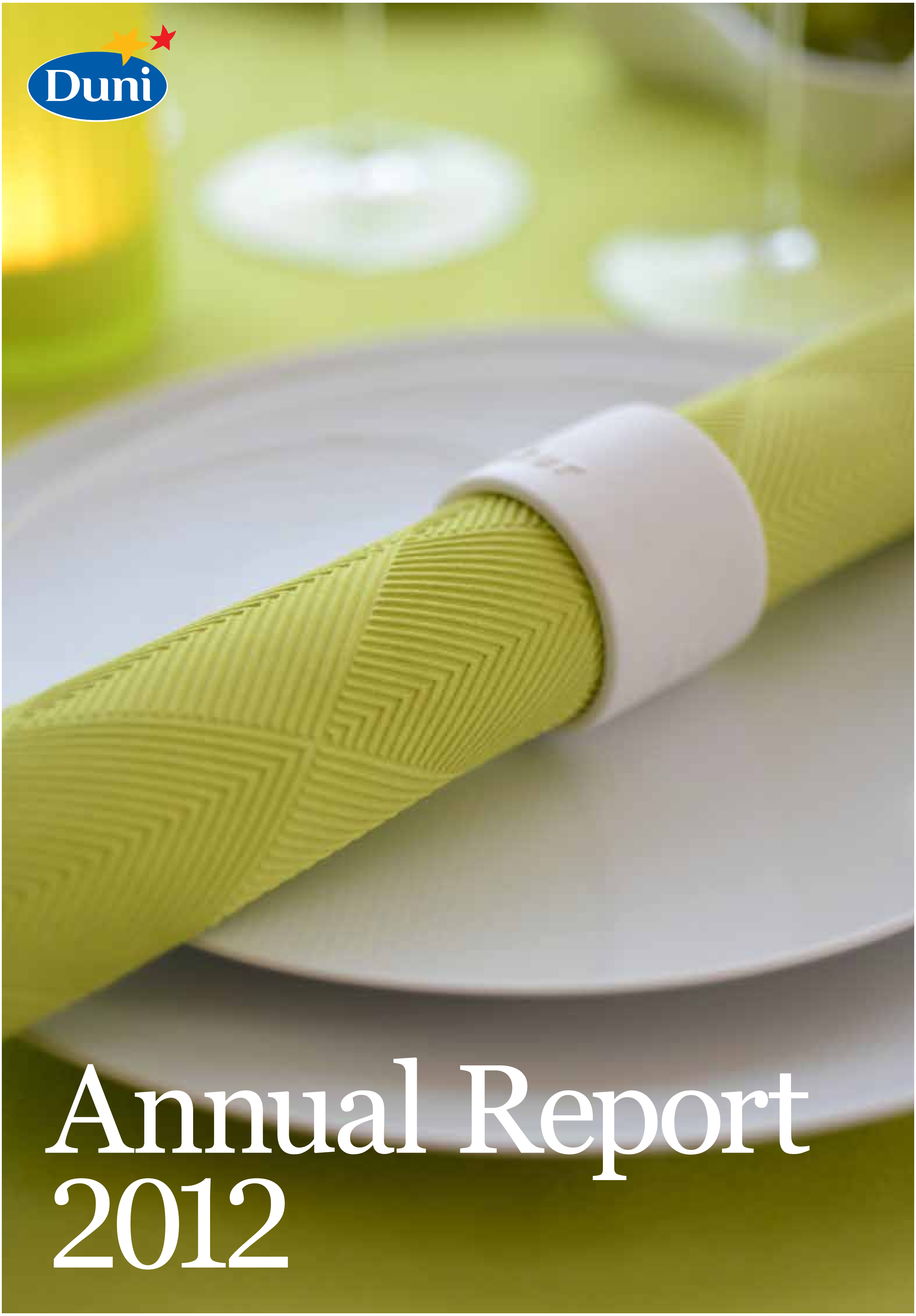
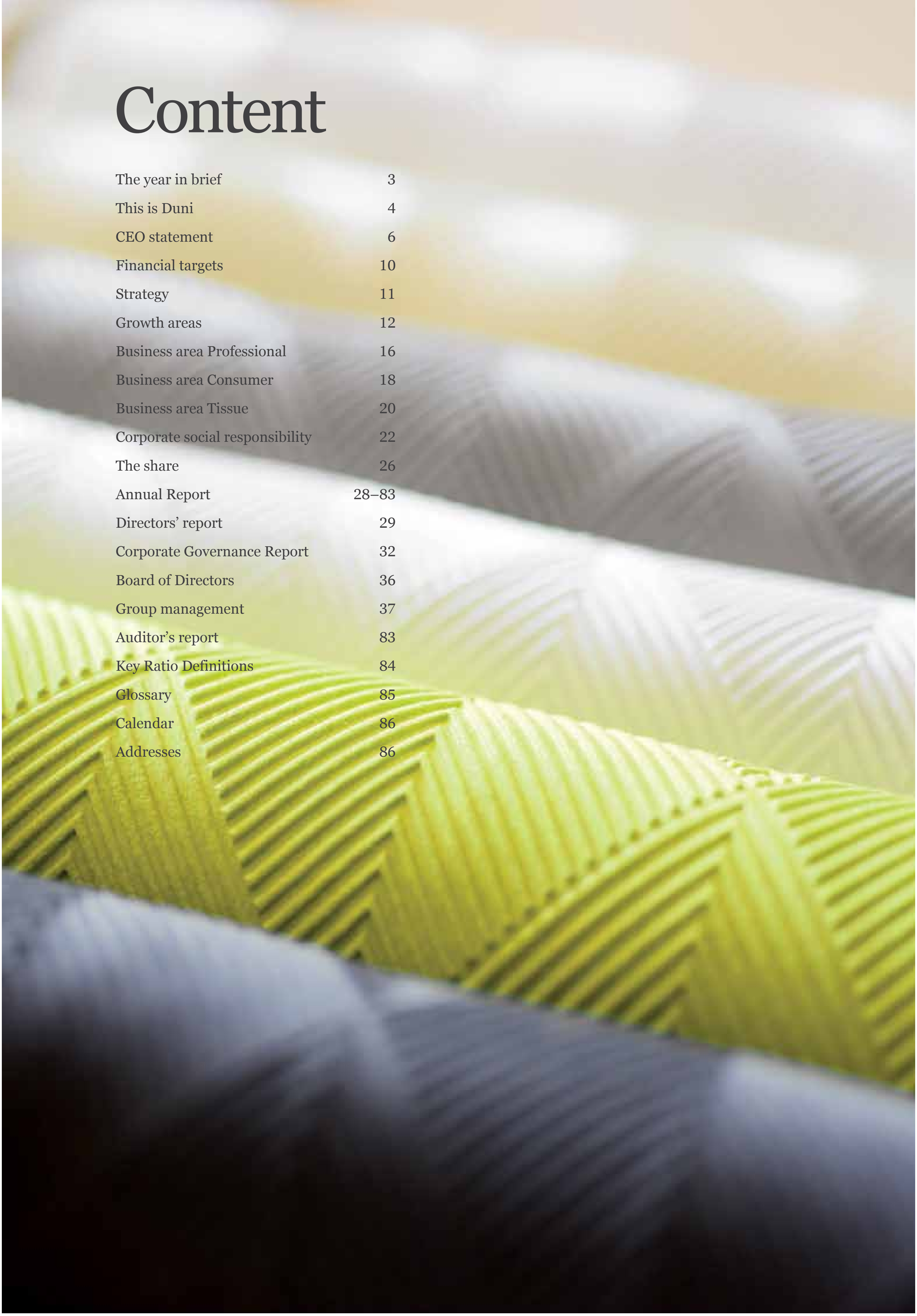
Duni



Annual Report 2012

Content



2012

Strong balance sheet, significant restructuring costs

A more market-oriented category organization was established during the year, aimed at increasing efficiency and competitiveness within our product areas through, among other things, quicker launching processes and more detailed insight into the needs of customers and consumers. The organizational change will also contribute to a strengthened focus on our export activities.

During the period January 1 – December 31, 2012, net sales declined by SEK 138 m compared with the same period last year, to SEK 3,669 (3,807) m. Adjusted for exchange rate movements, net sales fell by 1.6%.

Sales within Professional declined marginally during the year by 0.8%. This was largely due to the phasing out of napkin contracts in the UK. The take-away sector is an area which experienced positive growth and on which Duni will continue to focus in the coming years. Consumer experienced a weak first half of the year, with sales falling by a total of 8.1% on a market characterized by intensive competition within the grocery retail trade. Secured new contracts gradually contributed to sales during the second half of the year. Tissue performed in line with last year, but was characterized by a low level of production capacity utilization and costs for test runs of new materials. A decision has been taken to commence negotiations with the unions regarding the closure of the unit within Tissue which produces hygiene product materials for external customers.

The gross margin weakened, from 27.1% to 25.8%. Adjusted for non-recurring items, underlying operating income (EBIT) amounted to SEK 340 (404) m for the period January 1 – December 31, 2012. The Group's underlying operating margin thereby declined from 10.6% to 9.3%. Adjusted for exchange rate movements, operating income was SEK 52 m lower than last year. Reported income after financial items amounted to SEK 202 (358) m and income after tax was SEK 124 (261) m.

The low level of capacity utilization at the converting plants and within tissue production constituted the largest single factor for the lower underlying income. The weak economic climate, combined with high inventories, led to a need to adjust inventory levels downwards. As a consequence of these reductions and a focus on capital tie-up, Duni has delivered a very strong cash flow, with net debt at the end of December being at a historically low level. Pulp and electricity costs were kept at a low level, while raw materials costs for plastic and candles remained high.

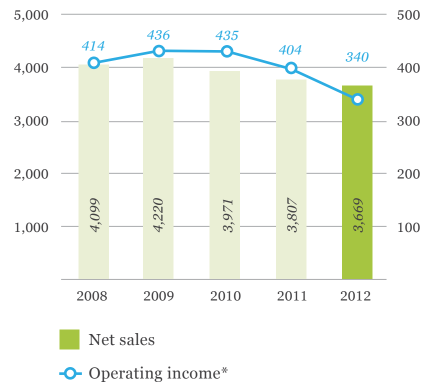
During the year, restructuring costs of SEK 113 m were incurred. SEK 83 m of these costs relate to the planned closure of the hygiene products unit within Tissue. In addition, SEK 12 m is attributable to the previously communicated restructuring program aimed at strengthening Duni's competitiveness in the future. A further SEK 18 m in costs was incurred in connection with the change in CEO, restructuring on certain export markets, and write-downs of other fixed assets.

KEY FIGURES

	2012	2011	2010	2009	2008
Net sales	3,669	3,807	3,971	4,220	4,099
EBIT*	340	404	435	436	414
EBITDA*	452	510	537	539	511
Net income before tax	202	358	418	444	251
Net income for the year	124	261	306	336	191
Proposed dividend SEK/Share	3.50	3.50	3.50	2.50	1.80
Shareholders' equity	2,051	2 082	1,991	1,789	1,544
Return on equity	6.05%	12.54%	15.37%	18.78%	12.37%
Number of employees	1,875	1,888	1,914	1,906	1,952

*EBIT and EBITDA are adjusted for non-recurring items.

NET SALES, OPERATING INCOME*



This is Duni

Duni is a leader in Europe in the design, production and marketing of high-quality tablecoverings, napkins, candles and other table setting products. Duni also offers packaging and packaging systems to the growing take-away market. Around 70% of Duni's products are paper-based, and these products are almost entirely produced within the Group. Duni engages in intensive environmental work. 95% of the paper-based products are FSC (Forest Stewardship Council) certified and a significant portion of products bear the Svanen Ecolabel, a labelling system for the Scandinavian markets.

Tissue for napkins and tablecoverings is manufactured in Sweden, while Duni's production of finished table setting products takes place in Germany and Poland. Duni's head office is located in Malmö and the company has approximately 1,900 employees in 17 countries. The largest markets are in Central and Northern Europe, but globally more than 40 markets are covered. The business is divided into three business areas: Professional, covering sales to hotels, restaurants and catering firms; Consumer, primarily focusing on the grocery retail trade; and Tissue, producing wet laid and air laid tissue for table setting products and hygiene products.

Business mission

Duni shall enhance atmosphere and bring convenience to any eating and drinking occasion by providing inspiring and innovative products and concepts.

Vision

Duni shall be the leading supplier of premium table top concepts and packaging solutions for take-away with Europe as main market.

Core values

Duni has four core values which permeate the entire Company and its operations:

– Ownership

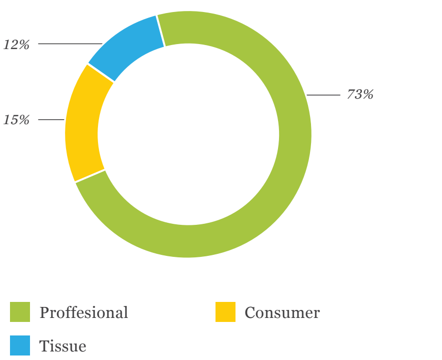
– Open Mind

– Added Value

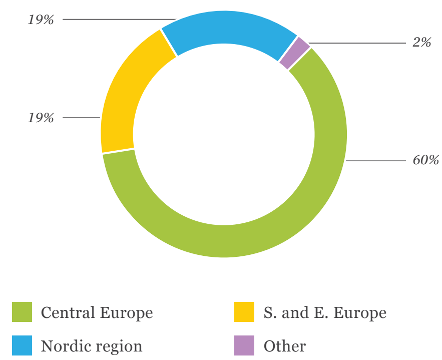
– Will to win

For more information, see Corporate social responsibility.

NET SALES PER BUSINESS AREA, %



NET SALES PER GEOGRAPHIC REGION, %



Products

Duni primarily operates on three product markets: single-use table top products, meal packaging, and tissue. The rate of renewal is high in response to current trends and to offer seasonal variations.

Single-use table top products

Table top concepts consist of single-use table top products with coordinated designs and colors, such as napkins, tablecoverings, placemats, runners, and candles. These products are complemented by plates, glasses, cups and cutlery. Single-use table top products can be divided into standard products and premium products. Standard products are, for example, white single-ply napkins, while premium products are of a higher quality. The latter are typically made from airlaid and often deep dyed or printed with a color design.

Napkins

Most of Duni's napkins are produced in one to four plies (wet laid tissue). Airlaid (air laid tissue) is used for Duni's most exclusive napkins. Airlaid napkins are always manufactured in a single ply.

Tablecoverings

The tablecovering product category includes tablecoverings in many different sizes and variations, as well as runners, tête-à-têtes and placemats. Several different materials are used in the manufacture of tablecoverings: Evolin® – which combines the feel of textile and linen tablecoverings with the advantages of single-use products; Dunicel® – a robust material based on tissue which in feel resembles cotton and linen tablecloths; and Dunisilk® – a laminated material based on tissue, which has been developed to protect tables and which can be wiped off after use.

Candles

Candles are always developed and designed together with external suppliers. The range includes antique candles, pillar candles and tea lights, as well as special candles in various colors and sizes. Duni's candle collections are matched with the rest of the product range and sold as an integral part of the table setting in order to enhance the atmosphere.

Serving products

In order to be able to deliver a complete concept for the serving of food and drink, serving products are purchased primarily from external suppliers. The range includes cutlery, cups, glasses, and plates. The products are made of plastic or recyclable material from the forestry or agricultural industry.

Meal packaging solutions

Duni markets and sells packaging solutions for take-away meals and storage of hot and cold meals. Customers are also offered customized packaging solutions designed in close co-operation between Duni's design department and the customer, in order to suit the customer's brand image. Within the scope of Duniform®, customers are also offered sealing film, trays, various types of sealing machinery, and machinery service.

Tissue

Tissue is used as a raw material for processing into various tissue-based products. Tissue is produced in two qualities: wet laid tissue (referred to as 'tissue') and air laid tissue (referred to as 'airlaid'). Tissue is used for converting, i.e. the process by which the paper is cut, printed and embossed into various napkins and tablecoverings. Airlaid is used for converting to higher quality napkins and tablecoverings. The excellent absorption quality of airlaid makes it particularly suitable as an input material for intimate hygiene products, such as sanitary towels and incontinence protection products. At the beginning of 2013, Duni's Board decided to discontinue the part of the business involving external sales to the hygiene products sector.

Stable finances and a platform for growth

2012 as a whole was a weaker year for Duni than the preceding year. More restrained demand on our main markets combined with unfavorable exchange rates and lower capacity utilization at our production plants resulted in reductions in both sales and income compared with last year. To a certain extent the lower capacity utilization rate was dictated by lower production volumes, but it was also a consequence of reduced inventory levels — a factor which contributed to the strong cash flow for the year.

Sales amounted to SEK 3,669 (3,807) m and operating income to SEK 340 (404) m. Adjusted for exchange rate movements, net sales declined by 1.6% and operating income fell by SEK 52 m compared with the preceding year.

Within the Professional business area, Duni's work on increasing the use of premium products, and success in inducing customers away from the use of linen, led to increased market shares on several markets. This was achieved despite a decline in the number of visits and average spend on the European restaurant and hotel market. Duni also demonstrated growth within the take-away sector and on our export markets.

All in all, operating income within the Professional business area amounted to SEK 336 (357) m, entailing an operating margin of 12.5% (12.9%).

In the Consumer business area, sales were down on last year. Following a weak start to the year, Consumer won a number of new customers, which resulted in a gradual improvement in both product mix and relative profitability during the year.

Operating income was SEK 5 (21) m, entailing an operating margin of 0.9% (3.4%).

The Tissue business area began the year with relatively high inventory levels which, combined with low sales, had a negative impact on operating income. In addition, airlaid material, which is produced and sold to external customers within the hygiene products area, demonstrated a decline in profitability due to an unfavorable product mix and costs associated with the development of new products within the area. As a consequence of these factors, the Board of Directors decided to commence negotiations with the unions regarding the closure of this production unit.

Tissue's operating income was SEK -1 (25) m and the operating margin was -0.2% (5.9%).

Foundations laid for future growth

During the past five years, Duni has carried out major infrastructure investments, built up sales organizations on new markets, and developed new materials and products. Efficiency has been gradually improved and profitability established on a stable level. The Company enjoys financial stability and possesses a platform which can carry significant growth initiatives.

During the second quarter of 2012, the organizational structure was changed with the aim of creating clearer focus on the three areas from which growth is expected to come: Table Top, i.e. the set table among customers within the HoReCa (Hotel, Restaurants and Catering) sector; Meal Service, focusing on the take-away trend; and within geographic expansion.

Within Table Top, the strategy is based primarily on inducing customers who use linen tablecoverings to switch to Duni's paper-based tablecovering products. Duni is the market leader among customers who currently use premium single-use products. Nevertheless, single-use products are used by only 20% of the HoReCa market. Consequently, it remains to conquer 80% of the market – merely on our domestic markets! In order to increase the rate of switchover, we need to define a clearer core market on which we can better concentrate our sales and marketing resources.

The launch of Evolin® in 2011 represented an important step in the right direction for supporting the switchover strategy since, to a very high degree, Evolin combines the feel and look of textile and linen tablecoverings with the advantages of single use products. This project had a negative impact on income in 2012, since we were still in an expansion phase, but we are convinced that Evolin will be one of the major products in our range within a few years.

In addition to the switchover strategy within Table Top, we also perceive major opportunities to take advantage of the possibilities opened up by segment convergence within the restaurant industry. Restaurant chains with clear concepts and strong brands are gaining market shares in the area we refer to as the take-away sector. As far as Duni is concerned, it is primarily in the "Fast Casual" and "Quick Service" segment (i.e. fast-food restaurants) that we perceive opportunities. Duni is responding to the growing demand by developing attractive function and design solutions in close cooperation with many of the leading restaurant chains. Developing customized table setting concepts and take-away packaging which strengthen the customer's brand profile constitutes an important aspect of this cooperation. Within Duni, this area is growing more quickly than the market in general.

Geographic expansion within the HoReCa sector represents a third growth area. We perceive the greatest growth opportunity on markets which are adjacent to Duni's main markets. Investments made on these markets demonstrate strong growth, albeit from low levels. In Russia, for example, we have developed a new organization focusing on the 21,000 hotels and restaurants in the country. Duni's sales in Russia are growing at 45% a year. We have witnessed the same positive growth for several years in Italy; however, our assessment is that growth has slowed down somewhat due to the weak economies of southern Europe.

The average growth rate on Duni's prioritized markets outside Europe is 20%, and work on increasing sales is being intensified also here. For several years, the Middle East has been Duni's largest export market, while metropolitan areas in the Asia-Pacific region and South America are demonstrating levels of growth which justify a greater number of, and more forceful, initiatives, particularly in those places where conditions are deemed favorable for establishing local conversion in the long term. In the Asia-Pacific region, focus is primarily on cities such as Singapore, Hong Kong, Tokyo and Sydney, but in the long term opportunities will be offered by other major cities in the region.

Great intrinsic potential

Duni has chosen a business model in which most of the product range is vertically integrated. The model, together with our size, generates economies of scale since the breakeven point for product profitability is lower than at most competitors. The combination of our own range with unique solutions developed for, e.g. take-away, creates a potential which we are not exploiting to the full.

There is great intrinsic power in Duni's innovation capability and strong market organization. It is difficult for our competitors to copy these skills.

All in all, Duni's 2012 financial year demonstrates weaker profitability, but at the same time a stable cash flow and a strong balance sheet. Duni is well invested and we are the market leader on many of our markets. By taking a number of measures, we will have cogent possibilities to expand the business both on our domestic markets and growth markets. We are now embarking on the next stage of the journey and focusing our efforts on growth in all its forms.

Malmö, March 2013

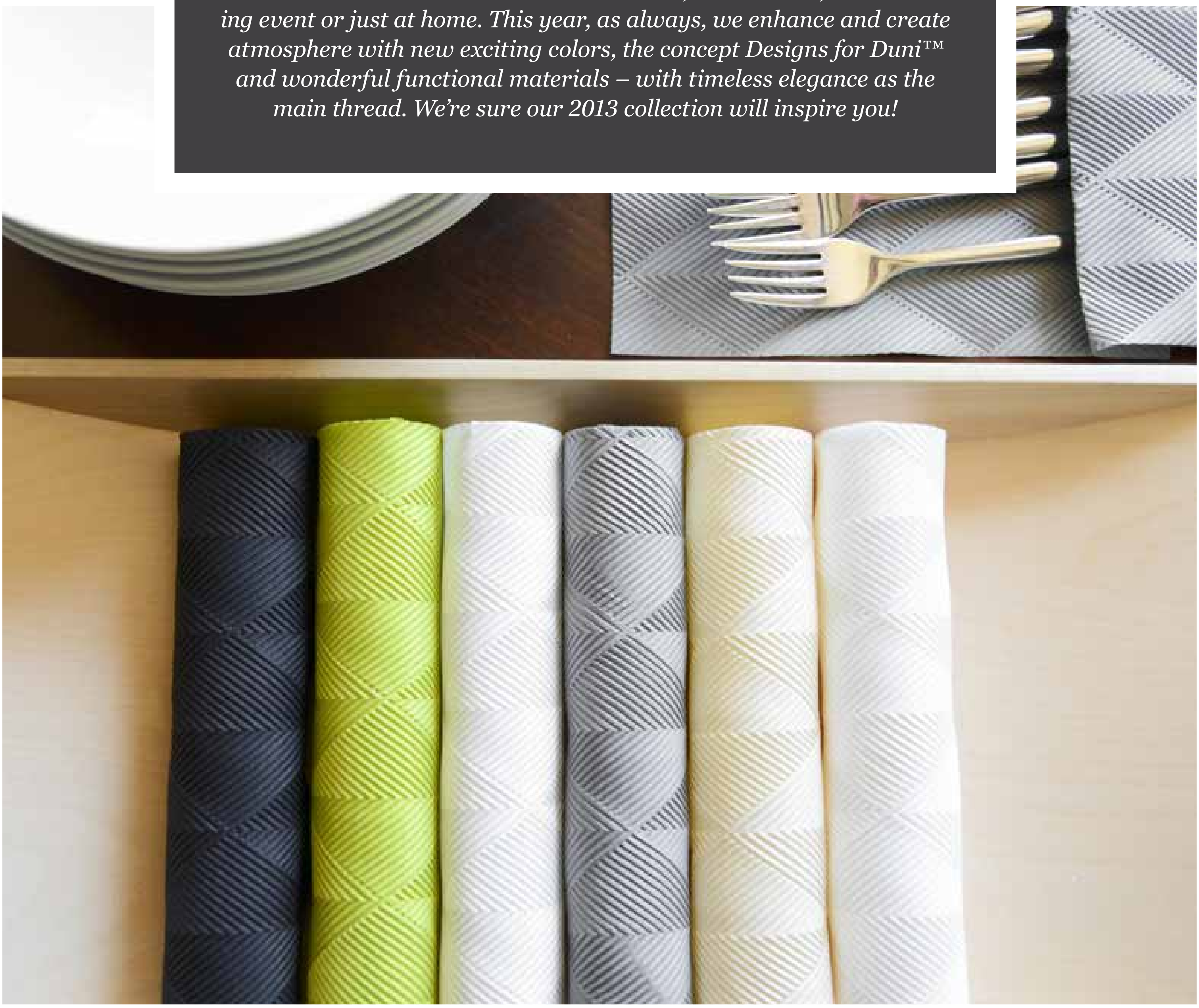
Thomas Gustafsson
President and CEO






Enjoy our 2013 collection!

It goes without saying that, at the end of the day, great ambience is what determines success - whether in a hotel, a restaurant, at a catering event or just at home. This year, as always, we enhance and create atmosphere with new exciting colors, the concept Designs for Duni™ and wonderful functional materials – with timeless elegance as the main thread. We're sure our 2013 collection will inspire you!



Financial targets

ORGANIC GROWTH

5%

Duni's target is an average annual organic growth in sales in excess of 5% per year over a business cycle. In addition, Duni may consider acquisitions in order to reach new growth markets or strengthen its position on existing markets.

OPERATING MARGIN

10%

Duni's operating margin shall be 10% or more.

DIVIDEND

40%

It is the Board's intention that, in the long term, dividends shall amount to at least 40% of income after tax.

Foundation pillars of Duni's strategy

Leadership creates conditions for growth

The European market for single-use tabletop products is worth around €4 billion. Duni is the leader within the premium segment and market leader on many of its core markets, which creates conditions for acting as a trendsetter and proactively promoting the trend within the industry towards increased use of single-use products. The position as market leader also constitutes an advantage in discussions with customers in the HoReCa area and also within the retail trade, where shelf space is often given only to leading brands. The strong market position, brand and broad product range also contribute to maintaining strong margins. Duni's role as a market leader shall, therefore, be defended and further strengthened.

Duni's market share in Europe for its main products, napkins and tablecoverings, exceeds 20%, which is more than twice that of its nearest competitor. In addition, Duni enjoys a very strong position within the premium product segment, where prices and margins are higher. Thanks to its unique materials, high quality and design, Duni is by far the best known brand on the market. The brand is particularly strong among the most important customers, namely restaurants and hotels. The breadth and variation in the product range also distinguish Duni from its competitors.

Unique sales model

Duni's sales force devotes a great deal of its time to maintaining a regular dialogue with the end customers concerning the selection and use of Duni's products, while orders are placed with retailers (cash and carries) as well as distributors and wholesalers. The close relationship with customers creates customer loyalty and allows Duni to quickly receive signals regarding, and be able to adapt its range to, new trends and changes in demand. Duni also operates a web shop in order to further strengthen the relationship with its customers and increase access to its products. Thus, an additional direct channel to the end consumer has been created, with the possibility for greater dialogue, which at the same time increases flexibility and accessibility for potential customers.

Leader in product development, design and materials

Duni's development of the colors, designs and qualities in its product range is an important component of the business model. Duni's product range is regularly evaluated based on sales, profitability, and inventory turnover rate criteria. New and existing products are evaluated using the same criteria. In recent years, Duni has placed great importance on developing product concept work within the Company. A product concept development process has been implemented in which employees, customers and suppliers co-operate in order to create and evaluate product concepts. This increases the likelihood of success and of resources being focused on those products with the greatest potential on the market.

Duni's design department constantly monitors trends by attending various trade fairs and shows on fashion, design and current trends, and with the assistance of external trend scouts. Market surveys and focus groups also provide information about trends and feedback regarding products. Duni's sales force participates in the development work by means of a well-defined process in which the customers' wishes and views are passed on. The graphic design is carried out largely by Duni's own design department.

High renewal rate in the product range

A high renewal rate creates possibilities to adapt the product range quickly to changing trends, while at the same time giving Duni the edge over its competitors. Duni thus endeavors to have the highest product range renewal rate on the market. Approximately 25% of the collection is renewed every year. Materials development within the table top products category takes place in close co-operation between the marketing department, product developers and production managers.

Control over value chain and logistics

Control over the value chain reduces the price risk, increases delivery certainty, and provides possibilities to plan the renewal of designs and materials. Thus, Duni is an integrated company which controls the entire value chain (apart from raw materials) in respect of its most important products, namely napkins and tablecoverings. Approximately 70% of the products are paper-based and these products are generally produced within the Group; other products are purchased from external suppliers and are regarded as an important complement. The manufacture of tissue and airlaid takes place in Sweden, while converting to finished table top products takes place in Germany and Poland. Duni's paper mills are specialized in the production and deep dyeing of short runs of high-quality tissue and airlaid, and consequently table top products can be offered in many colors and shades, with color matching between different materials.

Specialization in short runs means that Duni can quickly adapt the collections to the customers' wishes. The majority of Duni's production is made for stock. Duni's central warehouses in Germany and a number of distribution centers handle distribution to customers.

Great growth potential on existing and new markets

Duni is focusing on measures to promote long-term growth, and this will remain a central theme going forward.

In 2012, Duni implemented a new organization aimed at creating a more market-driven organization. The Professional business area was divided into two organizations, each constituting a separate profit center – one for the Table Top product category and one for the Meal Service product category (products for take-away food). The two product categories have a joint sales organization, headed by a single manager. In addition, a new group level department, with responsibility for developing new markets, has been created in order to further focus on geographic expansion. The way in which Duni's work is structured, with several initiatives for increasing growth, is described below.

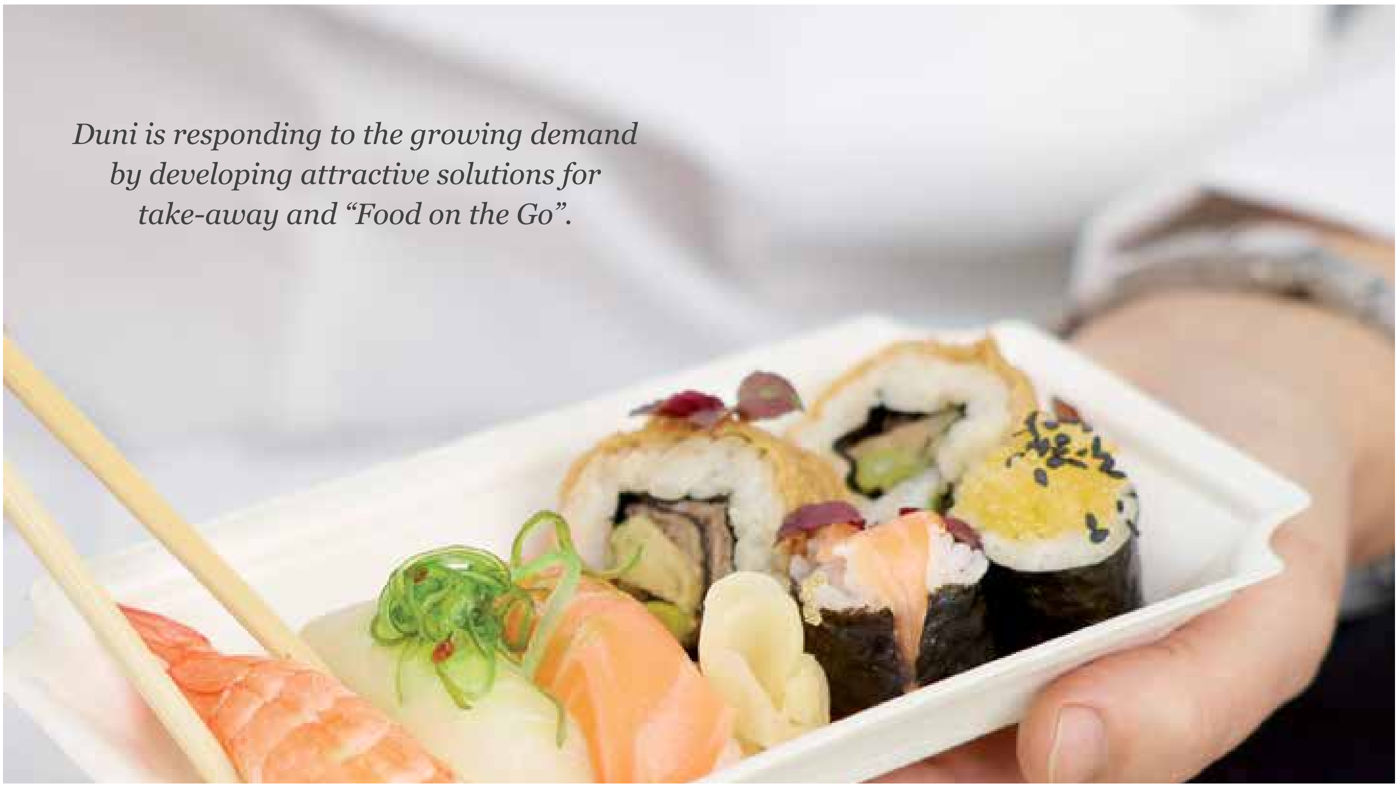
Replacement of linen napkins and linen tablecoverings with paper-based premium tablecovering products

Textile and linen tablecoverings still account for more than 80% of all tablecoverings used by restaurants and table service establishments in northern Europe. However, many of them are seeking alternatives to linen in order to avoid all the work associated with the use of linen. Thus, premium products constitute a growth area, primarily thanks to the trend whereby table linen is being replaced by high-quality single-use solutions. Duni is promoting this trend by constantly investing in product development and thereby enhancing the quality of core products such as napkins, placemats and tablecoverings. Customers appreciate the design, variation and simple handling of the tablecoverings offered by Duni, and consequently many customers are replacing cloth-based products with Duni's products. The percentage of environmentally responsible products in Duni's range is also constantly increasing, thereby generating further competitive advantages.

For a long time, Duni has had several products which replace linen and, at the end of 2011, Duni launched a new tablecovering material – Evolin® – which combines the feel of textile and linen tablecoverings with the advantages of single-use products. Evolin is targeted at restaurants and catering firms which currently use linen. The product has been developed with the help of some of the leading restauranteurs in Europe and was rolled out in Europe in 2012 with the support of a number of well-known restaurant profiles, such as Pontus Frithiof, Christophe Margin and Gunnar Cocoa.

Evolin constitutes one of the cornerstones for future growth by winning over linen users. The product has been particularly well received within the catering industry, where flexible solutions are required.

Duni's ambition is to be a trendsetter and promote the development of concepts for the set table. In the Nordic region and Germany, the work of selling developed and customized table top concepts has come a long way, while there is great potential to broaden the range sold to existing customers in Southern and Eastern Europe, and also on certain other growth markets.



Duni is responding to the growing demand by developing attractive solutions for take-away and "Food on the Go".

Concept development – increased demand for take-away

The restaurant market is undergoing rapid change driven by underlying market trends such as our increasingly mobile lifestyles and the fact that, to an ever increasing extent, we are eating "on the go". The trend is also partially influenced by the same basic factors as lie behind the general increase in meals consumed outside the home: an increase in the proportion of single households, continued urbanization, an increase in the proportion of the population in gainful employment, and an increase in disposable incomes.

An increasing number of restaurant chains with clear concepts and strong brands are springing up in response to the trend for "good food fast". North America is dominant in terms of restaurant chains as a proportion of the total restaurant offering, with a penetration level of 50%. Western and Eastern Europe have a lower proportion of restaurant chains, with a penetration level of just under 20%. Going forward, growth on the American market is expected to level off, while Eastern Europe and Asia are expected to account for the largest percentage rate of growth as prosperity increases in countries in those regions. During the same period, the growth rate in Western Europe is also expected to exceed the rate in the US.

Between 2008 and 2012, the restaurant chains' percentage of sales in Western Europe increased from 52% to 58%, while independent restaurants declined marginally. The percentage of take-away is also continuously increasing. Between 2011 and 2012, the percentage in the five largest countries in Europe increased from 11.4% to 11.9%, and Duni sees the same trend in other countries. Growth within both chain concepts and take-away is expected to continue, especially within the Fast Casual and Quick Service segment (see fact box).

Duni is responding to the growing demand by developing attractive solutions for take-away and "Food on the Go" and, in close cooperation with expanding restaurant chains, is developing table top concepts and producing take-away packaging which strengthen the customer's brand profile. For some time Duni has been cooperating with restaurant chains such as Vapiano throughout Europe, Cojean and Resto In in France, and Nordsee, Dean & David and Jim Block in Germany.

The strategy is based on Duni developing products and solutions for customers with international concepts, where Duni is able to assist in creating customized solutions which support the brand. Duni acts as concept developer and, together with customers, adds value by offering product concepts or product families which are unique in form, design, function, and material.

In addition to winning new customers, geographic growth within the area often takes place by Duni following existing international chains into new markets.

Geographic expansion

Duni's geographic expansion is taking place both within and outside Europe. In connection with the reorganization in the spring of 2012, a new function – Business Development & New Markets – was created which focuses primarily on growth outside Duni's mature markets in Europe.

Sales outside Europe are modest, but represent great potential in the long-term. Most of the identified markets are demonstrating attractive growth, with a high percentage of meals being eaten outside the home. At the same time, penetration within the substitutable tabletop products area has been low thus far, and accordingly there are great opportunities for Duni. Most of the markets require products which live up to exacting expectations regarding hygiene, a factor which benefits Duni's single-use solutions concept. The population density in many growth areas constitutes an additional sales argument due to shortage of space at restaurants and the high costs for dealing with textile-based products, while Duni's napkins and tabletop products require less space for storage and less time for handling.

For several years, the Middle East has been Duni's largest export market after Europe, at the same time as metropolitan areas in the Asia-Pacific region and South America also constitute rapidly growing markets on which Duni is gradually establishing itself. In the Asia-Pacific region, it is primarily cities such as Singapore, Hong Kong, Tokyo and Sydney which, as a first step, constitute interesting growth markets; in the long term, however, other major cities in the region offer opportunities. The average rate of growth on Duni's prioritized market outside Europe is 20%, and Duni is intensifying the work of increasing sales outside Europe.

Eastern and Southern Europe also offer interesting growth opportunities. In Russia, Duni has built up a new organization which is focused on the 21,000 hotels and restaurants in the country. Sales amount to SEK 45 million, and grew by 48% during the year.

In Southern Europe, especially Italy, Duni has been working for many years on building platforms for sales on new growth markets. The region is linen-oriented and, consequently, competition does not primarily refer to other paper-based products; rather, the challenge is to change strongly ingrained habits. Thus far the strategy has been successful, with an average increase in excess of 30% per year.

Acquisition opportunities and joint ventures

In light of the fact that Duni's sales outside Europe still represent a small proportion of total sales, Duni is constantly on the lookout for acquisition opportunities. Thus, acquisitions and joint ventures on new geographic markets are considered as regards both Asia and Russia, in order to build platforms for growth.

In Europe, Duni is the only major European player focusing mainly on the table top concept market. Competitors primarily consist of small, local companies, as well as a number of larger paper and pulp companies. Some of these companies have concepts and product ranges which, similar to Duni's, are focused on the HoReCa market. Consequently, acquisition opportunities might also be identified on those markets where Duni is well-established, but in such case in the form of an acquisition aimed at consolidating our position.

Increased proportion of premium product sales in order to increase profitability

By increasing sales of premium products, Duni is creating possibilities for increased profit margins. Standard products account for approximately 45%, and premium products for approximately 55%, of the total estimated sales on the European napkin and tablecovering market. The ratio between standard and premium products varies, however, between different regions in Europe. In Southern and Eastern Europe, premium products account for only one-third of the total market, as compared with Northern Europe, where premium products account for approximately two thirds. In both Southern and Eastern Europe, premium products are expected to grow more quickly than on other markets.

Italy is the single largest market in Europe for standard paper napkins and tablecoverings. In addition, Southern Europe (Italy, France, Spain, Portugal and Greece) is the largest market region. The market's size is attributable to the large consumer sector, a high percentage of meals eaten outside the home, and tourism in the region, which also generates large volumes within standard products. In Southern Europe, premium products account for approximately one-third of the total market. In Eastern Europe, too, premium products are estimated to account for approximately one-third of the total market.

The Nordic region, Germany, Austria and Switzerland together comprise the second largest market region in Europe for single-use napkins and tablecoverings, with premium products accounting for roughly two-thirds of the market. The premium products' high market share is largely due to the manufacturers' dedicated sales work and historically strong economic growth.

The UK and the Benelux countries together constitute the third largest market region in Europe for paper napkins and tablecoverings. As in Germany, Austria and Switzerland, premium products account for approximately two thirds of the total market in the Benelux countries, as is also the case in the Nordic region. In the UK, premium products are believed to account for a smaller share of the total market.

Duni is the clear market leader in Central Europe, Northern Europe and the Benelux countries, which are the markets where the premium segment is dominant. Therefore, Duni perceives great growth potential in the countries of southern and eastern Europe, where simpler paper products dominate.

Table top branded goods within the grocery retail trade

Since the beginning of the 2000's, grocery retail sales of private label products have increased at the expense of branded goods. In the single-use table top products sector, this has resulted in an increased focus on simpler, low price products. As a consequence of this trend, total retail sales within the table top products sector have stagnated on most European markets. In general terms, it can be said that retail private labels are over-represented in the table top products category, and often account for more than 50% of sales. The benchmark for the grocery retail chains is often that private labels should account for between 20 and 25%.

This creates possibilities for a strong brand such as Duni to contribute to increased value growth in the category by means of unique, premium-based product concepts aimed at quality-conscious consumers.

DUNI'S ESTIMATED POSITION ON EACH MARKET

Market (By size, in value)	Premium share of market	Duni's position
Southern Europe	1/3	2
Central Europe	2/3	1
The UK	1/3	2
Northern Europe	2/3	1
Benelux	2/3	1
Eastern Europe	1/3	1

WITHIN THE RESTAURANT INDUSTRY, RESTAURANTS ARE DIVIDED INTO VARIOUS CATEGORIES:

Fine Dining	Fine, highly priced restaurants
Casual Dining	Family restaurants, often operated in chains under a single brand, with a lower average price than Fine Dining, but a low percentage of take-away
Fast Casual	Salad bars, etc., with an even higher percentage of chain operations, higher percentage of take-away and lower average price than Casual Dining
Quick Service Restaurants	Hamburger chains, sandwich chains, etc.; the lowest average price, highest percentage of take-away and highest percentage of chain operation

Professional business area

Strong position in Europe constitutes platform for geographic expansion

The Professional business area, which focuses on hotels, restaurants and catering firms, accounted for 73% (73%) of Duni's net sales in 2012. Professional comprises two product categories: Table Top and Meal Service. Table Top primarily markets napkins, tablecoverings and candles combined in matching concepts for the set table. Meal Service markets more functional concepts for meals packaging and serving products, for example to-go, take-away, and catering. In addition, Duni sells packaging machinery for sealing food boxes within the Duniform® concept. Table Top accounts for approximately 80% of total sales within the Professional business area.

In Europe, there are estimated to be more than 200,000 end customers. Approximately 90% of sales to these end customers take place through wholesalers and cash-and-carries.

Development in 2012

Sales within Professional amounted to SEK 2,682 (2,766) m. At fixed exchange rates, this entailed a decline of 0.8%. Operating income was SEK 336 (357) m. The operating margin was 12.5% (12.9%).

The number of visits and average spend on the restaurant and hotel market in Europe declined in 2012. Professional achieved sales on par with, or slightly below, the preceding year, but nevertheless succeeded in creating growth on a number of markets despite the weak economic climate. During the year, Duni continued to successfully win over customers from linen to Duni's single-use premium products, and there is a general continued trend towards an increased use of premium products. The launch of Duni's new tablecovering material, Evolin®, contributed to the trend. The product has been particularly well received within the catering area, where flexible solutions are required.

The structural change within the restaurant industry is continuing. Traditional, privately-run restaurants are declining in number, while restaurant chains with strong brands – particularly those focused on ready to eat meals and take-away – are continuing to grow. The trend also impacts on the cash-and-carry sector, since branded chains purchase directly from producers to a higher degree than individual restaurants. Duni is gradually adapting its operations to the changed situation on the market in order to benefit from growth. Among other things, a separate organization has been created for the range of products for ready to eat meals and take-away (the Meal Service product category).

In central Europe – Duni's largest market – Germany reported unchanged sales compared with 2011, while sales in Austria grew due to an increase in tourism. On the other hand, sales on the Swiss market fell as a consequence of the country's strong currency.

Southern Europe was negatively impacted by the European debt crisis, which in total resulted in a fall in sales of 5–10% for suppliers of tabletop products. Duni's sales, on the other hand, remained unchanged compared with last year, entailing that Duni gained market shares in the region. These successes are in part attributable to the intensified work undertaken during the year on expanding the product range in the form of table top concepts involving tablecoverings, napkins and other tabletop products, combined in matching colors.

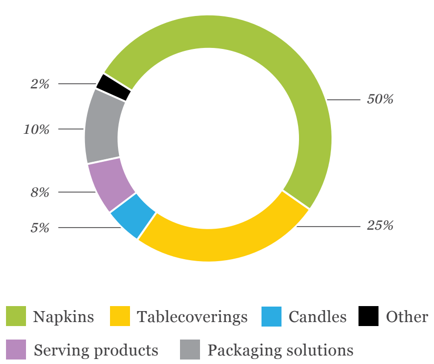
The restaurant industry remained stable, with Sweden being one of the few countries in Europe to demonstrate growth. Duni lost sales in Denmark, but demonstrated stability in other countries. In the UK, Duni discontinued a number of unprofitable contracts, which led to lower sales but increased profitability.

Duni's sales in Eastern Europe continued to increase in 2012, in part due to premium napkins winning market shares at the expense of linen napkins. Russia constitutes Duni's most promising market in the region with a total of 21,000 hotels and restaurants, and Duni enjoyed a growth rate of 48% in 2012.

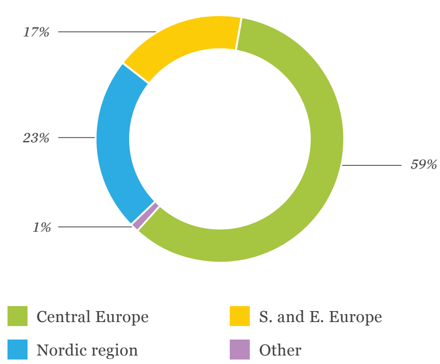
Duni is intensifying its work on increasing sales in the Middle East, South Africa and promising markets in Asia. Exports to the Middle East have been gradually increasing over many years, but are still modest on other markets. The most interesting growth markets comprise rapidly expanding metropolitan

NET SALES,
OPERATING INCOME

NET SALES
PER PRODUCT GROUP, %



NET SALES
PER GEOGRAPHIC REGION, %



areas in South America and Asia, with a growth averaging 20%, a high proportion of meals eaten outside the home, at the same time as penetration within the substitutable tabletop products area has thus far been low.

Table top products accounted in total for 90% of net sales within the business area, with meal packaging accounting for the remaining 10%. Central Europe accounted for SEK 1,578 (1,640) m of net sales, while the Nordic region accounted for SEK 614 (635) m. Southern and Eastern Europe accounted for SEK 455 (462) m and other markets for SEK 35 (29) m.

Unique sales model

Within the Professional business area, Duni has developed a sales model which is unique in the industry and specifically adapted to the customer structure and the role Duni's products play for customers within the HoReCa segment.

The model is based on the Company having its own large sales organization, which devotes most of its time to presenting the product range to end users. Professional's sales force makes a substantial number of visits annually, with approximately half the visits taking place to customers at restaurants, hotels and catering firms.

The frequent visits build up a strong relationship, while a great deal of time is devoted to presenting new products, concepts and collections which create value for both customers and end customers. By continuously demonstrating new areas of use and ways of combining the products, they can be used in an optimum manner by each customer, which contributes to the customer's own profitability.

The customers place their orders with wholesalers, either directly at the wholesaler or through Duni's sales personnel. This constitutes the basis for a strong partnership with both wholesalers and end customers. Some 90% of sales take place in this way via wholesalers and cash-and-carry stores.

The visits to end users distinguish Duni from its competitors, whose sales are primarily focused on wholesalers and cash-and-carries.

Parallel with the sales work at end customers, visits also take place to wholesalers and cash-and-carries. Wholesalers are increasing in importance and currently account for some 50% of sales. Duni provides sales personnel at wholesalers with training in the sale of table top concepts and how Duni's products can be used to the best effect. The sales personnel thereby become knowledgeable and effective ambassadors for Duni's products. Together with wholesalers, visits are also made to major end users.

Within the cash-and-carry segment, customers are served centrally by key account management.

Push/pull-effect

The sales model involves customers being visited by both Duni and by the wholesaler or cash-and-carry, which creates a push/pull effect. The model was introduced in Germany in the 1980s and has spread to other markets, a factor which has strongly contributed to Duni's position.

The end customers are also registered in a database in which sales personnel can see the purchasing patterns and needs of different customers. This helps them to continuously provide suggestions for new solutions and products, and to conduct sales campaigns.

Customer categories

Hotels

The hotel industry is less fragmented than the restaurant industry. Hotel operations – usually with integrated restaurant operations – are often conducted in chains with centralized purchasing. Hotels on higher quality and price levels account for the overwhelming majority of purchases of Duni's premium products.

Restaurants

The restaurant industry is very fragmented, but there are some chains, often with well-defined business concepts. Within the restaurant industry there is a trend towards a clearer segmentation, with strategies focused on quality, lifestyle and price level constituting the basis for the business and dictating its focus. Restaurants on higher quality and price levels account for the overwhelming majority of purchases of Duni's premium products, i.e. higher quality products, often deep dyed or with color print. Take-away is a rapidly expanding segment within the restaurant industry, and one on which Duni develops products in close cooperation with its customers.

Catering

In addition to catering, the larger firms in the catering industry also offer and operate commercial kitchens within both the private and public sector. Within the areas of contract catering and concession catering, the market is dominated by a small number of large companies with international operations. In addition, there are a very large number of smaller companies.

The Professional business area's strategy in brief:

- To be the leader within the premium segment.
- Growth through geographic expansion with focus on increased market shares in Southern and Eastern Europe and the UK.
- To take advantage of new trends and concepts on the HoReCa market, such as increased demand within take-away.

Consumer business area

Gradual advances on challenging consumer market

The Consumer business area, with customers mainly within the grocery retail trade, accounted for 15% (16%) of net sales in 2012. The product range creatively combines design and functionality to create pleasant environments for all occasions when enjoying food and drink. It includes everything from napkins, candles and tablecoverings, to plastic products such as glasses, cups, cutlery and plates. Within Consumer, Duni also sells hygienic wipes in tissue for domestic use under the Duniwell brand, as well as gift wrapping paper.

Development in 2012

In 2012, sales amounted to SEK 551 (612) m. At fixed exchange rates, this entailed a reduction of 8.1%. Operating income was SEK 5 (21) m, entailing an operating margin of 0.9% (3.4%). Following a weak start to the year, Consumer won a number of new customers, which gradually improved both product mix and relative profitability during the year.

Central Europe experienced a mixed trend. One major customer went into bankruptcy, but the shortfall was largely offset by a number of new contracts, including with the German grocery chains Edeka and Toom. Work is underway on building new shelves and concepts at the new customers.

In the UK, profitability improved during the year, while sales declined due to a degree of restructuring at customer level.

In the Benelux countries, the trend was relatively stable compared with 2011. The customer market was further consolidated through Jumbo's purchase of C 1000, with the result that the chain is now focusing on its private labels in the category.

On the Nordic market, the largest companies are continuing to focus on their private label goods, which has a negative impact on sales. Despite a tough year, a number of new contracts were signed in the latter part of the year.

Duni's web shop for the Swedish market, which was started at the end of 2011, is increasing accessibility for consumers and has generated additional sales. On the Swedish market, a cooperation project is also being carried out with a company specializing in home party sales. The sales levels are low, but the channels constitute a good marketing channel which is expected to contribute to increased sales in the long term.

Of the net sales within Consumer, Central Europe accounted for SEK 457 (502) m, the Nordic region for SEK 75 (82) m, Southern and Eastern Europe for SEK 18 (26) SEK m m, and other markets for SEK 1 (2).

Marketing, sales and customers

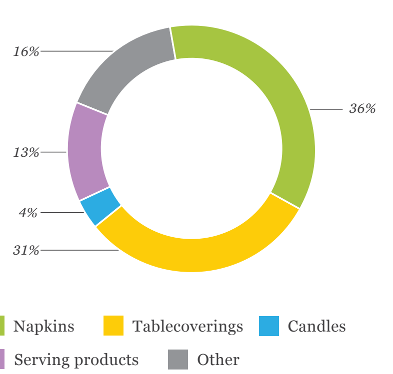
Sales to grocery retail chains and hypermarkets account for by far the largest portion of sales within Consumer. A clear majority of sales consist of Duni branded products. Marketing and sales are based on key account management which, among other things, means that particularly important customers – primarily grocery retail chains – have their own customer account manager at Duni. In addition to key account management, there is also a sales force in each region which spends a large part of its time in the field visiting the customers. These customer visits often concern merchandising, the marketing of new product ranges, and the implementation of campaigns and activities. Merchandising is carried out by Duni's personnel and external partners. Sales also take place to pharmacies, chain stores in the home furnishings sector as well as various specialty stores and gardening outlets.

Duni works together with the retail trade to optimize sales in the product category. Individual products are brought together into a concept based on the customers' different needs and uses. Category growth and profitability are created by increasing the presence of Duni's unique premium products.

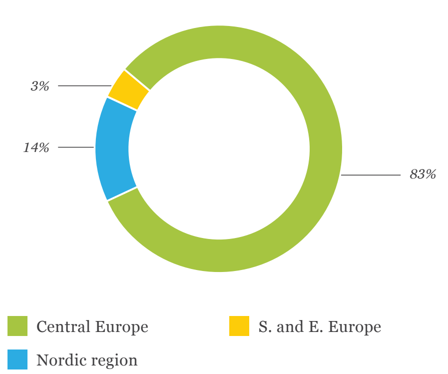
In 2012, a new concept was also developed in which Duni cooperates with known designers or design houses for the design of various collections. Duni has exclusive rights in the category. The concept is marketed under the name "Designs for Duni™". First off the mark are the well-known Finnish design houses Vallila and Jukka Rintala, as well as the Dutch Melli Mello brand for Germany and the Benelux countries.

NET SALES,
OPERATING INCOME

NET SALES
PER PRODUCT GROUP, %



NET SALES
PER GEOGRAPHIC REGION, %



The business area's strategy in brief:

– To operate in the category together with the grocery retail trade, based on a customer and consumer perspective.

– To offer the trade's private labels as a profitable complement to Duni's own products.

– To develop and increase the attractiveness of the Duni brand in order to increase demand in stores.

Customer categories

Customers are mainly grocery retail chains, but also other channels such as specialty stores.

Grocery retail trade

The European grocery retail trade is concentrated on a small number of large companies in each country, such as Tesco (the UK), Aldi (Germany), Carrefour (France), and ICA (Sweden). The larger companies have centralized purchasing and some have joined forces in international purchasing associations.

Other

Other customers within Consumer consist of pharmacies, various specialty stores, gardening outlets and home furnishing stores. In addition, Duni engages in e-commerce on the Swedish market.

The business area's strategy in brief:

– Focus on Duni's core business – material for tabletop products

Tissue business area

Tissue and airlaid – Duni's base

The Tissue business area, which produces tissue and airlaid for table top products and hygiene products, accounted for 12% (11%) of sales to external customers in 2012. Just over 45% of production is sold to external customers, primarily for the manufacture of hygiene products, while the remainder is used within Duni.

Tissue and airlaid constitute the basis for Duni's production of table top products, such as napkins and tablecoverings, as well as hygiene products. The term 'airlaid' refers to air laid tissue, while 'tissue' refers to wet laid tissue. Production plants are located in Skåpafors and Dals Långed in Dalsland. These paper mills are relatively small and specialized in the production and deep dyeing of high-quality tissue and airlaid.

Development in 2012

Sales within Tissue in 2012 amounted to SEK 436 (428) m. Operating income amounted to SEK -1 (25) m. The operating margin was -0.2% (5.9%).

Duni began the year with relatively high inventory levels. This factor, combined with low sales, had a negative impact on operating income. In addition, airlaid material, which is produced and sold to external customers within the hygiene products area, demonstrated deteriorating profitability.

Prices of short fibre pulp used in tissue production increased at the beginning of the year, stabilised around the end of the first half of the year, and thereafter declined somewhat. Prices of long fibre pulp, which is used in the production of tissue, were initially relatively stable, began to fall around the end of the first half of the year, and stabilised during the latter part of the year. Prices of fluff pulp (long fibre pulp prepared for production in dry environments) used in airlaid production were relatively stable.

During 2012, work focused on commencing production of the new material, Evolin®, and establishing stable processes. A new roller was installed and brought into commission for one of the production's tissue lines, and an upgrade of one of the airlaid machines began at the beginning of the year with the aim of increasing flexibility and efficiency.

Events since 31 December 2012

In February 2013, Duni decided to commence negotiations with the unions regarding closure of the operations within the Tissue business area relating to external sales, primarily to external customers within the hygiene products sector.

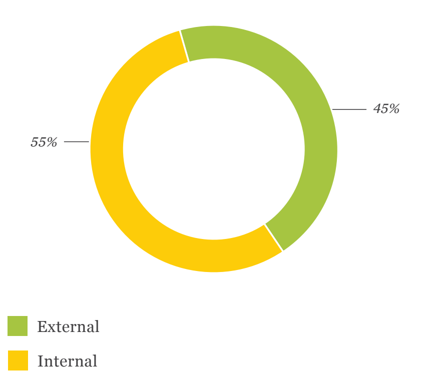
Customer categories

Most of Duni's production of air laid tissue, commonly referred to only as airlaid, is sold externally as an input material to manufacturers of hygiene products for the consumer market. Customers within this category are often global companies with their own organizations for product development, manufacturing and distribution.

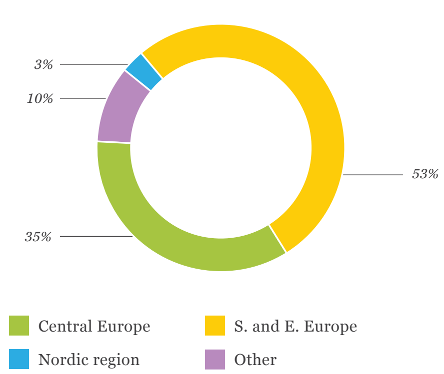
Duni's production of wet laid tissue, commonly referred to as tissue, is mainly used internally and meets Duni's own needs for the manufacture of table top products. Tissue is produced in various qualities and processed into various materials, such as Dunicel® and Dunisilk® . Dunicel® is a robust material which is suitable for the production of table top products and has a feel which resembles cotton and linen tablecoverings. Dunisilk® is a material which is used for tablecoverings and has been produced to protect the table and can be wiped off after use. Production of airlaid meets Duni's own needs for the production of napkins. The unique premium material, Dunilin® , has incredibly good absorption quality combined with a very soft feel. Since the end of 2011, production is also taking place of Evolin®, a new and revolutionary tablecovering material which is a direct alternative to linen.

NET SALES
UNDERLYING OPERATING INCOME

EXTERNAL AND INTERNAL SALES, %



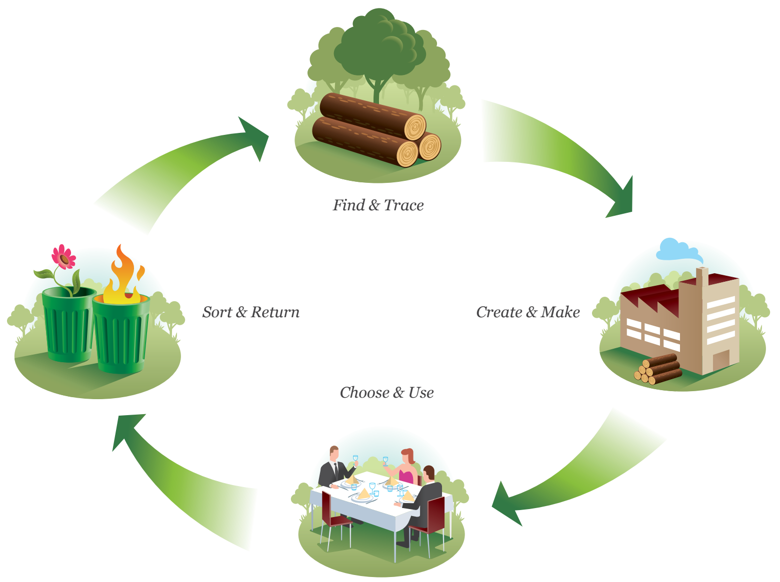
NET SALES PER GEOGRAPHIC REGION, %



Our Blue Mission

– value-creating social responsibility

Responsibility for the environment, working conditions and profitability throughout the life cycle of Duni's products constitutes an essential basis for Duni's employees and those of its suppliers. The program designated as "Our Blue Mission" is being launched in 2013 as a successor to "Our Green Challenge", with the objective to take Duni's work to the next level.



Our products – The core of our value chain

Duni offers a competitive product range from a sustainability perspective. Focusing on responsibly sourced raw materials and efficient production, we are seeking innovative solutions in order to constantly improve our environmental profile. Most of Duni's products are made from the renewable raw material, paper, which is sourced from responsibly managed forests certified in accordance with FSC®. Manufacturing is certified in accordance with ISO 14001 and Duni demands that the Group's subcontractors engage in systematic environmental work.

Development work within the areas focused on using resource-efficient materials which are renewable (plant-based), compostable, or from a certified raw material. Examples of input materials include sugarcane fiber, bioplastics from corn and recycled plastic or other recycled material. Duni's products can also be generally recycled as regards plastic, aluminum, cardboard and paper or wet strength/laminated paper.

The ecoecho™ product range for meal solutions promotes products with an improved environmental profile compared with corresponding standard products.

The newly launched product, Evolin®, has a clear environmental profile by being based on a certified raw material. It is compostable at industrial plants in accordance with biodegradability standard EN 13432 and is technically recyclable as wet strength paper/laminated paper.

Duni also has the ambition that information regarding the environmental and safety profile of its products shall be fact-based and easy for the consumer to understand. As a first stage in this work, Duni has commissioned life cycle studies regarding napkins and tablecoverings. (To read the reports, visit Duni.com).

The fact that Duni's products are primarily intended for contact with food entails a responsibility to guarantee safety as regards defined use. Duni's products are tested to ensure that we do not exceed the stringent limits which, for example, are in place to prevent chemicals from plastics or dyes from passing into foodstuffs. In addition, Duni's candles comply with the RAL quality standard for candles and we also offer candles with the Nordic Ecolabel (Svanen).

Within production, programs focused on systematic work are in place within the areas of the environment, quality, hygiene and safety. Duni's own production plants have been granted ISO 14001 environmental management system and ISO 9001 quality management system certification. Duni's converting plants are also certified in accordance with BRC-CP (British Retail Consortium- Consumer products) within the area of product safety and quality.

People – Code of conduct at Duni and our suppliers

As a market leading brand focused on growth within new sectors and geographic areas, Duni recognises the trust that customers place in the Company complying with the highest ethical standards. Duni's corporate social responsibility guidelines includes a code of conduct (both for Duni and suppliers) focused on human and worker rights and occupational health and safety as well as procedures for business ethics, crisis management and support for charitable purposes. The guidelines apply to all employees and within all business areas, without exception, in addition to compliance with national laws and regulations.

The supply chain

Duni carries out annual audits of, and follow-up visits to, the production plants of its suppliers in order to ensure compliance with Duni's requirements. One principle guiding Duni's work concerning codes of conduct is to achieve a neutral competition situation by applying uniform requirements to all subcontractors, irrespective of where in the world they operate.

Only suppliers with a positive and responsible attitude towards social issues and work conditions are used. The work of evaluating suppliers is based on agreements with Duni's labor unions. Such agreements exist, for example, with the Swedish labor union, Unionen, and between Duni and the Duni European Work Council (DEWC). Duni also complies with requirements set forth in a number of ILO (International Labor Organization) conventions in the area.

In conjunction with the audits, evaluations are made regarding, among other things, working conditions, safety at the plant, ensuring that child labor does not occur, compliance with minimum wages, and that the number of work hours is in accordance with the legislation of the country where the production takes place.

An evaluation is also made of hygiene issues to ensure that rigorous hygiene standards are observed when producing the products. In addition, an evaluation is made as to whether the subcontractor actively works with the ISO 9000 quality system and the ISO 14001 environmental management system or equivalent.

Our surroundings and direct environmental impact

Duni engages in systematic work to reduce the impact on the environment from our production units. The primary environmental aspects are use of power and water, consumption of raw materials, emissions into the air and water and also dyeing and printing processes.

Dyes and printing inks are primarily water-based and organic, and all of Duni's production units have a program for replacement of chemicals. Efficient waste water purification systems are installed. All production units sort waste and engage in recycling work.

All production units hold all applicable permits and conduct regular reviews of applicable requirements.

Energy and carbon footprint

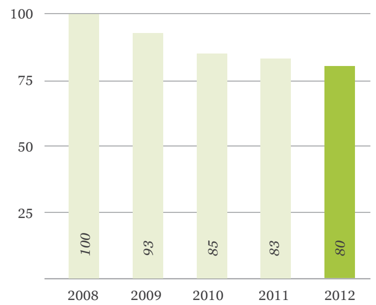
Reducing the carbon footprint is an important aspect, striving to achieve production using renewable sources of energy. At Duni, direct use of fossil energy sources takes place almost exclusively in the form of LPG and natural gas. Other sources, such as oil, have been replaced by biofuel and district heating. Where applicable, we also use low fossil electricity in accordance with local regulations.

We are continuing to seek alternatives to direct and indirect use of fossil fuels. Within logistics, we are engaged in close cooperation with our selected logistics companies, entailing an active environmental agenda.

Between 2008 and 2012 we have reduced by 20% our carbon footprint from production.

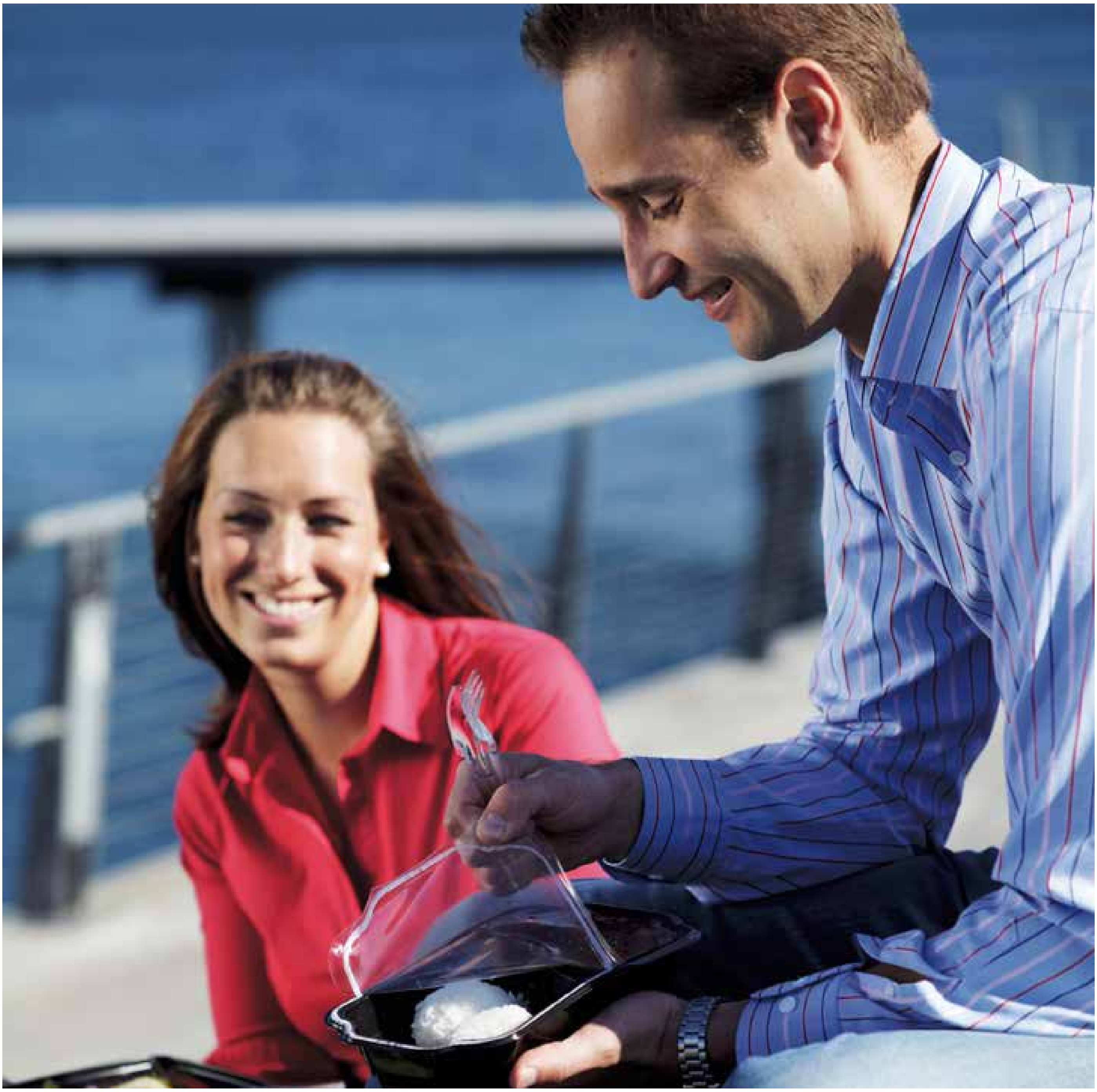
CARBON FOOTPRINT EMISSIONS (CO_2EQ.)

(Index 100 for 2008, target index 75 for 2012.)



MANAGEMENT SYSTEMS, CERTIFICATION, AND ENVIRONMENTAL PERMITS

	Paper mills Sweden	Converting Germany	Converting Poland	Logistics Germany
ISO 14001	Yes	Yes	Yes	Yes
FSC® certificate	Yes	Yes	Yes	Yes
Energy management certification	Yes			
Environmental permits required	Yes	No	Yes	No



Employees

Core values and operating principles

Duni operates on the basis of four core values which provide guidance in the day-to-day operations and clarify how things are to be done “the Duni way”. The core values – Ownership, Added value, Open mind and Will to win – find concrete expression in a number of operating principles and, taken together, are aimed at creating profitable growth, organizational efficiency, and improved customer satisfaction.

Duni’s core values and operating principles are:

Ownership:
We keep our promises and are committed to delivering results. We dare to try. We create value for our stakeholders while respecting sustainable development.

Added value:
We put our customers first. Speed is of the essence and we cross borders to find the solution. Innovation and quality are part of our mindset.

Open mind:
We trust and empower our colleagues. We have the courage to change. We listen, learn and share.

Will to win:
We are always one step ahead. We seek opportunities and take action. We celebrate success.

The work climate at Duni is characterised by respect for the equal value of each individual, irrespective of gender, ethnic background, nationality, religion, disability or other differences which are unrelated to good work performance.

Skills and management development

Skills and management development are prioritized issues at Duni. Each employee shall have a personal development plan prepared by the employee personally in consultation with his/her supervisor. The personal development plan is adopted at the annual individual planning and performance review.

Recruitment

Recruitment is a key issue for the Company’s success. Duni requires well-qualified and motivated staff to ensure that we achieve our goals. A successful company with a strong brand creates opportunities for a qualitative recruitment process and structure that contribute to the recruitment of the very best employees.

Salaries and reward system

Duni applies individual salaries and, in several subsidiaries, salaries are partially linked to performance, based on a combination of financial targets and other measurable business targets.

Business ethics

Business ethics are of the utmost importance. Duni’s growth on new markets is accompanied by a clear establishment of ethical guidelines. Duni’s employees are in daily contact with customers, suppliers, owners, representatives of the community and other stakeholders. It is of fundamental importance that, at Duni, profits and sound business ethics go hand in hand. First and foremost, it is a question of how our employees behave in their day-to-day business contacts. Duni’s business ethics policy defines and establishes rules within areas such as behavior, conflicts of interest, confidentiality, cartels, gifts/corruption/bribes, as well as reporting of violations.

Facts

On December 31, 2012, Duni had 1,875 employees, equal to 1,818 full-time positions. The geographic and functional breakdown of Duni’s employees is shown below.

The blue collar employees work within logistics, manufacturing and maintenance. Most blue collar employees (79.5%) work within manufacturing and maintenance at the plants in Dals Långed, Skåpafors, Bramsche, and Poznan. Approximately 32.3% of blue collar employees in Germany work within logistics at the international distribution center in Bramsche. All blue collar employees in the UK work within logistics at the distribution center in Speke. 56% of white collar staff work within sales. The remaining white collar staff work within business support involving accounts, marketing, planning, purchasing and IT, primarily in Sweden, Germany and Poland. Duni’s employees belong to different labor unions depending on their position and country of employment. The employees are organized in a European Workers Council. Duni’s relations with the labor unions are in all essential respects positive and Duni considers the personnel turnover for the Group as a whole to be relatively low.

Duni has identified a number of main areas for its CSR work:

- Dependence on, and usage of, raw-materials & energy
- Impact on the climate
- Products intended for food contact use and safety for consumers
- Occupational health and human rights of people working to manufacture Duni products
- Short life-cycle of Duni products, end-of life impact
- Impact on local communities and environment of Duni’s own manufacturing
- Risk in external business relations, anti-corruption, business ethics

GEOGRAPHIC AND FUNCTIONAL BREAKDOWN

Country	Blue collar employees	White collar staff	Total
Sweden	217	174	391
Germany	545	276	821
Poland	253	91	344
The Netherlands	0	51	51
UK	16	23	39
Other	1	171	172
Total	**1,032**	**786**	**1,818**

AVERAGE NUMBER OF EMPLOYEES

2008	2,041
2009	1,953
2010	1,948
2011	1,928
2012	**1,889**

The share

Performance and turnover

Duni has been listed on NASDAQ OMX Stockholm since November 14, 2007, in the Midcap, Consumer Discretionary list with the ticker name ”DUNI” and ISIN-kod SE0000616716. The final price upon listing was SEK 50 per share, entailing a market capitalisation for Duni of SEK 2.35 billion. Since the listing, Duni's share price has increased by 18% up to December 31, 2012, entailing a market capitalisation of SEK 2.77 billion at the end of 2012. During 2012, the closing price varied between a high of SEK 63.00 on February 10 and a low of SEK 51.25 on June 15. Earnings per share for the year were SEK 2.63. During 2012, 15.0 million Duni shares changed hands, valued at SEK 842 million.

Number of shares and share capital

On December 31, 2012, Duni AB (publ) had 46,999,032 outstanding shares. Each share entitles the holder to one vote and to an equal share in the Company's assets and earnings. The quotient value is SEK 1.25 and the share capital is SEK 58,748,790.

Dividend policy and dividends

It is the intention of the Board of Directors that, in the long term, dividends shall amount to at least 40% of income after tax. However, when deciding whether to propose any dividend, consideration shall be given to Duni's possibilities for expansion, the need to strengthen the balance sheet, liquidity as well as financial position in general. The Board of Directors proposes to the annual general meeting that a dividend be paid of SEK 3.50 per share for the 2012 financial year.

External analyses were published by:

– SEB Enskilda Equities, Christopher Lyrhem

– ABG Sundal Collier, Andreas Lundberg

– Handelsbanken Capital Markets, Casper Blom

Further information about the Duni share is available on www.duni.com

SHAREHOLDER STRUCTURE DEC. 31, 2012

	Number of shareholders	Number of shares	% of shares
1 – 500	3,741	654,699	1.39
501 – 1,000	710	585,181	1.25
1,001 – 5,000	479	1,111,238	2.36
5,001 – 10,000	70	536,167	1.14
10,001 – 15,000	17	226,332	0.48
15,001 – 20,000	11	192,379	0.41
20,001 –	79	43,693,036	92.97
Total	**5,107**	**46,999,032**	**100.00**

DATA PER SHARE

Amounts, SEK	Dec. 31, 2012
Number of shares at end of period (thousands):	46,999
Average number of shares before and after dilution (thousands):	46,999
Price on December 31:	59.00
Earnings per share before and after dilution:	2.63
Equity per share:	43.65
P/E-ratio per Dec. 31, 2012	22.43

SHAREHOLDERS DEC. 31, 2012

	Number of shares	% of shares
Mellby Gård Investerings AB	14,094,500	29.99%
Polaris Capital Management, LLC	5,052,677	10.75%
Lannebo fonder	4,514,301	9.61%
Carnegie fonder	3,745,000	7.97%
Swedbank Robur fonder	3,320,441	7.06%
SSB CL Omnibus AC OM05	2,818,894	6.00%
Odin Fonder	2,320,256	4.94%
SSB CL Omnibus AC OM07	1,614,555	3.44%
Mellon US	1,009,628	2.15%
JPM Chase NA	841,170	1.79%
Total, the ten largest owners		
– in terms of holdings	39,331,422	83.69%
Other shareholders	7,667,610	16.31%
Total	**46,999,032**	**100.00%**

Share performance 2012, SEK, closing price

Share performance 2007 – 2012, SEK, closing price

Annual Report
Content

Directors' report

Directors' report – the Group

Duni is one of the leading companies in Europe within attractive, quality table setting products and concepts, as well as packaging for take-away. The Group's strong position has been achieved thanks to a combination of high quality products, a well-reputed brand, established customer relations, as well as a strong local presence on most European markets. Operations are conducted within three business areas: Professional, Consumer and Tissue.

In the **Professional** business area, Duni offers concepts and products primarily to hotels, restaurants and catering companies. Professional comprises two product categories: Table Top and Meal Service. Table Top primarily markets napkins, tablecoverings and candles, combined in matching concepts for the set table. Duni is a market leader within the premium segment in Europe. Meal Service markets more functional concepts for meal packaging and serving products, for example to-go, take-away and catering. As a niche player within this area, Duni enjoys a leading position in the Nordic region. The Professional business area accounts for approximately 73% of Duni's sales.

Within the **Consumer** business area, Duni offers consumer products primarily to the retail trade. The range includes napkins, tablecoverings, candles, glasses and cutlery. The products are marketed primarily under the Duni brand. Duni also develops and manufactures products for customers which market them under private labels. Duni enjoys a leading position in the Benelux countries, the Nordic region, Germany, Switzerland and the UK. The business area accounts for 15% of Duni's sales.

The **Tissue** business area produces airlaid and tissue based material which is used in products within the other business areas and is a subcontractor to external customers, mainly within the hygiene products industry. Tissue accounts for approximately 12% of Duni's sales. For mor information regarding business area Tissue, see session "Important events since December 31, 2012".

Product and concept development

Within product development, Duni's work involves new designs and color schemes, as well as new materials and solutions. Duni focuses on product and concept development, and possesses a unique strength within form, design and functionality. Duni's innovation process is characterized by the ability to quickly and flexibly develop new collections, concepts and products which create a clear added value for the various customer categories on the market.

Duni engages in development within the market segments in which the Group enjoys a leading position. At the same time, the Group continues to develop new products and concepts for new segments.

2011 saw the launch of Evolin®, a new and revolutionary tablecovering material which combines the feel and look of textile and linen tablecoverings with the advantages of the single-use product. Significant resources have been invested in the development work, which has resulted in an entirely unique, patent-pending product manufactured from a hybrid material based primarily on a renewable raw material. Evolin is aimed at those restaurants and catering firms that currently use linen.

One advantage with Evolin is that Duni is entering a market segment which is significantly larger than Duni's current addressable market. Evolin was launched in 2012 in a limited number of colors and tablecovering designs. The rollout is continuing in 2013, with more colors and sizes. This is a very exciting phase in Duni's development, since the Company's successes are largely based on unique premium materials such as Dunilin® and Dunicel®.

Market development

Global economic prospects are a main indicator as regards the state of health of the HoReCa market. Broad economic growth is positive for the HoReCa industry since it stimulates consumption within HoReCa and, in doing so, also demand for single-use products. However, almost all European markets witnessed a slowdown in GNP growth in 2012, compared with 2011. The long-term trend continues, though, to point to more restaurant visits and an increase in the number of hotel nights spent, primarily driven by changing patterns of consumption and economic growth. New restaurant concepts, as well as ready prepared food in grocery stores, take-aways and quick service restaurants, are increasing in number and these concepts are gaining ever larger market shares. After a number of years of sluggish economic growth, the mature European markets are seeking greater value and HoReCa companies are competing harder in order to gain an even larger share of total meal experiences. On the customer side we are witnessing continued structural changes within the restaurant industry, with those restaurant chains operating under a common brand growing more quickly than the market in general. This development benefits Duni's sales of customized concepts and, during the year, resulted in the initiation of cooperation projects with a number of new customers within the sector.

Duni's product categories in the retail sector demonstrate a low to flat rate of growth (AC Nielsen), with a major focus on cut-price products and private labels. Parts of the categories have also obtained an expanded sales base in other channels, such as garden centers, home furnishing stores and DIY stores. Duni is also focusing sales efforts on these channels to an ever increasing degree on certain markets. Despite tough competition and a weak start to the year, a number of new contracts were signed during the second half of 2012, the full impact of which will be felt commencing 2013.

Prospects

The HoReCa industry is greatly influenced by lifestyle changes and trends. Long-term demand is being driven primarily by greater purchasing power combined with changed habits, which involve an increased proportion of meals being eaten outside the home. In addition, demand for Duni's products benefits from the fact that more restaurants are choosing to replace linen with premium quality single-use solutions. Furthermore, the trend towards increased speed and convenience connected with meals is continuing, and thus the take-away alternative is continuing to grow. This trend is reinforced by the continued increase in the number of single households and continued urbanization. The launch of Evolin also opens up a new, potential market for Duni.

From a macroeconomic perspective, a degree of recovery is expected in 2013, since several of the European countries are expected to return to growth.

Reporting

The annual report covers the 2012 financial year. 'Preceding year' means the 2011 financial year. The reported operating income includes two non-recurring items: restructuring costs and unrealized valuation effects of electricity and currency derivatives.

The restructuring costs amount to SEK 113 (6) m. SEK 83 m of these costs relate to write downs of fixed assets and inventory relating to the planned closure of the hygiene products unit within Tissue. SEK 12 m relate to the restructuring program initiated in 2011. In addition, costs of SEK 18 m were booked during the year with respect to the change in CEO, restructuring on certain export markets, and write down of other fixed assets. For more information regarding restructuring costs, see Note 9.

The unrealized valuation effect of electricity and currency derivatives has, in principle, ceased since trading in electricity derivatives ceased during the year.

The operating income is commented on in the text, exclusive of these non-recurring items.

Sales

Duni's net sales amounted to SEK 3,669 (3,807) m. Sales for the year fell by 3.6%. At unchanged

SEK m	2012	2011
Non-recurring items		
Underlying operating income	340	404
Unrealized value changes, derivative instruments	0	-10
Restructuring costs	-113	-6
Reported operating income	**228**	**388**

exchange rates from the preceding year, net sales for the year were down SEK 63 m compared with the results for 2011; this represents a decline in sales of 1.6%. Professional demonstrated stability, while Consumer experienced an extremely weak start to the year.

Sales within the Professional business area fell by 3.0% in 2012. At fixed exchange rates, this corresponds to a fall in sales of 0.8%. The fast-food and take-away segment experienced positive growth. A large part of the decline in sales is attributable to the UK, where Duni phased out large standard napkin contracts.

Sales within the Consumer business area fell by 10.0%. At fixed exchange rates, this corresponds to a fall of 8.1%. Following a very weak start to the year, the business area succeeded in securing several large customer contracts; phasing in of these contracts began in the autumn and the impact on sales will be felt in 2013.

Sales within the Tissue business area increased by 2.0%. Demand within the hygiene products sector is stable over a business cycle, but it is an extremely demanding area in which to operate. Strenuous demands are imposed for regular efficiency improvements and active participation in materials development. This part of Duni's business has not been sufficiently profitable and the assessment has been made that acceptable profitability also cannot be achieved in the foreseeable future. Consequently, in February 2013 Duni's Board of Directors decided to commence negotiations with the unions regarding closure of the production unit which manufactures and sells material to the hygiene products sector. Sales from this production unit primarily comprise external sales for the Tissue business area. The reduction in sales is not expected to have any negative impact on Duni's operating income. It is estimated that the unit will be fully closed down during the first quarter of 2014.

Income

Underlying operating income amounted to SEK 340 (404) m. At unchanged exchange rates for the preceding year, operating income would be SEK 52 m lower for the year. At 9.3%, the operating margin was somewhat lower than in the preceding year (10.6%). The year has been characterized by a low level of capacity utilization at the converting plants and within tissue production. High inventory levels combined with the weak economic climate led to a need to regularly reduce inventory levels during the year, in contrast to the inventory build-up which has taken place in recent years.

Financial items amounted to SEK -25 (-30) m. The difference compared with the preceding year is attributable to lower interest costs, as well as certain higher interest revenues. Income before tax was SEK 202 (358) m.

A tax expense of SEK 79 (98) m is reported for the year. The effective tax rate is high, 38.9% (27.3%), due primarily to the SEK 30 m reassessment of the deferred tax asset since the Swedish corporate income tax rate was reduced from 26.3% to 22% on January 1, 2013.

During the year, the deferred tax asset relating to loss carryforwards was reduced by SEK 12 (41) m due to non-recurring items.

Net income for the year was SEK 124 (261) m.

Investments

The Group's net investments amounted to SEK 113 (377) m. Depreciation and amortization amounted to SEK 112 (107) m. The investment level for the year was significantly lower than in the preceding year, due primarily to the fact that no structural projects were carried out, such as investments in real estate, additional construction or product rollouts. Investments made related primarily to the Group's production plants in Poland, Germany and Sweden.

Impairment of fixed assets for the year amounted to SEK 83 m, with SEK 73 m being related to machinery and buildings in connection with the planned closure within the Tissue business area. The remaining SEK 10 m relates to other impairment of fixed assets.

Cash flow and financial position

The Group's operating cash flow was SEK 429 (362) m. Cash flow is strong thanks to a significant reduction in inventory and a lower investment level than in previous years.

The Group's total assets as per December 31 amounted to SEK 3,514 (3,681) m.

The Group's interest-bearing net debt was SEK 555 m. The interest-bearing net debt on December 31, 2011 was SEK 745 m.

Operational and financial risks

Duni is exposed to a number of operational risks which it is important to manage.

The development of attractive product ranges, particularly the Christmas collection, is very important in order for Duni to achieve satisfactory 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, and to create, new trends.

A weaker economic climate over an extended period of time in Europe could lead to a reduction in the number of restaurant visits, reduced consumption and increased price competition, which can impact on volumes and gross margins.

Duni's finance management and its handling of financial risks are regulated by a finance policy adopted by the Board of Directors. This work is presided over and managed by the Group's Treasury, which is included as a unit within the Parent Company. The Group divides the financial risks into market risks, consisting of currency risks, price risks and interest rate risks, as well as credit risks and liquidity risks. These risks are controlled in an overall risk management policy which focuses on unforeseeability on the financial markets and endeavors to minimize potential adverse effects on the Group's financial results.

Commencing July 5, 2012, Duni has a new financing agreement in place which extends for 3 years. The borrowing is thus once again reported as long term. See also Note 3 regarding risk management.

Legal disputes

Upon closing of the accounts, there were a few disputes with customers and suppliers involving small amounts, as well as regarding intellectual property rights. Provisions have been made in the annual accounts which, in the management's opinion, cover any negative outcome of these disputes. See also Note 35, Pledged assets and contingent liabilities.

Environment

In accordance with an adopted environmental strategy, Duni works according to policies and goals covering development and information concerning products, efficiency and controlled production, as well as knowledge and communication from an environmental perspective.

Environmental and quality systems in accordance with ISO 14001 and ISO 9001 have been implemented and certified at all of the Group's production units. Suppliers are evaluated in accordance with the Group's Code of Conduct, which covers both environmental and social responsibility.

Duni has also been granted FSC (Forest Stewardship Council) certification regarding the sale, production and distribution of, among other products, napkins, table covers and serving products. This means that Duni's cellulose products are sourced from sustainable forests.

Rexcell Tissue & Airlaid AB conducts two operations which are subject to permit requirements pursuant to the Swedish Environmental Code. The Group holds permits for the production of 65,000 tonnes of wet laid tissue per year and 52,000 tonnes of airlaid tissue per year at the mill in Skåpafors and 10,000 tonnes of airlaid tissue in Dals Långed. The mills hold permits issued by the Administrative Board in Västra Götaland County regarding emissions of carbon dioxide, CO2. The allocation of emission rights involves 2,779 tonnes per year in Dals Långed and 14,154 tonnes per year in Skåpafors up to and including 2012, with a new allocation being published in March 2013.

The Board's work

During the year, the Board comprised five members, all of whom were re-elected at the annual general meeting held on May 3, 2012. The Board also includes two employee representatives and two alternate employee representatives. During the year, the Board held nine meetings at which minutes were taken. For further information regarding the work of the Board, see the Corporate Governance Report.

Employees

Good working conditions, clear goals and structures combined with regular support to employees constitute the foundations for creating growth and profit. Human Resources (HR) has the task of supporting management, supervisors and employees in order to stimulate employee development, increase involvement, and drive and coordinate work regarding change. HR also assists in the work of ensuring a sound work environment for all employees.

Duni operates based on four core values which provide guidance in the day-to-day work and clarify how things are done "the Duni way". The core values – Ownership, Added value, Open mind, and Will to win – find concrete expression in a number of operational principles which, taken together, are aimed at creating profitable growth, organizational efficiency, and increased customer satisfaction.

On December 31, 2012, there were 1,875 employees. On December 31, 2011, there were 1,888 employees.

Remuneration for the CEO and senior executives

Principles regarding the CEO and senior executives, as proposed to the 2013 annual general meeting, to be applicable in 2013, correspond in all essential respects to the established principles which were adopted by the 2012 annual general meeting. For information regarding remuneration to the CEO and senior executives and relevant guidelines, see the Corporate Governance Report and Note 13.

Foreign companies and branches

Duni conducts operations under its own management and has employees in 17 European countries.

Important events since December 31, 2012

In a press release dated February 12, 2013, Duni announced that it had decided to commence negotiations with the unions concerning the closure of the part of the business of the subsidiary, Rexcell Tissue Airlaid AB, which is involved in external sales, primarily to the hygiene products sector.

Parent Company's Directors' report

Sales, income and financial position

The Parent Company, Duni AB, is responsible for the Group's sales and customer support on the Nordic market. The Parent Company also contains Group management and joint Group staff functions such as finance, personnel, purchasing, communication, marketing and IT. Parts of the Group's development resources are located in the Parent Company.

Net sales amounted to SEK 1,056 (1,159) m. Operating income was reported at SEK -135 (-70) m, and net financial items at SEK 245 (268) m. The net financial items include internal dividends received during the year of SEK 153 (153) m and a received group contribution of SEK 84 (112) m. Net income for the year was SEK 63 (160) m.

The Parent Company's investments in fixed assets amounted to SEK 14 (42) m.

The Parent Company's equity ratio at year-end was 64.7% (66.2%). The Parent Company's cash and equivalents on December 31, 2012 amounted to SEK 130 (43) m.

Operational and financial risks in the Parent Company

The Parent Company's risks correspond in all essential respects to the Group's risks.

Duni's finance management and its management of financial risks are regulated by a finance policy adopted by the Board of Directors. This work is presided over and managed by the Group's Treasury, which is included as a unit within the Parent Company. The Group shares in the financial risks in market risks, comprising currency risk, price risk and interest rate risk, as well as credit risk and liquidity risk.

Ownership and share

Ownership structure on December 31, 2012

Duni is listed on NASDAQ OMX in Stockholm under the ticker name "DUNI". The largest owners on December 31, 2012 were Mellby Gård Investerings AB (29.99%), Polaris Capital Management, LLC (10.75%) and Lannebo fonder (9.61%).

Duni's share

Duni's share capital consists of 46,999,032 outstanding common shares, each carrying 1 vote per share. The quotient value of the shares is SEK 1.25. Duni holds no shares in treasury.

There shall be no fewer than 32,008,000 and no more than 128,032,000 shares. There are no outstanding warrants or convertible debentures. Senior executives together own 0.19% of the shares in Duni as per December 31, 2012.

Further information concerning Duni's share and owners is provided in the Corporate Governance Report.

Allocation of earnings proposed by the Board of Directors and CEO

The Board of Directors proposes to the 2013 Annual General Meeting that a resolution be adopted regarding allocation of earnings entailing that a dividend of SEK 3.50 per share, equal in total to SEK 164,496,612, be paid to shareholders registered on the record date, May 7, 2013, and that the remaining unrestricted shareholders' equity be carried forward.

Provided that the 2013 Annual General Meeting resolves in accordance with the Board's dividend proposal, SEK 1,725 m will be carried forward. After the proposed dividend, there will be full coverage for the Parent Company's restricted equity. The Group's shareholders' equity amounts to SEK 2,051 m.

As a basis for its dividend proposal, pursuant to Chapter 18, section 4 of the Swedish Companies Act (2005:551) the Board has made the assessment that the proposed dividend is defendable in light of the demands imposed by the business as regards the size of the shareholders' equity in the Parent Company and the Group, as well as the needs of the Parent Company and the Group to strengthen the balance sheet, and as regards liquidity and financial position in general. The Board has also taken into account the restructuring expenses incurred in 2012 and the new accounting principle regarding pension liability, and makes the assessment that Duni has a strong balance sheet and that, also after the proposed dividend, there is scope for the Group to perform its obligations and carry out planned investments. Based on Duni's income after tax, the proposed dividend is well in line with the Group's dividend policy.

Even after the dividend, the equity ratio of the Parent Company and the Group is believed to be sound relative to the industry in which the Group operates. The proposed dividend will not affect the ability of the Parent Company and the Group to discharge their payment obligations. The Board considers that the Parent Company and the Group are well prepared to manage changes in liquidity and any contingencies. The Board believes that the Parent Company and the Group possess the conditions to take future commercial risks and also carry any losses.

Allocation of earnings, Parent Company (SEK)

Unrestricted equity in the Parent Company	
Retained earings	1,827,109,010
Income for the year	62,533,074
Total unrestricted equity in the Parent Company	**1,889,642,084**
The Board and CEO propose:	
A dividend to the shareholders of SEK 3.50 per share	164,496,612
and that the remaining amount be carried forward	1,725,145,472
Total	**1,889,642,084**

The Board's assurance and signatures

The Board's assurance

The Board of Directors and CEO hereby affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU and provide a fair and a true view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting principles and provides a fair and true view of the Parent Company's financial position and results.

The Directors' Report for the Group and Parent Company provides a fair and true overview of the development of the operations, financial position and results of the Group and Parent Company and describes significant risks and uncertainty factors facing the Parent Company and the Group, as well as companies in the Group.

The income statements and balance sheets will be presented for adoption at the Annual General Meeting to be held on May 2, 2013.

Malmö, March 21, 2013

Anders Bülow
Chairman of the Board

Thomas Gustafsson
President and director

Tina Andersson
Director

Pia Rudengren
Director

Magnus Yngen
Director

Per-Åke Halvordsson
Employee representative, PTK

Henry Olsen
Employee representative, LO

Our audit report was submitted on March 22, 2013

PricewaterhouseCoopers AB

Eva Carlsvi
Authorised Public Accountant

Corporate Governance Report for Duni AB (publ)

Duni AB is a Swedish limited public company which has been listed on NASDAQ OMX in Stockholm since November 14, 2007. Governance of Duni takes place through General Meetings, the Board of Directors and the CEO, as well as Duni's group management, in accordance with, among other things, the Swedish Companies Act, the Company's Articles of Association and rules of procedure for the Board of Directors and the CEO. Representatives from Duni's group management also serve as directors on the boards of subsidiaries.

Duni has undertaken to NASDAQ OMX Stockholm to apply the Swedish Corporate Governance Code (the "Code"), which is applied by all Swedish companies whose shares are admitted to trading on a regulated market in Sweden. Duni applies the Code, except for the fact that the Remuneration Committee comprises two members instead of three. This is the case during the period December 1, 2012 until the Annual General Meeting in May 2013. On December 1, director Thomas Gustafsson assumed the position of Duni's CEO. Thomas had been a member of the Remuneration Committee; however, as CEO he is no longer independent in relation to the Company. The Board believes, that during a transitional period, the Remuneration Committee will perform its duties and function effectively with only two members.

Articles of association

The current articles of association were adopted at the Annual General Meeting held on May 6, 2009. They provide, among other things, that the registered office shall be in Malmö, that members of the Board of Directors shall be elected each year for a term of office until the close of the next Annual General Meeting, and that each share shall carry one vote. The complete articles of association are available on Duni's website, www.duni.com.

General meetings

At the General Meeting, the shareholders decide upon key issues. Among other things, the General Meeting adopts the income statements and balance sheets, resolves upon allocation of the Company's earnings, discharge from liability for the directors and the CEO, election of the Board of Directors and auditors, as well as remuneration to the Board of Directors and auditors.

Pursuant to the Swedish Companies Act, notice to attend Duni's Annual General Meeting must be given not earlier than six weeks and not later than four weeks prior to the meeting. Notice shall be given through an announcement in Post and Inrikes Tidningar (The Official Gazette) and on Duni's website. The fact that notice has been given shall be announced in Svenska Dagbladet and in Sydsvenska Dagbladet. In order to participate at the Annual General Meeting, a shareholder must notify the Company not later than the date stated in the notice.

2012 Annual General Meeting

Duni's 2012 Annual General Meeting was held on Thursday, May 3, 2012 in Malmö. 134 shareholders, representing approximately 57% of the voting rights, were present at the General Meeting in person or through proxies. The Chairman of the Board, Anders Bülow, was elected to chair the meeting. All directors were present, as were members of group management and the auditor. The minutes from the meeting are available on Duni's website, Duni.com. All resolutions were adopted in accordance with the Nomination Committee's proposals. Some of the resolutions adopted at the General Meeting were:

– a dividend of SEK 3.50 per share for the 2011 financial year;
– that the Board shall comprise five directors without alternates;
– re-election of all directors;
– that Anders Bülow be re-elected as Chairman of the Board;
– that PwC be re-elected as auditors;
– that fees be paid to the Chairman of the Board in the amount of SEK 500,000 (unchanged);
– that fees to other directors be increased from SEK 250,000 to SEK 265,000;
– that compensation to the chairman of the Audit Committee be increased from SEK 100,000 to SEK 107,000 and that compensation to the chairman of the Remuneration Committee be increased from SEK 50,000 to SEK 55,000;
– that compensation to other members of the Audit Committee be paid in the amount of SEK 50,000 (unchanged) and to the members of the Remuneration Committee in the amount of SEK 25,000 (unchanged);
– adoption of the Board's proposals for guidelines for compensation to senior executives;
– procedures regarding the composition and work of the Nomination Committee;
– that the Board be authorized, on one or more occasions until the next annual general meeting, to decide upon an increase in the Company's share capital not exceeding SEK 5,800,000, through the issuance of not more than 4,640,000 shares.

2013 Annual General Meeting

The next Annual General Meeting of the shareholders of Duni will be held at 3pm on Thursday, May 2, 2013 at Skånes Dansteater, Östra Varvsgatan 13A in Malmö. More information about the Annual General Meeting, notice of participation, etc. is available on Duni's website.

Nomination Committee

The Nomination Committee nominates the persons to be proposed at the Annual General Meeting for election to Duni's Board. Proposals are also produced regarding auditor fees, Board fees for the Chairman of the Board and other directors, as well as compensation for committee work. All proposals are presented at the Annual General Meeting as well as in the notice to attend and on the website prior to the Annual General Meeting. The Nomination Committee shall be comprised of representatives of Duni's three largest shareholders as per September 30. Board Chairman Anders Bülow convened the Nomination Committee in October 2012 and the composition was presented on October 31, 2012. By tradition, the initial meeting is held in connection with the board meeting in December, so that the Nomination Committee, the directors and company management have an opportunity to meet. The work of the Nomination Committee begins by reviewing the independent evaluation of the current Board, which is carried out each year. Pending the coming Annual General Meeting, Thomas Gustafsson has declined re-election since he assumed the position of President and CEO of Duni on December 1, 2012. The work of the Nomination Committee has thus focused on finding a suitable replacement for Thomas. The ambition of the Board of Directors and the Nomination Committee has been to find a person possessing international experience from the HoReCa industry.

During the period pending the 2013 Annual General Meeting, the Nomination Committee held two meetings at which minutes were taken, and comprises the following members:

Name	Represents	Ownership stake, Dec. 31, 2012
Anders Bülow	Chairman of the Board	
Rune Andersson (ordförande)	Mellby Gård Investerings AB	29.99 %
Bernard R. Horn Jr	Polaris Capital Management, LLC	10.75 %
Göran Espelund	Lannebo fonder	9.61 %
Total		**50.35 %**

The Board of Directors

Duni's Board decides on the Company's business focus, strategy, business plans, resources and capital structure, organization, acquisitions, major investments, divestments, the annual report and interim reports, and other overarching issues of a strategic nature. The Board also appoints the CEO, who is responsible for the day-to-day management in accordance with the Board's instructions.

The directors

The directors are elected each year by the Annual General Meeting for a term of office until the close of the next annual general meeting. Pursuant to the Articles of Association, the Board shall comprise no fewer than three and no more than twelve directors, as well as employee representatives. Since the Annual General Meeting held on May 3, 2012, the Board comprises five directors and two employee representatives. Duni's CEO is not a member of the Board but usually participates at board meetings to present matters, as does the CFO.

The Board's work

At the first ordinary board meeting which is held after the Annual General Meeting, Duni's Board adopts written instructions which describe the Board's rules of procedure. The adopted rules of procedure state how the work is to be allocated between the Board's members, and how often the Board shall meet. In addition, the rules of procedure regulate the Board's obligations, quorum, instructions to the CEO, the allocation of responsibility between the Board and the CEO, etc. The Board has also established two committees from among its members: the Audit Committee and the Remuneration Committee.

The Board meets in accordance with a predetermined yearly plan, and additional meetings are arranged as needed. During 2012, the Board held nine meetings at which minutes were taken.

The following items, among others, were on the agenda in 2012:

– Annual accounts, including report from the auditors, proposed allocation of earnings, and Year-End report;
– Annual report and preparations pending the Annual General Meeting;
– Interim reports;
– Rules of procedure for the Board and the CEO;
– Organisational structure;
– Annual review of the policy manual;
– Review of business plans;
– Strategic issues and risks;
– Organisational changes;
– Cost efficiency program;
– Budget for 2013;
– Strategies concerning the hygiene products business;
– Growth issues and acquisitions;
– The economic climate and economic conditions.

In addition to the board meetings, the Chairman of the Board and the CEO hold regular discussions concerning the management of the Company.

The CEO, Thomas Gustafsson, is responsible for implementation of the business plan as well as the regular management of the Company's affairs, and also the day-to-day operations in the Company.

The Board receives monthly written information in the form of a monthly report containing monitoring of the Company's sales, operating income and working capital trend, as well as comments on how the various markets are developing. Prior to board meetings, the Board also reviews the balance sheet and cash flow.

The main owners, the directors and the CEO also conduct each year a detailed evaluation of the Board of Directors based on the adopted rules of procedure. The evaluation covers, among other things, the composition of the Board, individual directors, as well as the Board's work and routines.

The Code contains rules regarding the independence of the directors and imposes the requirement that a majority of the directors must be independent of the Company and company management.

At least two of the directors who are independent of the Company and company management must also be independent in relation to all shareholders who control ten percent or more of the share capital or voting capital of Duni AB. Not more than one member of company management may be a member of the Board.

Remuneration Committee

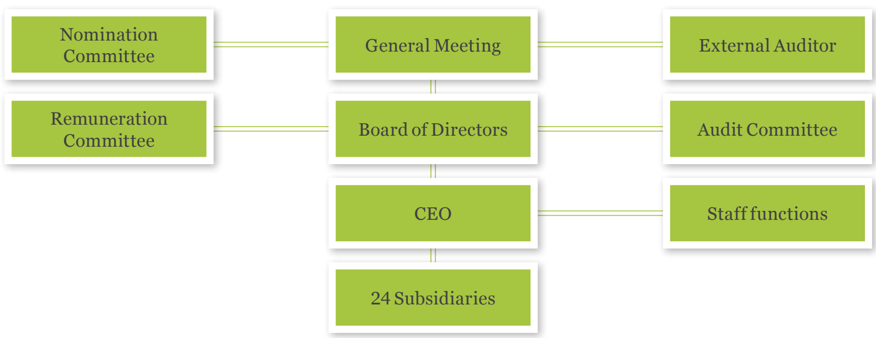
The Remuneration Committee prepares issues concerning remuneration and other benefits for corporate management, while decisions thereon are taken by Duni's Board of Directors. Compensation and benefits for corporate management are evaluated through comparisons with market data provided by external sources. Such data demonstrates that Duni has competitive compensation levels and that the total compensation package is reasonable and not excessively high. Once a year, the Remuneration Committee evaluates the performance of senior executives and also certain second-tier managers in accordance with a systematic procedure.

The Remuneration Committee held three meetings in 2012. Up to and including November 2012, the Remuneration Committee comprised three members: Magnus Yngen (Chairman), Anders Bülow and Thomas Gustafsson. On December 1, Thomas Gustafsson became CEO of Duni and thereupon relinquished his position on the Remuneration Committee since he can no longer be deemed independent in relation to the Company. However, just as Fredrik von Oelreich, he participates at meetings of the Remuneration Committee, except when questions concerning remuneration to the CEO are addressed. The HR Director serves as secretary at meetings of the Remuneration Committee.

Audit Committee

The Audit Committee is responsible for ensuring the quality of the Company's financial and business reporting. The Committee also evaluates Duni's internal control processes and management of financial and operating risks. The Committee meets regularly with the Company's auditors in order to obtain information regarding the focus and scope of the external audit and to evaluate the work of the external auditors. The evaluation also covers the scope of any non-audit-related work performed by the auditors on behalf of

Corporate governance



Board attendance, 2012

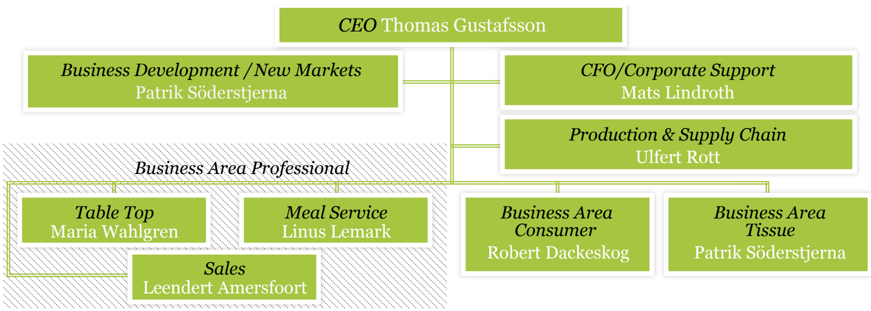
	Function	Independent [1]	Board meetings	Audit Committee	Remuneration Committee
Anders Bülow	Chairman	[2]	9 of 9	4 of 4	3 of 3
Tina Andersson	Director	x	9 of 9	4 of 4	–
Thomas Gustafsson	Director, CEO	[3] [4]	9 of 9	–	2 of 3
Pia Rudengren	Director	x	9 of 9	4 of 4	–
Magnus Yngen	Director	x	9 of 9	–	3 of 3
Per-Åke Halvordsson	Employee representative	[3]	9 of 9	–	–
Henry Olsen	Employee representative	[3]	1 of 9	–	–
Göran Andreasson	Employee representative	[3]	3 of 9	–	–
Thomas Erlandsson	Employee representative	[3]	2 of 9	–	–
Åsa Lundqvist	Employee representative	[3]	4 of 9	–	–
Inge Larsson	Employee representative	[3]	9 of 9	–	–

[1] As defined in the Swedish Corporate Governance Code.
[2] Not independent (in relation to Duni's major shareholders).
[3] Not independent (in relation to Duni).
[4] Thomas Gustafsson was independent in relation to Duni's major shareholders up to and including November 2012.

Board remuneration for the period May 2012 – April 2013

SEK	Board meetings	Audit Committee	Remuneration Committee	Total
Anders Bülow	500,000	50,000	25,000	575,000
Tina Andersson	265,000	50,000	–	315,000
Thomas Gustafsson	265,000	–	25,000	290,000
Pia Rudengren	265,000	107,000	-	372,000
Magnus Yngen	265,000	–	55,000	320,000
Totalt	**1,560,000**	**207,000**	**105,000**	**1,872,000**

Koncernledning 2013



Duni. When preparing a proposal regarding the election of auditors and compensation for audit work, the Nomination Committee is assisted by the Audit Committee.

The Audit Committee held four meetings in 2012 and comprises three members: Pia Rudengren (Chairman), Anders Bülow and Tina Andersson. The CFO and the Group Accounting Manager, as well as the auditors, participate at all meetings. During the year, the Audit Committee addressed issues such as the refinancing which was conclusively renegotiated in the summer of 2012, monitoring of investments, operational risks and financial risks, as well as business ethics policy.

Remuneration to Board of Directors

Fees and other remuneration to the Board, including the Chairman of the Board, are decided upon by the Annual General Meeting. In accordance with a resolution adopted by the Annual General Meeting on May 3, 2012, the annual fee was set at a total of SEK 1.6 m, of which SEK 0.5 m is payable to the Chairman of the Board. In addition, a resolution was adopted regarding fees for committee work totaling SEK 0.3 m.

The allocation of the remuneration among the members of the Board is shown in the table above.

CEO

Duni's CEO is Thomas Gustafsson (1965), Diploma in Business Administration. The Board has adopted instructions regarding the work and role of the CEO. The CEO is responsible for the day-to-day management of the Company's operations in accordance with guidelines issued by the Board of Directors.

On December 31, 2012 Thomas Gustafsson held 1,400 shares in Duni AB. No party closely related to the CEO has any significant shareholding in Duni AB. Thomas Gustafsson has no ownership interests in companies with which Duni has significant commercial relations. Further information regarding the CEO is provided in Note 13 in the Annual Report.

Fredrik von Oelreich was Duni's CEO until November 30, 2012. During the year, no party closely related to him had any significant shareholding in Duni AB and he has had no ownership interests in companies with which Duni has significant commercial relations.

Group management

Thomas Gustafsson presides over the work of group management and adopts decisions in consultation with other members of group management, consisting of the heads of business areas and heads of staff functions. Fredrik von Oelreich was the CEO until November 2012 and thereby presided over the work of group management during most of the year.

A new, more market-oriented organisation was introduced in April. Management resources have been reallocated in order to promote focus on growth and productivity in the Company. The Professional business area has been divided into two product categories, Table Top and Meal Service, with a common sales organisation presided over by single Director. A new Group level department with responsibility for developing new markets has been created in order to further focus on geographic expansion. Furthermore, all product supply operations have been brought together under a joint area of responsibility. The new organisation had been implemented during the year and appointments have been made to all vacant positions in the management group.

Group management comprises eight persons. Group management held six meetings in 2012. At each meeting the following items, among others, are on the agenda: financial review, update from each area, issues of an operational, strategic or market nature of importance for Duni, as well as investments and follow-up of investments. Other matters addressed include the business plan, strategic issues and strategic plan, as well as budget for the coming year. Group management also addresses issues concerning individual business areas. Members of group management conduct regular visits to subsidiaries, and at least one such visit is carried out jointly. In 2012, a group management meeting was held in France. A meeting was also held in Germany in connection with a study visit to a trade fair for the HoReCa industry.

Remuneration to senior executives

Remuneration to the CEO and other members of group management is in accordance with guidelines regarding remuneration to senior executives adopted by the Annual General Meeting on May 3, 2012 and which apply until the next annual general meeting. The guidelines proposed to the 2013 annual general meeting are in all essential respects equivalent to the guidelines which applied in 2012. Remuneration shall be on market terms and comprise fixed and variable salary, other benefits as well as pension. The variable salary may never exceed the fixed salary.

The table below shows the total gross remuneration paid to group management, including basic salaries, variable remuneration, pension payments and other benefits. Thomas Gustafsson receives an annual gross salary of SEK 3,538,000 and has a possibility to achieve a bonus not exceeding 55% of his annual basic salary, based on predetermined targets for the Group. In addition, he is entitled to certain other employment benefits such as a company car. Both Duni and Gustafsson may terminate the agreement upon six months' written notice. In addition, except in the event of termination by the Company due to negligence, Gustafsson is entitled to an amount equal to twelve times his monthly salary. Thomas Gustafsson participates in a contribution-based pension scheme to which Duni makes an annual contribution equal to 35% of his annual gross salary and a three-year average of bonus payments, until termination of the agreement. Thomas Gustafsson's retirement age is 65.

Duni has not granted any loans, extended or issued any guarantees or provided any security to the benefit of Duni's directors, senior executives

Total gross remuneration paid to group management, including basic salaries, variable remuneration, pension payments and other benefits

2012, SEK m	Basic salary	Variable remuneration	Other benefits	Pension cost	Severance compensation	Total
Verkställande direktören – Thomas Gustafsson	0.3	0.0	0.0	0.0	–	0.3
Verkställande direktören – Fredrik von Oelreich	4.3	0.0	0.0	2.0	8.1	14.4
Andra ledande befattningshavare	8.1	0.4	0.3	2.1	0.6	11.5
	12.7	**0.4**	**0.3**	**4.1**	**8.7**	**26.2**

or auditors. None of the directors, senior executives or auditors has entered into transactions with Duni, whether directly or indirectly through any affiliated company.

Audit

At the Annual General Meeting held on May 3, 2012, PricewaterhouseCoopers AB was elected auditor, with Eva Carlsvi as auditor-in-charge. The auditors review the annual accounts and the Annual Report as well as the Company's ongoing operations and routines in order to express an opinion regarding the accounts and management by the Board of Directors and the CEO. The audit of the annual accounts and Annual Report is conducted in January-February. Thereafter, compliance with the Annual General Meeting's guidelines regarding remuneration for senior executives is audited. The auditors participate at all meetings of the Audit Committee during the year. In October, an interim audit is carried out in combination with a general review of Duni's report for the third quarter. Other than Duni, Eva Carlsvi has no engagements in companies over which Duni's major owners, directors or the CEO have a significant influence. Eva Carlsvi is an authorized public accountant and member of FAR SRS. Apart from the audit engagement, fees to PwC for other engagements during 2012 totaled SEK 4.0 (2011: 4.2) m.

Compensation to accounting firm

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Compensation for audit engagement	3.7	3.3	1.7	1.4
Compensation for auditing work other than audit engagement	0.4	0.5	0.3	0.3
Compensation for tax consultation	2.2	2.6	0.3	0.4
Compensation for other consultations	1.4	1.2	1.1	0.1
Total compensation, accounting firm	**7.7**	**7.6**	**3.4**	**2.2**

The Board's description of the internal control with respect to the financial reporting for the 2012 financial year

Pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for the internal control. This entails, among other things, monitoring Duni's financial reporting and efficiency in the Company's internal control and risk assessment.

Internal control as regards financial reporting is aimed at providing reasonable certainty regarding the reliability of the external financial reporting in the form of annual reports and interim reports published by Duni each year, and to ensure that the financial reporting is prepared in accordance with law, applicable accounting principles, and other requirements imposed on listed companies.

Duni describes the internal control system with respect to financial reporting based on the areas that constitute the basis for internal control in accordance with the framework issued by COSO, "Internal Control – Integrated Framework", namely the following areas: control environment, risk assessment, control activities, information and communication, as well as follow-up.

Control environment

The rules of procedure of the Board and the instructions issued by the Board regarding the work of the CEO and board committees clearly define the allocation of responsibilities and powers, with the aim of ensuring efficient management of risks in the business operations. An Audit Committee has been established to review the instructions and routines used in the financial reporting process, as well as accounting principles and changes therein. Group management reports each month to the Board in accordance with established routines. Furthermore, in a business ethics policy, group management has formulated its view on how the operations are to be conducted. Internal control instruments for the financial reporting consist primarily of finance policy, communications policy, and the Group's finance handbook, which defines accounting and reporting rules.

Risk assessment and control structure

Material risks for the operations are analyzed by the Board as a part of the financial reporting. In addition, group management provides the Audit Committee with an overall risk analysis of income statements and balance sheets, as well as the factors which impact on them. Risk areas are documented and assessed based on likelihood and impact. Based on this, control processes are structured to ensure high quality in the financial reporting. The risk areas are evaluated by the Audit Committee at least once per year.

The organization structure together with the allocation of responsibilities and payment authorization procedure are clearly described and communicated by means of instructions and policies. The operations are organized into business areas with profit centers. The Audit Committee regularly communicates with the auditors in order to evaluate and improve the internal control. Duni has established a European accounting function which independently provides accounting services to the operations. This function complies with standardized procedures and routines. The head of the accounting function reports to the CFO.

Information and communication

Information, both externally and internally, is governed by Duni's communications and IR policy. A specific section addresses responsibility, routines and rules. The policy is regularly evaluated to ensure that information to the stock market is constantly of a high quality and in accordance with the stock exchange rules. Financial information such as quarterly reports, annual reports and important events are published through press releases and on the Company's website. Meetings with financial analysts are arranged regularly in connection with publication of quarterly reports. The intranet is the main source of information internally in the Company. Accounting handbooks and instructions regarding financial reporting are available on the intranet and these are regularly updated in light of changes to IFRS and other recommendations.

Follow-up

The Board and Audit Committee review all financial reports before they are formally approved by the Board. The Audit Committee receives regular reports from the auditor regarding the internal control and monitors significant issues. Review of monthly financial reports constitutes a standing item on the agenda at all board meetings and each month group management analyses financial trends within the business areas. Regular follow-up compared with budget and plans, as well as an evaluation of key performance indicators, takes place generally at all levels in the organization.

Statement regarding internal audit

Duni has found no need for a formal internal audit department. Duni has an accounting center in Poznan in Poland which functions as a centralized European accounting function providing accounting services to all subsidiaries in Europe, apart from Russia. The accounting center operates based on standardized processes and routines, is independent of the operational business, and reports directly to the CFO. This centralized and independent process for accounting and financial reporting is considered to constitute a platform for sound internal control with respect to the financial reporting. Duni's group accounts department also performs certain internal audit work in the form of, among other things, controls at the reporting center. During the year, focus has continued to be placed on endeavors to integrate the subsidiary in Russia with the accounting center in Poland, among other things through implementation of the same procedures and reconciliations.

Board of Directors

Duni's Board of Directors comprises five members elected by the annual general meeting as well as two employee representatives and two alternates.

The Board of Directors is the Company's highest decision-making body after the general meeting. The Board's overarching duty is to decide upon the Company's business focus, the Company's resources and capital structure, as well as the Company's organization and management of the Company's affairs.

The directors are elected each year at the annual general meeting for a term of office until the close of the next annual general meeting. The Board shall comprise no fewer than three and no more than 12 ordinary members. In addition, there may be employee representatives.

Anders Bülow
Born 1953
- Chairman of the Board since 2009
- Managing Director of Mellby Gård Industri AB
- Chairman of the Board of KappAhl AB
- Mr Bülow holds a BA in Business Economics from the University of Stockholm
- Elected 2008
- Shares in Duni: 10,000
- Not independent in relation to Duni's largest shareholder

Tina Andersson
Born 1969
- Member of the Board of Midsona AB
- Ms. Andersson holds a Master of Science in Business and Economics from Lund University
- Elected 2011
- Shares in Duni: 0
- Independent in relation to the company, company management and Duni's major shareholders.

Thomas Gustafsson
Born 1965
- President and CEO of Duni AB
- Member of the Board of Smarteyes AB and Alectum AB (until January 2013)
- Mr Gustafsson holds a Diploma in Business Administration
- Elected 2009
- Shares in Duni: 26,400
- Not independent in relation to the company and company management.

Pia Rudengren
Born 1965
- Chairman of the Board of Social Initiative AB
- Member of the Board of Swedbank AB, WeMind Digital Psykologi AB, Metso Oyj och Tikkurila Oyj
- Ms. Rudengren holds an MSc in Economics and Business Administration from the Stockholm School of Economics
- Elected 2007
- Shares in Duni: 1,200
- Independent in relation to the company, company management and Duni's major shareholders

Magnus Yngen
Born 1958
- Chairman of the Board of Sveba Dahlen AB
- Member of the board of Dometic Group and Camfil Farr
- Mr Yngen holds a Master of Engineering and Licentiate of Technology from the Royal Institute of Technology, Stockholm
- Elected 2008
- Shares in Duni: 0
- Independent in relation to the company, company management and Duni's major shareholders

Per-Åke Halvordsson
Born 1959
- Employee Representative for PTK
- Mr Halvordsson is employed as Production Manager Airlaid at Rexcell Tissue & Airlaid AB
- Mr Halvordsson has undertaken PTK board training
- Elected 2005
- Shares in Duni: 0
- Not independent in relation to the company

Henry Olsen
Born 1953
- Employee representative for LO
- Employee representative on the Board of Rexcell Tissue & Airlaid AB
- Mr Olsen is employed as an operator at Airlaid TM 3 vid Rexcell Tissue & Airlaid AB
- Mr Olsen has undertaken Pappers board training
- Elected 2012
- Shares in Duni: 0
- Not independent in relation to the company

During 2012, Göran Andreasson was replaced by Thomas Erlandsson as employee representative. Thomas Erlandsson participated at two board meetings, after which he handed over the position to Henry Olsen, who is now an employee representative on behalf of LO. There is an alternate for each employee representative: Åsa Lundqvist (PTK) and Inge Larsson (LO).

Group management

Thomas Gustafsson
Born 1965
– President and Chief Executive Officer of Duni since 1 December 2012.
– Thomas Gustafsson's most recent position was at Mellby Gård AB overseeing their consumer goods companies and, before that, he served as President and CEO of 2E Group AB (publ). Prior to that, he has served in senior executive positions at Spendrups Bryggeri AB, Brämhults Juice AB and Eckes Granini GmbH.
– Thomas Gustafsson has been a member of Duni AB's Board of Directors since May 2009 and is also a director of Smarteyes AB and Alectum AB (until January 2013).
– Thomas Gustafsson holds a Diploma in Business Administration.
– Shares in Duni: 26,400

Leendert Amersfoort
Born 1958
– Director of Sales Professional since 1 April 2012. Before that Director of Sales Professional with respect to Duni's Nordic, West and South regions since 2006 and has been employed at Duni since 1995.
– Leendert Amersfoort holds a degree in marketing and business administration from Hoge Economische School Utrecht BA in Holland.
– Shares in Duni: 22,018

Mats Lindroth
Born 1960
– Chief Financial Officer of Duni since 2009 and employed at Duni since 1987.
– Mats Lindroth holds an MSc in economics and business administration from the Stockholm School of Economics.
– Shares in Duni: 24,700

Patrik Söderstjerna
Born 1964
– Director Business Development / New Markets since 1 April 2012.
– Previously President of Rexcell Tissue & Airlaid AB since 2007.
– In the years before that Mr. Söderstjerna was Chief Executive Officer of Zarlink Semiconductor AB, Advanced Printing Ascherleben GmbH, and Finotech Verbundstoffe GmbH.
– Patrik Söderstjerna holds an MSc in mechanical engineering from the Faculty of Engineering at Lund University.
– Shares in Duni: 10,000

Ulfert Rott
Born 1960
– Director of Production & Supply Chain since 1 April 2012 including responsibility for production within the subsidiary Rexcell Tissue & Airlaid AB.
– Before that, Director Operations in Duni and employed at Duni since 2004.
– Ulfert Rott was previously Managing Director and Plant Manager of Nylstar GmbH.
– Ulfert Rott holds a PhD in mechanical engineering and an MSc in business administration.
– Shares in Duni: 22,018

Maria Wahlgren
Born 1963
– Director Table Top, Business Area Professional
– Maria Wahlgren comes from the Amcor group and most recently held the position of Commercial Director for High Performance Laminates at Amcor Flexibles.
– Marie Wahlgren holds a Master of Science, Chemical Engineering from the University of Lund.
– Shares in Duni: 2,000

Linus Lemark
Born 1977
– Director Meal Service, Business Area Professional, since 14 May, 2012.
– Before that, Linus Lemark was Innovation Director at The Absolut Company AB. During the years 2007–2009 Linus Lemark held the positions of Corporate Development Manager and Marketing Manager Duni Food Solutions at Duni.
– Linus Lemark holds an MSc in economics and business administration from the Stockholm School of Economics.
– Shares in Duni: 2,000

Robert Dackeskog
Born 1971
– Director Business Area Consumer
– Robert Dackeskog comes from the Findus group and most recently held the position of Managing Director Denmark / Foodservice & Export Director within Findus Sweden.
– Robert Dackeskog holds an MSc in business administration from the University of Gothenburg.
– Shares in Duni: 5,000

Five-year summary, Consolidated Income Statements

SEK m	2012	2011	2010	2009	2008
Net sales	**3,669**	**3,807**	**3,971**	**4,220**	**4,099**
Costs of goods sold	-2,724	-2,776	-2,919	-3,054	-3,020
Gross profit	**945**	**1,031**	**1,052**	**1,166**	**1,079**
Selling expenses	-438	-441	-434	-482	-465
Administrative expenses	-177	-172	-174	-184	-198
Research and development expenses	-26	-30	-25	-29	-23
Other operating incomes	4	15	76	41	15
Other operating expenses	-81	-15	-58	-24	-83
Operating income	**228**	**388**	**436**	**488**	**326**
Financial incomes	5	3	1	2	8
Financial expenses	-30	-33	-19	-45	-83
Net financial items	**-25**	**-30**	**-18**	**-43**	**-75**
Income after financial items	**202**	**358**	**418**	**444**	**251**
Income tax	-79	-98	-112	-108	-60
Net income for the period, continuing operations	**124**	**261**	**306**	**336**	**191**
Net income for the period from discontinued operations	**–**	**–**	**–**	**–**	**6**
Net income for the period	**124**	**261**	**306**	**336**	**197**

Five-year Summary, Consolidated Balance Sheets

SEK m	2012-12-31	2011-12-31	2010-12-31	2009-12-31	2008-12-31
ASSETS					
Goodwill	1,199	1,199	1,199	1,199	1,199
Other intangible fixed assets	51	57	44	29	25
Tangible fixed assets	744	830	588	510	514
Financial fixed assets	199	243	289	336	369
Total fixed assets	**2,193**	**2,329**	**2,120**	**2,074**	**2,107**
Inventories	387	470	437	382	542
Accounts receivable	624	663	634	640	731
Other receivables	129	134	174	163	182
Cash and cash equivalents	181	85	122	230	249
Total current assets	**1,321**	**1,352**	**1,367**	**1,415**	**1,704**
TOTAL ASSETS	**3,514**	**3,681**	**3,487**	**3,489**	**3,811**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	**2,051**	**2,082**	**1,991**	**1,789**	**1,544**
Long-term financial liabilities	576	26	530	682	1,151
Other financial liabilities	192	212	211	216	229
Total long-term liabilities	**767**	**238**	**741**	**898**	**1,380**
Accounts payable	301	302	315	344	358
Short-term financial liabilities	–	633	–	–	–
Other short-term liabilities	394	426	440	458	529
Total short-term liabilities	**695**	**1,361**	**755**	**802**	**887**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,514**	**3,681**	**3,487**	**3,489**	**3,811**

Key ratios in brief, Group

	2012	2011	2010	2009	2008
Net sales, SEK m	3,669	3,807	3,971	4,220	4,099
Gross profit, SEK m	945	1,031	1,052	1,166	1,079
EBIT*, SEK m	340	404	435	436	414
EBITDA*, SEK m	452	510	537	539	511
Interest-bearing net debt	555	745	582	631	1,100
Number of employees	1,875	1,888	1,914	1,906	1,952
Gross margin*	25.8 %	27.1 %	26.5 %	27.6 %	26.8 %
EBIT margin*	9.3 %	10.6 %	10.9 %	10.3 %	10.1 %
EBITDA margin*	12.3 %	13.4 %	13.5 %	12.8 %	12.5 %

* Calculated based on underlying operating income

Consolidated Income Statement

SEK m	Note *1–5, 12–13*	2012	2011
Sales	*5–6*	3,669	3,807
Costs of goods sold	*6–10*	-2,724	-2,776
Gross profit		**945**	**1,031**
Selling expenses	*7–9*	-438	-441
Administrative expenses	*7–9, 11*	-177	-172
Research and development expenses	*7– 8*	-26	-30
Other operating incomes	*14*	4	15
Other operating expenses	*7–8, 15*	-81	-15
Operating income	*5, 16*	**228**	**388**
Income from financial items	*16–17*		
Financial incomes		5	3
Financial expenses		-30	-33
Net financial items		**-25**	**-30**
Income after financial items		**202**	**358**
Income tax	*19*	-79	-98
Net income for the year		**124**	**261**
Income attributable to:			
Equity holders of the Parent Company		124	261
Earnings per share (expressed in SEK per share), calculated on net income for the year attributable to equity holders of the Parent Company during the year:			
– Before and after dilution	*20*	2.63	5.54

Consolidated Statement of Comprehensive Income

SEK m	2012	2011
Income for the year	**124**	**261**
Other comprehensive income, net after-tax		
Exchange rate differences – translation of subsidiaries	11	-6
Cash flow hedge	-2	0
Other comprehensive income for the year, net after tax	**9**	**-6**
Total comprehensive income for the year	**133**	**255**
Comprehensive income for the year attributable to:		
Equity holders of the Parent Company	133	255

Consolidated Balance Sheet

SEK m	Note	2012-12-31	2011-12-31
ASSETS	*1–5*		
Fixed assets			
Intangible fixed assets	*21*		
Goodwill		1,199	1,199
Capitalized development expenses		48	56
Trademarks and licenses		3	1
Total intangible fixed assets		**1,250**	**1,256**
Tangible fixed assets			
Buildings, land and land improvements	*22*	186	214
Machinery and other technical equipment	*23*	470	396
Equipment, tools and installations	*24*	50	51
Construction in progress and advance payments for tangible fixed assets	*25*	38	169
Total tangible fixed assets		**744**	**830**
Financial fixed assets			
Deferred tax assets	*19*	197	238
Other long-term receivables	*27*	2	4
Total financial fixed assets		**199**	**243**
Total fixed assets		**2,193**	**2,329**
Current assets			
Inventories	*10*		
Raw materials and supplies		98	108
Products in progress		6	10
Finished goods and goods for resale		277	347
Advances to suppliers		6	5
Total inventories		**387**	**470**
Current receivables			
Accounts receivable	*28*	624	663
Derivative instruments	*29*	1	2
Tax assets		21	16
Other receivables	*28*	71	65
Prepaid expenses and accrued incomes	*30*	37	51
Total current assets		**753**	**797**
Cash and cash equivalents		181	85
Total current assets		**1,321**	**1,352**
TOTAL ASSETS		**3,514**	**3,681**

Consolidated Balance Sheet, cont.

SEK m	Note	2012-12-31	2011-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES	*1–5*		
Shareholders' equity			
Share capital	*20*	59	59
Other injected capital		1,681	1,681
Reserves		65	56
Retained earnings including profit for the year		246	286
Total shareholders' equity attributable to equity holders of the Parent Company		**2,051**	**2,082**
Long-term liabilities	*31*		
Overdraft facility	*31*	17	26
Bank loans	*31*	558	–
Deferred tax liabilities	*19*	29	38
Pension provisions	*33*	163	173
Total long-term liabilities		**768**	**238**
Short-term liabilities			
Accounts payable		301	302
Tax liabilities		3	6
Bank loans	*31*	–	635
Derivative instruments	*29*	3	5
Other liabilities		50	47
Allocation to restructuring reserve	*9*	17	11
Accrued expenses and deferred incomes	*34*	320	355
Total short-term liabilities		**695**	**1,361**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,514**	**3,681**
Pledged assets	*35*	–	–
Contingent liabilities	*35*	58	79

Consolidated Statement of Changes in Shareholders' Equity

	Attributable to equity holders of the Parent Company						
SEK m	Share capital	Other injected capital	Other reserves	Cash flow reserve	Fair value reserve*	Profit carried forward incl. net income for the year	Total equity
Opening balance, Jan 1, 2011	**59**	**1,681**	**49**	**0**	**13**	**189**	**1,991**
Comprehensive income							
Net income for the year	–	–	–	–	–	261	261
Sum comprehensive income for the year	**–**	**–**	**-6**	**0**	**–**	**261**	**255**
Transactions with owners							
Dividends relating to 2010	–	–	–	–	–	-164	-164
Sum transactions with owners	**–**	**–**	**–**	**–**	**–**	**-164**	**-164**
Opening balance, Jan 1, 2012	**59**	**1,681**	**43**	**0**	**13**	**286**	**2,082**
Comprehensive income							
Income for the year	–	–	–	–	–	124	124
Sum comprehensive income for the year	**–**	**–**	**11**	**-2**	**–**	**124**	**133**
Transactions with owners							
Dividends relating to 2011	–	–	–	–	–	-164	-164
Sum transactions with owners	**–**	**–**	**–**	**–**	**–**	**-164**	**-164**
Closing balance, Dec 31, 2012	**59**	**1,681**	**54**	**-2**	**13**	**246**	**2,051**

* 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	Note	2012	2011
Cash flow from operating activities			
Operating income		228	388
Adjustments for items not included in cash flow	*36*	189	100
Interest received		5	3
Interest paid		-15	-14
Paid income tax		-54	-57
Cash flow from operating activities before changes in working capital		**353**	**420**
Changes in working capital			
Increase (-)/decrease (+) in inventories		66	-37
Increase (-)/decrease (+) in accounts receivable		20	-36
Increase (-)/decrease (+) in receivables		-21	30
Increase (+)/decrease (-) in accounts payable		7	-8
Increase (+)/decrease (-) in current liabilities		4	-6
Cash flow from operating activities		**429**	**362**
Cash flow used in investing activities			
Acquisition of tangible fixed assets	*22–25*	-110	-377
Acquisition of intangible fixed assets		-5	-3
Sale of tangible fixed assets		1	3
Sale of intangible fixed assets		0	0
Change in other long-term receivables		2	1
Cash flow used in investing activities		**-112**	**-376**
Cash flow used in financing activities			
Dividends to shareholders		-164	-164
Net change, overdraft facilities and other financial liabilities		-10	18
Repayment of loans		-180	-37
Loans received		134	161
Cash flow used in financing activities		**-220**	**-22**
Cash flow for the year		**97**	**-36**
Cash and cash equivalents, opening balance		85	122
Exchange rate differences, cash and cash equivalents		-1	-1
Cash and cash equivalents, closing balance		**181**	**85**

Parent Company, Income Statement

SEK m	Note *1–5, 12–13*	2012	2011
Sales	*5–6*	1,056	1,159
Costs of goods sold	*6, 8–10*	-936	-1,037
Gross profit		**120**	**122**
Selling expenses	*8–9*	-123	-108
Administrative expenses	*8–9, 11*	-132	-137
Research and development expenses	*8*	-12	-15
Other operating incomes	*14*	190	216
Other operating expenses	*8, 15*	-178	-148
Operating income	*16*	**-135**	**-70**
Income from financial items	*16–17*		
Income from participations in Group companies	*18*	238	265
Other interest income and similar income		30	31
Interest expenses and similar expenses		-22	-29
Net financial items		**245**	**268**
Income after financial items		**110**	**198**
Tax on income for the year	*19*	-48	-38
Income for the year		**63**	**160**

Parent Company, Statement of Comprehensive Income

SEK m	2012	2011
Net income for the year	**63**	**160**
Other comprehensive income, net after tax		
Exchange rate differences for the period - translation of subsidiares*	0	3
Cash flow hedge	-2	0
Other comprehensive income for the year, net after tax	**-2**	**3**
Total comprehensive income for the year	**61**	**163**
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company	61	163

*Relates to a Turkish branch which has no tax effect.

Parent Company, Balance Sheet

SEK m	Note	2012-12-31	2011-12-31
ASSETS	*1–5*		
Fixed assets			
Intangible fixed assets	*21*		
Goodwill		400	500
Capitalized development expenditures		37	48
Trademarks and licences		2	1
Total intangible fixed assets		**439**	**548**
Tangible fixed assets			
Buildings, land and land improvements	*22*	16	35
Machinery and other technical equipment	*23*	14	6
Equipment, tools and installations	*24*	2	3
Construction in progress and advanced payments for tangible fixed assets	*25*	6	25
Total tangible fixed assets		**39**	**69**
Financial fixed assets			
Participations in Group companies	*26, 38*	770	770
Deferred tax assets	*19*	171	218
Other long-term receivables, internal	*27*	1,035	4
Total financial fixed assets		**1,976**	**992**
Total fixed assets		**2,454**	**1,610**
Current assets	*10*		
Inventories			
Products in progress		–	1
Finished goods and goods for resale		70	84
Advances to suppliers		3	3
Total inventories		**73**	**88**
Current receivables			
Accounts receivable	*28*	96	96
Derivative instruments	*29*	1	2
Receivables from Group companies	*28*	57	38
Tax assets		4	4
Other receivables	*28*	17	10
Prepaid expenses and accrued incomes	*30*	12	20
Total current receivables		**188**	**170**
Current financial receivables, from Group companies	*28*	205	1,225
Cash and bank balances		130	43
Total current receivables		**596**	**1,526**
TOTAL ASSETS		**3,050**	**3,135**

Parent Company, Balance Sheet, cont.

SEK m	Note	2012-12-31	2011-12-31
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	*20*	59	59
Statutory reserve		11	11
Revaluation reserve		13	13
Total restricted shareholders' equity		**83**	**83**
Unrestricted shareholders' equity			
Retained earnings		1,827	1,832
Net income for the year		63	160
Total unrestricted shareholders' equity		1,890	1,992
Total shareholders' equity		**1,972**	**2,076**
Provisions			
Pension provisions	*33*	112	114
Deferred tax liability	*19*	–	–
Total provisions		**112**	**114**
Long-term liabilities	*31*		
Overdraft facility	*31*	1	9
Bank loans	*31*	557	–
Liabilities to Group companies		**559**	**9**
Short-term liabilities			
Accounts payable		53	56
Liabilities to Group companies		267	167
Bank loans	*31*	–	635
Derivative instruments	*29*	3	5
Other liabilities		11	4
Allocation to restructuring reserve	*9*	6	5
Accrued expenses and deferred incomes	*34*	66	65
Total short-term liabilities		**407**	**936**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**3,050**	**3,135**
Pledged asset	*35*	–	–
Contingent liabilities	*35*	55	59

Parent Company, Changes in Shareholders' Equity

SEK m	Share capital	Statutory reserve	Translation reserve	Cash flow reserve	Revaluation reserve	Unrestricted share-holders' equity	Total share-holders' equity
Opening balance, Jan 1, 2011	**59**	**11**	**0**	**0**	**13**	**1,994**	**2,077**
Comprehensive income							
Income for the year	–	–	–	–	–	160	160
Total comprehensive income for the year	**–**	**–**	**3**	**0**	**–**	**163**	**163**
Transactions with owners							
Dividends relating to 2010	–	–	–	–	–	-164	-164
Total transactions with owners						**-164**	**-164**
Opening balance, Jan 1, 2012	**59**	**11**	**3**	**0**	**13**	**1,992**	**2,076**
Comprehensive income							
Income for the year	–	–	–	–	–	63	63
Total comprehensive income for the year	**–**	**–**	**0**	**-2**	**–**	**61**	**61**
Transactions with owners							
Dividends relating to 2011	–	–	–	–	–	-164	-164
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**-164**	**-164**
Closing balance. Dec 31, 2012	**59**	**11**	**3**	**-2**	**13**	**1,890**	**1,972**

Accumulated translation differences in the Parent Company which were reported directly against shareholders'equity were SEK 29 m (2011: SEK 29 m).

Parent Company, Cash Flow Statement

SEK m	Note	2012	2011
Cash flow from operating activities			
Operating income		-135	-70
Adjustments for items not included in cash flow	*36*	152	94
Interest received		38	28
Dividends received		153	153
Interest paid		-33	-15
Paid income tax		0	0
Cash flow from operating activities before changes in working capital		**175**	**190**
Changes in working capital			
Increase (-)/decrease (+) in inventories		11	12
Increase (-)/decrease (+) in accounts receivable		-21	2
Increase (-)/decrease (+) in receivables		-12	12
Increase (+)/decrease (-) in accounts payable		-16	4
Increase (+)/decrease (-) in current liabilities		12	-7
Cash flow from operating activities		**149**	**213**
Cash flow used in investing activities			
Acquisition of intangible fixed assets	*21*	-8	-25
Acquisition of tangible fixed assets	*22–25*	-10	-19
Sale of tangible fixed assets		25	11
Change in net lending to Group companies		182	-172
Change in non-interest-bearing receivables		2	0
Change in interest-bearing receivables		3	1
Cash flow used in investing activities		**194**	**-204**
Cash flow used in financing activities			
Dividends to shareholders		-164	-164
Net change, overdraft facilities and other financial liabilities		-45	9
Repayment of loans		-180	-37
Loans received		133	161
Cash flow used in financing activities		**-256**	**-31**
Cash flow for the year		87	-22
Cash and equivalents, opening balance		43	65
Cash and equivalents, closing balance		**130**	**43**

Notes

NOTE 1 – GENERAL INFORMATION

Duni AB and its subsidiaries operate internationally and are leaders within attractive, quality table setting products and concepts as well as packaging for take-aways. The Group develops, manufactures and sells functional and attractive concepts and products for serving and packaging of meals. The Group enjoys a leading position thanks to a combination of high-quality, established customer relations, a well-reputed brand, and strong local presence in Europe.

The Parent Company is a registered limited company with its registered office in Malmö. The address of the head office is Box 237, 201 22 Malmö. The website is www.duni.com. Duni is listed on NASDAQ OMX in Stockholm under the ticker name “DUNI”.

This annual report was approved for publication by the Board of Directors on March 21, 2013. The annual report may be changed by the Company’s owners after approval by the Board.

Unless otherwise specifically stated, all amounts are reported in million kronor (SEK m) and relate to the period January 1 - December 31 with respect to income statement items and cash flow items, and December 31 with respect to balance sheet items. Information in brackets relates to the preceding financial year, viz. January 1, 2011 – December 31, 2011.

NOTE 2 – SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

This Note sets forth the most important accounting principles applied in the preparation of the annual report. Subject to the exceptions stated below, these principles have been applied consistently for all presented years.

2.1 Bases for preparation of the financial statement

The consolidated financial statements for the Duni Group have been prepared in accordance with the Swedish Annual Reports Act, RFR 1 “Supplementary Accounting Rules for Groups”, and International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The consolidated financial statements have been prepared in accordance with the purchase method, other than with respect to valuation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and financial assets and liabilities (including derivative instruments) classified as hedge instruments.

The preparation of financial statements in compliance with IFRS requires the use of a number of important estimations for accounting purposes. Furthermore, when applying the Group’s accounting principles, management must make certain assessments. The areas which involve a high degree of assessment, which are complex, or such areas in which assumptions and estimations are of material significance for the consolidated financial statements, are set forth in Note 4.

The Parent Company applies the Swedish Annual Accounts Act and RFR 2, Reporting for Legal Entities. In those cases where the Parent Company applies different accounting principles than the Group, such fact is stated separately in section 2.22, Parent Company’s accounting principles.

2.1.1 Implementation of new accounting standards

Duni applies the new and amended standards and interpretations from IASB and statements from IFRIC as adopted by the EU and which are mandatory commencing January 1, 2012. No standards or interpretations have been applied prematurely. None of the IFRS or IFRIC interpretations which are obligatory for the first time in respect of the financial year which began on January 1, 2012 have had any material impact on Duni.

New, amended and improved standards which are applied but not currently deemed relevant for Duni are:

- – IAS 12, “Income Taxes”, amendment concerning deferred tax
- – IFRS 1, “First-time adoption of IFRS”, amendments concerning fixed date and high inflation
- – IFRS 7, “Financial Instruments: Disclosures”, amendment concerning the removal of financial assets from the balance sheet

A number of new standards and revisions of interpretations and existing standards enter into force with respect to financial years which commence after January 1, 2012 and have not been applied in conjunction with the preparation of the consolidated financial statements. None of them is expected to have any material impact on the consolidated financial statements, with the exception of those stated below:

- – IAS 1, “Presentation of Financial Statements” (amended)
- – IAS 19, “Employee Benefits” (amended)
- – IFRS 9, “Financial instruments”
- – FRS 10, “Consolidated financial statements”
- – IFRS 12, “Disclosures of interests in other entities”
- – IFRS 13, “Fair value measurement”

The amendment to IAS 19 “Employee Benefits” entails that the corridor method is removed and that financial expenses are to be calculated based on the net surplus or net deficit in the plan. The amendment has been adopted by the EU and will enter into force on January 1, 2013. Accordingly, previously unreported actuarial losses will be reported on the date of switchover and actuarial profits or losses which arise in the future will be reported in other comprehensive income. In addition, the methodology for calculating pension expenses will be changed since the standard requires that the income on plan assets which must be reported in the income statement must be determined based on the discount rate which applied to the calculation of the obligation. Opening shareholders’ equity for 2012 will be negatively affected by SEK 39 m as a consequence of the changed accounting principle. In addition, the changed principles will affect the income statement by SEK + 2 m in 2012 and other comprehensive income for 2012 by SEK – 25 m. All amounts take into account payroll taxes and are stated net after deferred tax.

None of the other IFRS or IFRIC interpretations which have not yet entered into force are expected to have any material impact on Duni.

2.2 Consolidated reporting

2.2.1 Subsidiaries

Subsidiaries are all companies (including companies for specific purposes) in which the Group is entitled to formulate financial and operational strategies in a manner which normally is a concomitant of a shareholding in excess of 50% of the voting rights of shares or participating interests or where the Group, through agreements, exercises a sole controlling influence. Subsidiaries are included in the consolidated financial statements commencing the day on which the controlling influence is transferred to the Group. They are removed from the consolidated financial statements as of the day on which the controlling influence ceases.

The purchase method is used for reporting the Group's acquisitions of subsidiaries. The purchase price for the acquisition of a subsidiary consists of fair value of transferred assets, debts and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities which are a consequence of an agreement regarding a conditional purchase price. Acquisition-related costs are booked when incurred. Identifiable acquired assets and assumed liabilities in a business acquisition are initially valued at fair value on the acquisition date. For each acquisition, the Group determines whether all holdings without a controlling interest in the acquired company shall be reported at fair value, or proportionately to the share in the net assets of the acquired company represented by the holding.

The amount by which purchase price, any holding without controlling interest, as well as the value on the acquisition date of earlier shareholdings exceeds the fair value of the Group's share of identifiable acquired net assets, is reported as goodwill. If the amount is less than fair value for the assets of the acquired subsidiary, in the event of a "bargain purchase", the difference is reported directly in the Consolidated statement of comprehensive income.

Intra-group transactions and balance sheet items, as well as unrealized profits on transactions between group companies, are eliminated. Unrealized losses are also eliminated, but any losses are regarded as an indication of possible impairment. Where appropriate, the accounting principles for subsidiaries have been changed to ensure consistent application of the Group's principles.

2.2.2 Transactions with holders of non-controlling interests

The Group applies the principle of reporting transactions holders of non-controlling interests as transactions with the Group's equity holders. Upon acquisitions from holders of non-controlling interests, the difference between the purchase price paid and the actual acquired portion of the reported value of the subsidiary's net assets is reported in shareholders' equity. Profits or losses upon divestments to holders of non-controlling interests are also reported in shareholders' equity. Duni has no holdings which are without a controlling interest.

2.2.3 Affiliated companies

Affiliated companies are all companies in which the Group has a significant, but not controlling, influence, which generally is the case with stakes of between 20% and 50% of the voting capital. Holdings in affiliated companies are reported in accordance with the equity method and initially valued at the acquisition value. At present, the Group has no affiliated companies.

2.3 Segment reporting

Operating segments are reported in a manner which is consistent with the internal reporting provided to the highest executive decision-maker. The highest executive decision-maker is the function which is responsible for allocation of resources and assessment of the income of the operating segment. In Duni, this function has been identified as the group management which takes strategic decisions. Duni's segment reporting covers the reporting of three business areas, based on underlying operating income following allocation of shared expenses to each business area. For a detailed description, see Note 5.

2.4 Translation of foreign currency

2.4.1 Functional currency and reporting currency

Items included in the financial statements for the various units in the Group are valued in the currency which is used in the economic environment in which the relevant company primarily operates (functional currency). In the consolidated financial statements, Swedish kronor (SEK) are used; this is the Parent Company's functional currency and reporting currency.

2.4.2 Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency in accordance with the exchange rates applicable on the transaction date. Currency gains and losses which arise in conjunction with payments of such transactions and in conjunction with translation of monetary assets and liabilities in foreign currency at the closing day rate are reported in the income statement. Exchange rate differences on lending and borrowing are reported in the net financial items, while other exchange rate differences are included in the operating income. Exceptions apply when the transactions constitute hedging which satisfies the conditions for hedge accounting of cash flows or of net investments, since profits/losses are reported in other comprehensive income. Duni applies hedge accounting via an interest rate swap; part of the interest rate risk has been hedged at a fixed rate through a 24-month interest rate swap which expires in February 2014.

2.4.3 Group companies

The results and financial position of all group companies (of which none has a high inflation currency as functional currency) which have a functional currency other than the reporting currency are translated to the Group's reporting currency in accordance with the following:

a) assets and liabilities for each of the balance sheets are translated at the closing day rate;
b) income and expenses for each of the income statements are translated at the average exchange rate;
c) all exchange rate differences which arise are reported in the Consolidated statement of comprehensive income.

Upon consolidation, exchange rate differences which arise as a consequence of translation of net investments in foreign operations are transferred to the Consolidated statement of comprehensive income. Upon the full or partial divestment of a foreign business, the exchange rate differences which are reported in the Consolidated statement of comprehensive income are transferred to the income statement and reported as a part of capital gains/losses.

Goodwill and adjustments of fair value which arise upon the acquisition of a foreign business are treated as assets and liabilities of such business and translated at the closing day rate.

2.5 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. The reported cash flow covers only transactions which result in payments being received or made. Cash and cash equivalents in the cash flow statement accord with the definition of cash and cash equivalents in the balance sheet, see 2.13.

2.6 Revenue

2.6.1 Revenue recognition

Revenue includes the fair value of what has been, or is to be, received for sold goods in the Group's current operations. Revenue is reported exclusive of value added tax, returns and discounts and after elimination of intra-group sales.

Duni reports revenue when the amount thereof can be measured in a reliable manner and it is likely that future economic benefits will accrue to the Company. The amount of revenue is not deemed measurable in a reliable manner until all obligations associated with the sale have been fulfilled or have lapsed. Duni bases its assessments on historic results and thereupon takes into consideration the type of customer, type of transaction and special circumstances in each individual case.

Sales of goods are reported as revenue when a group company has delivered products to customers and when responsibility for the products has passed to the customer. The responsibility is governed by the delivery terms and conditions. The customer's acceptance consists of delivery approval, conditions for approval having expired, or the fact that the Group has objective evidence that all criteria for approval are fulfilled. Delivery does not occur before the products have been dispatched to a designed place and the risks and possibilities associated with the products (obsolescence, result upon future sale) have passed to the customer.

2.6.2 Dividend income

Dividend income is reported when the right to receive the payment has been established.

2.7 Intangible assets

2.7.1 Goodwill

Goodwill comprises the amount by which the acquisition value exceeds the fair value of the Group's share of the identifiable net assets of acquired subsidiaries at the time of acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets. Goodwill is reviewed annually to identify any impairment and reported at acquisition value less accumulated impairment. Impairment of goodwill is not reversed. Profits or losses upon the divestment of a unit include remaining reported value on the goodwill which relates to the divested unit.

Detailed information regarding Duni's definition of cash-generating units upon the allocation of goodwill is provided in Note 21.

2.7.2 Trademarks and licenses
Acquired trademarks and licenses are reported at acquisition value. Trademarks and licenses have a determinable useful life and are reported at acquisition value less accumulated amortization. Amortization takes place on a straight-line basis in order to allocate the cost for trademarks and licenses over their assessed useful life (3–10 years).

2.7.3 Research and development
Capitalized research expenditures relate primarily to expenditures for the implementation of the SAP business system.

Research expenditures are booked when incurred.

Expenditures incurred in development projects (relating to design and testing of new or improved products) are reported as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to finish the intangible asset so that it can be used or sold;

(b) management intends to finish the intangible asset and use or sell it;

(c) conditions exist to use or sell the intangible asset;

(d) the way in which the intangible asset will generate probable future economic benefits can be demonstrated;

(e) adequate technical, financial and other resources exist to complete the development and to use or sell the intangible asset; and

(f) the expenditures which relate to the intangible asset during its development can be calculated in a reliable manner.

Other development expenditures which do not fulfill these conditions are reported as expenses when incurred. Development expenditures previously reported as an expense are not reported as an asset in a subsequent period. Capitalized development expenditures are reported as intangible assets and amortization takes place from the time when the asset is finished for use, on a straight-line basis over the assessed useful life (3-10) years.

2.8 Tangible fixed assets
Buildings and land include primarily plants and offices. All tangible fixed assets are reported at acquisition value less depreciation. The acquisition value includes expenditures directly related to the acquisition of the asset, as well as interest expenses in conjunction with the construction of qualifying assets.

Additional expenditures are added to the reported value of the asset or reported as a separate asset only where it is likely that the future economic benefits associated with the asset will vest in the Group and the asset's acquisition value can be measured in a reliable manner. Reported value for the replaced part is removed from the balance sheet. All other forms of repairs and maintenance are reported as expenses in the income statement during the period in which they are incurred.

No depreciation takes place for land. Depreciation on other assets, in order to allocate their acquisition value down to the estimated residual value over the estimated useful life, takes place on a straight-line basis in accordance with the following:

Type of assets	Useful life
Buildings	20–40 years
Paper machinery	17 years
Other machinery	10 years
Vehicles	5 years
Equipment, tools, and installations	3–8 years

The residual value and useful life of the assets are assessed on each balance sheet date and adjusted as required.

Profits or losses from divestments are established through a comparison between the sales revenue and the reported value, and are reported in other operating income or other operating expenses in the income statement.

2.9 Impairment of non-financial assets
With respect to goodwill and other assets with an undetermined useful life, an annual assessment is conducted to ascertain that the recovery value, i.e. the net realizable value or the use value, whichever is higher, exceeds the reported value. With respect to other non-financial assets, a similar assessment is carried out as soon as there are indications that the reported value is too high. The asset's value is written down to the recovery value as soon as it is shown that it is lower than the reported value.

2.10 Leasing
Fixed assets which are used via leasing are classified in accordance with the financial terms of the leasing agreement. Leasing of fixed assets, where the Group in all essential respects holds the financial risks and benefits associated with ownership, is classified as financial leasing. Financial leasing is reported at the beginning of the leasing period at the fair value of the leasing object or the present value of the minimum leasing fees, whichever is the lower. Other leasing agreements are classified as operational leasing. Payments made during the leasing term (less deductions for any incentives from the lessor) are reported as an expense in the income statement on a straight-line basis over the leasing term.

2.11 Financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of the financial assets on the first reporting occasion and reviews this decision on each subsequent reporting occasion.

2.11.1 General principles
Purchase and sales of financial assets are reported on the transaction day – the date on which the Group undertakes to purchase or sell the asset. Financial instruments are initially reported at fair value plus transaction expenses, which applies to all financial assets which are not reported at fair value through profit or loss. Financial assets valued at fair value through profit or loss are reported initially at fair value, while related transaction expenses are reported in the income statement. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or has been transferred and the Group has largely transferred all risks and benefits associated with the ownership. Financial assets valued at fair value through profit or loss are reported after the acquisition date at fair value. Loans and receivables are reported at accrued acquisition value applying the effective annual interest rate method.

Fair value of listed financial assets corresponds to the listed bid price on the balance sheet date. Fair value of unlisted financial assets is determined by using valuation techniques, for example recently completed transactions, the price of similar instruments or discounted cash flows. Fair value of currency forwards is determined based on the applicable forward rate on the balance sheet date, while interest rate swaps are valued based on future discounted cash flows.

The Group assesses on each balance sheet date whether there is any objective evidence of impairment of a financial asset or a group of financial assets, such as the discontinuation of an active market or that it is unlikely that the debtor will be to meet its obligations. The impairment is calculated as the difference between the reported value of the asset and the present value of estimated future cash flows, discounted to the financial asset's original effective rate of interest. The reported value of the asset is written down and the impairment charge is reported in the consolidated income statement. If a loan or an investment which is held to maturity carries valuable interest, the relevant effect rate of interest established in accordance with the agreement is used as the discount rate when establishing impairment. As an expediency, the Group can establish impairment on the basis of the fair value of the instrument applying an observable market price. Impairment of accounts receivable is described below in the section on loans and receivable.

2.11.2 Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss consist of financial assets that are held for trading. A financial asset is classified in this category if it is acquired primarily in order to be sold within a short time. Derivative instruments are classified as held for trading if they are not identified as hedge instruments. Duni holds derivative instruments in the form of currency forward contracts, interest rate swaps on long-term lending as well as financial contracts in the form of energy derivatives.

Duni applies hedge accounting in accordance with IAS 39 on the interest rate swap entered for hedge payments of variable interest. Changes in value of derivatives designated for hedge accounting are reported in Other comprehensive income.

Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as fixed assets.

2.11.3 Hedge accounting
The effective part of changes in fair value on a derivative instrument which is identified as cash flow hedging and which satisfies the conditions for hedge accounting is reported in Other comprehensive income. The profit or loss attributable to the ineffective part is reported immediately in the income statement under Other net profits/losses. The profit or loss attributable to the effective part of an interest rate swap which hedges borrowing at a variable rate is reported in the income statement in Financial expenses.

2.11.4 Loan receivables and accounts receivable
Loan receivables and accounts receivable are financial assets which are not derivative instruments. They have determined or determinable payments and are not listed on an active market. They are included in current assets, with the exception of items payable more than 12 months after the balance sheet date, which are classified as fixed assets. Impairment of accounts receivable is reported in the income statement in the sales function and impairment of loan receivables is reported as a financial item. Cash and cash equivalents in the balance sheet are also included in this classification.

Accounts receivable and loans receivables are initially reported at fair value and thereafter at accrued acquisition value applying the effective annual interest rate method, less any provisions for depreciation.

Provision is made for impairment of accounts receivable when there is objective evidence that the Group will be unable to receive all amounts which are due and payable according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will go into bankruptcy or undergo financial restructuring, and non-payment or delayed payment (payment overdue by more than 30 days) are regarded as indications that impairment may exist. The size of the provision is determined by the difference between the reported value of the asset and the present value of assessed future cash flows.

2.12 Inventories
Inventories are reported at the acquisition value or the net realizable value, whichever is lower. The acquisition value is determined using the first in, first out method (FIFO). The acquisition value of finished goods and work in progress consists of design expenses, raw materials, direct salaries, other direct expenses and associated indirect manufacturing expenses (based on normal production capacity). Loan expenses are not included. The net realizable value is the estimated sales price in the current operations, less applicable variable selling expenses.

2.13 Cash and cash equivalents
In both the balance sheet and the cash flow statement, cash and cash equivalents include cash, bank balances and other short-term investments which mature within three months of the date of acquisition.

2.14 Financial liabilities
The Group classifies its financial liabilities in the following categories: financial liabilities valued at fair value through profit or loss and financial liabilities valued at accrued acquisition value. The classification depends on the purpose for which the financial liability was acquired. Management determines the specification of the financial liabilities on the first reporting occasion and reviews this decision on each subsequent reporting occasion.

2.14.1 Financial liabilities at fair value through profit or loss
Derivative instruments with a negative fair value which do not meet the criteria for hedge accounting are valued at fair value through profit or loss. For a description of the derivative instruments held by Duni and for further information regarding reporting, see section 2.11 "Financial assets at fair value through profit or loss."

Derivative instruments which satisfy the rules for hedge accounting, including the interest rate swap taken out by Duni, are reported at fair value via Other comprehensive income. For a more detailed description of the reporting of derivative instruments designated for hedging, see 2.11.3.

Liabilities in this category are classified as short-term liabilities if they are expected to be settled within 12 months; otherwise they are classified as long-term liabilities.

2.14.2 Financial liabilities at amortized cost
Borrowing and other financial liabilities, e.g. accounts payable, are included in this category. Accounts payable are obligations to pay for goods or services which have been acquired from suppliers in the course of day-to-day operations. Accounts payable are classified as short-term liabilities if they fall due within one year or earlier (or during a normal business cycle, if that is longer). If not, they are reported as long-term liabilities.

Financial liabilities are valued initially at fair value, net after transaction expenses. Financial liabilities are thereafter valued at accrued acquisition value, and any difference between the received amount (net after transaction expenses) and the repayment amount is reported in the income statement, allocated over the period of the loan, applying the effective annual interest rate method. The prepayment fee upon premature redemption of loans is reported in the income statement at the time of redemption. Loan expenses affect the result for the period to which they relate. Issued dividends are reported as loans after the Annual General Meeting has approved the dividend.

Borrowing and other financial liabilities are classified as short-term liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

2.15 Income taxes
Reported income taxes includes tax which is to be paid or received regarding the current year, adjustments regarding the relevant tax for previous years, and changes in deferred taxes.

All tax liabilities/tax assets are valued at the nominal amount in accordance with the tax rules and tax rates decided upon or announced and which in all likelihood will be adopted.

With respect to items reported in the income statement, the associated tax consequences are also reported in the income statement. The tax consequences of items reported in the Consolidated statement of comprehensive income are reported in the Consolidated statement of comprehensive income.

Deferred tax is calculated in accordance with the balance sheet method on all temporary liabilities which arise between reported and tax values of assets and liabilities.

Deferred tax assets with respect to loss carry-forwards and other future taxable deductions are reported to the extent it is likely that the deduction may be set off against surpluses in conjunction with future payments. Deferred tax liabilities relating to temporary differences attributable to investments in subsidiaries and branches are not reported in the consolidated financial statements since the Parent Company can, in all cases, determine the date for reversal of the temporary differences and it is not deemed likely that a reversal will take within the foreseeable future.

2.16 Employee benefits
2.16.1 Pensions
Duni has various pension plans. The pension plans are normally financed through payments to insurance companies or manager-administered funds, where the payments are determined based on

periodic actuarial calculations. Duni has both defined benefit and defined contribution pension plans. A defined contribution pension plan is a pension plan pursuant to which Duni pays fixed fees to a separate legal entity. Duni has no legal or informal obligations to pay additional fees if the legal entity has insufficient assets to pay all compensation to employees relating to the employee's service during a current or earlier period. A defined benefit plan is a pension plan which is not a defined contribution plan. The distinguishing feature of defined benefit plans is that they state an amount for the pension benefit an employee will receive after retirement, normally based on one or more factors such as age, period of employment and salary.

The liability reported in the balance sheet with respect to defined benefit plans is the present value of the defined benefit obligation on the balance sheet date, less the fair value of the managed assets and adjusted for non-reported actuarial profits and losses, as well as unreported expenses relating to employment during previous periods. The defined benefit pension obligation is calculated annually by independent actuaries applying the projected union credit method. The present value of a defined benefit obligation is determined by discounting the estimated future pension payments using the rate of interest on first class corporate bonds issued in the same currency as the currency in which payments are to be made, with terms to maturity comparable to the relevant pension liability. Approximately one half of pension obligations relate to Sweden, where there is no functioning market for corporate bonds. Here, the market yield on mortgage bonds with a comparable term to maturity is used instead.

Swedish mortgage bonds constitute investment-grade corporate bonds in the sense that the market for such bonds has a high turnover and is considered to be liquid and deep; furthermore, these bonds often have a triple A rating and thus are extremely creditworthy.

Up to and including 2012, actuarial profits and losses arising from experienced-based adjustments and changes in actuarial assumptions exceeding the 10% of the value of the plan assets or 10% of the benefit-based obligation, whichever is higher, was recognised as an expense or income over the estimated average remaining period of employment of the employees.

Expenses relating to employment in earlier periods are reported directly in the income statement unless changes in the pension plan are conditional on the employees remaining in service during a stated period (the vesting period). In such cases, the expenses regarding employment during earlier periods are allocated on a straight-line basis over the vesting period.

In respect of defined contribution plans, Duni pays fees to publicly or privately administered pension insurance plans pursuant to contractual obligations or on a voluntary basis. The Group has no further payment obligations when the contributions are paid. The contributions are reported as personnel expenses when they fall due for payment. Prepaid contributions are reported as an asset to the extent the Company may benefit from cash repayments or a reduction in future payments.

2.16.2 Compensation upon termination of employment

Compensation upon termination of employment is paid when an employee's employment is terminated by Duni prior to the normal retirement date or when an employee accepts voluntary severance in exchange for certain compensation. Duni reports severance compensation when the Group is demonstrably obliged either to terminate an employee pursuant to a detailed formal plan without the possibility of recall, or to provide compensation upon termination as a result of an offer made to encourage voluntary retirement. Benefits payable more than 12 months after the balance sheet date are discounted to present value.

2.17 Provisions

Provisions for, primarily, environmental restoration measures, restructuring expenses and any legal claims are reported when the Group has a legal or informal obligation as a consequence of earlier events, it is likely that an outflow of resources will be required to settle the obligation, and the amount can be calculated in a reliable manner. Duni reports allocations for restructuring expenses, see Note 9. No provisions are made for future operating losses.

2.18 Fixed assets held for sale and discontinued operations

Fixed assets which are held for sale (or divestment groups) are classified as fixed assets held for sale if their reported value will primarily be recovered through a sales transaction, not through ongoing use. Fixed assets (or divestment groups) classified as fixed assets which are held for sale are reported at the reported value or the fair value less selling expenses, whichever is the lower. Such assets may constitute a part of a company, a divestment group or an individual fixed asset. As regards the reported financial year, Duni has no assets which meet the criteria for reporting as fixed assets held for sale.

2.19 Emission rights

Duni participates in the EU's emission rights trading system. Received emission rights are initially valued at the acquisition value, i.e. SEK 0. Revaluations do not take place. A provision is made if an emission rights deficit is identified between owned rights and the rights which will need to be delivered due to emissions made. The value of any surplus emission rights is reported only when realized upon an external sale.

2.20 The Parent Company's accounting principles

The Parent Company prepares its annual report pursuant to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, Reporting for Legal Entities. RFR 2 entails that the Parent Company's annual report for the legal entity shall apply all IFRS and statements approved by the EU, insofar as possible within the scope of the Swedish Annual Accounts Act and taking into consideration the connection between reporting and taxation. The Recommendation states which exceptions and supplements are to be made compared with reporting pursuant to IFRS.

The principles regarding the Parent Company are unchanged compared with the preceding year.

2.20.1 Differences between the Group's and the Parent Company's accounting principles

Differences between the Group's and Parent Company's accounting principles are set forth below. The accounting principles stated below have been applied consistently to all periods presented in the Parent Company's financial statements.

Subsidiaries

Participating interests in subsidiaries are reported in the Parent Company pursuant to the purchase method. Received dividends and group contributions are reported as financial incomes.

Intangible fixed assets

Intangible fixed assets in the Parent Company are reported at acquisition value less deduction for accumulated amortization and any impairment. Reported goodwill in the parent company relates to acquisition goodwill; the useful life is thus assessed by company management at not more than 20 years. Amortization of goodwill takes place on a straight-line basis over an assessed useful life of 20 years.

Tangible fixed assets

Tangible fixed assets in the Parent Company are reported at acquisition value less deduction for accumulated depreciation and any impairment in the same manner as for the Group, but with a supplement for any revaluations.

Leased assets

All leasing agreements are reported in the Parent Company pursuant to the rules for operational leasing.

Pension provisions

The Parent Company reports pension liabilities based on a calculation pursuant to the Swedish Pension Obligations (Security) Act.

Income tax

Due to the connection between reporting and taxation, in the Parent Company the deferred tax liability on untaxed reserves is reported as a part of the untaxed reserves.

Presentation of income statement and balance sheet
The Parent Company complies with the form for presentation of income statements and balance sheets as set forth in the Swedish Annual Reports Act. This entails, among other things, a different presentation as regards shareholders' equity and that provisions are reported as a separate main heading in the balance sheet.

NOTE 3 – FINANCIAL RISKS

3.1 Financial risk factors

Duni is exposed through its operations to a large number of different risk factors: market risks (including currency risks, price risks regarding energy consumption and pulp purchases by the subsidiary, Rexcell Tissue & Airlaid AB, interest rate risks in the cash flow, as well as interest rate risks in fair value), credit risks and liquidity risks. Duni's overall risk management policy focuses on contingencies on the financial markets.

Risk management is handled by a central finance department (Treasury) in accordance with policies adopted by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operational units. The Board prepares specific policies regarding the overall risk management and for specific areas, such as currency risks, interest rate risks, use of derivative and non-derivative financial instruments, as well as investments of surplus liquidity. The financial hedge relations established by Duni as an element in its risk management do not qualify for hedge accounting pursuant to the rules in IAS 39. However, there is one exception: in 2011 Duni designated an interest rate swap as a hedge instrument. The interest rate swap is reported in accordance with the rules governing cash flow hedging.

3.1.1 Market risks
Currency risks
Duni operates internationally and is exposed to currency risks which arise from various currency exposures. The Group's exposure to changes in exchange rates may be described as translation exposure and transaction exposure.

Duni manages its translation exposure and transaction exposure by concentrating the exposure to a small number of Group companies and through a finance policy adopted by the Board of Directors.

Translation exposure
Items included in each individual subsidiary's annual report are calculated based on the currency of the country in which the subsidiary has its primary financial and/or legal domicile (functional currency). The Parent Company's annual report is presented in Swedish kronor (SEK), which is the Group's presentation currency. Translation from each company's functional currency to SEK does not give rise to any significant cash flow and thus this exposure is not hedged. Translation exposure arises when the income statements of subsidiaries are translated to SEK. At unchanged exchange rates compared with 2011, net sales would have been SEK 75 m higher and the underlying operating income would have been SEK 12 m higher.

Duni is also exposed to another type of translation exposure which occurs in the balance sheets of the individual group companies due to the fact that such balance sheets may include items in a currency other than such group company's functional currency. Revaluation of these items to the closing day rate is included in the Group's result. This type of translation exposure is addressed in the section below.

The financial borrowing and lending in the individual subsidiaries is primarily internal through the Parent Company and in the respective subsidiary's functional currency. In this manner, currency exposure regarding these items has been centralized on the Parent Company. In the Parent Company, 100% of the financial borrowing and lending is hedged in accordance with the Group's policy, and thus a change in exchange rates has no essential effect on the result. The Parent Company's external borrowing is matched to approximately 55% by internal net lending with the same currency breakdown. The remaining 45% is hedged on the currency futures market in accordance with Duni's policy. Note 29 presents the value and nominal amounts regarding currency forward contracts entered into regarding financial borrowing and lending in the Parent Company.

As described in greater detail below in the section addressing transaction exposure, Duni manages its currency risks primarily by concentrating commercial transactions to take place essentially in the functional currencies of the subsidiaries. Thus, as regards the consolidated Group, the translation exposure in the working capital of the individual subsidiaries is assessed as minor.

Had all currencies been 5% higher/lower, due to exposure in the individual subsidiaries and the consolidated balance sheet items, the Group's income would have been approximately +/- SEK 2 m (2011: +/- SEK 1 m). Corresponding figures for the Parent Company are +/- SEK 2 m (2011: +/- SEK 1 m).

Transaction exposure
The transaction exposure is minimized primarily through external commercial transactions essentially being carried out in the functional currency of the subsidiaries. Purchases by subsidiaries, primarily internal, may however take place in currencies other than the company's own functional currency, and thus these purchases are exposed to a currency risk. By also directing the internal flows as far as possible to the functional currency of the recipient subsidiary, the currency risk is concentrated to a small number of subsidiaries. The Group's external flows are primarily in SEK as well as PLN, while external inward flows are primarily in DKK, NOK, CHF and GBP.

Duni does not have a policy to hedge interest payments, whether internal or external.

Duni has an indirect currency risk in USD through the subsidiary, Rexcell Tissue & Airlaid AB. Internationally, pulp is priced in USD; a strengthening/weakening of USD results in higher or lower purchasing costs for the Group. However, this risk is neutralized to a certain extent since the pulp price becomes lower or higher in the event of a strengthening/weakening of USD.

Price risks
Energy price risks
During 2012, the subsidiary Rexcell Tissue & Airlaid AB purchased approximately 81,000 MWh electricity at a cost of approximately SEK 31 m; 4,800 tonnes of LPG for approximately SEK 34 m; and wood chips for the biofuel boiler were bought for approximately SEK 10 m (2011: 73,000 MWh electricity for SEK 36 m; 5,000 tonne LPG for SEK 35 m; and wood chips for SEK 20 m).

Due to its energy-intensive operations, Rexcell Tissue & Airlaid AB is exposed to risks associated with changes in the price of energy, particularly gas and electricity. In those cases where the energy price is not hedged, price changes on the energy market have a direct impact on the company's income. An electricity price change of +/- 5% for the energy used by Rexcell Tissue & Airlaid AB affects the net income by approx. -/+ SEK 2 m (2011: -/+ SEK 2 m).

Rexcell Tissue and Airlaid AB has been allocated emission rights for the period 2008 to 2012, namely 2,779 tonnes per year for Dals Långed and 14,154 tonnes per year for Skåpafors. Excess emission rights are carried over to the following year, while support purchases are made if the emission rights are insufficient. In the event support purchases are made in 2013, the assessment is that they will not amount to any significant sum. On December 31, 2012, Rexcell Tissue & Airlaid AB had 2,237 (2,430) unused emission rights with a market value of SEK 0 (0) m.

Pulp price risks
OTC trading in financial contracts takes place with respect to certain paper and pulp products, i.e. there is a possibility to reduce the risk of fluctuations in the paper and pulp price. Purchases of paper and pulp are carried out by the subsidiary, Rexcell Tissue & Airlaid AB. Duni currently has not signed any such contracts. A change in the price of pulp during 2012 of +/- 1% per tonne affects income by -/+ SEK 3 m (2011: -/+ SEK 3 m).

Interest rate risks with respect to cash flows and fair value
Duni is exposed to interest rate risks, primarily in EURIBOR, since all external borrowing is at variable interest rates (see Note 31 for more details). The Parent Company's internal lending and borrowing also take place at variable rates. Part of the interest rate risk has been hedged at a fixed rate through 24-month interest rate swaps, expiring in February 2014.

Duni has no significant interest-bearing assets, with the exception of a loan of SEK 1 m to an external party at a variable interest rate which is adjusted each quarter. The Group's revenue and cash flows from the ongoing operations are, in all essential respects, independent of changes in market interest rates.

The Group's interest rate risk with respect to cash flows arises through external long-term borrowing at a variable rate of interest. Outstanding loans are entirely in EUR.

Had interest rates on the Group's borrowing as per December 31, 2012 been 100 points higher/lower with all other variables being constant, the Duni's net income for 2012 would have been SEK 4 m lower/higher (2011: SEK 4 m).

3.1.2 Credit risks

Credit risks are managed on a Group level. Credit risks arise through cash or cash equivalents, derivative instruments and balances held with banks and financial institutions as well as credit exposures vis-à-vis the Group's customers, including outstanding receivables and agreed transactions.

Only banks and financial institutions with a long-term credit rating from an independent rating agency of at least "A- (minus)" are accepted. The total amount deposited or invested in a bank or a single finance company may not exceed SEK 150 m.

All new customers are subject to a credit rating assessment by an independent rating agency. In those cases where there is no independent credit rating, a risk assessment is made regarding the customer's creditworthiness with consideration being given to the customer's financial position, previous experience and other factors. Individual risk limits are established based on internal or external credit assessments in accordance with the limits established by the Board. The use of credit limits is monitored regularly.

The maximum credit risk consists of the book value of the exposed assets including derivatives with positive market values.

Receivables overdue by more than 180 days accounted for 0.6% of total accounts receivable (2011: 0.4%). For the Parent Company, the corresponding portion is 0.0% (2011: 0.4%).

3.1.3 Likvidity risks

Duni's liquidity risks consist of the Group lacking cash or cash equivalents for payment of its obligations. The risk is managed by within Duni by Treasury ensuring that sufficient cash and cash equivalents are available, that financing is available through agreed credit facilities (these are described in greater detail in Note 31) and the possibility to close market positions.

As per December 31, 2012 Duni had cash and cash equivalents of SEK 181 m (2011: SEK 85 m) as well as a non-utilized credit facility of SEK 625 m (2011: SEK 1,432 m). Payments for coming periods relating to financial liabilities are shown in tables below.

Duni's credit facility is subject to covenants which consist of a key financial ratio as well as a number of non-financial conditions. The financial key ratio comprises financial net debt in relation to underlying EBITDA. The interest margin is calculated based on the same key ratio and adjusted based on given levels each quarter.

Current financing consists of a revolving credit facility of EUR 130 m which has not been fully utilized. In addition to this financing, there are overdraft facilities totaling SEK 7 m and PLN 10 m. Duni's long-term financing since 2012 is secured by a finance agreement expires in May 2015. The table below shows the Group's contracted outstanding undiscounted interest payments and repayment of principal on the financial liabilities, as well as assets and liabilities regarding derivative instruments:

		1-3 months		3-12 months		Later than1 year but within 5 years	
SEK m	Book Value	Interest	Repayment	Interest	Repayment	Interest	Repayment
Bank loans	-558	-1	-558	0	0	–	–
Overdraft facility	-17	0	-17	0	0	–	–
Accounts payable and other liabilities	-351	–	-351	–	0	–	–
- Currency forward contracts*	-1	–	-1	–	–	–	–
- Interest rate swaps	-2	–	–	–	–	–	-2
- Energy derivatives	0	–	0	–	–	–	–
Derivative instruments - Liabilities	**-3**	**0**	**-1**	**0**	**0**	**0**	**-2**
- Currency forward contracts*	1	–	1	–	–	–	–
- Interest rate swaps	0	–	0	–	–	–	–
- Energy derivatives	0	–	0	–	–	–	–
Derivative instruments - Assets	**1**	**0**	**1**	**0**	**0**	**0**	**0**
Total	**-928**	**-1**	**-926**	**0**	**0**	**0**	**-2**

* Gross flows are shown in the table below.

The market value of derivative instruments above regarding liabilities is broken down as follows:

SEK m	2012	2011
Currency forward contracts	0	0
Interest rate swaps	-2	-3
Energy derivatives	0	0
Total	**-2**	**-3**

Currency forward contracts are settled gross. The table below shows these currency forward contracts broken down by the time which, on the balance sheet date, remains until the contractual expiration date. The amounts stated below are the contractual non-discounted amounts.

SEK m	2012	2011
Currency forward contracts		
- Inflow regarding contracts for financial assets and liabilities	333	307
- Outflow regarding contracts for financial assets and liabilities	-334	-306

All flows are due and payable within one year. Financial currency forward contracts relate to both internal and external liabilities and receivables.

The above presentation includes all financial liabilities and derivative instruments with negative and positive values. Amounts in foreign currency and amounts paid based on a variable rate of interest have been estimated through the use of the prevailing exchange rates on the balance sheet date and the most recent interest rate adjustments. Total repayment does not always correspond to the book value. This is due to the fact that the Group's transaction costs in connection with the arrangement of loans are booked against the loan.

3.2 Management of capital risk

Duni's objective with respect to the capital structure is to ensure the Group's ability to continue its operations. The Group assesses capital on the basis of the net/debt equity ratio. This key ratio is calculated as net debt divided by total capital. The net debt is calculated as total borrowing less cash and cash equivalents. Total capital is calculated as shareholders' equity in the consolidated balance sheet plus net debt.

The net debt/equity ratio is as follows:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Total borrowing	**576**	**662**	**559**	**643**
Other long-term receivables	-2	-5	-2	-4
Pension provisions	163	173	112	114
Group loans / receivables	–	–	-1,028	-1,117
Less: cash and cash equivalents	-181	-85	-130	-43
Net debt*	555	745	-483	-407
Total shareholders' equity	**2,051**	**2,082**	**1,972**	**2,076**
Total capital	**2,606**	**2,827**	**1,489**	**1,669**
Net debt/equity ratio	21 %	26 %	-32 %	-24 %

* Calculation of debt debt is exclusive of derivative instruments.

3.3 Calculation of fair value

The fair value of derivatives traded on an active market is based on the listed market prices on the balance sheet date. The relevant ask price constitutes the listed market price which is used for the Group's financial assets.

Fair value of financial instruments which are not traded on an active market (e.g. OTC derivatives) is determined through the use of valuation techniques. The Group uses a number of different methods and makes assumptions based on the market conditions prevailing on the balance sheet date. Listed market prices or broker listings for similar instruments are used with respect to long-term liabilities. Other techniques, such as calculation of discounted cash flows, are used to establish fair value for remaining financial instruments. Fair value for interest rate swaps is calculated as the present value of assessed future cash flows. Fair value for currency forward contracts is established through the use of listed prices for currency forward contracts on the balance sheet date.

Reported value for accounts receivable and accounts payable, less any impairment, is assumed to correspond to fair value since these items are short-term in nature. For information purposes, fair value of financial liabilities is calculated by discounting the future contracted cash flow to the current market interest rate which is available to the Group for similar financial instruments.

Commencing January 1, 2009, Duni applies the amended IFRS 7 as regards financial instruments which are valued at fair value in the balance sheet. Disclosure is thereupon required regarding valuation at fair value per level in the following fair value hierarchy:

Level 1 - Listed prices (unadjusted) on active markets for identical assets or liabilities.

Level 2 - Other observable data for assets or liabilities comprises listed prices included in level 1, either directly (as price) or indirectly (derived from price).

Level 3 - Data for assets or liabilities which is not based on observable market data.

As stated in Note 32, Duni only has derivative instruments valued at fair value; all derivative instruments are classified in level 2.

NOTE 4 – IMPORTANT ESTIMATIONS AND ASSESSMENTS FOR ACCOUNTING PURPOSES

Estimations and assessments are evaluated regularly based on historical experience and other factors, including expectations of future events which may be deemed reasonable under prevailing circumstances.

4.1 Important estimations and assumptions for accounting

The Group makes estimations and assumptions regarding the future. From a definition perspective, the estimations for accounting purposes which follow therefrom rarely correspond to the actual outcome. The estimations and assumptions which entail a significant risk of material adjustments in reported values for assets and liabilities during the following accounting period are outlined below.

4.1.1 Useful life, intangible and tangible fixed assets

Group management determines assessed useful life and thereby associated amortization/depreciation on the Group's intangible and tangible fixed assets. These estimations are based on historical knowledge of the useful life of corresponding assets. Useful life and assessed residual values are reviewed on each balance sheet date and adjusted as required. During the annual review, the need was identified to write down a machine and related building within the Tissue business area.

Regarding reported values for each balance sheet date for intangible and tangible fixed assets, see Notes 21-25.

4.1.2 Test of impairment of goodwill

Each year, the Group assesses whether there is any impairment of goodwill, in accordance with the accounting principle described in Note 2 under section 2.9, "Impairment of non-financial assets". The recovery value of cash-generating units has been determined by calculating the use value. For these calculations, certain estimations must be made; see Note 21.

Reported values as per the balance sheet date for goodwill are allocated per cash-generating unit; see Note 21.

Even if the estimated rate of growth which is applied to discounted cash flows after the forecast 5-year period had been 0% instead of the management's assessment of 1%, there would be no impairment of goodwill.

Even if the estimated discount rate before tax which is applied to discounted cash flows had been 12.4% instead of the management's assessment of 11.4%, there would be no impairment of goodwill.

4.1.3 Valuation of loss carry-forwards

Each year, the Group assesses whether there is any impairment of deferred tax assets regarding loss carry-forwards for tax purposes. In addition, the Group assesses the possibility to capitalize new deferred tax assets with respect to the year's loss carry-forwards for tax purposes, where appropriate. Deferred tax assets are reported only in those cases where it is likely that, in the future, from a tax perspective there will be surpluses against which the temporary difference may be utilized.

Reported values for deferred tax assets for each balance sheet date are set forth in Note 19 "Income taxes". As set forth in Note 19, non-appraised loss carry-forwards as per December 31, 2012 amount to SEK 0 m (2011: SEK 0 m).

4.1.4 Pensions

Expenses and the value of pension obligations with respect to defined benefit plans are based on actuarial calculations based on assumptions regarding the discount rate, anticipated return on managed assets, future salary increases, inflation and demographic conditions. Assumptions regarding the discount rate are based on high quality investments at fixed interest with a term to maturity corresponding to the Group's existing pension obligations. Other demographic conditions are based on accepted industry practice.

The largest pension plan (approximately one half of pension obligations) is in Sweden, where no corporate bonds are issued and thus the discount rate for the Swedish pension liability is based on mortgage bonds with a term to maturity corresponding to the pension plan. Duni believes that it is possible to equate Swedish mortgage bonds with investment-grade corporate bonds since the market for such bonds has a high turnover and is considered to be liquid and deep; furthermore, these bonds often have a triple A rating and thus are extremely creditworthy.

Reported values for pension liabilities for each balance sheet date are set forth in Note 33, "Pension provisions".

4.2 Important assessments upon application of the Company's accounting principles

4.2.1 Allocation of fixed assets per operating segment and goodwill to cash-generating units

The operating segments utilize common fixed assets. When reporting the common fixed assets per operating segment, these have been allocated based on the business volume of each operating segment; this is deemed to constitute a reasonable basis for allocation since the utilization of the asset by each operating segment is proven. Corresponding allocations have also taken place when allocating common group expenses. Acquisition goodwill has been allocated to the cash-generating units and operating segments based on an assessment of which units will benefit from the synergies, etc. created by the business combination. When carrying out the allocation, management has considered the estimated business volumes of the units and made an assessment of market growth for each unit.

NOTE 5 – OPERATING SEGMENTS

Company management has established operating segments based on the information which is addressed by the strategic decision-making group and which is used to take strategic decisions.

The strategic decision-making group assesses and evaluates the operations based on lines of business which are exposed to the same risks and opportunities. Duni regards the Professional, Consumer and Tissue lines of business as operating segments, which internally within Duni are designated as business areas.

Professional covers sales within the business-to-business sector, mainly restaurants, hotels and catering. **Consumer** covers sales within the business-to-consumer sector; the grocery retail trade as well as grocery stores and hypermarkets. **Tissue** is responsible for sales of tissue and airlaid material to Duni and to other customers. At arm's length pricing is applied between the Group's various business areas.

The Professional and Consumer business areas largely have a common product range. Design and packaging solutions are, however, adapted to suit the different sales channels. Production and support functions are shared to a large extent by both business areas.

Shared costs have been allocated based on estimated utilization of the resources, which normally corresponds to the business volumes.

The strategic decision-making body in Duni is group management, which decides on the allocation of resources within Duni and evaluates the results of the operations. Duni's group management monitors the operations, divided into the three business areas, which are evaluated and controlled based on the underlying operating income, i.e. reported operating income excluding non-recurring items, after shared costs have been allocated to each business area. Interest income and interest expenses are not allocated per segment since they are affected by measures taken by the central treasury function, which manages the Group's cash liquidity.

Operating segments

2012, SEK m	Professional	Consumer	Tissue	Non-allocated	TOTAL
Total net sales	2,682	551	978	–	4,211
Net sales from other segments	–	–	542	–	542
Net sales from external customers	**2,682**	**551**	**436**	**0**	**3,669**
Underlying operating income	336	5	-1	–	340
Non-recurring items	-19	-8	-85	–	-113
Reported operating income	**317**	**-3**	**-86**	**0**	**228**
Financial incomes					5
Financial expenses					-30
Income tax					-79
Net income for the year					**124**
Total assets	2,579	377	559	–	3,514
Total liabilities	535	146	207	576	1,463
Investments	56	15	44	–	115
Depreciation	-59	-16	-37	–	-112

Operating segments

2011, SEK m	Professional	Consumer	Tissue	Non-allocated	TOTAL
Total net sales	2,766	612	1,011	–	4,390
Net sales from other segments	–	–	583	–	583
Net sales from external customers	**2,766**	**612**	**428**	**0**	**3,807**
Underlying operating income	357	21	25	-	404
Non-recurring items	-12	-3	-1	-	-16
Reported operating income	**345**	**18**	**24**	**0**	**388**
Financial incomes					3
Financial expenses					-33
Income tax					-98
Net income for the year					**261**
Total assets	2,700	332	649	–	3,681
Total liabilities	589	130	219	661	1,599
Investments	223	49	105	–	377
Depreciation	-59	-13	-35	–	-107

Presented below is a specification of what Duni considers to be non-recurring items and the difference on the underlying and reported operating income.

SEK m	2012	2011
Non-recurring items		
Underlying operating income	340	404
Unrealized valuation effects of derivative instruments	0	-10
Restructuring expenses	-113	-6
Reported operating income	**228**	**388**

The assets and liabilities included in each business area include all operating capital which is used, primarily inventories, accounts receivable and accounts payable. In addition, certain assets which are shared (primarily fixed assets) have been allocated. Duni has chosen not to allocate financial liabilities, with the exception of accounts payable and derivative instruments. See also the table on non-allocated liabilities below and Note 4.2.

SEK m	2012	2011
Non-allocated liabilities		
Overdraft facility	17	26
Bank loans	558	635
Total non-allocated liabilities	**576**	**661**

Total net sales from external customers broken down by product groups:

SEK m	2012	2011
Product groups		
Napkins	1,562	1,657
Table covers	848	906
Candles	172	174
Serving products	286	284
Packaging solutions	273	276
Other	528	510
Net sales from external customers	**3,669**	**3,807**

Total net sales from external customers broken down by geographic areas:

SEK m	2012	2011
Net sales		
Sweden	285	301
Rest of Nordic region	419	429
Germany	1,220	1,306
Rest of Central Europe	963	990
Southern and Eastern Europe	703	718
Rest of the world	79	63
Net sales from external customers	**3,669**	**3,807**

Total intangible and tangible fixed assets broken down by geographic areas:

SEK m	2012	2011
Intangible and tangible assets		
Sweden	1,518	1,596
Germany	377	394
Rest of Central Europe	3	4
Southern and Eastern Europe	96	92
Total tangible and intangible assets	**1,994**	**2,086**

Parent Company's breakdown of net sales per operating segment and geographic areas:

Parent Company, SEK m	2012	2011
Operating segment		
Professional	910	995
Consumer	144	161
Tissue	2	4
Total net sales	**1,056**	**1,159**

Parent Company, SEK m	2012	2011
Geographic areas		
Nordic region	682	717
Central Europe	321	364
Southern and Eastern Europe	54	79
Total net sales	**1,056**	**1,159**

NOTE 6 – INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to SEK 2,272 m (2011: SEK 2,489 m). The Parent Company sold goods to its own subsidiaries for SEK 352 m (2011: SEK 423 m) and purchased goods from subsidiaries at a value of SEK 477 m (2011: SEK 537 m). At arm's length pricing has been applied in conjunction with intra-group purchases and sales.

NOTE 7 – EXPENSES BY NATURE

In the consolidated income statement, expenses are grouped by function. Presented below is information regarding significant types of expenses.

		Group	
SEK m	Note	2012	2011
Changes in inventories of finished products and products in progress		563	630
Raw materials and consumables		913	910
Expenses for compensation to employees	*13*	845	853
Depreciation and impairment	*8*	195	107
Other expenses		970	984
Total operating expenses		**3,486**	**3,484**

"Other expenses" means expenses for real estate, rents, logistics expenses, marketing, travel expenses, etc.

NOTE 8 – DEPRECIATION/AMORTIZATION AND IMPAIRMENT

Depreciation/Amortization	Group		Parent Company	
SEK m	2012	2011	2012	2011
Goodwill	–	–	100	100
Capitalized development expenditures	14	14	14	13
Trademarks and licenses	1	1	1	1
Buildings and land improvements	7	4	2	3
Plant and equipment	90	88	5	6
Total depreciation/amortization	**112**	**107**	**122**	**123**

Depreciation/amortization are included in the cost for each function as follows:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Costs of goods sold	87	86	5	7
Selling expenses	1	1	–	–
Administrative expenses	24	20	17	17
Other operating expenses	–	–	100	100
Total depreciation/amortization	**112**	**107**	**122**	**123**

Depreciation/amortization reported under the heading ”Other operating expenses” for the Parent Company in the table above relates in its entirety to amortization of goodwill.

Impairment	Group		Parent Company	
SEK m	2012	2011	2012	2011
Capitalized development expenditures	3	–	3	–
Buildings and land improvements	16	–	16	–
Plant and equipment	45	3	–	–
Construction in progress and advance payments for tangible assets	21	–	1	–
Total impairment	**85**	**3**	**21**	**0**

Impairment charges are included in the cost for each function as follows:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Selling expenses	4	–	4	–
Other operating expenses	81	3	16	–
Total impairment	**85**	**3**	**21**	**0**

NOTE 9 – RESTRUCTURING EXPENSES/ALLOCATION TO RESTRUCTURING RESERVE

During the year, restructuring costs of SEK 113 m were incurred. SEK 83 m of this amount is attributable to the planned closure of the hygiene products unit within Tissue. It relates primarily to impairment write-downs of fixed assets and, to a certain degree, also inventory. It is estimated that the total closure of the unit will be completed in the first quarter of 2014.

In addition, SEK 12 m is attributable to the previously announced restructuring program to enhance Duni’s future competitiveness, while a further SEK 18 m relate to costs incurred in conjunction with the change in CEO, restructuring on certain export markets, as well as write-downs of other fixed assets.

Restructuring expenses are included in each function as follows:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Costs of goods sold	14	2	–	–
Selling expenses	12	–	12	–
Administrative expenses	10	2	–	–
Other operating expenses	77	2	17	-2
Total restructuring expenses	**113**	**6**	**28**	**-2**

Allocation to restructuring reserve:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Opening balance, restructuring reserve	11	12	5	11
Utilized reserve	-15	-5	-6	-4
Reversal of reserve	-1	-2	-1	-2
Allocations for the year	22	6	8	–
Closing balance, restructuring reserve	**17**	**11**	**6**	**5**
Of which short-term	17	11	6	5

NOTE 10 – INVENTORIES

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Raw materials and consumables	98	108	–	–
Work in progress	6	10	–	1
Finished goods and goods for resale	277	347	70	84
Advance payments to suppliers	6	5	3	3
Total	**387**	**470**	**73**	**88**

The change in inventories is reported under the item "Costs of goods sold" and, for the Group, amounts to SEK 2,221 m (2011: SEK 2,450 m). The corresponding item for the Parent Company amounts to SEK 681 m (2011: SEK 770 m).

The Group's impairment write-down of inventory to the net realizable value amounts to SEK 20 m (2011: SEK 5 m). Impairment for the year is reported as a restructuring cost in connection with the planned closure within the Tissue business area. The Parent Company's reported impairment write-down of inventory amounts to SEK 8 m (2011: SEK 4 m). No reversal of write-downs has taken place in 2012 or 2011.

NOTE 11 – COMPENSATION TO AUDITORS

	Group		Parent Company	
SEK m	2012	2011	2012	2011
PwC				
- Audit engagement	3.6	3.2	1.7	1.4
- Auditing work other than audit engagement	0.4	0.5	0.3	0.3
- Tax advice	2.1	2.6	0.3	0.4
- Other services	1.4	1.1	1.1	0.1
Total	**7.5**	**7.4**	**3.4**	**2.1**

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Other auditors				
- Audit engagement	0.1	0.1	–	–
- Auditing work other than audit engagement	-	–	–	–
- Tax advice	0.1	–	–	–
- Other services	0.0	0.1	–	–
Total	**0.2**	**0.2**	**0.0**	**0.0**
Total compensation to auditors	**7.7**	**7.6**	**3.4**	**2.1**

"Audit engagement" means compensation for the statutory audit, i.e. work essential for the issuance of an Audit Report, as well as so-called audit consulting which is performed in connection with the audit engagement.

NOTE 12 – PERSONNEL (AVERAGE NUMBER)

The average number of employees has been calculated as the number of hours worked divided by normal annual work time.

	2012			2011		
	Men	Women	Total	Men	Women	Total
Parent Company						
Sweden	66	60	126	63	62	125
Total Parent Company	**66**	**60**	**126**	**63**	**62**	**125**
Subsidiaries						
Austria	6	4	10	5	4	9
Belgium	7	4	11	7	5	12
Czech Republic	4	5	9	4	6	10
Denmark	9	4	13	11	4	15
Finland	9	10	19	8	11	19
France	12	29	41	13	29	42
Germany	492	338	830	502	344	846
Hungary	1	0	1	1	0	1
Italy	5	4	9	5	5	10
Netherlands	28	22	50	28	23	51
Norway	14	8	22	12	8	20
Poland	140	219	359	154	223	377
Russia	6	11	17	6	13	19
Spain	8	5	13	9	5	14
Sweden	232	65	297	222	63	285
Switzerland	13	7	20	13	7	20
United Kingdom	29	13	42	34	19	53
Total subsidiaries	**1,015**	**748**	**1,763**	**1,034**	**769**	**1,803**
Total	**1,081**	**808**	**1,889**	**1,097**	**831**	**1,928**

NOTE 13 – SALARIES AND OTHER REMUNERATION

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Salaries and other remuneration	653	656	71	70
Social security expenses	148	150	22	22
Pension expenses - contribution-based plans	30	33	10	11
Pension expenses - defined benefit plans	13	14	5	12
Total	**845**	**853**	**108**	**115**

Salaries and other remuneration to senior executives and other employees:

	2012		2011	
SEK m	Salaries and other remuneration (of which bonuses)	Pension expenses	Salaries and other remuneration (of which bonuses)	Pension expenses
Board, CEO, VPs, and other senior executives	26 (1)	5	20 (2)	5
Other employees	627	38	636	42
Group, total	**653**	**43**	**656**	**47**

Board fees as well as employment and termination terms and conditions for senior executives:

The Group's Board comprises 5 (2011: 5) persons, of whom 60% are men (2011: 60%).

Other senior executives comprise 8 (2011: 8) persons, including the CEO, of whom 88% are men (2011: 100%). On April 1, an organisational restructuring was carried out which also affected the composition of the management group. The Professional business area was divided into two product categories, Table Top and Meal Service, with a shared sales organisation presided over by a single Director. A new department was also created with responsibility for developing new markets. Furthermore, all goods supply operations have been brought together in a joint area of responsibility. The new organisation was established during the year and appointments have been made to all vacant positions in the management group.

Principles

Fees and other remuneration to the Board of Directors, including Duni's Board Chairman, are decided upon by the Annual General Meeting (AGM). Pursuant to guidelines adopted by the AGM on May 3, 2012, remuneration to the CEO and other senior executives shall be on market terms and consist of basic salary, other benefits (including car benefit), other remuneration (including bonus, mileage compensation and vacation pay) and pension. At present, there are no long-term share-related incentive programs. "Other senior executives" are those persons who, together with the CEO, constitute group management. Pension benefits and other remuneration to the CEO and other senior executives are payable as part of the total remuneration. Guidelines for remuneration to senior executives, which are proposed for adoption at the 2013 AGM, are in all essential respects the same as those which applied in 2012.

In accordance with a resolution adopted by the AGM on May 3, 2012, the annual fee for the current Chairman of the Board was set at SEK 500,000, while the annual fee for other directors shall be SEK 265,000 per director. In addition, fees shall be paid for committee work in the amount of SEK 55,000 to the Chairman of the Remuneration Committee and SEK 25,000 each to the other members of the Remuneration Committee, as well as SEK 107,000 to the Chairman of the Audit Committee and SEK 50,000 each to other members of the Audit Committee.

The Chairman of the Board received no remuneration other than fees for board work and committee work.

The tables below specify the amounts by which the decided fees stated above were incurred in the 2012 and 2011 financial years.

Remuneration and other benefits during the year

2012, SEK '000	Basic salary / board fee	Pension expense*	Other benefits	Variable remuneration**	Severance compensation	Total
Chairman of the Board - Anders Bülow	575	–	–	–	–	575
Director - Tina Andersson	310	–	–	–	–	310
Director - Thomas Gustafsson	285	–	–	–	–	285
Director - Pia Rudengren	365	–	–	–	–	365
Director - Magnus Yngen	313	–	–	–	–	313
CEO - Thomas Gustafsson, assumed position on Dec 1, 2012	290	–	–	–	–	290
CEO - Fredrik von Oelreich, resigned on Dec 1, 2012	4,270	1,963	–	–	8,120	14,353
Other senior executives	8,068	2,060	342	389	640	11,499
TOTAL	**14,476**	**4,023**	**342**	**389**	**8,760**	**27,990**

* Of the Group's pension expenses above, SEK 1 m relate to the Parent Company.
** Variable remuneration relates to bonuses booked as expenses for the 2012 financial year, which are paid out in 2013.

2011, SEK '000	Basic salary / board fee	Pension expense*	Other benefits	Variable remuneration**	Total
Chairman of the Board - Anders Bülow	575	–	–	–	575
Director - Tina Andersson, began on May 5, 2011	200	–	–	–	200
Director - Thomas Gustafsson	275	–	–	–	275
Director - Pia Rudengren	350	–	–	–	350
Director - Sanna Suvanto-Harsaae, resigned on May 5, 2011	100	–	–	–	100
Director - Magnus Yngen	300	–	–	–	300
CEO - Fredrik von Oelreich	4,598	2,235	82	–	6,915
Other senior executives	9,869	2,269	467	452	13,057
TOTAL	**16,267**	**4,504**	**549**	**452**	**21,772**

* Of the Group's pension expenses above, SEK 1 m relate to the Parent Company.
** Variable remuneration relates to bonuses booked as expenses for the 2011 financial year, which are paid out in 2012.

Bonus

The CEO and all senior executives are included in a bonus system which is based on profitability and capital tie-up targets, primarily with respect to their individual operational area but also Group targets. For the CEO and CFO, the variable remuneration is capped at 55% of basic salary. For other senior executives, the variable remuneration is capped at 45% of basic salary. The bonus system covers only one year each time following a decision by the Board of Directors. For the 2012 financial year, a bonus of SEK 0 m (2011: SEK 0 m) was paid to the CEO.

Pensions

CEO

The CEO has an agreed retirement age of 65. The pension expense corresponds to the costs for a defined contribution plan. Until the agreed retirement age, Duni shall allocate each month an amount equal to 35% of the CEO's annual gross salary and a three-year average of the bonus, paid into a designated occupational pension insurance scheme. The allocated occupational pension provision is fully tax-deductible for Duni. There are no other outstanding pension obligations to the CEO.The outgoing CEO had a pension agreement which stipulated a retirement age of 62; otherwise there were no differences between the agreements.

Other senior executives

Five other senior executives have defined contribution plans, while two have defined benefit plans. "Pension entitlement salary" means fixed annual salary plus holiday pay, as well as an average of bonus payments received for the past three years. In addition, there are commitments regarding sickness pension and survivor's pension. Each month, Duni pays a cash pension contribution in accordance with each senior executive's individual pension plan. Pension is earned on a straight-line basis during the employment period, i.e. from the date of employment until retirement age. There are no outstanding pension obligations to other senior executives.

Severance compensation

CEO

The CEO has a separate agreement regarding severance compensation. The severance compensation comprises payment for twelve months following a termination period of six months. Only the Company is entitled to trigger the agreement.

The CEO is entitled to terminate his employment on six months' notice. There is no entitlement to severance compensation in the event of termination by the CEO.

On December 1, 2012, Thomas Gustafsson succeeded Fredrik von Oelreich as CEO. Severance compensation of SEK 8.1 m, excluding social security expenses, is payable to Fredrik von Oelreich, which is in line with Duni's policy.

Other senior executives

Severance compensation amounts to between six and twelve months' salary following a termination period of three to twelve months, with only the Company being entitled to trigger agreements.

Preparation and decision-making process

The Remuneration Committee prepares issues relating to remuneration for Duni's senior executives based on the guidelines adopted by the AGM regarding remuneration for senior executives, and negotiates with the CEO regarding the latter's salary.

The Remuneration Committee and its Chairman are appointed each year at the constituent Board meeting following election. The Committee comprises at least three of Duni's directors, one of whom shall be the Chairman of the Board. Pursuant to Duni's rules of procedure, the other members of the Remuneration Committee shall be independent in relation to the Company and company management.

As a consequence of the appointment of Thomas Gustafsson (a director and a member of the Remuneration Committee) as Duni's new CEO, since December 1, 2012 Duni is deviating from the Swedish Corporate Governance Code. Since Thomas Gustafsson can no longer be regarded as independent in relation to the Company, his place on the Remuneration Committee is vacant until the next AGM. Just as Fredrik von Oelreich, in his role as CEO Thomas Gustafsson participates at meetings of the Remuneration Committee, except when questions are addressed which relate to the CEO's remuneration. The HR Director serves as secretary at meetings of the Remuneration Committee. The Remuneration Committee shall meet at least three times per year.

The Remuneration Committee is responsible for preparing issues concerning remuneration and other benefits for company management. Decisions are thereafter taken by Duni's Board. The Remuneration Committee also participates in the preparation of proposals regarding the adoption of any share-related incentive programs within Duni. In 2012, the Remuneration Committee held three meetings at which minutes were taken.

NOTE 14 – OTHER OPERATING INCOME

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Rental income	–	0	–	–
Exchange rate gains	0	–	–	3
Change in fair value – energy derivatives	0	–	–	–
Change in fair value – currency derivatives	0	–	0	–
Capital gains, machinery and equipment	0	0	–	–
Administrative services	–	–	189	211
Other items	4	16	1	2
Total other operating income	**4**	**15**	**190**	**216**

As from January 1, 2012, exchange rate effects are reported net in 'Other operating income' or 'Other operating expenses'; comparison figures have thus been recalculated.

NOTE 15 – OTHER OPERATING EXPENSES

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Change in fair value – energy derivatives	–	10	–	–
Change in fair value – currency derivatives	0	0	0	0
Exchange rate losses	0	-3	4	0
Depreciation/amortization	–	–	100	100
Administrative services	–	–	57	51
Other items	81	8	17	-3
Total other operating expenses	**81**	**15**	**178**	**148**

As from January 1, 2012, exchange rate effects are reported net in 'Other operating income' or 'Other operating expenses'; comparison figures have thus been recalculated.

NOTE 16 – NET EXCHANGE RATE DIFFERENCES

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Operating income				
Change in fair value – currency derivatives	0	0	0	0
Other exchange rate differences in operating income	0	2	-4	3
Total exchange rate differences in operating income	**0**	**2**	**-4**	**3**
Financial items				
Change in fair value – currency derivatives	–	–	–	–
Exchange rate differences in financial items	-4	-6	-3	-5
Total exchange rate differences in financial items	**-4**	**-6**	**-3**	**-5**
Total net exchange rate differences in income statement	**-4**	**-4**	**-7**	**-2**

NOTE 17 – INCOME FROM FINANCIAL ITEMS

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Financial income				
Interest income, external investments	5	3	4	2
Interest income, Group companies	–	–	26	29
Total financial income	**5**	**3**	**30**	**31**
Financial expenses				
Interest expenses, external loans	-11	-14	-10	-12
Interest expenses, pensions	-9	-10	-5	-5
Interest expenses, Group companies	-	-	0	0
Interest expenses, interest rate swaps	-1	0	-1	0
Change in fair value, currency forwards	-1	1	-1	1
Other financial expenses	-8	-9	-7	-12
Total financial expenses	**-30**	**-33**	**-22**	**-29**

The interest portion in the year's pension expenses is reported among interest expenses. The rate of interest used in the Parent Company is 4.2% set by PRI (2011: 4.5%), calculated on the average of opening and closing balances on the item "Pension provisions".

Other financial income and expenses include reported bank charges as well as exchange rate effects on financial loans and investments. Since Duni is primarily a borrower, the entire effect is reported among interest expenses.

NOTE 18 – INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

During the year, the Parent Company received dividends from subsidiaries amounting to SEK 153 m (2011: SEK 153 m).

NOTE 19 – INCOME TAX

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Current tax for the year	-48	-42	0	0
Current tax attributable to previous years	1	-5	–	–
Deferred tax	-32	-51	-48	-38
Tax on net income for the year	**-79**	**-98**	**-48**	**-38**

Current tax for the year includes an adjustment in respect of a concluded tax audit in Germany entailing a cost of SEK 11 m. The tax audit also results in an increase of SEK 16 m in deferred tax. Together, these factors positively affect tax reported for the year by SEK 5 m.

Deferred tax in the income statement consists of the following items:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Deferred tax, internal profit on inventories	-2	0	–	–
Deferred tax, untaxed reserves	15	-8	–	–
Deferred tax, appraised loss carry-forwards	-45	-40	-51	-38
Deferred tax, financial instruments	0	3	0	0
Deferred tax, other	0	-6	3	–
Total deferred tax	**-32**	**-51**	**-48**	**-38**

Income tax on the Group's income before tax differs from the theoretical amount which would have arisen upon use of a weighted average tax rate for the income in the consolidated companies in accordance with the following:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Reported income before tax	202	358	110	198
Tax according to applicable tax rate	-53	-94	-29	-52
Tax effect of non-deductible expenses	-4	-1	-27	-27
Tax effect of non-taxable income	7	4	41	41
Effect of foreign tax rates	0	-1	0	0
Tax income/expenses due to changed tax rate	-30	-1	-33	–
Current tax attributable to previous years	1	-5	–	0
Tax on income for the year according to the income statement	**-79**	**-98**	**-48**	**-38**

Tax rate

The Parent Company's applicable income tax rate is 26.3% (2011: 26.3%). As from January 1, 2013, the tax rate in Sweden (the Parent Company) is reduced to 22%. This effect has been taken into consideration when calculating deferred tax in the Swedish companies.

Temporary differences

Temporary differences exist in those cases where the reported values and tax values of assets or liabilities differ. Changes are in deferred tax assets and liabilities during the year, without consideration being given to set-offs made under the same tax law.

Deferred tax assets

SEK m, Group	Loss carry-forwards	Internal profit	Financial instruments	Other*	Total
Per December 31, 2010	**270**	**3**	**0**	**11**	**284**
Reported in income statement	-40	0	0	-4	-44
Exchange rate differences	-1	0	–	-1	-2
Per December 31, 2011	**229**	**3**	**0**	**6**	**238**
Reported in income statement	-12	-2	0	8	-6
Effect of changed tax rates reported in the income statement	-33	–	–	-1	-34
Reported in other comprehensive income	–	–	–	–	0
Exchange rate differences	-1	–	–	–	-1
Per December 31, 2012	**183**	**1**	**0**	**13**	**197**

*'Other' relates, among other things, to deferred tax on bad debts and provisions for restructuring expenses.

Loss carry-forwards relate essentially to completed restructuring. As regards the valuation of loss carry-forwards, see Note 4.1. It is currently the management's assessment that the implemented restructuring measures in the future will lead to taxable surpluses against which loss carry-forwards might be utilized.

Deferred tax liabilities

SEK m, Group	Untaxed reserves	Financial instruments	Other	Total
Per December 31, 2010	**22**	**3**	**6**	**31**
Reported in income statement	8	-3	2	7
Exchange rate differences	–	–	0	0
Per December 31, 2011	**30**	**0**	**8**	**38**
Reported in income statement	-11	0	6	-5
Effect of changed tax rates reported in the income statement	-3	–	-1	-4
Exchange rate differences	–	–	0	0
Per December 31, 2012	**16**	**0**	**13**	**29**

'Other' includes deferred tax on pensions. The deferred tax is valued in accordance with the applicable tax rate in each country.

	Deferred tax assets				**Deferred tax liabilities**
SEK m, Parent Company	Loss carry-forwards*	Financial instruments	Other	Total	Financial instruments
Per December 31, 2010	**257**	**0**	**0**	**257**	**0**
Reported in income statement	-38	–	0	-38	0
Reported in other comprehensive income	–	–	0	0	–
Exchange rate differences	-1	–	–	-1	–
Per December 31, 2011	**218**	**0**	**0**	**218**	**0**
Reported in income statement	-18	3	0	-15	–
Effect of changed tax rates reported in the income statement	-33	0	–	-33	–
Reported in other comprehensive income	–	–	–	0	–
Exchange rate differences	0	–	–	0	–
Per December 31, 2012	**167**	**3**	**0**	**171**	**0**

*All loss carry-forwards in the Parent Company are perpetual. 'Other' refers to write-down of real estate.

Deferred tax assets and liabilities are set-off when there is a legal right of set-off for the relevant tax assets and liabilities and when deferred taxes relate to the same tax authority. No set-off has taken place.

Reporting of expiration dates:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Deferred tax assets				
Utilized after more than 12 months	151	186	135	177
Utilized within 12 months	46	52	35	41
Total	**197**	**238**	**171**	**218**
Deferred tax liabilities				
Utilized after more than 12 months	16	31	–	–
Utilized within 12 months	13	7	–	–
Total	**29**	**38**	**0**	**0**

The net change regarding deferred taxes is as follows:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Opening balance	**200**	**253**	**218**	**257**
Reported in income statement	-1	-51	-15	-38
Effect of changed tax rates reported in the income statement	-30	–	-33	–
Reported in other comprehensive income	0	0	0	0
Exchange rate differences	-1	-2	0	-1
Closing balance	**168**	**200**	**171**	**218**

Tax regarding items reported directly against shareholders' equity

Deferred taxes reported in shareholders' equity during the year amount to SEK 0 m (2011: SEK 0 m) in both the Group and the Parent Company.

NOTE 20 – SHARE CAPITAL AND EARNINGS PER SHARE

On December 31, 2012 the share capital consisted of 46,999,032 (2011: 46,999,032) shares of common stock. Each share carries an entitlement to one vote. All shares registered on the balance sheet date are fully paid up. On December 31, 2012 the quotient value of the shares was SEK 1.25 per share.

A specification of changes in shareholders' equity is provided in the Consolidated Statement of Changes in Equity, which is presented immediately after the balance sheet.

Since Duni has had no outstanding convertible debentures or warrants, there has been no dilution of Duni's shares in the 2012 and 2011 financial years.

Earnings per share, before and after dilution

Earnings per share before and after dilution are calculated based on the following income and number of shares:

	2012	2011
Income attributable to the equity holders of the Parent Company (SEK m)	124	261
Weighted average number of outstanding shares of common stock (thousands)	46,999	46,999
Earnings per share, before and after dilution (SEK per share)	**2.63**	**5.54**

NOTE 21 – INTANGIBLE ASSETS

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Goodwill				
Acquisition values				
Opening acquisition values	1,199	1,199	2,053	2,053
Investments	–	–	–	–
Sales and disposals	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated acquisition values	**1,199**	**1,199**	**2,053**	**2,053**
Amortization				
Opening accumulated amortization	–	–	-1,553	-1,454
Amortization for the year	–	–	-100	-100
Sales and disposals	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated amortization	**0**	**0**	**-1,653**	**-1,553**
Closing book value	**1,199**	**1,199**	**400**	**500**

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Trademarks and licenses				
Acquisition values				
Opening acquisition values	66	66	64	64
Investments	0	0	–	–
Sales and disposals	-23	0	-23	0
Reclassifications	2	–	2	–
Translation differences	0	0	–	–
Closing accumulated acquisition values	**45**	**66**	**43**	**64**
Amortization				
Opening accumulated amortization	-65	-64	-63	-62
Amortization for the year	-1	-1	-1	-1
Sales and disposals	23	0	23	0
Reclassifications	–	–	–	–
Translation differences	0	0	–	–
Closing accumulated amortization	**-42**	**-65**	**-41**	**-63**
Closing book value	**3**	**1**	**2**	**1**

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Capitalized development expenditures				
Acquisition values				
Opening acquisition values	116	89	96	71
Investments	5	2	1	–
Sales and disposals	–	–	–	–
Reclassifications	5	25	5	25
Translation differences	0	0	–	–
Closing accumulated acquisition values	**126**	**116**	**103**	**96**
Amortization				
Opening accumulated amortization	-60	-47	-48	-35
Amortization for the year	-14	-14	-14	-13
Sales and disposals	0	–	–	–
Reclassifications	–	–	–	–
Translation differences	0	0	–	–
Closing accumulated amortization	**-75**	**-60**	**-63**	**-48**
Impairment				
Opening accumulated impairment	–	–	–	–
Impairment for the year	-3	–	-3	–
Translation differences	–	–	–	–
Closing accumulated impairment	**-3**	**0**	**-3**	**0**
Closing book value	**48**	**56**	**37**	**48**
Intangible assets, total	**1,250**	**1,256**	**439**	**548**

In 2005, the EU introduced an emission rights system as a method for restricting carbon dioxide emissions. For the period 2008 up to and including 2012, Rexcell Tissue and Airlaid AB has been allocated 84,665 tonnes per year, Dals Långed 2,779 tonnes per year, and Skåpafors 14,154 tonnes per year. In total, 14,696 tonnes were consumed in 2012 and 15,563 tonnes in 2011. Received emission rights are reported as intangible assets booked at an acquisition value of zero. New allocations are taking place in March 2013 in respect of the period 2013-2020.

Tests for impairment of goodwill

Tests for impairment of goodwill were carried out at the end of the financial year on December 31, 2012 and December 31, 2011. With the implementation of IFRS, allocation of the Group's goodwill items has taken place through the use of allocation ratios; see Note 4.2.

Goodwill is allocated on the Group's cash-generating units identified per business area as follows:

SEK m	2012	2011
Professional	**1,199**	**1,199**

Tests for impairment of goodwill take place annually and where there are indications of impairment. Recoverable amounts for cash-generating units are determined based on estimated use values. The calculations are based on estimated future cash flows before tax, based on financial forecasts approved by company management and which cover the current year as well as a five-year period. Cash flows beyond this period are extrapolated using an assessed growth rate. The growth rate does not exceed the long-term growth rate for the industry as a whole. During the period covered by the forecast, the growth rate for the Professional business area is estimated at an average of 2.0% (2011: 2.2%) per year and at 1.0% (2011: 1.0%) as a weighted average rate of growth beyond the period covered by the forecast.

Important assumptions which are used for calculations of use values are primarily profit margin, growth rate and a nominal discount rate of 11.4% (2011: 11.4%). The discount rate before tax is used in conjunction with present value calculation of estimated future cash flows.

Company management has established profit margin and growth rate based on previous results and its expectations as regards market growth. The discount rates used are stated before tax and reflect specific risks in the business area.

Company management believes that reasonable possible changes in the significant assumptions used in the calculations would not have such a major impact as to reduce per se the recovery value to a value which is below the reported value.

NOTE 22 – BUILDINGS, LAND AND LAND IMPROVEMENTS

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Buildings				
Acquisition values				
Opening acquisition values	281	134	120	120
Investments	1	149	–	–
Sales and disposals	0	–	–	–
Reclassifications	1	0	–	–
Translation differences	-5	-2	–	–
Closing accumulated acquisition values	**277**	**281**	**120**	**120**
Depreciation				
Opening accumulated depreciation	-102	-99	-98	-95
Depreciation for the year	-7	-4	-2	-3
Sales and disposals	0	–	–	–
Reclassifications	–	–	–	–
Translation differences	0	0	–	–
Closing accumulated depreciations	**-109**	**-102**	**-101**	**-98**
Impairment				
Opening accumulated impairment	–	–	–	–
Impairment for the year	-16	–	-16	–
Translation differences	–	–	–	–
Closing accumulated impairments	**-16**	**0**	**-16**	**0**
Closing book value	**151**	**179**	**3**	**21**

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Buildings, land and land improvements				
Acquisition values				
Opening acquisition values	35	28	2	2
Investments	1	8	–	–
Sales and disposals	–	–	–	–
Reclassifications	-1	-1	–	–
Translation differences	0	0	–	–
Closing accumulated acquisition values	**35**	**35**	**2**	**2**
Write-ups				
Opening accumulated write-ups	–	–	12	12
Closing accumulated write-ups	**–**	**–**	**12**	**12**
Closing book value	**35**	**35**	**14**	**14**
Buildings, land and land improvements	**186**	**214**	**16**	**35**

Duni has no buildings under financial lease.

NOTE 23 – MACHINERY AND OTHER TECHNICAL EQUIPMENT

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Acquisition values				
Opening acquisition values	1,308	1,244	35	37
Investments	14	21	1	0
Sales and disposals	-8	-23	0	-3
Reclassifications	180	97	8	1
Translation differences	-8	-31	–	–
Closing accumulated acquisition values	**1,486**	**1,308**	**45**	**35**
Depreciation				
Opening accumulated depreciation	-909	-881	-29	-30
Depreciation for the year	-76	-71	-2	-3
Sales and disposals	8	25	0	4
Reclassifications	–	-4	–	–
Translation differences	5	22	–	–
Closing accumulated depreciation	**-971**	**-909**	**-31**	**-29**
Impairment				
Opening accumulated impairment	-3	-3	–	–
Impairment for the year	-42	–	–	–
Translation differences	0	0	–	–
Closing accumulated impairment	**-45**	**-3**	**0**	**0**
Closing book value	**470**	**396**	**14**	**6**

Machinery and other technical equipment under financial leasing are included in the above table for the Group in the amount of SEK 4 m (2011: SEK 4 m) in acquisition value and SEK 3 m (2011: SEK 2 m) in accumulated depreciation.

The Parent Company has no machinery and other technical equipment under financial leasing.

NOTE 24 – EQUIPMENT, TOOLS AND INSTALLATIONS

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Acquisition values				
Opening acquisition values	253	246	30	34
Investments	12	13	–	–
Sales and disposals	-10	-6	-9	-5
Reclassifications	2	4	2	1
Translation differences	-6	-4	–	–
Closing accumulated acquisition values	**251**	**253**	**23**	**30**
Depreciation				
Opening accumulated depreciation	-202	-194	-28	-30
Depreciation for the year	-14	-16	-2	-3
Sales and disposals	10	6	9	5
Reclassifications	–	–	–	–
Translation differences	5	2	–	–
Closing accumulated depreciation	**-201**	**-202**	**-21**	**-28**
Closing book value	**50**	**51**	**2**	**3**

NOTE 25 – CONSTRUCTION IN PROGRESS AND ADVANCED PAYMENTS FOR TANGIBLE ASSETS

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Acquisition values				
Opening acquisition values	169	113	25	13
Investments	81	180	11	41
Sales	0	-1	–	-1
Reclassifications	-190	-125	-29	-28
Translation differences	0	2	–	–
Closing accumulated acquisition values	**59**	**169**	**8**	**25**
Impairment				
Opening accumulated impairment	–	–	–	–
Impairment for the year	-21	–	-1	–
Translation differences	–	–	–	–
Closing accumulated impairment	**-21**	**0**	**-1**	**0**
Closing book value	**38**	**169**	**7**	**25**

NOTE 26 – PARTICIPATIONS IN GROUP COMPANIES

	Registration number	Registered office	Number of shares and participations	Equity, %	Book value, SEK '000
Swedish subsidiaries					
Rexcell Tissue & Airlaid AB	556193-9769	Bengtsfors	12,000	100	81,440
Finess Borrby AB	556262-2604	Malmö	1,000	100	0
Foreign subsidiaries					
Duni Holding BV	23068767	Breda, NL	260,731	100	597,856
- Duni Verwaltungs GmbH	Osnabrück HRB 19689	Bramsche, DE		(100)	(€ 20,467)
- Duni Holding S.A.S	3493 0993 000064	Ste Helene du Lac, FR		(100)	(€ 2,871)
- Duni Benelux B.V.	23052488	Breda, NL		(100)	(€ 7,250)
- Duni Ltd.	897172	Runcorn, GB		(100)	(€ 8,395)
- Duni A/S	10 99 98 98	Köpenhamn, DK		(100)	(€ 1,377)
- Duni AS	962346057	Oslo, NO		(100)	(€ 370)
- Duni OY	0864585-8	Helsingfors, FI		(100)	(€ 1,578)
Duni Iberica S.L.	B60689692	Barcelona, ES	200,000	100	23,176
Duni Poland Sp. z o.o.	KRS no. 40401	Poznan, PL	15,300	100	48,133
Duni Sales Poland Sp. z o.o.	KRS no. 254481	Poznan, PL	1,000	100	1,190
Duni EFF Sp. z o.o.	KRS no. 249084	Poznan, PL	1,000	100	1,130
Duni (CZ) s.r.o.	65410106	Kladno, CZ	1	100	6,740
Duni AG	212544	Rotkreutz, CH	400	100	578
Duni ZAO	7816110025	Moskva, RU	1	100	11
Duni Beteiligungsgesellschaft mbH	Osnabrück HR B20099	Bramsche, DE	1	100	3,076
Duni OY	–	Helsingfors, FI			6,443
					688,333
Participations in Group Companies					**769,773**

	Parent Company	
SEK k	2012	2011
Opening value, participations in Group companies	769,773	769,773
Investments for the year	–	–
Shareholders' contributions	–	–
Divestments for the year	–	–
Impairment for the year	–	–
Closing value, participations in Group companies	**769,773**	**769,773**

NOTE 27 – OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Loan claims	2	4	2	4
Financial receivables from Group companies	–	–	1,033	–
Total other long-term receivables	**2**	**4**	**1,035**	**4**

Loan claims are valued at accrued acquisition value. Loan claims mainly carry variable interest and thus the fair value is assessed as corresponding to the book value.

NOTE 28 – ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Accounts receivable	624	663	98	96
Receivables from Group companies	–	–	57	38
Other receivables	71	65	17	10
Current financial receivables, internal	–	–	205	1,225
Total accounts receivable and other receivables	**695**	**728**	**377**	**1,369**

Regarding credit risks and exposures, see Note 3.1.2.

Other receivables above relate to:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Receivables from suppliers	8	6	–	–
VAT claims	38	42	17	10
Factoring	6	3	–	–
Other receivables	19	14	0	0
Total other receivables	**71**	**65**	**17**	**10**

Credit exposure:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Accounts receivable not due or impaired	560	594	92	94
Accounts receivable due but not impaired	58	68	6	2
Impaired accounts receivable	14	9	1	2
Provision for bad debts	-9	-8	-1	-2
Total accounts receivable	**624**	**663**	**98**	**96**

The credit risk associated with accounts receivable that are neither due nor impaired is not deemed to be so great. 53.7% of total accounts receivable which are not due or impaired have a rating of AA or higher. Due to the geographical spread, the history Duni possesses regarding its customers and the improbability of all customers encountering payment difficulties at the same time, Duni sees no reason for impairment in this category. No individual debt exceeds 5.2% (2011: 5.0%) of the total accounts receivable that are neither due nor impaired.

Aging of accounts receivable overdue but not impaired:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Less than 1 month	50	60	6	2
1–3 months	5	8	0	0
3–6 months	2	0	0	0
Total	**58**	**68**	**6**	**2**

On December 31, 2012, the provisions for bad debts amounted to SEK 9 m (2011: SEK 8 m). The individually assessed receivables in respect of which the need for impairment is deemed to exist relate primarily to wholesalers who have unexpectedly encountered financial difficulties. The assessment has been made that some of the claims are expected to be recoverable.

Aging of impaired accounts receivable:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Less than 3 months	4	1	–	0
3-6 months	4	1	–	0
More than 6 months	6	7	1	2
Total	**14**	**9**	**1**	**2**

Specification of bad debts provision:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Opening balance	8	9	2	2
Provision for bad debts	5	3	–	–
Claims written-off during the year	-3	-2	-1	0
Reversed non-utilized amount	-2	-2	0	0
Closing balance	**9**	**8**	**1**	**2**

Provisions for the respective reversal of reserves for bad debts are included in the item "Selling expenses" in the income statement.

In other categories within accounts receivable and other receivables, no assets are included for which a need for write-down exists.

The maximum exposure for credit risks as per the balance sheet date is the fair value for each category of receivables mentioned above. The Group holds no assets pledged as security.

Reported amounts, per currency, for the Group's accounts receivable:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
SEK	63	64	33	34
EUR	391	431	13	14
GBP	54	70	0	0
DKK	26	30	26	29
NOK	26	19	26	19
PLN	15	10	0	0
Other currencies*	49	39	0	0
Total	**624**	**663**	**98**	**96**

*"Other currencies" refers to CHF, CZK, RUB, USD, etc.

NOTE 29 – DERIVATIVE INSTRUMENTS

	2012		2011	
SEK m	Asset	Liability	Asset	Liability
Interest rate swaps – cash flow hedge	0	2	0	4
Currency forwards	1	1	1	1
Energy derivatives	–	–	–	0
Total	**1**	**3**	**2**	**5**

Duni uses interest rate swaps and currency forward contracts to manage its translation risk. All derivative instruments are valued at market value and changes in value are reported in the income statement, whereas changes in the value of interest rate swaps are reported in other comprehensive income.

The maximum exposure to credit risks on the balance sheet date is the fair value of the derivative instruments reported as assets in the balance sheet.

Interest rate swaps

The finance policy prescribes that the average interest term shall be six months for the total loan portfolio, with the possibility of a variation of +/- 6 months.

Duni has chosen to hedge part of outstanding loans through interest rate swaps, variable against fixed interest rates. Reporting of interest rate swaps is classified as cash flow hedging and handled as hedge accounting in accordance with IAS 39.

Outstanding nominal amounts on December 31, 2012 are EUR 30 m. Profits and losses on interest rate swaps as per December 31, 2012, which are reported in the hedging reserve in shareholders' equity, "Consolidated Statement of Changes in Equity ", will be regularly transferred to financial expenses in the income statement until such time as the swap has expired.

Currency forward contracts

Currency forward contracts are entered into with the aim of protecting the Group against changes in exchange rates through the contract determining the rate at which an asset or liability in foreign currency will be realized. An increase or decrease in the amount required to settle the asset/liability is offset by a corresponding change in value of the currency forward contract.

Weighted average terms to expiration for the Group's currency forward contracts broken down by purpose are shown in the table below:

	Average term in months	
	2012	2011
Currency forward contracts for financial assets and liabilities	1	1

At the end of the period, the market value of these forward contracts amounts to SEK 0 m (2011: 0) MSEK.

NOTE 30 – PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Prepaid rent	3	4	1	1
Prepaid insurance	4	4	0	0
Prepaid pensions	4	6	4	3
Prepaid catalogue expenses	6	8	4	5
Other items	19	28	4	11
Total prepaid expenses and accrued income	**37**	**51**	**12**	**20**

NOTE 31 – BORROWING

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Long-term				
Bank loans	558	–	557	–
Liabilities to Group companies	–	–	217	108
Overdraft facility	17	26	1	9
Total long-term borrowing	**575**	**26**	**775**	**117**

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Short-term				
Bank loans	–	635	–	635
Total short-term borrowing	**0**	**635**	**0**	**635**
Total borrowing	**575**	**661**	**775**	**751**

The outstanding loan facility matures in May 2015; however, periodic maturity (so-called rolling of drawn loans) takes place regularly. The average rate of interest on bank loans was 1.06% per year (2011: 1.66% per year).

With respect to borrowing, Duni's exposure on the balance sheet date to changes in interest rates and contractual dates for interest renegotiation was as follows:

SEK m	2012	2011
6 months or less	0	661
Total	**0**	**661**

Duni's borrowing is valued at the accrued acquisition value applying the effective annual interest rate method. The difference between the values reported in the balance sheets for Dec 31, 2012 and the nominal values consists of transaction costs.

Duni's accrued interest is reported as accrued expenses. Shown below are the nominal values excluding accrued interest and reported values for Duni's borrowing.

Fair values

Current financing

Duni's long-term bank loans and overdraft facility, amounting to SEK 575 m (2011: SEK 661 m) carry variable interest which is determined in conjunction with each loan period; the discount effect for such a relatively short period of time is insignificant and thus the fair value corresponds to the nominal value plus accrued interest.

	2012		**2011**	
SEK m	Reported value	Nominal value	Reported value	Nominal value
Bank loans	558	560	635	637
Overdraft facility	17	17	26	26
Total	**575**	**577**	**661**	**663**

Reported amounts, per currency, for the Group's borrowing are as follows:

SEK m	2012	2011
EUR	558	635
Other currencies	17	26
Total	**575**	**661**

Bank loans

Duni has a revolving credit facility in a nominal amount of EUR 130 m which extends until May 2015. The interest rate is variable and set as EURIBOR, until the next rolling plus a margin.

Overdraft facility

On behalf of the Group, the Parent Company has taken out an overdraft facility in a nominal amount of SEK 81 m. As per December 31, 2012, the sum utilized was SEK 17 m.

NOTE 32 – CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Group		**Parent Company**	
SEK m	2012	2011	2012	2011
Assets				
Non-financial assets				
Tangible and intangible fixed assets	1,994	2,086	478	617
Deferred tax asset	197	238	171	218
Other financial fixed assets	–	–	770	770
Inventories	387	470	73	88
Prepaid expenses and accrued income	37	51	12	20
Total non-financial assets	**2,615**	**2,845**	**1,504**	**1,713**
Loans and receivables				
Other long-term receivables	2	4	2	4
Accounts receivable	624	663	98	96
Tax assets	21	16	4	4
Other receivables	71	65	17	10
Receivables from Group companies	–	–	1,295	1,263
Cash and cash equivalents/Cash and bank balances	181	85	130	43
Total loans and receivables	**899**	**833**	**1,545**	**1,420**
Assets at fair value through profit or loss				
Derivative instruments	1	2	1	2
Total assets and fair value through profit or loss	**1**	**2**	**1**	**2**
Total assets	**3,514**	**3,681**	**3,050**	**3,135**

Duni has no assets which are classified as "Derivatives used for hedging" and "Held for trading".

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Liabilities				
Non-financial liabilities				
Deferred tax liability	29	38	–	–
Pension provisions	163	173	112	114
Allocation to restructuring reserve	17	11	6	5
Total non-financial liabilities	**210**	**222**	**118**	**119**
Liabilities at amortized cost				
Overdraft facility	17	26	1	9
Bank loans	558	635	557	634
Accounts payable	301	302	53	56
Tax liabilities	3	6	–	–
Other liabilities	50	47	11	5
Liabilities to Group companies	–	–	267	167
Accrued expenses and deferred income	320	355	66	65
Total liabilities at amortized cost	**1,250**	**1,371**	**957**	**936**
Derivative instruments used for hedging purposes				
Derivative instruments	2	4	2	4
Total derivative instruments used for hedging purposes	**2**	**4**	**2**	**4**
Liabilities valued at fair value through profit or loss				
Derivative instruments	1	1	1	1
Total liabilities at fair value through profit or loss	**1**	**1**	**1**	**1**
Total liabilities	**1,463**	**1,599**	**1,078**	**1,060**

NOTE 33 – PENSION PROVISIONS

Compensation for pensions and other compensation after employment is mainly paid through contribution-based plans in which regular payments are made to authorities and insurance companies. These independent bodies thereby assume the obligations vis-à-vis the employees. Within the Group there are also a number of benefit-based plans under which the employees are guaranteed a pension corresponding to a percentage of salary.

Provisions for pensions and similar obligations

	Group	
SEK m	2012	2011
Defined benefit plans	163	173

Defined benefit plans

Within the Group, there are a number of defined benefit plans where, after completion of employment, the employees are entitled to compensation based on final salary and period in employment. The largest plans relate to Sweden (representing one-half of the total pension plan), Germany, the UK, the Netherlands, and Belgium. The plans are consolidated externally, with the plan assets being held by foundations or similar legal entities. The activities of the foundations are governed by national rules and practice as regards the relationship between the Group and manager (or equivalent) of the foundation's plan assets, and the composition of plan assets in terms of different types of assets.

Pension insurance with Alecta

Obligations regarding retirement pensions and family pensions for white collar staff in Sweden are secured through insurance with the independent insurance company, Alecta. According to a statement issued by the Emergency Issues Task Force of the Swedish Financial Reporting Board, URF 3, this is a defined benefit plan which covers several employers. Duni does not have access to such information as makes it possible to report this plan as a defined benefit plan. The pension plan according to ITP, which is secured through insurance with Alecta, is thus reported as a defined contribution plan. The year's charges for pension policies taken out with Alecta amount to SEK 3 m (2011: SEK 3 m). Alecta's surplus may be divided among the policy holders and/or the insured. As per December 31, 2012, Alecta's surplus in the form of the collective funding level amounted to 129% (2011: 113%). The collective funding level constitutes the market value of Alecta's assets as a percentage of the insurance obligations, calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

The amounts reported in the consolidated balance sheet consist of:

	Defined benefit plans	
SEK m	2012	2011
Present value of funded obligations	192	144
Fair value of plan assets	-135	-104
Present value of underfunded obligations	177	172
Unreported actuarial net losses	-71	-39
Net debt in the balance sheet	**163**	**173**

Total pension expenses reported in the consolidated income statement are as follows:

SEK m	2012	2011
Costs relating to employment during the current year	-3	-4
Interest expenses	-14	-14
Expected return on plan assets	4	4
Actuarial net profits reported for the year	0	0
Pension expenses for the year regarding defined benefit plans	**-13**	**-14**
Pension expenses of the year regarding defined contribution plans	**-30**	**-33**
Total expenses for the year, including personnel expenses (Note 13)	**-43**	**-47**

The expenses regarding defined benefit plans are allocated in the consolidated income statement on the following items:

	Defined benefit plans	
SEK m	2012	2011
Operating income	-4	-4
Financial expenses	-9	-10
Total expenses from defined benefit plans in the income statement	**-13**	**-14**

The change in the defined benefit obligation during the year is as follows:

	Defined benefit plans	
SEK m	2012	2011
At beginning of year	316	326
Employment expenses during current year	3	4
Interest expenses	14	14
Actuarial losses (+)/gains (-)	57	-14
Exchange rate differences	-6	0
Disbursed benefits	-15	-14
Settlements	0	0
At year-end	**369**	**316**

The change in fair value of plan assets during the year is as follows:

SEK m	2012	2011
At beginning of year	-104	-101
Expected return on plan assets	-4	-4
Actuarial losses (+)/gains (-)	-23	9
Exchange rate differences	3	-1
Employer's contributions	-8	-9
Employees' contributions	-1	-1
Disbursed benefits	3	3
Settlements	-1	0
At year-end	**-135**	**-104**
Actual return on plan assets	**27**	**5**

The plan assets are located primarily in UK and Holland. Funding of defined benefit plans in Duni consists primarily of insurance contracts which provide a guaranteed annual return with the possibility of a bonus decided on annually by the insurance company. Most of the insurance contracts are invested in equity instruments. The assumed return on plan assets is stated as the guaranteed return plus the anticipated bonus.

Contributions to defined benefit plans are expected to amount to SEK 5 m in 2013.

Actuarial assumptions of the balance sheet date

	Sweden	Germany	UK	Netherlands	Belgium
Discount rate	3.1% (3.4)	2.8% (4.7)	4.4% (5.3)	3.5% (6.1)	2.4% (4.3)
Expected return on plan assets	–	2.8% (4.5)	4.4% (5.8)	3.5% (6.1)	2.4% (4.0)
Future annual salary increases	0.0% (0.0)	0.0% (0.0)	3.7% (4.0)	2.5% (2.5)	3.0% (3.0)
Future annual pension increases	1.5% (2.0)	2.0% (2.0)	2.9% (3.2)	0.0% (0.0)	0.0% (0.0)
Personnel turnover	0.0% (0.0)	0.0% (0.0)	0.0% (0.0)	0.0% (0.0)	0.0% (0.0)

The assumptions regarding future lifespan are based on public statistics and experiences from mortality studies in each country, and are established in consultation with actuarial experts.

Multi-year summary

	2012	2011	2010	2009	2008
Present value of defined benefit obligations	369	316	326	347	334
Fair value of plan assets	-135	-104	-101	-105	-85
Deficit, year-and	**234**	**212**	**225**	**242**	**249**
Experience-based adjustments to benefit-defined obligations	**2**	**-1**	**-10**	**2**	**17**
Experience-based adjustments to plan assets	**-23**	**9**	**-4**	**-7**	**9**

Discount rate sensitivity in the determined benefit obligation (DBO):

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.5%	Decrease by 7.2%	Increase by 8.0%

Provisions in accordance with the Swedish Pension Obligations (Security) Act

	Parent Company	
SEK m	2012	2011
FPG/PRI-pensions	112	114
Liability in the balance sheet	**112**	**114**

The following amounts are reported in the Parent Company's income statement:

SEK m	2012	2011
Earned during the year	0	-7
Interest expenses	-5	-5
Pension expenses for the year	**-5**	**-12**

PRI Pensionstjänst changed its life expectancy assumptions when calculating the PRI pension liability. This affected the Parent Company's pension liability and pension expenses for 2011 in the amount of SEK 7 m. This had no effect in the Group since its life expectancy assumptions in conjunction with actuarial calculations pursuant to IAS 19 have been used since 2006.

The change in the defined benefit during the year is as follows:

SEK m	2012	2011
At beginning of year	114	109
Net expense reported in the income statement	5	12
Disbursed benefits	-7	-7
Settlements	0	0
At year-end	**112**	**114**

The liability in the Parent Company relates to pension obligations at PRI.

NOTE 34 – ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Accrued personnel expenses	105	104	21	22
Accrued interest expenses	0	1	0	1
Accrued expenses, invoices	46	44	15	14
Accrued expenses, freight	5	7	2	2
Accrued liabilities to customers	145	172	24	21
Other items	17	27	5	6
Total accrued liabilities and deferred income	**320**	**355**	**66**	**65**

NOTE 35 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets

The Group and the Parent Company had no pledged assets in 2012 or 2011.

Contingent liabilities

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Guarantees	55	76	53	57
FPG/PRI	3	3	2	2
Total contingent liabilities	**58**	**79**	**55**	**59**

Of the guarantees in the Parent Company, SEK 53 m (2011: SEK 44 m) are pledged to the benefit of group companies. Guarantees in the Parent Company relate primarily to local customs and excise of SEK 14 m (2011: SEK 12 m).

Duni has an environmental policy and has implemented control systems which assist Duni in ensuring compliance with environmental legislation. Duni considers the existing operations and production plants to fulfill in all essential respects requirements stipulated in environmental legislation and provisions which extend to Duni. However, Duni cannot guarantee that currently unknown obligations, for example cleanup or restoration of property owned or previously owned by Duni, cannot arise in the future. Discussion are taking place with responsible authorities concerning allocation of responsibility and technical investigation of suspected soil contamination on two properties owned by Duni AB.

Through an amalgamated company which is no longer owned by the Group, Duni AB has become a party to a preliminary investigation concerning suspected soil contamination. Duni has assessed that, as of the balance sheet date, it is not possible to calculate the amount of any possible costs if, and in such case, when, Duni possibly becomes liable to make payment.

No significant liabilities are expected to rise as a consequence of any of the above types of contingencies.

NOTE 36 – ADJUSTMENTS FOR ITEMS NOT INCLUDED IN THE CASH FLOW

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Depreciation/amortization	112	107	122	123
Impairment, fixed assets	83	–	16	–
Impairment, inventory	10	–	–	–
Restructuring	7	-1	-1	-6
Pension provisions	-18	-16	5	11
Change in value, derivatives	0	10	0	0
Other	-5	0	10	-34
Total	**189**	**100**	**152**	**94**

NOTE 37 – OBLIGATIONS

Operational leasing agreements

Duni rents a number of offices and warehouses as well as passenger cars, primarily for the sales organization. In addition, certain machinery is leased in the production operations. "Agreements" means non-terminable operational leasing agreements. Leasing agreements have varying terms, index clauses and rights of extension. The terms are market terms as regards prices and length of the agreements.

The nominal value of future minimum leasing charges, with respect to non-terminable leasing agreements, is broken down as follows:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Payable within one year	58	54	8	8
Payable later than one but within five years	96	82	12	3
Payable later than five years	31	11	–	–
Total	**185**	**147**	**20**	**12**
Of which leasing agreements signed during the year	90	25	18	4

Total expenses relating to operational leasing agreements during the year amount to SEK 86 m (2011: SEK 93 m) in the Group and SEK 20 m (2011: SEK 14 m) in the Parent Company.

Financial leasing agreements

The nominal value of future minimum leasing charges, with respect to non-terminable leasing agreements, is broken down as follows:

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Payable within one year	0	0	–	–
Payable later than one but within five years	1	1	–	–
Total	**1**	**1**	**0**	**0**
Present value of future leasing charges	0	0	0	0

NOTE 38 – ACQUISITIONS

No acquisitions have taken place during the financial year Jan 1, 2012-Dec 31, 2012 and the financial year Jan 1, 2011-Dec 31, 2011.

NOTE 39 – RELATED-PARTY TRANSACTIONS

No transactions with related parties have taken place during the 2012 financial year or during the 2011 financial year.

Other than the information above and information in Note 13 regarding Remuneration to senior executives and in Note 6 regarding Intra-group purchases and sales, there are no transactions with closely related companies.

NOTE 40 – EVENTS SINCE THE BALANCE SHEET DATE

In a press release issued on February 12, 2013, Duni announced that it had decided to commence negotiations with the labor unions regarding the closure of part of the operations of the subsidiary Rexcell Tissue & Airlaid AB involved in external sales, primarily to the hygiene products sector.

Auditor's report

To the annual meeting of the shareholders of Duni AB (publ), corporate identity number 556536-7488

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Duni AB (publ) for the year 2012 except for the corporate governance statement on pages 32-35. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 28–82.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 32-35. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Duni AB (publ) for the year 2012. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read t he corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year. A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Malmö 22 March 2013.

PricewaterhouseCoopers AB

Eva Carlsvi

Authorized Public Accountant

Key Ratio Definitions

Capital employed

Non-interest-bearing fixed assets and current assets less non-interest-bearing liabilities.

Costs of goods sold

Costs of goods sold, including production and logistics expenses.

Currency adjusted

Figures adjusted for the effects of exchange rate differences. Figures for 2012 are calculated applying exchange rates for 2011.

Earnings per share

Profit for the period divided by the average number of shares outstanding.

EBIT

Operating income.

EBIT underlying

Operating income adjusted for non-recurring items.

EBIT margin

EBIT as a percentage of sales.

EBITA

Operating income adjusted for amortization of intangible fixed assets and impairment of goodwill.

EBITA margin

EBITA as a percentage of sales.

EBITDA

Operating income adjusted for total amortization, depreciation and impairment.

EBITDA margin

EBITDA as a percentage of sales.

Gross margin

Gross profit as a percentage of sales.

Interest-bearing net debt

Interest-bearing liabilities and pension provisions minus interest-bearing assets and cash and cash equivalents.

Net debt/equity ratio

Net debt relative to total capital, where the net debt is the total borrowing less cash and cash equivalents and the total capital is shareholders' equity and the net debt.

Number of employees

The number of employees at end of period.

P/E ratio

Current share price relative to earnings per share.

Return on capital employed

Operating income as a percentage of capital employed.

Return on equity

Income for the period as a percentage of shareholders' equity.

Glossary

Airlaid
A material known for its wetness allocation, absorption capability and softness. The process is based on using air in order to divide the fibers in the material, instead of water as in traditional tissue production. Airlaid is used for table covers, placemats, napkins as well as an input material for various types of intimate hygiene products.

Amuse-bouche
Amuse-bouche are a series of transparent miniature dishes that are perfect for appetizers and desserts.

BRC
BRC is a management system for hygene and food safety. The units in Bramsche and Poznan are BRC-certified.

CAGR
Annual growth.

Cash-and-carries
Hypermarkets at which commercial customers personally collect their goods.

Concession catering
Operation of a restaurant or café on behalf of another organization in a fixed sales area.

Consumer
One of Duni's three business areas – sales primarily to the retail trade.

Contract catering
Operation of restaurant, café, catering on behalf of another organization.

Converting
The manufacturing phase in which tissue and airlaid in large rolls are cut, printed, embossed and folded into prepared napkins and table coverings.

Customization
To tailor make solutions for specific customers so they reinforce the customer's own concept and brand.

Duni ecoecho™
Duni ecoecho™ is a range for serving and meal solutions with sound environmental characteristics. The best available materials have been used in this range, with the aim of limiting the use of non-renewable resources in order to reduce our carbon footprint. The products have been developed giving consideration to the environment and have been selected on the ground that they possess one or more environmentally improved characteristics.

Dunicel®
Dunicel is a table cover based on a unique material with a fall similar to cloth. Thanks to a special patented production method, the feel is entirely different from ordinary paper table covers.

Duniform®
Duniform is a system for food distribution and covers everything from packaging machines to heat maintenance bags.

Duniletto®
Premium napkin and cutlery bag in one.

Dunilin®
Dunilin feels and folds like linen and is used for the most luxurious napkins. A unique material with a woven effect to look like linen, but is based on paper pulp. Dunilin combines strength with high absorption capability and is perfect for napkin folding.

Dunisilk®
Dunisilk is a wipeable material and can also be used outdoors. Is available as slipcover and ordinary table cover.

Elegance
Duni Elegance® is a linen-like exclusive napkin produced with a new patented production process. It is twice as heavy as a high quality paper napkin, has an appealing structure, linen-like embossment and high absorption capability.

Evolin®
Evolin is a new, revolutionary tablecovering material which combines the feel and look of textile and linen tablecoverings with the advantages of the single-use product. It is a hybrid material based on cellulose fibre.

Focus groups
A research method in which questions regarding a product or idea are put to a group of persons. The group is led by a moderator and the method is a tool for obtaining feedback regarding, e.g., new products prior to launching.

FSC
Short for Forest Stewardship Council, an independent membership organization which certifies forest management regarding social responsibility, environmental sustainability and economic viability.

HoReCa
Is an acronym for Hotel, Restaurant and Catering.

ISO 14001
ISO 14001 is the only international standard for environmental management systems and has been chosen as a standard within Duni. Units in Bramsche, Poznan, Dals Långed and Skåpafors are ISO 14001-certified.

ISO 26000
ISO 26000 is an international standard which defines corporate social responsibility.

ISO 9001
ISO 9001 is an international standard for quality management. The units in Bramsche, Poznan, Dals Långed and Skåpafors are ISO 9001-certified.

Key account management
Key account management ensures long-term and profitable relations with the most important customers.

Life cycle management
New and existing products are evaluated based on criteria for stock-keeping, turnover, and profitability

Merchandising
Duni assists store owners fill the shelves, build displays and deals with sales campaigns and offers.

Private label
Products marketed under customer's own label.

Professional
One of Duni's three business areas – sales to hotels, restaurants, catering firms and wholesalers.

REACH
REACH is an acronym for Registration Evaluation Authorization and Restriction of Chemicals. It constitutes new chemicals legislation throughout the European Union (EEA countries) and entered into force in June 2007.

Sacchetto
Paper cutlery pocket with space for a napkin.

Sensia
Sensia® table runners fall beautifully over the table, soften the edges and, thanks to their embossed structure, create a 3D-effect.

Tête-à-tête
Table cover roll, 40 cm in width, with perforation; can be used as table runner, placemat or placed across the table.

Tissue
One of Duni's three business areas – produces tissue. The material, tissue, is used for table covers, placemats, and napkins. Different qualities are produced by combining 1 to 4 plies of tissue.

Calendar

Annual General Meeting, May 2, 2013

The Annual General Meeting will be held at Skånes Dansteater, Östra Varvsgatan 13 A, Malmö at 3.00pm on Thursday May 2, 2013. Registration commences at 2.15pm.

Applications

Shareholders who wish to participate must be entered in the share register maintained by Euroclear Sweden AB not later than April 25, 2013 and must give notice of their participation not later than the same date in any of the following ways:

– by telephone +46 40 10 62 00

– by letter to Duni AB, Bolagsstämma, Box 237, 201 22 Malmö

– by email bolagsstamma@duni.com

– by fax +46 40 39 66 30

In the notice, the shareholder shall state:

– name

– personal ID no./registration no.

– address and telephone number

– number of shares

A shareholder whose shares are nominee-registered must, in order to vote at the AGM, request that the bank or nominee managing the shares effects temporary ownership registration a couple of business days prior to April 25, 2013.

Dividend

The Board of Directors proposes a dividend of SEK 3.50 per share, equal to SEK 164 m. May 7, 2013 is proposed as the record date for the right to receive dividends. In the event the AGM resolves in accordance with the proposal, dividends will be disbursed on May 13.

Duni AB's Nomination Committee

Duni AB's Nomination Committee is composed as follows:

Anders Bülow, Chairman of the Board of Duni AB

Rune Andersson, Mellby Gård Investerings AB, Chairman of the Nomination Committee

Bernard R. Horn, Jr., Polaris Capital Management, LLC

Göran Espelund, Lannebo Fonder

The Nomination Committee has the task of submitting proposals to the AGM regarding the election of the Board, auditors and alternate auditors, and the fees therefor.

Complete information regarding the AGM is available on the Company's website.

Timetable for financial information:

Publication dates

Interim report, January – March 2013, April 19, 2013

Interim report, January – June 2013, July 12, 2013

Interim report, January – September 2013, October 23, 2013.

Closing accounts and interim reports are published in Swedish and English and can be downloaded from Duni's website, www.duni.com. The reports can also be ordered from Duni AB.

The Annual Report is produced in Swedish and English. In the event of any discrepancy between the versions, reference is made to the Swedish text.

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