

## INTERIM REPORT FOR DUNI AB (PUBL) JANUARY 1–SEPTEMBER 30, 2020

(compared to the same period previous year)

October 22, 2020

### Strong income improvement from Q2

#### July 1–September 30

- Net sales amounted to SEK 1,251 m (1,377), corresponding to a 9.2% decrease in sales. Adjusted for exchange rate movements, net sales decreased by 7.3%.
- Earnings per share after dilution amounted to SEK 1.02 (1.71).
- Sales recovered after the summer months.
- Strong operating income turnaround, from SEK -92 m in Q2 to SEK 110 m in Q3.
- Higher capacity utilization and improved contribution margin for fixed costs compared with the second quarter.
- Cost-cutting program further strengthens income.

#### January 1–September 30

- Net sales amounted to SEK 3,320 m (3,990), corresponding to a 16.8% decrease in sales. Adjusted for exchange rate movements, net sales decreased by 16.3%.
- Earnings per share after dilution amounted to SEK -0.68 (4.20).
- The Annual General Meeting resolved to not pay any dividend to shareholders.
- New segment reporting as of January 1: two segments, Duni and BioPak, instead of the previous four business areas.

### KEY FINANCIALS

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2019	12 months Oct-Sep 2019/2020	12 months Jan-Dec 2019
Net sales	1,251	1,377	3,320	3,990	4,878	5,547
Organic growth	-8.4%	0.2%	-17.8%	-0.5%	-13.3%	-0.5%
Organic pro forma growth <sup>1)</sup>	-7.9%	3.1%	-17.3%	2.4%	-12.3%	2.4%
Operating income <sup>2)</sup>	110	130	98	334	297	533
Operating margin <sup>2)</sup>	8.8%	9.5%	3.0%	8.4%	6.1%	9.6%
Income after financial items	69	106	-40	258	79	377
Income after tax	48	81	-31	200	42	273

<sup>1)</sup> Currency-adjusted growth including acquisitions, which are compared with the previous year's pro forma figures.

<sup>2)</sup> For key financials, definitions and reconciliation of alternative key financials, see pages 26-27.



The negative impact of Covid-19 decreased in the third quarter of the year. Combined with the actions taken, this resulted in a significant improvement in Duni Group's operating income compared with the second quarter.

#### Significant negative impact of Covid-19 restrictions in Q2

The social restrictions related to Covid-19, which were imposed by authorities across the world in mid-March, led to an almost total shutdown of hotel and restaurant business in most of Duni's markets. This had a strong negative impact on the Duni Group's sales and income, especially in the napkin and table cover product groups where we are vertically integrated. This shutdown lasted until mid-May, after which the restrictions were eased somewhat, resulting in increased demand. In spite of the recovery and an extensive cost-cutting program totaling SEK 157 m, the Duni Group's sales decreased by 39% and operating income fell to SEK -92 m in Q2.

#### Strong recovery of sales and operating income in Q3

The recovery that began in the second quarter continued into the third. The social restrictions continue to have a negative impact on the Duni Group but to a significantly lesser extent than in the second quarter. Increased restaurant demand for table top products that contribute to a better hygiene have also had a positive impact on sales. Nevertheless, napkin and table cover sales still remain at a significantly lower level in historical terms, but cost absorption in production for the quarter is at a satisfactory level due in part to increased external sales from our paper mill. The BioPak segment performed well in terms of sales and income.

The cost-cutting program initiated to alleviate the negative impact of Covid-19 continued to have a positive impact on income during the quarter. Given that production capacity utilization was higher in the third quarter, the impact of short-time work was lower than in the second quarter. The cost-cutting program's impact on income in the quarter amounted to approximately SEK 60 m.

The impact of increased sales in both the Duni segment and the BioPak segment along with the cost-cutting program led to an operating income increase from the second quarter by more than SEK 200 m to SEK 110 m (130). The Group's financial position improved, with SEK 1,538 m in net debt, which is down SEK 262 m year-on-year.

### Strengthened financial position heading into Q4 but level of uncertainty still high

Restrictions due to Covid-19 have a significant impact on the Duni Group's sales. Therefore, the level of uncertainty heading into the fourth quarter is high. However, it is encouraging to see that, despite continued social restrictions, we have achieved a strong improvement in income with timely measures from our organization. Therefore, in spite of the continued uncertainty, we look to the future with confidence.

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“It is encouraging to see that, despite continued social restrictions, we have achieved a strong improvement in income with timely measures from our organization. Therefore, in spite of the continued uncertainty, we look to the future with confidence,” says Mats Lindroth, acting President and CEO, Duni Group.

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# Net sales

## July 1–September 30

Compared to the same period of the previous year, net sales decreased by SEK 126 m to SEK 1,251 m (1,377). At fixed exchange rates, this corresponds to a 7.3% decrease. In the third quarter of the year, the Duni segment recovered strongly compared with the second quarter. Sales have increased since the social restrictions imposed in connection with the Covid-19 pandemic have been eased across Europe. In spite of this positive trend, the hotel and restaurant market has still been held back by the pandemic and sales are significantly lower than the previous year. The grocery trade has not been impacted to the same extent as the HoReCa market, but the decrease in the number of private events has also led to lower sales. Additionally, the Duni segment increased external sales of semi-finished products from the Skåpafors paper mill to achieve continuous operations, which made a positive contribution to sales. The BioPak segment increased its sales compared to the previous year. Environmentally-sound products are growing while demand for simple products based on plastic materials is decreasing sharply.

## January 1–September 30

Compared to the same period of the previous year, net sales decreased by SEK 669 m to SEK 3,320 m (3,990). At fixed exchange rates, this corresponds to a 16.3% decrease. For the Duni segment, the year began with stable sales at par with the previous year for almost every region, but Covid-19 had a strong negative impact on most regions starting in the second half of March. During the second quarter, restrictions were imposed on travel and public gatherings in almost every region, which resulted in a major decrease in demand. At the end of the second quarter, the restrictions were eased gradually, after which demand increased in the third quarter. As opposed to the Duni segment, overall demand for the BioPak segment's products was not negatively impacted by the pandemic, but demand for parts of its portfolio increased while others decreased. These changes in demand led to short-term delivery challenges, and sales in the second quarter were at par with the previous year. Sales increased again in the third quarter.

## NET SALES, CURRENCY EFFECT

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2020 <sup>1)</sup> recalculated	3 months Jul-Sep 2019	Change at fixed exchange rates	9 months Jan-Sep 2020	9 months Jan-Sep 2020 <sup>1)</sup> recalculated	9 months Jan-Sep 2019	Change at fixed exchange rates
Duni	767	778	946	-17.7%	1,954	1,954	2,726	-28.3%
BioPak	484	498	431	15.4%	1,366	1,386	1,264	9.7%
<b>Duni Group</b>	<b>1,251</b>	<b>1,276</b>	<b>1,377</b>	<b>-7.3%</b>	<b>3,320</b>	<b>3,340</b>	<b>3,990</b>	<b>-16.3%</b>

## NET SALES PER REGION

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2020 <sup>1)</sup> recalculated	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2020 <sup>1)</sup> recalculated	9 months Jan-Sep 2019
NorthEast	242	245	269	643	647	777
Central	378	382	467	1,028	1,022	1,372
West	160	163	199	410	410	575
South	127	129	148	286	286	417
Rest of World	299	312	273	802	824	778
Other sales	46	46	22	151	151	70
<b>Duni Group</b>	<b>1,251</b>	<b>1,276</b>	<b>1,377</b>	<b>3,320</b>	<b>3,340</b>	<b>3,990</b>

<sup>1)</sup> Reported net sales for 2020 recalculated at 2019 exchange rates.



# Income

## July 1–September 30

Operating income amounted to SEK 110 m (130), with an operating margin of 8.8% (9.5%). The gross margin was 22.2% (24.6%). The translation effects due to exchange rate movements were very small compared with the previous year. In line with the sales, the Duni segment's income also saw a strong recovery from the second quarter. The gross margin improved significantly compared with the second quarter because of the increased volumes in production and the improved absorption of fixed costs. The margin also got a boost from raw material prices and the restructuring program the Group implemented at the start of the year. The BioPak segment's income was strengthened by the increase in sales and better cost efficiency.

Income after financial items totaled SEK 69 m (106). Income after tax was SEK 48 m (81).

## January 1–September 30

Operating income decreased by SEK 236 m to SEK 98 m (334), with an operating margin of 3.0% (8.4%). The gross margin was 18.1% (24.1%). The translation effects due to exchange rate movements were very small compared with the previous year. The outbreak of the pandemic already began impacting the Duni segment's income late in the first quarter. This impact became substantial in the second quarter but the segment saw a recovery in the third quarter as social restrictions were eased and sales volumes increased. The BioPak segment's income performance has been positive with improved income in the first and third quarters and second quarter income at par with the previous year. Additionally, as was the case for the third quarter, the Group's income got a boost from cost cutting program, input material prices being lower than last year and savings from the reorganization implemented in the first quarter.

The Duni Group has a new global functional organization as of January 1, 2020. In place of a sales and marketing organization per business area for Table Top, Meal Service, Consumer and New Markets, segment reporting has now been changed to two segments, Duni and BioPak, with a joint sales force and a central marketing organization. The restructuring expenses amounted to SEK 39 m, with SEK 12 m of this amount charged to the third quarter. The program leads to annual savings of SEK 20 m with full effect from the second half of 2020. Restructuring costs are not included in operating income. Instead, these are recognized as one-off expenses along with non-realized valuation effects of currency derivatives, fair value allocations and amortization of intangible assets identified in connection with business acquisitions. For the bridge between net income and operating income, please see page 26.

Income after financial items totaled SEK -40 m (258). Income after tax was SEK -31 m (200).

## OPERATING INCOME, CURRENCY TRANSLATION EFFECTS

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2020 <sup>1)</sup> recalculated	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2020 <sup>1)</sup> recalculated	9 months Jan-Sep 2019
Duni	68	68	99	6	4	257
BioPak	42	43	31	92	94	76
<b>Duni Group</b>	<b>110</b>	<b>111</b>	<b>130</b>	<b>98</b>	<b>98</b>	<b>334</b>

<sup>1)</sup> Reported net sales for 2020 recalculated at 2019 exchange rates.

# Two different brands make our offering clearer

The Duni Group's business is divided into two segments, Duni and BioPak.

The Duni Group sells products via a consolidated commercial organization divided into six regions. Each region is responsible for local sales and marketing of both brands, Duni and BioPak, to all customers.

The regions are NorthEast: Northern and Eastern Europe including Russia. Central: Germany, Austria and Switzerland. West: The Netherlands, Belgium, Luxemburg, the UK and Ireland. South: France, Spain and Italy. Rest of World: All sales outside Europe with Australia accounting for over 50%, New Zealand and Thailand each at 10–15% and Singapore at just over 5%. External sales of tissue and airlaid materials from the Skåpafors factory and external sales of finance and accounting services from the finance function in Poznan are included in the Duni segment, in the Other sales region.

The Duni Group also has a central marketing department responsible for branding strategy, marketing communications, product development and innovation. Group-wide functions are largely shared by the segments and the expenses for these are allocated by the percentage of sales of each segment, Duni and BioPak.

Group Management, which is the highest executive and decision-making body in the Duni Group, decides on the allocation of resources within the Duni Group and evaluates the results of operations. Group Management manages the performance of the business through the segments on the basis of sales and operating income after shared costs have been allocated to each segment.

The Duni Group has a vertically integrated business model for small paper-based products such as napkins and table covers. This means that the entire production and delivery chain is owned and controlled by the Duni Group, from material manufacture and concept development to converting and distribution. Because in-house-produced napkins and table covers fall under the Duni segment, this segment is responsible for all expenses for production and conversion within the Duni Group. By contrast, the BioPak segment's products are largely produced by external production units. Here the procurement organization is large and a major part of the business.

For further information about segment reporting, see Note 3.



The Duni brand stands for design, color, shape, and high quality that creates a pleasant atmosphere on every meal occasion. The segment has products and services that add value everywhere where people cook, serve and enjoy food and drink. Sustainability is naturally front and center, and all products and services offered by Duni aim to help create a *Sustainable Goodfoodmood®*. Duni stands for long-standing experience and cutting-edge expertise in wood fiber-based solutions. This reflects many years of specialization in materials and design with very clear eco-profiling.



The BioPak brand was created by the idealists of Australian company BioPak Pty Ltd, which has been a part of the Duni Group since 2018. The BioPak brand was launched in Europe in 2019 with an aim to be the hands-down best choice for environmentally-sound meal packaging. BioPak is synonymous with sustainability and works on both products and circular solutions. The brand stands for cutting-edge expertise as well as transparency and authenticity. Products with the BioPak brand are eco-profiled meal packaging made of renewable plant-based raw materials or recycled materials.



## Duni Segment

The Duni segment stands for what the Group is traditionally associated with – innovative solutions for the set table, primarily napkins, table covers and candles. The segment's products and services are sold under the Duni brand. Its customers are primarily hotels and restaurants, the HoReCa market, with sales largely made via wholesalers, but grocery retail chains are also a key customer group along with other channels such as various types of specialty stores. The Duni brand is a European market leader in the premium segment for napkins and table covers. The Duni segment accounted for approximately 59% (68%) of the Group's net sales during the period from January 1 to September 30, 2020.

JULY 1–SEPTEMBER 30

Net sales

767

Net sales amounted to SEK 767 m (946).

Operating income

68

Operating income was SEK 68 m (99).

Operating margin

8.8%

The operating margin was 8.8% (10.5%).

JANUARY 1–SEPTEMBER 30

Net sales

1,954

Net sales amounted to SEK 1,954 m (2,726).

Operating income

6

Operating income was SEK 6 m (257).

Operating margin

0.3%

The operating margin was 0.3% (9.4%).

# Duni Segment

## July 1–September 30

Net sales amounted to SEK 767 m (946). At fixed exchange rates, this corresponds to a sales decrease of 17.7%. The sales recovery that began in the second half of the second quarter continued into the third quarter. Eased restrictions enabled key customer segments to keep their doors open and restaurants also got a boost from the outdoor dining season. The recovery has been seen in all markets, including the UK, which did not open up at the same pace as the other European countries in the second quarter. The sales decline was limited in markets that saw a slighter Covid-19 impact and in which Duni won new retail business. We continued our efforts to use digital solutions to coordinate closely with customers and focus on products for good hygiene.

Operating income was SEK 68 m (99) and the operating margin was 8.8% (10.5%). With increased volumes, the efficiency and contribution margin for fixed costs of our plants along with the relatively lower raw material prices compared with the previous year strengthened the margin. Sales of semi-finished products were increased to further improve the absorption effect in our paper mill. Limited travel and marketing activities along with short-time work reductions continued to give income a boost.

## January 1–September 30

Net sales amounted to SEK 1,954 m (2,726). At fixed exchange rates, this corresponds to a sales decrease of 28.3%. Apart from January and February, the impact of the Covid-19 restrictions have been reflected in all of the Duni segment's markets, across all product groups and customer segments. The restrictions had the greatest negative impact on hotels, events and restaurants, but their effects have also been seen in retail sales for personal consumption. Sales for the Duni segment were stable until mid-March, fell sharply at the start of the second quarter and then gradually recovered as the restrictions were eased.

Operating income was SEK 6 m (257) and the operating margin was 0.3% (9.4%). Income followed the major change in volumes with a stable start to the year followed by a sharp decline and negative income for the second quarter and then a recovery in the third quarter. The negative impact of lower volumes was softened by positive contributions from reduced input material costs and lower indirect costs.

## NET SALES PER REGION, DUNI

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2020 <sup>1)</sup> recalculated	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2020 <sup>1)</sup> recalculated	9 months Jan-Sep 2019	12 months Oct-Sep 2019/2020	12 months Jan-Dec 2019
NorthEast	135	137	165	315	318	460	504	648
Central	325	328	413	859	854	1,206	1,337	1,684
West	129	132	169	312	312	484	547	719
South	93	94	111	189	190	310	290	411
Rest of World	40	42	67	127	129	196	195	264
Other sales	46	46	22	152	152	70	171	90
<b>Duni</b>	<b>767</b>	<b>778</b>	<b>946</b>	<b>1,954</b>	<b>1,954</b>	<b>2,726</b>	<b>3,044</b>	<b>3,816</b>

<sup>1)</sup> Reported net sales for 2020 recalculated at 2019 exchange rates.





## BioPak Segment

The BioPak segment offers environmentally-sound concepts for meal packaging and serving products for applications including take away, ready-to-eat meals, and various types of catering. The segment's customers are various types of restaurants with take-away concepts and companies that are active in the healthcare and care sectors. Stores and other food producers are also a major customer group. The segment's products and services are currently sold under both the Duni and BioPak brands but the goal is for the segment to primarily represent the BioPak brand. The BioPak brand is a market leader in Australia, and the launch of BioPak in Europe is underway. The BioPak segment accounted for approximately 41% (32%) of the Group's net sales during the period from January 1 to September 30, 2020.

### JULY 1–SEPTEMBER 30

#### Net sales

484

Net sales amounted to SEK 484 m (431).

#### Operating income

42

Operating income was SEK 42 m (31).

#### Operating margin

8.7%

The operating margin was 8.7% (7.2%).

### JANUARY 1–SEPTEMBER 30

#### Net sales

1,366

Net sales amounted to SEK 1,366 m (1,264).

#### Operating income

92

Operating income was SEK 92 m (76).

#### Operating margin

6.8%

The operating margin was 6.8% (6.1%).

# BioPak Segment

## July 1–September 30

Net sales amounted to SEK 484 m (431). At fixed exchange rates, this corresponds to a sales increase of 15.4%. Demand for take-away products and sealable packaging remained stable in the third quarter. We have continued to see a clear trend toward increased demand for environmentally-sound products and decreased demand for simple single-use products made from plastic. Australia accounts for the strongest growth and has a portfolio consisting entirely of environmentally-sound products. Certain European markets in which plastics make up a large share of the product range have seen a decrease in sales.

Operating income was SEK 42 m (31) and the operating margin was 8.7% (7.2%). Income followed sales and was further strengthened by lower raw material prices, savings from reducing travel and marketing activities and, to a certain extent, short-time work.

## January 1–September 30

Net sales amounted to SEK 1,366 m (1,264). At fixed exchange rates, this corresponds to a sales increase of 9.7%. The Covid-19 restrictions have had a partially inverse impact on demand as take-away from restaurants and demand for sealable packaging solutions from municipal bodies and similar organizations have increased. The first quarter saw a strong growth rate. The second quarter posed challenges in meeting demand as inventory levels decreased sharply, which led to second quarter sales closing at par with the previous year. In the third quarter, sales once again increased as demand was met more effectively. Over the past two quarters, focus has been on supporting customers in the restaurant industry in expanding their take-away offering and helping commercial kitchens meet the greater demand for sealed meal packaging.

Operating income was SEK 92 m (76) and the operating margin was 6.8% (6.1%). As was the case for the third quarter, the improvement in income is largely due to the positive sales growth and cost savings. Additionally, income was given a boost by Horizons Supply, which was acquired in October 2019.

## NET SALES PER REGION, BIOPAK

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2020 <sup>1)</sup> recalculated	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2020 <sup>1)</sup> recalculated	9 months Jan-Sep 2019	12 months Oct-Sep 2019/2020	12 months Jan-Dec 2019
NorthEast	107	108	105	328	329	317	434	423
Central	54	54	54	169	168	166	219	216
West	31	31	30	98	98	92	132	126
South	34	35	37	97	97	107	129	139
Rest of World	259	269	206	675	695	582	920	827
Other Sales	0	0	0	-1	-1	0	-1	0
<b>BioPak</b>	<b>484</b>	<b>498</b>	<b>431</b>	<b>1,366</b>	<b>1,386</b>	<b>1,264</b>	<b>1,834</b>	<b>1,732</b>

<sup>1)</sup> Reported net sales for 2020 recalculated at 2019 exchange rates.

### Cash flow and funding

The Group's cash flow from operating activities was SEK 149 m (296) for the period from January 1 to September 30. Accounts receivable amounted to SEK 803 m (952) and accounts payable to SEK 401 m (408), while inventory was valued at SEK 863 m (850). This year's decline in income had a direct impact on cash flow.

Cash flow including investing activities amounted to SEK 88 m (196). Net investments for the period amounted to SEK 59 m (92). Depreciation and amortization for the period totaled SEK 218 m (222), whereof amortizations of right-of-use assets amounts to SEK 49 m (50).

The Group's interest-bearing net debt at September 30, 2020 was SEK 1,538 m. The Group's interest-bearing net debt at September 30, 2019 was SEK 1,800 m. The lower financial debt is largely a result of the canceled dividend in May and lower investments during the year.

The Duni Group's liquidity remains healthy. The impact of Covid-19 prompted the renegotiation of the covenants in the loan agreement during the second quarter in order to temporarily adapt to the current market situation. The total credit facility, maturity and volume remain unchanged. The renegotiated covenants apply from April 2020 to March 2021 and result in an increase in financial expenses totaling SEK 21 m. IFRS 9 stipulates that this expense to be recognized as a non-recurring item immediately because it is a modification of existing loans, not a new loan facility. The effect in net financial items is that the terms of the original loans are recognized on a monthly basis. The SEK 21 m expense was not recognized in the Q2 interim report but this report adjusted the expense so it is reported for the second quarter. At present, there is no need for further liquidity.

### Net financial items

Net financial items for the period from January 1 to September 30 were SEK -51 m (-24). As described above in relation to the renegotiation of the covenants, SEK 21 m has been charged to the period from April to June 2020.

### Taxes

Tax income of SEK 9 m was recognized for the period from January 1 to September 30 because the Group reported a loss before tax. The tax expense for the same period in the previous year was SEK 58 m. This results in an effective tax rate of 21.7% (22.4%). The tax expenses for the year include adjustments and non-recurring effects from the previous year of SEK 1.7 m (-0.8).

### Earnings per share

The year's earnings per share before and after dilution amounted to SEK -0.68 (4.20).

### The Duni Group's shares

At September 30, 2020, 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 AB (publ) is listed on NASDAQ Stockholm under the ticker name "DUNI". The Group's three largest shareholders are Mellby Gård Investering AB (29.99%), Polaris Capital Management, LLC (9.92%) and Carnegie fonder (8.83%).

### Personnel

On September 30, 2020, there were 2,290 (2,406) employees. 976 (1,058) of the employees were engaged in production. The Duni Group'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

In early February 2020, a partial payment was made on the remaining consideration for Horizons Supply Pty Ltd, which was acquired on October 1, 2019. In October 2020, the final consideration will be paid, which is approximately SEK 7.8 m.

## New establishment

No new establishment was carried out during the period.

## Risk factors for the Duni Group

A number of risk factors may affect the Group'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 the Group's operations and the annual report as of 2019. This report provides information about the Duni Group's corporate social responsibility (CSR) program, which describes the Duni Group's work in identified risk areas and reports on results and goals for its business.

## Operational risks

The Duni Group 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 the Group to achieve sound sales and income growth. The Duni Group 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 economic climate, or other unforeseen events such as a pandemic, over an extended period of time in Europe could lead to a reduction in the number of restaurant visits. Reduced market demand and increased price competition impacts 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 the Group's EBIT. In addition, Brexit may impact the Duni Group's operations in the UK.

## Financial risks

The Group'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. The Group's management of financial risks is described in greater detail in the Annual Report for the year ended on December 31, 2019.

The Group's contingent liabilities have fallen since the start of the year by SEK 1 m to SEK 57 m (58).

## Operational and financial risks associated with Covid-19 and action taken

During the first quarter, world economic conditions changed due to the outbreak of Covid-19. Almost every country has taken strong measures including social restrictions to slow down the spread of the pandemic. These measures lead to substantially lower demand from the hotel and restaurant sector, which are two key customer groups for the Duni Group.

Covid-19 had a limited impact on the first quarter and a significant negative impact on the second quarter. In the third quarter, the market recovered as social restrictions were eased. Stable sales in January and February were followed by a sharp decline in the last weeks of March as the level of restrictions also increased. In April and May, basically every country in the world had restrictions in place and many were almost completely shut down. Some countries allowed take-away operations from restaurants while others did not allow this at all. In May and

June, the restrictions were gradually eased. This trend continued in the third quarter with a continued positive recovery from a 54% sales decrease in April to 18% in June and 7% for the third quarter. Social restrictions that limit hotel and restaurant business have a major impact on the Duni Group's sales. Therefore, the level of uncertainty heading into the fourth quarter and winter is still high given that it is not known how restriction levels will be. Sales performance is strongly impacted by this, especially for the Duni segment.

Temporary, strong and immediate actions are being implemented to limit the impact of lost sales and lower efficiency in the Group's plants. Comprehensive shortening of working hours for both white collar and blue collar employees, deferred investments and a freeze on hiring new employees and consultants are examples of the actions taken. Overall, these actions cut costs by more than SEK 150 m in the second quarter and SEK 60 m in the third quarter, making a positive contribution to income. As restrictions were eased and our sales and production increased, the extent of the cost-cutting program was adapted. Increased control of working capital is another area of great focus.

Operation of the Duni Group's logistics and production units has been realigned and adapted to the current situation. Fewer shifts and shut-down production days have been implemented to ensure that cost and inventory levels are kept under control as well as to enable the rapid upscaling of production when the restrictions are eased. Capacity utilization in the plants began to increase in the latter half of the second quarter as sales increased and was at a more normal level for the third quarter.

Bad debt losses and payments from customers have not deviated from what is usual in any significant way despite Covid-19. In the second quarter, the Duni Group negotiated with its banks and agreed on temporary new covenants to adapt to the current market situation. The total credit facility, maturity and volume remain unchanged. An extended financial expense for this totaled SEK 21 m. The renegotiated covenants apply from April 2020 to March 2021. After this, the original loan agreement will be effective again. At present, there is no need for further liquidity.

As an additional measure, the board withdrew its already announced proposed dividend of SEK 5 per share for the 2019 financial year to ensure as strong a financial position as possible. The Annual General Meeting (AGM) in May 2020 thus resolved that no dividend would be paid and that the amount at the disposal of the AGM would be carried forward. The Duni Group started the year with a strong financial position, and the Duni Group's financial position remained strong at the end of September.

### Transactions with related parties

No significant transactions with related parties took place during Q3 2020.

### Major events during the period

On July 20, the Duni Group announced that Johan Sundelin was resigning as President and CEO effective immediately. Mats Lindroth, deputy CEO and CFO, stepped in as acting President and CEO. On August 3, the Duni Group announced that Robert Dackeskog will be the new President and CEO and will take office by latest February 1, 2021. For more information about Robert Dackeskog, see the press release. On August 20, the Duni Group announced that Marielle Noble will stay in the Duni Group. For the impact of Covid-19, please see the "Operational and financial risks associated with Covid-19 and action taken" section.

### Major events since September 30

On October 7, the Duni Group announced sales development and preliminary result for the third quarter.

### Interim reports

Quarter IV	February 12, 2021
Quarter I	April 22, 2021



## 2021 Annual General Meeting

The Annual General Meeting (AGM) of Duni AB will be held in Malmö at 3:00 pm on May 4, 2021. More information will be available on Duni Group's website shortly.

## Parent Company

Net sales for the period from January 1 to September 30 amounted to SEK 724 m (870). Income after financial items totaled SEK -14 m (57). The interest-bearing net debt was SEK -413 m (-192), of which a net asset of SEK 1,637 m (1,697) relates to subsidiaries. Net investments amounted to SEK 10 m (21) and depreciation & amortization was SEK 16 m (14).

## 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 financial statements have been 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, 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 will be provided for publication on October 22 at 07:45 am.

At 10:00 am on Thursday, October 22, 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: 82248308#. To follow the presentation online, please visit this link:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=91693A4F-0D4D-473C-8A56-8BB8488697FA>

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.

*Malmö, October 21, 2020*

Mats Lindroth, acting President and CEO

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Company registration number: 556536-7488



## Auditor's report

Duni AB (publ) corp. reg. no. 556536-7488

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### Introduction

We have reviewed the condensed interim financial information (interim report) of Duni AB (publ) as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö, 21 October 2020

PricewaterhouseCoopers AB

Carl Fogelberg  
Authorized Public Accountant

## CONSOLIDATED INCOME STATEMENTS

SEK m (Note 1)	3 months Jul-Sep 2020	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2019	12 months Oct-Sep 2019/2020	12 months Jan-Dec 2019
<b>Net sales</b>	<b>1,251</b>	<b>1,377</b>	<b>3,320</b>	<b>3,990</b>	<b>4,878</b>	<b>5,547</b>
Cost of goods sold	-973	-1,038	-2,719	-3,029	-3,835	-4,145
<b>Gross profit</b>	<b>278</b>	<b>339</b>	<b>601</b>	<b>961</b>	<b>1,044</b>	<b>1,403</b>
Selling expenses	-121	-140	-396	-441	-548	-592
Administrative expenses	-68	-68	-200	-197	-288	-285
Research and development expenses	0	0	-3	-3	-3	-3
Other operating income	12	4	66	24	68	24
Other operating expenses	-19	-22	-58	-61	-136	-137
<b>EBIT (Note 4)</b>	<b>82</b>	<b>113</b>	<b>11</b>	<b>283</b>	<b>137</b>	<b>408</b>
Financial income	0	1	2	1	2	2
Financial expenses	-13	-8	-52	-26	-60	-34
<b>Net financial items</b>	<b>-13</b>	<b>-7</b>	<b>-51</b>	<b>-24</b>	<b>-58</b>	<b>-32</b>
<b>Income after financial items</b>	<b>69</b>	<b>106</b>	<b>-40</b>	<b>258</b>	<b>79</b>	<b>377</b>
Income tax	-21	-25	9	-58	-37	-103
<b>Net income</b>	<b>48</b>	<b>81</b>	<b>-31</b>	<b>200</b>	<b>42</b>	<b>273</b>
Net income attributable to:						
- Equity holders of the Parent Company	48	80	-32	198	39	269
- Non-controlling interests	0	1	1	3	2	4
<b>Earnings per share attributable to equity holders of the Parent Company:</b>						
Before and after dilution (SEK)	1.02	1.71	-0.68	4.20	0.84	5.73
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 Jul-Sep 2020	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2019	12 months Oct-Sep 2019/2020	12 months Jan-Dec 2019
<b>Net income</b>	<b>48</b>	<b>81</b>	<b>-31</b>	<b>200</b>	<b>42</b>	<b>273</b>
<b>Other comprehensive income:</b>						
Items that will not be reclassified to profit or loss:						
Remeasurement of net pension obligation*	-1	-21	-10	-41	11	-20
<b>Total</b>	<b>-1</b>	<b>-21</b>	<b>-10</b>	<b>-41</b>	<b>11</b>	<b>-20</b>
Items that may be reclassified subsequently to profit or loss:						
Exchange rate differences – translation of subsidiaries	-18	20	-46	58	-61	43
Cash flow hedge	0	-2	-1	-5	5	2
<b>Total</b>	<b>-18</b>	<b>18</b>	<b>-47</b>	<b>53</b>	<b>-55</b>	<b>44</b>
<b>Other comprehensive income for the period, net of tax:</b>	<b>-19</b>	<b>-3</b>	<b>-57</b>	<b>12</b>	<b>-44</b>	<b>24</b>
<b>Total comprehensive income for the period</b>	<b>29</b>	<b>79</b>	<b>-88</b>	<b>212</b>	<b>-2</b>	<b>298</b>
- Of which non-controlling interests	-6	7	-12	13	-14	11

\*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	2020			2019				2018
Quarter	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-June	Jan-Mar	Oct-Dec
<b>Net sales</b>	<b>1,251</b>	<b>820</b>	<b>1,249</b>	<b>1,558</b>	<b>1,377</b>	<b>1,348</b>	<b>1,264</b>	<b>1,460</b>
Cost of goods sold	-973	-788	-958	-1,116	-1,038	-1,028	-963	-1,098
<b>Gross profit</b>	<b>278</b>	<b>32</b>	<b>291</b>	<b>442</b>	<b>339</b>	<b>320</b>	<b>301</b>	<b>363</b>
Selling expenses	-121	-112	-163	-151	-140	-149	-152	-157
Administrative expenses	-68	-60	-72	-89	-68	-68	-61	-80
Research and development expenses	0	0	-2	0	0	-1	-2	-2
Other operating income	12	54	4	2	4	10	10	1
Other operating expenses	-19	-24	-20	-78	-22	-19	-20	-38
<b>EBIT</b>	<b>82</b>	<b>-110</b>	<b>39</b>	<b>126</b>	<b>113</b>	<b>93</b>	<b>76</b>	<b>87</b>
Financial income	0	0	1	1	1	1	0	0
Financial expenses	-13	-28	-11	-8	-8	-8	-10	-13
<b>Net financial items</b>	<b>-13</b>	<b>-28</b>	<b>-10</b>	<b>-7</b>	<b>-7</b>	<b>-7</b>	<b>-10</b>	<b>-13</b>
<b>Income after financial items</b>	<b>69</b>	<b>-138</b>	<b>29</b>	<b>118</b>	<b>106</b>	<b>86</b>	<b>67</b>	<b>74</b>
Income tax	-21	37	-7	-46	-25	-18	-15	-16
<b>Net income</b>	<b>48</b>	<b>-101</b>	<b>22</b>	<b>73</b>	<b>81</b>	<b>67</b>	<b>52</b>	<b>58</b>
<b>Income attributable to:</b>								
- Equity holders of the Parent Company	48	-100	20	72	80	66	51	57
- Non-controlling interests	0	0	2	1	1	1	1	1



## CONSOLIDATED BALANCE SHEET IN BRIEF

SEK m	September 30 2020	December 31 2019	September 30 2019
<b>ASSETS</b>			
Goodwill	2,037	2,053	2,171
Other intangible assets	440	503	525
Tangible assets	1,254	1,317	1,330
Financial assets	101	85	81
<b>Total fixed assets</b>	<b>3,832</b>	<b>3,958</b>	<b>4,108</b>
Inventory	863	781	850
Accounts receivable	803	915	952
Other receivables	264	280	321
Cash and cash equivalents	391	311	246
<b>Total current assets</b>	<b>2,320</b>	<b>2,287</b>	<b>2,369</b>
<b>TOTAL ASSETS</b>	<b>6,152</b>	<b>6,245</b>	<b>6,477</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>2,585</b>	<b>2,664</b>	<b>2,711</b>
Long-term loans	998	1,371	1,520
Other long-term liabilities	715	757	866
<b>Total long-term liabilities</b>	<b>1,713</b>	<b>2,128</b>	<b>2,386</b>
Accounts payable	401	505	408
Short-term financial liabilities	660	220	226
Other short-term liabilities	793	728	745
<b>Total short-term liabilities</b>	<b>1,854</b>	<b>1,453</b>	<b>1,379</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>6,152</b>	<b>6,245</b>	<b>6,477</b>

## CHANGE IN THE GROUP'S SHAREHOLDERS' EQUITY

Attributable to equity holders of the Parent Company								
	Share capital	Other contribute d capital	Reserves	Cash flow reserve	Fair value reserve <sup>1)</sup>	Retained earnings including net income	Non- controlling interests	TOTAL EQUITY
SEK m								
Opening balance January 1, 2019	59	1,681	76	0	13	697	91	2,616
Total comprehensive income for the period	-	-	47	-5	-	157	13	212
Dividend paid to shareholders	-	-	-	-	-	-117	-	-117
Closing balance September 30, 2019	59	1,681	123	-5	13	736	104	2,711
Total comprehensive income for the period	-	-	-11	7	-	92	-2	86
Remeasurement of liability to minority shareholders	-	-	-	-	-	-15	-	-15
Dividend paid to shareholders	-	-	-	-	-	-117	-	-117
Closing balance December 31, 2019	59	1,681	112	2	13	696	101	2,664
Total comprehensive income for the period	-	-	-33	-1	-	-42	-12	-88
Remeasurement of liability to minority shareholders	-	-	-	-	-	8	-	8
Closing balance September 30, 2020	59	1,681	79	0	13	663	90	2,585

<sup>1)</sup> The fair value reserve concerns 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	9 months Jan-Sep 2020	9 months Jan-Sep 2019
<b>Operating activities</b>		
Reported EBIT	11	283
Adjusted for items not included in cash flow, etc.	217	215
Paid interest and tax	-34	-121
Change in working capital	-46	-81
<b>Cash flow from operating activities</b>	<b>149</b>	<b>296</b>
<b>Investing activities</b>		
Acquisitions of fixed assets	-60	-94
Sales of fixed assets	2	1
Acquisition of subsidiaries	-2	-7
<b>Cash flow from investing activities</b>	<b>-61</b>	<b>-100</b>
<b>Financing activities</b>		
Loans raised <sup>1)</sup>	313	57
Repayment of debt <sup>1)</sup>	-257	-72
Dividend paid to shareholders	-	-117
Net change, overdraft facilities and other financial liabilities	-3	-33
Net change in lease liability	-53	-50
<b>Cash flow from financing activities</b>	<b>0</b>	<b>-215</b>
<b>Cash flow for the period</b>	<b>88</b>	<b>-19</b>
Cash and cash equivalents, opening balance	311	260
Exchange difference, cash and cash equivalents	-8	5
<b>Cash and cash equivalents, closing balance</b>	<b>391</b>	<b>246</b>

<sup>1)</sup> Loans raised and repayments on loans within the adopted credit facility are recognized at their gross amounts for loans with maturities exceeding 3 months, in accordance with IAS 7.

## KEY RATIOS IN BRIEF

	9 months Jan-Sep 2020	9 months Jan-Sep 2019
Net sales, SEK m	3,320	3,990
Gross profit, SEK m	601	961
Operating income, SEK m	98	334
Operating EBITDA, SEK m	268	507
EBIT, SEK m	11	283
EBITDA, SEK m	229	505
Interest-bearing net debt	1,538	1,800
Number of employees	2,290	2,406
Sales growth	-16.8%	15.1%
Organic growth	-17.8%	-0.5%
Organic pro forma growth	-17.3%	2.4%
Gross margin	18.1%	24.1%
Operating margin	3.0%	8.4%
Operating EBITDA margin	8.1%	12.7%
EBIT margin	0.3%	7.1%
EBITDA margin	6.9%	12.7%
Return on capital employed <sup>1)</sup>	7.4%	10.6%
Interest-bearing net debt/shareholders' equity	59.5%	66.4%
Interest-bearing net debt/operating EBITDA <sup>1)</sup>	2.94	2.64

<sup>1)</sup> Calculated on the basis of the last twelve months and operating income.

Alternative key financials are described in definitions.

## PARENT COMPANY INCOME STATEMENTS IN BRIEF

SEK m (Note 1)	3 months Jul-Sep 2020	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2019
<b>Net sales</b>	<b>265</b>	<b>305</b>	<b>724</b>	<b>870</b>
Cost of goods sold	-259	-277	-679	-803
<b>Gross profit</b>	<b>6</b>	<b>27</b>	<b>44</b>	<b>66</b>
Selling expenses	-31	-31	-89	-103
Administrative expenses	-49	-44	-138	-123
Research and development expenses	-1	-1	-2	-4
Other operating income	59	66	194	200
Other operating expenses	-9	-10	-29	-31
<b>EBIT</b>	<b>-23</b>	<b>9</b>	<b>-20</b>	<b>4</b>
Revenue from participation in Group companies	4	8	26	47
Financial income	7	7	21	22
Financial expenses	-7	-6	-41	-17
<b>Net financial items</b>	<b>4</b>	<b>10</b>	<b>6</b>	<b>52</b>
<b>Income after financial items</b>	<b>-19</b>	<b>18</b>	<b>-14</b>	<b>57</b>
Income tax	3	-2	8	-3
<b>Net income</b>	<b>-15</b>	<b>16</b>	<b>-6</b>	<b>54</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2019
<b>Net income</b>	<b>-15</b>	<b>16</b>	<b>-6</b>	<b>54</b>
<b>Other comprehensive income<sup>1)</sup>:</b>				
Items that may be reclassified subsequently to profit or loss:				
Exchange rate differences – translation of subsidiaries	0	0	0	0
Cash flow hedge	0	-2	1	-5
<b>Total</b>	<b>0</b>	<b>-2</b>	<b>1</b>	<b>-5</b>
Other comprehensive income for the period, net after tax	0	-2	1	-5
<b>Total comprehensive income for the period</b>	<b>-15</b>	<b>14</b>	<b>-5</b>	<b>49</b>
<b>Total comprehensive income for the period attributable to:</b>				
Equity holders of the Parent Company	-15	14	-5	49

<sup>1)</sup> 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	September 30, 2020	December 31, 2019	September 30, 2019
Goodwill	0	0	0
Other intangible assets	61	65	62
<b>Total intangible assets</b>	<b>61</b>	<b>65</b>	<b>62</b>
Tangible assets	21	23	23
Financial assets	3,212	3,175	3,260
<b>Total fixed assets</b>	<b>3,294</b>	<b>3,263</b>	<b>3,345</b>
Inventory	100	103	128
Accounts receivable	110	113	126
Other receivables	203	200	301
Cash and bank balances	305	212	118
<b>Total current assets</b>	<b>718</b>	<b>628</b>	<b>672</b>
<b>TOTAL ASSETS</b>	<b>4,013</b>	<b>3,891</b>	<b>4,018</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
Restricted equity	95	95	87
Unrestricted equity	1,765	1,770	1,664
<b>Total equity</b>	<b>1,860</b>	<b>1,865</b>	<b>1,751</b>
<b>Provisions</b>	<b>102</b>	<b>105</b>	<b>104</b>
Long-term loans	804	1,165	1,322
Other long-term liabilities	1	1	1
<b>Total long-term liabilities</b>	<b>805</b>	<b>1,165</b>	<b>1,323</b>
Accounts payable	54	69	50
Short-term financial liabilities	643	209	215
Other short-term liabilities	548	478	576
<b>Total short-term liabilities</b>	<b>1,245</b>	<b>756</b>	<b>840</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>4,013</b>	<b>3,891</b>	<b>4,018</b>

# 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.

**Bagass:** Bagasse is a waste product from cane sugar processing after the sugar has been extracted. The material is 100% biodegradable. Bagasse is used primarily in the BioPak segment'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 2020 are calculated at exchange rates for 2019. Effects of translation of balance sheet items are not included.

**Designs for Duni®:** A unique concept within the Duni segment, whereby Duni develops specially designed products in collaboration with well-known designers.

**Ecoecho®:** Ecoecho is a product range of serving and meal solutions 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 approved characteristics.

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

**Our Blue Mission:** Duni Group's Corporate Social Responsibility (CSR) efforts are governed by the Our Blue Mission program. It describes Duni's approach to sustainability in a number of areas such as the environment, product safety, social responsibility, social rights and business ethics. Until 2018, this was a separate report. As from 2019, it is a part of the Annual Report.

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

**Sources/statistics:** HoReCa statistics refer to the European Commission website, Key Indicators for the Euro Area. DEHOGA refers to HoReCa statistics for Germany at DEHOGA Zahlenspiegel. For statistics on travel and hotel bookings, see the World Hotel Index on Siteminder.com, and for statistics on restaurant visits and table reservations, see State of industry on Opentable.com.

## Definitions of key financials

Duni Group uses financial metrics that not defined by the IFRSs in some cases but instead 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 segments on this basis. Another key financial used by Duni is organic pro forma growth. In recent years, Duni has acquired companies with very high growth rates, and it began using the term organic pro forma growth to show the contributions of these companies to growth. This means that the year-on-year increase in sales they contribute is already reported 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 and current assets, excluding deferred tax assets, less non-interest bearing liabilities.

**Cost of goods sold:** Cost of goods sold, including production and logistics costs.

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

**EBIT:** Earnings before interest and taxes.

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

**EBITA:** Earnings before interest, taxes and amortization.

**EBITDA:** Earnings before interest, taxes, depreciation and amortization (including impairment).

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

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

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

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

**Operating EBITDA:** EBITDA less restructuring costs and fair value allocations.

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

**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 EBIT as a percentage of capital employed.

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

#### BRIDGE BETWEEN OPERATING INCOME AND EBIT

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2019	12 months Oct-Sep 2019/2020	12 months Jan-Dec 2019
Operating income excluding IFRS 16 Leases	109	129	94	330	292	527
Effects of IFRS 16 Leases	1	1	4	4	5	5
<b>Operating income</b>	<b>110</b>	<b>130</b>	<b>98</b>	<b>334</b>	<b>297</b>	<b>533</b>
Restructuring costs	-12	-1	-39	-2	-39	-2
Amortization of intangible assets identified in business combinations	-16	-17	-48	-49	-120	-121
Fair value allocation in connection with acquisitions	0	0	0	0	-1	-1
<b>EBIT</b>	<b>82</b>	<b>113</b>	<b>11</b>	<b>283</b>	<b>137</b>	<b>408</b>

#### BRIDGE BETWEEN OPERATING EBITDA, EBITDA AND EBIT

SEK m	3 months Jul-Sep 2020	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2019	12 months Oct-Sep 2019/2020	12 months Jan-Dec 2019
Operating EBITDA excluding IFRS 16 Leases	148	170	215	453	453	691
Effects of IFRS 16 Leases	17	18	53	54	71	71
<b>Operating EBITDA</b>	<b>165</b>	<b>188</b>	<b>268</b>	<b>507</b>	<b>523</b>	<b>762</b>
Restructuring costs	-12	-1	-39	-2	-39	-2
Fair value allocation in connection with acquisitions	0	0	0	0	-1	-1
<b>EBITDA</b>	<b>153</b>	<b>188</b>	<b>229</b>	<b>505</b>	<b>483</b>	<b>759</b>
Amortization of intangible assets identified in business combinations	-16	-17	-48	-49	-120	-121
Amortization of right-of-use assets	-16	-17	-49	-50	-66	-66
Other amortization/depreciation included in EBIT	-39	-41	-121	-124	-160	-164
<b>EBIT</b>	<b>82</b>	<b>113</b>	<b>11</b>	<b>283</b>	<b>137</b>	<b>408</b>

# 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, 2019.

The Duni Group has received government support for short-time work reductions. This assistance has been recognized as revenue under the Other operating income line item.

## 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 and BioPak Pty 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, 2019, 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	Jul-Sep 2020			Jul-Sep 2019		
	Duni	BioPak	Duni Group	Duni	BioPak	Duni Group
Total net sales	772	485	1,257	947	434	1,381
Net sales from other segments	5	1	6	1	3	4
<b>Net sales from external customers</b>	<b>767</b>	<b>484</b>	<b>1,251</b>	<b>946</b>	<b>431</b>	<b>1,377</b>
<b>Operating income</b>			<b>110</b>			<b>130</b>
EBIT			82			113
Net financial items			-13			-7
Income after financial items			69			106

SEK m	Jan-Sep 2020			Jan-Sep 2019		
	Duni	BioPak	Duni Group	Duni	BioPak	Duni Group
Total net sales	1,968	1,373	3,341	2,760	1,272	4,032
Net sales from other segments	14	7	21	34	8	42
<b>Net sales from external customers</b>	<b>1,954</b>	<b>1,366</b>	<b>3,320</b>	<b>2,726</b>	<b>1,264</b>	<b>3,990</b>
<b>Operating income</b>			<b>98</b>			<b>334</b>
EBIT			11			283
Net financial items			-51			-24
Income after financial items			-40			258

Quarterly overview of net sales and operating income by segment according to new segment reporting as of January 1, 2020:

*Note that the sales figures for 2019 between the segments have been corrected after Duni released its Q1 report.*

Net sales	2020			2019			
SEK m	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Duni	767	377	811	1,090	946	890	890
BioPak	484	443	439	468	431	458	374
Duni Group	1,251	820	1,249	1,558	1,377	1,348	1,264
Operating income							
SEK m	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Duni	68	-118	56	159	99	83	75
BioPak	42	26	24	40	31	28	17
Duni Group	110	-92	80	199	130	111	93

Quarterly overview of net sales and operating income by segment according to old segment reporting that was discontinued on December 31, 2019:

Net sales	2019				2018			
SEK m	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Table Top	702	652	664	580	683	625	645	534
Meal Service	226	231	250	203	218	218	231	178
Consumer	331	241	193	249	328	247	221	265
New Markets	278	231	215	208	210	78	79	81
Other	20	22	25	25	22	21	21	22
<b>Duni Group</b>	<b>1,558</b>	<b>1,377</b>	<b>1,348</b>	<b>1,264</b>	<b>1,460</b>	<b>1,190</b>	<b>1,197</b>	<b>1,080</b>
Operating income								
SEK m	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Table Top	131	95	90	63	97	84	87	62
Meal Service	12	19	19	8	9	14	14	6
Consumer	38	4	-10	9	23	10	-9	18
New Markets	18	12	11	13	9	-3	3	4
Other	0	1	1	0	0	2	1	2
<b>Duni Group</b>	<b>199</b>	<b>130</b>	<b>111</b>	<b>93</b>	<b>137</b>	<b>107</b>	<b>96</b>	<b>90</b>

## DIVISION OF REVENUE FROM CUSTOMER CONTRACTS, JANUARY–SEPTEMBER 2020

SEK m	Duni	BioPak	Duni Group
<i>Primary geographic regions</i>			
NorthEast	315	328	643
Central	859	169	1,028
West	312	98	410
South	189	97	286
Rest of World	127	675	802
Other sales	152	-1	151
<b>Total</b>	<b>1,954</b>	<b>1,366</b>	<b>3,320</b>
<i>Time of revenue recognition</i>			
Goods/services transferred at once	1,954	1,366	3,320
Goods/services transferred over time	-	-	0
<b>Total</b>	<b>1,954</b>	<b>1,366</b>	<b>3,320</b>
<i>Product groups</i>			
Napkins			1,223
Table covers			464
Candles			113
Packaging solutions			593
Serving products			618
Other			310
<b>Total</b>			<b>3,320</b>

**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 Jul-Sep 2020	3 months Jul-Sep 2019	9 months Jan-Sep 2020	9 months Jan-Sep 2019	12 months Oct-Sep 2019/2020	12 months Jan-Dec 2019
SEK m						
Cost of goods sold	0	0	0	0	0	0
Selling expenses	-3	-1	-27	-2	-26	-2
Administrative expenses	-9	0	-13	0	-13	0
Other operating expenses/income	0	-	0	-	0	-
<b>Total</b>	<b>-12</b>	<b>-1</b>	<b>-39</b>	<b>-2</b>	<b>-39</b>	<b>-2</b>



# This is Duni Group

The Duni Group is one of Europe's leading suppliers of inspiring concepts for the set table and creative, environmentally-sound take-away products. This includes high-quality napkins, table covers, candles and other table top accessories, along with packaging and packaging systems for the growing market for ready-to-eat food and take-away. All of the company's concepts are aimed at creating a Sustainable Goodfoodmood® – an elevated meal experience – in environments where people get together to enjoy food and drink.



## THE DUNI GROUP'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 2,400 employees in 24 countries. The Group's headquarters are located in Malmö, Sweden, and production units are located in Sweden, Germany, Poland, New Zealand and Thailand. We have sales offices in Australia, Austria, Czechia, Finland, France, Germany, the Netherlands, Poland, Russia, Singapore, Spain, Sweden, Switzerland, the UK and the US.



## NET SALES\*

SEK 4,878 m

## SALES GROWTH\*

-13.3%

Duni Group's target is to achieve 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\*

6.1%

Duni Group'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 2019

No dividend

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

\*Rolling 12 months, Oct-Sep 2019/2020