

## **SUSTAINABILITY REPORT**

JULY 1, 2021 – JUNE 30, 2022



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Unless otherwise indicated, Duroc's sustainability report was prepared in accordance with the Swedish Annual Accounts Act and covers the parent company Duroc AB and work on sustainability issues during the 2021/2022 financial year. This is Duroc's fifth sustainability report. As before, this year's sustainability report was prepared according to the GRI Standards Core, which is described at [www.globalreporting.org/standards](http://www.globalreporting.org/standards). Also, the report is affected by EU taxonomy for the first time.



## IMPORTANT EVENTS JULY 1, 2021 – JUNE 30, 2022

- Net sales increased by 14 percent during the financial year. Organic growth stood at 11 percent.
- Adjusted EBIT totaled MSEK 90.1 (125.8). The reduction was mainly due to the French subsidiary Griffine, whose adjusted EBIT totaled MSEK -69.1 (-14.8). Other companies presented an adjusted EBIT of MSEK 159.3, which is an increase of 13 percent from the previous year (140.7), despite the effect of the raw materials shortage, greatly increased prices for input goods and increased energy, shipping and labor costs.
- While the prevailing global situation with increased inflation affected the companies, demand has remained good. The portfolio companies' long-term business plans indicate Duroc's earnings will be substantially strengthened in the years beyond 2022/2023.
- Portfolio company IFG continued to focus on niche products with higher growth potential, which gave good results. Restructuring in the UK aimed at streamlining production capacity was completed and has contributed significantly to increased profitability.
- Ongoing strategic process improvements in the DMT Group has helped create a sales growth of 42 percent and an increase in the EBIT margin from 7.7 percent to 9.3. The Smaller Company Portfolio underwent successful turnaround efforts, resulting in an EBIT increase from MSEK -8.1 to MSEK 8.9.
- Investments of MSEK 67.3 have been made to increase capacity and to streamline and develop operations in the portfolio companies.
- At the end of the financial year, Duroc had MSEK 205 in unutilized credit facilities and a continued low loan-to-value ratio with an equity/assets ratio of 52 percent (51).
- In the light of Duroc's strong financial position and positive earnings trend, the Board proposes that a dividend of SEK 0.25 be paid per share for the financial year 2021/22.

MSEK  
3,720.5  
Net sales

MSEK  
90.1  
Adjusted EBIT

1,099  
Average number of employees

### SUMMARY OF THE FINANCIAL YEAR

Group	July 2021 – June 2022	July 2020 – June 2021
Net sales	3,720.5	3,254.5
Adjusted EBIT	90.1	125.8
Operating profit (EBIT)	83.0	88.6
Profit after tax	64.9	55.4
Net debt excl. liabilities from IFRS 16	265.7	139.9

# A WORD FROM THE CEO

## STRONG DEVELOPMENT IN THE MAJORITY OF DUROC COMPANIES – THE BOARD PROPOSES A DIVIDEND

The financial year was characterized by quarterly earnings fluctuations compared to the previous year. Full-year earnings were in line with the previous year's despite a massive MSEK 69 loss (adjusted EBIT) in Griffine SA (Cotting Group's French arm). Business during the year was characterized by continued effects from the pandemic as well as the war in Ukraine. In the light of these circumstances, the core of Duroc delivered strong earnings, with the exception of Griffine.

The majority of the portfolio companies exceeded expectations; this was the result of long-term improvement efforts launched a number of years ago. However, the financial year did not meet expectations in terms of Group level earnings as one company, Griffine SA, reported very large losses and an earnings trend that is not possible to remedy in the foreseeable future. The business is based on a very few major automotive customers that have been hit hard by the semiconductor shortage. Winning new projects and gaining market share in this kind of business takes years. What's more, French labor market regulations make it almost impossible to adapt organizations to new circumstances within reasonable time and at reasonable cost. As a result, we are making plans for a Duroc without Griffine.

The long-term improvement efforts that typify our working methods are now bearing fruit and the overwhelming majority of the Group's companies generated strong earnings despite the turbulent global economy.

Demand in the mechanical engineering industry was strong throughout the year, which helped DMT, the Smaller Company Portfolio and Rail perform far above expectations. IFG, Duroc's biggest portfolio company with 37 percent of Duroc's sales, noted a record year in terms of profitability despite disruptions in shipping and the supply of raw materials and energy. Operating profit increased by 470 percent and is now close to the margin that Duroc had previously set as the Group-level goal. Outstanding development efforts and conscious positioning in the market are behind these earnings.

Duroc can show many examples that signify our method of steadily striving for constant improvement and profitable growth. In particular, I would like to congratulate Duroc Machine Tool Group, which grew its business by 42 percent during the financial year while also increasing profitability. Great delivery performance and a strong focus on sales and service efforts are behind this. The return on capital employed was an excellent 128 percent.

Cresco had a great year, but is compared to a strong 2020/21. Drake Extrusion, in which Duroc has invested around MSEK 100 in increased capacity over the past five years, was a disappointment in terms of earnings. The market has been typified by historically difficult supply chain disruptions. At the same time, mobility

and competitiveness in the American labor market put employers under pressure and formed a bottleneck that had a negative effect on Drake's delivery performance. The company is one of the most well-invested in the industry and is well-equipped for the future. The market for furniture in e.g. outdoor spaces is enjoying long-term growth, and here Drake plays an important part as a strong supplier.

The Board proposes a dividend of SEK 0.25 per share, which reflects its and the management team's great confidence in Duroc's future opportunities and the Group's strong finances.

### Outlook

Duroc is in a strong position for the future with mainly profitable and well-invested business units, a strong balance sheet and a planned deconsolidation of the loss-making Griffine operation. Our business model is based on strong decentralization, and Duroc's culture means that flexibility and an ability to adapt to new circumstances are high on the agenda in both the parent company organization and our business units.

Moving forward, the economic climate is highly uncertain and the opening months of the first quarter were affected negatively by continued high energy costs and lower volumes. It is impossible to foresee how the forthcoming quarters will develop given the instability that prevails in the world at large. An increasingly harsh financial climate with escalating inflation and interest rates can present opportunities for us to once again consider company acquisitions. The group has low borrowings and an undrawn credit facility of around MSEK 205. Duroc is ready to take on new challenges and opportunities, and I would like to take this opportunity to thank all of our capable employees who shoulder full responsibility for successfully driving development in our portfolio companies and the parent company. The conditions for continuing to deliver growing shareholder value are in place in a strong Duroc.

**John Häger**  
CEO

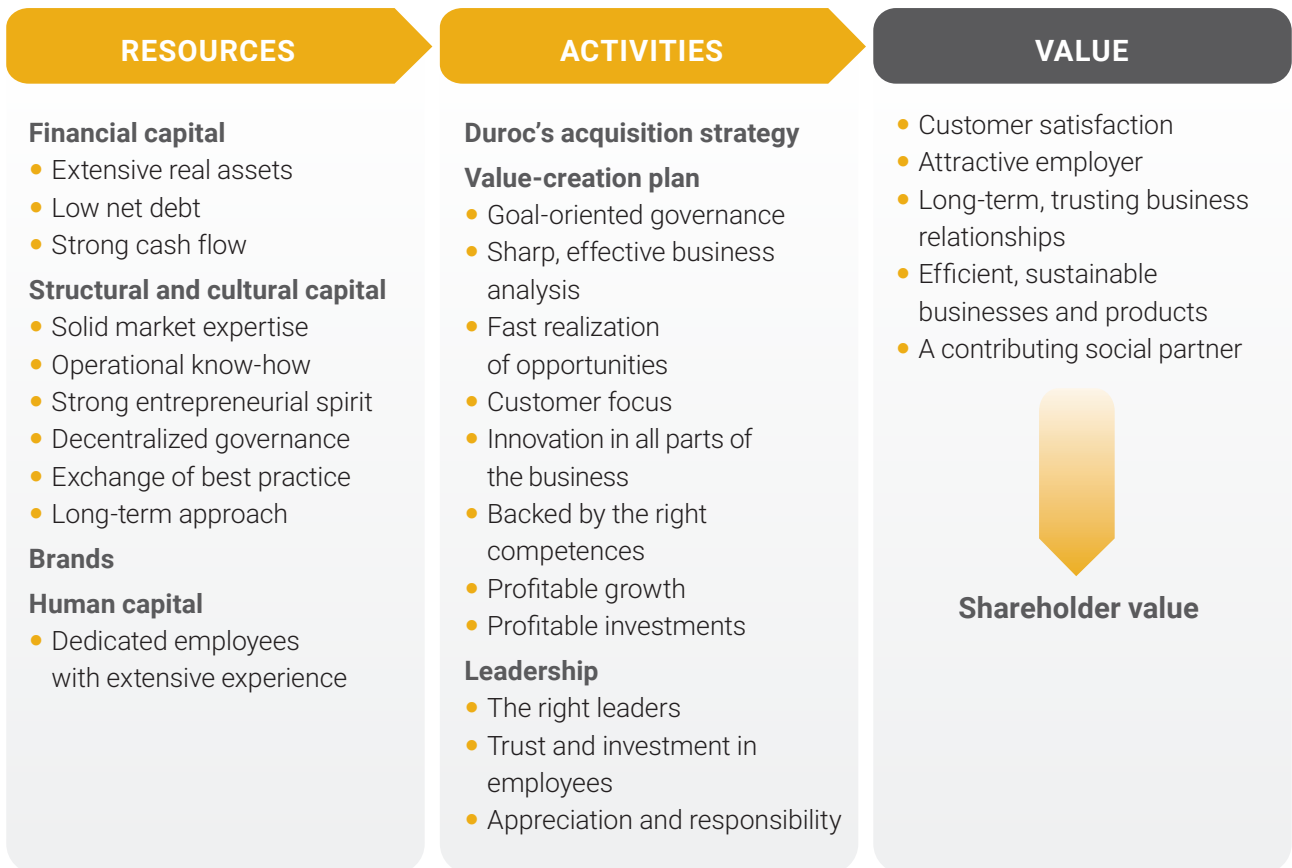


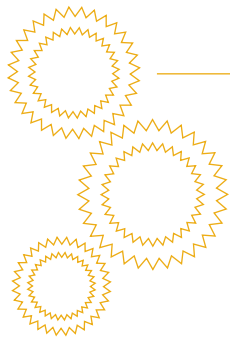
# BUSINESS CONCEPT, BUSINESS MODEL AND VALUES

## BUSINESS CONCEPT

*Duroc seeks to create value through opportunistic acquisitions and long-term development of its subsidiaries.*

## THE DUROC WAY





*Promoting an entrepreneurial climate is at the core of The Duroc Way. It reflects a business environment characterized by trust and freedom of action. Its distinguishing qualities are Teamwork, Responsibility, Commitment, Trust and Respect.*



## ACQUISITION STRATEGY

- We constantly monitor the market on the lookout for potential acquisition opportunities.
- A flexible approach leads to more closed deals.
- Our professional network allows us to seek acquisition opportunities across different industries as well as bolt-ons to our existing companies.
- We apply a sound, conservative valuation model.
- The acquisition price prioritizes tangible assets, not goodwill.
- We seek to acquire businesses that are fundamentally sound with good development potential.
- Our ready-made financing solutions allow us to close deals quickly once good opportunities are identified.

# DUROC'S PORTFOLIO COMPANIES – INTERNATIONAL FIBRES GROUP

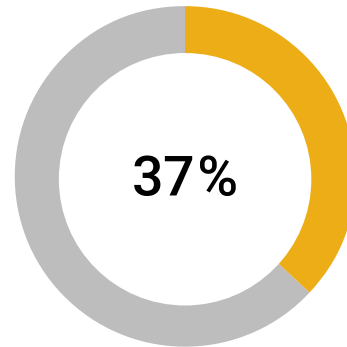
**International Fibres Group (IFG)** is one of Europe's leading manufacturers of polypropylene-based staple fibers, an input product with reinforcing, insulating, separating or draining properties. The fiber is used in the production of e.g. flooring, rugs, furniture, filters, foodstuff packaging, car interiors and nonwoven fabrics. Thus the customer portfolio is diversified. Synthetic materials are competitive costwise; they can be adapted according to the application and contribute to a longer product life. IFG's production facilities are located in Belgium, the United Kingdom and Austria.

IFG has a long-term collaboration with the University of Maastricht in the Netherlands. The aim of the collaboration is to develop new fibers that will meet future requirements in terms of performance and sustainability, such as degradability and recyclability. Also, IFG is involved in a number of customer and international projects related to sustainable product solutions. During the financial year, numerous development projects based on PLA (organic polymer) were carried out together with new and existing customers.

The European staple fiber market is characterized by over-capacity and tough competition. High profitability and growth can be found in applications for various niche products. IFG is an established manufacturer with extensive experience and sound knowledge of the material's potential. At the beginning of 2019, IFG launched a change management program aimed at strengthening its position in the technical fiber segment, where fiber is used in various filtration applications and as packaging materials for the food industry. The changes have not only affected the organization and its focus in the development of new products, but also the size of production capacity.

A decision was taken during the 2020/2021 financial year to close one of the production facilities in the UK with the aim of streamlining production capacity. The closure was carried out and completed during the 2021/2022 financial year. During the year, the company strengthened its position as an operator in its chosen niche areas, and focusing on a good product mix helped improve profitability despite higher energy and raw materials prices and weakening demand in certain other areas. These successful strategic efforts led to increased profitability, which is expected to be maintained over the long term. The efforts will continue with a focus on innovation and increased sales of niche products.

## Share of Duroc's sales (2021/2022)



Amounts in MSEK	2021/2022	2020/2021
Net sales	1,384.9	1,155.8
Sales growth %	19.8	8.3
Organic growth %	17.4	13.2
EBITDA	100.9	43.4
EBITDA margin %	7.3	3.8
Adjusted EBITDA	91.9	69.1*
Adjusted EBITDA margin, %	6.6	6.0*
EBIT	76.9	13.5
EBIT margin %	5.6	1.2
Net debt / Net cash & cash equivalents (-)	155.6	87.3
of which leasing liabilities from IFRS 16	68.5	66.3
Capital employed	561.8	421.8
Return on capital employed %	16.7	3.7
Adjusted return on capital employed %	14.7	11.2

\*During the previous financial year, a decision was taken to close one of the production facilities in the UK, which burdened earnings with MSEK 26.0.



Recovered raw materials for fiber production

# DUROC'S PORTFOLIO COMPANIES – DRAKE EXTRUSION

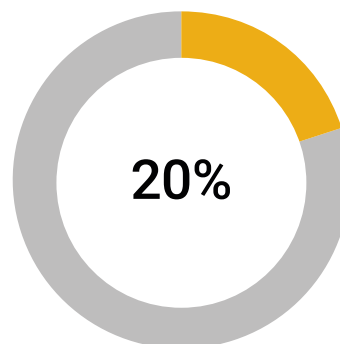
Drake Extrusion is North America's leading producer of polypropylene-based colored filament yarn and staple fiber. Filament yarn is used mostly by customers who produce fabrics for the furniture industry, and can also be used in the manufacture of sports clothing i.e. functional garments. Filament yarns make garments and fabrics durable and easy to look after. Staple fiber is used for production in a variety of areas including flooring, rugs, furniture, technical filters, car interiors and nonwoven fabrics. Drake Extrusion is located in Virginia, USA. Drake Extrusion has almost 80 percent of the North American market for filament yarns.

Drake experienced a number of challenges during the year. The year began with strong demand for both staple fibers and filament yarns. However, during the early fall a weakening in the market for staple fibers was noted due to a component shortage and polypropylene price increases. Filament products performed strongly during the first half of the year, but production was initially hampered by a labor shortage and it was not possible to meet demand in full. Strategic efforts were begun to find and retain personnel.

The staple fibers market recovered during the second half of the year when American customers turned to the domestic market instead of Europe and sales from the segment increased again. Order intake continued to be good at the end of the year. However, demand for filament yarns decreased, having earlier experienced strong growth.

An increased interest in furnishings for outdoor spaces emerged during the pandemic. This growth weakened during the latter part of the year, which was reflected in Drake's sales. The underlying cause was primarily changes in consumer behavior in the USA where increased prices for energy, gasoline and consumer non-durables led to lower overall consumption. Consequently, because many customers have large inventories to sell off, they have cut back on new purchases. Therefore the market downturn is expected to be temporary and recover during coming quarters.

## Share of Duroc's sales (2021/2022)



Amounts in MSEK	2021/2022	2020/2021
Net sales	746.3	622.2
Sales growth %	19.9	14.4
Organic growth %	8.6	26.9
EBITDA	26.4	44.6
EBITDA margin %	3.5	7.2
EBIT	-3.8	20.3
EBIT margin %	-0.5	3.3
Net debt / Net cash & cash equivalents (-)	44.7	26.1
of which leasing liabilities from IFRS 16	11.1	12.8
Capital employed	342.8	278.6
Return on capital employed %	-1.2	8.2



Furniture fabrics made from Drake Extrusion yarns



# DUROC'S PORTFOLIO COMPANIES – CRESCO

Cresco develops, produces and sells textile-based solutions for the professional cultivation of crops and is one of the leading suppliers on the global market. The products contribute to favorable environments in greenhouses, mushroom farms and composting installations. They are also found in park settings where they are used to prevent weed growth. The most important product is climate screens, which enable the control of climate in greenhouses. The screens contribute to a more efficient cultivation process with lower energy consumption. Cresco's production facility is in Belgium.

During the year, Cresco invested in a larger sales force and expanded in North America, where the company quickly positioned itself by taking new market share. The war in Ukraine has led to volatile energy prices and uncertainty, causing the market for professional cultivation to be characterized by a restrained investment appetite among our customers. This was reflected in lower activity during the fourth quarter in the ongoing greenhouse projects Cresco delivers to.

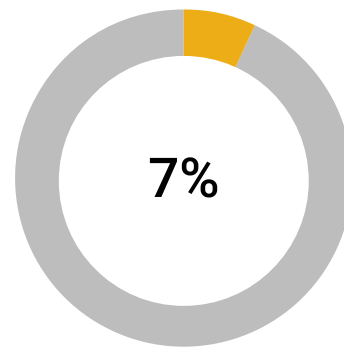
In the longer term, soaring energy prices are expected to increase demand for Cresco's climate screen products as they contribute to a more energy-efficient cultivation process and long-term cost savings for growers. Investments to reduce energy consumption are an increasingly important factor in large-scale cultivation, where the availability of energy is falling while the rate of climate change is ever increasing.

Cresco puts constant effort into development where finding new, sustainable products is an important driving force. During the year, Cresco added several products to its climate control product offering that combine up to four different materials and help to reduce energy consumption in greenhouses. The new products allow an increasing number of characteristics such as an optimal balance between humidity, light dissipation and heat shielding to be combined in a single product. Cresco has continued developing PLA, a biodegradable polymer made from corn that has long been used in ground cover products. The material is currently used in many product categories, and Cresco is always looking for product development opportunities for the application of next-generation materials. Cresco collaborates with industry specialists, growers and universities on an ongoing basis to stay at the forefront in the development of technological solutions such as multiple climate screen layers for various functions. Add to this the demand for new,

more sustainable technologies that enable year-round cultivation and improve efficiency, saving water and energy alike.

Increasing demand for healthy, locally grown plant-based foodstuffs together with a growing need for sustainable, technological investment in more energy-efficient installations that allow cost-effective year-round cultivation means that Cresco enjoys good conditions for further growth in its profitable business over the long term.

Share of Duroc's sales (2021/2022)



Amounts in MSEK	2021/2022	2020/2021
Net sales	276.3	296.8
Sales growth %	-6.9	14.8
Organic growth %	-7.8	19.7
EBITDA	35.5	46.7
EBITDA margin %	12.9	15.7
EBIT	30.1	41.8
EBIT margin %	10.9	14.1
Net debt / Net cash & cash equivalents (-)	38.1	27.8
of which leasing liabilities from IFRS 16	4.8	5.0
Capital employed	218.5	172.8
Return on capital employed %	16.0	24.7



Climate screens for greenhouses

# DUROC'S PORTFOLIO COMPANIES – COTTING GROUP

Cotting Group has been established in the international coated textiles market for more than 60 years. Its products consist of PVC and PU coated fabrics that are used in a variety of areas, including the fashion industry, protective clothing, hospital beds, car interiors, dental chairs, furniture and wall coverings. Cotting Group has production facilities in France and Belgium.

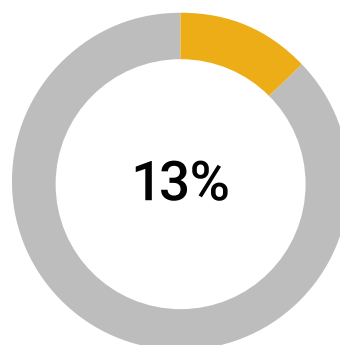
The market for coated textiles is estimated to be around SEK 170 billion, of which the European portion, where Cotting Group currently has most of its sales, totals almost SEK 40 billion. The coated textiles markets are in long-term growth and are expected to increase by about 4 percent per year. The industry is fragmented and barriers to entry are high; the operation is capital intensive and customers demand high delivery reliability. With its extensive experience and know-how, the Cotting Group enjoys an acknowledged position as a producer of high-quality products.

During the financial year, Cotting Group's French operation Griffine continued to be affected by the prevailing semiconductor shortage. This has meant customers in automotive, the biggest segment, have not been able to achieve planned production. Also, earnings were further depressed as it was not possible to pass on increased energy and raw materials prices in full to customers. Various cost cutting programs were begun at the beginning of the year aimed at adapting the cost base. The semiconductor shortage and fourth Covid outbreak in China during the second half of the year once again put many orders on hold in the automotive segment. The other segments also retreated and no increase in order intake could be noted. These factors led Griffine's adjusted EBIT to fall to MSEK -69.1 (-14.8), and against this background Duroc's management team has begun a review of Griffine's future within the Group, where a possible sale is under consideration.

Cotting Group's Belgian arm, Plastibert, was also affected by prevailing global factors, but to a lesser extent than its French arm. The company was affected by price pressure from Turkish operators, who took market share due to currency advantages. Plastibert carried out successful cost-cutting measures such as switching production methods and adapting production capacity. However, this did not fully compensate for lost orders and raw materials price rises. However, because of the war in Ukraine we have noted a returning preference for Western European suppliers, and customers are redirecting their orders away from Turkey.

Moving forward, we anticipate continued stable but lower demand than in previous years.

## Share of Duroc's sales (2021/2022)



Amounts in MSEK	2021/2022	2020/2021
Net sales	478.7	535.6
Sales growth %	-10.6	-7.9
Organic growth %	-11.4	-4.0
EBITDA	-53.1	4.5
EBITDA margin %	-11.1	0.8
Adjusted EBITDA*	-51.4	10.7
Adjusted EBITDA margin, %	-10.7	2.0
EBIT	-87.3	-12.4
EBIT margin %	-18.2	-2.3
Net debt / Net cash & cash equivalents (-)	165.3	33.9
of which leasing liabilities from IFRS 16	2.8	4.9
Capital employed	329.3	292.7
Return on capital employed %	-28.4	-4.3
Adjusted return on capital employed %	-23.1	-2.1

\*Refers mainly to an impairment of intangible assets, restructuring and the sale of land; previous years refer to restructuring.



Coated fabrics

# DUROC'S PORTFOLIO COMPANIES – DUROC MACHINE TOOL GROUP

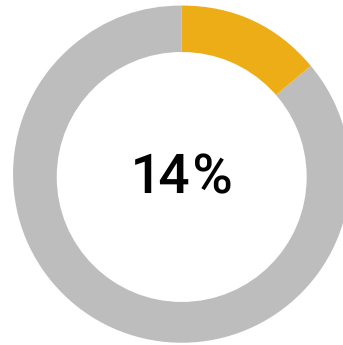
Duroc Machine Tool Group (DMT Group) is one of the biggest suppliers of machine tools, tools, machine service and support to mechanical engineering companies in the Nordics and Baltics. Its customers are in the automotive and forestry industries, and in construction equipment and power generation. The DMT Group represents a large number of internationally renowned brands. Its most important products are processing machines from Korean DN Solutions (previously Doosan), one of the market's world leading brands. The product range also includes the high-end Italian brand FPT with machining centers for the manufacture of large, high-precision components. DMT Group is the only distributor operating in the following seven markets: Sweden, Norway, Denmark, Finland, Estonia, Latvia and Lithuania.

DMT Group is a well-established supplier with high market shares in most of its geographical markets. DMT Group plays an important market role by offering engineering companies solutions for maintaining a competitive production environment that include machines, tools and accessories, production optimization and financing solutions, service, support and training. DMT Group greatly increased its market shares during the year, especially in the Nordic market. Machining center sales were the primary driver behind the company's growth.

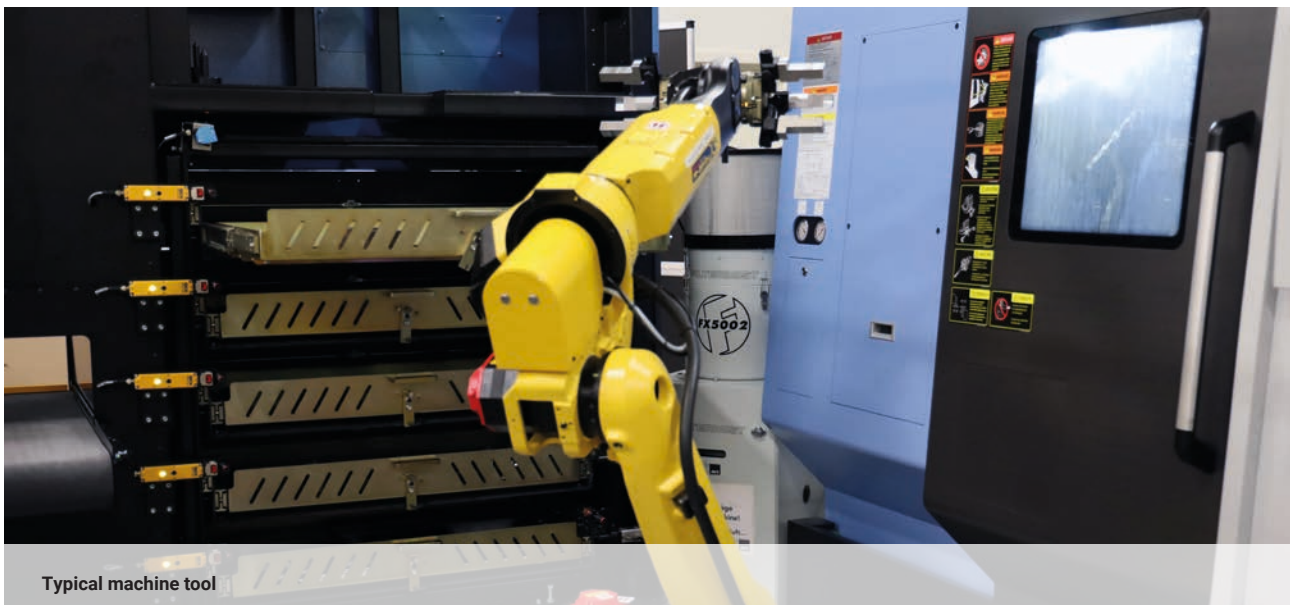
DMT further extended its machine-tool product offering during the year with an expanded program of automation solutions, which manufacturing industry customers are demanding to an ever increasing extent in order to operate with unmanned production cells. Under its sustainability activities during the year, DMT developed a product offering for the extension of product service lives and launched a new product offer – Green Machining – whereby used machines are repurchased for subsequent renovation and onward sale to new customers.

DMT enjoys continued potential for growth, and order intake for machine tools during the year was at the highest level ever. Order intake in the run-up to the new financial year was at a record level, providing a good outlook for continued stable, profitable growth.

## Share of Duroc's sales (2021/2022)



Amounts in MSEK	2021/2022	2020/2021
Net sales	538.1	379.0
Sales growth %	42.0	-0.6
Organic growth %	40.9	2.3
EBITDA	55.5	34.1
EBITDA margin %	10.3	9.0
EBIT	49.8	29.1
EBIT margin %	9.3	7.7
Net debt / Net cash & cash equivalents (-)	-67.8	-17.6
of which leasing liabilities from IFRS 16	6.5	7.9
Capital employed	35.0	46.9
Return on capital employed %	127.6	84.0



Typical machine tool

# DUROC'S PORTFOLIO COMPANIES

## – DUROC RAIL

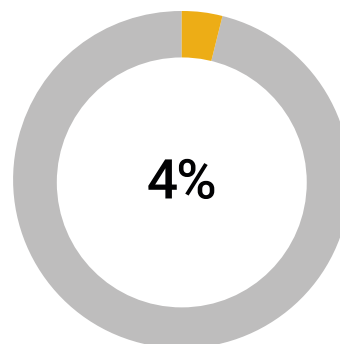
Duroc Rail delivers complete, efficient, high-quality maintenance for railroad wheels for locomotives, railroad passenger cars and freight cars. From Luleå, Duroc Rail meets mostly northern Sweden's maintenance needs for railroad wheels and related components. Thanks to its efficient wheel maintenance, Duroc Rail contributes to lower operating costs per kilometer.

The availability of iron ore in Norrland results in a great deal of heavy haulage, which means constant wear on railroad wheels. Railroad transportation is also increasing in terms of people and goods due to the focus on the environment. Rail freight and passenger transportation consume less than half of the energy consumed by road traffic. If we compare CO<sub>2</sub> emissions, railroad haulage has but a fraction of the emissions from road haulage. By securing the supply of railroad wheels for its customers, Duroc Rail helps reduce environmental impact.

Increased rail traffic, higher axle loads and faster trains increase demand for wheels and maintenance with high quality and performance. Duroc Rail enjoyed continued sales growth during the year, and increased sales by 3 percent compared to the previous year. Developments were stable for both freight and passenger traffic with an unchanged product mix in which freight traffic constitutes the core business. During the year, Rail invested in new production equipment as well as quality and training initiatives, which have led to production efficiency improvements.

Duroc Rail has developed positively with good profitability for a number of years. During the financial year EBIT improved by 9.0 percent and the EBIT margin stood at no less than 21.5 percent. Good volumes of incoming railway wheels for maintenance at the end of the year indicate excellent conditions for continued favorable development.

### Share of Duroc's sales (2021/2022)



Amounts in MSEK	2021/2022	2020/2021
Net sales	134.0	129.7
Sales growth %	3.3	1.8
Organic growth %	3.3	1.8
EBITDA	35.2	34.0
EBITDA margin %	26.3	26.2
EBIT	28.8	26.4
EBIT margin %	21.5	20.3
Net debt / Net cash & cash equivalents (-)	31.3	29.4
of which leasing liabilities from IFRS 16	9.5	12.3
Capital employed	43.1	41.4
Return on capital employed %	62.4	59.6



Wheel-axle assemblies awaiting shipment

# DUROC'S PORTFOLIO COMPANIES – SMALLER COMPANY PORTFOLIO

**Universal Power Nordic (UPN)** supplies diesel engines for industrial and marine applications in Sweden and Norway, along with associated spare parts, service and repairs. The company represents well-known brands such as Perkins, Kubota, Kohler and Nanni.

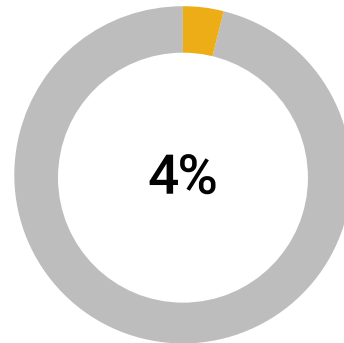
During the year, UPN experienced increasing demand for diesel engines. However, sales were held back by continued delivery delays from manufacturers as a result of component shortages. Previously implemented cost-saving measures have led to greatly improved profitability trends in the company. There is potential for raising profitability further as soon as volumes increase in line with an improved availability of engines.

**Herber Engineering** manufactures advanced tube bending machines for cold tube forming and profiles. It has customers worldwide in e.g. the automotive, aviation and furniture industries and the heat exchanger sector. Herber is a well-known brand that stands for high-quality products. The business is characterized by projects, and sales can fluctuate significantly from one period to the next. Herber developed positively during the year with an increasing number of projects delivered and an order book that continues to grow. Profitability improved in line with increasing sales.

**Duroc Laser Coating** is Sweden's leading industrial laser surface treatment company. DLC offers the renovation and new manufacture of industrial components.

DLC's Laser Coating technology is an important building block in the transition to cost-effective, sustainable industrial production. Scrappage and the requirement for spare parts can be minimized by renewing and strengthening the surface of metal components. Component function and durability is often improved by using a laser welder to build up materials with more suitable properties. The service life of components exposed to abrasion, corrosion or high temperatures can in most cases be doubled, but three or even fourfold service life extensions are not uncommon. During the year, DLC continued to develop positively and expanded its customer base.

## Share of Duroc's sales (2021/2022)



Amounts in MSEK	2021/2022	2020/2021
Net sales	166.3	137.0
Sales growth %	21.4	-31.1
Organic growth %	21.4	-31.1
EBITDA	18.2	3.3
EBITDA margin %	10.9	2.4
Adjusted EBITDA	18.2	5.4*
Adjusted EBITDA margin, %	10.9	4.0*
EBIT	8.9	-8.1
EBIT margin %	5.4	-5.9
Net debt / Net cash & cash equivalents (-)	25.5	37.7
of which leasing liabilities from IFRS 16	26.8	33.0
Capital employed	46.6	55.8
Return on capital employed %	18.3	-15.7
Adjusted return on capital employed %	18.3	-10.0

\* Adjusted for restructuring costs related to the liquidation of companies in Norway.



Laser coating with a laser welder

# OUR APPROACH TO SUSTAINABILITY

Duroc is a long-term investment company that acquires industrial companies and trading companies. Sound finances, low mortgaging, diversification and conservative valuation of potential acquisitions are some of the strategy's key elements. This long-term investment horizon makes sustainability a crucial concept when we acquire companies as well as when we develop and manage them. Sustainability is not only about all of our futures, but also a concern for tomorrow that will only grow in importance. The companies in the Duroc Group are sustainable

and they benefit the communities they do business in. They are goal-oriented and concentrate on growing enduring businesses, not least by delivering sustainable solutions to customers while minimizing exposure to sustainability-related risks.

Duroc achieves the greatest impact in its role of proactive owner in the portfolio companies. The development of companies that are competitive over the long term leads to sustainable development and allows value to grow over time. Sustainability work is also carried out in the parent company.



## DUROC ACQUIRES AND DEVELOPS COMPANIES

Duroc's business concept is to acquire the right companies at the right price and to constantly develop its existing company portfolio through successive improvements. In our acquisition process, we identify companies that show clear potential and where we are able, by concentrating on proper governance, the right management, investments, product development and commitment to the business and its employees, to create a company that can provide long-term value growth not only for customers and employees, but also for its owners, society and other stakeholders. Sustainability issues are becoming an increasingly important part of the acquisition process due to the global insistence that businesses be responsible and sustainable over the long term. Duroc does not invest in companies that:

- produce tobacco products, weapons or are associated with pornography
- have as their core business the production of energy in a non-sustainable manner
- operate businesses in which child labor is exploited
- whose activities do not comply with the UN Charter of Human Rights

Duroc is a long-term owner and as a rule our companies are not for sale. Our goal is to create enduring, stable relationships and partnerships. We create profitability and grow together with our companies over time. We are convinced that this provides the best conditions for enduring, sustainable solutions and value creation.

# THE DUROC GROUP

Key financial indicators (amounts in MSEK)	DUROC			
	2107 – 2206	2007 – 2106	1907 – 2006	1807 – 1906
<b>Income statement</b>				
Net sales	3,720.5	3,254.5	3,158.2	2,974.4
Operating profit/loss	83.0	88.6	161.8	93.7
EBITDA	199.4	189.9	269.1	145.3
Profit after net financial items	74.8	78.5	145.6	89.0
Profit after tax	64.9	55.4	116.5	87.3
Return on equity %	5.2	5.2	12.3	9.5
<b>Balance sheet</b>				
Balance sheet total	2,376.9	2,086.3	1,961.6	1,859.0
Cash and cash equivalents	26.1	59.9	142.3	352.5
Interest-bearing liabilities*	422.1	343.2	399.5	476.6
Net debt / Net cash & cash equivalents excl. liabilities from IFRS 16	265.7	139.9	117.8	124.1
Net debt / Net cash & cash equivalents incl. liabilities from IFRS 16	396.0	283.3	257.0	-
Capital employed*	1,591.2	1,318.8	1,250.3	1,425.7
Equity	1,237.8	1,070.3	948.4	950.0
Equity/assets ratio*	52	51	48	51
Equity per share, SEK	31.7	27.4	24.3	24.4
<b>Cash flow</b>				
Cash flow from operating activities before changes in working capital	171.6	201.6	148.8	119.0
Cash flow from operating activities	-36.8	70.6	322.3	70.8
Cash flow from investing activities	-61.7	-75.3	-260.9	-143.7
Cash flow from financing activities excl. dividends	60.7	-71.5	-262.2	160.2
Cash flow for the period	-37.8	-76.1	-200.9	87.3
Dividend	-	-	-	-
<b>Personnel</b>				
Average number of employees	1,099	1,122	1,182	834
Net sales/average number of employees	3.4	2.9	2.6	3.5

\* Definition updated in 2019/2020 to include changes in financial statements under IFRS 16.

## GEOGRAPHICAL AREAS

GROUP MSEK	Sweden		Rest of Nordics		Rest of Europe		USA		Other markets		Group	
	2107 – 2206	2007 – 2106	2107 – 2206	2007 – 2106	2107 – 2206	2007 – 2106	2107 – 2206	2007 – 2106	2107 – 2206	2007 – 2106	2107 – 2206	2007 – 2106
Net sales	392.4	302.3	327.1	244.5	1,954.6	1,832.5	867.5	688.2	178.9	187.0	3,720.5	3,254.5
Property, equipment and right-of-use assets	99.9	104.9	9.4	8.4	395.7	379.0	241.0	218.4	-	-	746.0	710.7
Investments	9.9	-4.3	1.5	-2.6	45.3	-41.1	10.7	-47.2	-	-	67.3	-95.1

Revenues are based on the areas in which customers are located.

Assets are reported according to their location.

# THE DUROC SHARE

Duroc Class B shares are listed on Nasdaq Stockholm, Small Cap. During 2021/2022, a total of 3.1 (3.5) million shares were traded for a total of MSEK 105.2 (100.3). Average daily turnover was 12,117 shares (13,947), or TSEK 415 (398). The share price at the beginning of the year was SEK 34.5 and at the end of the year SEK 24.9. The annual peak for the Duroc share was SEK 46.2 as noted on August 20, 2021, while the annual trough was SEK 20.8 as noted on March 7, 2022. The number of shareholders at year-end totaled 2,172 (2,267).

## SHARE CAPITAL

Share capital in Duroc AB at the end of the financial year totaled SEK 39,000,000 divided into 39,000,000 shares, of which 29,066,783 were Class B shares and 9,933,217 Class C shares. Each share corresponds to one vote. The quota value per share is SEK 1. The total number of votes was 39,000,000, of which 29,066,783 were Class B and 9,933,217 were Class C.

## DIVIDEND

Within the framework of the Group's conservative finance policy, the Duroc dividend must be adapted to suit the Group's plans for looking after investments assessed as value-creating. The dividend policy must be forward-looking, i.e. dividend decisions must be based on future prospects, not history. When planned investments roughly correspond to reported depreciation according to plan, it is reasonable for at least 50 percent of profit after tax to be distributed to the shareholders. We must stress that because Duroc's goal is to continue acquiring businesses and companies, compliance with our conservative financial policy may reduce the dividend potential in any given year.

In the light of Duroc's strong financial position and positive earnings trend, a dividend payment of SEK 0.25 per share, in all SEK 9,750,000, is proposed for the financial year 2021/22.

## AUTHORIZATIONS

The Annual General Meeting (AGM) of November 9, 2021 resolved to authorize the Board to resolve on one or more occasions during the period up until the next AGM on a new issue of a total of no more than 4,300,000 Class B shares. The Board has not used the authorization during the financial year.

The AGM of November 9, 2021 further resolved to authorize the Board to decide on the acquisition or transfer of shares in the company. Acquisitions may be made to a maximum number of Class B shares such that following each acquisition Duroc holds no more than 10 percent of the total number of shares in the company. During the 2021/2022 financial year, no repurchase or sale of own shares took place.

## OPTIONS

No options were issued by the company.

## SHARE CAPITAL DEVELOPMENT

Year	Transaction	Nominal value per share SEK	Change in share capital SEK	Total share capital SEK	Quantity	Number of Class B shares	Number of Class C shares	Total number of shares
1992	Formation of the company	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	Share 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	Share conversion A-B	1	0	39,000,000	0	7,328,900	31,671,100	39,000,000
2017	Share conversion C-B	1	0	39,000,000	0	29,066,783	9,933,217	39,000,000



**BIGGEST SHAREHOLDERS AS OF 06/30/2022**

Owner	Class B shares	Class C shares	Proportion of equity %	Proportion of votes %	Market value Class B shares (KSEK)
Bronsstädets AB	21,066,783	9,933,217	79.5	79.5	524,563
AB Traction	2,845,974	–	7.3	7.3	70,865
Nordnet Pensionsförsäkring AB	562,066	–	1.4	1.4	13,995
eQ Nordic Small Cap Fund	449,318	–	1.2	1.2	11,188
Avanza Pension	290,887	–	0.8	0.8	7,243
Lilja, Nils Magnus	217,066	–	0.6	0.6	5,405
Handelsbanken Sverige Index Criteria	172,237	–	0.4	0.4	4,289
Plus Mikrobolag Sverige Index	155,608	–	0.4	0.4	3,875
Strid, Henrik	153,053	–	0.4	0.4	3,811
Markensten, Johan	151,018	–	0.4	0.4	3,760
Skogman, Claes John Anders	132,902	–	0.3	0.3	3,309
Almsparre, Claes Göran	115,200	–	0.3	0.3	2,868
Blixt, Thomas	110,000	–	0.3	0.3	2,739
SEB Sverige Indexnära	100,000	–	0.3	0.3	2,490
Swedbank Försäkring	86,353	–	0.2	0.2	2,150
Other	2,458,318	–	6.3	6.3	61,212
<b>Total</b>	<b>29,066,783</b>	<b>9,933,217</b>	<b>100.0</b>	<b>100.0</b>	<b>723,763</b>

**NUMBER OF SHARES HELD AS OF 06/30/2022**

Number of shares:	Number of shareholders	Class B shares	Class C shares	Proportion of equity %	Proportion of votes %
1 – 500	1,631	233,480	0	0.6	0.6
501 – 1,000	223	186,999	0	0.5	0.5
1,001 – 5,000	219	502,249	0	1.3	1.3
5,001 – 10,000	43	344,184	0	0.9	0.9
10,001 – 15,000	15	200,068	0	0.5	0.5
15,001 – 20,000	6	105,434	0	0.3	0.3
20,001 –	35	27,494,369	9,933,217	96.0	96.0
<b>Total</b>	<b>2,172</b>	<b>29,066,783</b>	<b>9,933,217</b>	<b>100.0</b>	<b>100.0</b>

# SUSTAINABLE VALUE CREATION

## GOVERNANCE FRAMEWORK

Duroc stands behind the UN's global goals for sustainable enterprise. We also adhere to global initiatives such as the OECD Guidelines for Multinational Enterprises and the eight Fundamental ILO Conventions. Because we are convinced that the most competitive companies will be those able to deliver sustainable products sustainably produced in corporate cultures that are committed to making good things responsibly, we work constantly at strengthening our companies' sustainability efforts.

## SUSTAINABILITY MANAGEMENT

Duroc's sustainability management begins and ends with the Board. The Board bears ultimate responsibility for Group-wide strategy and sustainability efforts, while Duroc's CEO bears operational responsibility. Responsibility is allocated similarly in the portfolio companies. The companies' boards have sustainability as a standing agenda item at all meetings, and one of the four quarterly meetings has sustainability as the topic for the entire meeting. During the year, a theme day was held with the management team and Board where external specialists highlighted sustainability issues from three different perspectives – legislation, entrepreneurial opportunities and investor priorities. There is always an employee appointed in Duroc and each portfolio company who prepares, manages and communicates sustainability issues in the respective companies.

Duroc requires systematic work for constant improvements and development to take place in the portfolio companies. Because the companies have greatly diversified operations, a small number of shared non-financial key indicators are monitored centrally. Development in the companies is monitored in monthly business reviews and Board meetings in which representatives of Duroc's management always participate. We shared the groundwork by setting common sustainability targets in 2019/2020, and we ensure continuity by reviewing and developing these targets annually. In addition to our common goals, each company has its own business-specific sustainability goals.

Systematic environmental and quality management is well established, with eight of our eleven production units certified under the ISO 9001 quality standard and the ISO 14001 environmental

standard. The systematic work includes risk management, goal management and the development of action plans.

The many activities related to sustainability in the past years' projects aimed at strengthening the Group's sustainability work clearly demonstrate the increased priority accorded to sustainability by the Board and company management. Meanwhile, the portfolio companies have shown their own commitment to the issue, and they note increasing pressure from the market and the outside world, which have shown responsible sustainability work to be ever more important for long-term profitable business. All in all, this has led to a sought-after cultural change in which sustainability issues have assumed greater importance in our portfolio companies and sustainability has been incorporated into their strategic plans. This cultural change is ongoing and we feel humility and respect in recognizing that we have much left to learn and much left to do.

## MATERIALITY ANALYSIS

To make sure we work with the sustainability areas considered most urgent by our stakeholders, we conduct ongoing interviews with owners, employees, representatives from the portfolio companies and investors. We use this information to update our materiality analysis. The outcomes of the analysis form the basis for actions in the parent company and in directives to the portfolio companies.

The areas of particular interest to stakeholders are acquisitions, climate impact, anti-corruption and business ethics, health and safety, diversity and equality, and responsible, long-term business.

## GROUP REQUIREMENTS FOR SUBSIDIARIES

- a) Implement the Code of Conduct.
- b) Implement the uniform group-wide process of risk identification and action.
- c) Conduct a materiality analysis based on input from stakeholders.
- d) Identify the main environmental impact and create an action plan to mitigate it.
- e) Measure, follow-up and report CO<sub>2</sub> emissions, water consumption, waste, energy consumption, health and safety, and diversity.
- f) Set sustainability targets and follow them up on a monthly basis.
- g) Institute an anonymous whistleblower system.



**OUR FOCUS AREAS AMONG THE UN SUSTAINABILITY DEVELOPMENT GOALS**

**GOAL NUMBER 3: GOOD HEALTH AND WELL-BEING**

Regulated under the Corporate Responsibility Policy and also under the HR Policy. Goals are updated annually in Duroc’s business and action plans, and those of all portfolio companies. Followed up through monthly reports and Board meetings.

**GOAL NUMBER 5: GENDER EQUALITY**

Regulated under the Corporate Responsibility, Code of Conduct and HR policies. Followed up through monthly reports.

**GOAL NUMBER 7: AFFORDABLE AND CLEAN ENERGY**

Regulated under the Corporate Responsibility Policy. Goals and action plans are updated annually. Followed up in monthly reports and also forms part of the theme for one of the four annual Board meetings.

**GOAL NUMBER 8: DECENT WORK AND ECONOMIC GROWTH**

Regulated under the Corporate Responsibility Policy and also under the HR Policy. Included in the annual business plans and followed up monthly.

**GOAL NUMBER 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE**

Regulated under the Corporate Responsibility Policy. Goals and action plans are updated annually. Followed up in monthly reports and also forms part of the theme for one of the four annual Board meetings.

**GOAL NUMBER 12: RESPONSIBLE CONSUMPTION AND PRODUCTION**

Regulated under the Corporate Responsibility Policy. Goals and action plans are updated annually. Followed up in monthly reports and also forms part of the theme for one of the four annual Board meetings.

**GOAL NUMBER 13, CLIMATE ACTION**

Regulated under the Corporate Responsibility Policy. Goals and action plans are updated annually. Followed up in monthly reports and also forms part of the theme for one of the four annual Board meetings.



## RESPONSIBLE BUSINESS

Key financial indicators	June 30, 2022	June 30, 2021	June 30, 2020
Net debt (+) / Net cash & cash equivalents (-) <sup>1</sup>	273.7	139.9	117.8
Equity/assets ratio <sup>1</sup>	55 %	55 %	52 %
Adjusted equity/assets ratio <sup>1,2</sup>	57 %	57 %	57 %

<sup>1</sup>Excluding effects from IFRS 16

<sup>2</sup> Equity divided by the adjusted balance sheet total where cash and cash equivalents and interest-bearing liabilities are reported on a net basis.

Responsible business involves creating long-term values and sustainable solutions for our employees, society, customers and partners. Duroc's group-wide Code of Conduct includes guidelines for the way employees are expected to behave in their day-to-day work in areas such as health and safety, conduct, human rights, environmental considerations, their impact on society and business ethics. It is through our actions that we demonstrate to our customers and other stakeholders our commitment to the obligations described in our Code of Conduct. Our Group-wide Code of Conduct, creates a common point of reference for our companies.

To ensure compliance with the way we wish to do business as a Group, we use a self-assessment tool in which we evaluate policies and guidelines etc. The tool also enhances our ability to identify common weaknesses so that we can act on them jointly.

## BUSINESS ETHICS AND ANTI-CORRUPTION

Duroc's Code of Conduct is based on the fundamental values expressed in the Global Compact's Sustainable Enterprise Guidelines, the OECD Guidelines for Multinational Enterprises and other internationally accepted standards. Responsible business requires respect for the equal value of all humans and an active stand against corruption. Failure to comply with anti-corruption laws and regulations can have serious consequences for Duroc. Based on our risk assessment, we conduct targeted, in-depth scrutiny in order to counter corruption. Examples of measures include reviewing transactions within selected businesses and targeted control issues. We also have a whistleblower system in place which provides the ability to remain anonymous.

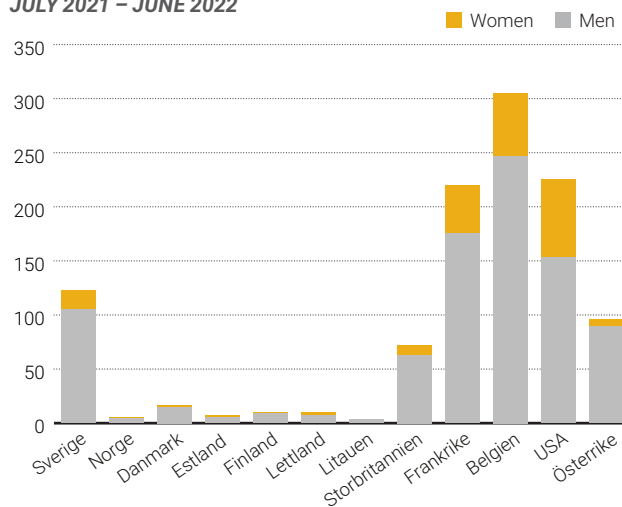
The self-assessment tool launched in 2019/2020 was used in all portfolio companies during the past year. Although we did not find any evidence of corruption or other discrepancies at all, our analyses show that risk analysis concerning anti-bribery and corruption is not sufficiently stable. We have therefore carried out group-wide training in this area during 2021/2022 and further strengthened requirements in each company's regulations.

## EMPLOYEES

Employees*, June 2022	Number of employees	Broken down by gender		Broken down by age		
		Women	Men	< 30 years	30-49 years	> 50 years
International Fibres Group	228	18	210	30	114	85
Drake Extrusion	234	80	154	20	120	94
Cotting Group	281	48	233	41	106	134
Cresco	162	36	126	20	60	82
Duroc Machine Tool Group	82	13	69	6	38	38
Duroc Rail	43	9	34	10	21	12
Smaller Company Portfolio	54	6	48	6	26	22
Holding company	7	5	2	-	5	2
<b>Total</b>	<b>1,091</b>	<b>215</b>	<b>876</b>	<b>103</b>	<b>490</b>	<b>469</b>

\* Full-time fixed-term employment is included in the number of employees.

## AVERAGE NUMBER OF EMPLOYEES BY COUNTRY JULY 2021 – JUNE 2022



The Duroc Group currently employs around 1,100 people, distributed across 12 countries. Our success depends entirely on our ability to attract, retain and develop these employees. Working for the Duroc Group must be an attractive proposition. No matter what your position or where in the world you work, you should be able to feel confident that the Group's values characterize the workplace. We must have safe and appropriate workplaces and tools.

## ACCIDENTS WITH ABSENCE PER 1 MILLION HOURS WORKED

	2021 – 2022	2020 – 2021	2019 – 2020
Parent Company	-	-	No information
Group	19.1	20.1	21.4

We collaborate with many universities in our various operations. We see this as a great way to give-and-take in the communities where we operate. Because we have many knowledge-intensive

operations where constant learning is essential for our development, it is also a means to attract new employees and add to our competences.

The Covid 19 pandemic continued to affect operations in 2021/2022. The recommendation to stay at home from work even with very mild symptoms resulted in an increase in sick leave.

**SICK LEAVE AS A PERCENTAGE OF TIME WORKED**

	2021 – 2022	2020 – 2021	2019 – 2020
Parent Company	0.6	0.3	No information
Group	6.1	5.3	5.2

True entrepreneurship requires a decentralized management system, good development opportunities, good leadership and decent working conditions in an environment characterized by equality and diversity.

For us, diversity, inclusion and equality mean an environment with a good gender balance, where everyone is respected and encouraged to contribute and enjoys the same opportunities. The proportion of women in senior positions is a driving factor behind greater gender equality. The table below shows the proportion of female managers in the Group, the proportion of women in Group management, and the proportion of women on the Group’s Board of Directors.

**PERCENTAGE OF WOMEN**

	2021 – 2022	2020 – 2021	2019 – 2020
Managers	23.9 %	21.9 %	No information
Group management	33.3 %	33.3 %	33.3 %
Board of Directors	20.0 %	20.0 %	20.0 %

Duroc does not tolerate any form of discrimination, harassment, bullying or abuse.

Duroc seeks to achieve a culture in which we all benefit from diversity and the opportunity to see things from multiple standpoints. We are convinced that this favors our business and leads to better, more sustainable solutions.

Along with many others, we see signs today that the type of industrial work we offer is becoming increasingly less attractive, especially among young potential employees. For this reason, two of our companies are running programs to become more attractive as employers, starting from the ground up. Because this is no quick fix it will impact many areas. Work will continue over the coming year and probably for several years ahead.

We note that the annual performance feedback taken for granted in the parent company does not reach all of the portfolio companies. This was therefore remedied during the year by introducing processes for performance management. This initiative will be fully implemented during the year ahead. We also implemented Group-wide processes for Talent & Succession Management.

**ENVIRONMENTAL AND CLIMATE IMPACT**

We still lack the ability to report CO<sub>2</sub> emissions for the Group as a whole. Parent company CO<sub>2</sub> emissions also increased somewhat again as there was more business travel than the previous

(pandemic) year. However, we have established new practices and anticipate reaching the same lower levels as before the pandemic.

**Emissions of CO<sub>2</sub> equivalents in the parent company, scope 1–2**

Parent Company	2021 – 2022	2020 – 2021	2019 – 2020
Energy use	3,447 kWh	3,379 kWh	No information
Greenhouse gases (tonnes)	8,390	1,678 (incl. electricity)	21,547

**CIRCULAR ECONOMY**

The circular economy aims to promote circular resource flows. It is basically a matter of husbanding our resources and making sure our products, materials and resources remain in the economy as long as possible, and of preventing and minimizing waste. Materials and resources must be kept in circulation for as long as practicable to avoid incineration or disposal in landfills, so that only essential virgin resources need to be extracted. The importance of increased reuse and recycling is growing in line with the rise in global living standards, as ever more people have access to more resource-intensive lifestyles.

**SUSTAINABLE PRODUCTS AND SERVICES**

Global demands for sustainable products and services are growing steadily. Gradually, laws and regulations are becoming more stringent, and ever more customers are demanding sustainable alternatives. Descriptions and examples can be found under the heading Our customer offerings.

A large proportion of the products from Duroc’s portfolio companies are made with fossil-based plastics. Because society’s increasing demands for sustainable plastics affect Duroc’s operations to a great extent, the demands must be transformed into strategic developments. The circular economy continues to form a common basis for the Group’s development efforts. For Duroc, the circular economy not only concerns developing new products and materials, but also finding new circular business models for our services. The transition to more sustainable production, using e.g. renewable energy, also forms part of our circular perspective.

The plastics used in many of the yarns, fibers and coated textiles from Duroc companies give the materials specific, desirable properties that natural fibers often lack. For example, they can be produced in different colors and rendered durable for longer life, and can be made moisture-resistant, flame-resistant, light, highly draining, absorbent or filtering.

Together with their customers, Duroc companies push the development and use of ever greater amounts of recycled materials and bioplastics, both of which have significantly more favorable climate footprints.

These increasing demands can be regarded both as a risk and as an opportunity. The Duroc Group endeavors to achieve long-term sustainable use of plastics, and we are taking on the challenges our materials pose. We can gain market advantages by staying at the forefront of development. One difficulty arises from the great extent to which the materials are used in complex products that today usually lack systems for dismantling and recycling. On the other hand, our materials help extend the life of the products they

are used in, which is one of the most important aspects of reducing the environmental impact of a product from a lifecycle perspective.

The table below shows the amount of recovered material used by the fiber companies and the amount of biobased fiber produced, also within the fiber companies.

	2021 – 2022	2020 – 2021	2019 – 2020
Recovered material (tonnes)	924	1,036	344
Biobased material (tonnes)	286	217	92

### EFFICIENT, SUSTAINABLE PRODUCTION

If we are to offer sustainable products and services, our production must also be sustainable. Here, efficiency and sustainability often go hand-in-hand, e.g. by reducing the use of energy and resources and minimizing resource wastage through spillage. Constant improvements in this area take their natural place in all of our ISO-certified production units, although targets and key financial indicators vary between operations. Sustainable production also requires a good work environment and a high degree of safety. Because most of the Duroc portfolio companies are producing units, they are monitored monthly for energy consumption, the proportion of clean energy used, water consumption, CO<sub>2</sub> emissions and where relevant, recycled materials, the proportion of biobased production and waste. The information is used to produce new, ambitious annual targets and action plans to reduce negative climate impact. Duroc encourages its portfolio companies to use renewable energy as far as possible.

We are investing in our own energy production capacity for electricity and steam in Asota, with a climate impact lower than the current supplier is able to offer.

	2021 – 2022	2020 – 2021	2020 – 2021
Electricity consumption, Group, MWh	86,400 (all companies)	105,436 (all companies)	105,436 (all companies)
Proportion of renewable electricity, Group %	27.3	21.6	21.6
Natural gas, Group, MWh	49,584	62,587	62,587
Electricity consumption, parent company, MWh	0.34	0.38	0.38
Proportion of renewable electricity, parent company %	100	100	100

All of our production units have long been working to minimize waste. This is followed up systematically in the Fiber and Technical Textiles businesses. A large part of the wastage can be recovered through good collaboration with suppliers and thoughtful waste management.

The table shows wastage as a percentage of total volume

	2020 – 2021	2019 – 2020	2018 – 2019
Fiber & technical textiles	3.5	3.5	3.65

### EU TAXONOMY

The EU taxonomy for sustainable investments is a classification system that provides companies, investors and decision-makers with definitions of financial activities that can be deemed environmentally sustainable. As of 2021, all European companies with more than 500 employees must report suitability based on the EU taxonomy's selected sectors. The taxonomy approves activities within selected sectors and which contribute substantially to at least one of the EU's climate goals or environmental goals while not causing significant harm to any of the other goals, and which meet minimum social requirements (in compliance with the taxonomy). The Duroc Group currently conducts no applicable activities within the sectors covered by the taxonomy. This will change in the years ahead as the taxonomy will cover more industries and activities. Thus currently the proportion of CAPEX and OPEX turnover is zero.

# EXAMPLES OF ACTIVITIES AND PLANS

## JOINTLY FOR THE GROUP

- IT security was especially highlighted through a nano-learning initiative and a day themed around IT security. This was the result of a risk assessment process that showed shortcomings in awareness.
- Duroc's management team and Board had a joint theme day on the subject of sustainability based on lectures by external experts. The focus was on legislation, opportunities and investor perspectives.
- All employees in management positions attended basic and continuation webinars concerning anti-bribery and corruption.
- All salaried employees are now subject to a performance management process. Other employees will also be subject to the process during the current year.

## INTERNATIONAL FIBRES GROUP

- The proportion of return fiber and biofiber sales increased. Many additional development projects in progress.
- A closed water system (in the crimper) was installed.
- Targets and action plans for reducing LTI by 50 percent are in place.
- Asota also transitioned to renewable electricity as of January 2022, as already achieved by Exelto and IFG Drake.
- New power plant that uses green gas to generate electricity and steam commissioned in Asota.
- The consumption of electricity fell by almost 10 percent through the introduction of lower voltage transformers, more efficient air cooling and more efficient gas-fired steam generators.
- Inefficient electrical heating in the warehouse was replaced with gas-fired central heating.
- The operations are certified according to ISO 14001.
- More fiber types are now recycled in the manufacturing process.
- All employees have undergone training to increase environmental awareness.
- Better diversity was achieved through a greater mix of ethnicities and genders in management roles.
- All fossil-fueled vehicles are being replaced by hybrids.
- A defibrillator was purchased and installed outside the plant by way of social sponsoring.
- Collaborations with local schools and universities will be increased to attract future talent.
- Employee healthcare benefits will be increased to cover mental health and social support and will also include mental health in first-aid training.
- Changed shift patterns will be implemented to improve work-life balance.
- EV chargers will be installed.

## DRAKE EXTRUSION

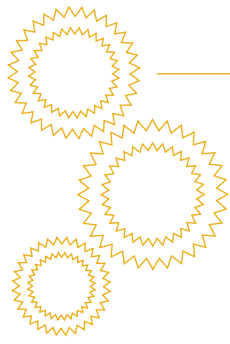
- Contacts with universities were resumed during the year. Four interns were taken on by the maintenance organization with the ambition of providing them permanent employment when they complete their studies.
- A cultural transformation journey was begun in June with the assistance of an external party aimed at improving well-being and creating a safer workplace.
- The compressor system will be upgraded during the year, which is expected to result in energy savings of 6 percent.

## CRESCO

- Carbon footprint defined in July.
- LCA process begun.
- Joined the HortiFootprint network with the aim of reporting 30 percent energy savings in greenhouses.
- Guaranteed product life for screens increased from 6 to 8 years.
- Fabric weight has been reduced with performance maintained.
- Initiative begun to achieve 100 percent biobased polyethylene in screens.
- Initiative begun to achieve 30 percent recycled polyester in screens.
- A program was begun to further reduce the accident rate.
- Increased collaboration with local schools.
- Special initiative for recruiting newly arrived refugees fully implemented.
- All sales managers have undergone anti-bribery training.
- The installation has switched to 100 percent renewable energy.
- EV charging stations under construction in the installation.
- 20 percent of employees cycle to work.
- Production waste has been reduced by 30 percent through recycling in the extrusion plant.
- 30 percent of all lighting has been replaced by LEDs. It will reach 100 percent by 2025.

## COTTING GROUP

- Increased collaboration with local schools where some studies are re-located to Griffine. Furthermore, the company's R&D manager is a lecturer at the local university.
- A review of the Code of Conduct and Company Values was completed for all employees.
- Occupational safety and health is a standing agenda item in all workplace meetings.



- All employees participate or are represented in the occupational safety and health committee, which produces risk analyses and action plans.
- Griffine participates in "Les entreprises s'engagent", a national initiative for better gender equality in working life.
- Carbon footprint analysis completed. An action plan based on the current situation will be presented in September.
- Development of new materials based on recycling and biobased raw materials.
- Composting equipment installed for organic waste.
- 65 trees planted.
- Updated environmental management system to reach ISO 14001 standard.
- All personnel trained in Duroc's whistleblower policy.
- Appointed and trained anti-harassment personnel.
- New policy for responsible purchasing to be completed and published in 2022.

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#### **DUROC RAIL**

- Pregnancy pay introduced. Expectant mothers may work half-time in production from the 26th week for 90 percent salary.
- Employees have access to CBT programs and psychological counseling without having to involve managers or occupational health services.
- Sustainability workshop for the management team (in collaboration with Almi) completed.
- Theme day focusing on safety culture concluded for all personnel.
- Code of Conduct training carried out.
- Wheel disc machining will be brought in-house to shorten delivery times and reduce haulage.
- A number of workstations will be partially automated and digitized.
- Sustainability issues will be added to supplier reviews.

#### **UNIVERSAL POWER NORDIC**

- Occupational safety and health awareness raised in the organization through collaboration with an external partner. The initiative was supplemented with risk analyses and produced good results.
- All employees have had training in anti-corruption and whistleblower policies.
- Occupational safety and health work continues.
- The storage and handling of chemicals and diesel will be improved.
- Emissions from engine test runs will be minimized.

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#### **HERBER ENGINEERING**

- The company's vehicles will be replaced with non-fossil fuel vehicles.

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#### **DUROC LASER COATING**

- All company vehicles have been replaced by more eco-friendly plug-in hybrids.
- New compressors were installed, reducing energy consumption by 80 percent.
- The operation was recertified according to ISO 14001 (plus 9001 and 3834-2).



## TYPICAL EXAMPLE OF OUR SUSTAINABLE CUSTOMER OFFERINGS

### **DUROC RAIL**

Duroc Rail's business concept is circular in essence as its offer is based on repairing and reusing components for wheels for railroad locomotives and wagons for rail operators in Scandinavia. Wheels are critical safety and reliability components in railroad transportation. By securing the supply of wheels to our customers, we increase confidence in rail transportation and help more traffic switch to railroads, which in turn helps reduce the ecological burden and above all greenhouse gas emissions.



### **CRESCO**

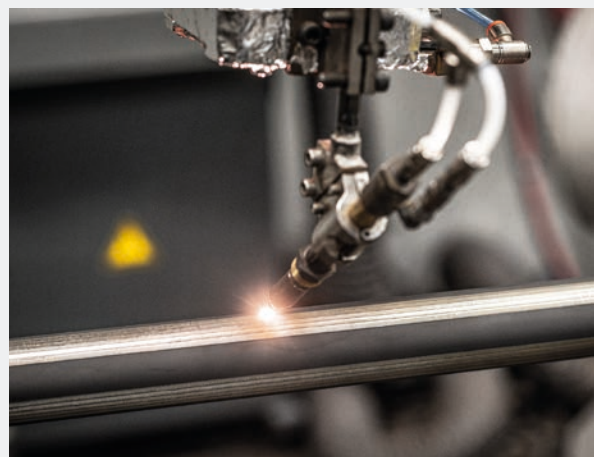
Cresco produces several types of greenhouse climate screens whose various properties optimize the cultivation process and thus reduce its impact on the environment and climate. The advantages of cultivation in controlled environments such as greenhouses and the use of climate screens include the reduced need for water and pesticides compared to conventional outdoor cultivation. It also allows crops to be grown in climates where they would not otherwise have grown, thus helping to increase food production and production efficiency.

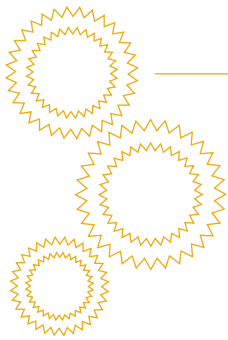
Also, Cresco's product range includes ground cover fabrics made from PLA biobased plastic, a biodegradable material that is better for the climate than products made from e.g. polypropylene produced from fossil raw materials.



### **DUROC LASER COATING**

Duroc laser coating also has a circular business concept as it offers the repair of steel surfaces and new production of customer-specific surface-treated components in small and large series. Surfaces exposed to wear, heat or corrosion are restored and reinforced by laser build-up welding, laser impregnation or laser hardening. For customers, this not only means longer service life for coated products, but also financial gains as it is possible to use cheaper materials in the product as a whole, while applying the desired properties precisely where they are needed.





### TYPICAL EXAMPLE OF OUR SUSTAINABLE CUSTOMER OFFERINGS

#### **DRAKE**

The demand for personal protective equipment such as masks and aprons in healthcare has increased sharply due to the ongoing Covid 19 pandemic. In the United States, IFG Drake together with its customer STI Fabrics, has developed a PFAS-free protective apron with a longer life than other common disposable products used in the American health-care sector.

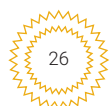
PFAS (polyfluoroalkyl substances) are a group of chemicals that have dirt and water repellent properties and are often used in textiles and beauty products. Among other things, they have been proven to disrupt reproduction and hormone production, and are also extremely difficult to break down. Problems occur when the chemicals are released from e.g. textiles and are spread in water and the environment. In the yarn manufactured by IFG for protective aprons, the water repellent component is encapsulated in the yarn itself, which prevents the component from being washed away. Thus the aprons can be washed at least 50 times without losing their protective effect. This is very different from other commonly used fabrics made from polyester or a mix of polyester and cotton that use PFAS to achieve their water repellent effect. In the more common fabrics, this effect disappears after around 15 washes, resulting in the release of the substances and their leakage into nature.



### SUSTAINABILITY IN OUR BUSINESS WORLD

Because Duroc's corporate portfolio is highly differentiated with a presence in various industries, it is difficult to describe a common market development. However, we are able to say that there has been a great focus on the environment and climate issues in the European market, where most of the Group's sales take place. The demand for sustainable products and services is growing and we

see increasing demands from customers for e.g. recovered plastic in new products, as well as for these materials also to be recoverable. We take a positive view of this development and are actively engaged in material R&D. We also note an increased consumer willingness to pay more in order to cover the costs of establishing circular, sustainable solutions.



# THE AUDITOR'S OPINION ON THE STATUTORY SUSTAINABILITY REPORT

**TO THE ANNUAL GENERAL MEETING OF DUROC  
AKTIEBOLAG, CORPORATE IDENTITY NUMBER  
556446-4286**

## **ASSIGNMENT AND DIVISION OF RESPONSIBILITIES**

The Board of Directors is responsible for the sustainability report for the financial year 7/1/2021 – 06/30/2022 and for its preparation in accordance with the Swedish Annual Accounts Act.

## **FOCUS AND SCOPE OF THE REVIEW**

Our review was carried out in accordance with FAR Recommendation *RevR 12 The auditor's opinion on the statutory sustainability report*. This means our review of the sustainability report is substantially less in scope and has a different focus compared to the scope and focus of an audit according to International Standards on Auditing and good auditing practice in Sweden. We feel this review provides us with sufficient grounds for our opinion.

## **OPINION**

A sustainability report has been prepared.  
Stockholm, dated as shown in our electronic signature

PricewaterhouseCoopers AB

Aleksander Lyckow  
Authorized Public Accountant



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# APPENDIX

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# CORPORATE GOVERNANCE

## JULY 1, 2021 – JUNE 30, 2022

This report has been reviewed by the company’s auditor in accordance with the requirements of the Swedish Companies Act.

### CORPORATE GOVERNANCE

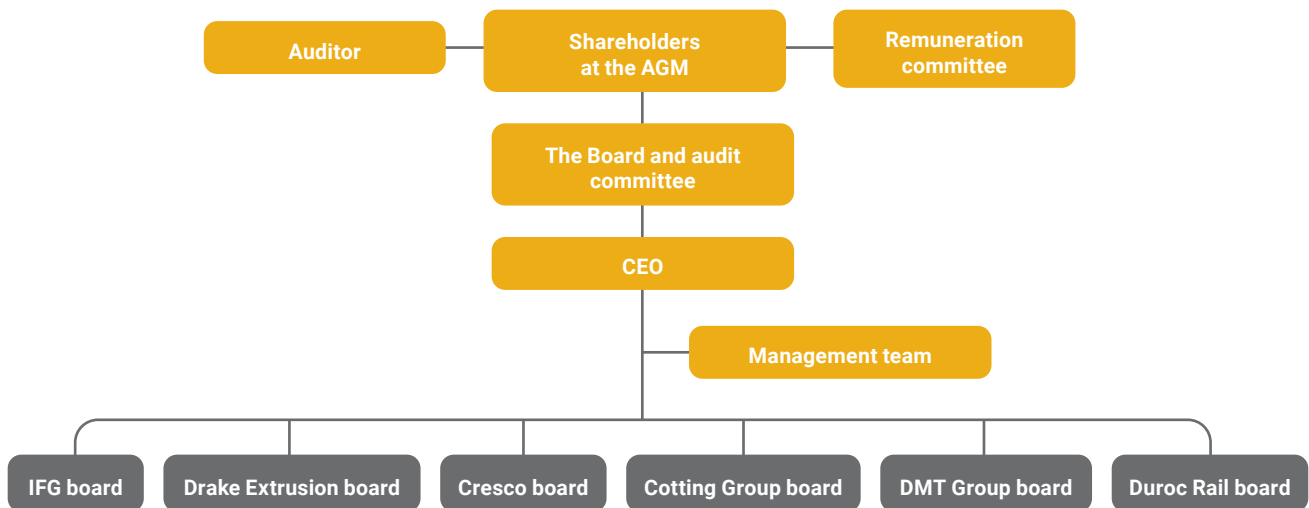
Duroc AB is a Swedish public limited liability company whose Class B shares are listed on Nasdaq Stockholm. Governance is based on external regulations and policy documents internally prepared and approved which set guidelines for the entire Duroc Group’s operations. The policy documents are based on the fundamental values and principles which must characterize Duroc’s operations and the conduct of its employees.

Duroc applies the Swedish Code of Corporate Governance (“the Code”). No departures from the Code took place during the 2021/2022 financial year, with the exception of the Nomination Committee area (see Nomination Committee below).

Other important external regulations with which Duroc complies include the Swedish Companies Act, Nasdaq Stockholm’s rules for issuers and accounting legislation and recommendations. There are also a number of other applicable laws and regulations.

The company’s corporate governance also forms the basis of its Articles of Association, the Board of Directors’ and the Board’s rules of procedure, the CEO’s instructions and internal policy documents such as the Code of Conduct and the communication, insider, whistleblower, CSR and financial policies.

The content of the Articles of Association as adopted by the AGM is governed by the Swedish Companies Act. The Articles of Association do not contain any specific provisions concerning the appointment or dismissal of Board members or amendments to the Articles of Association. Duroc’s Articles of Association are available on the Duroc website, [www.duroc.com](http://www.duroc.com).



Duroc’s organization. The main tasks of portfolio company boards include monitoring operational and financial developments, setting strategies and monitoring their implementation and ensuring good internal control. The chairman of the portfolio companies consists of, or reports to, the CEO of Duroc AB.

### OWNERSHIP STRUCTURE, SHARES AND VOTING RIGHTS

As of June 30, 2022, Duroc’s share capital totaled MSEK 39 distributed across 39,000,000 shares of which 29,066,783 were Class B shares and 9,933,217 Class C shares. The share quota value is SEK 1 per share. Each share corresponds to one vote and carries the same right to a share of the company’s assets and entitles the holder to an equal dividend. Duroc sets no limit on the number of votes a shareholder may cast at an AGM.

According to statistics from Euroclear Sweden, Duroc had 2,172 (2,267) shareholders as of June 30, 2022. The three biggest owners were Bronsstädet AB (name change from Peter Gyllenhammar AB) with 79.5 percent, AB Traction with 7.3 percent, and Nordnet Pensionsförsäkring with 1.4 percent. The 10 biggest owners accounted for 92 percent of the votes and an equally large share of the assets. Further information about Duroc shareholders and the Duroc share is available on pages 14–15.

### ANNUAL GENERAL MEETING

Shareholders exercise influence in Duroc at the AGM, which is the company’s highest decision-making body. At the AGM, which is held within six months of the end of the financial year, share-

holders decide on key issues such as the adoption of income statements and balance sheets, the dividend to shareholders, the composition of the Board of Directors, discharge from liability for the members of the Board and the CEO, any amendments to the Articles of Association, the election of auditors and the principles for remuneration to senior management. The AGM must be prepared and implemented such that it creates conditions for shareholders to exercise their rights in an active, well-informed manner. Shareholders who are listed in Euroclear Sweden’s shareholder register on the record date and who notify their participation in the meeting no later than the date specified in the notice to attend are entitled to attend and vote at the meeting, either in person or via proxy. Each shareholder has the right to have a matter addressed by the AGM.

Information about the time and place of the AGM will be available on the Duroc website no later than in conjunction with the third quarter report. There is also information on how shareholders must proceed in order to have a matter addressed by the AGM. The CEO and an auditor must attend the meeting. The Chairman of the Board must attend and if possible all Board members, otherwise a number of Board members sufficient to form a quorum.

## ANNUAL GENERAL MEETING 2021

Duroc's 2021 AGM was held on November 9 without the physical presence of shareholders, agents and external parties. Shareholders exercised their voting rights through early voting, aka mail-in voting, in accordance with Act (2020:198). Shareholders representing 79.5 percent of the votes and shares participated in the voting procedure. Carl Östring was appointed Chairman of the AGM.

### The 2021 AGM resolved on the following matters, among others:

- Adoption of the parent company and consolidated balance sheets and income statements and that earnings be carried forward.
- That no dividend be paid for the financial year 2020/2021.
- The CEO and all Board members were discharged from liability for the past financial year.
- Re-election of all Board members, namely Peter Gyllenhammar, Carina Heilborn, Carl Östring, Ola Hugoson and Johan Öberg. Peter Gyllenhammar was re-elected Chairman of the Board.
- PricewaterhouseCoopers AB was elected as auditor. Aleksander Lyckow serves as Authorized Public Accountant.
- Board member fees totaling SEK 1,000,000, i.e. 200,000 to each member. Auditor's fee to be paid against approved invoice.
- Approval of the remuneration report submitted for 2020/2021.
- Guidelines for remuneration to senior executives.
- Authorization for the Board to resolve on a new issue of no more than 4,300,000 shares in Duroc AB.
- Authorization for the Board to resolve on the repurchase and transfer of own shares. Acquisitions may be made to no more than 10 percent of the total number of shares.
- Approval of changes to the Articles of Association.

Duroc's 2022 Annual General Meeting will be held on November 8, 2022 and conducted by postal voting in accordance with the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings of shareholders and associations.

## NOMINATION COMMITTEE

In view of the concentrated ownership structure, where 87 percent of the votes are owned by Peter Gyllenhammar via Bronsstädet AB and Traction AB, the AGM of November 8, 2018 resolved not to appoint a Nomination Committee.

## BOARD OF DIRECTORS

Duroc's Board of Directors comprises Peter Gyllenhammar, member and Chairman, and the members Carina Heilborn, Ola Hugoson and Carl Östring. All Board members were re-elected at the AGM on November 9, 2021. Johan Öberg was also elected as a Board member on this occasion. Due to an increasingly high workload, Johan Öberg, Managing Director & Partner in Boston Consulting Group chose to leave the Board after five years' service on June 7, 2022.

### Peter Gyllenhammar

Stockholm, born 1953.

Background: Chairman of the Board since the AGM of April 27, 2017.

Owner of Peter Gyllenhammar AB (including Bronsstädet AB). Education: Unfinished studies at the Stockholm School of Economics

Other board assignments: Chairman of Galjaden Holding AB, Sonsa Business AB with subsidiaries and VB Value Research AB. Member of the boards of Peter Gyllenhammar AB, Bronsstädet AB, Galjaden Fastigheter AB with subsidiaries, Browallia AB with subsidiaries, Johnson & Starley Ltd with subsidiaries, Fastighets AB Häggatorp, and Gyllenhammar Maskinuthyrning AB.

Number of shares: indirectly via Bronsstädet AB: 21,066,783 series B and 9,933,217 series C.

### Carina Heilborn

Täby, born 1973.

Background: Board member since 2016. Auditor at KPMG, in charge of reporting and tax issues at Nordisk Renting and Carema, CFO and Investment Manager at Bronsstädet AB since 2010. Education: Graduate in business administration.

Other board assignments: Chairman of ScandBook AB and Protean Funds Scandinavia AB. Member of the boards of Sonsa Business

Member	Elected	Fee <sup>1</sup>	Attendance		Independent in relation to	
			Board meetings <sup>2</sup>	Statutory Board meetings	Company and management	Major shareholders
Peter Gyllenhammar	2017	200,000	8/8	1/1	Yes	No
Carina Heilborn	2016	200,000	8/8	1/1	Yes	No
Ola Hugoson	2017	200,000	8/8	1/1	Yes	Yes
Johan Öberg (resigned as Board member on June 7, 2022)	2017	200,000	4/8	1/1	Yes	Yes
Carl Östring	2013	200,000	7/8	1/1	Yes	Yes

1,000,000

<sup>1</sup> Refers to the fee approved at the AGM on November 9, 2021.

<sup>2</sup> Refers to meetings during the financial year July 1, 2021 – June 30, 2022.

AB with subsidiaries, Scandbook Holding AB, Equuleus AB, Clean Oil Technology AB, Johnson & Starley Ltd with subsidiaries and VB Value Research AB.  
Number of shares: 0.

#### **Ola Hugoson**

Ystad, born 1957.

Background: Board member since 2017. Has worked with the family-owned company Polykemi AB since 1982; president and CEO since 1997

Education: Graduate in business administration.

Other board assignments: Member of the board of Polykemi AB and subsidiaries.

Number of shares: 35,000 Class B shares.

#### **Johan Öberg**

Saltsjöbaden, born 1970.

Background: Board member from 2017 until June 2022. Senior Partner and Managing Director, Global Head Tech Capital Sector, BCG Sweden.

Education: MBA from INSEAD.

Other board assignments: Chairman of CaAI. Board member of OnDosis and Global Child Forum.

Number of shares: 1,000,000 call options (relating to Class C shares) issued by Duroc's principal owners.

#### **Carl Östring**

Lidingö, born 1974.

Background: Board member since 2013. Founder of Generalcounsel.se. General Counsel and Investment Manager at AB Traction 2011–2019. Former lawyer, Managing Partner and partner at law firms in Sweden and Russia.

Education: Bachelor of laws.

Other board assignments: Chairman of the Board of Drillcon AB, Stenhusgruppen AB and Tundra Fonder AB, and board member of Recco Holding AB with subsidiaries.

Number of shares: 10,000 Class B shares and 2,000 Class B shares jointly with spouse.

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### **THE WORK OF THE BOARD**

The Board has overall responsibility for the company's organization and the management of the company's affairs. It decides on the Group's overall goals, strategies, acquisitions, disposals and investments, and determines the financial reporting and makes decisions regarding the Group's financial structure. The Board is responsible for ensuring adequate supervision of the Company's compliance with laws and other regulations and that its disclosures are transparent, accurate, relevant and reliable.

The Board's rules of procedure and instructions regarding the division of responsibilities between the Board and the CEO are evaluated, updated and adopted annually. If the Board sets up internal committees, the Board's rules of procedure must describe the tasks and decision-making rights delegated to said committees and how the latter must report to the Board.

The Board must evaluate its own working methods and effectiveness annually. At least once a year, the Board must evaluate

the work of the CEO in particular. When this matter is addressed, no member of company management may be present.

The Board holds six regular meetings and one statutory meeting per year. The regular meetings take place in conjunction with the release of interim or full-year accounts, and the adoption of the budget and the long-term financial plan. In addition, extraordinary Board meetings are held as necessary. Proposals for the agenda, including documentation, are sent to all Board members before each Board meeting.

Six regular meetings were held during the financial period July 1, 2021 – June 30, 2022; two extraordinary meetings and one statutory meeting were held in connection with the AGM. All of the regular meetings discussed strategic issues, the financial position and development of the company and the Group, financial reporting and control, personnel and organizational issues, legal issues and developments in the financial market. Three of the meetings were attended by the company's auditors, who presented the audit plan and audit reports. All resolutions passed during the financial period July 1, 2021 to June 30, 2022 were unanimous.

### **AUDIT**

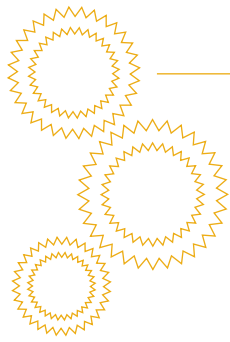
The auditor is appointed annually by the AGM. The auditor reviews the annual report and consolidated accounts of Duroc AB, the administration of the Board of Directors and the CEO, remuneration to senior executives, the sustainability report and the corporate governance report. The auditor also submits his statutory opinion in respect of the remuneration. The audit and auditor's report are presented at the AGM. The auditor's fee is approved by the Annual General Meeting.

The AGM of November 9, 2021 resolved that the auditor's fee be paid against approved invoice. At the same AGM, PricewaterhouseCoopers AB was re-elected as auditor with Aleksander Lyckow as auditor-in-charge. PwC carried out the audit for the financial period July 1, 2021 – June 30, 2022.

### **AUDIT COMMITTEE**

The main tasks of the audit committee are, without prejudice to the Board's responsibilities and tasks in general, to monitor the company's financial reporting and in this regard also the effectiveness of the company's internal control, internal audit and risk management; to stay informed of the audit of the annual accounts and the consolidated accounts; to review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than audit services, and to assist in drawing up proposals for the AGM to resolve on the election of an auditor. The Board must make sure the company's second quarter or third quarter report is reviewed by the company's auditor. At least once a year, the Board meets with the company auditor, without the presence of the CEO or other member of senior management.

During the July 2021 – June 2022 financial year, the Board completed the work of the committee in full. This resolution was passed in view of the size of the company and the scope of its business.



## REMUNERATION AND THE REMUNERATION COMMITTEE

The principles for remuneration to the CEO and other senior executives are proposed by the Board and govern fixed annual salaries, variable remunerations, pensions and other benefits. These principles must then be adopted by the AGM. The statutory Board meeting held in conjunction with the AGM on November 9, 2021, resolved to appoint Peter Gyllenhammar and Carl Östring as members of the remuneration committee, with Peter Gyllenhammar as Chairman.

Resolutions regarding remuneration and other terms of employment for the CEO are made by the Board. Guidelines for remuneration and other terms of employment for other senior executives are prepared by the Board through its remuneration committee, adopted by the AGM and negotiated and agreed with the CEO under review by the remuneration committee.

### CEO

The CEO is responsible for the day-to-day management and control of the Group's operations. This includes implementing the Group's overall strategy, business governance, controlling and compiling financial reports, allocating financial resources, and the responsibility for financing and risk management. The Board's rules of procedure govern the division of duties between the Board and the CEO. The Board evaluates the work of the CEO once a year at a meeting in which no member of company management participates. John Häger has been Duroc's CEO since May 2016.

#### John Häger

Stockholm

Born 1964.

Background: Employed 2016. Formerly CEO of Sandvik Coromant Sverige AB.

Education: MSc.

Number of shares: 8,033 Class B shares.

## THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING FOR THE FINANCIAL PERIOD JULY 1, 2021 – JUNE 30, 2022

Under the Swedish Companies Act, the Board is responsible for internal control and governance of the company. The Board makes sure the principles it lays down for financial reporting and internal control are complied with and that an appropriate dialog is maintained with the company's auditors.

The Board has evaluated the need to establish a special internal audit function and in said evaluation has deemed that Duroc's legal and operational structure, together with management processes and control systems, does not require any specific function or internal audit.

The Board as a whole is responsible for the management and control of the company, while the CEO is responsible for the day-

to-day management and control of the Group's strategies and business processes, as well as financial reporting and planning. The latter regularly reports to the Board based on established procedures.

The Board must safeguard management and control of the company by making sure the CEO and other key individuals in the company management team have the right competences and that the organization is appropriate for the Group's needs. The organization per se, with its decision pathways, authority and responsibility, together with the culture prevailing within the company and which is expressed in internal policy and procedures, is important for governance. The Board has also laid down a number of fundamental guidelines and policies that constitute the basis for a good control environment. These include Duroc's Code of Conduct and its policies for corporate responsibility, finance and IT. There is also an authorization system that regulates the financial decisions that are taken by the Board of Duroc AB, by the CEO and by the boards or CEOs of the subsidiaries.

The Board has adopted a written procedure that clarifies its responsibilities and the division of duties between its members and the Chairman. The Board's rules of procedure also regulate the division of duties between the CEO and the Board and provides an instruction for financial reporting to the Board.

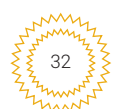
Company management continuously analyzes risks and the efficacy of internal control in the companies' business processes. A substantial part of the company's internal control can be found in the processes linked to financial reporting. In these processes, a series of control activities are conducted to ensure the accuracy of internal and external reporting. The Board's ongoing dialog with the company's auditors also forms an important part in this regard. Duroc's finance department reports according to approved routines through reliable reporting and business systems. The Board receives monthly internal reports and assessments of the financial situation in the Group's companies. Forecasts and analyses are made in conjunction with quarterly reporting to evaluate the companies' strategies and to make sure financial reporting is accurate.

Also, the Group's companies must complete an annual form and conduct an evaluation of internal controls. The answers are compiled and evaluated at group level and discussed with the relevant company boards. The results are taken into account in the Group's risk analysis.

Duroc has an approved information policy to make sure its internal and external information processing is carried out properly. Regarding Duroc's external communication of financial information and other information that may affect the company's market value, there are approved procedures and distribution channels that guarantee compliance with Nasdaq Stockholm's rules for issuers. Duroc deviates from the Swedish Code of Corporate Governance in that the 2018 AGM resolved not to appoint a Nomination Committee. The resolution was justified by Duroc's ownership structure, where 87 percent of the votes are owned by Bronsstäd AB and Traction AB.

Stockholm, September 2022

Board of Directors, Duroc AB





## CONSOLIDATED INCOME STATEMENT

Amounts in MSEK	July 1, 2021 – June 30, 2022	July 1, 2020 – June 30, 2021
Net sales	3,720.5	3,254.5
Other operating income	20.4	33.1
Change in inventories	27.1	3.7
Raw materials and consumables	-1,935.9	-1,616.6
Goods for resale	-410.2	-305.4
Other external costs	-531.7	-489.9
Personnel costs	-686.2	-686.3
Depreciation, amortization and impairment of tangible and intangible assets	-116.3	-101.3
Other operating costs	-4.6	-3.3
<b>Operating profit/loss</b>	<b>83.0</b>	<b>88.6</b>
Financial income	4.8	3.8
Financial expenses	-13.0	-13.9
<b>Net financial items</b>	<b>-8.2</b>	<b>-10.1</b>
<b>Profit before taxes</b>	<b>74.8</b>	<b>78.5</b>
Deferred taxes	4.0	-9.9
Current taxes	-13.9	-13.2
<b>Profit for the year</b>	<b>64.9</b>	<b>55.4</b>
<b>Attributable to:</b>		
Parent company shareholders	64.9	55.4
<b>Earnings per share, SEK, attributable to the parent company's shareholders</b>		
Before and after dilution	1.67	1.42

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in MSEK	July 1, 2021 – June 30, 2022	July 1, 2020 – June 30, 2021
<b>Profit for the year</b>	<b>64.9</b>	<b>55.4</b>
TOTAL OTHER COMPREHENSIVE INCOME		
<b>Items that may be reclassified to the income statement</b>		
Translation differences	92.5	-44.5
Hedge accounting	4.7	2.1
Tax related to items that may later be reversed to the income statement	-0.9	-0.7
<b>Items that cannot be reversed to the income statement</b>		
Revaluation of strategic holdings	-	16.1
Actuarial gains and losses	8.3	95.9
Tax related to items that will not be reversed to the income statement	-2.3	-2.5
<b>Total other comprehensive income</b>	<b>102.3</b>	<b>66.4</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>167.2</b>	<b>121.8</b>
Of which comprehensive income attributable to:		
parent company shareholders	167.2	121.8
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>167.2</b>	<b>121.8</b>

# CONSOLIDATED BALANCE SHEET

Amounts in MSEK	June 30, 2022	June 30, 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	84.7	84.3
Intangible assets	22.1	35.5
Tangible fixed assets	620.1	570.4
Right-of-use assets	125.8	140.2
Non-current securities holdings	–	1.5
Other non-current receivables	5.0	5.3
Deferred tax assets	64.0	56.6
<b>Total non-current assets</b>	<b>921.7</b>	<b>893.9</b>
<b>Current assets</b>		
Inventories	720.1	542.4
Advance payments to suppliers	19.0	7.4
Trade receivables	631.6	514.1
Current tax receivables	12.3	11.1
Other receivables	29.3	37.2
Prepaid expenses and accrued income	16.7	20.4
Cash and cash equivalents	26.1	59.9
<b>Total current assets</b>	<b>1,455.2</b>	<b>1,192.4</b>
<b>TOTAL ASSETS</b>	<b>2,376.9</b>	<b>2,086.3</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	39.0	39.0
Other capital provided	260.5	260.5
Reserves	172.2	75.7
Retained earnings including profit for the year	766.1	695.1
<b>Equity attributable to owners of the parent company</b>	<b>1,237.8</b>	<b>1,070.3</b>
<b>Total equity</b>	<b>1,237.8</b>	<b>1,070.3</b>
<b>Long-term liabilities</b>		
Provisions for pensions	58.3	69.5
Warranty provisions	2.6	1.3
Other provisions	12.3	15.7
Non-current interest-bearing liabilities	77.5	114.7
Non-current interest-bearing liabilities – right-of-use assets	103.4	115.4
Other non-current liabilities	2.0	2.8
Deferred tax liabilities	50.4	40.8
<b>Total non-current liabilities</b>	<b>306.4</b>	<b>360.3</b>
<b>Current liabilities</b>		
Warranty provisions	0.4	0.4
Other provisions	7.0	22.0
Current interest-bearing liabilities	214.3	85.1
Current interest-bearing liabilities – right-of-use assets	27.0	28.0
Advance payments from customers	60.6	33.8
Trade payables	305.4	305.1
Current tax liabilities	12.7	9.8
Other liabilities	72.4	54.7
Accrued expenses and prepaid income	132.9	116.7
<b>Total current liabilities</b>	<b>832.7</b>	<b>655.8</b>
<b>Total liabilities</b>	<b>1,139.1</b>	<b>1,016.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,376.9</b>	<b>2,086.3</b>

## PARENT COMPANY INCOME STATEMENT

Amounts in MSEK	July 1, 2021 – June 30, 2022	July 1, 2020 – June 30, 2021
Net sales	5.9	5.7
Other operating income	–	0.0
Other external costs	-6.9	-8.8
Personnel costs	-13.8	-13.2
Depreciation/amortization	-0.2	-0.3
<b>Operating profit/loss</b>	<b>-15.0</b>	<b>-16.7</b>
Result from shares in group companies	65.3	–
Financial income	7.6	3.0
Impairment of participations in subsidiaries	-116.0	61.1
Impairment of receivable from a Group company	-117.1	–
Financial expenses	-6.3	-4.5
<b>Net financial items</b>	<b>-166.5</b>	<b>59.6</b>
<b>Appropriations</b>		
Group contributions made/received	37.7	31.6
<b>Profit/loss before taxes</b>	<b>-143.7</b>	<b>74.4</b>
Current taxes	–	-0.7
Deferred taxes	–	-9.0
<b>Profit/loss for the year</b>	<b>-143.7</b>	<b>64.7</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in MSEK	July 1, 2021 – June 30, 2022	July 1, 2020 – June 30, 2021
<b>Profit/loss for the year</b>	<b>-143.7</b>	<b>64.7</b>
<b>Other comprehensive income – revaluation of strategic holdings</b>	<b>–</b>	<b>0.3</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-143.7</b>	<b>65.0</b>

# PARENT COMPANY BALANCE SHEET

Amounts in MSEK	June 30, 2022	June 30, 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Other intangible assets	0.3	0.5
Tangible fixed assets	0.0	0.0
Shares in group companies	1,074.6	1,190.6
Receivables group companies	2.2	2.1
Deferred tax assets	6.2	6.2
<b>Total non-current assets</b>	<b>1,083.3</b>	<b>1,199.4</b>
<b>Current assets</b>		
Receivables from Group companies	116.9	124.0
Other receivables	1.2	1.4
Prepaid expenses and accrued income	1.8	1.7
Cash and cash equivalents	–	27.3
<b>Total current assets</b>	<b>119.9</b>	<b>154.4</b>
<b>TOTAL ASSETS</b>	<b>1,203.2</b>	<b>1,353.9</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Restricted equity</b>		
Share capital	39.0	39.0
Reserve fund	1.1	1.1
<b>Non-restricted equity</b>		
Share premium reserve	821.5	821.5
Retained earnings	218.4	153.7
Profit/loss for the year	-143.7	64.7
<b>Total equity</b>	<b>936.3</b>	<b>1,080.0</b>
<b>Long-term liabilities</b>		
Non-current interest-bearing liabilities	44.0	69.2
<b>Total non-current liabilities</b>	<b>44.0</b>	<b>69.2</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	95.1	25.2
Trade payables	1.0	0.7
Liabilities to Group companies	121.9	172.3
Tax liabilities	–	0.7
Other liabilities	0.4	0.4
Accrued expenses and prepaid income	4.5	5.4
<b>Total current liabilities</b>	<b>222.9</b>	<b>204.7</b>
<b>Total liabilities</b>	<b>266.9</b>	<b>273.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,203.2</b>	<b>1,353.9</b>

# IMPORTANT ACCOUNTING POLICIES

The most important accounting policies applied when preparing these consolidated financial statements are set forth below. Duroc's consolidated financial statements have been prepared pursuant to the Swedish Annual Accounts Act, RFR 1 Supplementary Reporting Regulations for Groups, International Reporting Standards (IFRS) and related interpretations (IFRIC) as adopted by the EU. Assets and liabilities are recognized at historical cost with the following exceptions:

- Long-term securities holdings have been measured at fair value.
- Deferred tax assets and tax liabilities have been calculated by applying the current tax rate and the evaluation is based on how the carrying amount of the underlying asset process and liabilities are expected to be realized or settled.
- Inventories are valued at the lower of acquisition value or net sales value.
- Provisions are valued at the amount required to settle an obligation with a current value calculation.
- Defined benefit plans are valued at the net of estimated future benefits calculated to current value and plan assets measured at fair value.

In most cases, preparing reports in accordance with IFRS requires the use of important estimates for accounting purposes. In addition, management must make certain assessments when applying the Group's accounting policies.

The financial statements are presented in Swedish kronor (SEK). Unless otherwise specified, amounts are stated in millions of Swedish kronor (MSEK) to one decimal place. Rounding may occur in tables and statements, the effect of which can be totals that are not always the sum of the rounded component amounts.

# GRI INDEX

Standard		Page*	Remarks
<b>GRI 102: GENERAL INFORMATION</b>			
<b>1. Organizational profile</b>			
102-1	Name of the organization	1	
102-2	Business, brands, products and services	7	
102-3	Location of the head office	40	
102-4	Countries in which the organization operates	40	
102-5	Ownership structure and form of company	29	
102-6	Market presence	15	
102-7	The size of the organization	15	The parent company has 5 employees
102-8	Information about employees	20	The average number of employees in the group during the year was 1,099.
102-10	Significant changes in the organization and its supply chain	3	
102-11	The precautionary principle	34	
102-12	External guidelines	2	
102-13	Membership of organizations	18	
<b>2. Strategy</b>			
102-14	A word from the CEO	4	
<b>3. Ethics and integrity</b>			
102-16	Values and ethical guidelines	5, 14	
<b>4. Governance</b>			
102-18	The organization's governance and Board	29	
<b>5. Stakeholder commitment</b>			
102-40	Stakeholder groups	18	
102-41	Proportion of employees with collective agreements		100 %
102-42	Identification and selection of stakeholders	18	
102-43	Method for stakeholder dialogs	18	
102-44	Important issues for stakeholders	18	
<b>6. Accounting profile</b>			
102-45	Units included in the financial statements	7	
102-46	Process for identifying significant aspects and limitations	18	
102-47	List of significant sustainability issues	18	
102-48	Changes in information		None
102-49	Changes in accounting		None
102-50	Accounting period		7/1/2021 – 06/30/2022
102-51	Publication date of last report		Sep-21
102-52	Accounting cycle		Annual
102-53	Contact details for questions about accounting		johan.hedlund@durocgroup.com
102-54	Application level according to GRI		Core
102-55	GRI Index	38	
102-56	External verification	27	

\*Refers to page in Duroc's Sustainability Report.

**IMPORTANT ISSUES**

Standard		Page*	Remarks
<b>GRI 200: FINANCE</b>			
103-1	Delimitation of important issues within the organization	33	
103-2	Sustainability management	18	
103-3	Follow-up of sustainability management	18	
201-1	Generated and distributed financial value	33	
<b>GRI 205: ANTI-CORRUPTION</b>			
205-1	Analysis regarding the risk of corruption	20	
205-2	Communication and training regarding anti-corruption	20	
205-3	Confirmed corruption incidents and actions	20	
<b>GRI 300: ENVIRONMENT</b>			
103-1:3	Sustainability management	18	
305-1	Direct greenhouse gas emissions	21	Scope 1, cdp.net
305-2	Indirect greenhouse gas emissions	21	Scope 2, cdp.net
305-3	Other indirect greenhouse gas emissions		Not reported
<b>GRI 400: SOCIAL ISSUES</b>			
103-1:3	Sustainability management	18	
401-1	Employee turnover		33 % in the parent company
401-3	Parental leave		0 %
403-2	Injuries and sick leave	20	
404-1	Training in hours		No reporting system
404-2	Competences development program	20	
404-3	The proportion of employees who receive a regular evaluation of their performance and career development	21	
405-1	Diversity in the Board, management and among employees	21	
406-1	Discrimination cases and actions		No such cases have been reported
419-1	Non-compliance with social and economic laws and regulations		No such non-compliance has been reported
<b>GRI G4: SECTOR-SPECIFIC ISSUES</b>			
FS 6	Percentages of the portfolio broken down by region, size and sector	7, 15	
FS 10	Proportion of companies with which the organization has interacted on environmental or social issues		100 %

\*Refers to page in Duroc's Sustainability Report.

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