

UPDATE FROM DUROC

December 15, 2022

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SECOND QUARTER EARNINGS DEVELOPMENT – CONTINUED UNFAVORABLE CONDITIONS IN LARGE PARTS OF THE GROUP, LOW NET DEBT MAINTAINED

Quarter two has developed in line with the first quarter of the financial year so far. The fiber units continue to be affected by abnormally high costs for input materials and energy, which have not yet been passed on to the customers to a sufficient extent. It is also clear that the customers to a large extent strived to reduce their own stock levels and have therefore been particularly restrained with their ongoing purchases. However, these negative factors, which strongly negatively affected our overall profitability, are deemed to have a relatively short-term effect, and we have recently seen some signs of a gradual improvement in order intake in the fiber business. However, the uncertainty and high-cost situations are estimated to characterize large parts of the group's operations throughout the fiscal year.

The weak profit development is attributable to the fiber-based companies IFG, Cresco and Drake as well as the Cotting Group, which includes the French unit Griffine SA (see below). The other companies continue to deliver strong order intake and positive results with continued low tied-up capital and strong cash flows.

The probability of recovery of the outstanding debt of a customer of Drake Extrusion in the USA, in the previously communicated reconstruction, is currently assessed as low, whereby the debt is written down in its entirety, which burdens the result with 2 MUSD. However, the cost of this does not affect cash flow.

Net debt remains low, mainly due to lower capital tied up in the capital-intensive fiber operations and the Cotting Group, continued strong order intake and positive results in the other companies.

INSURANCE SOLUTION FOR THE PENSION LIABILITY IN IFG - RISK ELIMINATION AND SIGNIFICANT POSITIVE EFFECT ON CASH FLOW FROM OPERATIONS

Today we can announce that the subsidiary IFG Holdings Ltd (IFG)'s defined pension foundation Chapelethorpe Plc Pension Fund Trust (CPF) has bought an annuity insurance ("buy in") from Aviva Life & Pensions UK Ltd (Aviva). The insurance covers all CPF's defined benefit pension commitments and is financed with CPF's existing own funds. After the data/information is finally verified, a full "Buy out" transfer will take place with Aviva, which is estimated to be completed within 12-24 months. With this, IFG's responsibility for CPF's pension commitments also formally ends.

The "Buy in" insurance and the subsequent "Buy out" transfer means that IFG no longer needs to contribute funds to the CPF, as all costs are paid from the foundation's surplus. For IFG, this means approximately GBP 500,000 in annually reduced expenses, the majority of which has been charged to the Income Statement.

After the final buyout, the CPF will be liquidated, and a surplus may arise at this point. If this is the case, part of this may be payable to IFG.

The solution with an annuity insurance also means that the risks that were associated with the role as CPF's "sponsor" are now eliminated once and for all. This also creates improved opportunities for the group to, for example, participate in structural transactions in the affected businesses.

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The Duroc Group manages and develops industrial and trading companies. With deep knowledge of technology and market, the Group's companies strive to achieve a leading position in their respective industries. As owner Duroc contributes actively to the development. Duroc is listed on NASDAQ OMX Stockholm (symbol: DURC). www.duroc.se

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THE DEVELOPMENT IN THE FRENCH SUBSIDIARY GRIFFINE SA – DIVESTMENT PLANNED RESULTING IN A NOTABLE PROFIT INCREASE

Griffine SA has generated highly significant losses for a long period of time, mainly generated by circumstances beyond the company's own control. The semiconductor shortage has resulted in weak and irregular order intake from the company's largest customer segment - the automotive industry. Raw material and energy prices have only been able to be passed on to customers to a limited extent and with a delay, while the highly complicating French labor legislation has made the necessary cost adjustment impossible. During the fiscal year 2021/22, Griffine burdened the Duroc Group's adjusted EBIT with -69.1 MSEK, and the losses have continued to a significant extent this year.

Griffine was separated from the group's cash pool system at the end of the previous financial year and the outstanding debt was converted into a shareholder loan. Since then, Griffine has not received any financial support from the parent company despite the continued negative results and we can state that it worked better than previously feared. Duroc's ambition is to constructively enable a sale of the business to new owners, and dialogues are currently ongoing with several stakeholders. As part of this process, Duroc has declared its willingness to contribute resources by, for example, releasing pledges, among other things, on the property in which Griffine's operations are conducted, and on inventory, in exchange for a minority ownership in the continued operations. Our assessment is that the proposals we put forward are both realistic and financially and industrially sound.

The consolidated income statement of the Duroc Group has continued, and will continue for the time being, to include Griffine's significant losses, despite the fact that we no longer have financial responsibility for the business. A planned exit as the majority owner will therefore lead to an immediate and significant strengthening of the Duroc Group's results as well as on most relevant key figures. It has been established that such a de-consolidation will take place in the near future, the timing and final form of this, however, remains to be determined.

THE FUTURE – AMPLE ROOM WITH A FOCUS ON LONG-TERM VALUE GROWTH

Despite the setbacks we have experienced in 2021-2022, the Duroc Group is financially in good shape, with limited net debt, significant equity and a balance sheet dominated by real assets. Parts of the group consist of companies with low tied-up capital, good profit margins and a completely satisfactory return on capital employed. The value of these operations in total is likely to significantly exceed the values recorded in the consolidated balance sheet.

Other parts of Duroc consist of capital-intensive and cyclically sensitive operations which do not currently deliver acceptable results, but whose long-term earning capacity is still considered good, among other things as a result of the investments in improved product mix initiated by Duroc in recent years.

Our good financial strength gives us great freedom to take the measures we deem appropriate to maximize the long-term value growth for our shareholders.

Stockholm, December 15, 2022

For more information

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The information in this press release is such that Duroc AB is obliged to publish in accordance with EU's Market Abuse Regulation. The information herein was provided for publication at 3.15 p.m. (CET), December 15, 2022 by the contact person named below.

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