
# INTERIM REPORT FOR DUNI AB (PUBL)
# 1 JANUARY – 30 JUNE 2019

(compared to the same period previous year)

**12 July 2019**

## The margin program contributes to a historically strong second quarter

**1 APRIL – 30 JUNE**

- Net sales amounted to SEK 1,348 m (1,197), corresponding to a 12.6% increase in sales. Adjusted for exchange rate movements, net sales increased by 9.9%.
- Earnings per share after dilution amounted to SEK 1.41 (1.39).
- Gradually declining raw material prices combined with the implemented price increases contributes to a recovery of the margin.

**1 JANUARY – 30 JUNE**

- Net sales amounted to SEK 2,612 m (2,277), corresponding to a 14.7% increase in sales. Adjusted for exchange rate movements, net sales increased by 11.1%.
- Earnings per share after dilution amounted to SEK 2.49 (2.61).
- Positive contribution from price increases and BioPak in Australia, which was acquired in October 2018.
- Continuing higher expenses for input materials and increased year-on-year expenses for logistics services.

## KEY FINANCIALS

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2018 | 12 months Jul-Jun 2018/2019 | 12 months Jan-Dec 2018 |
|---|---|---|---|---|---|---|
| Net sales | 1,348 | 1,197 | 2,612 | 2,277 | 5,263 | 4,927 |
| Organic growth | -2.1% | 2.0% | -0.9% | 2.1% | 0.1% | 1.5% |
| Organic pro forma growth [1] | 1.0% | 2.1% | 2.1% | 2.2% | 3.3% | 2.5% |
| Operating income [2,3] | 111 | 96 | 203 | 186 | 447 | 430 |
| Operating margin [2,3] | 8.2% | 8.0% | 7.8% | 8.2% | 8.5% | 8.7% |
| Income after financial items | 86 | 87 | 152 | 165 | 316 | 328 |
| Net income | 67 | 66 | 119 | 125 | 244 | 249 |

[1] Currency-adjusted growth including acquired companies, which are compared with the previous year's pro forma figures.
[2] For key financials, definitions and reconciliation of alternative key financials, see pages 26-27.
[3] For impact of the new leasing standard as of 1 January 2019, see Note 1.

# CEO'S COMMENTS

**"Sustainable packaging drives growth**
In the second quarter, sales increased by 12.6% to SEK 1,348 m (1,197). Organic pro forma growth[1)] for the quarter amounted to 1.0%, despite fewer days of sales.

Restrictions on the use of single-use products made of plastic are now in the pipeline in many countries. Duni is positive about these important activities for the environment and it is well in line with our new strategy where we increase our focus on sustainability and see a very positive growth in sustainable packaging.

In addition to the positive sales development of sustainable packaging, we also see solid growth in premium napkins, while the table covers continue to develop negatively.

The trend for our geographic growth areas has carried over from the previous quarter. This means that we are growing in most regions with particularly high growth in Australia, our second largest country in terms of sales.

**Margin program contributes to all-time-high income**
Operating income for the quarter was SEK 111 m (96), which is an all-time high for Q2. We are seeing positive effects from our margin program which included price increases, to compensate for the significant rise in pulp prices, as well as indirect expense savings. Nevertheless, we humbly note that we benefitted from important external factors such as falling pulp prices and the weakened Swedish krona in the quarter. However, increased freight prices had a negative impact on our income.

**Performance in our business areas**
Taking a look at our business areas, Meal Service and New Markets saw positive growth in both sales and income and Table Top's performance was steady while Business Area Consumer continues to have a weak performance. Organic pro forma growth[1)] amounted to 6% in Meal Service and 14% in New Markets, but Consumer had a negative sales development of 15% at fixed exchange rates. Our price increases in 2018 resulted in a loss of some high volumes contracts within Consumer. To boost our future competitiveness in the business area, we are now engaging in activities aiming to raise efficiency in the value chain.

**Pulp prices continue to fall**
Pulp prices continued to decline in the second quarter. This should have a positive impact on income in the third quarter as well," says Johan Sundelin, President and CEO, Duni.

[1)] Currency-adjusted growth including acquired companies, which are compared with the previous year's pro forma figures.

# NET SALES

### 1 APRIL – 30 JUNE

Compared to the same period of the previous year, net sales increased by SEK 151 m to SEK 1,348 m (1,197). Organic pro forma growth[1)] totaled 1.0% while organic growth was -2.1%. Products in the premium napkins and environmentally-conscious products for the take-away market are segments that continue to be strong growth drivers. However, the gain in sales was held back by a continuing negative trend for table covers and single-use products made from plastic and the loss of several contracts with high-volume customers. In addition, sales were impacted negatively to a certain extent by the lower number of sales days in the quarter compared with the same quarter of the previous year. The Meal Service business area grew in the quarter while Consumer's sales fell and Table Top remained at par with the previous year. BioPak in Australia was acquired in October last year and contributes strongly to the growth of the New Markets business area and to Duni as a whole.

### 1 JANUARY – 30 JUNE

Compared to the same period of the previous year, net sales increased by SEK 335 m to SEK 2,612 m (2,277). Organic pro forma growth[1)] amounted to 2.1% while organic growth was -0.9%. The sales performance of both the product portfolio and the business areas were influenced by the same trends as during the quarter. The sales of most countries were at par with the previous year with a slight increase in Northern and Southern Europe and a slight decrease in Central Europe and the UK. The implementation of the price increases initiated in 2018 continued into the first quarter of 2019. With the implementation now complete, the price change contributes to both growth and to strengthening the margin.

[1)] Currency-adjusted growth including acquired companies, which are compared with the previous year's pro forma figures.

## NET SALES, CURRENCY EFFECT

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2019 [1)] recalculated | 3 months Apr-Jun 2018 | Change in fixed exchange rates | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2019 [1)] recalculated | 6 months Jan-Jun 2018 | Change in fixed exchange rates |
|---|---|---|---|---|---|---|---|---|
| Table Top | 664 | 646 | 645 | 0.3% | 1,244 | 1,203 | 1,178 | 2.1% |
| Meal Service | 250 | 245 | 231 | 6.1% | 454 | 443 | 409 | 8.2% |
| Consumer | 193 | 188 | 221 | -14.9% | 441 | 427 | 487 | -12.3% |
| New Markets | 215 | 210 | 79 | 166.3% | 424 | 408 | 160 | 155.1% |
| Other | 25 | 25 | 21 | 19.8% | 50 | 50 | 43 | 15.7% |
| **Duni** | **1,348** | **1,315** | **1,197** | **9.9%** | **2,612** | **2,530** | **2,277** | **11.1%** |

[1)] Reported net sales for 2019 recalculated at 2018 exchange rates.

# NET INCOME

**1 APRIL – 30 JUNE**

Operating income amounted to SEK 111 m (96), with an operating margin of 8.2% (8.0%). The gross margin was 23.7% (26.1%). Adjusted for translation effects due to exchange rate movements, operating income was up SEK 11 m from the previous year. The second quarter was still impacted by the high raw material prices compared with the previous year, but to a lower extent than the previous quarter. The price increases have now been fully implemented and contributed to the recovery of the operating margin during the quarter. Table Top and Meal Service business areas contributed to the increase in income while the Consumer business area had a more challenging quarter. BioPak in Australia had a positive impact while other parts of New Markets delivered lower income than the previous year.

Income after financial items totaled SEK 86 m (87). Income after tax was SEK 67 m (66).

**1 JANUARY – 30 JUNE**

Operating income amounted to SEK 203 m (186), with an operating margin of 7.8% (8.2%). The gross margin was 23.8% (26.7%). Adjusted for translation effects due to exchange rate movements, operating income was up SEK 7 m from the previous year. Raw material prices fell during the year from the very high levels they reached in the second half of 2018. However, expenses for input materials in the first half of the year remained higher than the previous year, which had a negative impact on income. The implemented price increases contributed gradually during the first half of the year to bringing the operating margin in line with previous levels. Cost controls and cuts to indirect expenses made a positive contribution to the margin while the continuing capacity shortages in the logistics market led to higher freight costs. Duni is actively working on reversing the freight cost trend by optimizing its logistics flows.

Income after financial items totaled SEK 152 m (165). Income after tax was SEK 119 m (125).

## OPERATING INCOME, CURRENCY TRANSLATION EFFECTS

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2019 [1] recalculated | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2019 [1] recalculated | 6 months Jan-Jun 2018 |
|---|---|---|---|---|---|---|
| Table Top | 90 | 86 | 87 | 153 | 145 | 149 |
| Meal Service | 19 | 19 | 14 | 27 | 26 | 19 |
| Consumer | -10 | -10 | -9 | -2 | -2 | 9 |
| New Markets | 11 | 10 | 3 | 24 | 23 | 7 |
| Other | 1 | 1 | 1 | 1 | 1 | 3 |
| **Duni** | **111** | **107** | **96** | **203** | **193** | **186** |

[1] Operating income for 2019 recalculated at 2018 exchange rates.

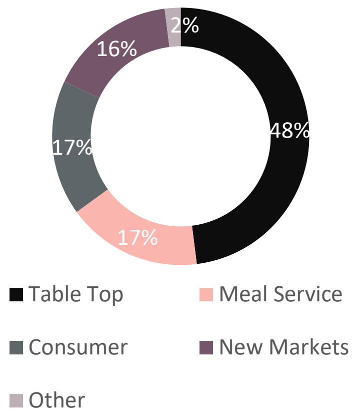
# BUSINESS AREAS

Duni's operations are divided into four operating segments, which are referred to by Duni as business areas.

The **Table Top** business area offers Duni's concepts and products primarily to hotels, restaurants and catering, and to companies in the health and care sectors. Table Top mainly markets napkins, table covers and candles for the set table. Duni is a market leader within the premium segment in Europe. The business area accounted for approximately 48% (52%) of Duni's net sales during the period 1 January - 30 June 2019.

The **Meal Service** business area offers concepts for meal packaging and service for e.g. take-away, ready-to-eat meals, and catering of different types. The business area's customers are mainly take-away-driven restaurants, food producers, and enterprises in the health and care sectors. As a niche player, Duni enjoys a leading position within this area in the Nordic region and has a clear growth agenda on identified markets in Europe. The business area accounted for approximately 17% (18%) of Duni's net sales during the period. Biopac UK Ltd in UK is included in the business area as of February 2018.

SPLIT OF NET SALES BETWEEN BUSINESS AREAS




The **Consumer** business area offers consumer products to primarily the retail trade in Europe. The business area's customers comprise grocery retail chains, but also other channels such as different types of specialty stores, including garden centers, home furnishing stores, and DIY stores. The business area accounted for approximately 17% (21%) of Duni's net sales during the period.

The **New Markets** business area offers Duni's attractive quality product concepts, table top concepts and packaging to markets outside Europe. In addition to customer segments such as hotels, restaurants and catering, the business area also aims its offerings at the retail sector. The business area accounted for approximately 16% (7%) of Duni's net sales during the period. Terinex Siam has been included in the business area since August 2016 and Sharp Serviettes, with the legal trading name of United Corporation Limited, has been included in the business area since May 2017. BioPak Pty Ltd in Australia and New Zealand has been included in the business area since October 2018.

These business areas generally have the same product assortment. However, design and packaging solutions are adapted to suit the different sales channels. Production and support functions are to a great extent shared by these business areas. Group management, which is the highest executive and decision-making body in Duni, decides on the allocation of resources within Duni and evaluates the results of the operations. The business areas are managed on the basis of operating income, after shared costs have been allocated between them. For further information, see Note 3.

Other in all tables, are unallocated income and expenses from external sales of tissue and airlaid materials from the Skåpafors factory, as well as external sales of finance and accounting services from the finance function in Poznan.

# TABLE TOP BUSINESS AREA

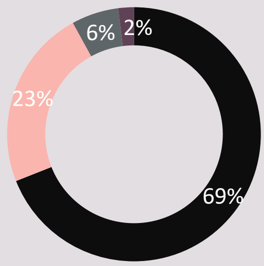
Table Top focuses on full-service restaurants, hotels and the catering industry and primarily markets napkins, table covers and candles for the set table.

SHARE OF DUNI'S NET SALES DURING THE PERIOD, 48%

**1 APRIL – 30 JUNE**

- Net sales amounted to SEK 664 m (645).
- Operating income was SEK 90 m (87) and the operating margin was 13.5% (13.5%).

NET SALES BY PRODUCT GROUP, %




**1 JANUARY – 30 JUNE**

- Net sales amounted to SEK 1,244 m (1,178).
- Operating income was SEK 153 m (149) and the operating margin was 12.3% (12.6%).

**1 APRIL – 30 JUNE**

Net sales amounted to SEK 664 m (645). At fixed exchange rates, this corresponds to a sales increase of 0.3%. Sales in most markets were at par with the previous year. The key market Germany exhibited healthy growth while sales in Southern Europe and the UK were down as a result of decreased volumes from a few of large customer contracts. Duni's premium napkins and candle concepts accounted for the lion's share of the growth. The lower demand for table covers continued to have a negative impact on sales in the quarter.

Operating income was SEK 90 m (87) and the operating margin was 13.5% (13.5%). The quarter was impacted negatively by high pulp prices, although to a lesser extent than in a long time. At the same time, the implemented price increased boosted the gross margin. Table Top was impacted negatively by the prevailing logistics market circumstances with increased expenses for logistics services causing a decrease in operating income.

**1 JANUARY – 30 JUNE**

Net sales amounted to SEK 1,244 m (1,178). At fixed exchange rates, this corresponds to a sales increase of 2.1%. In the first half of the year, Central Europe's sales were up while Northern and Southern Europe experienced negative growth. Responsibility for the Russian and North American regions were moved from business area New Markets to Table Top as of January 1, 2019. Furthermore, lower volumes to a large customer in the UK had a negative impact on sales performance. In addition to price increases, the business area focused on launching both its refined and award-winning premium napkin, Dunilin®, and a table setting concept based on grass fibers along with continuing development of its candle range.

Operating income was SEK 153 m (149) and the operating margin was 12.3% (12.6%). Despite a downward trend, the continuing high level of pulp prices had a negative year-on-year impact on the first half of the year, and similarly to the quarter, logistics costs negatively impacted income. The price increases initiated and implemented in 2018 and the first quarter of 2019 had a major positive impact on the period, which, combined with a focus on indirect expenses and with positive currency effects, contributed to the positive development of the income.

## NET SALES, TABLE TOP

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2019 1) recalculated | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2019 1) recalculated | 6 months Jan-Jun 2018 | 12 months Jul-Jun 2018/2019 | 12 months Jan-Dec 2018 |
|---|---|---|---|---|---|---|---|---|
| Nordic region | 91 | 91 | 92 | 167 | 167 | 166 | 368 | 367 |
| Central Europe | 423 | 410 | 413 | 818 | 785 | 779 | 1,679 | 1,641 |
| South & East Europe | 148 | 144 | 140 | 256 | 248 | 233 | 501 | 478 |
| Rest of the world | 2 | 2 | 0 | 4 | 4 | 0 | 4 | 0 |
| **Total** | **664** | **646** | **645** | **1,244** | **1,203** | **1,178** | **2,552** | **2,486** |

1) Reported net sales for 2019 recalculated at 2018 exchange rates.

# MEAL SERVICE BUSINESS AREA

The Meal Service business area offers concepts for meal packaging and service for take-away, ready-to-eat meals, and catering of different types.

**1 APRIL – 30 JUNE**

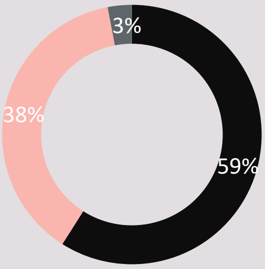
- Net sales amounted to SEK 250 m (231).
- Operating income was SEK 19 m (14) and the operating margin was 7.6% (5.8%).

**1 JANUARY – 30 JUNE**

- Net sales amounted to SEK 454 m (409).
- Operating income was SEK 27 m (19) and the operating margin was 5.9% (4.7%).

SHARE OF DUNI'S NET SALES DURING THE PERIOD, 17%

NET SALES PER PRODUCT GROUP, %



**1 APRIL – 30 JUNE**

Net sales amounted to SEK 250 m (231). Organic pro forma growth[1)] amounted to 6.0%. Most markets grew by 5–10%, with strong growth in Biopac in the UK but a slight decline in the markets in Norway and Denmark. Simple plastic-based products are selling less and account for an increasingly smaller share of the business area's sales. Ongoing efforts are underway to enhance the product portfolio by adding more sustainable and environmentally-conscious solutions. The latest in a series of product launches are an addition to the range of small bowls and a new concept for take-away products based on grass fibers for the bakery segment. The business area is strongly focused on collaboration and synergies with BioPak in Australia in these efforts.

Operating income was SEK 19 m (14) and the operating margin was 7.6% (5.8%). Despite sales gains and extensive development of the product portfolio, Meal Service's indirect expenses remained at par with the previous year, which is the main reason for the improvement in income. Meal Service was also impacted by higher logistics costs, but the impact in the quarter was limited because the same period of the previous year incurred extra high freight costs to ensure stable deliveries of environmentally-conscious materials.

**1 JANUARY – 30 JUNE**

Net sales amounted to SEK 454 m (409). Organic pro forma growth[1)] amounted to 7.2%. Similarly to the second quarter, sales gains were seen in most markets and the take-away segment continued to drive growth. The greatest gain was in the portfolio of environmentally-conscious boxes followed by environmentally-conscious cups.

Operating income was SEK 27 m (19) and the operating margin was 5.9% (4.7%). In line with the second quarter, the improvement in income during the year is a result of a stronger product portfolio and rising sales combined with only a marginal increase in indirect expenses.

[1)] Currency-adjusted growth including acquired companies, which are compared with the previous year's pro forma figures.

## NET SALES, MEAL SERVICE

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2019 [1)] recalculated | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2019 [1)] recalculated | 6 months Jun-Jun 2018 | 12 months Jul-Jun 2018/2019 | 12 months Jan-Dec 2018 |
|---|---|---|---|---|---|---|---|---|
| Nordic region | 92 | 92 | 92 | 167 | 167 | 160 | 336 | 328 |
| Central Europe | 104 | 101 | 91 | 191 | 183 | 165 | 375 | 349 |
| South & East Europe | 54 | 53 | 49 | 96 | 93 | 84 | 179 | 168 |
| Rest of the world | - | - | 0 | - | - | 0 | - | 0 |
| **Total** | **250** | **245** | **231** | **454** | **443** | **409** | **890** | **846** |

[1)] Reported net sales for 2019 recalculated at 2018 exchange rates.

# CONSUMER BUSINESS AREA

The Consumer business area offers consumer products, primarily to the grocery retail trade in Europe.

**1 APRIL – 30 JUNE**

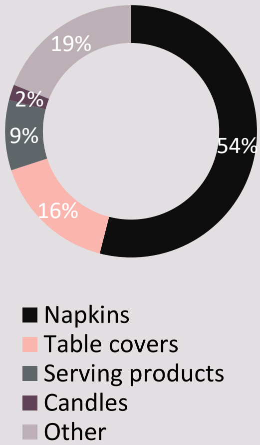
- Net sales amounted to SEK 193 m (221).
- Operating income was SEK -10 m (-9) and the operating margin was -5.3% (-3.9%).

**1 JANUARY – 30 JUNE**

- Net sales amounted to SEK 441 m (487).
- Operating income was SEK -2 m (9) and the operating margin was -0.4% (1.9%).

SHARE OF DUNI'S NET SALES DURING THE PERIOD, 17%

NET SALES BY PRODUCT GROUP, %



**1 APRIL – 30 JUNE**

Net sales amounted to SEK 193 m (221). At fixed exchange rates, this corresponds to a sales decrease of 14.9%. Sales of products with the retail sector private labels declined significantly in the quarter. Excess capacity in the market for standard napkins resulted in greater competition and heavy price pressure, which, along with the necessary price increases implemented, led to lower volumes from several large international customers. Sales of Duni’s own brands were at par with the previous year. Efforts are underway to actively phase out plastic items and launch an expanded range of environmentally-conscious products.

Operating income was SEK -10 m (-9) and the operating margin was -5.3% (-3.9%). Operating income closed out the period at par with the previous year due to the decrease in sales being related to low-margin customers, the decline of raw material prices in the quarter, the implementation of selective price increases and effective cost controls.

**1 JANUARY – 30 JUNE**

Net sales amounted to SEK 441 m (487). At fixed exchange rates, this corresponds to a sales decrease of 12.3%. Sales during the year fell, which, in line with the second quarter, was driven by the difficult market situation resulting from increased raw material prices combined with excess capacity in the market. Regaining volumes from existing and new customers is a significant focus for Consumer.

Operating income was SEK -2 m (9) and the operating margin was -0.4% (1.9%). With both the volume and gross margin under pressure, profitability took a significant hit in comparison with the previous year. During the first part of the year, the business area was only able to partially compensate for the higher raw material prices through limited price increases and effective cost controls. In addition to volume gain efforts, the business area's future focus is on cutting costs for the entire value chain in order to boost competitiveness.

## NET SALES, CONSUMER

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2019 [1] recalculated | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2019 [1] recalculated | 6 months Jan-Jun 2018 | 12 months Jul-Jun 2018/2019 | 12 months Jan-Dec 2018 |
|---|---|---|---|---|---|---|---|---|
| Nordic region | 38 | 38 | 37 | 76 | 75 | 71 | 154 | 149 |
| Central Europe | 128 | 125 | 154 | 313 | 301 | 353 | 742 | 782 |
| South & East Europe | 10 | 10 | 12 | 23 | 22 | 31 | 62 | 71 |
| Rest of the world | 16 | 16 | 18 | 30 | 29 | 32 | 57 | 59 |
| **Total** | **193** | **188** | **221** | **441** | **427** | **487** | **1,016** | **1,061** |

[1] Reported net sales for 2019 recalculated at 2018 exchange rates.

# NEW MARKETS BUSINESS AREA

The New Markets business area offers Duni's attractive quality product concepts, table top concepts and packaging to markets outside Europe.

SHARE OF DUNI'S NET SALES DURING THE PERIOD, 16%

**1 APRIL – 30 JUNE**

- Net sales amounted to SEK 215 m (79).
- Operating income was SEK 11 m (3) and the operating margin was 5.0% (3.5%).

**1 JANUARY – 30 JUNE**

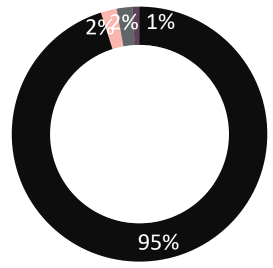
- Net sales amounted to SEK 424 m (160).
- Operating income was SEK 24 m (7) and the operating margin was 5.7% (4.2%).

**1 APRIL – 30 JUNE**

Net sales amounted to SEK 215 m (79). Organic pro forma growth[1)] amounted to 14.2%. Sales performed well in the Middle East and North Africa, Thailand and New Zealand are at par with the previous year while Singapore's sales were down. The strongest contribution to the business area's significantly higher sales came from BioPak in Australia, which was acquired in October 2018. The company also exhibited strong positive growth.

Operating income was SEK 11 m (3) and the operating margin was 5.0% (3.5%). Income increased significantly as a result of acquired BioPak's contribution and a positive trend for Duni's sales in the Middle East and North Africa. The companies in Singapore and New Zealand reported negative growth in the quarter. Both companies are undergoing management shifts in this and the following quarter.

NET SALES, GEOGRAPHICAL SPLIT, NEW MARKETS




**1 JANUARY – 30 JUNE**

Net sales amounted to SEK 424 m (160). Organic pro forma growth[1)] amounted to 14.0%. Similarly to the second quarter, BioPak and the Middle East and North Africa were the primary drivers of the increase in sales, but New Zealand also reported a slight gain in sales. Thailand and South and Latin America are at par with the previous year while Singapore's sales were down. Demand for sustainable, environmentally-conscious solutions are driving growth and collaboration with business area Meal Service is a strong focus. As of 2019, Russia and North America are no longer included in the business area, as these markets were moved to the Table Top business area, which decreased the sales of New Markets by SEK 14 m.

Operating income was SEK 24 m (7) and the operating margin was 5.7% (4.2%). The greatest impact on income performance came from the acquisition of BioPak, which made a sizable contribution. New Markets also suffered from the increase in raw material expenses, which had a negative impact on income in the first half of the year. Price increases are under implementation to compensate for this. Singapore, which still faces challenges from the past year's operational changes, made a negative contribution to income performance.

[1)] Currency-adjusted growth including acquired companies, which are compared with the previous year's pro forma figures.

**CASH FLOW**

The Group's cash flow from operating activities was SEK 118 m (62) for the period from January 1 to June 30. Accounts receivable amounted to SEK 929 m (832), and accounts payable to SEK 366 m (350), while inventory was valued at SEK 833 m (700). Cash flow is stronger than the previous year, in part because of the improved income but also due to fewer investments and a lower seasonal increase in inventories than in the same period of the previous year.

Cash flow including investing activities amounted to SEK 47 m (-45). Net investments for the period amounted to SEK 64 m (86). Depreciation and amortization for the period amounted to SEK 148 m (94), and SEK 33 m of this item was attributable to lease depreciation resulting from the new leasing standard that became effective on January 1, 2019.

The Group's interest-bearing net debt as of June 30, 2019 was SEK 1,887 m, and SEK 181 m of this item comprises a lease liability resulting from the new leasing standard. The Group's interest-bearing net debt at June 30, 2018 was SEK 1,220 m. The Annual General Meeting on May 7, 2019, decided to divide the dividend of SEK 5.00 per share on two payment installments. In May, SEK 117 m was paid out and in November the next payment of SEK 117 m will be paid out.

**FINANCIAL NET**

Net financial items for the period from January 1 to June 30 were SEK -17 m (-3). External interest expenses were up this year as a result of higher debt following the acquisition of BioPak in Australia at the end of the previous year. Financial expenses increased by SEK 3 m during the quarter due to the new leasing standard. Translation effects were highly positive in the previous year but are negative this year.

**TAXES**

The total reported tax expenses for the period from 1 January to 30 June amounted to SEK 33 m (40), equivalent to an effective tax rate of 21.8% (24.3%). The tax expenses for the year include adjustments and non-recurring effects from the previous year of SEK -0.8 m (0.4).

**EARNINGS PER SHARE**

The year's earnings per share before and after dilution amounted to SEK 2.49 (2.61).

**Duni's share**

At June 30, 2019, the share capital amounted to SEK 58,748,790 divided into 46,999,032 outstanding ordinary shares. The quotient value of the shares was SEK 1.25 per share.

**Shareholders**

Duni is listed on NASDAQ Stockholm under the ticker name "DUNI". Duni's three largest shareholders are Mellby Gård Investerings AB (29.99%), Polaris Capital Management, LLC (9.72%) and Carnegie fonder (9.04%).

**PERSONNEL**

On June 30, 2019 there were 2,413 (2,440) employees. 1,042 (1,095) of the employees were engaged in production. Duni's production plants are located in Bramsche and Wolkenstein, Germany, in Poznan, Poland, in Bengtsfors, Sweden, in Bangkok, Thailand and in Auckland, New Zealand.

**ACQUISITIONS**

The minority owners of Sharp Serviettes in New Zealand exercised their option during the quarter and Duni bought out the remaining 20% of the company's shares. The purchase price was SEK 7.2 m, which is in line with previous statements. The company was already 100% consolidated from the start and the purchase only had a minor impact on financial net debt.

**NEW ESTABLISHMENT**

No new establishment was carried out during the period.

**RISK FACTORS FOR DUNI**

Several risk factors may affect Duni's operations in terms of both operational and financial risks. Operational risks are normally handled by each operating unit and financial risks are managed by the Group's Treasury department, which is a unit within the Parent Company.

Sustainability is an integral part of Duni's operations. The platform for Duni's CSR program is the annually updated sustainability report "Our Blue Mission". This report describes Duni's work in identified risk areas and reports on results and goals for its business.

**Operational risks**

Duni is exposed to a number of operational risks that are important to manage. The development of attractive product ranges, particularly the Christmas collection, is very important in order for Duni to achieve sound sales and income growth. Duni addresses this issue by constantly developing its range. Approximately 25% of the collection is replaced each year in response to existing trends and to shape new trends. A weaker economy over an extended period of time in Europe might lead to fewer restaurant visits. Reduced market demand and increased price competition could impact volumes and gross margins through factors such as increased discounts and customer bonuses. Fluctuations in prices of raw materials and energy constitute an operational risk that could have a material impact on Duni's EBIT. In addition, Brexit may impact Duni's operations in the UK.

**Financial risks**

Duni's financial management and its management of financial risks are regulated by a finance policy adopted by the Board of Directors. The Group divides its financial risks between currency risks, interest rate risks, credit risks, financing risks and liquidity risks. These risks are controlled in an overall risk management policy that focuses on unforeseen events in the financial markets and endeavors to minimize potential adverse effects on the Group's financial results. The risks for the Group are also related to the Parent Company in all essential respects. Duni's management of financial risks is described in greater detail in the Annual Report for the year ended on December 31, 2018.

Duni's contingent liabilities have risen since the start of the year by SEK 2 m to SEK 48 m (46).

## TRANSACTIONS WITH RELATED PARTIES

No significant transactions with related parties took place during the second quarter of 2019.

## MAJOR EVENTS DURING THE PERIOD

No significant events have occurred during the period.

## MAJOR EVENTS SINCE 30 JUNE

No significant events have occurred since the balance sheet date.

## INTERIM REPORTS

| | |
|---|---|
| Quarter III | 18 October 2019 |
| Quarter IV | 7 February 2020 |

## DUNI'S BOARD OF DIRECTORS

The Annual General Meeting on May 7 re-elected Pauline Lindwall, Alex Myers, Pia Rudengren and Magnus Yngen as Directors. Johan Andersson declined re-election. Thomas Gustafsson was elected to the Board as a new Director. The Annual General Meeting elected Magnus Yngen as Chairman of the Board.

## PARENT COMPANY

Net sales for the period from January 1 to June 30 amounted to SEK 565 m (568). Income after financial items totaled SEK 39 m (19). The interest-bearing net debt was SEK -182 m (-520), of which a net asset of SEK 1,779 m (1,652) relates to subsidiaries. Net investments amounted to SEK 12 m (11) and amortization/depreciation was SEK 9 m (8).

## ACCOUNTING PRINCIPLES

The interim report for the Group has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The parent company's report is prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act. Accounting principles have been applied as reported in the Annual Report for the year ended on December 31, 2018. IFRS 16 has been applied as of January 1, 2019.

**INFORMATION IN THE REPORT**
Duni AB (publ) publishes this information in accordance with the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was provided for publication on July 12 at 07:45 AM.

At 10:00 am on Friday, July 12, the report will be presented at a telephone conference, which can also be followed on the web. To participate in the telephone conference, call +46 (0)8-566 426 51, Pin: 91325207#. To follow the presentation online, please visit this link:

https://event.on24.com/wcc/r/2033028/77651F8633B41110CB5E38D97A258855

Both a Swedish and an English version of this report have been prepared. In the event of any discrepancy between the two, the Swedish version will apply. This report has not been audited by the Company's auditors.

**REPORT FROM BOARD OF DIRECTORS AND CEO**
The Board of Directors and CEO affirm that this report provides a true and fair view of the group's financial position and performance and describes the substantial risks and uncertainties to which the group and the companies that are part of the group are subject.

*Malmö, 11 July 2019*

Magnus Yngen, Chairman of the Board

Thomas Gustafsson, Director

Pauline Lindwall, Director

Alex Myers, Director

Pia Rudengren, Director

Per-Åke Halvordsson, Employee Representative PTK

David Green, Employee Representative LO

Johan Sundelin, President and CEO

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Tel.: +46 40 10 62 00
www.duni.com
Business registration number: 556536-7488

## CONSOLIDATED INCOME STATEMENTS

| SEK m (Note 1) | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2018 | 12 months Jul-Jun 2018/2019 | 12 months Jan-Dec 2018 |
|---|---|---|---|---|---|---|
| **Net sales** | **1,348** | **1,197** | **2,612** | **2,277** | **5,263** | **4,927** |
| Cost of goods sold | -1,028 | -884 | -1,991 | -1,669 | -3,971 | -3,649 |
| **Gross profit** | **320** | **313** | **621** | **608** | **1,292** | **1,278** |
| | | | | | | |
| Selling expenses | -149 | -135 | -301 | -277 | -589 | -565 |
| Administrative expenses | -68 | -70 | -129 | -135 | -276 | -282 |
| Research and development expenses | -1 | -3 | -3 | -6 | -6 | -9 |
| Other operating incomes | 10 | 0 | 19 | 5 | 17 | 3 |
| Other operating expenses | -19 | -18 | -39 | -28 | -85 | -75 |
| **EBIT (Note 4)** | **93** | **87** | **169** | **168** | **352** | **351** |
| | | | | | | |
| Financial income | 1 | 0 | 1 | 0 | 1 | 1 |
| Financial expenses | -8 | 0 | -18 | -3 | -37 | -23 |
| **Net financial items** | **-7** | **0** | **-17** | **-3** | **-36** | **-22** |
| | | | | | | |
| **Income after financial items** | **86** | **87** | **152** | **165** | **316** | **328** |
| | | | | | | |
| Income tax | -18 | -21 | -33 | -40 | -72 | -79 |
| **Net income** | **67** | **66** | **119** | **125** | **244** | **249** |
| | | | | | | |
| Net income attributable to: | | | | | | |
| - Equity holders of the Parent Company | 66 | 65 | 117 | 123 | 240 | 245 |
| - Non-controlling interests | 1 | 1 | 2 | 2 | 4 | 4 |
| | | | | | | |
| **Earnings per share attributable to equity holders of the Parent Company:** | | | | | | |
| Before and after dilution (SEK) | 1.41 | 1.39 | 2.49 | 2.61 | 5.10 | 5.22 |
| | | | | | | |
| Average number of shares before and after dilution (‘000) | 46,999 | 46,999 | 46,999 | 46,999 | 46,999 | 46,999 |

## STATEMENT OF COMPREHENSIVE INCOME

| SEK m (Note 1) | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2018 | 12 months Jul-Jun 2018/2019 | 12 months Jan-Dec 2018 |
|---|---|---|---|---|---|---|
| **Net income** | **67** | **66** | **119** | **125** | **244** | **249** |
| | | | | | | |
| **Other comprehensive incomes:** | | | | | | |
| *Items that will not be reclassified to profit or loss:* | | | | | | |
| Actuarial loss on post-employment benefit obligations * | -16 | -10 | -20 | -4 | -34 | -18 |
| **Total** | **-16** | **-10** | **-20** | **-4** | **-34** | **-18** |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | | |
| Exchange rate differences - translation of subsidiaries | 0 | -9 | 37 | 13 | 38 | 14 |
| Cash flow hedge | 2 | 1 | -2 | 1 | 1 | 5 |
| **Total** | **2** | **-9** | **35** | **14** | **40** | **19** |
| | | | | | | |
| **Other comprehensive income for the period, net after tax:** | **-14** | **-18** | **15** | **10** | **6** | **1** |
| | | | | | | |
| **Sum of comprehensive income for the period** | **53** | **48** | **134** | **135** | **250** | **251** |
| - Of which non-controlling interests | 0 | -5 | 6 | 2 | 10 | 6 |

* Post-employment benefit obligations are recalculated each quarter since interest rates vary depending on market circumstances; a lower rate of interest gives rise to a higher cost in comprehensive income and a higher pension debt, while a higher rate of interest gives rise to a lower cost in comprehensive income and a lower pension debt than in the preceding quarter.

## CONSOLIDATED QUARTERLY INCOME STATEMENTS IN BRIEF

| SEK m | 2019 | | 2018 | | | | 2017 | |
|---|---|---|---|---|---|---|---|---|
| Quarter | Apr-Jun | Jan-Mar | Oct-Dec | Jul-Sep | Apr-Jun | Jan-Mar | Oct-Dec | Jul-Sep |
| **Net sales** | **1,348** | **1,264** | **1,460** | **1,190** | **1,197** | **1,080** | **1,254** | **1,082** |
| Cost of goods sold | -1,028 | -963 | -1 098 | -882 | -884 | -785 | -881 | -778 |
| **Gross profit** | **320** | **301** | **363** | **308** | **313** | **295** | **373** | **304** |
| Selling expenses | -149 | -152 | -157 | -131 | -135 | -141 | -129 | -118 |
| Administrative expenses | -68 | -61 | -80 | -67 | -70 | -64 | -72 | -61 |
| Research and development expenses | -1 | -2 | -2 | -2 | -3 | -3 | -2 | -2 |
| Other operating income | 10 | 10 | 1 | 0 | 0 | 8 | 3 | 2 |
| Other operating expenses | -19 | -20 | -38 | -12 | -18 | -13 | -13 | -12 |
| **EBIT** | **93** | **76** | **87** | **96** | **87** | **81** | **159** | **114** |
| Financial income | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial expenses | -8 | -10 | -13 | -7 | 0 | -3 | -5 | -6 |
| **Net financial items** | **-7** | **-10** | **-13** | **-7** | **0** | **-3** | **-5** | **-6** |
| **Income after financial items** | **86** | **67** | **74** | **90** | **87** | **78** | **155** | **108** |
| Income tax | -18 | -15 | -16 | -23 | -21 | -20 | -33 | -27 |
| **Net income** | **67** | **52** | **58** | **66** | **66** | **59** | **121** | **80** |
| ***Net income attributable to:*** | | | | | | | | |
| *- Equity holders of the Parent Company* | 66 | 51 | 57 | *65* | *65* | *57* | *120* | *79* |
| *- Non-controlling interests* | *1* | *1* | *1* | *1* | *1* | *1* | *2* | *1* |

## CONSOLIDATED BALANCE SHEET IN BRIEF

| SEK m | 30 June 2019 | 31 December 2018 | 30 June 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill | 2,148 | 2,114 | 1,660 |
| Other intangible fixed assets | 529 | 541 | 299 |
| Tangible fixed assets | 1,328 | 1,143 | 1,127 |
| Financial fixed assets | 77 | 67 | 53 |
| **Total fixed assets** | **4,081** | **3,866** | **3,140** |
| Inventory | 833 | 771 | 700 |
| Accounts receivable | 929 | 921 | 832 |
| Other operating receivables | 277 | 210 | 154 |
| Cash and cash equivalents | 165 | 260 | 177 |
| **Total current assets** | **2,203** | **2,162** | **1,863** |
| | | | |
| **TOTAL ASSETS** | **6,285** | **6,027** | **5,002** |
| | | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Equity** | **2,633** | **2,616** | **2,494** |
| | | | |
| Long-term loans | 1,559 | 1,402 | 1,042 |
| Other long-term liabilities | 835 | 800 | 411 |
| **Total long-term liabilities** | **2,394** | **2,202** | **1,453** |
| | | | |
| Accounts payable | 366 | 424 | 350 |
| Short-term loans | 219 | 103 | 108 |
| Other short-term liabilities | 672 | 682 | 597 |
| **Total short-term liabilities** | **1,258** | **1,209** | **1,055** |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **6,285** | **6,027** | **5,002** |

## CHANGE IN THE GROUP'S SHAREHOLDERS' EQUITY

| | Attributable to equity holders of the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SEK m | Share capital | Other injected capital | Reserves | Cash flow reserve | Fair value reserve [1)] | Profit carried forward incl. net income for the period | Non-controlling interests | TOTAL EQUITY |
| **Opening balance 1 January 2018** | **59** | **1 681** | **57** | **-5** | **13** | **704** | **85** | **2,594** |
| Sum of comprehensive income for the period | - | - | 14 | 1 | - | 118 | 2 | 135 |
| Non-controlling interest arising upon acquisition of subsidiaries | - | - | - | - | - | - | 0 | 0 |
| Dividend paid to shareholders | - | - | - | - | - | -235 | - | -235 |
| **Closing balance 30 June 2018** | **59** | **1,681** | **71** | **-4** | **13** | **588** | **87** | **2,494** |
| Sum of comprehensive income for the period | - | - | 5 | 4 | - | 109 | 4 | 122 |
| Non-controlling interest arising upon acquisition of subsidiaries | - | - | - | - | - | - | 0 | 0 |
| **Closing balance 31 December 2018** | **59** | **1,681** | **76** | **0** | **13** | **697** | **91** | **2,616** |
| Sum of comprehensive income for the period | - | - | 33 | -2 | - | 97 | 6 | 134 |
| Dividend paid to shareholders | - | - | - | - | - | -117 | - | -117 |
| **Closing balance 30 June 2019** | **59** | **1,681** | **109** | **-3** | **13** | **676** | **97** | **2,633** |

[1)] Fair value reserve means a reappraisal of land in accordance with earlier accounting principles. The reappraised value is adopted as the acquisition value in accordance with the transition rules in IFRS 1.

## CONSOLIDATED CASH FLOW STATEMENT

| SEK m | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2018 |
|---|---|---|
| **Current operation** | | |
| Reported operating income | 169 | 168 |
| Adjusted for items not included in cash flow etc | 170 | 70 |
| Paid interest and tax | -78 | -54 |
| Change in working capital | -143 | -123 |
| **Cash flow from operations** | **118** | **62** |
| **Investments** | | |
| Acquisitions of fixed assets continuing operations | -64 | -86 |
| Sales of fixed assets | 1 | 0 |
| Acquisition of subsidiaries | -7 | -21 |
| **Cash flow from investments** | **-70** | **-107** |
| **Financing** | | |
| Taken up loans [1)] | 57 | 257 |
| Dividend paid to shareholders | -117 | -235 |
| Change in borrowing | -85 | -34 |
| **Cash flow from financing** | **-145** | **-12** |
| **Cash flow from the period** | **-98** | **-57** |
| Liquid funds, operating balance | 260 | 227 |
| Exchange difference, cash and cash equivalents | 2 | 7 |
| **Cash and cash equivalents. closing balance** | **165** | **177** |

[1)] Loans and amortizations within the adopted credit facility are reported gross for durations exceeding 3 months, in accordance with IAS 7.

## KEY RATIOS IN BRIEF

| | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2019 recalculated* | 6 months Jan-Jun 2018 |
|---|---|---|---|
| Net sales, SEK m | 2,612 | 2,612 | 2,277 |
| Gross profit, SEK m | 621 | 621 | 608 |
| Operating income, SEK m | 203 | 201 | 186 |
| Operating EBITDA, SEK m | 319 | 283 | 261 |
| EBIT, SEK m | 169 | 166 | 168 |
| EBITDA, SEK m | 317 | 281 | 261 |
| | | | |
| Interest-bearing net debt | 1,887 | 1,706 | 1,220 |
| Number of employees | 2,413 | 2,413 | 2,440 |
| | | | |
| Sales growth | 14.7% | 14.7% | 8.2% |
| Organic growth | -0,9% | -0.9% | 2.1% |
| Organic pro forma growth | 2.1% | 2.1% | 2.2% |
| | | | |
| Gross margin | 23.8% | 23.8% | 26.7% |
| Operating margin | 7.8% | 7.7% | 8.2% |
| Operating EBITDA margin | 12.2% | 10.8% | 11.5% |
| EBIT margin | 6.5% | 6.4% | 7.4% |
| EBITDA margin | 12.1% | 10.8% | 11.4% |
| | | | |
| Return on capital employed [1)] | 10.0% | 10.4% | 13.1% |
| Net debt/equity ratio | 71.7% | 64.8% | 48.9% |
| Net debt/EBITDA [1)] | 2.95 | 2.68 | 1.96 |

Alternative key financials are described in definitions.

* To make 2019 comparable with 2018, this column shows 2019 adjusted for the effects of the new IFRS 16 leasing standard, which became effective on January 1, 2019.

[1)] Calculated on the basis of the last twelve months and operating income.

## PARENT COMPANY INCOME STATEMENTS IN BRIEF

| SEK m (Note 1) | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2018 |
|---|---|---|---|---|
| **Net sales** | **293** | **304** | **565** | **568** |
| Cost of goods sold | -270 | -280 | -526 | -529 |
| **Gross profit** | **22** | **24** | **39** | **39** |
| Selling expenses | -36 | -33 | -73 | -67 |
| Administrative expenses | -41 | -44 | -80 | -83 |
| Research and development expenses | -1 | -2 | -3 | -4 |
| Other operating income | 67 | 62 | 133 | 123 |
| Other operating expenses | -11 | -8 | -21 | -20 |
| **EBIT** | **0** | **-1** | **-4** | **-12** |
| Revenue from participation in Group companies | 39 | 23 | 39 | 23 |
| Financial income | 7 | 6 | 14 | 12 |
| Financial expenses | -5 | -2 | -11 | -5 |
| **Net financial items** | **42** | **28** | **43** | **31** |
| **Income after financial items** | **42** | **27** | **39** | **19** |
| Income tax | -1 | -1 | 0 | 0 |
| **Net income** | **41** | **26** | **38** | **19** |

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2018 |
|---|---|---|---|---|
| **Net income** | **41** | **26** | **38** | **19** |
| **Other comprehensive income [1]:** | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | |
| Exchange rate differences - translation of subsidiaries | 0 | 0 | 0 | 0 |
| Cash flow hedge | 2 | 1 | -2 | 1 |
| **Total** | **2** | **1** | **-2** | **1** |
| **Other comprehensive income for the period, net after tax** | **2** | **1** | **-2** | **1** |
| **Sum of comprehensive income for the period** | **43** | **27** | **36** | **20** |
| **Sum of comprehensive income for the period attributable to:** | | | | |
| Equity holders of the Parent Company | 43 | 27 | 36 | 20 |

[1] The Parent company does not have any items that will “not be reclassified to profit or loss”.

## PARENT COMPANY BALANCE SHEET IN BRIEF

| SEK m | 30 June 2019 | 31 December 2018 | 30 June 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill | 0 | 0 | 0 |
| Other intangible fixed assets | 57 | 53 | 43 |
| **Total intangible fixed assets** | **57** | **53** | **43** |
| | | | |
| Tangible fixed assets | 23 | 24 | 25 |
| Financial fixed assets | 3,223 | 3,159 | 2,690 |
| **Total fixed assets** | **3,303** | **3,237** | **2,758** |
| | | | |
| Inventory | 116 | 105 | 111 |
| Accounts receivable | 135 | 121 | 128 |
| Other operating receivables | 299 | 199 | 165 |
| Cash and bank | 69 | 171 | 107 |
| **Total current assets** | **618** | **595** | **511** |
| | | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | **3,922** | **3,832** | **3,269** |
| | | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| Total restricted shareholders' equity | 87 | 87 | 83 |
| Total unrestricted shareholders' equity | 1,651 | 1,732 | 1,495 |
| **Shareholders' equity** | **1,737** | **1,819** | **1,579** |
| | | | |
| **Provisions** | **105** | **106** | **107** |
| | | | |
| Long-term loans | 1,369 | 1,384 | 1,039 |
| Other long-term liabilities | 1 | - | 4 |
| **Total long-term liabilities** | **1,370** | **1,384** | **1,043** |
| | | | |
| Accounts payable | 44 | 61 | 59 |
| Short-term loans | 211 | 103 | 104 |
| Other short-term liabilities | 454 | 360 | 377 |
| **Total short-term liabilities** | **710** | **524** | **540** |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES** | **3,922** | **3,832** | **3,269** |

## GLOSSARY

**Airlaid:** A material known for its wetness allocation, absorption capability and softness. The process is based on using air to divide the fibers in the material, instead of water as in traditional tissue production. Airlaid is used for table covers, placemats and napkins.

**Bagasse:** Bagasse is a waste product from cane sugar processing after the sugar has been extracted. The material is 100% biologically degradable. Bagasse is used primarily in Duni's meal packaging solutions and serving products such as plates, bowls and take-away boxes.

**Converting:** The production phase in which tissue and airlaid in large rolls are cut, pressed, embossed and folded into finished napkins and table covers.

**Currency adjusted/currency impact translation effects:** Figures adjusted for changes in exchange rates related to consolidation. Figures for 2019 are calculated at exchange rates for 2018. Effects of translation of balance sheet items are not included.

**Designs for Duni®:** A unique concept whereby Duni develops specially design products in collaboration with well-known designers.

**Ecoecho®:** Ecoecho is a range for serving and meal solutions products with sound environmental characteristics. This range uses the best available materials with the aim of limiting the use of non-renewable resources, thereby reducing our carbon footprint. The products have been developed with the environment in mind and have been selected on the grounds that they possess one or more environmentally improved characteristics.

**Goodfoodmood®:** Duni's brand platform to create a convivial atmosphere and positive mood on all occasions when food and beverages are prepared and served – a Goodfoodmood.

**Our Blue Mission:** Duni's Corporate Social Responsibility (CSR) work is governed by the Our Blue Mission program. It describes how Duni shall exercise social responsibility within a number of areas such as the environment, product safety, social responsibility, social rights and business ethics.

**Private label:** Products marketed under the customer's own label.

**Source reference:** HoReCa statistics refer to the European Commission website, Key Indicators for the Euro Area. DEHOGA refers to HoReCa statistics for Germany on DEHOGA Zahlenspiegel.

## DEFINITIONS OF KEY FINANCIALS

Duni uses financial measures that in some cases are not defined by the IFRS, but are alternative key financials. The purpose is to give the reader further information which contributes to a better and more specific comparison of the company's performance from year to year. One alternative key financial used by Duni is Operating income. Duni manages its activities and measures its business areas on this basis. Another alternative key financial used by Duni is organic pro forma growth. In recent years, Duni has acquired companies with very high growth rates, to show how much the acquired companies contributes in term of growth, the alternative key financial organic pro forma growth has been established. This means that the sales increase, compared with previous year, contributes to Dunis growth already from the first day they are included in the Duni Group, as the organic pro forma growth is calculated using pro forma figures from the previous year. Duni defines its key financials as stated below:

**Capital employed:** Non-interest bearing fixed assets and current assets, excluding deferred tax assets, less non-interest bearing liabilities.

**Cost of goods sold:** Cost of goods sold including production and logistic costs.

**Earnings per share:** Net income divided by the average number of shares.

**EBIT:** Reported operating income.

**EBIT margin:** EBIT as a percentage of net sales.

**EBITA:** Operating income before amortization of intangible assets.

**EBITDA:** Operating income before depreciation and impairment of fixed assets.

**EBITDA margin:** EBITDA as a percentage of net sales.

**Gross margin:** Gross profit as a percentage of net sales.

**Net Interest-bearing debt:** Interest-bearing liabilities and pensions less cash, cash equivalents and interest-bearing receivables.

**Number of employees:** The number of active full-time employees at end of period.

**Operating income:** EBIT adjusted for restructuring costs, fair value allocations and amortization of intangible assets identified in connection with business acquisitions.

**Operating margin:** Operating income as a percentage of sales.

**Organic growth:** Sales growth adjusted for currencies and acquisitions. Acquired companies are included in organic growth when they have comparable quarters. For 2018 and previous years, organic growth has been calculated when acquired companies have been a part of the Duni Group for eight quarters.

**Organic pro forma growth:** Currency-adjusted growth including acquisitions, which are compared with the previous year's pro forma figures.

**Return on capital employed:** Operating income as a percentage of capital employed.

**Return on shareholders' equity:** Net income as a percentage of shareholders' equity.

## RECONCILIATION BETWEEN OPERATING INCOME AND EBIT

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2018 | 12 months Jul-Jun 2018/2019 | 12 months Jan-Dec 2018 |
|---|---|---|---|---|---|---|
| Operating income excluding the new leasing standard | 110 | 96 | 201 | 186 | 444 | 430 |
| Effects of new leasing standard as of January 1, 2019 | 1 | - | 3 | - | 3 | - |
| **Operating income** | **111** | **96** | **203** | **186** | **447** | **430** |
| Restructuring costs | -2 | 0 | -2 | 0 | -32 | -31 |
| Amortization of intangible assets identified in business acquisitions | -16 | -9 | -32 | -18 | -57 | -43 |
| Fair value allocation in connection with acquisitions | 0 | 0 | 0 | -1 | -5 | -6 |
| **EBIT** | **93** | **87** | **169** | **168** | **352** | **351** |

## RECONCILIATION BETWEEN OPERATING EBITDA, EBITDA AND EBIT

| SEK m | 3 months Apr-Jun 2019 | 3 months Apr-Jun 2018 | 6 months Jan-Jun 2019 | 6 months Jan-Jun 2018 | 12 months Jul-Jun 2018/2019 | 12 months Jan-Dec 2018 |
|---|---|---|---|---|---|---|
| Operating EBITDA excluding the new leasing standard | 151 | 134 | 283 | 261 | 604 | 583 |
| Effects of new leasing standard as of January 1, 2019 | 18 | - | 36 | - | 36 | - |
| **Operating EBITDA** | **169** | **134** | **319** | **261** | **640** | **583** |
| Restructuring costs | -2 | 0 | -2 | 0 | -32 | -31 |
| Fair value allocation in connection with acquisitions | 0 | 0 | 0 | -1 | -5 | -6 |
| **EBITDA** | **167** | **134** | **317** | **261** | **602** | **546** |
| Amortization of intangible assets identified in business acquisitions | -16 | -9 | -32 | -18 | -57 | -43 |
| Amortization included in operating income | -42 | -38 | -83 | -75 | -160 | -152 |
| Depreciation of leased assets, effect as of January 1, 2019 | -16 | - | -33 | - | -33 | - |
| **EBIT** | **93** | **87** | **169** | **168** | **352** | **351** |

# NOTES

**NOTE 1 • ACCOUNTING AND VALUATION PRINCIPLES**

As of January 1, 2005, Duni applies the International Financial Reporting Standards (IFRS) as adopted by the European Union.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with the IFRS as adopted by the EU and with the related reference to Chapter 9 of the Swedish Annual Accounts Act. The parent company's financial statements are prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act. The accounting principles are the same as in the Annual Report for the year ended on December 31, 2018.

Duni applies IFRS 16 Leases as of January 1, 2019. The new standard stipulates that Duni recognize assets and liabilities in the balance sheet for leases where it is the lessee. The income statement is impacted by the depreciation of the asset and interest expenses for the liability instead of an operating lease expense. Duni used the simplified transition method for transition to IFRS 16 where comparative figures are not restated. A lease asset and a lease liability both amounting to SEK 214 m were recognized at the transition date. At June 30, 2019 the lease asset and lease liability amounted to SEK 181 m.

Income metrics such as EBITDA, EBIT and net financial items were thus impacted from January 1, 2019 along with the related margin metrics. Duni has estimated that the impact is not significant and has therefore chosen not to introduce new key financials. However, the existing key financials, adjusted for the effects, are presented in a table comparable with 2018 in the section entitled Key ratios in summary. The accumulated annual effect of the new leasing standard is estimated to improve, on existing contracts, operating income by approximately SEK 6 m, EBITDA by SEK 60-80 m and impact interest-bearing net debt by between SEK 180–220 m. For more information about IFRS 16, see the Annual Report note 2 and 37 for the year ended on December 31, 2018.

**NOTE 2 • FINANCIAL ASSETS AND LIABILITIES**

Duni has derivative instruments measured at fair value and held for hedging purposes that are classified at level 2. Level 2 derivative instruments consist of currency forward contracts and interest rate swaps, and are used for hedging purposes. Measurement of currency forward contracts at fair value is based on published forward prices on an active market. The measurement of interest rate swaps is based on forward interest rates produced from observable yield curves. The discounting has no material impact on the measurement of level 2 derivative instruments. The put option issued to the minority owners of Biopac UK Ltd at the time of acquisition is classified at level 3 and its measurement is largely based on unobservable market data such as the discount rate and future cash flows. No financial assets or liabilities have been moved between the valuation categories. The valuation techniques are unchanged during the year. As described in greater detail in the Annual Report for the year ended on December 31, 2018, the financial assets and liabilities comprise items with short terms to maturity. The fair value is therefore in all essential respects considered to correspond to the carrying amount.

**NOTE 3 • SEGMENT REPORTING, SEK m**

| Apr-Jun 2019 | Table Top | Meal Service | Consumer | New Markets | Other | Duni |
|---|---|---|---|---|---|---|
| Total net sales | 665 | 251 | 194 | 215 | 25 | 1,351 |
| Net sales from other segments | 1 | 0 | 2 | - | - | 2 |
| **Net sales from external customers** | **664** | **250** | **193** | **215** | **25** | **1,348** |
| **Operating income** | **90** | **19** | **-10** | **11** | **1** | **111** |
| EBIT | | | | | | 93 |
| Net financial items | | | | | | -7 |
| Income after financial items | | | | | | 86 |

| Apr-Jun 2018 | Table Top | Meal Service | Consumer | New Markets | Other | Duni |
|---|---|---|---|---|---|---|
| Total net sales | 645 | 231 | 223 | 79 | 21 | 1,199 |
| Net sales from other segments | 0 | 0 | 2 | - | - | 2 |
| **Net sales from external customers** | **645** | **231** | **221** | **79** | **21** | **1,197** |
| **Operating income** | **87** | **14** | **-9** | **3** | **1** | **96** |
| EBIT | | | | | | 87 |
| Net financial items | | | | | | 0 |
| Income after financial items | | | | | | 87 |

| Jan-Jun 2019 | Table Top | Meal Service | Consumer | New Markets | Other | Duni |
|---|---|---|---|---|---|---|
| Total net sales | 1,244 | 454 | 446 | 424 | 50 | 2,618 |
| Net sales from other segments | 1 | 0 | 4 | - | - | 5 |
| **Net sales from external customers** | **1,244** | **454** | **441** | **424** | **50** | **2,612** |
| **Operating income** | **153** | **27** | **-2** | **24** | **1** | **203** |
| EBIT | | | | | | 169 |
| Net financial items | | | | | | -17 |
| Income after financial items | | | | | | 152 |

| Jan-Jun 2018 | Table Top | Meal Service | Consumer | New Markets | Other | Duni |
|---|---|---|---|---|---|---|
| Total net sales | 1,178 | 409 | 491 | 160 | 43 | 2,282 |
| Net sales from other segments | 0 | 0 | 5 | - | - | 5 |
| **Net sales from external customers** | **1,178** | **409** | **487** | **160** | **43** | **2,277** |
| **Operating income** | **149** | **19** | **9** | **7** | **3** | **186** |
| EBIT | | | | | | 168 |
| Net financial items | | | | | | -3 |
| Income after financial items | | | | | | 165 |

Quarterly overview of net sales and operating income by segment:

| **Net sales** | **2019** | | **2018** | | | | **2017** | |
|---|---|---|---|---|---|---|---|---|
| **SEK m** | **Apr-Jun** | **Jan-Mar** | **Oct-Dec** | **Jul-Sep** | **Apr-Jun** | **Jan-Mar** | **Oct-Dec** | **Jul-Sep** |
| Table Top | 664 | 580 | 683 | 625 | 645 | 534 | 641 | 581 |
| Meal Service | 250 | 203 | 218 | 218 | 231 | 178 | 179 | 170 |
| Consumer | 193 | 249 | 328 | 247 | 221 | 265 | 317 | 235 |
| New Markets | 215 | 208 | 210 | 78 | 79 | 81 | 96 | 78 |
| Other | 25 | 25 | 22 | 21 | 21 | 22 | 21 | 18 |
| **Duni** | **1,348** | **1,264** | **1,460** | **1,190** | **1,197** | **1,080** | **1,254** | **1,082** |

| **Operating income** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **SEK m** | **Apr-Jun** | **Jan-Mar** | **Oct-Dec** | **Jul-Sep** | **Apr-Jun** | **Jan-Mar** | **Oct-Dec** | **Jul-Sep** |
| Table Top | 90 | 63 | 97 | 84 | 87 | 62 | 121 | 96 |
| Meal Service | 19 | 8 | 9 | 14 | 14 | 6 | 7 | 7 |
| Consumer | -10 | 9 | 23 | 10 | -9 | 18 | 32 | 14 |
| New Markets | 11 | 13 | 9 | -3 | 3 | 4 | 7 | 5 |
| Other | 1 | 0 | 0 | 2 | 1 | 2 | 2 | 1 |
| **Duni** | **111** | **93** | **137** | **107** | **96** | **90** | **169** | **123** |

The business areas reflect Duni's customer category types. The nature of each category type is disclosed below for each business area by region and product group:

**Net sales, Jan-Jun 2019**

| SEK m | Table Top | Meal Service | Consumer | New Markets | Other | Duni |
|---|---|---|---|---|---|---|
| *Primary geographic regions* | | | | | | |
| Nordic region | 167 | 167 | 76 | 0 | 6 | **417** |
| Central Europe | 818 | 191 | 313 | 1 | 29 | **1,352** |
| South & East Europe | 256 | 96 | 23 | 1 | 14 | **389** |
| Rest of the world | 4 | - | 30 | 421 | 0 | **455** |
| **Total** | **1,244** | **454** | **441** | **424** | **50** | **2,612** |
| | | | | | | |
| *Product groups* | | | | | | |
| Napkins | 862 | - | 238 | 117 | - | **1,218** |
| Table covers | 285 | - | 70 | 4 | - | **359** |
| Candles | 78 | - | 7 | 3 | - | **88** |
| Packaging solutions | 2 | 266 | 0 | 82 | - | **351** |
| Serving products | 2 | 174 | 40 | 191 | - | **407** |
| Other | 13 | 14 | 86 | 27 | 50 | **190** |
| **Total** | **1,244** | **454** | **441** | **424** | **50** | **2,612** |
| | | | | | | |
| *Time of income recognition* | | | | | | |
| Goods/services transferred at one time | 1,244 | 454 | 441 | 424 | 50 | **2,612** |
| Goods/services transferred over time | - | - | - | - | - | **0** |
| **Total** | **1,244** | **454** | **441** | **424** | **50** | **2,612** |

**NOTE 4 • REPORTING OF RESTRUCTURING COSTS**

Presented below is a specification of the lines on which restructuring costs are reported in the income statement.

| Restructuring costs | 3 months | 3 months | 6 months | 6 months | 12 months | 12 months |
|---|---|---|---|---|---|---|
| | Apr-Jun | Apr-Jun | Jan-Jun | Jan-Jun | Jul-Jun | Jan-Dec |
| SEK m | 2019 | 2018 | 2019 | 2018 | 2018/2019 | 2018 |
| Cost of goods sold | - | 1 | - | 1 | -12 | -11 |
| Selling expenses | -1 | - | -1 | - | -13 | -12 |
| Administrative expenses | 0 | -1 | 0 | -1 | -8 | -8 |
| Other operating expenses/income | - | - | - | - | - | - |
| **Total** | **-2** | **0** | **-2** | **0** | **-32** | **-31** |

# THIS IS DUNI

Duni is one of Europe's leading suppliers of high-quality napkins, table covers, candles and other products for the set table. Duni also offers packaging and packaging systems for the growing market for ready meals and take-away. All concepts are aimed at creating Goodfoodmood® in environments where people get together to enjoy food and drink.

## DUNI's presence

The products are sold in more than 40 markets and Duni is the market leader in Central and Northern Europe. The Group has approximately 2,500 employees in 24 countries. The headquarters are located in Malmö, Sweden, and production units are located in Sweden, Germany, Poland, New Zealand and Thailand. We have sales offices in Finland, France, the Netherlands, Poland, Russia, Switzerland, Singapore, Spain, the UK, Sweden, the Czech Republic, Germany, the USA and Austria.

## Net sales*

**SEK 5,263 m**

## Sales growth *

**0.1%**

Duni's target is to achieve an average organic growth in sales in excess of 5% per year over a business cycle. In addition, Duni regularly assesses acquisition opportunities in order to access new growth markets or strengthen its position in existing markets.

## Operating margin *

**8.5%**

Duni's target is an operating margin of 10% or more. Profitability is to be increased through sales growth, continued focus on premium products and continued improvements within purchasing and production.

## Dividend 2018

**5.00 SEK**

It is the Board of Directors' long-term intention for dividends to amount to at least 40% of income after tax.

* Last 12 months, Jul-Jun 2018/2019