ANNUAL REPORT 2016

SUSTAINABLE VIEWS

2016

A SUSTAINABLE APPROACH…

In 2016, Duni continued to take important initiatives for creating growth, attractiveness and efficiency. The acquisition of a 60% stake in the Thai napkin manufacturer Terinex Siam strengthened the Group's presence on growing markets in Southeast Asia. The investment in our tissue machinery at the Rexcell subsidiary resulted in increased capacity and improved resource utilization in the production process. Work within corporate social responsibility has continued, and is reflected amongst other things in an expanded offering of environmentally profiled products and updated long-term sustainability targets. Duni has strengthened its position as a leading supplier of table top and meal time products towards an increasingly environmentally conscious customer group. Duni's net sales increased to SEK 4.3 billion, with a profit margin of 11.8%. Organic growth amounted to 1.2%.

2017

... LAYS THE FOUNDATIONS FOR THE FUTURE

The measures taken in 2016 are preparing the way for further growth, within and outside Europe. The companies acquired in Asia in recent years are creating a solid base for winning new business on several markets. Clearer customer segmentation and closer contact with end customers are resulting in better-targeted offerings. In order to further enhance the mealtime experience, we are continuously focusing on creating attractive designs. Duni's CSR work, which is conducted through the **Our Blue Mission** program, clarifies the processes within key areas such as materials production, product safety, social responsibility and business ethics. Taken together, the activities will lead to an even stronger brand and a clear experience of Goodfoodmood®.

SUSTAINABLE VIEWS

We create Goodfoodmood®. That means that we always strive to create a positive food experience, whether in the home or at a restaurant. Nowadays, the experience involves more than just taste, color and form. It also involves being consistent and thinking long-term by choosing table top and serving products with the least possible carbon footprint. We are working here and now, but with a clear view of the future ahead. Please, join us in our journey!

CONTENT

THE YEAR IN BRIEF

NEW ACQUISITION IN ASIA AND SEVERAL LAUNCHES WITHIN ECOECHO®

- Duni's organic growth is 1.2% at comparable exchange rates.
- Upgrading of the tissue machinery in Skåpafors was successfully completed.
- The acquisition of a 60% stake in the Thai napkin manufacturer Terinex Siam Co. Ltd. provides Duni with even greater possibilities to reach new markets in Southeast Asia and Oceania.
- The Table Top and Meal Service business areas continue to work on clearer customer segmentation.
- The Duni Cooperative Culture forum has been introduced within Operations. In the forum, employees holding similar positions exchange experiences and ideas and discuss how strategies are to be implemented.
- Duni launches a streetfood concept in which ecological food is served together with products from the environmentally conscious ecoecho® range. Swedish star chef Titti Qvarnström was appointed as ambassador for these products.
- Additional focus areas within HR include a talent development program and a more systematic internal recruitment process.
- Duni sponsors Bocuse d'Or and is present at the European final in Budapest, Hungary, where Swedish chef Alexander Sjögren wins a bronze medal. Simultaneously, a napkin designed by Alexander is launched.
- A new design collaboration with the Swedish brand Jobs was launched at the Formex trade fair in Stockholm.

OPERATING MARGIN OF 11.8 (12.6) PERCENT

THE BOARD OF DIRECTORS PROPOSES A DIVIDEND OF SEK 5.00 (5.00) PER SHARE

NET SALES INCREASED TO SEK 4,271 (4,200) M

OPERATING INCOME AMOUNTED TO SEK 502 (528) M

KEY RATIOS, SEK M [1), 2)]

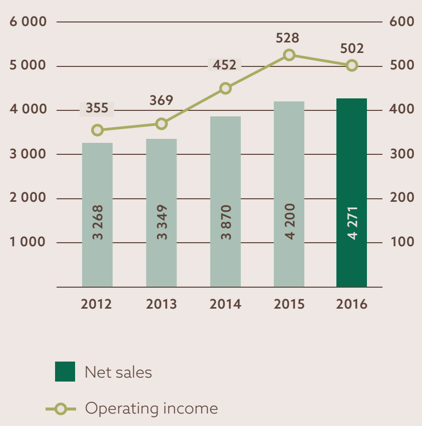
	2016	2015	2014	2013	2012
Net sales	**4 271**	4 200	3 870	3 349	3 268
Operating income*	**502**	528	452	369	355
EBITDA*	**632**	656	572	473	454
Net income before tax	**441**	459	414	334	218
Net income for the year	**334**	346	302	254	137
Proposed dividend, SEK/Share	**5.00**	5.00	4.50	4.00	3.50
Total equity	**2 486**	2 345	2 193	2 099	2 051
Return on equity, %	**13.4**	14.8	13.8	12.1	6.7
Return on capital employed, %	**15.8**	18.6	15.4	13.3	14.4
Number of employees	**2 279**	2 082	2 092	1 902	1 875

* Operating income and EBITDA are adjusted for non-recurring items. Comparison figures for 2012 are translated in accordance with new accounting principles.

1) Relates to continuing operations for all periods. The discontinued hygiene products business has been recalculated and, in accordance with IFRS, is reported on a line after the net income for the period for continuing operations.

2) Key ratios for 2016 include non-controlling interests.

NET SALES AND OPERATING INCOME, SEK M



LEADER WITHIN TABLE SETTING AND PACKAGING CONCEPTS

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

The products are sold on more than 40 markets and Duni is the market leader in Central and Northern Europe. The Group has approximately 2,200 employees in 20 countries. The head office is located in Malmö, Sweden and production units are located in Sweden, Germany, Poland and Thailand. The Company is listed on NASDAQ Stockholm.

FIVE BUSINESS AREAS

Duni's organization is divided into five business areas in order to best meet the market's needs.

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

Meal Service creates attractive meal packaging and service products for fast food, catering, cafes and take-away.

Consumer markets consumer products to the retail trade, but also to certain types of retail outlets in Europe.

New Markets offers Duni's table setting and packaging concepts to hotels, restaurants, the catering industry and retail trade on markets outside of Europe.

Materials & Services comprises those parts that are not accommodated within the other business areas, mainly external sales of tissue and airlaid as well as of accounting and financial reporting services.

PRODUCTS

Duni primarily operates on three product markets: single-use table setting products, meal packaging, and tissue. There is a rapid and high rate of renewal in response to current trends and in order to offer seasonal variations. In 2016, Duni produced:

- 2.7 billion m2 raw materials for the production of napkins and tablecoverings
- 12.5 billion napkins
- 187.7 million running meters tablecoverings

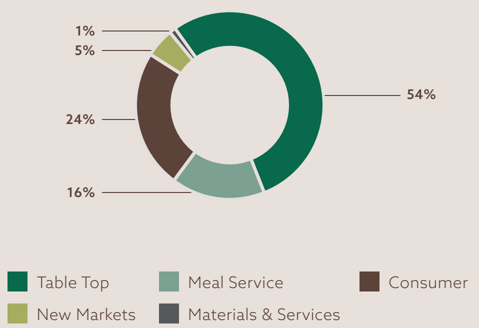
VERTICAL INTEGRATION

Duni has a vertically integrated business model for paper-based products. This means that the entire production and delivery chain is owned and controlled by Duni, from material manufacture and concept development to converting and distribution.

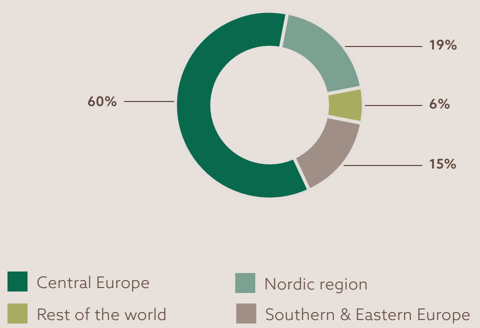
OUR BLUE MISSION

The overarching objective of the CSR program, Our Blue Mission, is to live up to the confidence that customers place in Duni by ensuring that all products are manufactured in an ethical, safe and environmentally sustainable manner. The program includes ambitious targets that are to be achieved no later than 2020. These include the ambitious target of 100% fossil-free production and a 20% reduction in energy consumption between 2010 and 2020. The development of environmentally adapted products and ensuring compliance with Duni's Code of Conduct are other prioritized areas.

NET SALES PER BUSINESS AREA, %



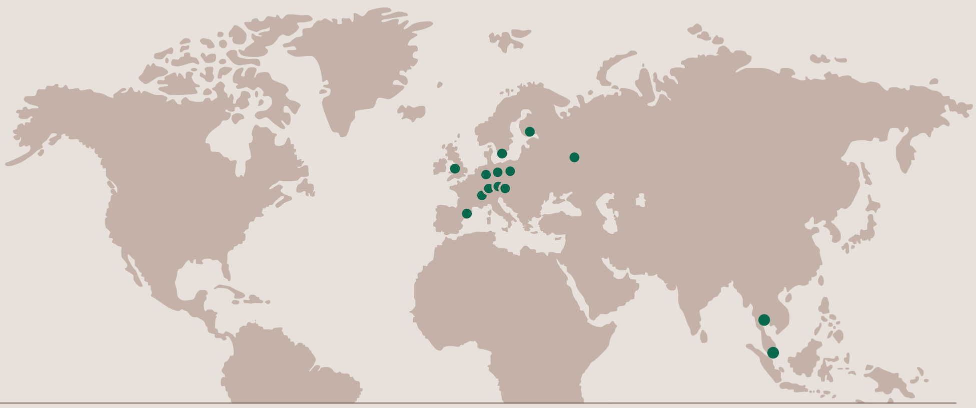
NET SALES PER GEOGRAPHIC REGION, %



DUNI'S PRESENCE

Tissue and airlaid for napkins and table-coverings are manufactured in Sweden, while Duni's production of finished table-top products takes place in Germany, Poland and Thailand.

There are sales offices in Austria, the Czech Republic, Finland, France, Germany, the Netherlands, Poland, Russia, Singapore, Spain, Sweden, Switzerland and the UK.



A STRONGER AND MORE SUSTAINABLE DUNI

In 2016, Duni took important initiatives within the prioritized areas of growth, attractiveness and efficiency. A significant acquisition in Southeast Asia strengthens the Group's position on growth markets outside Europe. Investments in increasing capacity at the Rexcell paper mill and implementing methods to understand customer needs in an improved manner, are also creating value both in the short and long-term.

Overall, we find ourselves in an extremely exciting period in which megatrends such as globalization, urbanization and, not least, digitalization, are having an ever stronger impact on our market. Customer power is increasing, as are demands regarding improved lead times, quality, and product availability. Awareness surrounding food consumption and its impact on the environment is also becoming increasingly noticeable and affects our industry, which must be prepared to meet a new generation with modern methods and innovations.

MARKET DEVELOPMENT IN 2016

Duni's sales are divided between the HoReCa market and the consumer market. Our competitiveness, and thereby also our market share, is generally higher in those markets that are located closer to our converting plants in Germany and Poland. On markets at a greater distance from our production sites, our market share is lower but also has a clearer premium position.

Central Europe has experienced weak growth in recent years. Our market has generally followed GNP growth in each country, resulting in annual industry growth of a few percent. At the same time, we have witnessed significantly stronger growth in southern Europe and on our non-European markets. Growth is driven primarily by a higher pace of investment and increased tourism volumes.

Duni's sales in 2016 amounted to SEK 4,271 m, representing an increase of 1.7% compared with the preceding year. Excluding acquisitions and currency effects, organic growth was 1.2%. Thus, we fell short of our target of 5% organic growth, but the trend on the main markets follows the market in general. On other markets, we have strengthened our market shares throughout. A factor which has stood out during the year has been the weakened pound sterling and its adverse impact on both sales and operating income.

Following an initially weak start to the year, business area Table Top grew by 1.5%, while Consumer declined compared with last year. Business area Meal Service, which delivers concepts for take-away and ready meals, continued to outstrip general market growth. Business area New Markets, which is responsible for sales outside Europe, also demonstrated growth. It is a positive sign that we have a flexible business model capable of responding quickly to market changes.

NEW STRUCTURE IN TABLE TOP

One of the effects of the weaker market growth in Central Europe is that Duni's largest business area, Table Top, failed to achieve its sales targets. Following a weak start to the year, several significant measures were taken aimed at strengthening the position on the central European market. A new organization is in place and new methods have been developed to better identify customer structure and needs. The end to the year shows that these measures have delivered the desired effect.

INCREASED PRESENCE IN SOUTH-EAST ASIA

Another important event in 2016 was that Duni became the majority shareholder in Terinex Siam, a leading manufacturer of primarily napkins in Thailand. This is our second acquisition in Southeast Asia, which is a market of great strategic importance to us. Although several Asian markets are considered immature when consindering Duni's premium solutions, we see a rapid growth in the establishment of new hotels and restaurants. Through the acquisition, we are strengthening our product offering and geographic presence, thereby paving the way for long-term growth in the region. We are also improving efficiency in our sales channels on neighboring markets, such as Australia.

A UNIQUE PAPER MILL

Duni's market offering is based on the unique materials developed in-house which are produced at the Rexcell paper mill. During the year, Rexcell completed an extensive restructuring program that has been underway since 2013. The program has involved, among other things, an end to the production of hygiene product materials and relocation of all remaining production to the plant unit in Skåpafors. After three years of restructuring, we are now focusing on development. Therefore, in 2015 a decision was taken to invest SEK 110 m in our paper machinery with the aim of increasing capacity and also preparing the way for future materials development. Upgrades were carried out incrementally in 2016 with good results. It is our clear ambition to remain the leader in material development, with an obvious focus on more sustainable paper production.

MATERIALS OF THE FUTURE

We are constantly reviewing how we can modify our materials and create greater customer value. During 2016, among other things we have continued to develop our environmentally profiled ecoecho® range. Demand for these types of materials is increasing continuously and it is also here that we are concentrating most of our development resources. Future relevance and competitiveness are strongly linked to the ability to develop products in line with the times.

IMPROVED LOGISTICS AND CUSTOMER SERVICE

Being an attractive partner for our customers means, of course, that the entire chain must be functional. Towards the end of 2016, we failed to live up to our own expectations, and those of our customers, when it comes to delivery performance. As soon as this became apparent, we set in place measures to ensure our logistics flows. We have decided to invest in new warehousing capacity at the central warehouse in Germany and we are increasing the pace of digitalization and development of our customer service function. As result of the measures, the service level will be improved in 2017.

EMPLOYEES – OUR MOST IMPORTANT RESOURCE

Success in attracting and retaining skilled employees constitutes a further prerequisite for continued growth. Three new companies have been acquired in recent years and we are now more than 2,200 employees spread over approximately 30 geographic markets. My aim is that everyone will regard Duni as a great company to work for, irrespective of country or position in the Company. In order to achieve this, a few years ago a more structured HR process are now available to all employees in Duni Group. Talent development programs and internal management training courses are other important features that are being widely implemented. We are also actively engaged in encouraging employees to take on new challenges in the Company.

To summarize, 2016 was a year in which extensive structural improvements and continued expansion outside Europe set the tone. We have strengthened our focus by concentrating on customer improvement activities and the development of sustainable and innovative product solutions. In addition, we are continuing to focus on organic growth, complemented by value-enhancing acquisitions. It is in this manner that we create an imroved Duni long-term.

Malmö, March 2017
Thomas Gustafsson
President and CEO

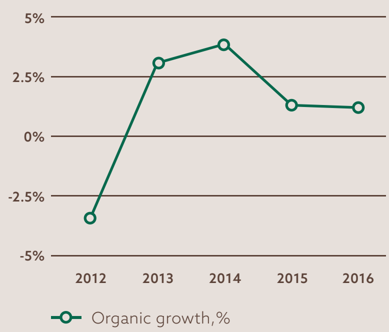
FINANCIAL TARGETS

During 2016, Duni carried out a series of activities that have contributed to growth, both organically and through acquisitions.

SALES GROWTH, 5%

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

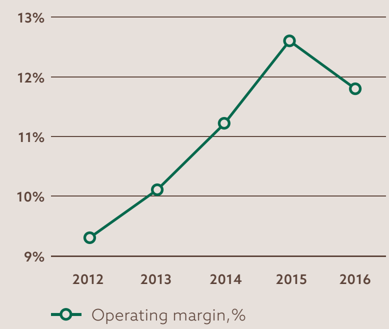
TARGET FULFILLMENT IN 2016
The currency-adjusted organic growth was 1.2%. Duni demonstrated continued growth in line with last year. It is believed that the market as a whole grew on average by 1%.



OPERATING MARGIN, 10%

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

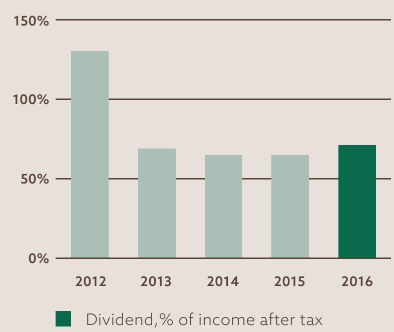
TARGET FULFILLMENT IN 2016
The operating margin target was exceeded and ended up at 11.8%. Structural effects and acquisitions of recent years contributed to a strengthened operating margin.



DIVIDEND, 40% OF INCOME AFTER TAX

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

TARGET FULFILLMENT IN 2016
Thanks to continued positive income generation and a strong cash flow, the Board proposes a dividend of SEK 5.00 per share, i.e. it is proposed that the dividend for 2016 shall equal 71% of income after tax.



VISION AND STRATEGIES

VISION

At Duni we are passionate about being outstanding in our field; to grow into the world's most attractive provider of inspirational table top concepts and creative take-away solutions. With our minds set on food, people and design, we have the ambition to always supply Goodfoodmood® for every eating and drinking occasion.

FIVE BUSINESS AREAS

Duni works based on a business model which is optimized to provide the market with Goodfoodmood®. Thus, Duni produces and delivers a wide range of products for the set table and for take-away, particularly the premium segment. The product ranges are developed under Duni's own brand as well as under the customers' private labels. The customers and their needs change over time. In order to best meet demand, the organization is divided into five business areas, each of which is a specialist in its customer segment. In this way, products, processes and offerings can meet the market's expectations and needs.

VERTICAL INTEGRATION

The full vertical integration of Duni's paper-based production is the factor that primarily distinguishes Duni from other companies in the industry. This integration means that Duni has full control over the entire value chain, from material production in the paper mill to converting in its own plants and distribution to wholesalers or end customers. Thanks to the integrated value chain, Duni enjoys the significant competitive advantage of being an expert when it comes to materials for napkins and tablecoverings. This also reduces the price risk, increases delivery performance and provides a possibility to plan design and material renewal. Currently, approximately 70% of the Group's products are paper-based. Other materials and products are purchased from external suppliers. This provides scope for flexibility and a high pace of innovation within different product segments.

CUSTOMER BENEFIT IN ALL STAGES

All business areas work in accordance with a customer and market-driven strategy in order to create concepts that provide Goodfoodmood® experiences. Processes, innovation and marketing are based on analyses of market patterns and customer needs. Customer benefit is thereby created in all stages and concepts are optimized to meet trends and demands. Consequently, there is close cooperation between the marketing department, product developers and production managers. Sales take place through distributors, wholesalers or directly to end customers. Close dialogue is conducted with the end customer, irrespective of the sales channel. In this way, important information is obtained regarding existing needs, while the entire product range can be presented. Thanks to this approach, product launches are more likely to reach their target, while relations with customers are strengthened.

MOOD BOOSTERS

Duni creates Goodfoodmood® essentially from four main components, namely color, design, material and table setting. Duni is an expert within these areas and is driving development in the industry. In addition, by acting flexibly and proactively, Duni creates trend-oriented concepts that generate both customer benefit and profitability. Follow-ups are conducted regularly through measurements based on sales, profitability and turnover rate criteria.

CSR

Duni engages in active CSR work in order to fulfill its role as a leading supplier of table setting concepts and products for take-away. Consequently, the Group imposes exacting demands for proper conduct in all stages. This work takes place through the Our Blue Mission program in which Duni has established various CSR and environmental targets and methods to acheive them. This also includes policies for the internal organization and for suppliers. In this way, everyone can be confident that our products are produced in an ethical and sustainable manner.

CUSTOMIZED SOLUTIONS

Within the take-away product segment, Duni creates customized solutions that profile the customer's brand. Duni contributes value by offering product concepts or product ranges that are unique in form, design, function and material. Cooperation takes place primarily with international chains that are already established on a number of geographic markets. Accompanying the chains into new markets is a good way of creating increased geographic presence and growth.

GROWTH

The business model is structured to facilitate growth, both organic and through acquisitions. In this way, Duni will achieve its objective of becoming Europe's leading manufacturer of tabletop and take-away concepts.

A DEVELOPING MARKET CREATES NEW OPPORTUNITIES

Duni conducts operations in Europe and Asia. The main market consists primarily of Western and Central Europe. The West European market for single-use table setting products, which is estimated to be worth approximately EUR 9.6 billion, is growing at approximately 2% per year[1]. The market is fragmented and Duni is estimated to have a total market share of approximately 4%.

Duni is a leader within, primarily, the napkin and tablecovering product segments, with a market share of approximately 20%. Despite this leading position, there is great potential to gain additional market shares. Competitors mainly comprise of relatively small, local companies, as well as a number of larger paper and pulp companies. Some of these companies have concepts and product ranges which, like Duni's, focus on the HoReCa market (hotels, restaurants and catering firms).

THE MARKET FOR PAPER-BASED PRODUCTS

The European market for paper-based table top products is estimated to be worth approximately EUR 1.6 billion[2] and can be divided into two main channels – HoReCa and the consumer retail trade. Most retail trade sales comprise private labels.

Duni is one of the largest brands on a fragmented market, with its strongest foothold within the HoReCa segment. After a number of years of growth, the market for paper products has stagnated somewhat in recent years. Western Europe is considered to be a mature market, while Eastern Europe shows significantly higher growth, albeit from lower levels.

Within the retail grocery trade, the share represented by private labels has increased in recent years, so much so that they are overrepresented within the tabletop product category. Duni is well positioned to provide the market with effective production solutions for customers' private labels. All the same, Duni is able to supplement the range with unique, premium-based product concepts under its own brand, aimed at quality-conscious consumers.

Standard products account for approximately 45% of total estimated sales on the European napkin and tablecovering market, while premium products account for approximately 55%. The percentage of premium products varies between countries. On those markets where the premium segment dominates – such as in northern Europe, Germany and the Benelux countries – Duni is the clear market leader. In Southern and Eastern Europe, where simpler paper products are still more common, Duni perceives great potential for growth. Standard products account for approximately 45% of total estimated sales on the European napkin and tablecovering market, while premium products account for approximately 55%. The percentage of premium products varies between countries. On those markets where the premium segment dominates – such as in northern Europe, Germany and the Benelux countries – Duni is the clear market leader. In Southern and Eastern Europe, where simpler paper products are still more common, Duni perceives great potential for growth.

THE EUROPEAN RESTAURANT MARKET

The West European restaurant market turns over approximately EUR 500 billion[3] annually, a figure that remains unchanged during the past year as a result of recession on a number of main markets. However, the market is expected to return to growth during the coming five-year period. The largest markets are Italy, the UK, Spain, France and Germany. Duni operates on all of these markets.

The restaurant market is traditionally divided up into a consumer market and a market comprising staff restaurants and industrial kitchens serving as care homes, schools and hospitals. Full service restaurants, cafes, bars, and fast food outlets account for the largest share of the market. The fast food segment accounts for approximately 16% and is steadily increasing over time at the expense of other types of restaurants along with meals at home. Restaurant chains are also increasing their share of the market, particularly within the fast food segment.

The market for staff restaurants and industrial kitchens has grown on average by 3% per year over the past five years despite the recession, and it is particularly within the care sector that larger shares of the segment have been gained. However, the changes are strongly dependent on the geographic region. Here, there is clear potential for Duni to generate growth.

MEGATRENDS HAVE AN IMPACT

In recent years, the restaurant market has undergone clear changes and is continuing to develop. Continued urbanization, higher disposable incomes, the online society, and an increasing number of single-person households are resulting in ever greater demands for mobility and flexibility, also when it comes to food and restaurants. There is a general trend towards an increasing number of restaurants offering take-away food or quick food and drink on the spot, at the same time as the quality of the food is improving. Thus, fast-food need not be equated with unhealthy food or characterized by the simplest solutions. Restaurant chains with a fast casual profile are increasingly expanding, albeit from relatively low levels. Similar trends are taking place also in Eastern Europe and Asia. Duni has a broad range of products well-suited to meet this trend.

[1] Duni's relevant markets in 2014 including candles, serving products and packaging solutions for take-away. Figures are based on MSP, Manufacturer Selling Price. Source: Euromonitor, ECA Statistics and Freedonia World Food Disposables.
[2] Source: Euromonitor, ECA Statistics and Freedonia World Food Disposables.
[3] Sales which include Consumer Foodservice and Social Foodservice 2014. Source: Euromonitor and CDH Expert.

RESTAURANTS AS BRANDS
Restaurants – irrespective of type – are increasingly developing unique brand concepts. It is becoming ever more important to market a clear, cohesive profile. Communication increasingly covers the products that the end consumer encounters. Table top products such as plates, napkins and tablecoverings thereby play an important role. Herein lies great potential for a company such as Duni, which through its concepts is able to assist in providing customers with the appropriate type of profiling.

SUSTAINABILITY – AN INCREASINGLY IMPORTANT FACTOR
Restaurants are becoming increasingly environmentally conscious and making more exacting demands regarding single-use articles having an evironmentally conscious profile. Duni stands out within the area by having one of the broadest range of environmentally-profiled products in the industry. Compostability, products made from renewable materials and the ambition to achieve exclusively fossil-free energy use in future production processes represent some of the other factors which Duni is working with methodically.

DUNI'S MARKET

CUSTOMER CATEGORIES & RELEVANT MARKETS

THE PROFESSIONAL MARKET

BARS

Are divided into three types: bars, lounge bars and wine bars, with a focus on the sale of alcoholic beverages. The food offering is limited to simple food. Beer halls and pubs, where beer is the most important beverage. Nightclubs and discotheques.

CAFES

Cafes usually offer a wider range of food and drink, with waiter service. Focus is on alcohol-free beverages, with more than half of sales being derived from non-alcoholic beverages.

EVENT AND CATERING

Catering provides food for parties, banquets, events and institutions. Usually catering to a large number of people.

FAST FOOD

Fast food has limited menus and quickly prepared food. Customers order, pay and take food and drink with them. They tend to specialize in hamburgers, pizza or chicken, as well as salads and simple deserts such as ice cream. Food preparation is usually simple.

FULL SERVICE RESTAURANTS

Restaurants with waiter service and where focus is placed on the food. The quality of the food is generally high. Menus offer several choices and may include breakfast, lunch and dinner..

STAFF RESTAURANTS

Staff restaurants provided by the employer. The restaurants are managed by external companies such as Sodexo, Kompass or by the company itself. On average, approximately 70% of the employees eat in the staff restaurant. The larger the company, the more likely it is that there is a staff restaurant.

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 purchasers of Duni's premium products.

CONFERENCES AND TRADE FAIRS

Exhibition centers and conference halls. Wide range of food and drink. The number of attendees can vary from small to very large groups. Hotels with conference centers are included in the hotel category.

PUBLIC SECTOR

The hospital category includes all hospitals and clinics, both public and private, which offer long-term and short-term care. Senior housing/care housing covers patients and employees within all institutions which are characterized as nursing homes.

TAKE-AWAY

The food is collected by the customer or delivered, usually at an extra cost. The food offered normally comprises, e.g. pizza or Chinese, Indian, Mexican, West Indian or North African food. Do not offer food and drink to be consumed on the premises.

THE CONSUMER MARKET

RETAIL GROCERY TRAD

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

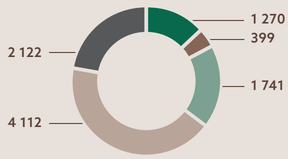
RETAIL OUTLETS

Retail outlets comprise pharmacies, various types of specialty stores, garden centers, gas stations, as well as department stores and home furnishing chains.

THE WESTERN EUROPEAN MARKET [1]

In total, EUR 9.6 billion

Duni's relevant markets are worth approximately EUR 9.6 billion, with Germany being the largest geographic market. The largest categories – which also have the highest rate of growth – are serving products, packaging solutions and candles. Duni's total market share in Western Europe is approximately 4%.

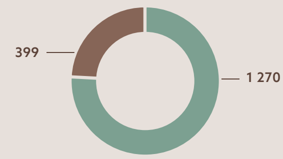


Paper napkins · Paper tablecoverings · Candles · Serving products · Packaging solutions

TABLE TOP PRODUCTS [2]

In total, EUR 1.6 billion (+1.0% since 2013)

The Western European market for table top products is worth approximately EUR 1.6 billion and comprises paper napkins and paper tablecoverings. The market can be divided into two channels: "Away from home" (HoReCa and the public sector) and the retail grocery trade (the consumer market). Private labels dominate the extremely fragmented retail grocery trade.

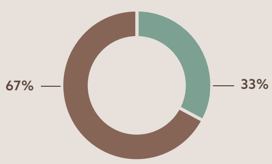


Paper napkins · Paper tablecoverings

PAPER NAPKINS [3]

AWAY FROM HOME IN WESTERN EUROPE

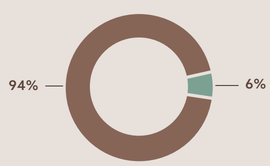
Market share, %



Duni · Other

RETAIL TRADE IN WESTERN EUROPE

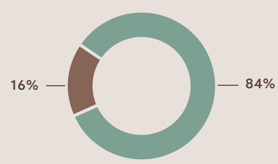
Market share, %



Duni · Other

GEOGRAPHIC BREAKDOWN

%



Western Europe · Eastern Europe

MARKET GROWTH PER YEAR

Average, %

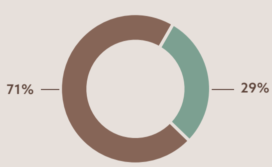
Western Europe	
2009–2014	1.0
2015–2019	2.6

Eastern Europe	
2009–2014	8.5
2015–2019	5.0

PAPER TABLECOVERINGS [3]

AWAY FROM HOME IN WESTERN EUROPE

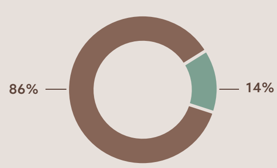
Market share, %



Duni · Other

RETAIL TRADE IN WESTERN EUROPE

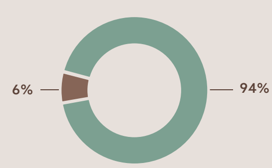
Market share, %



Duni · Other

GEOGRAPHIC BREAKDOWN

%



Western Europe · Eastern Europe

MARKET GROWTH PER YEAR

Average, %

Western Europe	
2009–2014	0.3
2015–2019	2.6

Eastern Europe	
2009–2014	4.1
2015–2019	3.7

[1] Duni's relevant markets in 2014 including candles, serving products and packaging solutions for take-away. Figures are based on MSP, Manufacturer Selling Price. Source: Euromonitor, ECA Statistics and Freedonia World Food Disposables.
[2] Source: Euromonitor, ECA Statistics and Freedonia World Food Disposables.
[3] Sales which include Consumer Foodservice and Social Foodservice 2014. Source: Euromonitor and CDH Expert.

SUSTAINABLE VIEWS #1

RESPONSIBLE FORESTRY

As a paper-based company, it is natural for Duni to care about responsible forestry and paper extraction. Therefore, we carefully examine the source of our primary raw material to ensure that the timber comes from sustainable forests.

Most of Duni's timber is sourced from Nordic forests. In addition, more than 90% of Duni's paper material is FSC® certified, thereby guaranteeing that the pulp is sourced from responsibly managed forests.

FSC
www.fsc.org
FSC® C014985

The mark of responsible forestry

THE DUNI BRAND

FOOD, PEOPLE AND DESIGN

With Goodfoodmood®, Duni's brand is distinguishable and appears in the right context.

It is important to have a carefully considered and relevant platform for communication. Consequently, when Duni reviewed its brand platform two years ago the work resulted in the "Supplier of Goodfoodmood®" concept, which is aimed at expressing the essence of Duni. The new brand pays homage to food, people and design.

General interest in food has never been greater. Travel, TV programs and different social media are filled with myriad of culinary experiences. Food inspires people to meet, provides an occasion to converse, and creates the desire to decorate. The addition of Goodfoodmood® where people come together to eat is thus the factor that is driving Duni forward in all aspects. In this way, Duni's brand platform serves as a lodestar and provides guidelines for all initiatives taken.

FROM TABLE TO EARTH

During the year, a number of projects have been carried out that have positioned Duni even more clearly towards food, people and design. New brand ambassadors have also added value and contributed to conveying the message to a wider public.

One of the projects attracting the greatest attention during the year was "Streetfood by Duni" – a concept in which both customers and the general public could participate at special sponsoring events. A vegetarian menu was devised and served from a mobile food truck together with products from Duni's ecoecho® range. The food consisted entirely of ecological and locally grown ingredients. In addition, demonstrations were given of how the products and food could be composted. By demonstrating the entire process, from table to earth, the cycle was clarified, together with the role of compostable products in that cycle. Titti Qvarnström, the Michelin Star chef, left her mark on the concept. Since she had been appointed ambassador for Duni's environmentally profiled ecoecho® range earlier in the year, she was commissioned to devise the menu.

FOOD ART MEETS DESIGN

The next cooperation project involved the chef Alexander Sjögren, who represented Sweden in the prestigious Bocuse d'Or gastronomic competition. Duni was one of the sponsors, who supported Alexander in his goal of winning the finest title in the gastronomic world. In addition to being present during the various stages of the competition, Duni also leveraged on Alexander's eye for design. Together with Duni, he created a pattern based on his favorite ingredient – the lemon. The result

was a tasteful depiction of the yellow fruit, which has subsequently been printed on a white napkin. The final version has become an appreciated design product that is distributed on special occasions.

2017 will see the launch of several projects that point Duni in the right direction from a brand perspective. Food, people and design are the starting point for all activities. In this way, Duni creates Goodfoodmood®.

STREETFOOD BY DUNI

During the year, Duni launched its very own streetfood concept. A specially devised vegetarian and ecological menu was served from a food truck together with products from Duni's ecoecho® range.

SUSTAINABLE VIEWS

"Duni's brand is the compass that points us in the right direction. Goodfoodmood® creates involvement in the food experience and gives relevance and a long-term perspective to everything we do."

Saloni Deva, IR & Communications Manager

TABLE TOP BUSINESS AREA

CUSTOMER RELATIONS – MEETING THE NEEDS OF THE FUTURE

High precision offerings are created by developing close relations with end customers.

Business area Table Top offers a wide range of, primarily, napkins, tablecoverings and candles. Customers are typically restaurants, hotels and catering firms. Sales take place both through wholesalers and directly to end customers. Duni is the leading producer in Europe, with the Nordic region and Germany as its main markets.

A CHANGING MARKET

The trend towards a growing number of fast casual chains, offering a somewhat higher quality of take-away food, is continuing. At the same time, table settings are changing. Generally, fewer articles are being used and table setting is taking place quickly. Duni is meeting the needs through flexible solutions that provide added value for the customer.

During the year, the highest growth on the HoReCa market was recorded in Southern and Eastern Europe, with Italy, Spain and Poland taking the lead. On the other hand, Sweden, Germany and France are more mature markets with a lower rate of growth. Demand within hotel and catering is generally strong, while the traditional restaurant sector has retreated somewhat in most countries. The business area saw a weaker sales development at the start of 2016, which subsequently stabilized during the second half of the year. The year as a whole ended with a sales increase of 1.5% at fixed exchange rates.

A YEAR OF RESTRUCTURING

In recent years, competition has increased on our main market, Germany, where Duni is also market leader. In order to generate increased growth, the business area has revised the organizational structure and implemented a more efficient approach to interacting with the customer base. Among other things, this has resulted in closer dialogue with the end customers, leading to greater possibilities in anticipating changes in demand. It has thereby been possible to optimize offerings and campaigns. It has become clear that customers are demanding good service to an even greater extent than previously. More exacting demands for an ever higher pace of innovation in terms of new products are also tangible. As a consequence, additional investments have been made in both marketing and sales during the year.

DELIBERATE CHOICES

Napkins remain the business area's most important product group. In order to entrench and strengthen our position as market leader, it is important to regularly work on launching new products and materials. Duni has long focused on the development of environmentally conscious materials, and in so doing has become an appreciated supplier. The unicolor napkin range is one of the largest in the industry; the fact that it is compostable is also a major advantage. More than 90% of the product range is certified through FSC® as sustainably forested. Soft paper napkins and stearine candles also carry the Svanen® environmental certification mark.

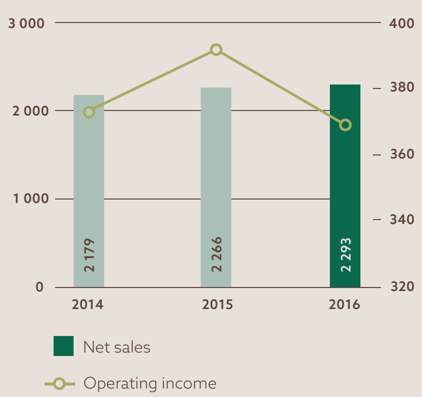
FLEXIBLE SOLUTIONS

One of Duni's strengths lies in having a broad product range capable of satisfying different customers and demands. During the year, several successful collections were launched. Placemats made of fashionable recycled leather and a finger food concept are among the new products that were well received and make it easier for restaurants to be flexible in their own offerings. In addition, Duni's range of LED lights for indoor and outdoor use continues to grow in popularity. The added value lies in offering both superior design and functionality.

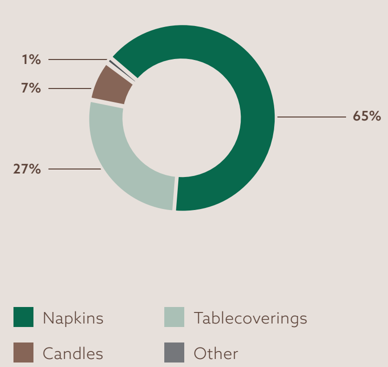
Restaurants also profile themselves through customized table top articles. Duni has a broad offering within profile print, a category that has grown significantly in recent years and has potential to become even larger.

In 2017, the customer contacts will be developed further. Through a more focused dialogue with end customers within selected customer categories, Duni is continuing to create Goodfoodmood® where people come together to enjoy food and drink.

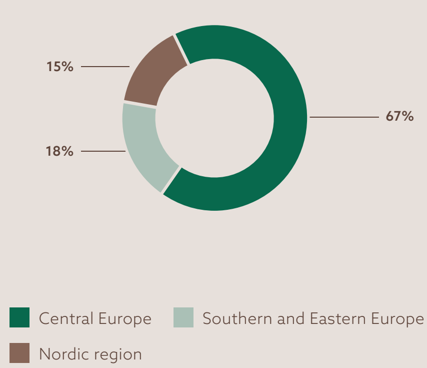
NET SALES AND OPERATING INCOME, SEK M



NET SALES PER PRODUCT GROUP, %



NET SALES PER GEOGRAPHIC REGION, %



EVENTS AND CATERING · FULL SERVICE RESTAURANTS · HOTELS · PUBLIC SECTOR · CONFERENCES AND TRADE FAIRS · COMPANIES

SUSTAINABLE VIEWS

"We have invested in a greater understanding of customer needs. Together with new methods for identifying and meeting the end customer, growth is created in the right segments."

Robert Dackeskog, Director Business Area Table Top

BUSINESS AREA STRATEGY IN BRIEF:

- Leader within the premium segment
- Growth through geographic expansion focused on increased market shares in Southern and Eastern Europe, as well as the UK
- Attentiveness to trends on the HoReCa market in order to formulate the right type of offerings

THE NEW BUSINESS MODEL CREATES SUCCESS

Greater focus on selected customer segments creates conditions for growth.

Business area Meal Service creates concepts for serving and packaging food on the constantly growing market within, for example, take-away, fresh ready-to-eat food and catering. Customers are mainly within the restaurant, catering and food production industries in Europe.

GROWTH MARKET

The market for take-away and ready-to eat food is changing and growing. Continued urbanization brings with it new lifestyles and eating habits. Single households are increasing in number, while the older generation is financially better off than previously. Digital solutions are contributing to new ways of consuming food and drink, with multiple possibilities for placing orders and home deliveries. Consequently, the need for high quality ready-to-eat food is increasing.

ADAPTED ORGANIZATION

Duni has adapted its organization in order to meet the increased demand. The sales department has been strengthened and increased resources have been allocated to the purchasing and product development departments. At the same time, strategy issues have embedded the business area to a greater extent. The work has resulted in a more customer-oriented business model.

NEW STRATEGY YIELDS RESULTS

Duni has also reviewed its growth strategy, which has been given a clearer focus on the fastest growing customer segments. These include customers within three areas: higher quality ready-to-eat food (fast casual), ready-to-eat food for schools, hospitals and elderly care (social catering) and ready-to-eat food sold on the shelf at grocery stores or delis (home meal replacement). The strategy has yielded dividends in the form of increased sales and improved income. In total, growth of approximately 7.9% at fixed exchange rates was recorded during the year. This is a faster rate of growth than the European market in general, and Duni is gaining market shares.

SUSTAINABLE AND CUSTOMIZED SOLUTIONS

Environmental awareness among consumers is increasing and serving products and packaging solutions with a high environmental profile are growing in popularity within all customer segments. Thus, in 2016 all of the business area's major product launches took place within Duni's ecoecho® brand range. The range offers products made of environmentally profiled materials that satisfy the altogether higher demands for renewable, recycled or compostable materials. There is a high pace of innovation and several solutions and new materials are regularly being added to the product line. This generates an added value which is appreciated by the customers.

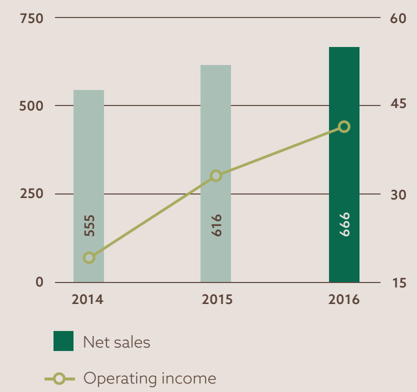
Customized products were also a major focus during 2016. The concept is based on developing unique customer-specific products, that are of high quality in terms of both design and function. The end results are appreciated and generate several positive effects. Close communication and attentiveness strengthen customer relationships, and therefore create lasting relations.

AN IMPROVED FOOD EXPERIENCE

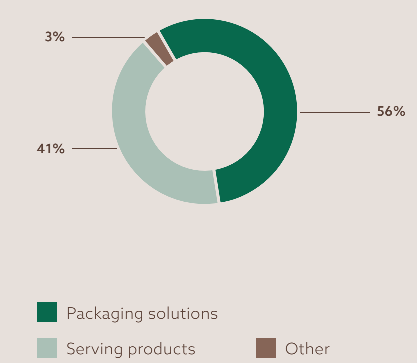
A changing market gives rise to new opportunities. Among other things, this occurs when the older generation is more demanding when it comes to food and service. It is clear that there is a great need for new serving products which make the eating experience pleasurable. Duni's Duniform® concept meets this need. During the year, the range has been revised and the work has resulted in a number of new products that are ready for launch.

There are high-growth targets for 2017 and great potential. The new customer strategy will lead to further innovations and smart products with a high environmental profile. This is important in order for Duni to further strengthen its market position.

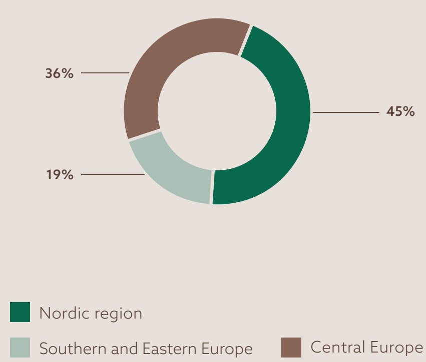
NET SALES AND OPERATING INCOME, SEK M



NET SALES PER PRODUCT GROUP, %



NET SALES PER GEOGRAPHIC REGION, %



CAFES · EVENTS AND CATERING · FAST FOOD · PUBLIC SECTOR · TAKE-AWAY

SUSTAINABLE VIEWS

"We are striving to become the most attractive supplier of environmentally profiled packaging solutions in Europe. 2016 was a strong year with growth in relevant customer segments, which brings us closer to achieving the our targets."

Linus Lemark, Director Business Area Meal Service

BUSINESS AREA STRATEGY IN BRIEF:

- To develop, in a flexible manner, unique solutions that solve the customers' problems and meet their needs
- Focused and active customer contact
- To drive innovation and efficient purchasing from selected suppliers

CONSUMER BUSINESS AREA

INCREASED AWARENESS OF CUSTOMER NEEDS YIELDS RESULTS

Specific solutions directly meeting customer needs are the way forward.

Business area Consumer markets consumer products such as napkins, tablecoverings, serving products and candles, under its own brand and under the customers' private labels. The largest channels are the grocery trade and retail outlets in Europe, with Germany being the largest market.

A CHANGING MARKET

The trend of creating a convivial atmosphere with designed products is continuing. A wealth of table setting ideas and Goodfoodmood® moments are shared through established social media. At the same time, there is increased awareness of sustainability, and demand for environmentally profiled table setting products continue to increase. Duni is well-positioned to meet these needs. The retail trade in Europe is continuing to grow at around 2% annually, while Consumer lost some ground last year. During the year, it was not possible to compensate in full with new customers for the loss of several major customers in 2015.

GOOD DESIGN IS DRIVING THE MARKET

There is a clear demand for good design, which is driving the market trend forward. This is precisely the reason why the acquisition in 2014 of the German company Paper+Design is important for Duni. The company possesses expertise within design and printing technology and has contributed with great value to the Group. As a result of the acquisition, Duni has now achieved a significantly broader customer base thanks to access to several retail channels in Europe.

THE CUSTOMER COMES FIRST

During the year, work has continued on devising the optimal structures for customer contacts. It is clear that the major chains desire individualized solutions, an area Duni has worked methodically for during a number of years, and the organization has therefore been adapted accordingly. All issues ranging from customer categorization to logistics and service are now handled to an even greater extent based on the customer needs. As a natural consequence, the success of service, products and displays is more accurate.

FOCUS ON THE ENVIRONMENT

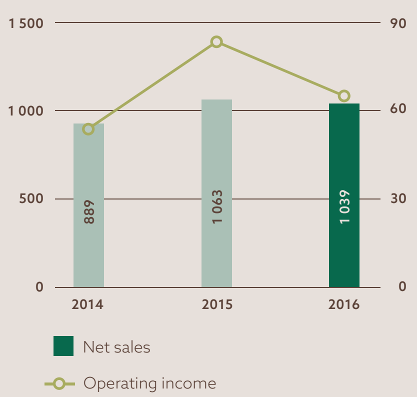
The work on developing an environmentally profiled product range continues. Duni's products are environmentally certified in accordance with Svanen®, FSC® and OK Compost®. A product series using the environmentally adapted material bagasse is also something that sticks out. Many of the products have been brought together under the ecoecho® name, a brand which entails exacting demands for, among other things, compostability and recyclability. Trends point to an ever greater share of future sales coming from this product range.

EXTERNAL DESIGN COLLABORATION

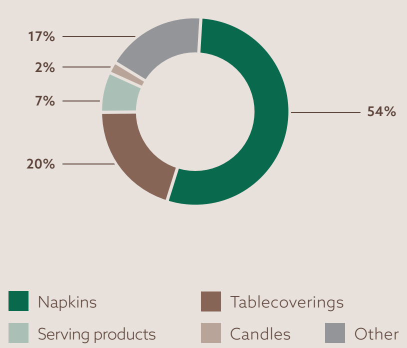
The Designs for Duni® concept was created in 2013 in order to signal Duni's ambition to offer top class design. By introducing limited editions designed by high profile external designers, the idea is to reach out to an even wider audience and create visibility. The concept has proved to be popular and each launch is eagerly anticipated.

In 2016, cooperation was announced with the Swedish label, Jobs. The sisters Lisbet and Gocken Jobs are known for their beautiful, unique designs from the 1940s. Five of their patterns were launched on Duni napkins during the Formex trade fair in Stockholm at the beginning of the year, attracting considerable media attention. Customers have praised the collection, which also serves as a reminder that good design withstands the test of time.

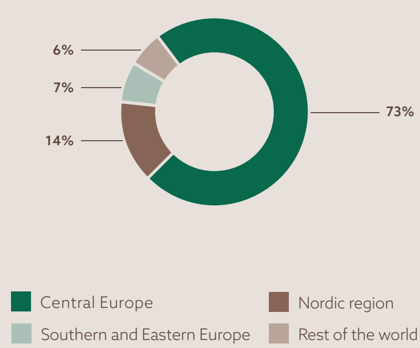
NET SALES AND OPERATING INCOME, SEK M



NET SALES PER PRODUCT GROUP, %



NET SALES PER GEOGRAPHIC REGION, %



GROCERY RETAIL TRADE RETAIL OUTLETS

SUSTAINABLE VIEWS

"Our strength lies in creating products that provide added value by meeting the end customer's desire for good design and function."

Anna Lundqvist, Director Business Area Consumer

BUSINESS AREA STRATEGY IN BRIEF:

- To be the natural business partner for the European grocery retail trade
- Operate the category together with the grocery retail trade based on a customer and consumer perspective
- To be a part of each customers business model through a high level of flexibility and excellent service offering, both for Duni's own brand and for each customers private labels

NEW MARKETS BUSINESS AREA

WITH THE WORLD AS A MARKET

With the acquisition of the napkin manufacturer Terinex Siam in Thailand, Duni's position outside Europe has been further strengthened.

Business area New Markets sells Duni's concepts and products in markets outside Europe. The business area includes the subsidiaries Duni Song Seng in Singapore, Terinex Siam in Thailand and Duni in Russia, as well as exports to other markets such as the Middle East, Oceania, the rest of Asia, and North and South America. The business is primarily focused on the HoReCa segment and retail chains.

Duni operates on a number of markets outside Europe. In Russia, a continued weak currency has impacted consumption. Duni is working proactively to adapt to the prevailing circumstances. Reduced financial exposure to Russia has been prioritized, as well as a product range which includes more low price category alternatives.

Other countries included in the business area have performed somewhat weaker than last year. Singapore experienced negative growth due to the low oil price and reduced trade with the rest of the world. Certain markets in the Middle East were also adversely affected by the lower oil price.

ACQUISITIONS STRENGTHEN THE PLATFORM IN SOUTHEAST ASIA

Being established outside Europe is a key factor for generating good business on new markets. Therefore, the acquisition of Song Seng in Singapore in 2013 was important. By owning and operating a company in Asia, Duni obtained a foothold for introducing its premium products to a number of countries. Access to larger networks and more sales channels has been a natural consequence.

In 2016, an additional growth initiative was carried out. In the middle of the year, Duni acquired 60% of the shares in Terinex Siam in Thailand, a leading manufacturer and supplier of primarily napkins, but also of single use products for food. The acquisition has resulted in several advantages. Clear growth advantages result from Duni having its own production base in Asia. In addition, the product offering has been broadened, particularly in the low price category, and thereby access to new and important customers has increased.

PARTNERSHIP FOR THE FUTURE

The acquisitions in Asia in recent years have been important from a number of reasons. New partnerships provide valuable learning experiences, and the importance of being open-minded when encountering other corporate cultures cannot be emphasized enough. Therefore, it is essential to develop the companies further in order to retain the strong expertise that they already possess.

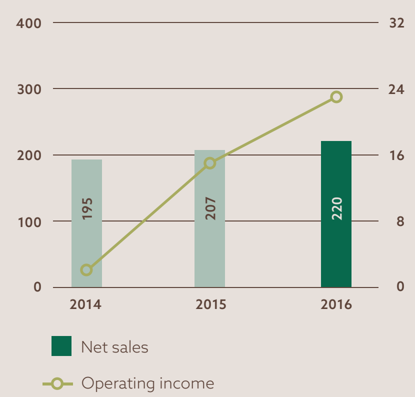
INCREASED INTEREST IN AUSTRALIA

Australia is increasing in popularity as a tourist destination and, following the acquisition of Terinex Siam, it is even more relevant to cultivate the Australian market. Meeting such a market with a complete range of products in all price classes opens up new possibilities. In total, the acquisitions have resulted in improved conditions for creating good relations with large, global chains within the hotel and grocery industries, an important customer category for Duni's export goods.

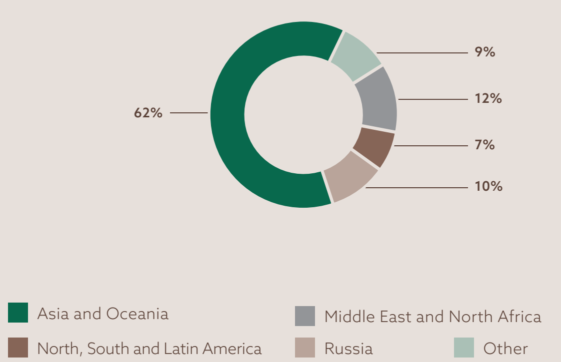
DUNI'S RESPONSIBILITY

During the year, work has continued on introducing Duni's Code of Conduct in the new companies. Regular training courses are being held with suppliers. The work is appreciated and regularly followed up. An increasing number of customers and employees are taking note of Duni's committed approach to the environment and corporate social responsibility. This contributes to a good reputation and thereby benefits both sales and market position.

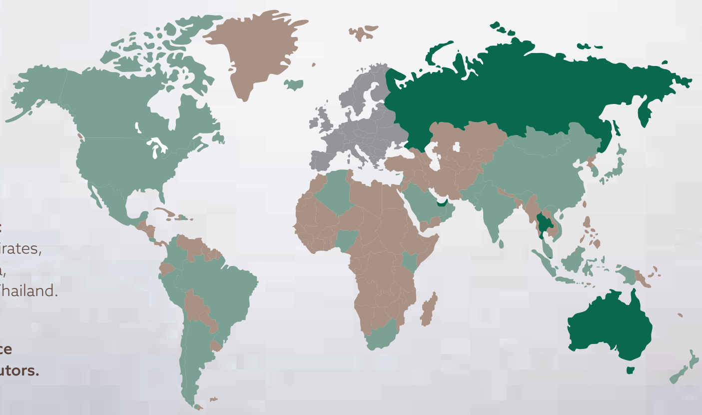
NET SALES AND OPERATING INCOME, SEK M



NET SALES PER GEOGRAPHIC REGION, %



NEW MARKETS' MARKETS



- **Own personnel:** United Arab Emirates, Australia, Russia, Singapore and Thailand.
- **Selling take place through distributors.**
- Not included in New Market's market.

CAFES FAST FOOD FULL SERVICE RESTAURANTS HOTELS TAKE-AWAY

SUSTAINABLE VIEWS

"The acquisition of Terinex Siam means that Duni is able to introduce a complete offering to major customers outside Europe. It creates business with good potential for long-term growth."

Patrik Söderstjerna, Director Business Area New Markets

BUSINESS AREA STRATEGY IN BRIEF:

- Focus on four geographic areas: Southeast Asia, Russia, the Middle East and North Africa
- Continue to build on the acquisitions of Song Seng and Terinex Siam and grow sales of premium products
- Further develop the distributor network in regions where demand for Duni's concepts is strong
- Acquisitions and new strategic partnerships complement organic growth

MATERIALS & SERVICES BUSINESS AREA

MODERN AND EFFICIENT OUTSOURCING

Duni's unit for account management and financial reporting contributes to smooth internal processes.

Business area Materials & Services covers external sales outside the scope of the other business areas. Most turnover comes from direct sales of tissue and airlaid material produced at the plant in Skåpafors. Services, which is located at the finance unit in Poznan, is accommodated within the business area. The aim is to utilize the entire capacity available in order to support and strengthen the core business.

UNIQUE MATERIALS – AN IMPORTANT PART OF THE CORE BUSINESS

In 2016, Duni continued to develop the strategy based on streamlining Duni's business and concentrating primarily on the core business, namely through products and services focused on materials for the set table and for take-away. Production relating to the now discontinued hygiene products business previously accounted for approximately 90% of the business area's sales.

CHOICE OF OUTSOURCING

The outsourcing function, European Finance Function (EFF), is also included within Materials & Services. This is a business located in Poznan, Poland, which handles large parts of the Group's reporting and accounting functions. Within a short space of time, EFF has grown from 35 to approximately 50 employees. For this reason, during the year the operations were relocated to new, larger premises. Since a large pool of expertise is available, it has even been possible to invite external customers to use the services.

There is a trend towards consolidation of reporting and accounting functions. This creates efficient processes that contribute to a structure with reduced time waste and improved transparency. In recent years, several external customers have utilized EFF, at the same time as Duni has tasked the unit with a larger share of other activities. As more customers are added, EFF's service offering is growing. In the long term, this will result in additional revenues for the Group.

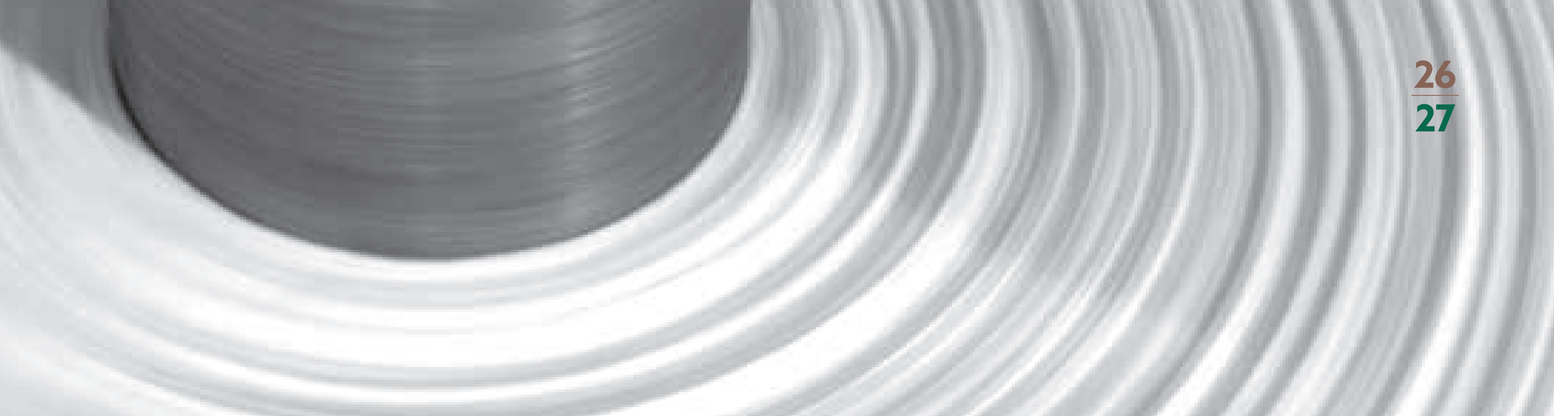
SUSTAINABLE VIEWS

"An efficient accounts function within Duni, with development opportunities for the employees, contributes to a stronger organizational structure."

Mats Lindroth, CFO

EUROPEAN FINANCE FUNCTION (EFF)

European Finance Function (EFF) is tasked with managing large parts of the Group's reporting and accounting functions.
The office is located in Poznan, Poland.



REXCELL TISSUE & AIRLAID AB

A HIGHLY COMPETITIVE PAPER MILL

New investments have strengthened Rexcell's position within the production of material for the set table.

Duni's wholly-owned subsidiary Rexcell Tissue & Airlaid AB is located in Skåpafors, Dalsland. The paper material is produced here, and subsequently converted into napkins and table coverings at the plants in Poland and Germany. The company has a long history as a paper mill, stretching back to 1874. Today, in addition to tissue, the mill also produces airlaid material for the premium market.

Duni differs from many other companies in the industry by being vertically integrated. This means full ownership throughout the chain, from material production to conversion and distribution.

A GLOBALLY UNIQUE PLANT

In 2015, as the first tissue manufacturer in Europe, Duni decided to invest SEK 110 m in new technology. Actual implementation took place in 2016 and resulted in a significant upgrade of the tissue machinery in Skåpafors. The new technology will generate significant savings in resource utilization and energy and water use. Capacity has also increased appreciably.

As a result, Rexcell now has a plant that, of its type, is unique in the world. This creates excellent conditions for Duni to continue to lead the development of materials on the market, always with the aim of providing the customers with what they want.

CONSOLIDATION STRENGTHENS COMPETITIVENESS

During the past few years, Rexcell has undergone consolidation and restructuring. The changes have resulted in two plants becoming one. The airlaid material that was previously produced at the plant in Dals Långed has been relocated to the plant in Skåpafors. The move, which was completed during the year, has resulted in the desired effects. Through fine teamwork, the employees from both plants have created a positive result.

A STEP INTO THE PAPER MILL OF THE FUTURE

Duni's ambition is to operate a modern, cutting-edge paper mill. Consequently, the organizational structure and work methods have been revised.

During the year, focused work has taken place on creating a more process-oriented organization. An internal management program, together with employee performance and development interviews with all personnel, has laid the groundwork for the continued development. A new, more decentralized management structure has also been implemented. As result, all employees have obtained greater insight into how the different functions can contribute to an improved end product, which has also resulted in increased job satisfaction.

All in all, the measures are important in order for Rexcell to be viewed as an attractive employer in Dalsland and are crucial for enabling Duni to take full advantage of its position as a vertically integrated company.

AIRLAID

A material known for its moisture distribution, absorption capability and softness. Airlaid is used for tablecoverings, placemats and napkins.

SUSTAINABLE VIEWS

"We are continuing to develop a modern paper mill which will last into the future. By investing in both organizational development and machinery, we are creating the high quality material that is sought by our customers."

Thomas Lööb, Director Corporate Development

SUSTAINABLE VIEWS #2

ECOECHO®-RANGE

Duni is constantly developing new products with an environmental profile. The work has resulted in an entire range that has been given the name ecoecho®. It includes products made of environmentally conscious materials in order to limit the use of non-renewable raw materials and also reduce the carbon footprint.

For inclusion in the ecoecho® range, the material must satisfy the criteria of resource efficiency, renewability, compostability and responsible forestry.

OPERATIONS

CUSTOMER BENEFIT THROUGHOUT THE CHAIN

A new internal forum for discussion of strategy issues yields results.

Operations includes converting and distribution centers in Poznan, Poland and Bramsche, Germany. Converting means that Duni manufactures finished products based on the paper material produced by Rexcell in Skåpafors. Operations also includes warehousing, transportation and IT.

COMPETITIVE ADVANTAGE

Duni is fully vertically integrated when it comes to paper-based products. This means that the entire value chain is accommodated within the Group, from the production of the basic material to converting, packaging and distribution. This results in competitive advantages and creates opportunities for Duni to influence processes and structures.

PRIORITIZATION OF CUSTOMER NEEDS

In 2015, a major project was initiated at Duni's plants with the aim of becoming more efficient and attentive to developments on the market. The program is based on the prioritization of customer needs in every decision and every process, ranging from day-to-day planning in the ordering of products to quality control procedures for reliability and optimal customer service. Thus, important change work is taking place over a period of three years; a number of initiatives were implemented in 2016.

RESPONSIBILITY AT THE PLANTS

Sustainability and safety work are cornerstones in Duni's strategy, including of course the plants in Poland and Germany. Safety issues have top priority and constitute a natural part of the day-to-day work. The chemicals used in production processes are regularly tested and evaluated against what is available on the market, thereby ensuring that the most environmentally conscious alternatives are used. This is important since an ever increasing number of Duni products are environmentally-certified and compostable.

DUNI COOPERATIVE CULTURE

During the year, the organization's work has become more process-oriented with the aim of placing greater focus on the customer.

Communication between various functions and departments has been increased to ensure that the customers' interests are ever present throughout the process. This has resulted in the launch of an important forum, Duni Cooperative Culture, which brings together groups of employees with similar positions from throughout the Group. At the meetings, the participants exchange experiences and ideas and discuss how strategies should be implemented. In this way, understanding of vision and goals is increased within the organization. The expressed strategy also has a greater impact. The forum meets once each quarter and the synergies generated thus far have exceeded expectations. The newly acquired companies have participated and this, in turn, has contributed to successful integration.

INCREASED WAREHOUSING CAPACITY

The ready meal trend is increasing continuously. As far as Duni is concerned, this has resulted in a degree of restructuring of warehousing management. The volume of purchased take-away products has increased so much that warehousing management has not been sufficiently efficient. Towards the end of the year, Duni found a solution to the problem by deciding to purchase a property close to the central warehouse in Germany. The property will stock all products belonging to the business area Meal Service. As a result, capacity in Duni's total logistics and delivery chain will improve, which in turn will result in an improved level of service towards the customers.

SUSTAINABLE VIEWS

"We set high standards on ourselves and understand that we play an important role in our industry. We are now proving that it is possible to engage in production that is both responsible and efficient."

Fredrik Malmgren, Director Operations

DUNI COOPERATIVE CULTURE

A forum which brings together employees holding similar positions from throughout the Group. The participants exchange experiences and ideas and discuss how strategies should be implemented. In this way, understanding of vision and goals is increased within the organization.

OUR BLUE MISSION

DUNI'S CSR PROGRAM

Being a leading manufacturer of table top and packaging concepts carries with it great responsibility. Duni's approach to its role is well documented in our CSR program, Our Blue Mission, and is aimed at ensuring that all stakeholders can rely on Duni's products being manufactured ethically and safely.

REDUCED ENVIRONMENTAL IMPACT

Duni is actively working to reduce its impact on the environment. By regularly reviewing internal processes and, in addition, investing in modern technology, efficiency is improved throughout the production chain, thereby reducing resource and energy consumption. The use of materials with a clear environmental profile also plays an important part in this work. These products are brought together under the ecoecho® brand, a range which satisfies requirements within resource efficiency, renewability, compostability, and responsible forestry.

DUNI'S OWN ORGANIZATION

The well-being of an organization is a prerequisite for achieving commercial and environmental goals. In this respect, the employees constitute the most important resource. Duni engages in active and consistent work on its internal environment. Various talent development programs identify and utilize existing skills. Health and safety issues are other important, prioritized areas.

RESPONSIBILITY THROUGHOUT THE CHAIN

Nothing is stronger than its weakest link – a factor that Duni has taken into consideration when compiling its extensive Code of Conduct. The code applies throughout the chain, both at Duni's own plants and its suppliers. The code includes clear rules of conduct within areas such as working conditions, human rights, and discrimination. Duni holds regular training courses on compliance to the Code of Conduct.

ETHICAL PRINCIPLES

Presence on many markets involves both opportunities and risks. In order to reduce any risks, Duni has developed business ethics principles that establish how the Group is to work proactively to prevent corruption, bribery, fraud and other unlawful behavior. Recurring training courses on ethics, whistleblowing principles and the Code of Conduct in general are held both internally at Duni and with suppliers.

CSR

A HOLISTIC APPROACH FOR THE FUTURE

Long-term CSR work constitutes a natural part of Duni's strategy and covers all parts of the Group, on all markets.

Duni's ambition is to create Goodfoodmood® wherever people come together to eat. This covers a greater whole than the products themselves, and also includes assumption of responsibility throughout the chain by working in a manner that creates positive conditions for the future.

OUR BLUE MISSION

As a vertically integrated company, Duni operates within many areas. Control over the entire chain, from material development to converting and distribution, provides favorable opportunities to influence and drive development in the industry.

Clear objectives and structures are needed in order to do so. Thus, Our Blue Mission was created as a comprehensive CSR program which describes the Group's work within different areas such as the environment, product safety, social responsibility, social rights and business ethics. The program has resulted in specific targets, to be achieved not later than 2020. These include the ambitious target of 100% fossil-free production and a 20% reduction in energy consumption between 2010 and 2020.

SOURCING OF RAW MATERIALS

An important part of the work involves continuously reviewing the source of the raw materials. Most of Duni's products are based on pulp. Responsible forestry and paper extraction is thus a top priority area. The work involves various methods for tracing the source of the raw material, in order to avoid illegal logging. In addition to complying, of course, with the EU's Timber Regulation (EUTR), Duni is also certified in accordance with the Forest Stewardship Council® (FSC®). This is an independent international members' organization that promotes environmentally conscious, socially beneficial and economically sustainable use of the world's forests. FSC® has developed an extensive regulatory program concerning environmental governance, forestry and economy. Compliance with the program is a prerequisite for obtaining certification. Currently, more than 90% of Duni's paper material is FSC®-certified. Most of the timber is derived from Nordic forests.

MATERIALS WITH AN ENVIRONMENTAL PROFILE

The program also covers other materials and chemicals used in the production process. Consequently, biologically degradable alternatives are prioritized in production, which lead to offerings with an environmental profile. The work has generated results. For example, Duni's entire unicolor range of napkins now carries the OK Compost® mark. The marking is awarded only to products that are biologically degradable at an industrial composting site. It also guarantees that the chemicals used are not detrimental to the environment. This makes the products a good choice also where industrial composting is unavailable.

Renewable and plant-based materials are also interesting for Duni. During the year, bagasse (a byproduct from sugar production) has been used to an ever greater extent for products within, particularly, take-away. As a natural, formable and fully compostable alternative it satisfies all of the criteria for being a good environmental material. More products made of bagasse will be developed in 2017, while the search for new, climate-conscious materials continues.

Several of the environmentally adapted products have been brought together under the ecoecho® name, a brand which satisfies certain demands in terms of, among other things, resource efficiency, renewability, compostability and responsible forestry.

RESPONSIBILITY THROUGHOUT THE CHAIN

Duni wishes to engage in correct work in all stages in the chain. It is important that the Group's growth is accompanied by a correct approach to the issue of conduct. Since 2005, a well documented Code of Conduct has been in place that covers all aspects of the business chain, both Duni's own plants as well as suppliers. It describes how the work is to be conducted in an ethical, socially and environmentally

SUSTAINABLE VIEWS

"We know that we must earn the trust of our customers and employees. Serious and genuine CSR work is crucial for achieving our objectives."

Elisabeth Gierow, Corporate CSR and Quality Director

BAGASSE SNACK BOX

The bagasse used in the manufacture of snack boxes is a natural byproduct of sugar production. When composted, they are converted into soil within a few weeks.

correct manner. Regular audits are carried out to ensure compliance with the Code of Conduct. The work takes place in close dialogue with the suppliers, who often appreciate receiving help and support in conducting their business under sound working conditions. During the year, training sessions were carried out with suppliers in China, and with subsidiaries in Asia. Duni also carried out audits at its own production units.

ENVIRONMENTAL CERTIFICATION AND SAFETY

The CSR strategy also includes regular reviews of the Group's total impact on the environment. All plants in Europe are ISO 14001-certified, entailing that a systematic work method is in place for identifying, rectifying, directing and controlling the environmental impact in the production process.

There is also a responsibility to ensure that Duni's products are safe for both humans and the environment. Duni's products and raw materials undergo extensive testing of chemical content and appropriate use to ensure that they are not dangerous to use.

GIVING BACK

For several years, the Group has been cooperating with the Min Stora Dag (My Big Day) Foundation, which has the aim of enabling children with severe illnesses and diagnoses to realize their dreams. Each year, some form of activity is arranged with the aim of providing a degree of relief and happiness. In 2016, Duni arranged two appreciated cooking camps for some 30 children. Together with, among others, chef Niklas Ekstedt, the children had the chance to experience a weekend of cooking and competitions in Stockholm.

A newly instituted design competition was another initiative taken during the year. In the autumn, children in Sweden were able to compete to create a napkin design representing a memory from the summer. The winning proposal will be sold in selected stores and on Duni's and Min Stora Dag's online stores in 2017. All profits will go to Min Stora Dag.

MIN STORA DAG

SUSTAINABILITY TARGETS

The following sustainability targets for 2020 are under constant review.

100%

The energy in Duni's production will be 100% fossil-free.

100%

Renewable or compostable alternatives shall be available in 100% of Duni's product groups.

20%

A 20% reduction in energy use between 2010 och 2020.

100%

All employees shall be involved in improvements, be familiar with our Code of Conduct, and participate in the work on issues concerning values.

0%

There shall be no complaints about products with potential health risks.

80%

Monitored suppliers shall account for 80% of the value of raw materials and end products. All new suppliers of end products shall be monitored.

SUSTAINABLE VIEWS #3

ENVIRONMENT AND PEOPLE

A committed approach to the environment and people is important in order to develop a strong organization. Employees are our most important asset.

Duni works in a structured manner with an HR program called Dunited. It describes, among other things, the approach to skills and talent development. The vision is to create an attractive workplace which engages and motivates. This leads to better ideas, and ultimately, to more creative innovations.

A DEVELOPING TEAM

An HR organization that is clearly involved in the business leads to increased commercial benefit.

Duni's brand is centered on an insightful approach to the environment and people. If the end result is to generate products and services in line with the future, the work must also cover the internal organization. A culture that promotes development, challenges and job satisfaction provides great possibilities for achieving the set goals.

In 2014, the groundwork was laid for a detailed HR plan which describes how long-term management is to be prioritized. The vision is to create a workplace where, with transparency and clear measurability, engages and motivates.

DUNITED TOGETHER

The plan goes under the name 'Dunited', a holistic concept that covers everything from cultural work to recruitment and talent development. It is based on the belief that everyone, irrespective of function, has the potential to develop. Based on this belief, a company is created in which each and every person feels noticed and respected and, in turn, is able to contribute with ideas and involvement, and create added value.

A SAFE WORK ENVIRONMENT

The promotion of a sound and safe work environment is central to being able to engage in responsible work. Duni's occupational health and safety policy is included in our Code of Conduct, while practical work within this area is delegated to each office and plant. The Dunited program also addresses general risk management issues concerning personnel.

DEVELOPMENT FOR ALL

Duni is actively concerned with development on an individual level. Throughout the Group, everyone has an employee performance and development interview. In order to be heard and feel that it is possible to influence one's work situation, it is important to develop a team spirit based on confidence and the ability to speak one's mind. A plan with measurable targets is then created for each employee. The plan is regularly followed up, thereby enabling utilization and improvement of existing skills.

NEW RECRUITMENT PROCESS

The corporate culture is the common thread throughout the organization. The recruitment of new personnel is also based on this corporate culture. In 2016, Duni in the Nordic region adopted a new approach to the recruitment process, entailing that external consultants will not be used to the same extent as previously. The work has resulted in a cost-efficient process which, in addition, has yielded results in the form of more accurate recruitments. This is important, since all employees are important culture bearers and brand ambassadors. A uniform standard for all future recruitment is under development.

INTERNAL SUPPORT CREATES COMMERCIAL BENEFIT

Duni also engages in structured internal recruitment work. It is important that employees feel that there is a possibility to grow in new areas and positions. In addition, several positive effects are generated by having an HR organization skilled in and with an understanding of commercial solutions. Resources are available and processes become efficient. Greater mobility for individuals also contributes to increased understanding between different parts of the organization.

In 2017, Duni will continue to place great importance on HR issues and development work.

FACTS

- On December 31, 2016, Duni had 2,375 (2,166) employees, equal to 2,279 (2,082) full-time positions.
- The blue collar employees work within logistics, manufacturing and maintenance. Most blue collar employees (75.6%) work within manufacturing and maintenance at the plants in Dals Långed and Skåpafors in Sweden, Bramsche and Wolkenstein in Germany, Poznan in Poland and Bangkok in Thailand. 33.8% of blue collar employees in Germany work within logistics at the international distribution center in Bramsche. 52.9% of white collar staff work within sales. The remaining white collar personnel 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 enjoys good relations with the labor unions, and personnel turnover for the Group as a whole is relatively low.

GEOGRAPHIC AND FUNCTIONAL BREAKDOWN

Country	Blue collar employees	White collar staff	Total
Sweden	154	181	335
Germany	727	362	1 089
Poland	359	112	471
Thailand	82	31	113
The Netherlands	0	56	56
France	0	54	54
UK	0	20	20
Other	20	121	141
Total	**1 342**	**937**	**2 279**

AVERAGE NUMBER OF EMPLOYEES

2016	**2 212**
2015	2 174
2014	2 184
2013	1 902
2012	1 889

CORE VALUES:

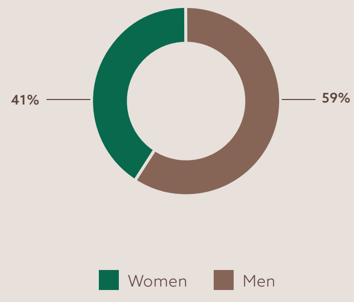
OPEN MIND
OWNERSHIP
ADDED VALUE
WILL TO WIN

SUSTAINABLE VIEWS

"We see potential in each of our employees and provide them with good conditions for development. This contributes to creating an attractive Duni for both current and future employees."

Sofie Lindström, HR Director

GENDER BREAKDOWN



SHARE PERFORMANCE

During 2016, the share price fell by 12%, with a closing price of SEK 125.00 (141.50) being recorded on 31 December 2016. Since being listed on the exchange, Duni's share price had increased by 150% up to 31 December 2016, entailing a market capitalization of SEK 5.9 billion. During 2016, the closing price varied between a high of SEK 140.00 on January 4, and a low of SEK 99.00 on June 27. Earnings per share for the year for continuing operations were SEK 7.06 (7.37). During 2016, 9 (9) million Duni shares were traded, valued at SEK 1,124 (1,133) million.

NUMBER OF SHARES AND SHARE CAPITAL
On December 31, 2016, Duni AB (publ) had 46,999,032 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 should 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 5.00 (5.00) per share for the 2016 financial year, corresponding to 71% (67%) of income after tax.

OWNERSHIP STRUCTURE, DECEMBER 31, 2016

Number	Number of shareholders	Number of shares	% of shares
1 – 500	7 566	969 879	2.06
501 – 1 000	908	752 814	1.60
1 001 – 5 000	636	1 446 639	3.08
5 001 – 10 000	61	466 983	0.99
10 001 – 15 000	27	332 929	0.71
15 001 – 20 000	15	265 927	0.57
20 001 –	95	42 763 861	90.99
Total	**9 308**	**46 999 032**	**100.00**

SHAREHOLDERS, DECEMBER 31, 2016

	Number of shares	% of shares
Mellby Gård Investerings AB	14 094 500	29.99
Polaris Capital Management LLC	4 994 799	10.63
Swedbank Robur fonder	4 297 872	9.14
Carnegie fonder	3 570 935	7.60
Lannebo fonder	2 783 381	5.92
Verdipapirfond Odin Sverige	1 642 967	3.50
Fjärde AP-fonden	1 581 376	3.36
State Street Bank & Trust Com., Boston	1 566 735	3.33
JPM Chase NA	1 239 488	2.64
BNYMSANV RE GCLB RE BNY GCM CLIENT	776 164	1.65
Total, the 10 largest owners		
– In terms of holdings	36 548 217	77.76
Other shareholders	10 450 815	22.24
Total	**46 999 032**	**100.00**

DATA PER SHARE

Amount, SEK	Dec 31, 2016
Number of shares at end of period (thousands)	46 999
Average number of shares before and after dilution (thousands)	46 999
Share price on December 31	125.00
Earnings per share from continuing operations before and after dilution	7.06
Equity per share	52.90
P/E ratio on December 31	17.71

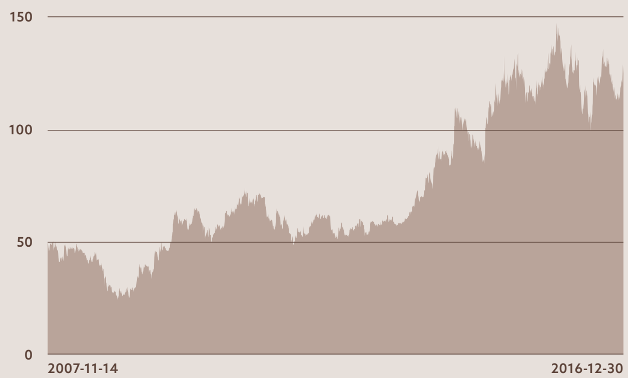
EXTERNAL ANALYSES WERE PUBLISHED BY:

- SEB Enskilda Equities, Stefan Cederberg
- ABG Sundal Collier, Andreas Lundberg
- Handelsbanken Capital Markets, Karri Rinta

Duni has been listed on NASDAQ Stockholm since November 14, 2007 in the Midcap, Consumer Discretionary list with the ticker name "DUNI" and ISIN code SE0000616716.

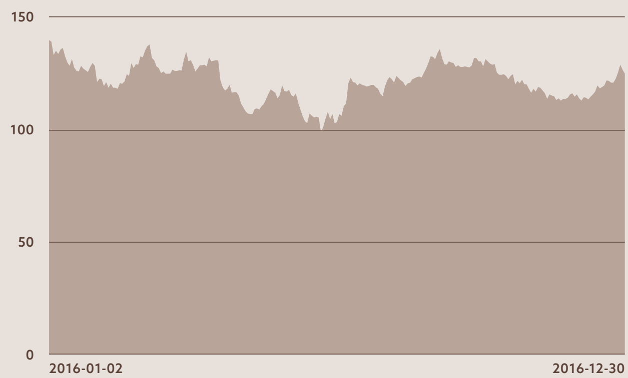
SHARE PERFORMANCE 2007 - 2016

SEK, closing price



SHARE PERFORMANCE 2016

SEK, closing price



ANNUAL REPORT

CONTENT

DIRECTORS' REPORT

DIRECTORS' REPORT – THE GROUP

Duni is one of Europe's leading suppliers of inspiring table setting concepts and creative packaging solutions for take-away. The Group's strong position has been achieved by focusing on food, people and design and the ambition to always help the customer create a positive food and drink experience. A combination of high quality products, a well-reputed brand, established customer relations as well as a strong local presence on most European markets have resulted in Duni being a market leader in Europe. Operations are conducted within five business areas: Table Top, Meal Service, Consumer, New Markets and Materials & Services.

The **Table Top** business area offers Duni's concepts and products primarily to hotels, restaurants and catering companies. Table Top primarily markets napkins, tablecoverings and candles for the set table. Duni is a market leader within the premium segment in Europe. The business area accounted for approximately 54% (54%) of Duni's net sales during the year.

The **Meal Service** business area offers concepts for food packaging and serving products for, e.g. take-away, fresh ready-to-eat food and various types of catering. Customers are mainly companies operating within the restaurant, catering or food production industries. As a niche player in this area, Duni holds a leading position in the Nordic region and has a clear growth agenda on prioritized markets in Europe. The business area accounted for approximately 16% (15%) of Duni's net sales during the year.

The **Consumer** business area offers consumer products primarily to the retail trade and retail outlets in Europe. Customers comprise grocery retail chains, as well as other channels such as various types of retail outlets, for example, garden centers, home furnishing stores, and DIY stores. The business area accounted for approximately 24% (25%) of Duni's net sales during the year.

The **New Markets** business area offers Duni's concepts of attractive quality products and concepts for table setting and packaging, focused on new markets outside Europe. In addition to customer segments such as hotels, restaurants and catering, the business area also addresses its offering to the retail trade. The acquisition of 60% of Terinex Siam in Thailand, which was conducted in August 2016, has been integrated during the year and is a part of New Markets. The business area accounted for approximately 5% (5%) of Duni's net sales during the year.

The **Materials & Services** business area comprises those elements that are not accommodated in the other business areas. The business area mainly comprises sales of tissue and airlaid to external customers. Previously, sales of hygiene products were also included; however, these products were discontinued entirely during the first quarter of 2015. The hygiene products business was reported in 2015 as a discontinued operation. The consolidated income statements for 2015 and the years before then have been recalculated and include only continuing operations. The business area accounted for approximately 1% (1%) of Duni's net sales during the year.

PRODUCT AND CONCEPT DEVELOPMENT

Within product development, Duni's work involves new designs, form 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.

DESIGNS FOR DUNI®

In order to strengthen the Duni brand as an innovative player, Designs for Duni® was created in 2013. This is a unique concept whereby Duni develops products in cooperation with well-known European designers and design houses. The concept positions Duni as the leading design partner at the retailers. It creates an opportunity for higher margin contracts, while at the same time strengthening drawing power and a higher degree of innovation in the product range. During 2016, a new collection was launched together with Jobs, a Swedish brand known for its 40's and 50's designs produced by the sisters Lisbet and Gocken Jobs.

CONTINUOUS INNOVATION

Products in the Duni ecoecho® premium range are manufactured in innovative materials with a clearly improved environmental profile compared with the standard product range. Focus is placed on aspects such as resource efficiency, renewability, compostability, and responsible forest management.

During 2016, Duni continued to produce products with a high environmental profile. These included, for example, products made from the environmentally conscious material bagasse, as well as an entire compostable range of single-colored napkins carrying the OK Compost® environmental mark. During the year, the collection was expanded to also include several designed products.

Duni has a number of products that replace linen. The tablecovering material Evolin® combines the look and feel of textile and linen tablecoverings with the advantages of single-use products. Evolin is aimed at restaurants and catering firms that perceive an advantage in using linen-like single-use material.

MARKET DEVELOPMENT

Global economic prospects are one of the main indicators as regards growth on the HoReCa market. Broad economic growth is positive for the industry. It stimulates consumption within the HoReCa sector, as well as demand for single-use products. The long-term trend continues to point towards an increasing number of restaurant visits and an increase in the number of hotel nights, driven mainly by increasing urbanization, changed consumption patterns and a lifestyle trend whereby consumption of meals on the go is increasing. New restaurant concepts, such as ready-to-eat food in grocery stores, take-away and fast service restaurants are continuing to increase and gain ever larger market shares. After several years of stagnating economic growth, consumers on the mature European markets are showing greater interest in seeking value, and HoReCa companies are competing harder to attain an even greater share of the total mealtime market. On the customer side, continued structural changes are taking place within the restaurant industry, with restaurant chains that operate under joint brands growing at a faster rate than the market in general. This is a development which favors Duni's sales of customized concepts.

Duni's product category in the retail trade focuses primarily on low-price products and private labels. Distribution of parts of the category has also expanded into new channels, such as gardening centers, home furnishing stores and DIY stores. The acquired company Paper+Design is successful in cultivating these retailer categories.

Another sector of the market comprises of the serving of food to companies and institutions. It is primarily the care sector that is taking an increasingly large share of the segment, and the market has experienced stable growth in recent years. Here, there is clear potential for Duni to create growth.

PROSPECTS FOR THE FUTURE

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, including an increased proportion of meals being eaten outside the home. In addition, demand for Duni's products benefits from the fact that an increasing number of restaurants are choosing to replace linen with premium quality single-use solutions. Demand for brand-profiling single-use products is also increasing. Furthermore, the trend towards increased accessibility and convenience connected with meals is continuing, and thus the take-away alternative is continuing to grow. This trend is reinforced by the increase in the number of single households and the fact that urbanization is continuing. The number of restaurant chains that wish to profile their brands through single-use products is also increasing, and this is an area where Duni is well positioned.

REPORTING

The annual report covers the 2016 financial year. 'Preceding year' means the 2015 financial year. Duni controls its operations based on what Duni refers to as operating income. Operating income means operating income before restructuring costs and non-realized valuation effects of currency derivatives, fair value allocations and amortization of intangible assets identified in connection with business acquisitions. The hygiene products business that was discontinued at the beginning of 2015 has been removed from the comparison years and is reported as discontinued operations on a line after net income for the year.

Restructuring costs amounted to SEK -10 (-11) m. These relate primarily to organizational changes and efficiency improvements within production in Germany as well as within sales in the Nordic Region. This represents the final part of the program of organizational changes and efficiency improvements that started in 2015, at that time mainly within the Consumer business area and with respect to organizational changes in management. For more information on restructuring costs, see Note 9.

The non-realized valuation effect of currency derivatives reported in the operating income amounts to SEK 0 (0) m.

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

BRIDGE BETWEEN OPERATING INCOME AND EBIT

SEK m	2016	2015
Operating income	**502**	**528**
Non-realized valuation changes, derivative instruments	–	–
Restructuring costs	-10	-11
Amortization of intangible assets identified in connection with business acquisitions	-27	-27
Fair value allocation in connection with acquisitions	-1	–
Reported operating income (EBIT)	**463**	**490**

NET SALES

Duni's net sales from continuing operations amounted to SEK 4,271 (4,200) m, an increase in sales of 1.7%. At unchanged exchange rates from the preceding year, net sales would have been SEK 85 m higher compared with the outcome for 2015, representing an increase in sales of 2.0%. Organic growth, excluding structural changes, amounted to 1.2% at fixed exchange rates.

The **Table Top business area** reported net sales of SEK 2,293 (2,266) m. At fixed exchange rates, this corresponds to an increase in sales of 1.5%. The business area experienced a weak start to the year in terms of sales but recovered well. Sales in all regions were on par with, or higher than, the preceding year. Demand within the restaurant sector gradually improved during the year.

The **Meal Service** reported net sales of SEK 666 (616) m. At fixed exchange rates, this corresponds to an increase in sales of 7.9%.A positive trend on all markets resulted in a continued strong rate of growth.

Within the **Consumer** business area, net sales amounted to SEK 1,039 (1,063) m. At fixed exchange rates, this corresponds to a decrease in sales of 1.4%. The retail trade in Europe is continuing to grow at an annual rate of approximately 2%, while Duni's sales were slightly lower than in the preceding year. During the year, it was not possible to fully compensate with new customers for the loss of several major customers in 2015. Focus has been placed on working closer to the customers in order to demonstrate the strength in being a total supplier for the set table, and not merely for selective parts.

The **New Markets** business area reported net sales of SEK 220 (207) m. At fixed exchange rates, this corresponds to an increase in sales of 6.5%. The acquisition of Terinex Siam, Thailand has been consolidated in New Markets since August. The acquisition has further strengthened Duni's position in Asia and it is also here that much of the work on developing Duni's premium range is being concentrated. The markets in Russia and the Middle East experienced a weak start to the year, with stabilization during the second half of the year.

The **Materials & Services** business area reported net sales of SEK 52 (48) m. At fixed exchange rates, this corresponds to a decrease in sales of 9.0%.

INCOME

Operating income for continuing operations amounted to SEK 502 (528) m. At unchanged exchange rates from the preceding year, operating income for the year would have been SEK 1 m lower. The gross margin was 28.8% (29.6%) and the operating margin weakened from 12.6% to 11.8%. Margins on the UK market were adversely affected by the weak pound. Table Top was affected by weak demand on the German market during the first half of the year. During the year, Duni continued with great success in entrenching its unique position within environmentally conscious materials. This explains a large part of the increase within the Meal Service business area. The integration of Terinex Siam, Thailand, is proceeding according to plan and current work is focused on improved production efficiency as well as strengthening Duni's presence on neighboring markets such as Southeast Asia and Australia.

The finance net was SEK -22 (-31) m. The negative translation effects were SEK 10 m better than in the preceding year. Income before tax for continuing operations was SEK 441 (459) m.

A tax expense of SEK 107 (113) m is reported for the financial year. The effective tax rate is 24.3% (24.6%). The tax expense for the year includes adjustments and one-off effects from the preceding year of SEK 0.4 (-1.4) m. During the year, the deferred tax asset related to loss carry-forwards was reduced by SEK 35 (29) m and is expected to be fully utilized during 2017.

Net income for the year amounted to SEK 334 (346) m, of which non-controlling interests amounted to SEK 2 m in 2016. Net income for the year for discontinued operations amounted to SEK 0 (4) m.

INVESTMENTS

The Group's net investments for continuing operations excluding acquisitions amounted to SEK 176 (161) m. This is a somewhat higher investment level due to an investment in capacity and efficiency at the paper mill in Skåpafors, Dalsland. Apart from this, the investments related primarily to the Group's production plants in Poland, Germany and Sweden. Depreciation/amortization as well as the reversal of write-downs in respect of continuing operations amounted to SEK 159 (158) m.

CASH FLOW AND FINANCIAL POSITION

The Group's operating cash flow was SEK 446 (623) m. Apart from a low contribution from the business, cash flow was negatively affected at the beginning of the year by a major payment of income tax with respect to the years 2014 and 2015. The acquisition of Terinex Siam, Thailand affected cash flow by SEK -103 m. During the year, a supplemental purchase price of SEK 21 m was paid out with respect to the acquisition of Duni Song Seng in Singapore.

The Group's balance sheet total on December 31 amounted to SEK 4,487 (4,178) m.

The Group's interest-bearing net debt amounted to SEK 757 m, compared with SEK 584 m on December 31, 2015.

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 might impact on volumes and gross margins.

The Board's audit committee conducts annual reviews of the Company's operational and financial risks based on the risk analysis produced by management. This also includes environmental risks as well as risks related to entry onto new markets such as anti-corruption, fraud and social aspects such as conditions from an employment law perspective.

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. 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. 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, efficient and controlled production, as well as knowledge and communication from an environmental perspective. Prior to new contracts for the purchase of goods for resale, an audit is first carried out at the supplier's plant based on the code of conduct. Audits are also carried out on a regular basis at existing suppliers based on a risk assessment which takes into account the suppliers' location, previous results and type of production. The audit focuses on human rights such as the risk of child labor and involuntary labor, as well as working conditions, pay conditions and working hours.

Duni has also been granted FSC® certification, license number FSC-C014985 (Forest Stewardship Council) certification regarding the sale, production and distribution of, among other products, napkins, tablecoverings 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, CO_2. The allocation of emission rights comprises 2,196 tonnes in 2016 for Dals Långed and 18,794 tonnes in 2016 for Skåpafors. The total number of emission rights will decline each year up to 2020, when Dals Långed will be granted emission rights equivalent to 2,027 tonnes per year and Skåpafors 17,349 tonnes per year. Since the plant in Dals Långed is not in operation, the emission rights belonging to Dals Långed will be dormant as from 2017. In total, 11,367 tonnes were used during 2016.

EMPLOYEES AND WORK ENVIRONMENT

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.

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 change processes. HR also assists in the work of ensuring a sound work environment for all employees. Since 2014, development plans have been gradually produced whereby all employees in the organization shall have clear, individualized goals which are followed up. Duni's code of conduct for employees also includes the work environment. An employee survey covering all employees in the Group is carried out every second year, and was carried out in 2016. The survey includes questions regarding the employees' work environment. Systematic work on the work environment is carried out at Duni's plants, and is audited through internal audits based on Duni's code of conduct. Each month, Group management and the Board receive key statistics concerning accidents and sick leave due to accidents at the plants.

Duni's Board has a clear policy that all employees must be aware of, and prevent, corruption. In addition to compliance with the code of conduct, there is also a business ethics policy for all employees and suppliers. This policy states how Duni as a company, and its employees, must observe accepted business practice and act in accordance with the Group's ethical standards and expectations. The business ethics policy states particularly how managers and employees are to act in contact with customers, suppliers, owners, competitors and other external parties. Duni also expects that all third parties, suppliers and external parties with whom Duni co-operates shall comply with Duni's ethics policy and applicable legislation in each country.

Duni also has a whistleblower policy which clarifies that any suspicion of fraudulent behavior, corruption or other similar situations that are witnessed must be reported without delay. Reporting may take place anonymously and the recipients are always the HR Director, the CFO and the Chairman of the Board's Audit Committee.

On December 31, 2016 there were 2,279 employees. On December 31, 2015 there were 2,082 employees. 966 (901) of the employees are employed within production. Duni's production plants are located in Bramsche and Wolkenstein in Germany, Poznan in Poland, Bengtfors in Sweden and in Bangkok, Thailand.

THE BOARD'S WORK

Since the Annual General Meeting held on May 3, 2016, the Board of Directors comprises five members and two employee representatives. Two alternate employee representative also always attend board meetings. During the year, the Board held nine meetings at which minutes were taken. For further information on the work of the Board, see the Corporate Governance Report.

REMUNERATION FOR THE CEO AND SENIOR EXECUTIVES

Principles regarding the CEO and senior executives, as proposed to the 2017 Annual General Meeting, to be applicable in 2017, correspond in all essential respects to the established principles which were adopted by the 2016 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 20 countries.

DIRECTORS' REPORT – THE PARENT COMPANY

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, HR, purchasing, communication, marketing and IT. Parts of the Group's development resources are located in the Parent Company.

Net sales amounted to SEK 1,140 (1,191) m. Operating income was reported at SEK -63 (-57) m, and net financial items at SEK 277 (205) m. The finance net includes internal dividends received during the year of SEK 159 (127) m and a received group contribution of SEK 115 (72) m. Net income for the year was SEK 178 (121) m.

The Parent Company's investments in fixed assets amounted to SEK 15 (24) m.

The Parent Company's equity ratio at year-end was 58.7% (62.1%). The Parent Company's cash and equivalents on December 31, 2016 amounted to SEK 119 (144) 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 divides financial risks into 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, 2016

Duni is listed on NASDAQ in Stockholm under the ticker name "DUNI". The larger owners on December 31, 2016 were Mellby Gård Investerings AB (29.99%), Polaris Capital Management, LLC (10.63%) and Swedbank Robur fonder (9.14%).

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 0.1% of the shares in Duni as per December 31, 2016.

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 THE CEO

Allocation of earnings, Parent Company (SEK)	2016
Non-restricted equity in the Parent Company	
Retained earnings	1 482 977 676
Income for the year	178 304 100
Total non-restricted equity in the Parent Company	**1 661 281 776**
The Board and CEO propose:	
A dividend to the shareholders of SEK 5.00 per share	234 995 160
and that the remaining amount to be carried forward	1 426 286 616
Total	**1 661 281 776**

The Board of Directors proposes to the 2017 Annual General Meeting that a resolution be adopted regarding allocation of earnings entailing that a dividend of SEK 5.00 per share, equal in total to SEK 234,995,160, be paid to shareholders registered on the record date, May 5, 2017, and that the remaining non-restricted equity be carried forward.

Provided that the 2017 Annual General Meeting resolves in accordance with the Board's dividend proposal, SEK 1,426 m will be carried forward. After the proposed dividend, there will be full coverage for the Parent Company's restricted equity. The Group's total equity amounts to SEK 2,486 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 defensible in light of the demands imposed by the business as regards the size of the shareholders' equity in the Parent Company and the total equity in the Group, as well as the needs of the Parent Company and the Group to strengthen the balance sheet, and as regards their liquidity and financial position in general. The proposed dividend represents in total 13.5% of the shareholders' equity of the Parent Company and 9.5% of the total equity in the Group. The Group generates strong cash flows, and the Board makes the assessment that Duni has a strong balance sheet. After the dividend, the equity ratio of the Parent Company and the Group will be 54.9% and 52.9% respectively. Thus, even after the dividend the equity ratio and liquidity will be satisfactory relative to the industry in which the Company and the Group operate, and it is believed that the Company and the Group will be able to perform their obligations in the short term and long term, and be able to implement planned investments.

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. Based on Duni's income after tax, the proposed dividend is well in line with the Group's dividend policy.

If financial instruments had been valued at the lower of cost or market, instead of being valued at fair value pursuant to Chapter 4, section 14 of the Annual Accounts Act, total equity would have been SEK 1 m lower.

CORPORATE GOVERNANCE REPORT FOR DUNI AB (PUBL)

Duni AB is a Swedish limited public company which has been listed on NASDAQ 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 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 in its entirety.

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 MEETING

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.

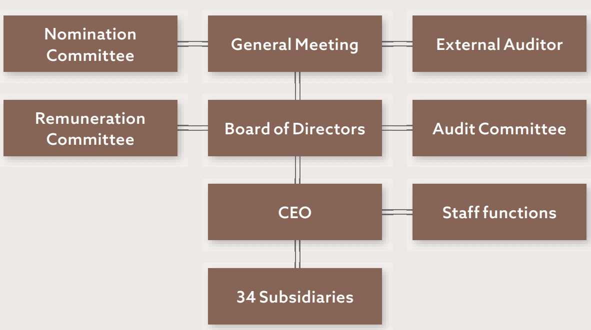
Pursuant to the Swedish Companies Act, notice of Duni's Annual General Meeting must be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notice shall be issued through an announcement in Post och Inrikes Tidningar (The Official Gazette) and on Duni's website. The fact that notice has been issued 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.

2016 Annual General Meeting

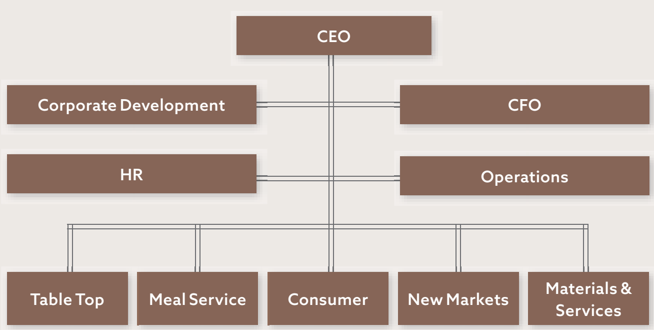
Duni's 2016 Annual General Meeting was held on Tuesday, May 3, 2016 in Malmö. 267 shareholders, representing approximately 72.5% of the voting rights, were present at the General Meeting in person or through proxies. The Chairman of the Board, Anders Bülow, was elected to chair the meeting. All directors and employee representatives were present. Members of group management and the auditor were also present. The minutes from the meeting are available on Duni's website, www.Duni.com. All resolutions were adopted in accordance with the Nomination Committee's proposals. Some of the resolutions adopted at the General Meeting were:

- Adoption of income statements and balance sheets;
- A dividend of SEK 5.00 per share for the 2015 financial year;
- Discharge from liability for the directors and CEO;
- That the Board shall comprise five directors without alternates;
- The re-election of directors Pauline Lindwall, Alex Myers, Pia Rudengren and Magnus Yngen. Anders Bülow had declined re-election;
- The election of Johan Andersson as a new director;
- The election of Magnus Yngen as Chairman of the Board;
- The re-election of PwC as auditors;
- Unchanged Board fees: the Chairman of the Board shall receive SEK 535,000 and all other directors shall each receive SEK 285,000;
- Remuneration of SEK 115,000 (unchanged) to the chairman of the Audit Committee and SEK 54,000 (unchanged) to other members of the Audit Committee;
- Remuneration of SEK 60,000 (unchanged) to the chairman of the Remuneration Committee and SEK 27,500 (unchanged) to other members of the Remuneration Committee;
- Adoption of the Board's proposals for guidelines for remuneration 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 new shares.

CORPORATE GOVERNANCE



GROUP MANAGEMENT 2016



2017 Annual General Meeting

The next Annual General Meeting of the shareholders of Duni will be held at 3pm on Wednesday, May 3, 2017 at Akvariet, Dockplatsen 12 in Malmö. A notice of the Annual General Meeting, containing the Board's proposals, will be published at the end of March 2017. More information about the Annual General Meeting, notice of participation, etc. is available on Duni's website.

Nomination Committee

The Nomination Committee nominates the individuals to be proposed at the Annual General Meeting for election to Duni's Board. Proposals are also produced regarding audit 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 2016 and the composition was presented on November 1, 2016.

The Nomination Committee held its first meeting on January 12, 2017. Prior to the 2017 Annual General Meeting, the Nomination Committee held two meetings at which minutes were taken. The work of the Nomination Committee begins by reviewing the independent evaluation of the current Board, which is carried out each year. The Nomination Committee considers that the Board functions well, that a composition comprising only five members provides for an effective Board of Directors, and that all directors are duly engaged and committed, including employee representatives. The Nomination Committee also notes that the Board is comprised of a sound and relevant mix of gender, skills and experience. All current directors are proposed for re-election at the 2017 Annual General Meeting. Other elections are presented in the notice to attend the Annual General Meeting.

The Nomination Committee comprises the following members:

Name	Represents	Ownership stake, Dec 31, 2016
Magnus Yngen	Chairman of the Board	
Rune Andersson (Chairman)	Mellby Gård Investerings AB	29.99%
Bernard R. Horn Jr	Polaris Capital Management, LLC	10.63%
Bo Lundgren	Swedbank Robur fonder	9.14%
Total		**49.76%**

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, 2016, the Board comprises five directors and four employee representatives (two directors and two alternates). 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 2016, the Board held nine meetings at which minutes were taken.

The following items, among others, were on the agenda in 2016:

- Annual accounts, including reports from the auditors, proposed allocation of earnings and Year-End report;
- Annual Report and preparations pending the Annual General Meeting;
- Follow-up of the audit performed with the auditor-in-charge;
- Interim reports;
- Rules of procedure for the Board and the CEO;
- Annual review of the policy manual;
- Review of the updated business plan for the coming three years;
- Growth issues and acquisition issues;

ATTENDANCE AT BOARD MEETINGS, 2016:

	Function	Independent [1]	Board meetings	Audit Committee	Remuneration Committee
Anders Bülow	Chairman [4]	[2]	4 of 9	2 of 4	1 of 4
Magnus Yngen	Chairman, Director [4]	x	9 of 9	2 of 4	4 of 4
Pauline Lindwall	Director	x	9 of 9	–	4 of 4
Alex Myers	Director	x	9 of 9	4 of 4	–
Pia Rudengren	Director	x	8 of 9	4 of 4	–
Johan Andersson	Director [4]	[2]	5 of 9	–	3 of 4
Per-Åke Halvordsson	Employee representative, director	[3]	9 of 9	–	–
Henry Olsen	Employee representative, director	[3]	7 of 9	–	–
Åsa Lundqvist	Employee representative, alternate	[3]	9 of 9	–	–
Inge Larsson	Employee representative, alternate	[3]	9 of 9	–	–

[1] As defined in the Swedish Corporate Governance Code. [2] Not independent (in relation to Duni's larger shareholder). [3] Not independent (in relation to Duni). [4] Anders Bülow was Chairman of the Board until the Annual General Meeting held on May 3, 2016. Magnus Yngen was elected as Chairman of the Board, and Johan Andersson as a director, at the Annual General Meeting held on May 3, 2016.

- Regular evaluation and analyses regarding the performance of each business area in terms of growth and profitability;
- Strategic issues and risks;
- Goods supply and logistics issues;
- Regular forecasts for 2016;
- Ongoing investments and follow-up on the ongoing investment in capacity in Skåpafors;
- 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 business areas and markets are developing. Prior to each board meeting, the Board also reviews the most recent balance sheet and the 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 result of this evaluation is reported to the Board and the Nomination Committee.

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 2016 and comprises three members: Pauline Lindwall (Chairman), Johan Andersson and Magnus Yngen. Until the Annual General Meeting held on May 3, 2016, the Remuneration Committee comprised Magnus Yngen (Chairman), Anders Bülow and Pauline Lindwall. Duni's CEO, Thomas Gustafsson, participates at the meetings, as does the HR Director, who serves as a secretary at meetings of the Remuneration Committee.

Audit Committee

Duni's 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 Duni. When preparing a proposal regarding the election of auditors and compensation for audit work, the Nomination Committee is assisted by the Audit Committee. During the year, the Audit Committee, together with management, conducted a procurement process for retention of an accounting firm as well as fees for the coming year. Proposals and reasons have been conveyed to the Nomination Committee for a further decision at the 2017 Annual General Meeting.

The Audit Committee held four meetings in 2016 and comprises three members: Pia Rudengren (Chairman), Magnus Yngen and Alex Myers. Until the Annual General Meeting held on May 3, 2016, the Audit Committee comprised Pia Rudengren (Chairman), Anders Bülow and Alex Myers. The CFO and the Group Accounting Manager, as well as the auditors, participate at all meetings.

Remuneration to the board of directors

Fees and other remuneration to the Board, including Duni's Board Chairman, are decided upon by the Annual General Meeting. In accordance with a resolution adopted by the Annual General Meeting on May 3, 2016, the annual fee was set at a total of SEK 1,675,000, of which SEK 535,000 is payable to the Chairman of the Board. In addition, a resolution was adopted regarding fees for committee work totaling SEK 338,000.

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

BOARD REMUNERATION FOR THE PERIOD MAY 2016 – APRIL 2017

SEK	Board meetings	Audit Committee	Remuneration Committee	Total
Magnus Yngen	535 000	54 000	27 500	616 500
Johan Andersson	285 000	–	27 500	312 500
Pauline Lindwall	285 000	–	60 000	345 000
Alex Myers	285 000	54 000	–	339 000
Pia Rudengren	285 000	115 000	–	400 000
Total	**1 675 000**	**223 000**	**115 000**	**2 013 000**

REMUNERATION TO SENIOR EXECUTIVES

2016, SEK m	Basic salary	Variable remuneration	Other benefits	Pension – cost	Severance package	Total
CEO – Thomas Gustafsson	3.9	–	0	1.9	–	5.9
Other senior executives	11.8	0.8	0.5	3.8	–	17.0

CEO

Duni's CEO is Thomas Gustafsson. 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, 2016, Thomas Gustafsson held 26,400 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.

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.

Group management, including the CEO, comprises nine individuals. HR Director Kettil Wedin, left Duni on May 31, 2016. At the same time, Sofie Lindström, former HR Manager for the Nordic countries, was appointed to the position. On June 1, 2016, Tina Andersson left her position as Director of Business Area Consumer & Corporate Marketing. Anna Lundqvist, former Marketing Director Consumer, served as temporary Director of Business Area Consumer until August 2016, when the appointment was made permanent and she thereby also became a member of Duni's group management.

During the year, management held four two-day meetings. The year's meetings have been characterized by regular monitoring of the rolling business plan, strategy and plans of action. During the year, particular focus was placed on efficiency within logistics and delivery performance, acquisitions and growth issues outside Europe, as well as the market trend in Europe. Integration between Duni and the acquired companies was also a standing item on the agenda. Group management addresses matters concerning the Group as a whole, as well as individual business areas. In addition, group management holds a half-day meeting each month together with Duni's Group Controller in order to jointly review the month's sales and results for each business area, production, logistics and central functions.

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, 2016 and which apply until the next Annual General Meeting. The guidelines proposed to the 2017 Annual General Meeting are in all essential respects equivalent to the guidelines which applied in 2016. 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 on page 45 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 3,904,000 and has a possibility to achieve a bonus not exceeding 75% 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 is covered by Duni's pension policy for salaried employees holding positions within group management, with the supplement that on the pension-qualifying income in excess of 7.5 income base amounts, Duni pays 35% to the alternative ITP solution. Pension-qualifying income also includes a three-year average of paid bonuses. Thomas Gustafsson's retirement age is 65. The pension cost corresponds to costs for fee-defined pension schemes. The provision for occupational pension is fully deductible for Duni. There are no other outstanding pension commitments to the CEO.

Duni has not granted any loans, extended or issued any guarantees or provided any security to the benefit of Duni's directors, senior executives 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, 2016, Pricewaterhouse-Coopers 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 and 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. In addition to Duni, Eva Carlsvi is also auditor-in-charge in respect of, among other companies, BE Group AB (publ), Eolus Vind Aktiebolag (publ), E.ON Nordic Aktiebolag and Kappahl AB (publ). Eva Carlsvi is an authorized public accountant and member of FAR SRS. Apart from the audit engagement, fees to PwC for other engagements during 2016 totalled SEK 4.8 (2015: SEK 3.0).

COMPENSATION TO ACCOUNTING FIRM

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Compensation for audit engagement	4.3	4.4	1.8	1.8
Compensation for accounting work other than audit engagement	0.6	0.5	0.4	0.5
Compensation for tax consultation	2.3	1.6	0.1	0.1
Compensation for other consultations	1.9	0.9	1.8	0.8
Total compensation, accounting firm	**9.2**	**7.4**	**4.1**	**3.2**

THE BOARD'S DESCRIPTION OF THE INTERNAL CONTROL WITH RESPECT TO THE FINANCIAL REPORTING FOR THE 2016 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. The internal control is also aimed at ensuring the quality of the financial reporting to company management and the Board of Directors so that decisions are taken based on correct grounds.

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 monitoring.

With the support of the Audit Committee, Duni's management is engaged in risk mapping in accordance with COSO 2013 and the 17 fundamental principles. Since this work is ongoing, Duni has chosen to describe the internal control system in relation to the 1992 version of the COSO framework.

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. Duni has established an Audit Committee 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. 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.

In addition, Group management has formulated its view on how the business is conducted in an ethics policy, which is reviewed each year by the Board of Directors. Duni has an independent whistleblower system to which Duni employees and other external parties can report experienced or observed irregularities on the part of senior executives. The whistleblower may choose to be anonymous and the chairman of the Audit Committee, the CFO and the HR Director are recipients of the information.

RISK ASSESSMENT AND CONTROL

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 consistently 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.

MONITORING

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. The Board receives a monthly written financial report covering sales, operating income, market trend, as well as other material information regarding the operations, and a review of current financial reports constitutes a standing item on the agenda at all meetings. Group management analyses each month the financial trend within the Group's business areas. Monitoring through comparisons with the preceding year, against budget and plans, and through evaluation of the 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 serves as a consulting agency to the countries in the Group which are not included in the center, namely, Russia, Singapore and Paper+Design in Germany. 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 subsidiaries.

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.

MAGNUS YNGEN *Born 1958*

Chairman of the Board since 2016

President and CEO, Camfil

Chairman: Sveba Dahlen AB

Director: Dometic Group and Intrum Justitia

WORK EXPERIENCE: President and CEO, Dometic. President and CEO, Husqvarna. Executive Vice President, Electrolux

EDUCATION: Mr Yngen holds a Master of Engineering and Licentiate of Technology from the Royal Institute of Technology, Stockholm.

Elected 2008

SHARES IN DUNI: 3,000

Independent in relation to the Company, company management and Duni's larger shareholders.

PAULINE LINDWALL *Born 1961*

Director: Celesio AG and Lantmännen.

WORK EXPERIENCE: Category Director for Coffee France and Southern Europe at Kraft/Mondelez in Switzerland. Many years' experience in various executive positions within the Nestlé Group, both in Asia and in Europe, such as Country Business Manager Nestlé Nutrition in Germany and Indonesia.

EDUCATION: Ms Lindwall holds a Bachelor of Science in Business Administration and Economics from the University of Växjö.

Elected 2014

SHARES IN DUNI: 1,000

Independent in relation to the Company, company management and Duni's larger shareholders.

ALEX MYERS *Born 1963*

WORK EXPERIENCE: President and CEO, Getinge AB. President and CEO, Hilding Anders Group. CEO, ArjoHuntleigh / Executive Vice President Getinge Group. Senior Vice President, Western Europe and Global Sales & Marketing as well as member of the management group of Carlsberg Breweries. Vice President Marketing & Innovation and member of the management group of Pripps-Ringnes (Orkla Drinks). Several middle management positions at Unilever in Sweden and Germany.

EDUCATION: Mr Myers holds a BA in Organizational Behavior from Yale University, USA.

Elected 2013

SHARES IN DUNI: 2,000

Independent in relation to the Company, company management and Duni's larger shareholders.

PIA RUDENGREN *Born 1965*

Chairman: Social Initiative AB.

Director: KappAhl AB, Swedbank AB and Tikkurila Oyj.

WORK EXPERIENCE: Non-executive director. Executive Vice President, W Capital Management AB. CFO and member of the management group of Investor AB.

EDUCATION: Ms Rudengren holds an MSc from the Stockholm School of Economics.

Elected 2007

SHARES IN DUNI: 1,200

Independent in relation to the Company, company management and Duni's larger shareholders.

JOHAN ANDERSSON *Born 1978*

CEO and President and board member of Mellby Gård AB and several board assignments within the Mellby Gård Group.

WORK EXPERIENCE: CEO of Smarteyes International AB, employed at EQT Partners AB.

EDUCATION: Master of Engineering, Chalmers University of Technology and MBA from INSEAD, Singapore.

Elected 2016

SHARES IN DUNI: 14,094,500

Independent of the company, the company management but not of Duni's major shareholders.

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 TM3 at Rexcell Tissue & Airlaid AB.

Mr Olsen has undertaken Pappers' board training.

Elected 2012

SHARES IN DUNI: 0

Not independent in relation to the Company.

PER-ÅKE HALVORDSSON *Born 1959*

Employee representative for PTK.

Mr Halvordsson is employed as management and organization resource 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.

GROUP MANAGEMENT

THOMAS GUSTAFSSON *Born 1965*

President and Chief Executive Officer of Duni since 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 is a director of Smarteyes AB and was a director of Duni between 2009 and November 2012.

Thomas Gustafsson holds a Diploma in Business Administration.

SHARES IN DUNI: 26,400

MATS LINDROTH *Born 1960*

CFO of Duni since 2009 and employed at Duni since 1987.

Mats Lindroth holds an MBA from the Stockholm School of Economics.

SHARES IN DUNI: 25,200

SOFIE LINDSTRÖM *Born 1974*

HR Director at Duni since June 2016.

Sofie has been employed at Duni since 2007 and comes from a position as HR Manager for the Nordics. Before that she worked with Product Development in Table Top and as Category Manager for Meal Service. Prior to Duni, Sofie Lindström has held a Managerial position at Accenture.

Sofie Lindström holds a Bachelor in Economics from Pacific Lutheran University in Seattle, USA.

SHARES IN DUNI: 400

PATRIK SÖDERSTJERNA *Born 1964*

Director Business Area New Markets since January 2014.

Previously Director Business Development /New Markets and, before that, President Rexcell Tissue & Airlaid AB since 2007.

Before that Mr. Söderstjerna was CEO 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: 8,400

ROBERT DACKESKOG *Born 1971*

Director Business Area Table Top since November 2015. Before that Director Business Area Consumer since August 2012.

Robert Dackeskog comes from the Findus group, most recently Managing Director Findus 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

LINUS LEMARK *Born 1977*

Director Business Area Meal Service since May 2012. Linus Lemark joined Duni in 2007 as Corporate Development Manager and subsequently Marketing Manager Duni Food Solutions.

Linus Lemark has experience as Innovation Director at The Absolut Company AB and Vice President at Aquavit in New York.

Linus Lemark holds an MSc in Economics and Business Administration from the Stockholm School of Economics.

SHARES IN DUNI: 5,000



ANNA LUNDQVIST *Born 1973*

Business Area Director Consumer since August 2016.

Anna has been employed at Duni since 2005 and comes from a position as Marketing Director for Consumer. Before that she worked as Sales Director for Consumer Nordics, and Business Controller at Table Top Nordics resp. Consumer. Prior to Duni, Anna has held a Management Consultant position at BearingPoint.

Anna Lundqvist holds a Master's degree in Business Administration from Lund University.

SHARES IN DUNI: 0

FREDRIK MALMGREN *Born 1974*

Director Operations at Duni since March 2015.

Fredrik Malmgren most recent position was as founding partner at Montell & Partners AB, where he primarily focused on leading production and supply chain projects for multinational companies.

Fredrik Malmgren holds an MSc in Automation Engineering from Chalmers Institute of Technology, Gothenburg.

SHARES IN DUNI: 6,100

THOMAS LÖÖB *Born 1957*

Corporate Development Director in Duni since 2012. Thomas Lööb has been employed by Duni since 1996 and has held several positions within R&D.

Chairman of the Board at Rexcell Tissue & Airlaid AB since 2014.

Thomas Lööb holds an MSc Chemical Engineering from University of Lund.

SHARES IN DUNI: 6,000

FIVE-YEAR SUMMARY, CONSOLIDATED INCOME STATEMENTS

SEK m	2016	2015	2014	2013	2012
Net sales	4 271	4 200	3 870	3 349	3 268
Costs of goods sold	-3 039	-2 959	-2 736	-2 366	-2 322
Gross profit	**1 231**	**1 241**	**1 134**	**983**	**946**
Selling expenses	-483	-476	-456	-436	-430
Administrative expenses	-245	-240	-211	-173	-176
Research and development expenses	-8	-10	-11	-15	-20
Other operating incomes	10	13	4	0	1
Other operating expenses	-43	-37	-27	-7	-79
EBIT	**463**	**490**	**433**	**352**	**243**
Financial income	1	2	5	7	5
Financial expenses	-23	-33	-24	-26	-30
Net financial items	**-22**	**-31**	**-19**	**-19**	**-25**
Income after financial items	**441**	**459**	**414**	**334**	**218**
Income tax	-107	-113	-113	-79	-83
Net income for the year from continuing operations	**334**	**346**	**302**	**254**	**137**
Net income for the year from discontinued operations	0	4	18	13	-11
Net income for the year	**334**	**350**	**319**	**267**	**126**
Net income for the year attributable to:					
Equity holders of the Parent Company	332	350	319	267	126
Non-controlling interests	2	–	–	–	–

FIVE-YEAR SUMMARY, CONSOLIDATED BALANCE SHEETS

SEK m	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
ASSETS					
Goodwill	1 577	1 455	1 463	1 249	1 199
Other intangible fixed assets	304	275	311	78	51
Tangible fixed assets	951	857	851	723	744
Financial fixed assets	67	98	140	180	219
Total fixed assets	**2 899**	**2 684**	**2 765**	**2 230**	**2 213**
Inventories	548	500	503	434	387
Accounts receivable	730	660	743	658	624
Other receivables	124	131	69	148	126
Cash and cash equivalents	186	203	205	225	181
Total current assets	**1 588**	**1 494**	**1 563**	**1 465**	**1 318**
TOTAL ASSETS	**4 487**	**4 178**	**4 328**	**3 695**	**3 531**
EQUITY AND LIABILITIES					
Equity attributable to the Parent Company's shareholders	2 406	2 345	2 193	2 099	1 985
Non-controlling interests	80	–	–	–	–
Total equity	**2 486**	**2 345**	**2 193**	**2 099**	**1 985**
Long-term financial liabilities	676	552	11	492	576
Other long-term liabilities	402	360	394	263	275
Total long-term liabilities	**1 079**	**912**	**405**	**755**	**851**
Accounts payable	373	352	341	348	301
Short-term financial liabilities	–	–	818	–	–
Other short-term financial liabilities	549	568	572	493	394
Total short-term liabilities	**922**	**920**	**1 731**	**841**	**695**
TOTAL EQUITY AND LIABILITIES	**4 487**	**4 178**	**4 328**	**3 695**	**3 531**

KEY RATIOS IN BRIEF, GROUP

	2016	2015	2014	2013	2012
Net sales, SEK m	4 271	4 200	3 870	3 349	3 268
Gross profit, SEK m	1 231	1 241	1 134	983	946
Operating income*, SEK m	502	528	452	369	355
EBITDA*, SEK m	632	656	572	473	454
Interest-bearing net debt, SEK m	757	584	888	491	638
Number of employees	2 279	2 082	2 092	1 902	1 875
Gross margin*	28.8%	29.6%	29.3%	29.4%	29.0%
Operating margin*	11.8%	12.6%	11.7%	11.0%	10.9%
EBITDA margin*	14.8%	15.6%	14.8%	14.1%	13.9%
Return on capital employed*	15.8%	18.6%	15.4%	13.3%	14.4%
Return on equity	13.4%	14.8%	13.8%	12.1%	6.7%
Interest-bearing net debt relative to equity	30.5%	24.9%	40.5%	23.4%	31.1%
Interest-bearing net debt relative to EBITDA*	1.2	0.9	1.6	1.0	1.4

* Calculated based on underlying operating income

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2016	2015
Net sales	5, 6	4 271	4 200
Costs of goods sold	6, 7, 8, 9, 10	-3 039	-2 959
Gross profit		**1 231**	**1 241**
Selling expenses	7, 8, 9	-483	-476
Administrative expenses	7, 8, 9, 11	-245	-240
Research and development expenses	7, 8	-8	-10
Other operating income	14	10	13
Other operating expenses	7, 8, 15	-43	-37
EBIT	5, 16	**463**	**490**
Income from financial items	16, 17		
Financial income		1	2
Financial expenses		-23	-33
Net financial items		**-22**	**-31**
Income after financial items		**441**	**459**
Income tax	19	-107	-113
Net income from the year from continuing operations		**334**	**346**
Net income for the year from discontinued operations		0	4
Net income for the year		**334**	**350**
Income attributable to:			
Equity holders of the Parent Company		332	350
Non-controlling interests		2	–
Earnings per share for continuing and discontinued operations, attributable to the equity holders of the Parent Company, SEK (before and after dilution):	20		
Continuing operations		7.06	7.37
Discontinued operations		0.00	0.09
Total		**7.06**	**7.45**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	2016	2015
Net income for the year	**334**	**350**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial profit/loss on post-employment benefit obligations	-30	10
Total	**-30**	**10**
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences for the year – translation of foreign subsidiaries	-3	4
Cash flow hedge	-1	-1
Total	**-4**	**3**
Other comprehensive income for the year, net after tax:	**-34**	**13**
Total comprehensive income for the year	**300**	**364**
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company	295	364
Non-controlling interests	5	–

CONSOLIDATED BALANCE SHEET

SEK m	Note	Dec 31, 2016	Dec 31, 2015
ASSETS	1, 2, 3, 4, 5		
Fixed assets			
Intangible fixed assets	21		
Goodwill		1 577	1 455
Customer relations		250	221
Capitalized development expenses		40	38
Trademarks and licenses		14	16
Total intangible fixed assets		**1 881**	**1 730**
Tangible fixed assets			
Buildings, land and land improvements	22	299	268
Machinery and other technical equipment	23	514	422
Equipment, tools and installations	24	74	68
Construction in progress and advance payments for tangible fixed assets	25	64	99
Total tangible fixed assets		**951**	**857**
Financial fixed assets			
Deferred tax assets	19	65	96
Other long-term receivables	27	2	2
Total financial fixed assets		**67**	**98**
Total fixed assets		**2 899**	**2 684**
Current assets			
Inventories	10		
Raw materials and consumables		146	133
Products in progress		6	7
Finished goods and goods for resale		384	354
Advances to suppliers		11	6
Total inventories		**548**	**500**
Current receivables			
Accounts receivable	28	730	660
Derivative instruments	29	1	4
Tax assets		14	15
Other receivables	28	80	79
Prepaid expenses and accrued income	30	30	33
Total current receivables		**855**	**790**
Cash and cash equivalents		186	203
Total current assets		**1 588**	**1 494**
TOTAL ASSETS	32	**4 487**	**4 178**

SEK m	Note	Dec 31, 2016	Dec 31, 2015
EQUITY AND LIABILITIES	1, 2, 3, 4, 5		
Equity			
Share capital	20	59	59
Other contributed capital		1 681	1 681
Reserves		59	66
Retained earnings including net income for the year		606	539
Total equity attributable to the shareholders of the Parent Company		**2 406**	**2 345**
Non-controlling interests		80	–
Total equity		**2 486**	**2 345**
Long-term liabilities			
Overdraft facility	31	14	12
Bank loans	31	659	537
Financial leasing liabilities		3	3
Derivative instruments	29	8	7
Deferred tax liabilities	19	126	117
Pension provisions	33	268	236
Total long-term liabilities		**1 079**	**912**
Short-term liabilities			
Accounts payable		373	352
Tax liabilities		25	66
Derivative instruments	29	12	0
Other liabilities		78	86
Allocation to restructuring reserve	9	12	10
Accrued expenses and deferred income	34	423	406
Total short-term liabilities		**922**	**920**
TOTAL EQUITY AND LIABILITIES	32, 35	**4 487**	**4 178**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Attributable to the shareholders of the Parent Company							
	Share capital	Other contri-buted capital	Other reserves	Cash flow reserve	Fair value reserve*	Retained earnings, incl. net income for the year	Non-controlling interests	Total equity
Opening balance, Jan 1, 2015	**59**	**1 681**	**55**	**-5**	**13**	**389**	**–**	**2 193**
Comprehensive income								
Net income for the year	–	–	4	-1	–	361	–	364
Total comprehensive income for the year	**0**	**0**	**4**	**-1**	**0**	**361**	**–**	**364**
Transactions with owners								
Dividends relating to 2014	–	–	–	–	–	-211	–	-211
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**–211**	**–**	**–211**
Opening balance, Jan 1, 2016	**59**	**1 681**	**59**	**-6**	**13**	**539**	**–**	**2 345**
Comprehensive income								
Net income for the year	–	–	-6	-1	–	302	5	300
Total comprehensive income for the year	**0**	**0**	**-6**	**-1**	**0**	**302**	**5**	**300**
Holdings without controlling influence arising upon acquisition of subsidiaries	0	0	0	0	0	0	75	75
Transactions with owners								
Dividends relating to 2015	–	–	–	–	–	-235	–	-235
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**-235**	**0**	**-235**
Closing balance, 31 Dec 2016	**59**	**1 681**	**53**	**-7**	**13**	**606**	**80**	**2 486**

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

CONSOLIDATED CASH FLOW STATEMENT

SEK m	Note	2016	2015
Cash flow from operating activities:			
Operating income from continuing operations		463	490
Operating income from discontinued operations		–	5
Adustments for non-cash items	36	141	149
Adustments for non-cash items, discontinued operations		–	0
Received interest		1	2
Paid interest		-11	-13
Paid income tax		-117	-44
Cash flow from operating activities before changes in working capital		**478**	**589**
Changes in working capital:			
Increase(-)/decrease (+) in inventories		-18	-23
Increase(-)/decrease(+) in accounts receivable		-42	18
Increase(-)/decrease(+) in receivables		6	-16
Increase(+)/decrease (-) in accounts payable		9	51
Increase(+)/decrease(-) in short-term liabilities		14	-6
Discontinued operations, change in working capital		–	11
Cash flow from operating activities		**446**	**623**
Cash flow used in investing activities:			
Acquisition of tangible fixed assets	22, 23, 24, 25	-166	-162
Acquisition of intangible fixed assets		-12	-2
Sale of tangible fixed assets		3	3
Sale of intangible fixed assets		0	0
Acquisition of subsidiaries	38	-124	–
Change in other long-term liabilities		0	0
Cash flow used in investing activities		**-300**	**-161**
Cash flow used in financing activities:			
Dividends to shareholders		-235	-211
Net change, overdraft facility and other financial liabilities		-9	1
Repayment of loans		-191	-382
Loans received		277	130
Cash flow used in financing activities		**-159**	**-462**
Cash flow for the year		**-12**	**0**
Cash and cash equivalents, opening balance		203	205
Exchange rate differences, cash and cash equivalents		-6	-2
Cash and cash equivalents, closing balance		**186**	**203**

PARENT COMPANY, INCOME STATEMENT

SEK m	Note	2016	2015
Net sales	5, 6	1 140	1 191
Costs of goods sold	6, 8, 9, 10	-1 023	-1 046
Gross profit		**117**	**145**
Selling expenses	8, 9	-121	-122
Administrative expenses	8, 9, 11	-158	-154
Research and development expenses	8	-5	-6
Other operating income	14	256	244
Other operating expenses	8, 15	-151	-164
EBIT	16	**-63**	**-57**
Income from financial items	16, 17		
Income from participations in Group companies	18	273	198
Other operating income and similar income		25	32
Interest expenses and similar expenses		-22	-25
Net financial items		**277**	**205**
Income after financial items		**214**	**148**
Tax on income for the year	19	-35	-27
Net income for the year		**178**	**121**

PARENT COMPANY, STATEMENT OF COMPREHENSIVE INCOME

SEK m	2016	2015
Net income for the year	**178**	**121**
Other comprehensive income*		
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences for the period – translation of foreign subsidiaries**	0	3
Cash flow hedge	-1	-1
Other comprehensive income for the year, net after tax	**-1**	**2**
Total comprehensive income for the year	**178**	**123**
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company	178	123

* The Parent Company does not have any comprehensive income classified as items that will not be reclassified to profit or loss.
** Relates to a Turkish branch which has no tax effect.

PARENT COMPANY, BALANCE SHEET

SEK m	Note	Dec 31, 2016	Dec 31, 2015
ASSETS	1, 2, 3, 4, 5		
Fixed assets			
Intangible fixed assets	21		
Goodwill		0	100
Capitalized development expenses		27	22
Trademarks and licenses		9	10
Total intangible fixed assets		**36**	**132**
Tangible fixed assets			
Buildings, land and land improvements	22	13	14
Machinery and other technical equipment	23	8	8
Equipment, tools and installations	24	2	3
Construction in progress and advance payments for tangible fixed assets	25	1	6
Total tangible fixed assets		**24**	**30**
Financial fixed assets			
Participations in Group companies	26, 38	884	766
Deferred tax assets	19	24	60
Other long-term receivables, internal	27	1 484	1 436
Total financial fixed assets		**2 392**	**2 262**
Total fixed assets		**2 452**	**2 424**
Current assets			
Inventories	10		
Products in progress		0	0
Finished goods and goods for resale		89	78
Advances to suppliers		7	4
Total inventories		**96**	**82**
Current receivables			
Accounts receivable	28	103	91
Derivative instruments	29	1	4
Receivables from Group companies	28	51	52
Tax assets		5	5
Other receivables	28	21	19
Prepaid expenses and accrued income	30	14	15
Total current receivables		**196**	**187**
Current financial receivables, from Group companies	28	121	65
Cash and bank balances		119	144
Total current assets		**240**	**477**
TOTAL ASSETS	32	**2 983**	**2 901**

PARENT COMPANY, BALANCE SHEET, CONTINUED

SEK m	Note	Dec 31, 2016	Dec 31, 2015
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**
Non-restricted shareholders' equity			
Retained earnings		1 483	1 598
Net income for the year		178	121
Total non-restricted shareholders' equity		*1 661*	*1 719*
Total shareholders' equity		**1 744**	**1 802**
Provisions			
Pension provisions	33	100	104
Total provisions		**100**	**104**
Long-term liabilities			
Bank loans	31	659	537
Derivative instruments	29	8	7
Total long-term liabilities		**667**	**544**
Short-term liabilities			
Accounts payable		64	62
Liabilities to Group companies		305	292
Derivative instruments	29	12	0
Other liabilities		15	11
Allocation to restructuring reserve	9	6	3
Accrued expenses and deferred income	34	70	82
Total short-term liabilities		**472**	**451**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	32, 35	**2 983**	**2 901**

PARENT COMPANY, CHANGE IN SHAREHOLDERS' EQUITY

SEK m	Share capital	Statutory reserve	Translation reserve	Cash flow reserve	Revaluation reserve	Non-restricted shareholders' equity	Total shareholders' equity
Opening balance, Jan 1, 2015	**59**	**11**	**4**	**-5**	**13**	**1 811**	**1 891**
Comprehensive income							
Comprehensive income for the year	–	–	3	-1	–	121	123
Total comprehensive income for the year	**0**	**0**	**3**	**-1**	**–**	**121**	**123**
Transactions with owners							
Dividends relating to 2014	–	–	–	–	–	-211	-211
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**-211**	**-211**
Opening balance, Jan 1, 2016	**59**	**11**	**7**	**-7**	**13**	**1 719**	**1 802**
Comprehensive income							
Comprehensive income for the year	–	–	–	-1	–	178	178
Total comprehensive income for the year	**0**	**0**	**0**	**-1**	**0**	**178**	**178**
Transactions with owners							
Dividends relating to 2015	–	–	–	–	–	-235	-235
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**-235**	**-235**
Closing balance, Dec 31, 2016	**59**	**11**	**7**	**-7**	**13**	**1 661**	**1 744**

Accumulated translation differences in the Parent Company which were reported directly against shareholders' equity amounted to SEK 32 m (2015:SEK 33 m).

PARENT COMPANY, CASH FLOW STATEMENT

SEK m	Note	2016	2015
Cash flow from operating activities:			
Operating income		-63	-57
Adjustments for non-cash items	36	118	129
Interest received		25	32
Dividends received		159	127
Interest paid		-7	-25
Paid income tax		0	0
Cash flow from operating activities before changes in working capital		**232**	**206**
Changes in working capital:			
Increase (-)/decrease (+) in inventories		-10	10
Increase (-)/decrease (+) in accounts receivable		-14	-12
Increase (-)/decrease (+) in receivables		-7	-11
Increase (+)/decrease (-) in accounts payable		16	1
Increase (+)/decrease (-) in short-term liabilities		-1	0
Cash flow from operating activities		**-16**	**-12**
Cash flow used in investing activities:			
Acquisition of intangible fixed assets	21	-11	-15
Acquisition of tangible fixed assets	22, 23, 24, 25	-5	-11
Sale of tangible fixed assets		0	0
Change in net lending to Group companies		15	301
Change in non-interest-bearing receivables		0	0
Acquisition of subsidiaries		-117	–
Change in interest-bearing receivables		1	0
Cash flow used in investing activities		**-116**	**275**
Cash flow used in financing activities:			
Dividends to shareholders		-235	-211
Net change, overdraft facilities and other financial liabilities		24	-2
Repayment of loans		-191	-382
Loans received		277	130
Cash flow used in financing activities		**-125**	**-465**
Cash flow for the year		-25	4
Cash and cash equivalents, opening balance		144	140
Cash and cash equivalents, closing balance		**119**	**144**

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 the 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 a 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 in Stockholm under the ticker name "DUNI".

On March 16, 2017, the Board of Directors approved this Annual Report for publication. 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 December 31 with respect to balance sheet items. Information in brackets relates to the preceding financial year, i.e. January 1, 2015 – December 31, 2015.

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. The consolidated financial statements cover Duni AB and its subsidiaries.

2.1 BASES FOR PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the Duni Group have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1, "Supplementary Accounting Rules for Groups", and International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. The consolidated financial statements had been prepared in accordance with the purchase method, other than with respect to reappraisals of buildings and land, 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 and defined benefit pension plans – plan assets valued at fair value.

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 Changes in accounting principles and disclosure

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, 2016. Presented below are the standards that Duni applies for the first time with respect to the financial year commencing January 1, 2016, and which have had a material impact on the Group's financial statements:

- Clarification of acceptable methods of depreciation and amortization – Amendments to IAS 16 and IAS 38
- Annual improvements of IFRS standards, the improvement cycle 2012-2014
- Disclosure Initiative: Amendments to IAS 1

Duni has also chosen to apply the following changes prematurely:

- Disclosure Initiative: Amendments to IAS 7

The application of the changes merely clarifies existing requirements and has had no impact on Duni's accounting principles or disclosures for the current financial year or preceding financial years, and is not expected to have any impact in future periods.

Other standards, changes and interpretations which enter into force as regards the financial year commencing January 1, 2016 have no material impact on the consolidated financial statements.

A number of new standards and amendments of interpretations and existing standards enter into force as regards financial years beginning after January 1, 2016, and these have not been applied in conjunction with the preparation of the consolidated financial statements. None of the aforementioned is expected to have any material impact on the consolidated financial statements, except as stated below:

IFRS 9 Financial instruments (adopted by the EU)

Material requirements

IFRS 9 Financial Instruments addresses the classification, valuation and reporting of financial assets and liabilities and introduces new rules regarding hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 covering the classification and valuation of financial instruments and introduces a new impairment model.

Impact

Although Duni has not yet conducted a detailed assessment of the debt instruments that are currently classified as financial assets that can be sold, they appear to satisfy the conditions for being valued at fair value in other comprehensive income based on the Company's business model for such assets. Thus, the reporting of these assets will not be changed.

Other financial assets held by Duni include:

- Debt instruments that are currently classified as assets held until maturity and valued at amortized cost, which appear to satisfy the requirement for valuation at amortized cost in accordance with IFRS 9.

Duni does not expect the classification, valuation or reporting of the Group's financial assets and liabilities to have any material impact. Nor will Duni's reporting of financial liabilities be changed, since the new requirements only affect the reporting of financial liabilities that are reported at fair value in the income statement, and the Group has no liabilities of that type. The rules regarding removal from the balance sheet have been carried over from IAS 39 Financial Instruments: Reporting and Valuation, and have not changed.

The new hedge accounting rules in IFRS 9 are more compatible with the Company's risk management in practice. Generally, it will become easier to apply hedge accounting since the standard introduces a more principle-based standard for hedge accounting. Duni has not yet assessed the effects in detail, but anticipates that, also going forward, current hedging will qualify for hedge accounting and can be reported in the same manner under IFRS 9. Accordingly, Duni does not expect any material impact on the Group's hedge accounting.

The new model for the calculation of credit loss reserves is based on expected credit losses instead of established credit losses in accordance with IAS 39, which may result in an earlier reporting of credit losses. The model is to be applied to financial assets that are reported at amortized cost, instruments that are valued at fair value in other comprehensive income, contractual assets in accordance with IFRS 15 Revenue from Contracts with Customers, lease receivables, loans and certain financial guarantees.

Duni has not yet assessed how the Group's reserves for credit losses will be affected by the new rules. They may result in credit losses being reported earlier than in accordance with current principles.

The new standard also introduces an enhanced disclosure requirement and changes in presentation.

IFRS 9 enters into force on January 1, 2018. According to the transitional rules in the full version of IFRS 9, early application in stages was permitted in respect of financial years commencing prior to February 1, 2015. After that date, the rules must be applied in its entirety.

Duni does not intend to apply IFRS 9 prematurely.

IFRS 15 Revenues from Contracts with Customers (adopted by the EU)

Material requirements

IFRS 15 is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is based on the principle of revenues being reported when the customer gains control over the sold product or service – a principle which replaces the earlier principle that revenues are reported when risks and benefits have passed to the purchaser. A company may choose between "full retroactivity" or forward-looking application with additional disclosures.

Impact

Management is currently assessing the effects of the new standard and has identified the following areas which are likely to be affected:

- Consignment sales where revenue recognition depends on transfer of control rather than transfer of risks and benefits.
- The reporting of returned goods in the balance sheet will be changed since they must be be reported gross in accordance with IFRS 15 (separate reporting of the right to repossess goods from the customer and the obligation to make a refund).

At present, the Group is unable to estimate the quantitative impact of the new rules on the financial statements. Duni will conduct a detailed evaluation during the coming year.

IFRS 15 enters into force on January 1, 2018. At present, Duni does not intend to apply the standard prematurely.

IFRS 16 Leases

Material requirements

IFRS 16 was published in January 2016. Implementation of the standard will result in almost all leasing contracts being reported in the balance sheet, since a difference is no longer made between operational and financial leasing agreements. According to the new standard, an asset (the right to use a leased asset) and a financial obligation to pay leasing fees must be reported. Short-term contracts and contracts involving low amounts are exempted. For lessors, reporting will, in all essential, respects be unchanged.

Impact

The standard will primarily affect the reporting of Duni's operational leasing agreements. On the closing date, the Group's non-terminable operational leasing agreements amounted to SEK 251 m; see Note 37. Duni has not yet assessed the extent to which these obligations will be reported as assets and liabilities, and how this will affect the Group's income and classification of cash flows.

Certain obligations may be covered by the exemption with respect to short-term contracts and contracts involving low amounts, and certain obligations may relate to arrangements that are not reported as leasing agreements in accordance with IFRS 16.

Operating income and equity ratio as well as debt/equity ratio will also be affected by the new standard. The size of the effect of this change on these items has not yet been assessed.

IFRS 16 enters into force on January 1, 2019. At present, Duni does not intend to apply the standard prematurely.

No other changes to the IFRS or IFRIC interpretations that have not yet entered into effect 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, Duni determines whether all non-controlling interests 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.

Acquisition-related costs are booked as they arise.

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 non-controlling interests

The Group applies the principle of reporting transactions with non-controlling interests as transactions with the Group's shareholders. Upon acquisitions from 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 equity. Profits or losses upon divestments to non-controlling interests are also reported in equity. Duni reports non-controlling interests in an acquired company either at fair value or at the proportionate share of the acquired company's identifiable net assets. Duni has non-controlling interests recognized at fair value. This refers to Terinex Siam, which was acquired in 2016.

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, Duni 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. As from January 1, 2014, Duni's segment reporting covers five 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 interest rateswaps, with part of the interest rate risk being hedged at a fixed rate.

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.

In those cases where Duni's products are sold with volume rebates and the customers are entitled to return defective products, the sales revenues are reported based on the price stated in the sales contract, net after estimated volume rebates and returns at the time of the sale. Accumulated experience is used to assess and make provision for rebates and returns. The assessment of volume rebates is based on expected annual purchases. No financial component is deemed to be involved since the sale takes place with an average credit period of 45 days, which is in accordance with market practice.

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 Customer relations, trademarks and licenses

Identifiable acquired customer relations are reported at fair value and related to acquisitions made from 2013 onwards. Depreciation takes place on a straight-line basis over an assessed useful life of 10 years.

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 asset	Useful life
Buildings	20-40 years
Paper machinery	15-17 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.

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 amortized cost 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 receivables.

Financial assets and liabilities are set off and reported in a net amount in the balance sheet only when there is a legal right to set off the reported amounts and there is an intention to settle them with a net amount or to simultaneously realize the asset and settle the debt. The legal right may not be dependent on future events and must be legally binding on the company and the counterparty, both in normal business operations and in the event of suspension of payments, insolvency or bankruptcy.

2.11.2 Financial assets valued at fair value through profit/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 borrowing.

Duni applies hedge accounting in accordance with IAS 39 on the interest rate swaps entered for hedging 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 partof 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..

Information regarding fair value for various derivative instruments used for hedging purposes is provided in Note 29. Changes in hedging provisions in equity are set forth in the Statement of changes in equity. The entire fair value of a derivative which constitutes a hedge instrument is classified as a fixed asset or long-term liability when the outstanding term of the hedged item exceeds 12 months, and as a current asset or current liability when the outstanding term of the hedged item is less than 12 months. Derivative instruments held for trading are always classified as current assets or current liabilities.

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 amortized cost . 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 valued 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 swaps 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 valued at amortized cost

Borrowing as well as other financial liabilities, e.g. accounts payable, is included in this category. Accounts payable comprise obligations to pay for goods or services which have been acquired from suppliers in the course of ongoing operations. Accounts payable are classified as short-term liabilities if they fall due for payment within one year or less (or during a normal operational cycle if longer). If not, they are reported as long-term liabilities.

Financial liabilities are initially valued at fair value, net after transaction costs. Thereafter, financial liabilities are valued at amortized cost, and any difference between the amount received (net after transaction costs) and the repayment amount is reported in the income statement allocated over the loan period, applying the effective interest rate method. In the event of an early repayment of loans, any pre-payment interest penalties are reported in the income statement at the time of settlement. Loan expenses are charged to earnings for the period to which they relate. Distributed dividends are reported as a liability after the Annual General Meeting has approved the dividend.

Borrowing as well as other financial liabilities are classified as short-term liabilities unless the Group is unconditionally entitled to defer payment of the debt 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. 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. Swedish mortgage bonds considered to be corporate bonds.

Swedish mortgage bonds correspond to investment-grade corporate bonds in the sense that the market for mortgage 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.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are reported in "Other comprehensive income" during the period in which they arise.

Expenses relating to employment in earlier periods are reported directly in the income statement.

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 fixed 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 GOVERNMENT AID

Government aid is reported at fair value when there is reasonable certainty that the aid will be received and that Duni will satisfy the conditions associated with the aid. Government aid relating to costs is allocated over periods and reported in the income statement in the same periods as the costs which the aid is intended to cover.

2.21 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.

2.21.1 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. in the parent company, acquisition costs are reported as shares in subsidiaries. Received dividends and group contributions are reported as financial income.

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 regarding 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 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 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 the investment 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: Duni has taken out interest rate swaps as hedge instruments. The interest rate swaps are reported in accordance with the rules governing cash flow hedging.

3.1.1 Market risks

Currency risk
Duni operates internationally and is exposed to currency risks which arise from various currencies 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 2015, net sales for the year would have been SEK 85 m higher and the underlying operating income would have been SEK 27 m lower.

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 48% by internal net lending with the same currency breakdown. The remaining 52% of internal net lending is hedged on the currency futures market in accordance with Duni's policy. Note 29 presents the value and nominal amounts of currency forward contracts entered into regarding borrowing and lending in the Parent Company.

As described in greater detail below in the section addressing transaction exposures, 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 earnings would have been approximately +/- SEK 7 m (2015: +/- SEK 1 m).Corresponding figures for the Parent Company are approximately +/- SEK 4 m (2015: +/- SEK 0 m).

Transaction exposure
The transaction exposure is minimized primarily through external commercial transactions essentially being carried out in the functional currencies of the subsidiaries. Purchases by subsidiaries, primarily internal, may however take place in currencies other than the subsidiary'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 and 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, and thus a strengthening/ weakening of USD gives rise to increased or reduced purchasing costs for the Group. This risk is neutralized to a certain extent since the pulp price falls or rises in conjunction with a strengthening/weakening of USD.

Price risks

Energy price risks

During 2016, the subsidiary Rexcell Tissue & Airlaid AB purchased approximately MWh 81,207 of electricity at a cost of approximately SEK 29 m; 3,792 tonnes of LPG for approximately SEK 15 m; and woodchips for the biofuel boiler at a cost of approximately SEK 9 m (2015: MWh 78,600 of electricity for SEK 23 m; 3,900 tonnes of LPG for SEK 17 m; and woodchips for SEK 8 m).

Through 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. A change of +/-5% in the price of the electricity used by Rexcell Tissue & Airlaid AB affects earnings by approx. -/+ SEK 1 m (2015: -/+ SEK 2 m).

Rexcell Tissue & Airlaid AB has been allocated emission rights for the period 2013 to 2020, divided between Dals Långed and Skåpafors. The allocation for 2016 was 2,196 tonnes for Dals Långed and 18,794 tonnes for Skåpafors. The total number of emission rights will diminish each year up to 2020, when Dals Långed will have emission rights corresponding to 2,027 tonnes per year, and Skåpafors 17,349 tonnes per year. The production plant in Dals Långed is dormant and, when no production takes place, no emission rights are utilized. The allocation of emission rights by the County Administrative Board will be dormant as from 2017, but can be resumed up to 2020 upon application.

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 take place in 2017, the assessment is that they will not amount to any significant sum. In 2016, Rexcell Tissue & Airlaid AB had 9,623 (9,683) unused emission rights with a market value of SEK 0 (0) m. In total, 11 367 tonnes were consumed in Skåpafors in 2016.

Pulp price risk

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 of +/- 1% per tonne in the price of pulp during 2016 affects earnings by -/+ SEK 3 m (2015: -/+ SEK 3 m).

Interest rate risks with respect to cash flows and fair value

Since all external borrowing is at variable interest rates (see Note 31 for more details), Duni is exposed to interest rate risks regarding cash flows, primarily in EURIBOR. The Parent Company's internal lending and borrowing also takes place at variable rates. Part of the interest rate risk has been hedged at a fixed rate through 5-year interest rate swaps, expiring in August 2019.

Duni has no significant interest-bearing assets. The Group's revenues 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 borrowing at a variable rate. Outstanding loans are entirely in EUR.

Had interest rates on the Group's borrowing on December 31, 2016 been 100 points higher/lower, with all other variables being constant and taking into account swap agreements, Duni's financial net for 2016 would have been SEK 7 m lower/higher (2015: SEK 3 m). Other components in equity would have been SEK 10 m (2015: SEK 13 m) lower/higher, primarily as a consequence of a decrease/increase in fair value of interest rate derivatives used as hedge instruments.

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 exposure in relation to 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 1.99% of total accounts receivable (2015: 1.95%). For the Parent Company, the corresponding figure is 1.63% (2015: 1.11%).

3.1.3 Liquidity risk

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

As per December 31, 2016, Duni had cash and equivalents of SEK 186 m (2015: SEK 203 m) as well as a non-utilized credit facility of SEK 850 m (2015: SEK 831 m). Payments for coming periods relating to financial liabilities are shown in the tables below.

Duni's credit facility is subject to covenants consisting of a financial key ratio as well as a number of non-financial conditions. The financial key ratio comprises financial net debt in relation to an 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 is a put-call facility totaling EUR 20 m which matures in April 2018 and overdraft facilities are in place totaling SEK 7 m and PLN 10 m. Since 2015, Duni's long-term financing is secured through a financing agreement which extends until April 2018. The table below shows the Group's contracted outstanding non-discounted interest payments and mortgage repayments on financial liabilities, as well as assets and liabilities regarding derivative instruments:

		1–3 months		3–12 months		Later than 1 year but within 5 years	
SEK m	Book value	Interest	Repayment	Interest	Repayment	Interest	Repayment
Bank loans	-659	-1	-420	–	-240	–	–
Overdraft facility	-14	0	-14	–	–	–	–
Accounts payable and other liabilities	-451	–	-451	–	–	–	–
– Currency forward contracts*	-12	–	-12	–	–	–	–
– Interest rate swaps	-8	-1	0	0	–	0	-8
Derivative instruments – Liabilities	**-20**	**-1**	**-12**	**0**	**0**	**0**	**-8**
– Currency forward contracts*	1	–	0	–	–	–	–
– Interest rate swaps	–	–	–	–	–	–	–
Derivative instruments – Assets	**1**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**-1 143**	**-2**	**-897**	**0**	**-240**	**0**	**-8**

* Gross flows are shown in the table below.

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

SEK m	2016	2015
Currency forward contracts	-11	4
Interest rate swaps	-8	-7
Total	**-19**	**-3**

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

SEK m	2016	2015
Currency forward contracts		
– Inflow regarding contracts for financial assets and liabilities	608	894
– Outflow regarding contracts for financial assets and liabilities	-620	-892

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 derivatives 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 total equity in the consolidated balance sheet plus net debt.

The net debt/equity ratio is as follows:

	Group	
SEK m	2016	2015
Total borrowing	**659**	**537**
Overdraft facility	14	12
Other long-term receivables	2	2
Pension provisions	268	236
Group loans/receivables	–	–
Less: cash and cash equivalents	-186	-203
Net debt*	757	585
Total equity	**2 486**	**2 345**
Total capital	**3 243**	**2 930**
Net debt/equity ratio	23%	20%

* Calculation of net 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 flows to the current market interest rate which is available to the Group for similar financial instruments.

Pursuant to the standard for financial instruments, disclosure is 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 has derivative instruments valued at fair value and for hedging purposes; 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 PURPOSES

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 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.

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 to 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 for goodwill as per the balance sheet date 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 five-year period had been 0% instead of the management's assessment of 1%, there would be no impairment of goodwill.

The estimated discount rate before tax which Duni applies is within a range of 7.4%- 10.4%, with the lower percentage rate being used when calculating the need for any impairment of goodwill in the Table Top business area.

Even if the estimated discount rate before tax which is applied to discounted cash flows had been 1% higher than the management's assessment, there would be no impairment of goodwill.

4.1.3 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, future salary increases, inflation and demographic considerations. 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 there is no sufficiently liquid market for corporate bonds. Accordingly, 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, they 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 used for taking strategic decisions. Since January 1, 2014, operations in Duni are divided into five operating segments.

The strategic decision-making group addresses and evaluates the operations based on lines of business to which the same risks and opportunities apply. Duni regards the Table Top, Meal Service, Consumer, New Markets and Materials & Services lines of business as operating segments; internally within Duni they are designated as business areas.

Table Top provides Duni's concepts and products to, primarily, hotels, restaurants and the catering trade. Table Top mainly markets napkins, tablecoverings and candles for the set table.

Meal Service provides concepts for food packaging and serving products, e.g. for take-away, fresh ready to eat food and various types of customers in the catering trade. Customers mainly comprise companies with operations in the restaurant, catering or food production industries.

Consumer provides consumer products to, primarily, the retail trade in Europe. Customers comprise grocery retail chains, as well as other channels such as various types of retail outlets, e.g. garden centers, home furnishing stores, and DIY stores.

New Markets provides Duni's attractive quality product concepts and table setting concepts, as well as packaging solutions, focused on new markets outside Europe. In addition to customer segments such as hotels, restaurants and catering, the business area also directs its offering to the retail trade.

Materials & Services comprises those part of the business that are not accommodated within the other business areas. The business area largely comprises external sales of tissue. The production of hygiene products ceased at the end of March 2015 and is thus no longer included in the business area. Instead, the hygiene products business is reported as discontinued operations. The income statements of the business area and the Group have been recalculated and include only continuing operations. Hygiene products previously accounted for approximately 90% of the sales of Materials & Services.

With the exception of Materials & Services, the business areas largely have a common product offering. Design and packaging solutions are, however, adapted to suit the different sales channels. To a large extent, production and support functions are shared between the business areas. Sales between the business areas take place on market terms.

Shared costs have been allocated based on estimated utilization of resources, which normally corresponds to actual business volumes. The goodwill reported in the former Professional business area has –in light of the background to the goodwill – been essentially allocated to Table Top, while the goodwill attributable to the acquisition of Song Seng and Terinex Siam has been allocated to New Markets.

Group management constitutes the strategic decision-making body in Duni and 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 five business areas, which are evaluated and controlled based on the underlying operating income, i.e. reported income before restructuring expenses, non-realized valuation effects of currency derivatives, fair value allocations and amortization of intangible assets which are identified in connection with business acquisitions. 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							
2016, SEK m	Table Top	Meal Service	Consumer	New Markets	Materials & Services	Non-allocated	TOTAL*
Total net sales	2 293	666	1 067	220	680	–	4 926
Net sales from other segments	–	–	28	–	628	–	656
Net sales from external customers	**2 293**	**666**	**1 039**	**220**	**52**	**0**	**4 271**
Operating income	369	41	65	23	4	–	502
Non-recurring items	-5	-2	-27	-4	0	–	-38
Reported operating income	**364**	**39**	**38**	**19**	**4**	**0**	**463**
Financial income							1
Financial expenses							-23
Income tax							-107
Net income for the year							**334**
Total assets	2 804	187	1 172	291	33	0	4 487
Total liabilities	794	104	338	72	16	676	2 001
Investments	118	6	46	26	4	0	200
Depreciation/amortization	74	7	68	9	2	0	159

* For 2016, there is no difference between Total and continuing operations.

Operating segments									
2015, SEK m	Table Top	Meal Service	Consumer	New Markets	Materials & Services	Non-allocated	Continuing operations	Discontinued operations	TOTAL
Total net sales	2 266	616	1 070	207	654	–	4 813	83	4 896
Net sales from other segments	–	0	7	–	606	–	613	0	613
Net sales from external customers	**2 266**	**616**	**1 063**	**207**	**48**	**0**	**4 200**	**83**	**4 283**
Operating income	392	33	84	15	4	–	528	5	533
Non-recurring items	-4	1	-31	-3	0	–	-37	-1	-38
Reported operating income	**388**	**34**	**53**	**12**	**4**	**0**	**490**	**5**	**495**
Financial income							2	0	2
Financial expenses							-33	0	-33
Income tax							-113	-1	-114
Net income for the year							**346**	**4**	**350**
Total assets	2 657	183	1 128	169	41	–	4 178		
Total liabilities	796	70	316	70	28	553	1 833		
Investments	102	7	42	3	4	–	158		
Depreciation/amortization	73	7	68	5	2	–	155		

Duni controls its operations based on what Duni refers to as underlying operating income. 'Underlying operating income' means operating income before restructuring expenses, non-realized valuation effects of currency derivatives, fair value allocations and amortization in connection with business acquisition. See the table below for these items.

SEK m	2016	2015
Non-recurring items		
Operating income	502	528
Restructuring expenses	-10	-11
Non-realized value effects of derivative instruments	–	–
Amortization of intangible assets identified in connection with the business acquisitions	-27	-27
Fair value allocations in connection with businessacquisitions	-1	–
Reported operating income	**463**	**490**

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	2016	2015
Non-allocated liabilities		
Overdraft facility	14	12
Leasing	3	3
Bank loans	659	537
Total non-allocated liabilities	**676**	**553**

Total sales from external customers broken down per product group:

SEK m	2016	2015
Product group		
Napkins	2 160	2 113
Tablecoverings	852	870
Candles	179	187
Serving products	421	439
Packaging solutions	372	336
Other	286	255
Sales from external customers, continuing operations	**4 271**	**4 200**
Sales from discontinued operations	**0**	**83**
Total sales	**4 271**	**4 283**

Total net sales from external customers broken down per geographic area:

SEK m	2016	2015
Sales		
Sweden	318	317
Rest of the Nordic region	493	486
Germany	1 368	1 368
Rest of Central Europe	1 200	1 204
Southern and Eastern Europe	642	594
Rest of the world	249	231
Sales from external customers, continuing operations	**4 271**	**4 200**
Sales from discontinued operations	**0**	**83**
Total sales	**4 271**	**4 283**

Total tangible and intangible fixed assets broken down per geographic area:

SEK m	2016	2015
Tangible and intangible fixed assets		
Sweden	1 532	1 489
Germany	918	901
Rest of Central Europe	2	1
Southern and Eastern Europe	118	113
Rest of the world	262	82
Total tangible and intangible fixed assets	**2 832**	**2 587**

Parent company's breakdown of net sales per operating segment and geographic area:

Parent Company, SEK m	2016	2015
Operating segment		
Table Top	563	600
Meal Service	364	354
Consumer	178	199
New Markets	28	32
Materials & Services	7	7
Total net sales	**1 140**	**1 191**

Parent Company, SEK m	2016	2015
Geographic area		
Nordic region	728	723
Central Europe	273	327
Southern and Eastern Europe	139	141
Rest of the world	0	0
Total net sales	**1 140**	**1 191**

NOTE 6 – INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to SEK 2,884 m (2015: SEK 2,871 m). The Parent Company sold goods to its subsidiaries for SEK 385 m (2015: SEK 439 m) and purchased goods from subsidiaries in the value of SEK 673 m (2015: SEK 687 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	2016	2015
Change in inventories of finished products and products in progress		724	717
Raw materials and consumables		932	880
Expenses for remuneration to employees	13	1 003	984
Depreciation/amortization and impairment	8	159	156
Other expenses		999	985
Total continuing operating expenses		**3 817**	**3 722**
Total discontinued operating expenses		**–**	**77**

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

NOTE 8 – DEPRECIATION/AMORTIZATION

Depreciation/Amortization	Group		Parent Company	
SEK m	2016	2015	2016	2015
Goodwill	–	–	100	100
Customer relations	29	27	–	–
Capitalized development expenditures	12	13	9	10
Trademarks and licenses	7	5	3	2
Buildings and land improvements	11	10	1	0
Plant and equipment	100	101	4	5
Total depreciation/amortization, continuing operations	**159**	**156**	**117**	**119**
Depreciation/amortization, discontinued operations	**–**	**0**	**–**	**–**

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

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Cost of goods sold	96	95	3	2
Selling expenses	7	7	–	–
Administrative expenses	27	26	15	15
Research and development expenses	0	1	0	1
Other operating expenses	29	27	100	100
Total depreciation/amortization	**159**	**156**	**117**	**119**

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

Impairment	Group		Parent Company	
SEK m	2016	2015	2016	2015
Capitalized development expenditures	–	–	–	–
Building and land improvements	–	1	–	1
Plant and equipment	–	2	–	3
Construction in progress and advance payments for tangible fixed assets	–	–	–	–
Total impairment	**0**	**3**	**0**	**4**

All impairment relates to continuing operations.

Impairment is included in the cost for each function as follows:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Selling expenses	–	–	–	–
Other operating expenses	–	3	–	4
Total impairment	**0**	**3**	**0**	**4**

NOTE 9 – RESTRUCTURING EXPENSES – ALLOCATION TO RESTRUCTURING RESERVE

Restructuring expenses amount to SEK 10 m (2015: SEK 11 m). These mainly relate to organizational changes and efficiency improvements within production in Germany and within sales in the Nordic region. This is part of a program which was started in 2015 and has now been completed.

The restructuring expenses are included in each function as follows:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Cost of goods sold	3	5	0	0
Selling expenses	1	7	1	1
Administrative expenses	7	4	5	3
Other operating expenses	0	-6	0	-5
Total restructuring expenses	**10**	**11**	**6**	**-1**

Allocation to restructuring reserve:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Opening balance, restructuring reserve	10	4	3	1
Utilized reserves	-9	-10	-3	-1
Reversal of reserve	0	-1	0	-1
Allocations for the year	10	17	6	4
Closing balance, restructuring reserve	**12**	**10**	**6**	**3**
Of which short-term	12	10	6	3

NOTE 10 – INVENTORIES

SEK m	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Raw materials and consumables	146	133	–	–
Work in progress	6	7	0	0
Finished goods and goods for resale	384	354	89	78
Advance payments to suppliers	11	6	7	4
Total	**548**	**500**	**96**	**82**

The change in inventories is reported under the item "Costs of goods sold" and, for the Group, amounts to SEK 3,086 m (2015: SEK 2,659 m). The corresponding item for the Parent Company amounts to SEK 751 m (2015: SEK 793 m).

The Group's impairment write-down of inventory to the net realizable value amounts to SEK 7 m (2015: SEK 8 m). The Parent Company's reported impairment write-down of inventory amounts to SEK 3 m (2015: SEK 4 m). Reversal of impairment loss has taken place during 2016 in the amount of SEK 0 m (2015: SEK 10 m).

NOTE 11 – COMPENSATION TO AUDITORS

SEK m	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
PwC				
– Audit engagement	4.2	4.3	1.8	1.8
– Audit work other than audit engagement	0.6	0.5	0.4	0.5
– Tax advice	2.3	1.6	0.1	0.1
– Other services	1.9	0.9	1.8	0.8
Total	**9.0**	**7.2**	**4.1**	**3.2**

SEK m	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Other auditors				
– Audit engagement	0.1	0.1	–	–
– Audit work other than audit engagement	0.0	0.0	–	–
– Tax advice	0.0	0.0	–	–
– Other services	0.0	0.0	–	–
Total	**0.1**	**0.1**	**0.0**	**0.0**
Total compensation to auditors	**9.2**	**7.3**	**4.1**	**3.2**

"Audit engagement" means compensation for the statutory audit, i.e. work is central 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.

	2016			2015		
	Men	Women	Total	Men	Women	Total
Parent Company						
Sweden	66	82	148	63	78	141
Total, Parent Company	**66**	**82**	**148**	**63**	**78**	**141**
Subsidiaries						
Austria	6	5	11	6	4	10
Belgium	5	5	10	6	5	11
Czech Republic	2	4	6	2	4	6
Denmark	7	3	10	7	3	10
Finland	5	12	17	6	11	17
France	14	26	40	14	26	40
Germany	648	408	1 056	637	427	1 064
Hungary	1	0	1	1	0	1
Italy	5	2	7	6	1	7
Netherlands	26	25	51	31	24	55
Norway	7	7	14	8	6	14
Poland	183	298	481	177	286	463
Russia	8	5	13	8	8	16
Singapore	28	10	38	26	8	34
Slovakia	0	1	1	0	0	0
Spain	6	6	12	5	5	10
Sweden	162	46	208	183	51	234
Switzerland	15	8	23	15	7	22
Thailand	16	30	46	–	–	–
UK	9	10	19	8	11	19
Total, subsidiaries	**1 153**	**911**	**2 064**	**1 146**	**887**	**2 033**
Total, Group	**1 219**	**993**	**2 212**	**1 209**	**965**	**2 174**

NOTE 13 – SALARIES AND OTHER REMUNERATION

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Salaries and other remuneration	784	746	89	84
Social security expenses	167	169	34	30
Pension expenses – contribution-based plans	39	31	19	23
Pension expenses – defined benefit plans	12	12	–	–
Total	**1 003**	**958**	**142**	**136**

Salaries and other remuneration to senior executives and other employees:

	2016		2015	
SEK m	Salaries and other remunera-tion (of which bonuses)	Pension expenses	Salaries and other remunera-tion (of which bonuses)	Pension expenses
Board, CEO, VPs and other senior executives	29 (2)	6	29 (9)	6
Other employees	755	45	717	37
Group, total	**784**	**51**	**746**	**43**

BOARD FEES AS WELL AS EMPLOYMENT AND TERMINATION TERMS AND CONDITIONS FOR SENIOR EXECUTIVES:
The Group's Board comprises 5 (2015: 5) persons, of whom 60% are men (2015: 60%).

Other senior executives' comprise 9 (2015: 9) individuals, including the CEO, of whom 78% are men (2015: 89%).

At the end of May, Kettil Wedin vacated the position as HR Director and was replaced by Sofie Lindström. In June, Tina Andersson left the position as Director of Business Area Consumer och Corporate Marketing and, in August, was replaced by Anna Lundqvist, who until then had served as temporary Director of Business Area Consumer.

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 6, 2015, 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 schemes. "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 package. Guidelines for remuneration to senior executives, which are proposed for adoption at the 2017 AGM, are in all essential respects the same as those which applied in 2016.

In accordance with a resolution adopted by the AGM on May 3, 2016, the annual fee for the current Chairman of the Board shall remain unchanged at SEK 535,000, while the fee for other directors shall remain unchanged at SEK 285,000 each. In addition, fees for committee work remain unchanged at SEK 60,000 to the Chairman of the Remuneration Committee and SEK 27,500 each to the other members of the Remuneration Committee, as well as SEK 115,000 to the Chairman of the Audit Committee and SEK 54,000 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 amount by which the decided fees stated above were incurred in the 2016 and 2015 financial years.

Remuneration and other benefits during the year:

2016, SEK '000	Basic salary/ Board fee	Pension expense*	Other benefits	Variable remuneration**	Severance compensation	Total
Chairman of the Board – Anders Bülow until May 3, 2016	206	–	–	–	–	206
Chairman of the Board – Magnus Yngen as from May 3, 2016	411	–	–	–	–	411
Director – Pauline Lindwall	334	–	–	–	–	334
Director – Pia Rudengren	400	–	–	–	–	400
Director – Alex Myers	339	–	–	–	–	339
Director – Magnus Yngen until May 3, 2016	115	–	–	–	–	115
Director – Johan Andersson as from May 3, 2016	208	–	–	–	–	208
CEO – Thomas Gustafsson	3 904	1 904	81	–	–	5 889
Other senior executives	11 826	3 842	531	783	–	16 982
Total	**17 742**	**5 746**	**612**	**783**	**0**	**24 884**

* Of the Group's pension expenses above, the entire item relates to the Parent Company.
** The variable remuneration relates to bonuses booked as expenses for the 2016 financial year, which are paid out in 2017.

Remuneration and other benefits during the year:

2015, SEK '000	Basic salary/ Board fee	Pension expense*	Other benefits	Variable remuneration**	Severance compensation	Total
Chairman of the Board – Anders Bülow	603	–	–	–		603
Director – Pauline Lindwall	305	–	–	–		305
Director – Pia Rudengren	391	–	–	–		391
Director – Alex Myers	331	–	–	–		331
Director – Magnus Yngen	331	–	–	–		331
CEO – Thomas Gustafsson	3 782	1 878	66	1 483		7 209
Other senior executives	13 784	3 972	569	4 595	2 667	25 587
Total	**19 532**	**5 850**	**635**	**6 078**	**2 667**	**34 763**

* Of the Group's pension expenses above, SEK 5 m relate to the Parent Company.
** The variable remuneration relates to bonuses booked as expenses for the 2015 financial year, which were paid out in 2016.

BONUS
The CEO and all senior executives are included in a bonus system based on profitability and capital tie-up targets, primarily with respect to their individual operational area, but also Group targets. For the CEO , the variable remuneration is capped at 75% (2015: 55%) of basic salary. For other senior executives, the variable remuneration is capped at between 75% – 45% (2015: 55% – 45%) of basic salary. The bonus system covers only one year each time following a decision by the Board of Directors. For the 2016 financial year, a bonus of SEK 0 m (2015: SEK 1.5 m) was paid to the CEO.

PENSIONS
CEO
The CEO has an agreed retirement age of 65 and is covered by Duni's pension policy for salaried employees with a position within group management, with the supplement that Duni also pays to the alternative ITP solution an amount corresponding to 35% of pension-base income in excess of 7.5 income base amounts. The pension-qualifying amount also includes the three-year average of paid bonuses. The pension expense corresponds to the costs for a defined contribution plan. The occupational pension provision is fully tax-deductible for Duni. There are no other outstanding pension obligations to the CEO.

Other senior executives
The other senior executives have defined contribution plans. Two of them have a share in a pension plan which was closed some time ago and in which no new vesting takes place. "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.

Other senior executives

The majority of the other senior executives have employment contracts which are terminable on six months' notice, by either the Company or the executive. In the case of termination by the Company, the executive is entitled to severance compensation equal to six monthly salaries, which is included in the basis for pension computation. In the case of one executive, the employment is terminable by the executive on six months' notice and by the Company on twelve months' notice, without severance compensation.

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. 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.

Duni's 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 scheme within Duni. In 2016, the Remuneration Committee held four meetings at which minutes were taken.

NOTE 14 – OTHER OPERATING INCOME

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Exchange rate gains	6	2	1	–
Administrative services	–	–	255	236
Capital gains	1	–	–	–
Other items	3	11	0	9
Total other operating income	**10**	**13**	**256**	**244**

All operating income relates to continuing operations.

NOTE 15 – OTHER OPERATING EXPENSES

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Exchange rate losses	–	–	–	2
Depreciation/amortization	29	27	100	100
Administrative services	–	–	51	58
Other items	13	11	0	5
Total other operating expenses	**43**	**37**	**151**	**164**

All operating expenses relate to continuing operations.

NOTE 16 – NET EXCHANGE RATE DIFFERENCES

Exchange rate differences have been reported in the income statement as follows:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Operating income				
Change in fair value – currency derivatives	0	0	0	0
Other exchange rate differences in operating income	5	2	1	-2
Total exchange rate differences in operating income	**5**	**2**	**1**	**-2**
Financial items				
Change in fair value – currency derivatives	–	–	–	–
Exchange rate differences in financial items	-4	-17	-5	-9
Total exchange rate differences in financial items	**-4**	**-17**	**-5**	**-9**
Total net exchange rate differences in income statement	**1**	**-15**	**-4**	**-11**

All exchange rate differences relate to continuing operations.

NOTE 17 – INCOME FROM FINANCIAL ITEMS

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Financial income				
Interest income, external investments	1	2	1	1
Interest income, Group companies	–	–	24	31
Total financial income	**1**	**2**	**25**	**32**
Financial expenses				
Interest expenses, external loans	-7	-8	-6	-7
Interest expenses, pensions	-6	-5	-5	-4
Interest expenses, Group companies	–	–	0	0
Interest expenses, interest rate swaps	-3	-2	-3	-2
Change in fair value, currency forwards	-4	-17	-5	-9
Other financial expenses	-2	-1	-2	-3
Total financial expenses	**-23**	**-33**	**-22**	**-25**

The interest portion in the year's expenses is reported among interest expenses. The rate of interest used in the Parent Company is 4.0% (2015: 3.7%) set by PRI, 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 159 m (2015: SEK 127 m). Received group contributions amounted to SEK 115 m (2015: SEK 72 m).

NOTE 19 – INCOME TAX

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Current tax for the year	-72	-81	0	0
Current tax attributable to previous years	0	2	–	0
Deferred tax attributable to previous years	0	-3	–	0
Deferred tax	-35	-32	-35	-27
Tax on net income for the year	**-107**	**-114**	**-35**	**-27**
Of which discontinued operations	–	-1	–	–
Continuing operations	**-107**	**-113**	**-35**	**-27**

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

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Deferred tax, internal profit on inventories	0	1	–	–
Deferred tax, untaxed reserves	-4	-5	–	–
Deferred tax, appraised loss carry-forwards	-36	-29	-36	-27
Deferred tax, other	4	-2	1	0
Total deferred tax	**-35**	**-35**	**-35**	**-27**

The tax attributable to components in other comprehensive income amounts to SEK -8 m (2015: SEK -4 m), most of which comprises tax on reappraisal of the net pension obligation.

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 income in the consolidated companies in accordance with the following:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Reported income before tax, continuing operations	441	459	214	148
Tax according to applicable tax rate	-108	-113	-47	-33
Tax effect of non-deductible expenses	-3	-1	-23	-23
Tax effect of non-taxable income	4	1	35	28
Effect of foreign tax rates	0	0	0	0
Tax income/expenses due to changed tax rate	0	0	–	0
Adjustments relating to previous years	0	-1	–	0
Tax on net income for the year in accordance with the income statement, continuing operations	**-107**	**-113**	**-35**	**-27**

TAX RATE

The weighted average tax rate in the Group amounted to 24.5% (2015: 24.6%). The Parent Company's applicable income tax rate is 22% (2015: 22%).

TEMPORARY DIFFERENCES

Temporary differences arise 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, Group	Loss carry-forwards	Internal profit	Pensions	Structural expenses	Other*	Total
Per December 31, 2014	**86**	**0**	**25**	**11**	**16**	**139**
Reported in income statement	-29	1	–	-5	-6	-39
Effect of changed tax rates reported in the income statement	–	–	–	–	–	0
Reported in other comprehensive income	–	–	-4	–	–	-4
Exchange rate differences	0	–	–	–	0	0
Per December 31, 2015	**57**	**1**	**21**	**6**	**10**	**96**
Reported in income statement	-36	0	–	-1	-1	-38
Effect of changed tax rates reported in the income statement	–	–	–	–	–	0
Reported in other comprehensive income	–	–	8	–	–	8
Acquired tax asset	–	–	–	–	0	0
Exchange rate differences	-2	–	–	–	2	0
Per December 31, 2016	**19**	**0**	**29**	**5**	**11**	**65**

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

As regards the valuation of loss carry-forwards, see Note 4.1. It is the management's assessment that it will be possible to utilize the loss carry-forwards.

Deferred tax liabilities

SEK m, Group	Untaxed reserves	Intangible assets	Other	Total
Per December 31, 2014	**27**	**76**	**19**	**122**
Reported in income statement	5	−10	2	-3
Effect of changed tax rates reported in the income statement	–	–	–	0
Acquired tax liability	–	–	–	0
Exchange rate differences	–	0	-1	-1
Per December 31, 2015	**32**	**66**	**19**	**117**
Reported in income statement	4	-8	1	-3
Effect of changed tax rates reported in the income statement	–	–	–	0
Acquired tax liability	–	9	0	9
Exchange rate differences	–	3	0	3
Per December 31, 2016	**36**	**70**	**20**	**126**

"Intangible assets" refers to deferred tax on acquired customer relations. "Other" refers, among other thing, to deferred tax on differences between carrying amounts and value according to plan of fixed assets.

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*	Structural expenses	Financial instruments	Total	Financial instruments
Per December 31, 2014	**82**	**6**	**0**	**87**	**0**
Reported in income statement	-27	0	0	-27	–
Reported in other comprehensive income	–	–	–	0	–
Exchange rate differences	0	–	–	0	–
Per December 31, 2015	**54**	**6**	**0**	**60**	**0**
Reported in income statement	-36	-1	2	-35	0
Reported in other comprehensive income	–	–	–	0	–
Exchange rate differences	0		–	0	–
Per December 31, 2016	**18**	**4**	**2**	**24**	**0**

* All loss carry-forwards in the Parent Company are perpetual.

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	2016	2015	2016	2015
Deferred tax assets				
Utilized after more than 12 months	30	65	0	30
Utilized within 12 months	35	31	24	30
Total	**65**	**96**	**24**	**60**
Deferred tax liabilities				
Utilized after more than 12 months	96	107	–	–
Utilized within 12 months	30	10	–	–
Total	**126**	**117**	**0**	**0**

The net change regarding deferred taxes is as follows:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Opening balance	**-21**	**17**	**60**	**87**
Reported in income statement	-35	-36	-35	-27
Effect of changed tax rates reported in the income statement	–	–	–	–
Reported in other comprehensive income	8	-4	–	–
Acquired tax liability	-9	–	–	–
Exchange rate differences	-3	1	0	0
Closing balance	**-61**	**-21**	**24**	**60**

NOTE 20 – SHARE CAPITAL, EARNINGS PER SHARE AND APPROPRIATION OF PROFIT

On December 31, 2016, the share capital comprised 46,999,032 (2015: 46,999,032) shares. Each share carries an entitlement to one vote. All shares registered on the balance sheet date are fully paid-up. On December 31, 2016, the quotient value of the shares was SEK 1.25 per share.

A specification of changes in 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 shares in the 2016 and 2015 financial years.

EARNINGS PER SHARE FOR CONTINUING OPERATIONS, BEFORE AND AFTER DILUTION

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

	2016	2015
Income attributable to the equity holders of the Parent Company (SEK m)	332	346
Weighted average number of outstanding shares of common stock (thousands)	46 999	46 999
Earnings per share, before and after dilution (SEK per share)	**7.06**	**7.37**

EARNINGS PER SHARE FOR DISCONTINUED OPERATIONS, BEFORE AND AFTER DILUTION

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

	2016	2015
Income attributable to the equity holders of the Parent Company (SEK m)	0	4
Weighted average number of outstanding shares of common stock (thousands)	46 999	46 999
Earnings per share, before and after dilution (SEK per share)	**0.00**	**0.09**
Duni, total	**7.06**	**7.45**

APPROPRIATION OF PROFIT

The following profit is at the disposal of the Annual General Meeting:

Retained earnings	1 482 977 676
Income for the year	178 304 100
SEK	**1 661 281 776**

The Board of Directors proposes that profit be appropriated as follows:

Dividend to the shareholders of SEK 5.00 per share, in total	234 995 160
Carried forward	1 426 286 616
SEK	**1 661 281 776**

NOTE 21 – INTANGIBLE ASSETS

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Goodwill				
Acquisition values				
Opening acquisition values	1 455	1 463	2 053	2 053
Investments	–	–	–	–
Increase through business acquisitions	104	1	–	–
Sales and disposals	–	–	–	–
Translation differences	18	-8	–	–
Closing accumulated acquisition values	**1 577**	**1 455**	**2 053**	**2 053**
Amortization				
Opening accumulated amortization	–	–	-1 953	-1 853
Amortization for the year	–	–	-100	-100
Sales and disposals	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated amortization	**0**	**0**	**-2 053**	**-1 953**
Closing book value	**1 577**	**1 455**	**0**	**100**

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Other intangible fixed assets, customer relations				
Acquisition values				
Opening acquisition values	261	271	–	–
Investments	–	–	–	–
Increase through business acquisitions	46	–	–	–
Sales and disposals	–	–	–	–
Translation differences	15	-10	–	–
Closing accumulated acquisition values	**322**	**261**	**0**	**0**
Amortization				
Opening accumulated amortization	-41	-15	–	–
Amortization for the year	-29	-27	–	–
Sales and disposals	–	–	–	–
Reclassifications	–	–	–	–
Translation differences	-2	1	–	–
Closing accumulated amortization	**-72**	**-41**	**0**	**0**
Closing book value	**250**	**221**	**0**	**0**

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Trademarks and licenses				
Acquisition values				
Opening acquisition values	64	61	53	50
Investments	1	1	–	–
Increase through business acquisitions	1	–	–	–
Sales and disposals	–	-3	–	-3
Reclassifications	-14	6	-19	6
Translation differences	1	0	–	–
Closing accumulated acquisition values	**52**	**64**	**34**	**53**
Amortization				
Opening accumulated amortization	-48	-47	-43	-44
Amortization for the year	-7	-5	-3	-2
Business acquisitions	0	–	–	–
Sales and disposals	–	3	–	3
Reclassifications	17	0	21	–
Translation differences	-1	0	–	–
Closing accumulated amortization	**-39**	**-48**	**-25**	**-43**
Closing book value	**14**	**16**	**9**	**10**

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Capitalized development expenditures				
Acquisition values				
Opening acquisition values	151	146	118	113
Investments	12	1	11	–
Increase through business acquisitions	–	–	–	–
Decrease through divestment	0	0	–	–
Sales and disposals	-23	-4	-23	-4
Reclassifications	19	9	24	9
Translation differences	1	-2	–	–
Closing accumulated acquisition values	**160**	**151**	**130**	**118**
Amortization				
Opening accumulated amortization	-113	-102	-96	-86
Amortization for the year	-12	-13	-9	-10
Increase through divestment	0	0	–	–
Sales and disposals	23	1	23	1
Reclassifications	-16	–	-21	–
Translation differences	-1	1	–	–
Closing accumulated amortization	**-120**	**-113**	**-103**	**-96**
Impairment				
Opening accumulated impairment	0	-3	0	-3
Impairment for the year	–	–	–	–
Disposals	–	3	–	3
Translation differences	–	–	–	–
Closing accumulated impairment	**0**	**0**	**0**	**0**
Closing book value	**40**	**38**	**27**	**22**
Intangible assets, total	**1 881**	**1 730**	**36**	**132**

In 2005, the EU introduced an emission rights system as a method for restricting carbon dioxide emissions. For the period 2013 up to and including 2020, Rexcell Tissue & Airlaid AB has been allocated a total of 166,246 tonnes. The allocation for 2016 is 2,196 tonnes for Dals Långed and 18,794 tonnes for Skåpafors. The total allocation is gradually diminishing each year until, in 2020, the allocation of emission rights will correspond to 2,027 tonnes/year for Dals Långed and 17,349 tonnes/year for Skåpafors. The production plant in Dals Långed is dormant and, when no production takes place, no emission rights are utilized. The allocation of emission rights by the County Administrative Board will be dormant as from 2017, but can be resumed up to 2020 upon application. In total, 11,367 tonnes were consumed in Skåpafors in 2016, compared with 11,700 tonnes in 2015. Received emission rights are reported as intangible assets booked at an acquisition value of zero.

TEST FOR IMPAIRMENT OF GOODWILL

Tests for impairment of goodwill were carried out at the end of the financial years on December 31, 2016 and December 31, 2015. With the implementation of IFRS, allocation of the Group's goodwill items has taken place through allocation ratios; see Note 4.2.

In 2016, Terinex Siam in Thailand was acquired with an acquisition goodwill of SEK 104 m. In 2014, Duni acquired Paper+Design Group, giving rise to an acquisition goodwill of SEK 197 m. During 2013, Duni acquired the assets of Song Seng Associates Pte Ltd, giving rise to an acquisition goodwill of SEK 50 m. For more information, see previous annual reports.

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

SEK m	2016	2015
Table Top	1 199	1 199
Consumer	209	199
New Markets	169	58
Total	**1 577**	**1 455**

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.

The table below shows the rate of growth (on average) used in the calculation for each business area:

Growth rate	Year 1	Years 2–5	Beyond the forecast period
Table Top	4%	2%	1%
Consumer	0%	3%	1%
New Markets	2%	3%	1%

Important assumptions which are used for calculations of use values are primarily profit margin, growth rate and a nominal discount rate of 7.4% – 10.4%, with the lower percentage rate being applied to the Table Top business area (2015: 8.1% – 10.9%). 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	2016	2015	2016	2015
Buildings				
Acquisition values				
Opening acquisition values	371	368	120	120
Investments	9	11	–	–
Increase through business acquisitions	13	–	–	–
Sales and disposals	0	-2	–	–
Reclassifications	3	4	–	–
Translation differences	11	-10	–	–
Closing accumulated acquisition values	**407**	**371**	**120**	**120**
Depreciation				
Opening accumulated depreciation	-135	-126	-103	-102
Depreciation for the year	-11	-10	-1	0
Business acquisitions	-4	–	–	–
Sales and disposals	0	0	–	–
Reclassifications	0	0	–	–
Translation differences	-1	1	–	–
Closing accumulated depreciation	**-151**	**-135**	**-103**	**-103**
Impairment				
Opening accumulated impairment	-8	-16	-8	-16
Impairment for the year	–	–	–	–
Reversal of impairment	–	8	–	8
Translation differences	–	–	–	–
Closing accumulated impairment	**-8**	**-8**	**-8**	**-8**
Closing book value	**248**	**228**	**8**	**9**

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Land and land improvements				
Acquisition values				
Opening acquisition values	50	49	2	2
Investments	0	2	–	–
Increase through business acquisitions	10	–	–	–
Sales and disposals	–	–	–	–
Reclassifications	-1	–	–	–
Translation differences	2	-1	–	–
Closing accumulated acquisition values	**60**	**50**	**2**	**2**
Write-ups				
Opening accumulated write-ups	0	–	12	12
Closing accumulated write-ups	**0**	**0**	**12**	**12**
Impairment				
Opening accumulated impairment	-9	–	-9	–
Impairment for the year	–	-9	–	-9
Reversal of impairment	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated impairment	**-9**	**-9**	**-9**	**-9**
Closing book value	**51**	**40**	**5**	**5**
Buildings, land and land improvements	**299**	**268**	**13**	**14**

Duni has no buildings under financial leasing.

NOTE 23 – MACHINERY AND OTHER TECHNICAL EQUIPMENT

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Acquisition values				
Opening acquisition values	1 638	1 627	53	50
Investments	16	23	2	1
Increase through business acquisitions	13	–	–	–
Sales and disposals	-16	-14	-6	0
Reclassifications	126	35	1	2
Translation differences	32	-33	–	–
Closing accumulated acquisition values	**1 807**	**1 638**	**49**	**53**
Depreciation				
Opening accumulated depreciation	-1 174	-1 126	-42	-38
Depreciation for the year	-79	-79	-3	-3
Business acquisitions	-11	–	–	–
Sales and disposals	14	8	6	0
Reclassifications	-6	–	–	–
Translation differences	-23	23	–	–
Closing accumulated depreciation	**-1 279**	**-1 174**	**-39**	**-42**
Impairment				
Opening accumulated impairment	-42	-45	-3	–
Impairment of the year	–	-2	–	-3
Reversal of impairment	–	5	–	–
Reclassification	28	–	–	–
Translation differences	0	0	–	–
Closing accumulated impairment	**-14**	**-42**	**-3**	**-3**
Closing book value	**514**	**422**	**8**	**8**

Machinery and other technical equipment under financial leasing are included in the above table for the Group in the amount of SEK 5 m (2015: SEK 5 m) in acquisition value and SEK 2 m (2015: 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	2016	2015	2016	2015
Acquisition values				
Opening acquisition values	296	291	23	23
Investments	19	19	0	0
Increase through business acquisitions	3	–	–	–
Decrease through divestments	–	0	–	–
Sales and disposals	-5	-6	-4	-2
Reclassifications	-5	3	1	2
Translation differences	12	-11	–	–
Closing accumulated acquisition values	**320**	**296**	**21**	**23**
Depreciation				
Opening accumulated depreciation	-228	-220	-21	-21
Depreciation for the year	-21	-22	-1	-2
Business acquisitions	-2	–	–	–
Sales and disposals	5	5	4	2
Increase through divestment	–	0	–	–
Reclassifications	9	0	–	–
Translation differences	-9	9	–	–
Closing accumulated depreciation	**-246**	**-228**	**-18**	**-21**
Closing book value	**74**	**68**	**2**	**3**

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

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Acquisition values				
Opening acquisition values	119	69	6	3
Investments	122	108	3	22
Increase through business acquisitions	1	0	–	–
Decrease through divestments	0	0	–	–
Sales	0	0	–	-1
Reclassifications	-159	-57	-7	-19
Translation differences	1	-1	–	–
Closing accumulated acquisition values	**84**	**119**	**1**	**6**
Impairment				
Opening accumulated impairment	-20	-21	0	-1
Impairment for the year	–	–	–	–
Disposal of write-downs	–	1	–	1
Translation differences	–	–	–	–
Closing accumulated impairment	**-20**	**-20**	**0**	**0**
Closing book value	**64**	**99**	**1**	**6**

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
					81 440
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	Copenhagen, DK		(100)	(€ 1 377)
– Duni AS	962346057	Oslo, NO		(100)	(€ 370)
– Duni OY	0864585-8	Helsinki, FI		(100)	(€ 1 578)
– Duni Holding Asia & Pacific Pte Ltd.	201316245E	Singapore, SG		(100)	(€ 62)
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	8 818
Duni AG	212544	Rotkreutz, CH	400	100	578
Duni RUS LLC	7816110025	Moscow, RU	100	100	11
Duni Beteiligungsgesellschaft GmbH	Osnabrück HRB 20099	Bramsche, DE	1	100	3 076
Paper+Design Beteiligungsgesellschaft GmbH	Chemnitz HRB 26488	Wolkenstein, DE	1	100	226
– Paper+Design GmbH Tabletop	Chemnitz HRB 16943	Wolkenstein, DE		(100)	(€ 16 787)
– Flexogravur GmbH	Chemnitz HRB 19951	Wolkenstein, DE		(100)	(€ 1 058)
Duni (Thai) Holding Co., Ltd	115559011231	Bangkok, TH	588 000	49	98 757
Terinex Siam Co., Ltd	105531017277	Bangkok, TH	983 280	60*	19 150
Duni Inc.	36-4846862	Dover, Delaware, US	100	100	0
					802 101
Participations in Group companies					**883 541**

* Terinex Siam is 49% directly owned by Duni AB and 11% indirectly owned through Duni (Thai) Holding.

	Parent Company	
SEK '000	2016	2015
Opening value, participations in Group companies	765 634	772 077
Investments for the year	117 907	–
Shareholders' contributions	–	–
Repayment of shareholders' contributions	–	-6 443
Divestments for the year	–	–
Impairment for the year	–	–
Closing value, participations in Group companies	**883 541**	**765 634**

NOTE 27 – OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Loan claims	2	2	0	0
Financial receivables from Group companies	–	–	1 484	1 436
Total other long-term receivables	**2**	**2**	**1 484**	**1 436**

Loan claims are valued at amortized cost. 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	2016	2015	2016	2015
Accounts receivable	730	660	103	91
Receivables from Group companies	–	–	51	52
Other receivables	80	79	21	19
Current financial receivables, internal	–	–	121	65
Total accounts receivable and other receivables	**810**	**739**	**296**	**227**

Regarding credit risks and exposures, see Note 3.1.2.

Other receivables above relate to:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Receivables from suppliers	6	11	–	–
VAT claims	32	45	21	19
Factoring	8	7	–	–
Other receivables	33	16	0	0
Total other receivables	**80**	**79**	**21**	**19**

Credit exposure:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Accounts receivable neither due nor impaired	673	601	102	89
Accounts receivable due but not impaired	58	56	2	3
Impaired accounts receivable	23	21	3	1
Provision for bad debts	-23	-18	-3	-1
Total accounts receivable	**730**	**660**	**103**	**91**

The credit risk associated with accounts receivable that are neither due nor impaired is not considered to be large. 40% (2015: 41%) of total accounts receivable that are neither due nor 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 4.3% (2015: 4.9%) of the total accounts receivable that are neither due nor impaired.

Ageing of accounts receivable overdue but not impaired:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Less than 1 month	47	44	0	1
1–3 months	11	12	1	1
3–6 months	0	0	0	0
More than 6 months	0	0	0	0
Total	**58**	**56**	**2**	**3**

On December 31, 2016, provisions for bad debts amounted to SEK 23 m (2015: SEK 24 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.

Ageing of impaired accounts receivable:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Less than 3 months	4	1	1	–
3–6 months	4	5	1	–
More than 6 months	15	15	1	1
Total	**23**	**21**	**3**	**1**

Specification of bad debt provisions:

	Group		Parent Company	
SEK m	2016	2015	2016	2015
At the beginning of year	18	23	1	1
Provisions for bad debts	10	6	2	0
Claims written-off during the year	-1	-1	0	0
Reversed non-utilized amount	-5	-9	0	0
Exchange rate differences	1	0	–	–
At year-end	**23**	**18**	**3**	**1**

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 a write-down exists.

The maximum exposure to 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	2016	2015	2016	2015
SEK	28	32	28	31
EUR	492	438	19	15
GBP	71	79	–	–
DKK	33	28	33	28
NOK	23	17	23	17
PLN	19	20	0	0
Other currencies*	63	46	0	0
Total	**730**	**660**	**103**	**91**

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

NOTE 29 – DERIVATIVE INSTRUMENTS

	2016		2015	
SEK m	Asset	Liability	Asset	Liability
Interest rate swaps – cash flow hedge	0	8	–	7
Currency forward contracts	1	12	4	0
Total reported in the balance sheet	**1**	**20**	**4**	**7**
Financial instruments covered by set-off master agreement	0		0	
Total after taking into consideration set-off master agreement	**1**		**4**	

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 with respect to currency forward contracts are reported in the income statement, whereas changes in the value of interest rate swaps are reported in "Other comprehensive income". The subsidiary's figures correspond to those of the Group.

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 +/-six 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, 2016 are EUR 40 m. Profits and losses on interest rate swaps as per December 31, 2016, which are reported in the hedging reserve in 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 exchange rate movements 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	
	2016	2015
Currency forward contracts for financial assets and liabilities	3	1

At the end of the period, the market value of these forward contracts was SEK -11 m (2015: SEK 3 m) .

NOTE 30 – PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Prepaid rent	3	3	1	1
Prepaid leasing charges	1	0	–	–
Prepaid insurance	6	7	0	2
Prepaid pensions	5	5	4	4
Prepaid catalogue expenses	8	4	3	2
Other items	8	15	5	5
Total prepaid expenses and accrued income	**30**	**33**	**13**	**15**

NOTE 31 – BORROWING

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Long-term				
Bank loans	659	537	659	537
Overdraft facility	14	12	0	0
Total long-term borrowing	**673**	**549**	**659**	**537**

The outstanding loan facility matures in April 2018; however, periodic maturity (so-called rolling of drawn loans) takes place regularly. The average rate of interest on bank loans was 0.46% per year (2015: 0.84% 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 is as follows:

SEK m	2016	2015
6 months or less	0	0
6-12 months	0	0
More than one year	659	537
Total	**659**	**537**

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 December 31, 2016 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 bank loans and overdrafts facility, amounting to SEK 673 m (2015: SEK 549 m) , carry variable interest which is determined in conjunction with each new 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.

	2016		2015	
SEK m	Reported value	Nominal value	Reported value	Nominal value
Bank loans	659	659	537	537
Overdraft facility	14	14	12	12
Leasing	3	3	3	3
Total	**676**	**676**	**552**	**552**

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

SEK m	2016	2015
EUR	662	540
Other currencies	14	12
Total	**676**	**552**

BANK LOANS

Duni has a revolving credit facility in a nominal amount of EUR 130 m which extends until April 2018. Duni also has an EUR 20 m credit facility which extends until May 2018. The interest rate is variable and set at EURIBOR plus a margin, until the next rolling.

OVERDRAFT FACILITY

On behalf of the Group, the Parent Company has arranged an overdraft facility in a nominal amount of SEK 89 m. As per December 31, 2016, the amount drawn was SEK 14 m.

NOTE 32 – CLASSIFICATION OF INSTRUMENTS

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Assets				
Non-financial assets				
Tangible and intangible fixed assets	2 832	2 587	60	162
Deferred tax assets	65	96	24	60
Other financial fixed assets	–	–	884	766
Inventories	548	500	96	82
Prepaid expenses and accrued income	30	33	14	15
Total non-financial assets	**3 475**	**3 216**	**1 078**	**1 085**
Loan receivables and accounts receivable				
Other long-term receivables	2	2	0	0
Accounts receivable	730	660	103	91
Tax assets	14	15	5	5
Other receivables	80	79	21	19
Receivables from Group companies	–	–	1 656	1 553
Cash and cash equivalents/Cash and bank balances	186	203	119	144
Total loan receivables and accounts receivable	**1 012**	**958**	**1 904**	**1 812**
Total assets at fair value through profit or loss				
Derivative instruments	1	4	1	4
Total assets at fair value through profit or loss	**1**	**4**	**1**	**4**
Total assets	**4 487**	**4 178**	**2 983**	**2 901**

Duni has no assets which are classified as "Derivative instruments to use for hedging" and "Held for trading".

SEK m	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Liabilities				
Non-financial liabilities				
Deferred tax liability	126	117	–	–
Pension provisions	268	236	100	104
Allocation to restructuring reserve	12	10	6	3
Total non-financial liabilities	**406**	**363**	**106**	**107**
Liabilities at amortized cost				
Overdraft facility	14	12	0	0
Bank loans	659	537	659	537
Accounts payable	373	352	64	62
Tax liabilities	25	66	–	–
Other liabilities	81	89	15	11
Liabilities to Group companies	–	–	305	292
Accrued expenses and deferred income	423	406	70	82
Total liabilities at amortized cost	**1 575**	**1 462**	**1 113**	**984**
Derivative instruments used for hedging purposes				
Derivative instruments	8	7	8	7
Total derivative instruments used for hedging purposes	**8**	**7**	**8**	**7**
Liabilities valued at fair value through profit or loss				
Derivative instruments	12	0	12	0
Total liabilities at fair value through profit or loss	**12**	**0**	**12**	**0**
Total liabilities	**2 001**	**1 832**	**1 239**	**1 099**

NOTE 33 – PENSION OBLIGATIONS

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 to the employees. Within the Group, there are also a number of benefit-based plans under which employees are guaranteed a pension corresponding to a percentage of salary.

Provisions for pensions and similar obligations:

SEK m	Group 2016	Group 2015
Defined benefit plans	268	236

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 of employment. The largest plans relate to Sweden, Germany, the UK, the Netherlands and Belgium. The plans in the UK and the Netherlands 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 applicable to the relationship between the Group and the manager (or equivalent) of the foundation's plan assets and the composition of plan assets in terms of different types of assets.

Commencing January 1, 2013, Duni applies the revised IAS 19 Employee Benefits (IAS19R). Consequently, previously non-reported actuarial losses are reported at the time of transition and actuarial gains and losses which arise in the future will be reported in "Other comprehensive income".

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 Swedish Financial Reporting Board, URF 3, this is a defined benefit plan covering 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 ITP2, which is secured through insurance with Alecta, is thus reported as a defined contribution plan. The premium for the defined benefit retirement and family pension is calculated on an individual basis and depends, among other things, on salary, previously earned pension entitlement, and expected remaining period of employment. Expected fees for the next reporting period for ITP2 policies taken out with Alecta amount to SEK 3 m (2015: SEK 3 m).

Alecta's surplus may be divided among the policyholders and/or the insured. As per December 31, 2016, Alecta's surplus in the form of the collective funding level amounted to 149% (2015: 153%). 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:

SEK m	Defined benefit plans 2016	Defined benefit plans 2015
Present value of funded obligations	318	276
Fair value of plan assets	-234	-211
Present value of non-funded obligations	184	171
Net debt in the balance sheet	**268**	**236**

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

SEK m	2016	2015
Costs relating to employment during the current year	-7	-7
Interest expenses	-12	-12
Interest income	7	7
Total pension expenses regarding defined benefit plans	**-12**	**-12**
Pension expenses for the year regarding defined contribution plans	-39	-31
Total pension expenses for the year, included in personnel expenses (Note 13)	**-51**	**-43**
The year's reappraisal of pension plans reported in "Other comprehensive income"	**-30**	**10**

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

	Defined benefit plans	
SEK m	2016	2015
Operating income	-7	-7
Financial net	-5	-5
Total expenses from defined benefit plans in the income statement	**-12**	**-12**

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

	Defined benefit plans	
SEK m	2016	2015
At beginning of year	447	477
Employment expenses during current year	7	7
Interest expenses	12	12
Reappraisals, losses (+)/gains (-) as a consequence of experience-based adjustments of defined benefit obligations	0	-3
Reappraisals, losses (+)/gains (-) as a consequence of changed demographic assumptions	1	-2
Reappraisals, losses (+)/gains (-) as a consequence of changed financial assumptions	60	-16
Exchange rate differences	-6	-4
Disbursed benefits	-20	-26
Settlements	–	2
At year-end	**502**	**447**

Reappraisals entail gains/losses as a consequence of changed demographic assumptions, financial assumptions and experience-based gains/losses.

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

SEK m	2016	2015
At beginning of year	-211	-211
Anticipated return on plan assets	-7	-7
Reappraisals, losses (+)/gains (-) as a consequence of experience-based adjustments of plan assets	-20	3
Exchange rate differences	8	2
Employer's contributions	-8	-9
Employees' contributions	-1	-1
Disbursed benefits	5	12
Settlements	0	0
At year-end	**-234**	**-211**
Experience-based adjustments of plan assets	**-20**	**3**

The plan assets are located primarily in the UK and the Netherlands. In the Netherlands and Germany, funding consists primarily of insurance contracts which provide a guaranteed annual return with a possibility of a bonus decided on annually by the insurance company. In the UK, 81% (78%) of the plan assets are invested in equity instruments, 10% (7%) in bonds, and 9% (15%) in real estate. The assumed return on the plan assets is stated as the guaranteed return plus the anticipated bonus.

Contributions to defined benefit plans are expected to be on the same level as in 2016.

The weighted average term for pension obligations is 17.1 years.

Actuarial assumptions on the balance sheet date:

	Sweden	Germany	UK	The Netherlands	Belgium
Discount rate	2.2% (2.9)	1.4% (1.8)	2.7% (3.9)	1.9% (2.2)	1.5% (2.2)
Expected return on plan assets	–	1.4% (1.8)	2.7% (3.9)	1.9% (2.2)	1.5% (2.2)
Future annual salary increases	–	–	4.1% (4.0)	2.4% (2.5)	2.8% (2.8)
Future annual pension increases	1.65% (1.45)	1.75% (1.75)	3.35% (3.25)	0.0% (0.0)	0.0% (0.0)
Personnel turnover	–	–	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. The plans in Sweden and Germany are closed and do only have disbursements.

Through its defined benefit pension plan, Duni is exposed to a number of risks, the most important of which are the following:

Asset volatility: The plan's liabilities are calculated applying a discount rate which is based on corporate bonds. If the plan assets do not achieve a corresponding return, a deficit arises. In the short term, this can result in volatility, but since the liability in the pension plan is long-term in nature, investments in, e.g. equity instruments are appropriate for managing the plan efficiently and obtaining the best return. Duni has no independent control over the way in which plan assets are invested. They are held by foundations whose activities are governed by national regulations and practice.

Changes in the yield on bonds: A reduction in the interest rate paid on corporate bonds will result in an increase in the liabilities in the plans.

Inflation risk: Certain of the plan's obligations are linked to inflation, with high inflation resulting in greater liabilities. Most of the plan assets are either unaffected by inflation (fixed interest on bonds) or have a weak correlation to inflation (equities), entailing that an increase in inflation will also increase the deficit.

Lifespan assumptions: Most of the pension obligations entail that the employees covered by the plan will receive lifelong benefits, and consequently increased lifespan assumptions result in higher pension liabilities. This is particularly important in the Swedish plans, with increases in inflation resulting in greater sensitivity to changes in lifespan assumptions.

Summary per country, 2016:

SEK m	Sweden	Germany	UK	The Netherlands	Belgium	Total
Present value of defined benefit obligations	156	55	156	129	6	502
Fair value of plan assets	–	-1	-127	-102	-4	-234
The defined benefit pension plans, per country	**156**	**54**	**29**	**27**	**2**	**268**

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

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.5%	Decrease by 8.1%	Increase by 9.2%

The senstivity analyisis of DBO relates to the entire Group.
If the expected lifespan in the Swedish pension plan were to increase by 1 year from the assumption, the Swedish pension plan would increase by 5.6%.
If the pension increases in the Swedish pension plan were to increase by 0.5% from the assumption, the Swedish pension plan would increase by 6.5%.
If the pension increases in the Swedish pension plan were to decrease by 0.5% from the assumption, the Swedish pension plan would decrease by 6.0%.
The sensitivity analysis assumes that all other assumptions are unchanged.

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

	Parent Company	
SEK m	2016	2015
FPG/PRI pensions	100	104
Liability in the balance sheet	**100**	**104**

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

SEK m	2016	2015
Earned during the year	0	0
Interest expenses	-5	-4
Pension expenses for the year	**-5**	**-4**

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

SEK m	2016	2015
At the beginning of the year	104	107
Net expenses reported in the income statement	5	4
Disbursed benefits	-8	-8
Settlements	0	0
At year-end	**100**	**104**

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

NOTE 34 – ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Accrued personnel expenses	116	130	27	36
Accrued interest expenses	0	0	0	0
Accrued expenses, invoices	81	78	18	23
Accrued liabilities to customers	201	174	19	20
Other items	24	25	5	3
Total accrued liabilities and deferred income	**423**	**406**	**70**	**82**

NOTE 35 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS

The Group and the Parent company had no pledged assets in 2016 or 2015.

Contingent liabilities

	Group		Parent Company	
SEK m	2016	2015	2016	2015
Guarantees	74	76	71	74
FPG/PRI	3	3	3	2
Total contingent liabilities	**77**	**79**	**73**	**76**

Of the guarantees in the Parent Company, SEK 59 m (2015: SEK 64 m) are pledged the benefit of group companies. Guarantees in the Parent Company, relating primarily to local customs departments, amount to SEK 14 m (2015: SEK 10 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 fulfil 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. Discussions are taking place with responsible authorities concerning allocation of responsibility and technical investigation of suspected past soil contamination on a property owned by Duni AB.

Through an amalgamated company which is no longer owned by the Group, Duni AB became a party to a preliminary investigation concerning suspected past soil contamination. A technical investigation has been completed and a decision has also been received from the authorities to the effect that Duni does not bear the risk.

No significant liabilities are expected to arise 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	2016	2015	2016	2015
Depreciation/amortization	160	158	117	118
Impairment, inventories	–	–	-4	2
Restructuring	-15	6	3	2
Pension provisions	-1	-18	4	4
Change in value, derivatives	0	0	–	–
Other	-3	3	-2	3
Discontinued operations	–	0	–	–
Total	**141**	**149**	**118**	**129**

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 lengths 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	2016	2015	2016	2015
Payable within one year	60	55	19	9
Payable later than one but within five years	130	119	12	9
Payable later than five years	61	14	–	–
Total	**251**	**188**	**31**	**18**
Of which leasing agreements signed during the year	42	34	10	15

Total expenses relating to operational leasing agreements during the year amount to SEK 72 m (2015: SEK 77 m) in the Group and SEK 22 m (2015: SEK 22 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	2016	2015	2016	2015
Payable within one year	1	2	–	–
Payable later than one but within five years	6	6	–	–
Payable later than five years	6	0	–	–
Total	**13**	**9**	**0**	**0**
Present value of future leasing charges	13	9	0	0

NOTE 38 – ACQUISITIONS

On August 17, 2016, Duni acquired 60% of the shares in the Thai company Terinex Siam Co. Ltd., a market leading manufacturer and supplier of napkins and single-use products for food. Terinex Siam focuses on the HoReCa market in Southeast Asia, with key markets primarily in Thailand, Singapore and Australia. The product range includes napkins and single-use packaging solutions for food as well coasters and aluminium foil.

Adopted acquisition analysis per December 31, 2016:

Acquired net assets	SEK '000, fair value
Intangible fixed assets	46 355
Tangible fixed assets	23 028
Other long-term receivables	132
Other financial receivables	496
Net deferred tax asset/liability	-9 067
Current tax	-1 995
Inventories	12 069
Accounts receivable	10 382
Other current receivables	1 655
Deferred income and prepaid expenses, net	-1 801
Cash and cash equivalents	10 325
Accounts payable	-1 795
Other short-term liabilities	-5 370
Acquired identifiable net assets	**84 413**
Non-controlling interests	-75 471
Goodwill	104 265
Acquired net assets	**113 207**

Terinex Siam has more than 100 employees within production, logistics and sales. The company is based on the outskirts of Bangkok and, in 2015, reported sales of THB 345 m with an operating margin in excess of 20%. The acquisition has been consolidated in the New Markets business area.

Duni acquired 49% of the shares directly and 11% indirectly via a joint-venture company in Thailand. The purchase price of THB 462 m was paid in cash in connection with the takeover and SEK 113 m was charged to Duni's net debt, which is accommodated within existing loan agreements. Acquisition costs amounting to SEK 5 m have been taken during the year and are reported under the item 'Other operating expenses'. In accordance with RFR2, the Parent Company reports these costs as financial fixed assets.

Duni has chosen to report non-controlling interests at fair value. For more information regarding accounting principles, see Note 2. The fair value of 100% of the net assets amounts to SEK 84 m. Intangible fixed assets primarily consist of customer contracts.

Goodwill corresponds to synergies within purchasing and the fact that Duni now obtains a production plant in Asia. Together with Terinex Siam, Duni will be able to benefit from existing/overlapping distribution channels and jointly develop the product range and customer portfolio. No part of the reported goodwill or intangible fixed assets is expected to be deductible against income tax.

Accounts receivable and other current receivables correspond to the contractual amounts since it is expected that all accounts receivable and other current receivables can be collected.

During the period August 1 – December 31, 2016, Terinex Siam contributed SEK 36 m to the Group's net sales and SEK 5 m to income after tax and amortization on customer relations, but before minority holdings. The minority's share of income amounted to SEK 2 m. Had Terinex Siam been consolidated as from January 1, 2016, Duni's income statement would have shown additional revenues of SEK 47 m and SEK 5 m in income after tax and amortization on customer relations but before minority holdings.

Effect on cash flow – acquisition of subsidiaries, SEK m	2016
Cash purchase price	-113
Less: cash and cash equivalents	10
Paid purchase price	**-103**
Supplemental purchase price, Duni Song Seng*	-21
Total effect on cash flow	**-124**

* During the year, a supplemental purchase price was paid in respect of Duni Song Seng, which was acquired in 2013.

No business acquisitions took place during the financial year January 1, 2015–December 31, 2015.

NOTE 39 – RELATED-PARTY TRANSACTIONS

No material transactions with related parties have taken place during the 2016 financial year or the 2015 financial year.

Other than the information above and 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

No significant events have occurred since the balance sheet date.

THE BOARD OF DIRECTORS' ASSURANCE AND SIGNATURES

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 Directors' Report for the Parent Company provide fair and true overviews of the development of the operations, financial position and results of the Group and Parent Company and describe significant risks and uncertainty factors facing the Parent Company and the Group, as well as companies within the Group.

Malmö, March 16, 2017

Magnus Yngen
Chairman of the Board

Johan Andersson
Director

Pauline Lindwall
Director

Alex Myers
Director

Pia Rudengren
Director

Per-Åke Halvordsson
Employee representative, PTK

Henry Olsen
Employee representative, LO

Thomas Gustafsson
President and CEO

Our auditor's report was submitted on March 16, 2017

PricewaterhouseCoopers AB

Eva Carlsvi
Authorized Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Duni AB (publ) for the year 2016 except for the corporate governance statement on pages 43–47. The annual accounts and consolidated accounts of the company are included on pages 39–99 in this document.

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 parent company as of 31 December 2016 and its financial performance and cash flow 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not include the Corporate Governance Report found on pages 43-47. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

OUR AUDIT APPROACH

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
VALUATION OF INTANGIBLE ASSETS	
The value of Goodwill with indefinite economic use amounted, as of 31 December 2016, to SEK 1,577 m. In accordance with IFRS, management shall annually perform an impairment test. No impairment requirement was identified in conjunction with the testing undertaken by management. In our audit, we have focused on the risk that Goodwill is reported at an incorrectly high level and that an impairment needs could exist. Some of the assumptions and judgments undertaken by management regarding future cash flows and other circumstances are complex and have an impact on the calculation of the value in use. This applies, in particular, to the following: growth rate, profit margins and discount rate. Changes in these assumptions could lead to a change in the reported value of intangible assets and goodwill.	Our audit activities include a review of the applied calculation model and the challenging of significant assumptions applied by management in their tests. We have assessed the reasonableness of the budget presented by management, and which has been approved by the Board of Directors, by evaluating historical outcome against adopted budgets. We have compared the country specific growth in perpetuity values with independent forecasts regarding economic growth and have noted that the assumptions applied are within a reasonable interval; and We have assessed the discount rate (weighted average cost of capital ("WACC")) against comparable operations and have noted that the assumptions applied are within a reasonable interval. We have also evaluated the management's assessment of the manner in which the group's calculation models are impacted by changes in assumptions, and have compared this with the information presented in the annual accounts related to impairment testing. In our audit, we have noted no significant deviations and our assessment is that the disclosures provided regarding significant assumptions and sensitivity analyses as found in the Annual report are correct.

Key audit matter	How our audit addressed the Key audit matter
REBATES, CLIENT BONUSES AND RETURNS	
The group sells goods on terms entitling customers with the right to rebates, volume-based bonuses or the right to return, under certain circumstances, purchased goods. These arrangements result in decreased net sales, at the same time an assumption in the form of a reserve for the bonuses yet to be paid or where the group deems that returns can take place, is reported. The reserves are reported as an accrued cost and amounted to SEK 201 m. We have focused on this area as the reserve for these assumptions involves, more or less, complex calculations and judgments on behalf of management.	We have taken part of management's calculations regarding the underlying sales in order to assess the amount of the reserve. If applicable we have compared management's assessments against underlying client contracts, historical sales patterns, rebates and return levels. We have also assessed management's assumptions comparing the accuracy of historical judgments concerning the reserve with historical outcome in order to obtain an understanding of the precision of this year's assessment. If applicable, we have verified the year's reserves against subsequent payments made or returns. We have checked the mathematical calculation model applied through control calculations. Based on the audit activities undertaken, we have identified no significant deviations.
INVENTORY	
Duni manufactures and sells products which, in the end, are used by consumers and businesses such as hotels and restaurants. Duni's inventory amounts to SEK 548 m. Duni's products are comprised, to a large degree, of designed products, products which, as a result, are more exposed to shifts in trends and tastes. Duni's management assesses the provision for obsolescent goods on an ongoing basis. This assessment is primarily based on historical sales figures but is also based on a forward oriented assessment of possible future sales.	We have taken part of the calculation models applied and have compared these with Duni's adopted policy. We have mathematically control calculated the provision. We have also verified, on a random sample basis, the correctness of the historical sales figures applied in calculating the provision. We have obtained copies of documentation for any possible deviations from the policy, for example, as regards determined sales campaigns and orders received but not delivered. Finally, we have also compared historical provisions with the cost of scraped articles. Our audit has not identified any significant deviations.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–38 and 104–106. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts is found on Revisorsnämnden's (The Supervisory Board of Public Accountant's) web site: www.revisorsinspektion.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is a part of the Auditor's Report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Duni AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

BASIS FOR OPINIONS
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the annual accounts is found on Revisorsnämnden's (The Supervisory Board of Public Accountant's) web site: www.revisorsinspektion.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is a part of the Auditor's Report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT
The Board of Directors is responsible for that the corporate governance statement on pages 43–47 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, March 16, 2017

PricewaterhouseCoopers AB
Eva Carlsvi

Authorized Public Accountant
Auditor in charge

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 and napkins.

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

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

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

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

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

Continuing operations
The hygiene products business within Materials & Services, which was discontinued at the beginning of 2015, has been removed from the comparison years and is reported as discontinued operations on a line after net income for the year for continuing operations.

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

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

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

Dunicel®
Dunicel is a table cover based on a unique material with a fall similar to cloth. Thanks to a special 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 slipcovers, tête-à-têtes and ordinary table cover.

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

Ecoecho® bioplastic
A bio-based material which functionally provides the same advantages as traditional polypropylene (PP), at the same time as being recyclable as ordinary plastic.

Elegance
Duni Elegance® is a linen-like exclusive napkin. 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 fiber and produced with a patented process.

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

Goodfoodmood®
Duni's brand platform to create a convivial atmosphere and positive mood on all occasions when Food & Drink are prepared and served – a Goodfoodmood.

HoReCa
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, Wolkenstein, Poznan 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.

Materials & Services
One of Duni's five business areas – comprises those parts which are not accommodated under other business areas, primarily external sales of tissue.

Meal Service
One of Duni's five business areas – sales to companies operating within restaurants, catering or food production.

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

New Markets
One of Duni's five business areas – sales to hotels, restaurants, catering firms and the retail trade on markets outside Europe.

OK Compost
The OK Compost® marking means that Duni has the world's first and largest range of compostable single-color napkins.

Organic growth
Growth excluding currency and structural effects.

Our Blue Mission

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

Private label

Products marked with the customer's own brand.

REACH

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

Sacchetto

Duni Sacchetto® is a 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.

Table Top

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

Tête-à-tête

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

KEY RATIO DEFINITIONS

Capital employed

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

Costs of goods sold

Costs of good sold, including production and logistics expenses.

Currency adjusted

Figures adjusted for the effects of exchange rate differences in conjunction with consolidation. Figures for 2016 are calculated applying exchange rates for 2015. Effects of conversion of balance sheet items not included.

Earnings per share

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

EBIT

Reported operating income.

EBIT margin

EBIT as a percentage of sales.

EBITA

Operating income before amortization of intangible assets.

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 margin as a percentage of sales.

Interest-bearing net debt

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

Interest-bearing net debt in relation to equity

Interest-bearing net debt relative to total equity.

Number of employees

The number of employees at end of period.

Operating income

Operating income adjusted for restructuring costs, non-realized valuation effects of currency derivatives, fair value allocations and amortization of intangible assets identified in connection with business acquisitions.

P/E ratio

Current share price relative to earnings per share.

Return on equity

Income for the period as a percentage of total equity.

Return on capital employed

Operating income as a percentage of capital employed.

CALENDAR

ANNUAL GENERAL MEETING, MAY 3, 2017
The Annual General Meeting will be held at Akvariet, Dockplatsen 12, Malmö at 3.00pm on Wednesday, May 3. 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 26, 2017 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
- per letter to Duni AB, Bolagsstämma, Box 237, SE-201 22 Malmö
- by email to: bolagsstamma@duni.com

In the notice, the shareholders 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 26, 2017.

DIVIDEND
The Board of Directors proposes a dividend of SEK 5.00 per share, equal to SEK 235 m. May 5, 2017 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 10.

DUNI AB'S NOMINATION COMMITTEE
Duni AB's Nomination Committee is composed as follows:

- Magnus Yngen, 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
- Bo Lundgren, Swedbank Robur 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 Duni''s website.

TIMETABLE FOR FINANCIAL INFORMATION:

Publication dates
Interim report, January – March 2017:
April 25, 2017

Interim report, January – June 2017:
July 14, 2017

Interim report, January – September 2017:
October 20, 2017

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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