addition to engines from world-leading manufacturers, UPN provides a complete aftermarket program with original spare parts, service and repairs. The company has extensive experience and has been a leader in industrial engines for almost 100 years. The company's registered office is located in Skänninge.

## HERBER ENGINEERING AB

Herber Engineering manufactures advanced pipe bending machines (electrical and hydraulic) for cold forming of pipes and profiles. The company offers customised solutions and also provides service, spare parts and technical support to the market. Its customers are found in the automotive industry, the aerospace industry, the furniture industry and HVAC (heating, ventilation and air conditioning) around the world. The business is based in Värnamo.



Example of pipe bending machine.

# BUSINESS AREA OTHER INDUSTRIES



## DUROC RAIL

The business area consists mainly of Duroc Rail. Duroc Rail delivers qualified maintenance of railway wheels for locomotives and wagons to railway operators, primarily on the Swedish market. With efficient wheel maintenance, Duroc Rail contributes to reduced operating costs per transport kilometer.

The company's largest customers include VTG and LKAB. The availability of iron ore in northern Sweden leads to large volumes of heavy transports, which entails constant wear and tear on railway wheels. The climate in the far north with intense cold and a lot of snow also leads to more wear and tear and greater maintenance needs.

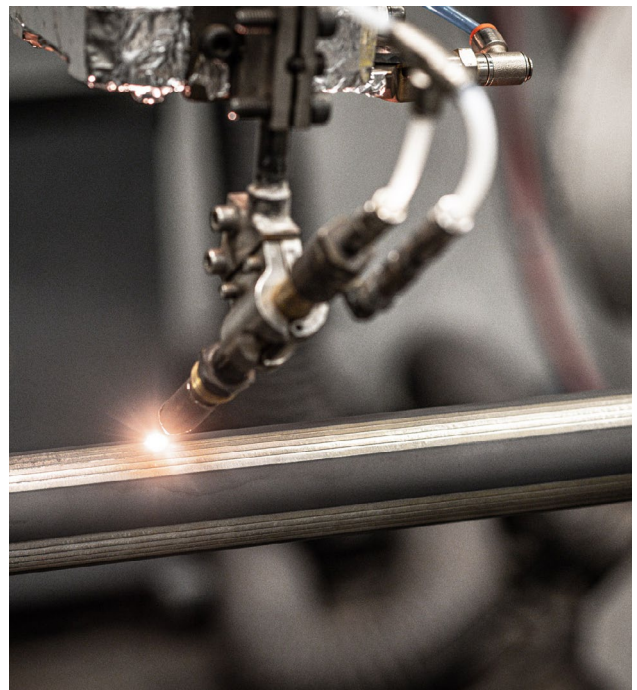
With environmental issues in focus, there is also an increase in rail traffic both in terms of transport of people and goods. Increased railway traffic, higher axle loads and faster trains increase demand for wheels, rails and maintenance of high quality and performance. The number of variants of wheel pairs has increased significantly over the past five years, with resulting higher demands on maintenance suppliers.

Duroc Rail's strength is its ability to quickly adapt to the changes in the market. The transaction is strongly seasonal as the winter months cause great wear and tear on railway wheels.

## DUROC LASER COATING

Duroc Laser Coating (DLC) is Sweden's leading company in laser surface treatment. The company offers renovation and new manufacture of industrial components based on laser surface treatment technology. Metal construction with the help of laser technology facilitates increased product performance and meets requirements for extreme surface and functional properties with respect to, among others, friction, corrosion and wear.

DLC's customers have high expectations in relation to performance, service life and quality assurance and operate in the power, steel mining, paper/pulp, offshore, aviation and engineering industries, among others. Examples of products include rollers, valves, tools, shafts, cogs, sleeves and drive wheels. Demand is primarily driven by activity in the process industry. The customers are currently mainly in Sweden, but it is estimated that there is great international potential, providing for good future expansion opportunities.



Laser processing at DLC.

# DUROC GROUP

| Amounts in MSEK  | 2019/2020      | 2018/2019    | 2017/2018      | 2016/2017*   | 2015/2016*   |
|--|----------------|--------------|----------------|--------------|--------------|
| Net sales  | 3,158.2        | 2,974.4      | 2,526.4        | 2,258.4      | 2,327.7      |
| Other operating income                                     | 119.3          | 13.2         | 33.3           | 3.3          | 7.5          |
| Change in stocks   | 28.6           | 1.0          | 1.1            | -0.1         | 2.7          |
| Raw materials and supplies                                 | -1,546.1       | -1,530.1     | -1,382.3       | -1,238.9     | -1,324.00    |
| Goods for resale   | -331.2         | -412.4       | -270.3         | -242.5       | -212.9       |
| Other external costs                                       | -465.7         | -417.6       | -195.1         | -184.6       | -211.2       |
| Personnel costs  | -689.5         | -478.5       | -393.8         | -328         | -332.8       |
| Other operating expenses                                   | -4.5           | -4.6         | -158.6         | -129.8       | -124.2       |
| <b>Operating profit before depreciation and impairment</b> | <b>269.1**</b> | <b>145.3</b> | <b>160.7**</b> | <b>137.8</b> | <b>132.8</b> |

\*The comparative figures in the table (2015/2016 to 2016/2017) were prepared pro forma regarding the acquisition of the business area Fibre.

\*\*Including dissolution of negative goodwill of MSEK 66.9 2019/2020 and MSEK 31.4 2017/2018. Costs of restructuring amounting to MSEK 19.8 are included in the operating profit 2019/2020.

# DUROC SHARE

Duroc's series B share is listed on Nasdaq Stockholm, Small Cap. In 2019–2020 a total of 4.9 (5.0) million shares were sold with a value of MSEK 130.1 (139.7). Daily average sales amounted to 19,595 shares (20,026) or KSEK 521 (KSEK 561). The share price at the beginning of the year was SEK 28.1 and at the end of the year SEK 23.8. The annual high for the Duroc share was SEK 34.2 and was listed on 13 January 2020, while the annual low was SEK 17.6 and was listed on 19 March 2020. The number of shareholders at year end amounted to 2,453 (2,570).

## SHARE CAPITAL

The share capital in Duroc AB (publ) at the end of the financial year was 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 carries one vote. The quote value per shares is one SEK. The total number of votes amounted to 39,000,000, of which 29,066,783 were series B shares and 9,933,217 were series C shares.

## DIVIDENDS

The dividend in Duroc shall be adjusted to the Group's plans for utilising assessed value-creating investments, within the framework of consideration of the Group's conservative financial policy. The dividend policy must be forward-looking, i.e. dividend decisions must be based on the assessment of future years, not history. It is reasonable that, when planned investments approx-

imately correspond to reported depreciation according to plan, at least 50 percent of the profit after tax will be distributed to the shareholders. It should be emphasised that it is Duroc's objective to continue to acquire businesses and companies, and accordingly consideration of a conservative financial policy may hold back the dividend margin for an individual year.

Duroc intends to maintain a continued high investment rate and the Board's current assessment is that the company's capital can generate a return that is satisfactory to shareholders by remaining active within the Group. The Board therefore proposes that no dividend be paid for the financial year 2019/2020 (previous year SEK 0 per share).

## OPTIONS

No options have been issued by the company.

## SHARE CAPITAL DEVELOPMENT

| Year | Transaction       | Nominal value per share, SEK | Change in equity, SEK | Total share capital, SEK | Number  | Number of B shares | Number of C shares | Total number of shares |
|------|-------------------|------------------------------|-----------------------|--------------------------|---------|--------------------|--------------------|------------------------|
| 1992 | Company formation | 100                          | 50,000                | 50,000                   | 500     | 0                  |                    | 500                    |
| 1993 | New share issue   | 100                          | 600,000               | 650,000                  | 6,500   | 0                  |                    | 6,500                  |
| 1995 | New share 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 share issue   | 1                            | 300,000               | 984,200                  | 650,000 | 334,200            |                    | 984,200                |
| 1996 | New share issue   | 1                            | 200,000               | 1,184,200                | 250,000 | 934,200            |                    | 1,184,200              |
| 1997 | New share 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 share issue   | 1                            | 1,776,300             | 5,328,900                | 750,000 | 4,578,900          |                    | 5,328,900              |
| 2006 | Conversion A-B    | 1                            | 0                     | 5,328,900                | 350,000 | 4,978,900          |                    | 5,328,900              |
| 2007 | New share issue   | 1                            | 2,000,000             | 7,328,900                | 350,000 | 6,978,900          |                    | 7,328,900              |
| 2017 | New share issue   | 1                            | 31,671,100            | 39,000,000               | 350,000 | 6,978,900          | 31,671,100         | 39,000,000             |
| 2017 | Conversion A-B    | 1                            | 0                     | 39,000,000               | 0       | 7,328,900          | 31,671,100         | 39,000,000             |
| 2017 | Conversion C-B    | 1                            | 0                     | 39,000,000               | 0       | 29,066,783         | 9,933,217          | 39,000,000             |

**MAJOR SHAREHOLDERS PER 30 JUNE 2020**

| Shareholder                        | Class B shares    | Class C shares   | Equity share % | Voting share % | Market value<br>Class B shares<br>(KSEK) |
|------------------------------------|-------------------|------------------|----------------|----------------|--|
| Peter Gyllenhammar AB              | 21,066,783        | 9,933,217        | 79.5           | 79.5           | 501,389                                  |
| AB Traction                        | 3,166,894         | 0                | 8.1            | 8.1            | 75,372                                   |
| EQ Nordic Small Cap                | 465,877           | 0                | 1.2            | 1.2            | 11,088                                   |
| Försäkringsbolagen, Avanza pension | 337,280           | 0                | 0.9            | 0.9            | 8,027                                    |
| Nordnet Pensionsförsäkring AB      | 224,543           | 0                | 0.6            | 0.6            | 5,344                                    |
| Naeco AB                           | 202,964           | 0                | 0.5            | 0.5            | 4,831                                    |
| Lilja, Nils Magnus                 | 201,320           | 0                | 0.5            | 0.5            | 4,791                                    |
| Handelsbanken Sverigefond, Index   | 174,917           | 0                | 0.5            | 0.5            | 4,163                                    |
| Markensten, Johan                  | 151,018           | 0                | 0.4            | 0.4            | 3,594                                    |
| Kjell Arvidsson AB                 | 151,000           | 0                | 0.4            | 0.4            | 3,594                                    |
| Strid, Henrik                      | 127,967           | 0                | 0.3            | 0.3            | 3,046                                    |
| SEB Sverige Indexfond              | 100,000           | 0                | 0.3            | 0.3            | 2,380                                    |
| Kock, Christian Axel               | 90,188            | 0                | 0.2            | 0.2            | 2,146                                    |
| Lindberg, Gunnar                   | 85,000            | 0                | 0.2            | 0.2            | 2,023                                    |
| Almsparre, Claes Göran             | 79,000            | 0                | 0.2            | 0.2            | 1,880                                    |
| Other                              | 2,442,032         | 0                | 6.3            | 6.3            | 58,120                                   |
| <b>Total</b>                       | <b>29,066,783</b> | <b>9,933,217</b> | <b>100.0</b>   | <b>100.0</b>   | <b>691,789</b>                           |

**SHAREHOLDING PER 30 JUNE 2020**

| Number of shares | Number of<br>shareholders | Class B shares    | Class C shares   | Equity share % | Voting share % |
|------------------|---------------------------|-------------------|------------------|----------------|----------------|
| 1 – 500          | 1,825                     | 287,044           | 0                | 0.7            | 0.7            |
| 501 – 1,000      | 262                       | 219,161           | 0                | 0.6            | 0.6            |
| 1,001 – 5,000    | 262                       | 610,198           | 0                | 1.6            | 1.6            |
| 5,001 – 10,000   | 43                        | 311,851           | 0                | 0.8            | 0.8            |
| 10,001 – 15,000  | 18                        | 230,952           | 0                | 0.6            | 0.6            |
| 15,001 – 20,000  | 9                         | 166,948           | 0                | 0.4            | 0.4            |
| 20,001 –         | 34                        | 27,240,629        | 9,933,217        | 95.3           | 95.3           |
| <b>Total</b>     | <b>2,453</b>              | <b>29,066,783</b> | <b>9,933,217</b> | <b>100.0</b>   | <b>100.0</b>   |



# SUSTAINABLE VALUE CREATION

Duroc's Sustainability Report has been prepared in accordance with the Annual Accounts Act and covers the entire Duroc Group, Duroc AB and the subsidiaries listed in Note 34 in this Annual Report. This is Duroc's fourth Sustainability Report. The principles for preparation of the Report have not changed in relation to the previous report.

A long-term approach and profitability are fundamental conditions for how we conduct our business at Duroc. Everything from decisions about important investments to daily activities is based on our commitment to creating long-term value, both for shareholders and for employees, society and other stakeholders. Sustainable solutions are a prerequisite for being able to create value in the long term and increase the competitiveness of the operations.

## DUROC'S SUSTAINABILITY AMBITION

Duroc supports the UN's global goals for sustainable development and the Global Compact's 10 principles for sustainable business. We work continuously to strengthen our companies' sustainability work as we are convinced that the companies that will be most competitive in the long term are those that can deliver sustainable products produced in a sustainable way and in a corporate culture with a commitment to do good things in a responsible manner.

During the financial year 2019/2020, we have raised both our ambitions and our level of activity in sustainability work. We started the year by adopting the Group-wide policy package that was developed in 2018/2019, after which the implementation work began. The policy package includes numerous sustainability-related governing documents, such as a code of conduct, CSR policy and an anti-corruption and bribery policy. To further drive the Group's development of sustainable solutions and sustainable operations, a project was implemented during the year with the intention of strengthening the strategic sustainability agenda. The work, which has been carried out together with the subsidiaries' management, began with a review of our business areas from a sustainability perspective. With the analysed current situation as a starting point and with Agenda 2030 as the goal, opportunities for improvement and development have been identified and an action plan to enhance Duroc's sustainability work has been developed. In connection with this work, both knowledge and awareness of various sustainability issues has been raised within the Group and sustainability is today more clearly on all companies' agendas than previously.

## 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 company portfolio through successive improvements. In our acquisition process, we identify companies with clear potential. Where we can, through investments in appropriate governance, management, investments, product development and commitment to the business and the employees, create a company that in the long term can contribute increased value to customers and employees as well as owners, society and other stakeholders. Sustainability issues are becoming an increasingly important part of the acquisition process as demand in the outside world for responsible

business and long-term sustainable solutions and operations increases. Duroc does not invest in companies:

- that produce tobacco products, weapons or are associated with pornography
- whose primary business area is production of energy in an unsustainable way
- with operations where child labour is used
- whose activities do not comply with the UN Charter of Human Rights

Duroc is a shareholder with a long-term approach and our companies are generally not for sale. Our objective 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 5–6.

## DUROC'S BUSINESS AREAS

Duroc is divided into business areas Fiber, Technical Textiles, Industrial Trade and Other Industry. During the financial year 2019/2020, the Fiber business area accounted for just under 60 percent of the Group's sales, while the second largest business area, Technical Textile, which was acquired in July 2019, accounted for almost 20 percent.

**Fiber:** The business area Fibre consists of International Fibres Group (IFG). IFG produces polypropene-based staple fibres and yarns as well as synthetic fibre based textiles for professional growers.

**Industrial trade:** In the business area Industrial trade Duroc Machine Tool (DMT) is active in trade in machine tools, including automation solutions, tools, service and support for engineering companies. Universal Power Nordic (UPN) offers diesel engines for industrial and marine use as well as associated spare parts, service, and repairs. Herber Engineering manufactures pipe bending machines for, among other things, furniture, cars and the aerospace industry.

**Technical Textiles:** The business area Technical Textiles consists of Cotting Group. Within the business area, coated textiles used in, among others, car interiors, protective clothing, the fashion industry and furniture are produced.

**Other Industry:** The business area Other Industry includes Duroc Rail and Duroc Laser Coating (DLC). Duroc Rail delivers qualified maintenance of railway wheels for locomotives and wagons. Duroc Laser Coating offers renovation and new manufacture of industrial components. The core is surface treatment with laser. More information can be found on page 7–10.

## DUROC'S SUSTAINABILITY MANAGEMENT

Duroc's sustainability management is based on a delegated responsibility to the various company managements and follows the decentralised management model used for Duroc's other management. Duroc's values and group-wide policies lay the foundation for sustainability work, while the subsidiaries themselves are responsible for translating these into working methods adapted to their own operations.

Duroc places demands on systematic work for continuous improvement and development in the subsidiaries. As the companies have highly diversified operations, central review of common, non-financial key figures takes place to a lesser extent. Regular follow-up of the companies' development takes place via monthly so-called business reviews and board meetings. Work on setting certain common sustainability goals and defining relevant key figures has been ongoing during 2019/2020.

Systematic work and management is well developed in the environmental and quality fields, and 8 of 11 of our production units are certified according to the quality management standard ISO 9001 and the environmental management standard ISO 14001, respectively. Duroc has a stated goal that the production units must be certified, and during the year another company has been ISO-certified in the fields of both environment and quality, and another is expected to pass the certification before the end of 2020. The systematic work encompasses among others risk management, goal management and development and follow-up of action plans.

The past year's project to enhance the Group's sustainability work has, through more sustainability-related activities, been evidence of increased prioritisation from a central level. At the same time, the subsidiaries have shown their own commitment to the subject as they have perceived increasing pressure from the market and the outside world and realised that sustainability work is needed for a long-term profitable business. All in all, this has led to a desirable change in culture where sustainability issues are given greater weight by the subsidiaries and sustainability has been integrated into the strategic plans.

Duroc's ambition is to conduct systematic and long-term sustainability work. As part of this, work is underway to formulate and define long-term sustainability goals and to achieve a structured follow-up of the key figures that drive the desired development. Goals and follow-up are priority areas in the future to further integrate sustainability issues into the companies' governance, strategy and development work.

## SIGNIFICANT SUSTAINABILITY ISSUES

Duroc's significant sustainability issues were identified in a materiality analysis for the financial year 2017/2018. The four identified areas form the basis of the Group's sustainability work and have been further developed in connection with the strategic sustainability work carried out in 2019/2020. The prioritised areas are:

- Long term commitment
- Responsible business
- Sustainable products and services
- Competent employees in a safe and secure work environment

## LONG TERM COMMITMENT

Thanks to our position as long-term committed owners, we engage in investments and development initiatives, which do not always have an effect in a shorter perspective. We also do not prioritise short-term solutions over long-term profitability.

During the past financial year, we have focused strongly on the strategic work of company management. The basis for this is the recruitment of appropriate leaders for the subsidiaries, which is a prerequisite for Duroc's delegated governance model to work. Our leaders must be able to implement the necessary changes, so development drive and strategic competence are priority qualities. To create better conditions for our leaders, we have initiated long-term work with joint leadership development within the Group.

Furthermore, Duroc has set requirements for and supported the development of new strategic plans. To ensure the inclusion of sustainability issues in this work, a workshop with a sustainability theme was conducted at the beginning of 2020. A so-called backcasting exercise was carried out where Agenda 2030 was the goal and the various business areas were allowed to identify development needs and prepare proposals for targets and measures to include in their strategic plans.

Duroc's acquisition of Cotting Group is an example in accordance with our business concept. The fact that Duroc owns the companies provides financial security and opportunities for development and investments. A lot of time and energy has been invested both centrally and at business area level since Cotting Group became part of Duroc, mainly to increase security at the subsidiary Griffine. When Duroc became the owner, there was a great need for improvement in this area as there were many workplace accidents, both before and shortly after the change of ownership. The action programmes that have been developed and launched have quickly yield results, and after an autumn with further incidents, Griffine was able to celebrate 100 accident-free days in early July. Long-term investments in both leadership and investments in safer equipment and new machinery have enabled this positive development.

Investments are necessary for long-term sustainable operations and during the year we continued to invest in our companies. This is possible thanks to our favourable financial position.

| Financial key performance indicators         | 30 June 2020 | 30 June 2019 | 30 June 2018 |
|--|--------------|--------------|--------------|
| Net debt (+)/net cash or cash equivalents(-) | 117.8        | 124.1        | 11.5         |
| Equity/assets ratio*                         | 52 %         | 51 %         | 53 %         |
| Adjusted equity/assets ratio**               | 52 %         | 63 %         | 63 %         |
| Investment level***                          | 80 %         | 71 %         | 32 %         |

\* Excluding effects of IFRS 16

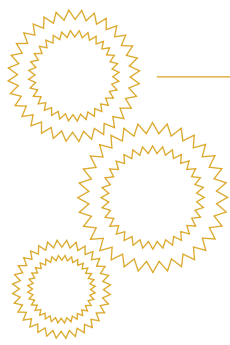
\*\* Equity divided by adjusted total assets where cash and cash equivalents and interest-bearing liabilities were reported as net amounts

\*\*\* Proportion of capital reinvested in the business of profit after tax

## RESPONSIBLE BUSINESS

Responsible business means creating long-term values and sustainable solutions for our employees, society and other stakeholders.

Duroc's Group-wide Code of Conduct includes guidelines for how employees are expected to act in their daily work in areas such as health and safety, personal treatment, human rights, environmental considerations, impact on society and business ethics. It is



through our actions that we show our customers and other stakeholders that we stand behind our commitments as described in our Code of Conduct. With a group-wide Code of Conduct, we create a common starting point for our companies.

Duroc's Code of Conduct is based on the fundamental values expressed in the Global Compact's guidelines for sustainable business, the OECD's guidelines for multinational companies and other internationally accepted standards. Responsible business requires respect for the equal value of people and an active position against corruption. Failure to comply with anti-corruption laws and regulations could have serious consequences for Duroc. Based on our risk assessment, targeted, in-depth screenings are carried out to counter corruption. Examples of measures are a review of transactions within selected operations and targeted control issues.

In 2019/2020 Duroc's Group-wide Code of Conduct and guidelines and joint policy documents were implemented. The responsibility for implementing new working methods and routines lies with the companies and follow-up of the implementation takes place via

the subsidiaries' management boards. A self-assessment tool for assessing the degree of implementation of the various principles in the policy documents has also been developed. As measures to handle the COVID-19 situation have been prioritised, the use of the self-assessment tool has been postponed. A more detailed follow-up with associated action plans is planned for the autumn of 2020.

As part of the policy package, a whistleblower procedure has been implemented, including an anonymous whistleblower function that is accessed via the websites of the various companies. The anonymous reporting is intended to be used for serious irregularities such as suspected corruption that cannot easily be raised in the ordinary, internal, case management. No cases have been received via this function during the financial year.

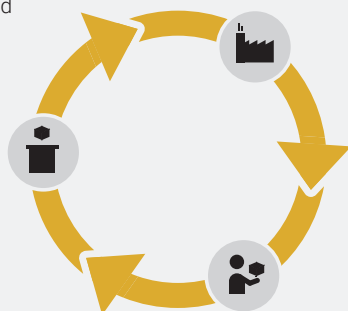
Following the principles of the Code of Conduct is a shared responsibility. The review of sustainability work carried out during the year has identified a need for improvement in the systematic work in the supply chain, especially regarding social sustainability

### CIRCULAR ECONOMY

The circular economy aims to promote circular resource flows. It is basically a matter of managing our resources and ensuring that products, materials and resources are kept in the economy for as long as possible, as well as preventing and minimising waste. Materials and resources should be kept in circulation for as long as is reasonable to avoid them being unnecessarily landfilled or incinerated so that no more virgin resources than necessary be extracted. The importance of increased reuse and recycling has increased as the standard of living increases globally and increasing numbers of people are able to choose a lifestyle that is more resource-intensive.

Overall, three different types of circular economy are defined:

- Bio-based circular economy, which focuses on bio-based products with circularity through biodegradability
- Symbiotic circular economy, which focuses on the integration of industries/processes across sector boundaries with circularity through industrial symbiosis where the waste/residual flows from one business become raw material for another business, etc.
- Service-oriented circular economy, which focuses on a shift from product-oriented business to service-based business with circularity through increased product life, sharing, recycling and remanufacturing.



### CIRCULAR EXAMPLES FROM THE BUSINESSES

In the transition to a circular economy, technological development is rapid and for UPN environmental commitment is an important credibility issue. **UPN** offers among others replacement engines as an alternative to a brand new engine. The replacement engines are made with reused, refurbished components and have the same performance as a newly manufactured engine. Within **DMT**, there is great potential for development of a circular business based on today's offer in service, accessories, training and support.

**Duroc Rail's** business concept is basically circular as the offer is based on repairing and reusing components for railway wheels for locomotives and wagons for railway operators in Scandinavia. Rail wheels are a critical component for safety in railway traffic. By securing the supply of railway wheels to our customers, we contribute to increased confidence in rail transport and to moving more transports over to railways, which in turn contributes to a reduced environmental impact and, above all, reduced climate emissions.

**IFG Cresco** produces several types of climate screens for greenhouses, which with their different properties optimise the cultivation process and thus can contribute to a reduced environment and climate impact.

The advantage of growing in a controlled environment such as greenhouses and using climate screens is that it reduces the need for water and the use of pesticides, compared to conventional outdoor cultivation. Cresco's range also includes ground cloths produced with the bio-based plastic PLA, which is preferable, from a climate perspective, to products made with e.g. polypropylene produced with fossil raw materials.

The development of high-tech greenhouses is predicted to facilitate both more local cultivation and increased indoor cultivation in cities. Cresco's climate screens complements these greenhouses by contributing to reduced energy consumption and higher productivity.



requirements. Part of the development and improvement work going forward is to develop and implement systematic work in the supply chain. The purpose is to more clearly show responsibility and action in accordance with the Code of Conduct. The work includes, among others, clearer communication with suppliers, as well as the development of processes including tools and templates for assessing and managing risks in the supply chain.

### **SUSTAINABLE PRODUCTS AND SERVICES**

The outside world's demand for sustainable products and services is steadily increasing. Laws and regulations are gradually being tightened, while increasing numbers of customers are demanding more sustainable alternatives. A large part of the products and material produced by Duroc's subsidiary companies is made of fossilbased plastic. Society's increased demands for sustainable plastic use, affects Duroc's operations to a large extent, and therefore the requirements need to be translated into strategic development.

In last year's sustainability review, a circular economy was proposed as a common basis for the Group's development work and was also a key element in the workshop conducted with the management of all subsidiaries at the beginning of 2020. Circular economy for Duroc is about developing new products and materials as well as finding new, circular business models for our services. The transition to a more sustainable production, with for example renewable energy, also falls within the circular perspective.

### **PLASTIC – A FANTASTIC MATERIAL WITH MANY CHALLENGES**

The Business Area Fibre produces synthetic fibres and yarns made of polypropylene (PP), polyethylene (PE) and polyamide (PA); that is, different types of plastic. Also in the Technical Textiles business area, plastic is an important raw material as the products consist of textiles coated with polyvinyl chloride (PVC) or polyurethane (PUR). The plastics used in Duroc's yarns, fibres and coated textiles give the materials specific and in-demand properties that natural fibres often lack. For example, materials can be made in different colours and durable, moisture resistant, flame resistant, light, strong, draining, absorbent or filtering.

Plastic in general has been a major focus in the environmental debate in recent years and there is a political will to reduce society's use of plastic, especially in connection with problems with litter, plastic in the oceans and leaching of hazardous substances. Conventional plastic is not biodegradable and therefore remains in nature, once it ends up there. Furthermore, the majority of all plastic today is produced with oil, which is a fossil resource and thus gives rise to emissions of fossil carbon dioxide in cases where the plastic is burned.

The increased requirements can be seen as both a risk and an opportunity. At Duroc, we work for long-term sustainable plastic use and address the challenges posed by our materials. If we can be at the forefront of development, it can give us market advantages in the longer term. One difficulty is that the materials are largely used in composite products which at present often lack systems for disassembly and material recycling. On the other hand, our materials contribute to the extended life of the products they are used for, which is one of the most important aspects for reducing a product's environmental footprint from a life cycle perspective. We work with various development projects where we test, for example, bio-based and biodegradable materials or an increased use of recycled raw materials.

During the previous financial year, all European units within the Fibre business area joined the international program Operation Clean Sweep, developed to prevent plastic materials from reaching marine environments. The program is based on voluntary commitments and examples of measures taken at Duroc in 2019/2020 are to identify weaknesses in the handling of raw materials in production, to develop an action plan to address the weaknesses, to inform and train staff in correct handling and to follow up whether the measures have had the desired effect. In some cases, equipment has been procured to efficiently collect pellets.

### **MARKET TRENDS AND EXTERNAL ANALYSIS**

As Duroc's company portfolio is highly diversified, it is difficult to describe a common market development. What can be said, however, is that in the European market, where most of the Group's sales are located, there has been a strong focus on the environ-

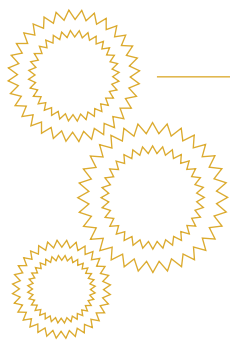
### **EXAMPLES FROM THE OPERATIONS**

#### ***University collaboration for the development of bioplastics***

In 2018, a strategic development collaboration was initiated between Duroc's fibre operations and the Aachen Maastricht Institute for Biobased Materials, AMIBM. The institute's focus is to work with industries to develop advanced bio-based materials that can be used in various products. Last year, production equipment for prototype development was installed at Duroc's subsidiary in Austria, which the university has a right to use for a period of 8 weeks annually in its research and development work. The collaboration is a long-term strategic investment and the agreement on the prototype equipment has a term of 25 years. The idea is to exchange information during test periods and build up competence about bio-based and biodegradable plastics – and to test the new materials in production to determine what works in practice. During the financial year, two joint development projects were conducted

where a new so-called PLA-fibre was tested. The challenge is to find the right polymer together with the right additive to achieve desired material properties. The equipment is also used outside these common projects and facilitates IFG's development of materials and shortens the development time in the product development chain.





ment and climate issues. Demand for sustainable products and services is increasing and we are seeing, for example, increased customer expectations in relation to the content of recycled plastic in new products, as well as materials in turn being recyclable. We see this as a positive development and work actively on the development of materials. However, we feel that there is a lack of willingness at consumer level to pay for the cost of circular and sustainable solutions.

In addition to environmental and climate issues, the global COVID-19 pandemic has been a crucial element this financial year. Duroc's business areas, subsidiaries and employees have been affected to various degrees. The beginning of the pandemic in March 2020 was marked by great uncertainty and anxiety. First and foremost, we focused on safeguarding the health of staff and urged all businesses to comply with the local authorities' precautionary measures and recommendations.

- In the Fiber business area, operations went at approximately 50 % capacity when the impact was at its greatest. Both in Europe and the USA the demand for our products was adversely affected and we adjusted the business accordingly.
- The Technical Textiles operations were affected very differently. Belgian operations saw an upswing in some parts of the business and continued its production as usual. In the French operations, on the other hand, production was shut down from mid-March to early May. The decision was made partly to minimise the risk of infection spreading, and partly as a consequence of reduced demand. During the period when production was down, adjustments were made in the factory to prepare for a safe reopening with the possibility of physical distancing, enhanced hygiene level etc.
- The pandemic's impact on the Other Industry business area varied also strongly. Duroc Rail's operations continued largely unaffected, as customers' changing demand leveled off. Duroc Laser Coating was affected to a small extent.

#### EXAMPLES FROM THE OPERATIONS

##### COVID-19 increases the demand for PFAS-free protective aprons for healthcare

Demand for protective equipment in health and care, e.g. masks and aprons, has increased sharply in connection with the current COVID-19 pandemic. In the USA, IFG Drake, together with the customer STI fabrics, has developed a PFAS-free protective apron with a longer lifespan than other common disposable products used in American healthcare.

PFAS substances (highly fluorinated substances) are a group of chemicals that have a dirt and water-repellent effect and are often used in textiles and beauty products. Among other things, they have been shown to be reproductive and endocrine disrupting as well as extremely difficult to degrade. Problems arise when these chemicals detach from, for example, textiles and spread in water and the environment. In the yarn that IFG manufactures for the protective aprons, the water-repellent component is encapsulated in the yarn itself, which prevents the water-repellent function from being washed off. The aprons can therefore be washed at least 50 times

- For the Industrial Trade business area, sales fell very sharply as early as mid-March due to concerns and uncertainty about the future. For Duroc Machine Tool, this led to part-time layoffs in some countries, mainly Sweden and Denmark until August.

#### EFFECTIVE AND SUSTAINABLE PRODUCTION

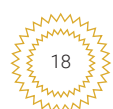
In order to be able to offer sustainable products and services, our production also needs to be sustainable. Efficiency and sustainability often go hand in hand, for example when it comes to reduce energy use and resource use and minimise waste of resources in the form of waste.

Continuous improvements in this area are a natural part of all ISO-certified production units, even if goals and key figures vary between operations. Sustainable production also requires a good working environment and high level of safety, which is described under another heading below.

As the majority of Duroc's subsidiaries are production units with significant energy consumption, a survey was conducted during the financial year to examine the extent to which the various subsidiaries have available data for measuring and monitoring energy use and climate impact. The survey can be seen as a start to increased joint follow-up in energy and climate. Duroc encourages its subsidiaries to use renewable energy as far as possible, in order to reduce the companies' climate emissions. For the largest business areas, energy use is reported in the table below, together with the share of renewable electricity.

| Energy use per business area | Electricity | Share of renewable electricity | Relative electricity use | Natural gas |
|------------------------------|-------------|--------------------------------|--------------------------|-------------|
| Fiber                        | 84.003 MWh  | 21 %                           | 1.0 MWh/ton              | 19,199 MWh  |
| Technical Textiles           | 7.361 MWh   | 9 %                            | 0.8 MWh/<br>thousand lm  | 34,631 MWh  |

without losing their protective effect. This differs greatly from other commonly used fabrics made of polyester or a polyester and cotton blend that use PFAS substances to achieve their water-repellent effect. In the common fabrics, the effect is washed off after about 15 washes and at the same time these substances are released and leak into nature as a result.



All our production units have been working for a long time to minimise waste. In the business areas Fiber and Technical Textiles, this is systematically followed up, see below. Through good collaborations with suppliers and well measured waste management, a large part of the waste can be recycled.

| Waste per business area | 2019/2020  | 2018/2019 | 2017/2018 |
|-------------------------|------------|-----------|-----------|
| Fiber                   | 3.5%       | 3.7%      | 3.7%      |
| Technical Textiles*     | 0.72 kg/lm | -         | -         |

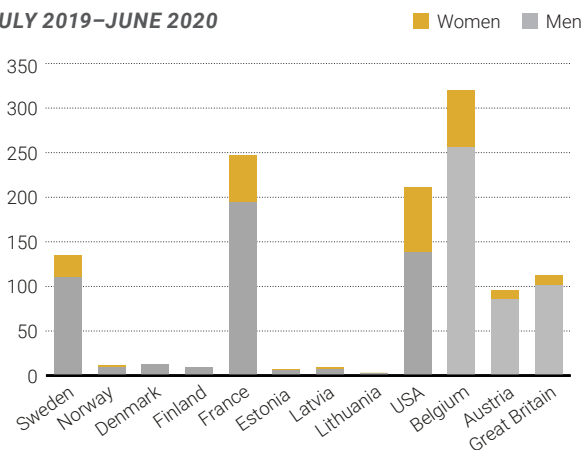
\* In the Technical Textiles business area, waste is measured in kg per running meter of finished product

During the year, a paint recycling project was carried out in the Technical Textiles business area. The project is based on an investment in a number of paint mixer machines ensuring that the paint continues to mix and therefore does not harden during the process. This new way of working saves both resources and money. Further efficiencies are planned within the business area, in this case in the form of an investment in a lab line in the French operation. At present, product developers need to use a regular production line to test new products. This leads to a huge waste of resources in the form of materials, production time and even money. To facilitate future product development, an investment in a new lab line has been approved.

**COMPETENT EMPLOYEES IN A SAFE AND SECURE WORK ENVIRONMENT**

Within the Duroc Group, during the financial year there was an average of just over 1,180 employees in 12 countries, see diagram below. These employees possess both important and extensive competence, and the ability to develop and use this appropriately is crucial for the future of the business.

**AVERAGE NUMBER OF EMPLOYEES PER COUNTRY JULY 2019–JUNE 2020**



Duroc strives for a culture where we benefit from diversity, with improved opportunities to see things from several perspectives, which we are convinced benefits the business and leads to better, long-term sustainable solutions. Diversity and respect for human rights are fundamental parts of the business, which has also been documented in the Group-wide Code of Conduct adopted at the beginning of the financial year. Several of the Group’s companies also have local, more detailed processes and routines that deal with these areas.

**SKILLS SUPPLY**

Skills supply is becoming an increasingly important issue for many of our operations, and attracting, developing and retaining competent staff is central for the operations to function. To attract new employees and to strengthen competence, we work with a number of universities in the various business areas. An example is in Technical Textiles, where we have worked with several universities for about 10 years. Students are offered internships in mainly research and development and are given opportunities to work with relevant projects. Over the years, these collaborations have served as a good recruitment channel.

Duroc’s various companies mainly run industrial operations, traditionally with many male employees. Many are loyal to the company and remain with the company for a long time. We are seeing a challenge in our skills supply in the long term, with a relatively large part of the workforce over 50 years and too few employees under 30. Employees according to gender and age are displayed in the table below.

| Employees*<br>June 2020 | Number of<br>employees | According to gender |     | According to age |       |      |
|-------------------------|------------------------|---------------------|-----|------------------|-------|------|
|                         |                        | Women               | Men | < 30             | 30-49 | > 50 |
| Fiber                   | 621                    | 137                 | 484 | 58               | 298   | 265  |
| Technical Textiles      | 300                    | 59                  | 241 | 37               | 109   | 154  |
| Industrial trade        | 126                    | 20                  | 106 | 10               | 36    | 44   |
| Other Industry          | 50                     | 8                   | 42  | 7                | 28    | 15   |
| Total                   | 1,097                  | 224                 | 873 | 112              | 471   | 478  |

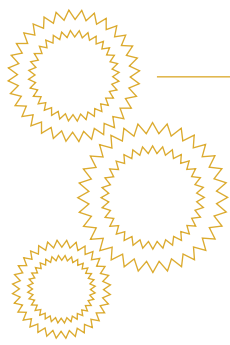
\* Full-time temporary employees are included in the number of employees.

**EXAMPLES FROM THE OPERATIONS**

**Griffine implements action plan for enhanced safety**

Griffine has a history of many workplace accidents, and after an average of just over 13 absences caused by injuries per year over a 15-year period, there were as many as 16 absences caused by injuries in 2019. The situation became clear after Duroc bought Cotting Group and an ambitious action plan was developed, together with a zero vision. First and foremost, the measures were about strengthening the safety culture and changing the attitude of staff. Among other things, team building activities were carried out, so-called Gemba walks were introduced and accidents were thoroughly analysed and communicated to everyone. Inspired by the Fiber business, a security lottery was also introduced, where € 10 is saved for every day that passes without an absence caused by an injury, and after 30 days without any absences caused by injuries, the total amount is raffled off among the employees. All these measures have increased the operators’ incentive for safe work.

Furthermore, investments in enhanced machine safety have been made and specific measures have been taken regarding various risk factors. A systematic approach to raise current security issues in the organisation has also been introduced. This is based on standing items on the daily production meetings, weekly safety meetings with follow-up, analysis and communication of items raised during the week and quarterly meetings for more general follow-up of goals and development.



The ability to attract complementary or new skills, required to meet the challenges of the future, is crucial to our success. We are convinced that one way of attracting young people is an increased focus on sustainability and innovation, which we are actively working on.

### HEALTH AND SAFETY

Within our production business areas, operations are conducted mainly in factories and workshops, which places high demands on a safe work environment. Safety is in focus both centrally and in the management of subsidiaries. The security work within the Group is based on great personal responsibility but also on clear instructions and routines, comprehensive reporting of risks and systematic follow-up of incidents that have occurred. In the Fiber business area, safety has been at the top of the agenda for several years now, under the motto Safety First! A workplace accident that occurred at IFG Drake in England in March 2017 partly explains the increased focus. The accident was the subject of a work environment investigation, which was finally closed during the fourth quarter of 2019/2020 and which previously established that the accident was not caused by the company. Nevertheless, a great deal of work has been done to enhance security throughout the business area since then. The companies within the business area have developed a solid collaboration and exchange of expertise, which, during the past financial year, has also been useful for Griffine.

In the Fiber and Technical Textiles business areas, well-developed preventive work is carried out to avoid workplace accidents. Through structured reporting and follow-up with development and implementation of measures, security risks can be systematically eliminated. Despite this, so-called absence caused by injuries still occurs, i.e. injuries that lead to sick leave. As the table below shows, Technical Textiles had a high absence frequency caused by injuries and, above all, a high level of severity during the most recent financial year. As previously described, a major change has taken place in the French operations, where measures were identified and introduced in the autumn of 2019, with a positive outcome in the spring of 2020. The figures should be understood against that background.

| Accident statistics per business | Absence injury rate* | Level of severity** |
|----------------------------------|----------------------|---------------------|
| Fiber                            | 17.2                 | 22.0                |
| Technical Textiles               | 25.6                 | 221.4               |

\* The absence injury rate is calculated as the number of injuries that lead to absence\* 1,000,000 / available working hours

\*\* The level of severity is calculated as the number of absence days\* 200,000 / available working hours

### EXAMPLES FROM THE OPERATIONS

#### Duroc Rail works for increased employee engagement

In Duroc Rail structured work has been conducted to reduce sick leave, increase employee involvement and introduce systems for skills development and job rotation. The work has been driven to create conditions for continuing the development of employees, their health and work environment and to utilise the employees' potential. Implemented measures include new occupational health care, changes in shift work and job rotation to ensure competence.

As far as the health and well-being of our employees is concerned, this work takes place locally in the subsidiaries. To get a general idea of the well-being of our employees, we plan to conduct a Group-wide employee survey during the next financial year.

In 2019/2020 the COVID-19 pandemic has affected the operations. As the recommendations have been to stay home from work even in the case of very mild symptoms, this has led to sick leave, and above all we have seen an effect of this in Technical Textiles. Sick leave per business area is reported below.

| Absence due to illness per business area | 2019/2020 | 2018/2019 | 2017/2018 |
|--|-----------|-----------|-----------|
| Fiber                                    | 3 %       | 2 %       | 4 %       |
| Technical Textiles                       | 9 %       | -         | -         |
| Industrial trade                         | 2 %       | 2 %       | 2 %       |
| Other Industry                           | 6 %       | 8 %       | 5 %       |

### CULTURE, VALUES AND LEADERSHIP

Duroc's Code of Conduct clarifies that all business operations must be conducted professionally and with integrity, respect and dignity. Leaders are a crucial component for our decentralised governance model to function well. Our leaders are given the opportunity to develop their leadership and share experiences in order to continue to develop the business and employees in accordance with our values.

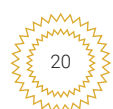
Duroc does not tolerate any form of discrimination, harassment, bullying or abuse. We promote a work environment and a culture where employees treat each other with respect and fairness and where we promote equal opportunities for all.

The implementation of overall guidelines and policy documents is followed up to ensure that Duroc's values reach all employees in the companies. As part of the follow-up and to monitor employees' well-being, how they are treated and treat each other, an employee survey is planned for the entire Group during the next financial year. The results of the survey will be the focus of the upcoming leadership conference

The review of our sustainability work shows that it is important to review the continuous work and actions in according with Duroc's guiding principles within companies and subsidiaries. In order for the principles in the policy documents to become a reality, structured and systematic work through, for example, action plans has been identified as a development area. Furthermore, employee surveys and structured and motivated work with the result is an important tool in the continued and continuous development work.

#### Systematic work at Duroc Rail for increased social sustainability

During 2019/2020 Duroc Rail worked in a purposeful and structured way with an implementation plan related to culture, engagement and treatment of employees. The action plan has included measures against harassment and discrimination and to ensure attitudes and behaviour in accordance with the values. Furthermore, measures have been taken to clarify responsibilities and roles, to secure competence and competence development and with the involvement of the employees, which has been an important part of the work to increase employee commitment.



# CONSOLIDATED INCOME STATEMENT

| MSEK  | Note     | 1 July 2019–<br>30 June 2020 | 1 July 2018–<br>30 June 2019 |
|---|----------|------------------------------|------------------------------|
| Net sales   | 6        | 3,158.2                      | 2,974.4                      |
| Other operating income  | 7        | 119.3                        | 13.2                         |
| Change in inventories   |          | 28.6                         | 1.0                          |
| Raw materials and consumables   |          | -1,546.1                     | -1,530.1                     |
| Goods for resale  |          | -331.2                       | -412.4                       |
| Other external costs  | 8        | -465.7                       | -417.6                       |
| Personnel costs   | 9        | -689.5                       | -478.5                       |
| Depreciation, amortisation and impairment of tangible and intangible fixed assets | 12,13,14 | -107.3                       | -51.6                        |
| Other operating costs   |          | -4.5                         | -4.6                         |
| <b>Operating profit</b>   |          | <b>161.8</b>                 | <b>93.7</b>                  |
| Financial income  | 10       | 1.8                          | 2.0                          |
| Financial costs   | 10       | -18.0                        | -6.7                         |
| <b>Net financial items</b>  |          | <b>-16.2</b>                 | <b>-4.7</b>                  |
| <b>Profit before tax</b>  |          | <b>145.6</b>                 | <b>89.0</b>                  |
| Deferred tax  | 11       | -15.0                        | 13.0                         |
| Current tax   | 11       | -14.1                        | -14.8                        |
| <b>Profit for the year</b>  |          | <b>116.5</b>                 | <b>87.3</b>                  |
| <b>Attributable to:</b>   |          |                              |                              |
| The shareholders of the parent company  |          | 116.5                        | 87.3                         |
| <b>Earnings per share, SEK, attributable to the parent company's shareholders</b> |          |                              |                              |
| Before and after dilution   | 22       | 2.99                         | 2.24                         |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| MSEK  | 1 July 2019–<br>30 June 2020 | 1 July 2018–<br>30 June 2019 |
|---|------------------------------|------------------------------|
| <b>Profit for the year</b>  | <b>116.5</b>                 | <b>87.3</b>                  |
| TOTAL OTHER COMPREHENSIVE INCOME  |                              |                              |
| <b>Items that may be reclassified to the income statement</b>                 |                              |                              |
| Translation differences   | -0.6                         | 13.9                         |
| Hedge accounting  | 0.2                          | 0.6                          |
| Tax attributable to items to be recognised in the income statement            | 0.0                          | 0.0                          |
| <b>Items that will not be reclassified to the income statement</b>            |                              |                              |
| Revaluation of strategic holdings   | -14.3                        | -26.1                        |
| Actuarial gains and losses  | -104.0                       | -9.8                         |
| Tax attributable to items that will not be recognised in the income statement | 3.6                          | 1.6                          |
| <b>Total other comprehensive income</b>                                       | <b>-115.0</b>                | <b>-19.7</b>                 |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                              | <b>1.5</b>                   | <b>67.6</b>                  |
| Of which comprehensive income attributable to:                                |                              |                              |
| the shareholders of the parent company  | 1.5                          | 67.6                         |
| <b>COMPREHENSIVE INCOME FOR THE YEAR</b>                                      | <b>1.5</b>                   | <b>67.6</b>                  |

# CONSOLIDATED BALANCE SHEET

| MSEK  | Note | 30 June 2020   | 30 June 2019   |
|---|------|----------------|----------------|
| <b>ASSETS</b>   |      |                |                |
| <b>Non-current assets</b>                                       |      |                |                |
| Goodwill  | 12   | 82.5           | 82.5           |
| Other intangible assets   | 12   | 12.1           | 9.5            |
| Property, plant and equipment                                   | 13   | 592.4          | 460.3          |
| Right of use assets   | 14   | 146.2          | –              |
| Non-current investments   | 16   | 14.0           | 28.7           |
| Non-current receivables   | 17   | 4.3            | 2.3            |
| Deferred tax assets   | 11   | 73.0           | 69.8           |
| <b>Total non-current assets</b>                                 |      | <b>924.6</b>   | <b>653.0</b>   |
| <b>Current assets</b>   |      |                |                |
| Inventories   | 18   | 476.9          | 385.8          |
| Advance payments to suppliers                                   |      | 2.4            | 2.8            |
| Trade receivable  | 19   | 355.3          | 434.4          |
| Current tax receivables   |      | 14.7           | 2.2            |
| Other receivables   |      | 24.7           | 17.8           |
| Prepaid expenses and accrued income                             | 20   | 20.7           | 10.4           |
| Cash and cash equivalents                                       | 21   | 142.3          | 352.5          |
| <b>Total current assets</b>                                     |      | <b>1,037.0</b> | <b>1,206.0</b> |
| <b>TOTAL ASSETS</b>   |      | <b>1,961.6</b> | <b>1,859.0</b> |
| <b>EQUITY AND LIABILITIES</b>                                   |      |                |                |
| <b>Equity</b>   |      |                |                |
| Share capital   |      | 39.0           | 39.0           |
| Other contributed capital                                       |      | 260.5          | 260.5          |
| Reserves  |      | 118.8          | 119.1          |
| Retained earnings including profit for the year                 |      | 530.2          | 531.4          |
| <b>Equity attributable to the parent company's shareholders</b> |      | <b>948.4</b>   | <b>950.0</b>   |
| <b>Total equity</b>   | 36   | <b>948.4</b>   | <b>950.0</b>   |
| <b>Non-current liabilities</b>                                  |      |                |                |
| Pension provision   | 23   | 171.6          | 51.1           |
| Guarantee provisions  | 24   | 2.0            | 2.7            |
| Other provisions  | 24   | 12.5           | 10.9           |
| Non-current interest-bearing liabilities                        | 25   | 163.0          | 105.7          |
| Non-current interest-bearing liabilities – right of use assets  | 25   | 112.7          | –              |
| Other non-current liabilities                                   |      | 3.6            | –              |
| Deferred tax liabilities  | 11   | 45.5           | 36.0           |
| <b>Total non-current liabilities</b>                            |      | <b>511.0</b>   | <b>206.4</b>   |
| <b>Current liabilities</b>                                      |      |                |                |
| Current interest-bearing liabilities                            | 25   | 97.2           | 370.9          |
| Current interest-bearing liabilities – right of use assets      |      | 26.5           | –              |
| Advance payments from customers                                 |      | 16.4           | 30.1           |
| Trade payable   |      | 179.4          | 176.4          |
| Current tax liabilities   |      | 14.2           | 7.0            |
| Other liabilities   | 26   | 57.4           | 43.6           |
| Accrued expenses and deferred income                            | 27   | 111.0          | 74.6           |
| <b>Total current liabilities</b>                                |      | <b>502.2</b>   | <b>702.6</b>   |
| <b>Total liabilities</b>  |      | <b>1,013.2</b> | <b>909.1</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                             |      | <b>1,961.6</b> | <b>1,859.0</b> |

Information on the Group's collaterals and contingent liabilities, see note 31.

# CONSOLIDATED CHANGES IN EQUITY

| MSEK   | Attributable to parent company shareholders |                           |                     |                     |                   | Total         | Total equity  |
|--|---|---------------------------|---------------------|---------------------|-------------------|---------------|---------------|
|  | Share capital                               | Other contributed capital | Hedging derivatives | Translation reserve | Retained earnings |               |               |
| <b>Opening Equity 01/07/2018</b>                   | <b>39.0</b>                                 | <b>260.5</b>              | <b>0.4</b>          | <b>104.2</b>        | <b>478.4</b>      | <b>882.5</b>  | <b>882.5</b>  |
| Profit for the year                                | -   | -                         | -                   | -                   | 87.3              | 87.3          | 87.3          |
| <b>Other comprehensive income</b>                  |   |                           |                     |                     |                   |               |               |
| Actuarial gains/losses                             | -   | -                         | -                   | -                   | -8.2              | -8.2          | -8.2          |
| This year's translation effect                     | -   | -                         | -                   | 13.9                | -                 | 13.9          | 13.9          |
| Revaluation of strategic holdings                  | -   | -                         | -                   | -                   | -26.1             | -26.1         | -26.1         |
| Hedge accounting                                   | -   | -                         | 0.6                 | -                   | -                 | 0.6           | 0.6           |
| <b>Total comprehensive income</b>                  | <b>-</b>                                    | <b>-</b>                  | <b>0.6</b>          | <b>13.9</b>         | <b>-34.3</b>      | <b>67.5</b>   | <b>67.5</b>   |
| <b>Closing equity 30/06/2019</b>                   | <b>39.0</b>                                 | <b>260.5</b>              | <b>1.0</b>          | <b>118.1</b>        | <b>531.4</b>      | <b>950.0</b>  | <b>950.0</b>  |
| <b>Opening equity 01/07/2019</b>                   | <b>39.0</b>                                 | <b>260.5</b>              | <b>1.0</b>          | <b>118.1</b>        | <b>531.4</b>      | <b>950.0</b>  | <b>950.0</b>  |
| Adjustment opening balance at transition to IFRS16 | -   | -                         | -                   | -                   | -3.1              | -3.1          | -3.1          |
| Profit for the year                                | -   | -                         | -                   | -                   | 116.5             | 116.5         | 116.5         |
| <b>Other comprehensive income</b>                  |   |                           |                     |                     |                   |               |               |
| Actuarial gains/losses                             | -   | -                         | -                   | -                   | -100.4            | -100.4        | -100.4        |
| This year's translation effect                     | -   | -                         | -                   | -0.6                | -                 | -0.6          | -0.6          |
| Revaluation of strategic holdings                  | -   | -                         | -                   | -                   | -14.3             | -14.3         | -14.3         |
| Hedge accounting                                   | -   | -                         | 0.2                 | -                   | -                 | 0.2           | 0.2           |
| <b>Total comprehensive income</b>                  | <b>-</b>                                    | <b>-</b>                  | <b>0.2</b>          | <b>-0.6</b>         | <b>-114.7</b>     | <b>-115.0</b> | <b>-115.0</b> |
| <b>Closing Equity 30/06/2020</b>                   | <b>39.0</b>                                 | <b>260.5</b>              | <b>1.2</b>          | <b>117.6</b>        | <b>530.2</b>      | <b>948.4</b>  | <b>948.4</b>  |

# CONSOLIDATED CASH FLOW

| MSEK  | Note | 1 July 2019 –<br>30 June 2020 | 1 July 2018 –<br>30 June 2019 |
|---|------|-------------------------------|-------------------------------|
| <b>OPERATING ACTIVITIES</b>   |      |                               |                               |
| Profit before tax   |      | 145.6                         | 89.0                          |
| Adjustments for non-cash items  |      | 13.0                          | 43.0                          |
|   |      | <b>158.6</b>                  | <b>132.0</b>                  |
| Income tax paid   |      | -9.9                          | -13.1                         |
| <b>Cash flow from operating activities before change in working capital</b> |      | <b>148.8</b>                  | <b>119.0</b>                  |
| <b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>                            |      |                               |                               |
| Increase/decrease in inventories  |      | 30.1                          | -1.1                          |
| Increase/decrease in current receivables                                    |      | 213.3                         | 23.9                          |
| Increase/decrease in current liabilities                                    |      | -69.8                         | -71.0                         |
| <b>Change in working capital</b>  |      | <b>173.6</b>                  | <b>-48.2</b>                  |
| <b>Cash flow from operating activities</b>                                  |      | <b>322.3</b>                  | <b>70.8</b>                   |
| <b>INVESTING ACTIVITIES</b>   |      |                               |                               |
| Acquisition of intangible assets  |      | -3.7                          | -1.3                          |
| Acquisition of tangible assets  |      | -89.3                         | -61.0                         |
| Sales of tangible assets  |      | 0.0                           | 0.3                           |
| Effect of acquisitions  |      | -168.3                        | -34.1                         |
| Investments in financial instruments  |      | 0.3                           | -47.6                         |
| <b>Cash flow from investing activities</b>                                  |      | <b>-260.9</b>                 | <b>-143.7</b>                 |
| <b>FINANCING ACTIVITIES</b>   |      |                               |                               |
| New loan  |      | 142.8                         | 213.0                         |
| Repayment of loans  |      | -283.4                        | -31.8                         |
| Changes in credit facility  |      | -121.6                        | -21.0                         |
| <b>Cash flow from financing activities</b>                                  |      | <b>-262.2</b>                 | <b>160.2</b>                  |
| <b>Cash flow for the period</b>   |      | <b>-200.9</b>                 | <b>87.3</b>                   |
| Cash and cash equivalents at the beginning of the year                      |      | 352.5                         | 262.2                         |
| Exchange rate differences in cash and cash equivalents                      |      | -9.4                          | 3.0                           |
| <b>Cash and cash equivalents at year end</b>                                | 35   | <b>142.3</b>                  | <b>352.5</b>                  |



# PARENT COMPANY INCOME STATEMENT

| MSEK                                  | Note | 1 July 2019 –<br>30 June 2020 | 1 July 2018 –<br>30 June 2019 |
|---------------------------------------|------|-------------------------------|-------------------------------|
| Net sales                             | 6    | 5.6                           | 4.6                           |
| Other external costs                  | 8    | -7.1                          | -7.2                          |
| Personnel costs                       | 9    | -12.3                         | -9.5                          |
| Depreciation and amortisation         |      | -0.5                          | -0.4                          |
| <b>Operating profit</b>               |      | <b>-14.3</b>                  | <b>-12.5</b>                  |
| Profit from shares in Group companies |      | 58.7                          | 58.8                          |
| Interest income and similar items     |      | 1.9                           | 1.6                           |
| Interest expenses and similar items   |      | -6.2                          | -0.8                          |
| <b>Financial net</b>                  | 10   | <b>54.5</b>                   | <b>59.6</b>                   |
| <b>Appropriations</b>                 |      |                               |                               |
| Rendered/Received Group contributions |      | 22.1                          | 19.4                          |
| <b>Profit before tax</b>              |      | <b>62.2</b>                   | <b>66.5</b>                   |
| Current tax                           | 11   | –                             | –                             |
| Deferred tax liabilities              | 11   | -7.0                          | -1.7                          |
| <b>Profit and loss for the year</b>   |      | <b>55.3</b>                   | <b>64.7</b>                   |

# PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

| MSEK  | 1 July 2019 –<br>30 June 2020 | 1 July 2018 –<br>30 June 2019 |
|---|-------------------------------|-------------------------------|
| <b>Profit for the year</b>  | <b>55.3</b>                   | <b>64.7</b>                   |
| <b>Other comprehensive income - revaluation of strategic holdings</b> | <b>-0.3</b>                   | <b>-</b>                      |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                        | <b>55.0</b>                   | <b>64.7</b>                   |

# PARENT COMPANY BALANCE SHEET

| MSEK                                     | Note   | 30 June 2020   | 30 June 2019   |
|--|--------|----------------|----------------|
| <b>ASSETS</b>                            |        |                |                |
| <b>Non-current assets</b>                |        |                |                |
| Other intangible assets                  |        | 0.9            | 1.3            |
| Tangible fixed assets                    |        | 0.0            | 0.0            |
| Shares in Group companies                | 34     | 1,104.7        | 876.5          |
| Other shares and participations          | 16     | 0.1            | 0.4            |
| Receivables, Group companies             | 17, 33 | 26.6           | 48.2           |
| Deferred tax assets                      | 11     | 15.2           | 22.2           |
| <b>Total non-current assets</b>          |        | <b>1,147.4</b> | <b>948.5</b>   |
| <b>Current assets</b>                    |        |                |                |
| Receivables, Group companies             | 33     | 99.8           | 25.2           |
| Other receivables                        |        | 0.9            | 0.6            |
| Prepaid expenses and accrued income      | 20     | 1.7            | 0.6            |
| Cash and bank balances                   | 21     | 10.7           | 203.7          |
| <b>Total current assets</b>              |        | <b>113.2</b>   | <b>230.1</b>   |
| <b>TOTAL ASSETS</b>                      |        | <b>1,260.6</b> | <b>1,178.7</b> |
| <b>EQUITY AND LIABILITIES</b>            |        |                |                |
| <b>Equity</b>                            |        |                |                |
| <b>Restricted equity</b>                 |        |                |                |
| Share capital                            |        | 39.0           | 39.0           |
| Statutory reserve                        |        | 1.1            | 1.1            |
| <b>Unrestricted equity</b>               |        |                |                |
| Share premium fund                       |        | 821.5          | 821.5          |
| Retained earnings                        |        | 98.1           | 33.7           |
| Profit for the year                      |        | 55.3           | 64.7           |
| <b>Total equity</b>                      | 36     | <b>1,015.0</b> | <b>960.0</b>   |
| <b>Non-current liabilities</b>           |        |                |                |
| Non-current interest-bearing liabilities | 25     | 94.3           | –              |
| Liabilities to Group companies           | 25, 33 | –              | 3.2            |
| <b>Total non-current liabilities</b>     |        | <b>94.3</b>    | <b>3.2</b>     |
| <b>Current liabilities</b>               |        |                |                |
| Current interest-bearing liabilities     | 25     | 25.2           | 181.6          |
| Trade payables                           |        | 1.2            | 1.4            |
| Liabilities to Group companies           | 25, 33 | 120.0          | 27.9           |
| Other liabilities                        | 26     | 0.3            | 0.3            |
| Accrued expenses and deferred income     | 27     | 4.7            | 4.2            |
| <b>Total current liabilities</b>         |        | <b>151.3</b>   | <b>215.5</b>   |
| <b>Total liabilities</b>                 |        | <b>245.7</b>   | <b>218.7</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>      |        | <b>1,260.6</b> | <b>1,178.7</b> |

# PARENT COMPANY'S EQUITY

| MSEK   | Restricted equity |                   | Unrestricted equity |                   |                              | Total equity   |
|--|-------------------|-------------------|---------------------|-------------------|------------------------------|----------------|
|  | Share capital     | Statutory reserve | Share premium fund  | Retained Earnings | Profit and loss for the year |                |
| <b>Opening Equity 01/07/2018</b>                               | <b>39.0</b>       | <b>1.1</b>        | <b>821.5</b>        | <b>38.9</b>       | <b>-5.2</b>                  | <b>895.3</b>   |
| Disposition of previous year's loss                            | -                 | -                 | -                   | -5.2              | 5.2                          | -              |
| <b>Total comprehensive income</b>                              |                   |                   |                     |                   |                              |                |
| Profit for the year  | -                 | -                 | -                   | -                 | 64.7                         | 64.7           |
| <b>Total comprehensive income</b>                              | <b>-</b>          | <b>-</b>          | <b>-</b>            | <b>-</b>          | <b>64.7</b>                  | <b>64.7</b>    |
| <b>Closing equity 30/06/2019</b>                               | <b>39.0</b>       | <b>1.1</b>        | <b>821.5</b>        | <b>33.7</b>       | <b>64.7</b>                  | <b>960.0</b>   |
| <b>Opening equity 01/07/2019</b>                               | <b>39.0</b>       | <b>1.1</b>        | <b>821.5</b>        | <b>33.7</b>       | <b>64.7</b>                  | <b>960.0</b>   |
| Disposition of previous year's profit                          | -                 | -                 | -                   | 64.7              | -64.7                        | -              |
| <b>Total comprehensive income</b>                              |                   |                   |                     |                   |                              |                |
| Profit for the year  | -                 | -                 | -                   | -                 | 55.3                         | 55.3           |
| Other comprehensive income – revaluation of strategic holdings | -                 | -                 | -                   | -0.3              | -                            | -0.3           |
| <b>Total comprehensive income</b>                              | <b>-</b>          | <b>-</b>          | <b>-</b>            | <b>-0.3</b>       | <b>55.3</b>                  | <b>55.0</b>    |
| <b>Closing Equity 30/06/2020</b>                               | <b>39.0</b>       | <b>1.1</b>        | <b>821.5</b>        | <b>98.1</b>       | <b>55.3</b>                  | <b>1,015.0</b> |

# PARENT COMPANY CASH FLOW

| MSEK  | Note | 1 July 2019 –<br>30 June 2020 | 1 July 2018 –<br>30 June 2019 |
|---|------|-------------------------------|-------------------------------|
| <b>OPERATING ACTIVITIES</b>   |      |                               |                               |
| Profit before tax   |      | 62.2                          | 66.5                          |
| Adjustments for non-cash items  |      | -64.4                         | -25.6                         |
|   |      | <b>-2.2</b>                   | <b>40.9</b>                   |
| Income tax paid   |      | -0.2                          | -0.1                          |
| <b>Cash flow from operating activities before change in working capital</b> |      | <b>-2.4</b>                   | <b>40.7</b>                   |
| <b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>                            |      |                               |                               |
| Increase (-) / Decrease (+) of current receivables                          |      | -0.3                          | -0.4                          |
| Increase (-) / Decrease (+) of current liabilities                          |      | 0.3                           | 0.9                           |
| <b>Change in working capital</b>  |      | <b>-0.1</b>                   | <b>0.5</b>                    |
| <b>Cash flow from operating activities</b>                                  |      | <b>-2.4</b>                   | <b>41.8</b>                   |
| <b>INVESTING ACTIVITIES</b>   |      |                               |                               |
| Acquisition of intangible assets  |      | 0.0                           | -0.7                          |
| Acquisition of tangible fixed assets  |      | 0.0                           | -0.0                          |
| Acquisition of shares in subsidiaries                                       |      | -189.6                        | -                             |
| Dividends from subsidiaries   |      | 13.3                          | -                             |
| Shareholder contribution to subsidiaries in connection with acquisitions    |      | -                             | -20.0                         |
| <b>Cash flow from investing activities</b>                                  |      | <b>-176.4</b>                 | <b>-20.7</b>                  |
| <b>FINANCING ACTIVITIES</b>   |      |                               |                               |
| New loan  |      | 132.4                         | 179.5                         |
| Repayment of loans  |      | -187.9                        | -2.1                          |
| Net change in Group internal receivables and liabilities                    |      | 48.7                          | -30.2                         |
| <b>Cash flow from financing activities</b>                                  |      | <b>-6.8</b>                   | <b>147.1</b>                  |
| <b>Cash flow for the period</b>   |      | <b>-185.6</b>                 | <b>167.5</b>                  |
| Cash and cash equivalents at beginning of the period                        |      | 203.7                         | 36.3                          |
| Exchange rate differences in cash and cash equivalents                      |      | -7.4                          | -0.1                          |
| <b>Cash and cash equivalents at year end</b>                                | 35   | <b>10.7</b>                   | <b>203.7</b>                  |

## NOTE 6 NET SALES AND SEGMENT REPORTING

### DISTRIBUTION OF REVENUE

#### Earnings per material revenue type

| MSEK                    | THE GROUP      |                | PARENT COMPANY |             |
|-------------------------|----------------|----------------|----------------|-------------|
|                         | 1907 – 2006    | 1807 – 1906    | 1907 – 2006    | 1807 – 1906 |
| Sale of goods           | 3,001.7        | 2,844.6        | –              | –           |
| Commission compensation | 2.9            | 0.5            | –              | –           |
| Service assignments     | 149.5          | 125.8          | 5.6            | 4.6         |
| Other                   | 4.1            | 3.6            | –              | –           |
| <b>Net sales</b>        | <b>3,158.2</b> | <b>2,974.4</b> | <b>5.6</b>     | <b>4.6</b>  |

The parent company invoices service fees to the subsidiaries as compensation for services rendered. The service fee is reported as a service assignment in the above summary.

#### SEGMENT REPORTING

The company management has determined the operating segments based on the information processed by the board and the CEO which is used to make strategic decisions. The most senior executive decision-makers in the Group are the Board and the CEO. The Group's different business areas are managed and organised separately based on the nature of the products and services offered, where each business line represents a strategic business unit that offers various products. The Group's primary segments are organised into independent business areas. The internal reporting system is structured based on monitoring the return on the Group's goods and services, which is why business lines are the primary basis for division. The operations for each business area consist of:

**Fiber:** The Fiber business area includes International Fibers Group (IFG). IFG produces polypropylene-based fibres and yarns as well as fibre-based textiles for professional growers.

**Technical Textiles:** The Technical Textiles business area includes Cotting Group. The products consist of PVC and PU-coated textiles that are used in a number of different areas, among others car interiors, fashion industry, protective clothing, hospital beds, dental chairs, furniture and wall coverings.

**Industrial trade:** In the business area Industrial Trade, Duroc Machine Tool (DMT) conducts trade in tooling machines, including automation solutions, tools, service and support for engineering companies. Herber offers tube bending machines and Universal Power (UPN) provides diesel engines for industrial and marine use with associated spare parts, service and repairs.

**Other Industry:** The business area Other industry includes Duroc Rail and Duroc Laser Coating (DLC). Duroc Rail delivers qualified maintenance of railway wheels for locomotives and wagons for railway operators. DLC offers maintenance and new manufacture of industrial components based on laser surface treatment technology.

More information about each business area can be found on page 7–10.

For transfer pricing, a market-adapted pricing is used. Internal sales take place mainly between the parent company and the business areas as well as within the business areas.

The segments' results, assets and liabilities include directly attributable items as well as items that can be reasonably and reliably allocated to the segments.

Note 6, cont.

| Operating segment                   | Fiber Industry |             | Technical Textiles |           | Industrial Trade |             | Other industry |             | Group-wide functions and Eliminations |              | The Group    |             |
|-------------------------------------|----------------|-------------|--------------------|-----------|------------------|-------------|----------------|-------------|---------------------------------------|--------------|--------------|-------------|
|                                     | 1907-2006      | 1807-1906   | 1907-2006          | 1807-1906 | 1907-2006        | 1807-1906   | 1907-2006      | 1807-1906   | 1907-2006                             | 1807-1906    | 1907-2006    | 1807-1906   |
| <b>GROUP MSEK</b>                   |                |             |                    |           |                  |             |                |             |                                       |              |              |             |
| Net sales                           | 1,869.8        | 2,252.0     | 581.3              | –         | 559.7            | 590.2       | 147.5          | 132.2       | 5.6                                   | 4.6          | 3,163.9      | 2,979.0     |
| <i>of which external</i>            | 1,869.8        | 2,252.0     | 581.3              | –         | 559.7            | 590.2       | 147.5          | 132.2       | 0.0                                   | 0.0          | 3,158.2      | 2,974.4     |
| <i>of which internal</i>            |                | –           |                    | –         |                  | –           |                | –           | 5.6                                   | 4.6          | 5.6          | 4.6         |
| Operating profit                    | 47.7           | 59.0        | 77.6               | –         | 27.1             | 33.1        | 23.9           | 14.1        | -14.4                                 | -12.5        | 161.8        | 93.7        |
| Financial net                       | -7.2           | -3.3        | 0.4                | –         | -2.7             | -1.1        | -2.4           | -1.1        | -4.3                                  | 0.8          | -16.2        | -4.7        |
| Tax expenses for the year           | -7.0           | 4.5         | -8.0               | –         | -7.0             | -4.4        | -0.1           | -0.1        | -7.0                                  | -1.7         | -29.1        | -1.7        |
| <b>Profit and loss for the year</b> | <b>33.4</b>    | <b>60.2</b> | <b>70.0</b>        | <b>–</b>  | <b>17.3</b>      | <b>27.6</b> | <b>21.4</b>    | <b>12.9</b> | <b>-25.7</b>                          | <b>-13.4</b> | <b>116.5</b> | <b>87.3</b> |
| Assets                              | 1,236.6        | 1,252.5     | 425.7              | –         | 213.9            | 256.1       | 86.7           | 75.5        | -1.4                                  | 274.8        | 1,961.6      | 1,859.0     |
| Liabilities                         | 602.4          | 541.7       | 170.0              | –         | 156.8            | 186.1       | 82.1           | 67.2        | 1.8                                   | 114.1        | 1,013.2      | 909.1       |
| Investments                         | -62.0          | -44.7       | -24.0              | –         | -4.7             | -21.5       | -2.1           | -8.6        | -0.1                                  | -0.8         | -93.0        | -75.5       |
| Depreciations/write-downs           | 65.6           | 33.4        | 16.3               | –         | 13.4             | 12.9        | 10.5           | 1.6         | 1.5                                   | 0.4          | 107.3        | 48.4        |

The item Group-wide functions includes Duroc AB, whose operations to some extent serve other companies in the Group.

Duroc AB invoices a service fee to the subsidiaries as compensation for services rendered. Dividends from the subsidiaries amounting to MSEK 30.9 (58.8) are not included here.

| Geographic areas                              | Sweden    |           | Nordics   |           | Rest of Europe |           | USA       |           | Other markets |           | The Group |           |
|---|-----------|-----------|-----------|-----------|----------------|-----------|-----------|-----------|---------------|-----------|-----------|-----------|
|   | 1907-2006 | 1807-1906 | 1907-2006 | 1807-1906 | 1907-2006      | 1807-1906 | 1907-2006 | 1807-1906 | 1907-2006     | 1807-1906 | 1907-2006 | 1807-1906 |
| <b>GROUP MSEK</b>                             |           |           |           |           |                |           |           |           |               |           |           |           |
| Net sales                                     | 351.6     | 346.3     | 232.2     | 258.2     | 1,766.0        | 1,558.2   | 556.2     | 685.5     | 252.2         | 126.2     | 3,158.2   | 2,974.4   |
| Tangible fixed assets and right of use assets | 100.6     | 44.7      | 6.3       | 4.3       | 423.5          | 238.4     | 208.2     | 172.9     | 0.0           | 0.0       | 738.6     | 460.3     |
| Investments                                   | -5.9      | -21.5     | -1.0      | 0.0       | -42.5          | -36.2     | -43.5     | -17.8     | 0.0           | 0.0       | -93.0     | -75.5     |

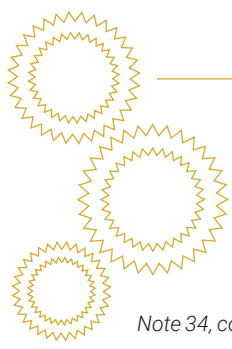
Revenues are based on the areas according to where the customers are located and that the assets are reported according to where the assets are located.

## NOTE 34 GROUP COMPANIES

| Holdings in subsidiaries                      | Corporate registration No | Country       | Registered office | Company type  | Shareholding % |
|---|---------------------------|---------------|-------------------|---------------|----------------|
| Duroc Produktion AB                           | 556618-5178               | Sweden        | Stockholm         | 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        | Stockholm         | Dormant       | 100            |
| Duroc Machine Tool Holding AB                 | 556716-0782               | Sweden        | Stockholm         | Holding       | 100            |
| Duroc Machine Tool AB                         | 556282-7633               | Sweden        | Vislanda, Alvesta | Sales         | 100            |
| Duroc Machine Tool Oü                         | 109 815 71                | Estonia       | Tartu             | Sales         | 100            |
| Duroc Machine Tool SIA                        | 4000 371 649 5            | Latvia        | Riga              | Sales         | 100            |
| Duroc Machine Tool OY                         | 2580623-8                 | Finland       | Helsingfors       | Sales         | 100            |
| Vislanda Maskin AB                            | 556586-8394               | Sweden        | Alvesta           | Sales         | 100            |
| Duroc Machine Tool AS                         | 956346215                 | Norway        | Ski               | Sales         | 100            |
| Universal Power Nordic AB                     | 559139-1312               | Sweden        | Skänninge         | Sales         | 100            |
| Universal Diesel AS                           | 946 598 771               | Norway        | Lørenskog         | Sales         | 100            |
| Herber Engineering AB                         | 556716-3919               | Sweden        | Värnamo           | Sales         | 100            |
| International Fibres Group AB                 | 556933-2694               | Sweden        | Stockholm         | Holding       | 100            |
| International Fibres Group (Holdings) Limited | 468624                    | Great Britain | Bradford          | Holding       | 100            |
| Terry Holdings (Horbury) Limited              | 352990                    | Great Britain | Bradford          | Holding       | 100            |
| IFG Exelto NV                                 | BE-0875.127.961           | Belgium       | Gent              | Manufacturing | 100            |
| International Fibres Group Limited            | 7503139                   | Great Britain | Bradford          | Holding       | 100            |
| Chamberlain Coatings Limited                  | 3080757                   | Great Britain | Bradford          | Dormant       | 100            |
| Accrington Packing & Storage Limited          | 586470                    | Great Britain | Bradford          | Dormant       | 100            |
| IFG Asota GmbH                                | FN86129k                  | Austria       | Linz              | Manufacturing | 100            |
| IFG Drake Limited                             | 395461                    | Great Britain | Bradford          | Manufacturing | 100            |
| Speciality Coatings Group Limited             | 1243319                   | Great Britain | Bradford          | Holding       | 100            |
| Speciality Coatings (Darwen) Limited          | 2023995                   | Great Britain | Darwen            | Joint Venture | 40             |
| Drighlington Fibres Limited                   | 4229856                   | Great Britain | Bradford          | Holding       | 100            |
| Chapelthorpe Inc                              | 887210                    | USA           | Martinsville      | Dormant       | 100            |
| Chapelthorpe Investments Inc                  | 887211                    | USA           | Martinsville      | Dormant       | 100            |
| Ifg Holdings Inc                              | 885934                    | USA           | Martinsville      | Holding       | 100            |
| Drake Extrusion Inc                           | 2483026                   | USA           | Martinsville      | Manufacturing | 100            |
| Griffine Enduction S.A                        | 403134885                 | France        | Nucourt           | Manufacturing | 100            |
| Plastibert & Cie NV                           | 0405.435.551              | Belgium       | Wielsbeke         | Manufacturing | 100            |

### PARENT COMPANY

| MSEK  | 06/30/2020     | 06/30/2019   |
|---|----------------|--------------|
| <b>Opening balance</b>  | 965.5          | 945.5        |
| Shareholder contribution to subsidiary in connection with acquisition | 10.8           | 20.0         |
| Acquisition Cotting group   | 189.6          | -            |
| <b>Closing balance</b>  | <b>1,165.9</b> | <b>965.5</b> |
| <b>Accumulated impairment</b>   |                |              |
| Opening balance   | -89.0          | -89.0        |
| Reversal of impairment  | 27.8           | -            |
| <b>Closing balance</b>  | <b>-61.2</b>   | <b>-89.0</b> |
| <b>Recognised value</b>   | <b>1,104.7</b> | <b>876.5</b> |



Note 34, cont.

**Specification of parent company's direct shareholding in group companies**

|                               | Corporate registration No | Number of shares | Ownership in % | Recognised value |              |
|-------------------------------|---------------------------|------------------|----------------|------------------|--------------|
|                               |                           |                  |                | 06/30/2020       | 06/30/2019   |
| Duroc Produktion AB           | 556618-5178               | 1,000            | 100            | 38.4             | 10.6         |
| Duroc Machine Tool Holding AB | 556716-0782               | 4,278            | 100            | 84.9             | 74.1         |
| International Fibres Group AB | 556933-2694               | 31,671,100       | 100            | 791.8            | 791.8        |
| Griffine Enduction S.A        | 403134885                 | 1,149,860        | 100            | 116.0            | –            |
| Plastibert & Cie NV           | 0405.435.551              | 4,000            | 100            | 73.6             | –            |
|                               |                           |                  |                | <b>1,104.7</b>   | <b>876.5</b> |



# MULTI-YEAR OVERVIEW

| Key performance indicators (Amounts in MSEK)                          | DUROC     |           |           | IFG       |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
|   | 1907-2006 | 1807-1906 | 1707-1806 | 1607-1706 | 1507-1606 | 1407-1506 |
| <b>Income statement</b>   |           |           |           |           |           |           |
| Net sales   | 3,158.2   | 2,974.4   | 2,526.4   | 2,021.5   | 1,908.3   | 1,839.5   |
| Operating profit  | 161.8     | 93.7      | 116.2     | 83.8      | 120.9     | 90.5      |
| EBITDA  | 269.1     | 145.3     | 160.6     | 120.8     | 89.5      | 58.4      |
| Profit after net financial items                                      | 145.6     | 89.0      | 112.8     | 76.8      | 88.5      | 49.9      |
| Profit after tax  | 116.5     | 87.3      | 130.6     | 54.3      | 62.4      | 36.6      |
| Return on equity %  | 8.2       | 9.5       | 14.8      | 7.8       | 15.2      | 9.8       |
| <b>Balance sheet</b>  |           |           |           |           |           |           |
| Balance sheet total   | 1,961.6   | 1,859.0   | 1,662.2   | 1,320.8   | 940.2     | 928.7     |
| Cash and cash equivalents   | 142.3     | 352.5     | 262.2     | 295.4     | 136.2     | 133.1     |
| Interest-bearing net debt*  | 399.5     | 476.6     | 273.7     | 213.6     | 117.0     | 106.3     |
| Net debt/net cash and liabilities                                     | 117.8     | 124.1     | 11.5      | -25.5     | 19.2      | 26.8      |
| Capital employed  | 1,347.9   | 1,425.7   | 456.3     | 410.5     | 527.4     | 517.6     |
| Equity  | 948.4     | 950.0     | 882.4     | 692.4     | 410.5     | 411.3     |
| Equity/assets ratio %**   | 48        | 51        | 53        | 52        | 44        | 44        |
| Equity/share, SEK   | 24.3      | 24.4      | 22.6      | 17.8      | 10.5      | 10.6      |
| <b>Cash flow</b>  |           |           |           |           |           |           |
| Cash flow from operating activities before changes in working capital | 148.8     | 119.0     | 112.9     | 88.3      | 80.4      | 64.5      |
| Cash flow from operating activities                                   | 322.3     | 70.8      | 75.7      | 112.6     | 40.9      | 57.0      |
| Cash flow from investment activities                                  | -260.9    | -143.7    | -106.0    | -9.0      | -35.1     | -54.8     |
| Cash flow from financing activities excl dividends                    | -262.2    | 160.2     | -23.2     | 55.9      | 1.1       | -20.3     |
| Cashflow for the period   | -200.9    | 87.3      | -53.5     | 159.5     | 6.9       | -18.1     |
| Dividends   | -         | -         | -         | -         | -         | -         |
| <b>Personnel</b>  |           |           |           |           |           |           |
| Average number of employees   | 1,182     | 834       | 724       | 572       | 455       | 441       |
| Net sales/Average number of employees                                 | 2.6       | 3.5       | 3.4       | 3.5       | 2.6       | 2.6       |

\* Definition updated 2019/2020 to include accounting changes according to IFRS16

\*\* Equity/assets ratio 2019/2020 excluding effects from IFRS 16 was 52 %



# DEFINITION OF KEY RATIOS

|  |  |
|--|--|
| Organic growth                           | Net sales growth adjusted for acquisitions and currency translation effects  |
| Equity                                   | The sum of share capital, reserves and retained earnings, including profit and loss for the year   |
| EBITDA                                   | Earnings Before Interest and Impairment (Earnings Before Interest, Tax, Depreciation and Amortisation)                                       |
| Adjusted EBITDA                          | EBITDA adjusted for items affecting comparability  |
| Equity/assets ratio                      | Equity divided by total assets   |
| Adjusted equity/assets ratio             | Equity divided by total assets where cash and cash equivalents and interest-bearing liabilities were reported as net amounts                 |
| Items affecting comparability            | Items in the income statement, which if they are not highlighted, make it difficult to understand the development of the underlying business |
| Earnings/share                           | Profit after tax divided by the average number of shares outstanding   |
| +Net debt/-Net cash and cash equivalents | Interest-bearing liabilities minus cash and cash equivalents   |
| Net debt/equity ratio                    | Net debt divided by equity   |

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## BUSINESS AREA OTHER INDUSTRIES

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### Duroc Rail AB

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