ANNUAL REPORT 2017

GOOD RELATIONSHIPS

2017

POSITIVE RELATIONSHIP BUILDING…

Creating an atmosphere where people feel good, are satisfied, and grow as individuals is a crucial element to creating an engaging and positive corporate culture. This, in turn, is crucial to ensuring the organization acts as a unit, works efficiently, and achieves the shared goals. When people feel a sense of satisfaction in their work, it creates an energy that spreads, not just internally but also to customers, suppliers, and in all other relationships necessary for success. The HR program at Duni is called Dunited. It not only includes skills and talent development, but also serves as a vision for creating a company that is engaging, motivating, and unifying.

2018

... CREATES A STRONG FOUNDATION FOR THE FUTURE

2017 saw a number of changes in several different divisions within Duni, all with the aim of strengthening the cooperation between employees and shifting responsibility outward in the organization. The Duni Academy program brought employee skill development into focus. Customer segmentation was conducted in all business areas to enable us to deliver clearer customer offerings. Great focus was placed on our work to incorporate the newly-acquired Sharp Serviettes in New Zealand. The acquisition was intended to further develop the structure in Asia and Oceania, and to create a greater presence in the area. The existing structure in Asia was reviewed at the same time. All initiatives were aimed at creating a strong foundation for the future, where good relationships permeate operations on all levels and contribute to Duni's success.

GOOD RELATIONSHIPS

Good relationships are crucial to ensuring that an organization and its employees are able to work together efficiently and achieve our mutual goals. At Duni, building solid relationships is part of a business-driven and business-minded approach. It should permeate operations internally between employees, globally between Duni's various companies and units, and in the cooperation between suppliers and customers. Good relationships are part of our culture and make the Company stronger and more credible in its contact with the outside world.

CONTENT

THE YEAR IN BRIEF

NEW ACQUISITION AND CONSISTENT CUSTOMER SEGMENTATION

- The acquisition of Sharp Serviettes in New Zealand (United Corporation Limited) is an important part of a strategic platform for further expansion in Asia and Oceania.
- The decision was made to invest SEK 50 m to upgrade the airlaid machine in Skåpafors.
- Johan Sundelin took over as new President and CEO of Duni AB in October.
- Refinement in all business areas towards clearer customer segmentation.
- A new partnership with the design duo Bernadotte & Kylberg resulted in the Amazonica series, environmentally adapted according to the ecoecho® criteria.
- During the year, work with the various components of Dunited (Duni's employee development program) was intensified and the content refined.
- The Duni Academy training program was implemented in a large part of the organization.

THE OPERATING MARGIN WAS 11.1 (11.8) PERCENT

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

NET SALES INCREASED TO SEK 4,441 M (4,271)

OPERATING INCOME WAS SEK 491 M (502)

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

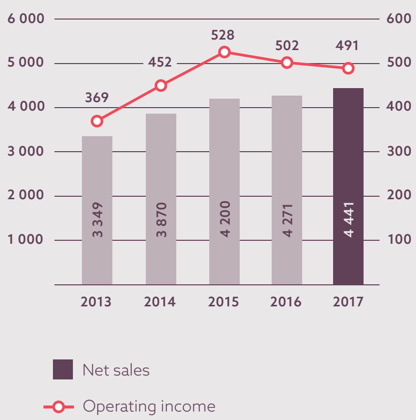
	2017	2016	2015	2014	2013
Net sales	**4 441**	4 271	4 200	3 870	3 349
Operating income*, SEK m	**491**	502	528	452	369
Operating EBITDA*	**630**	632	656	572	473
EBIT	**456**	463	493	433	352
EBITDA	**629**	622	622	556	483
Net income before tax	**439**	441	459	414	334
Net income for the year	**334**	334	346	302	254
Proposed dividend, SEK/Share	**5.00**	5.00	5.00	4.50	4.00
Equity	**2 594**	2 486	2 345	2 193	2 099
Return on equity, %	**12.9**	13.4	14.8	13.8	12.1
Return on capital employed, %	**14.4**	15.8	18.6	15.4	13.3
Number of employees	**2 362**	2 279	2 082	2 092	1 902

* Operating income and operating EBITDA are alternative key ratios that Duni uses to guide its operations. It relates to EBIT less amortization of intangible assets identified at acquisition, restructuring costs and fair value allocations.

1) Relates to continuing operations for 2015 and back in time. 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 and onwards include non-controlling interests.

NET SALES AND OPERATING INCOME, SEK M



THIS IS DUNI

SUPPLIER OF GOODFOODMOOD®

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

The products are sold in more than 40 markets and Duni is the market leader in Central and Northern Europe. The Group has approximately 2,400 employees in 23 countries. The headquarters are located in Malmö, Sweden and production units are located in Sweden, Germany, Poland, Thailand and New Zealand. Duni is listed on NASDAQ Stockholm.

FOUR BUSINESS AREAS
Duni's organization is divided into four 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, table covers and candles for the set table.

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

Consumer offers consumer products to retail chains and specialty stores.

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

PRODUCTS
Duni primarily operates in 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 2017, Duni produced:

- 2.9 billion m^2 of raw materials for the production of napkins and table covers
- 12.9 billion napkins
- 168.1 million running meters of table covers

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. One target is a 20% reduction in energy consumption between 2010 and 2020. The development of environmentally-sound products and ensuring compliance with Duni's code of conduct are other prioritized areas.

NET SALES PER BUSINESS AREA, %

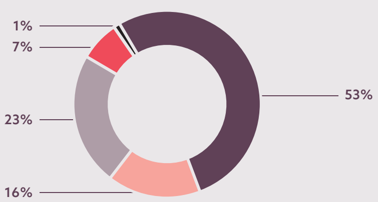
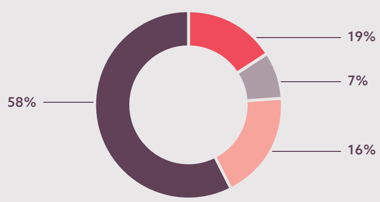


Table Top | Meal Service | Consumer | New Markets | Other

NET SALES PER GEOGRAPHIC REGION, %

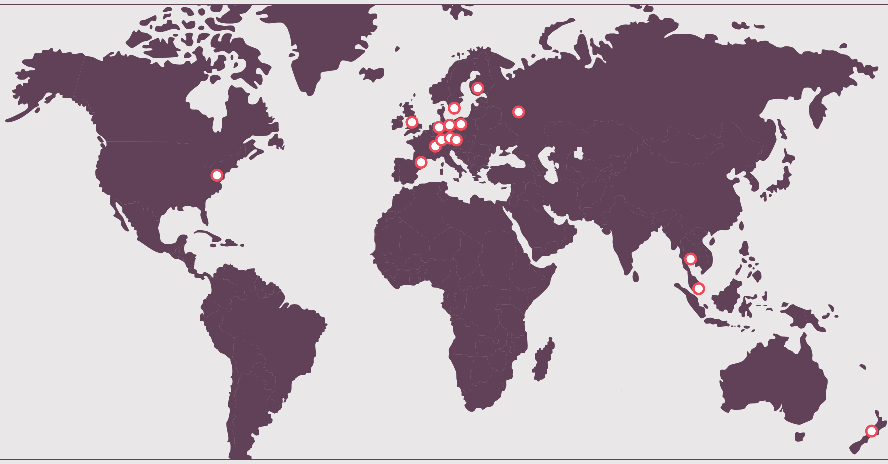


Central Europe | Southern & Eastern Europe | Rest of the world | Nordic region

DUNI'S PRESENCE

Tissue and airlaid for napkins and table covers are manufactured in Sweden, while conversion to finished products takes place in Germany, Poland, Thailand and New Zealand.

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



INCREASED FOCUS ON CUSTOMER NEEDS

Duni has continued on its long-term journey of transitioning from a product-oriented company to a customer-focused company with a strong commitment to the environment. It is a strategy that has been successively implemented in our business areas, support functions and the various companies of the Group – work that was particularly intensive in 2017. Focus on Asia and Oceania has continued, among other things with the acquisition of Sharp Serviettes in New Zealand. During the year, increases in raw material prices have been addressed through a number of measures.

The market has continued to change, not least in terms of meal behavior and increasing awareness of the environment, which in some respects has redrawn the map for both us and our customers. It not only brings with it increased demands for tailored solutions and more intense product and concept development, but also requires that we respond to the differentiation occurring in our customers and consumer groups. A number of measures were taken during the year to meet this change. For one, logistics was bettered overall, resulting in improved delivery performance. At the same time, we conducted clear market segmentation, leading to deeper insights and better adaptation to our customers' varying needs. This enables us to deliver a more precise and customized offering.

PROFIT GENERATING ACTIVITIES

Duni has been pressured by higher costs for factors including raw materials during the year. In response to this development, we have worked more with internal efficiency improvements and have adjusted our prices. The Rexcell paper mill implemented a new work organization, which has already led to improved earnings. Purchasing routines have been reviewed and the organization has been incorporated into a more central structure. Based on the Goodfoodmood® platform, work to strengthen Duni's premium position has been intensified. A number of premium products were launched during the year, and even more are in the launch phase.

SIGNIFICANT ENVIRONMENTAL WORK

An important focus during the year has been planning and driving the development of more environmentally-sound products and concepts – a clear effect of Our Blue Mission, Duni's CSR program. The program acts as a strategy and steers product development towards environmental sustainability that meets our criteria in the ecoecho® classification. Duni puts environmental focus high on its agenda. As a market leader, we also consider it our role to drive the market towards more sustainable customer offerings. Sustainability issues have become even more important during the year, not least because needs arose through acquisitions, new employees, organizational development and continued work with Duni's code of conduct. Our Blue Mission is a guarantee to our employees, partners and customers.

ANOTHER ACQUISITION IN ASIA

An important event during the year was the acquisition of Sharp Serviettes in New Zealand, which was incorporated into the New Markets business area in May 2017. Sharp Serviettes is a market leader in New Zealand and an important part of a strategic platform for our venture in Asia and Oceania. During the year, efforts were placed in creating synergies between Duni's various companies and units across Europe and Asia. This is an ongoing integration process affecting all parts of the value chain.

EMPLOYEE INVOLVEMENT

Targeted efforts were made in several parts of the organization to create a higher degree of involvement and cooperation between employees. The core is more coaching leadership and a shift of responsibility outward in the organization. The goal is an organization where our employees perform well because they want to – not because they have to. Organization development was also achieved by further strengthening skills via our Duni Academy development program.

THANKS THOMAS!

In October, I took over the role of President and CEO from Thomas Gustafsson. After just a short time at Duni, I was impressed by all the positive changes that have taken place under Thomas' leadership. In principle, all parts of the value chain have been strengthened and Duni is now well prepared to meet all opportunities that present themselves in the future. I would like to thank him for his solid efforts, and look forward to working with all of Duni's talented employees to embrace, manage and develop Thomas' work as we enter the next phase in the Company's history.

Malmö, March 2018

Johan Sundelin
President and CEO since October 2017

"As a market leader, we also consider it our role to drive the market towards more sustainable customer offerings."

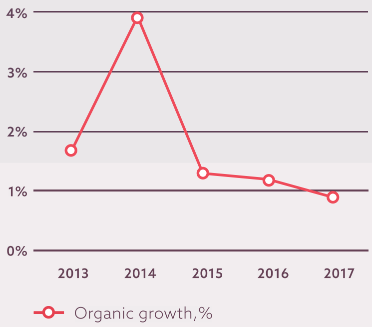
FINANCIAL TARGETS

During 2017, 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 in existing markets.marknader.

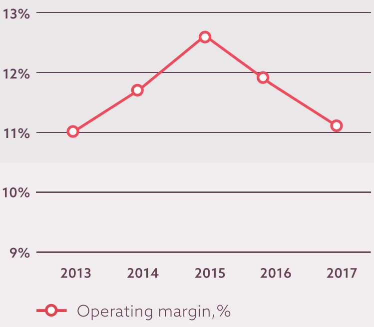
TARGET FULFILLMENT IN 2017
The currency-adjusted organic growth was 0.9%. Duni demonstrated a growth rate in line with the preceding year. The market is estimated to have grown by approximately 1%.



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.

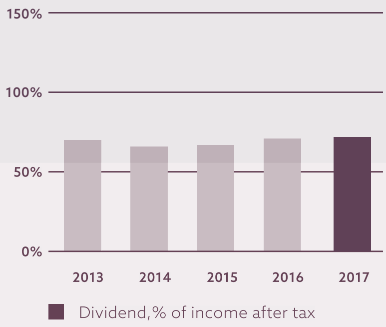
TARGET FULFILLMENT IN 2017
The operating margin target was exceeded and resulted at 11.1%. Structural effects and acquisitions in recent years positively contributed to the operating margin.



DIVIDEND, 40% OF INCOME AFTER TAX

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

TARGET FULFILLMENT IN 2017
Despite several major investments and acquisitions, Duni remains in a good financial position. The Board therefore proposes a dividend of SEK 5.00 per share, i.e. it is proposed that the dividend for 2017 shall equal 72% 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.

FOUR BUSINESS AREAS

Duni works based on a business model that 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 four business areas, each of which is a specialist in its customer segments. 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 primary factor that 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 table covers. This also reduces the price risk, improves delivery performance and makes it possible to plan design and material renewal. This, in turn, enables Duni to drive the material production market and set the standard in the market. 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 dialog 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 relationships 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 achieve 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 adds 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 in 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.

DYNAMIC ORGANIZATION

GOOD RELATIONSHIPS #1

Duni is a global company with 2,400 employees in 23 countries and sales in over 40 markets. The basis for employee development is formulated in a well-defined plan – Dunited. Its overarching goal is to ensure a sustainable organization, while being a tool for vitalizing and creating dynamics in the Company's operations. Within Dunited, there are outstanding programs like Duni Academy with leadership development, mentorship programs and other forums for finding routes to cooperation and building good relationships.

A DEVELOPING MARKET CREATES NEW OPPORTUNITIES

Duni conducts operations in Europe and Asia. The Western European market for Duni's products within single-use table setting and food service is estimated at approximately EUR 9.6 billion, and is growing at about 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 table cover 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 relatively small, local companies, as well as a number of larger paper and pulp companies. Some of these companies have concepts and product ranges that, like Duni's, focus on the HoReCa market (hotels, restaurants and catering firms).

THE MARKET FOR PAPER-BASED PRODUCTS

The Western European market for paper-based napkins and table covers has an estimated value of EUR 1.6 billion[2] and can be divided into two main channels: HoReCa and consumer retail trade. Most retail trade sales comprise private labels.

Duni is one of the largest brands in 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 table top 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 in the European napkin and table cover market, while premium products account for approximately 55%. The percentage of premium products varies between countries. In 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 in a number of key markets. However, the market is expected to resume 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 at 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 and 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 largely dependent on the geographic region. Here, there is clear potential for Duni to create 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 also taking place in Eastern Europe and Asia. Duni has a broad range of products well-suited to meet this trend.

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 table covers thereby play an important role. Herein lies great potential for a company like 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 environmentally-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 continuous efforts to reduce energy and raw material consumption are just some of the areas that Duni is working methodically with.

[1] Duni's relevant markets in 2014 included 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 that include Consumer Foodservice and Social Foodservice 2014. Source: Euromonitor and CDH Expert.

DUNI'S CUSTOMER SEGMENTS

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.

Events 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.

Companies

Staff restaurants provided by the employer. The restaurants are managed by external companies such as Sodexo or Compass Group, 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, that offer long-term and short-term care. Senior housing/care housing covers patients and employees within all institutions that 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

Grocery retail trade

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.

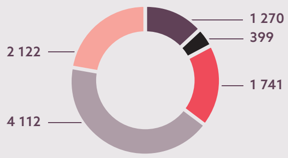
Retail outlets

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%.

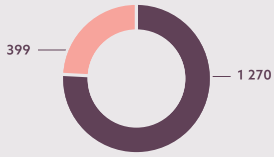


Paper napkins | Paper table covers | Candles | Serving products | Packaging solutions

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 table covers. 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.

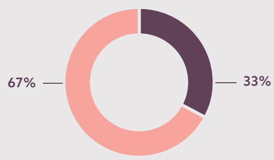


Paper napkins | Paper table covers

PAPER NAPKINS [3]

AWAY FROM HOME IN WESTERN EUROPE

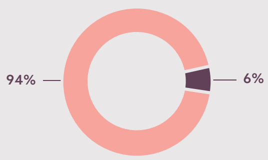
Market share, %



Duni | Other

RETAIL TRADE IN WESTERN EUROPE

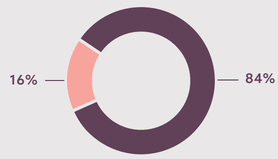
Market share, %



Duni | Other

GEOGRAPHIC BREAKDOWN

%



Western Europe | Eastern Europe

MARKET GROWTH PER YEAR

Average, %

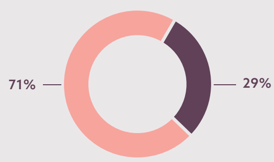
Western Europe	
2009–2014	1,0
2015–2019	2,6

Eastern Europe	
2009–2014	8,5
2015–2019	5,0

PAPER TABLE COVERS [3]

AWAY FROM HOME IN WESTERN EUROPE

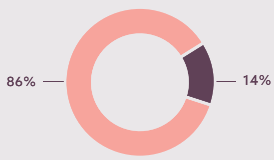
Market share, %



Duni | Other

RETAIL TRADE IN WESTERN EUROPE

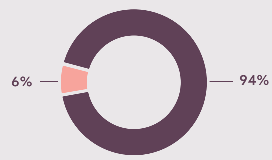
Market share, %



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 included 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 that include Consumer Foodservice and Social Foodservice 2014. Source: Euromonitor and CDH Expert.
Infographic (Source: Euromonitor and Duni.)

SHARED GLOBAL VIEW

GOOD RELATIONSHIPS #2

When Duni acquires a company, like Sharp Serviettes in New Zealand in 2017, it opens up new opportunities for cooperation and exchange of experience. It is a process where employees from CSR and Operations work actively to facilitate cooperation. The process is initiated in part before a planned acquisition with a company inspection. However, the majority of the process takes place after the acquisition, where initiatives for the new company can consist of everything from IT and production support to communication of Duni's values and code of conduct. A global shared view and good relationships are crucial to ensuring good cooperation and positive development for all parties.

THE DUNI BRAND

HOW WE RELATE TO THE WORLD

The Duni brand stands for food, people and design, which is expressed in our brand platform Goodfoodmood®. Duni's products create an elevated meal experience and positive exchange between people, in any eating and drinking occasion.

FEELINGS, MEETINGS AND RELATIONSHIPS
The brand is thus about feelings, meetings and relationships. Everything Duni does is with the aim of fulfilling Goodfoodmood: from the development of products and concepts that contribute to great meals to the purchase of sustainable materials that make as little of an environmental impact as possible. Through this, Goodfoodmood has become Duni's brand promise, which is fulfilled by being responsive to the needs, requirements and wishes of the outside world. This applies in particular to people's new ways of eating.

CHANGED MEAL BEHAVIOR
In recent years, the need for ready meals has changed in many ways. Less food is being prepared at home. In grocery stores, one can buy groceries, purchase and eat ready-made meals on the spot or on the go. At the same time, a growing number of companies are delivering ready meals right to people's doors. Goodfoodmood and the Duni brand are a guarantee to customers that they are getting products and concepts that live up to these changed market conditions.

THE BRAND IN PRACTICE
One of the clearest examples of how the Goodfoodmood brand promise is fulfilled is the new Amazonica concept, developed in 2017. It is created in collaboration with the design duo Bernadotte & Kylberg and consists of plates, bowls, cutlery and napkins. The products, which fall under the ecoecho® environmental classification, are made from renewable and compostable materials. The design is both functional and stylish, and together with the environmental sustainability of the products, creates a positive experience. Amazonica is the first ecoecho concept that Duni has developed in collaboration with an external design partner, and is just a glimpse of what the future holds. Amazonica and ecoecho both build the brand and are a direct result of it.

GOOD RELATIONSHIPS

"Goodfoodmood® stands for an elevated meal experience and positive exchange between people, in any eating and drinking occasion."

Saloni Deva, IR & Communications Manager

GOODFOODMOOD AS AN INTERNAL PLATFORM
In 2017, the brand was in focus within the organization as well. The Company has welcomed many new employees in recent years, including through the acquisition of companies in Europe and Asia. During the year, executives from Duni's various operations participated in a conference with cooperation as its theme. The goal was to create good relationships, exchange knowledge and gain an understanding of the brand. Goodfoodmood serves as a guiding principle and starting point for enabling Duni to offer more relevant customer offerings with clear commercial benefit.

DESIGNS FOR DUNI®

In 2017, Duni launched the Amazonica concept, produced in partnership with the design duo Bernadotte & Kylberg. Amazonica is part of the Designs for Duni® series, which is a number of collections created in collaboration with today's most interesting designers.

ECOECHO®

The products are usually made from renewable and compostable materials. The design is both functional and stylish, and together with the environmental sustainability of the products, creates a positive experience.

A CONFERENCE TO FOSTER SHARED VIEWS

During the year, executives from Duni's various operations participated in a conference with cooperation as its theme. The goal was to create good relationships, exchange knowledge and gain an understanding of the brand.

CLEARER AND TRANSPARENT CUSTOMER OFFERING

Table Top is Duni's largest business area. Customers typically include restaurants, hotels and catering firms, referred to as HoReCa. The range consists primarily of napkins, table covers, candles and table top accessories. Duni is the leading European manufacturer of products for the set table, with the Nordic region and Germany as its biggest markets, and Spain, Italy and France as emerging markets. Sales are to both wholesalers and direct customers – including hotels and restaurants.

PACKAGING ADDS VALUE

The restaurant and hotel markets have continued to develop well in Europe. Products, concepts and service are in demand in both segments. More conscious choices are being made in relation to raw materials, cooking methods, sustainable profiles, and the guest experience. In order to meet market needs and create added value for its customers, the business area has packaged the customer offering more clearly during the year. This work revolved around the idea of Duni products being used for a specific consumption occasion where the guest experience was the primary focus. Multiple product levels will make it clearer for the customer to choose concepts based on the experience they want to create. The packaging, which will be introduced in 2018, therefore has a firm foundation in Duni's Goodfoodmood® platform, while the product levels also relate to quality and price segmentation.

CLEARER SALES STRUCTURE

Within the sales organization, further steps were taken in our work to create a clearer focus on fewer and selected segments over the past year. Development within the organization was handled through the Duni Academy training program. A clearer structure was built with Key Account Managers and marketing efforts were steered towards more service-oriented and concept sales. When responsibility is moved closer to the customer, it increases motivation and involvement locally while building a collaboration with the customer that instills confidence in the Company.

SPECIALIZATION AND ADAPTATION TO THE MARKET

The business area's sales developed well over the past year. Net sales increased compared with the preceding year, equivalent to a 1.2% sales increase at fixed exchange rates. Operating income was SEK 375 m (369) and the operating margin was 16.0% (16.1%). The results are on par with the preceding year.

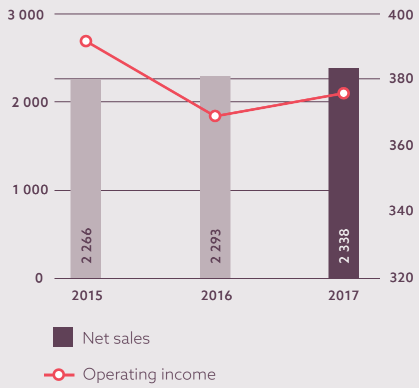
Demand for table covers has stabilized, especially in the important German market. At the same time, premium napkins have taken market shares in almost all markets. Other sustainable products are also seeing an increase in demand, such as candle holders made of recycled glass and bamboo with associated LED candle. This is a result of the described organizational and sales-oriented initiatives, which will continue in 2018.

GOOD RELATIONSHIPS

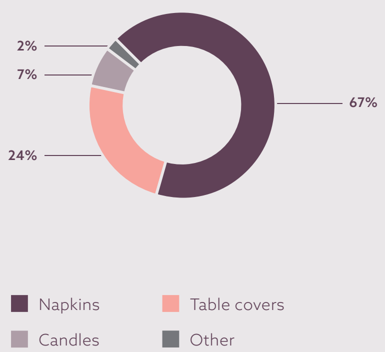
"A focused sales model creates involvement and creativity, while helping us build better relationships with our customers."

Robert Dackeskog, Director Business Area Table Top

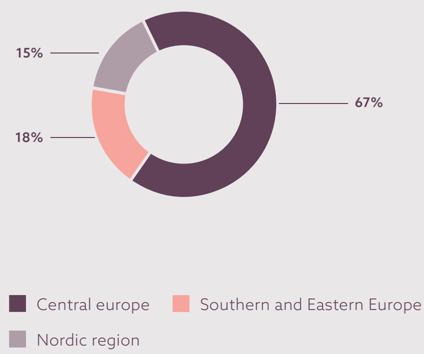
NET SALES AND OPERATING INCOME, SEK M



NET SALES PER PRODUCT GROUP, %



NET SALES PER GEOGRAPHIC REGION, %



SUSTAINABLE PRODUCTS

Demand for sustainable products is on the rise. One example of this type of product is bamboo candle holders with matching LED candle.

CUSTOMER CATEGORIES

- Events and catering
- Full service restaurants
- Hotels
- Public sector
- Companies

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 in the HoReCa market in order to formulate the right offering

MEAL SERVICE BUSINESS AREA

CATERING TO A MOBILE LIFESTYLE

The Meal Service business area develops serving and packaging concepts for e.g. take-away, catering, and fresh ready-to-eat food in grocery stores, food trucks and markets. Another way to describe this business area is mobile meals for a mobile lifestyle.

FROM TREND TO ESTABLISHED MARKET

The business area was organized five years ago in direct response to the clearly evolving urban trend of meals being both purchased and consumed in new ways. Buying fresh ready-to-eat food of high quality to take home or eat "on the run" can hardly be considered a trend anymore, but rather a well-defined – and growing – market.

However, the market itself is still in a state of change, with a clear green development, demands of ecological sustainability and meals made from higher-quality raw materials. Above all, many players are expanding their offering, making it possible for guests to purchase groceries, eat a meal on the spot or take it home. One example of this is grocerants (a merging of the words "grocery" and "restaurants"), i.e. stores that sell both groceries and ready-to-eat meals for take-away. The year's clearest trend is the establishment of companies that deliver ready meals to people's homes – a trend that is taking off in both Europe and the rest of the world.

A wider range of fresh ready-to-eat food and a rapidly-growing need for home delivery – in combination with digital management solutions – will redraw the map for the food and restaurant industries in many ways.

CLEAR FOCUS ON SEGMENTS

To meet this market trend, the business area is divided into three defined customer segments: higher quality take-away food (fast casual), fresh ready-to-eat food sold on the shelf at grocery stores or delis (home meal replacement) and ready-to-eat food for schools, hospitals and elderly care (social catering). The segments have different needs and therefore require different types of food service products. Some customer groups demand products that strengthen their own brand, while other customers look primarily at rational variables like function, logistics and finances.

GOOD RELATIONSHIPS

"We created involvement and dynamics by shifting responsibility outward in the organization."

Linus Lemark, Director Business Area Meal Service

SUSTAINABLE PACKAGING

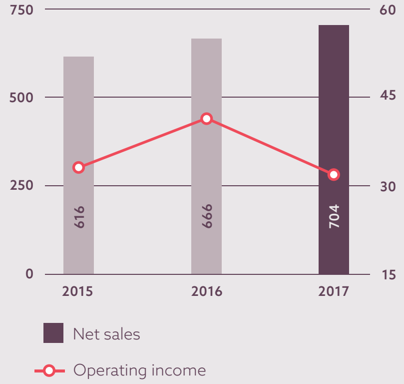
Within the Meal Service business area, there is a strong focus on products classified under ecoecho®. This means that the material must fulfill criteria related to renewability, compostability or responsible forestry. Demand for sustainable packaging is increasing in all customer segments in direct response to demands from the end customer.

Net sales for the business area increased compared with the preceding year, equivalent to a 4.9% sales increase at fixed exchange rates. Operating income was SEK 31 m (41) and the operating margin was 4.4% (6.1%). The income was negatively affected by dramatic price increases in raw materials during the first half of the year. The market for Meal Service products is growing more than the market as a whole.

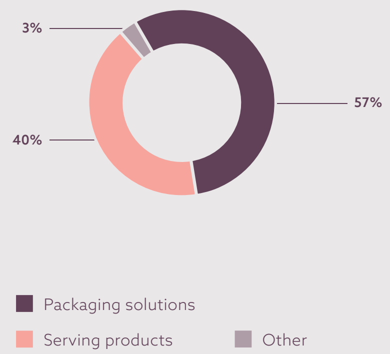
DYNAMIC CULTURE

In parallel with steering the business area towards clearer segmentation, a culture with clearer ownership was created within the organization. During the year, different training initiatives were conducted to increase employee responsibility within their respective areas. Individuals that "own" their area and feel confident in their positions have a greater job satisfaction and perform better. Shifting responsibility outward in the organization also creates a dynamic in the team, leading to change and development occurring more quickly. Above all, it creates better and deeper relationships with customers.

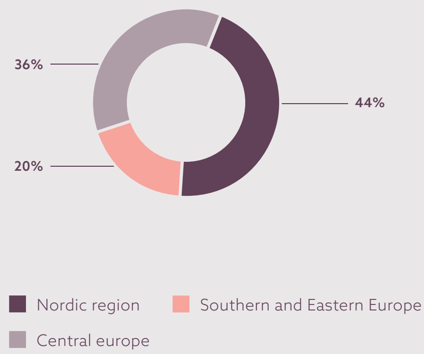
NET SALES AND OPERATING INCOME, SEK M



NET SALES PER PRODUCT GROUP, %



NET SALES PER GEOGRAPHIC REGION, %



ECOECHO®

Within the business area, there is a strong focus on products under the ecoecho® classification.

CUSTOMER CATEGORIES

- Cafes
- Events and catering
- Fast food
- Public sector
- Take-away

BUSINESS AREA STRATEGY IN BRIEF:

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

BETTER CUSTOMER INSIGHTS LEAD TO A STRONGER CUSTOMER OFFERING

The Consumer business area markets and sells napkins, table covers, serving items, candles and other table top accessories via the grocery retail trade and retail outlets. Sales are both under the Duni brand and under private label. The Consumer business area also includes the wholly-owned German company, Paper+Design.

CLEARER CUSTOMER FOCUS

To increase customer insights, Consumer conducted extensive customer segmentation work during the year. This was based on customer needs, purchase criteria and desired service levels. The work created a deeper understanding of what the customer wants as well as what is less important to the customer. The segmentation also provides guidelines for how the business area should be organized and for how product development can better meet customer needs.

SYNERGIES AND THE DUNI SPIRIT

In 2017, the organizations in Paper+Design and Duni's sales companies became closer and increased their cooperation. The work has helped to create a clear and common Duni spirit that facilitates the exchange of knowledge and experience, thereby enabling synergies that make it possible to provide a customer offering that is even more relevant.

STRATEGIC PRODUCT DEVELOPMENT

The work with customer segmentation confirms that the chosen strategy with increased focus on environmentally-sound products is the right path to take. Customer demand for sustainable products is on the rise. This goes hand-in-hand with Duni's development of sustainable product concepts. Work continues with several new products that will fulfill ecoecho® criteria. The focus on adapting the range to ecoecho comes down to strategic product development linked to market development.

GOOD RELATIONSHIPS

"As part of clearer segmentation, we have adapted the organization and are working more closely with our customers."

Anna Lundqvist, Director Business Area Consumer

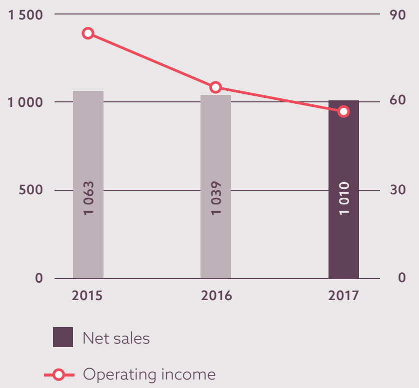
It is a step that is both necessary and the obvious choice. In 2017, the initiative was intensified as regards products of this type as well as building concepts and communicating environmental benefits.

Net sales for the business area amounted to SEK 1,010 m (1,039), corresponding to a 3.6% sales increase at fixed exchange rates. Operating income was SEK 57 m (65) and the operating margin was 5.6% (6.2%). Income for 2017 reflects lower sales and the contribution margin was reduced accordingly.

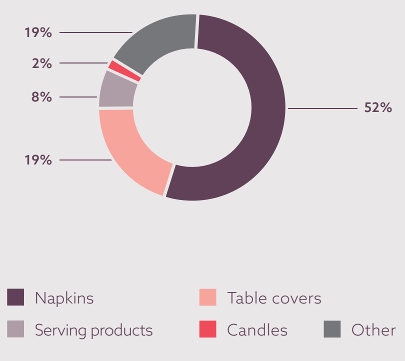
GOOD DESIGN AND FUNCTIONALITY

Autumn 2017 saw the introduction of the Amazonica collection, which is the result of a partnership with the design duo Bernadotte & Kylberg. It is a series of single-use items for the set table made of various plant-based materials, such as bagasse, CPLA and FSC-certified biomaterial. Amazonica has a prominent design in terms of both appearance and functionality, with the idea that the food should always be the primary focus. It also shows that environmentally-conscious production, good design and functionality are the future. At Duni, we consider it an important and competitive advantage to meet market demands and create commercial benefit.

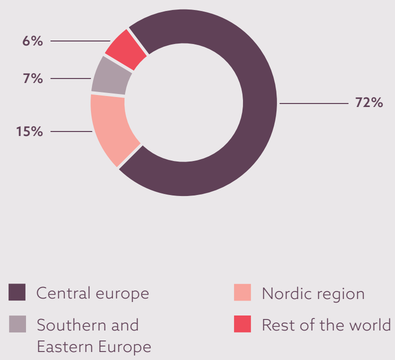
NET SALES AND OPERATING INCOME, SEK M



NET SALES PER PRODUCT GROUP, %



NET SALES PER GEOGRAPHIC REGION, %



AMAZONICA

Amazonica is a series of single-use items for the set table made of various plant-based materials, such as bagasse, CPLA and FSC-certified biomaterial.

CUSTOMER CATEGORIES

- Grocery retail trade
- Retail outlets

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 customer's business model through a high level of flexibility and excellent service offering, both for Duni's own brand and for each customers' private label

NEW MARKETS BUSINESS AREA

PLATFORM FOR EXPANSION IN ASIA

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, Duni ZAO in Russia, Duni Inc. in the US, the newly-acquired Sharp Serviettes (United Corporation Limited) in New Zealand 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.

ACQUISITION OF SHARP SERVIETTES IN NEW ZEALAND

Duni has been distributing to Asia for many years, but in 2013 decided in favor of a more extensive venture in a structural organization with clear growth strategies. The acquisition in Singapore was the first piece of the puzzle. The strategy up to today has been to acquire companies with experience and knowledge of the market, and with contacts in the channels with which Duni needs to establish a deeper cooperation. Sharp Serviettes in New Zealand was acquired in spring 2017. The acquisition is an important part of the platform Duni is building and allows for increased marketing initiatives in Asia and Oceania. Sharp Serviettes, formerly a distributor of Duni, is market leader in New Zealand.

Net sales for the business area amounted to SEK 322 m (220), corresponding to a sales increase of 42.4% at fixed exchange rates. Operating income was SEK 24 m (23) and the operating margin was 7.4% (10.4%). The improvement in income was predominantly due to the acquisitions. The decrease in margin is attributable to, among other things, initiatives to ensure effective distribution and coordination in Asia and Oceania.

GOOD RELATIONSHIPS

"With the acquisition of Sharp Serviettes in New Zealand and a new organization in place, we are equipped to take the next step in Asia and Oceania."

Patrik Söderstjerna, Director Business Area New Markets

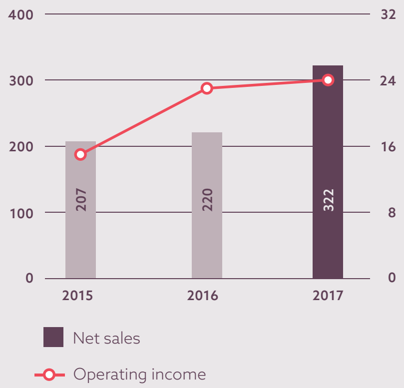
A JOURNEY TOWARDS PREMIUM SALES

Products considered premium in Asia are seen as more basic products in Europe. The companies in Thailand and New Zealand convert napkins with fewer colors and simpler prints. Growth can be seen in the hotel and restaurant industry, particularly in the premium chains in larger cities, where purchasing power is available and there is a greater number of tourists.

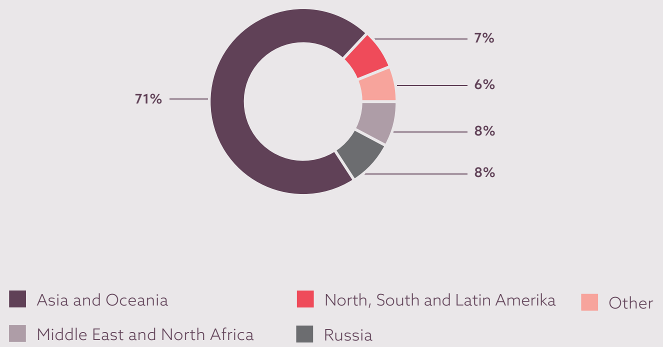
STRENGTHENED ORGANIZATION

After a number years of setting-up, structured work is now underway to find forms of cooperation and synergies between the companies. It is partly a matter of a modified organizational structure and partly a matter of developing sales and marketing initiatives. During the year, a purchaser and a regional manager were employed locally. At the same time, the business model in Singapore was redirected towards increasing sales of concepts. With the acquisition of Sharp Serviettes, New Markets' new organizational structure, and cooperation with other units at Duni, we are well equipped for further initiatives i Asia and Oceania.

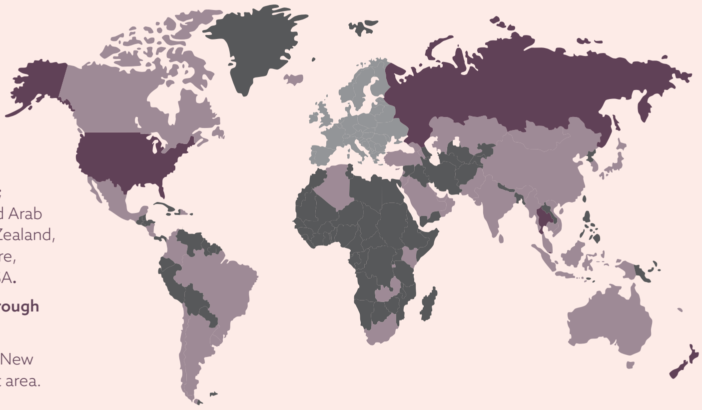
NET SALES AND OPERATING INCOME, SEK M



NET SALES PER GEOGRAPHIC REGION, %

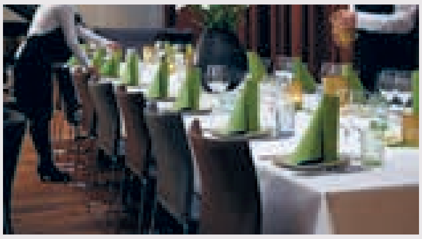


NEW MARKETS' MARKETS



- **Own personnel;** Australia, United Arab Emirates, New Zealand, Russia, Singapore, Thailand and USA.
- **Sales occurs through distributors.**
- Not included in New Markets' market area.

GROWTH



Growth can be seen in the hotel and restaurant industry, particularly in the premium chains in larger cities, where purchasing power is higher and there is a greater number of tourists.

CUSTOMER CATEGORIES

- Cafes
- Fast food
- Full service restaurants
- Hotels
- Take-away

BUSINESS AREA STRATEGY IN BRIEF:

- Focus on four geographic areas: Asia, Oceania, the Middle East and Russia
- Continue to build on all acquisitions and grow the sale 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

DUNI EFF – EUROPEAN FINANCE FUNCTION

A SERVICE CENTER WITH BROAD EXPERTISE

Duni EFF is the Group's finance and accounting unit, responsible for a majority of Duni's financial and accounting functions.

EFF is also home to other specialist services that are not purely finance-related, including certain IT functions. EFF is located in Poznan, Poland, where Duni also has a sales and production unit. In addition to being a university town, several international companies have their central finance functions in the Poznan area. As a result, there is plenty of expert knowledge and competence, which creates positive dynamics and an exchange that benefits operations. Many of EFF's employees are highly skilled in various languages, which is a huge advantage for a central unit that serves international operations. EFF is growing and currently has just over 50 employees.

EXTERNAL CUSTOMERS ARE WELCOME

It is unusual for a company of Duni's size to have a service center of this breadth. EFF therefore offers financial services to external customers. The motive is financial in nature since work with external customers creates economies of scale and makes it possible to offer additional services. At the same time, working with different types of companies improves skills, benefiting everyone.

ORGANIZATIONAL CHANGE

During the year, EFF underwent an organizational change that involved transitioning from a function-based organization to an organization where employees work in teams and with a greater selection of tasks. The new structure increases skill levels, is more engaging, and will benefit both Duni and external customers through a better service offering. A more dynamic approach also makes the unit more attractive when recruiting new employees.

GOOD RELATIONSHIPS

"By offering our services to external customers as well, we can both grow and further improve our skills."

Mats Lindroth, CFO

REXCELL TISSUE & AIRLAID AB

INVESTMENTS IN TECHNOLOGY AND PEOPLE

Duni's wholly-owned subsidiary Rexcell Tissue & Airlaid AB is located in Skåpafors, Dalsland.

The plant produces paper, which is then converted to napkins and table covers in Duni's plants in Germany and Poland. Production consists of both tissue and airlaid material. The paper pulp comes from sustainable forestry and is FSC®-labeled (Forest Stewardship Council®).

RIGHT THINGS IN THE RIGHT ORDER

The foundation for Rexcell's positive growth in 2017 was laid through the consolidation and investment measures conducted a few years ago. Rexcell's two airlaid plants were merged into one, and investments in new machine technology and a change in the organization were implemented at the tissue plant. To make the paper mill competitive and modern, the initiatives had to be performed in a logical order: first structural and technical, and then organizational.

IMPROVED PRODUCTION PROCESS

The machinery investment in the tissue plant makes it possible to develop new tissue qualities. At the same time, the technology enables an increased capacity in the production process. Rexcell is the first commercial facility in the world to embrace this technology, which opens up great opportunities for Duni to develop new types of napkins. At the end of the year, the decision was made to invest in upgrading the airlaid production. The increased capacity is a direct result of a clear increase in demand for premium products from airlaid material.

CONTEXT CREATES EFFICIENCY

The organizational change implemented at the tissue plant during the year will produce results next year. When the employees feel a sense of ownership of their own area and see the context of things, it increases motivation and efficiency. Everyone can also follow key ratios in real time so they can see how their own efforts affect operations. The previous merger of the two airlaid production plants has also contributed to positive growth during the year. Two ways of working have complemented each other and created more efficient production.

STRONG POSITION FOR THE FUTURE

In 2017, focus was on production-enhancing efforts and the introduction of a new organization.This means that Rexcell will enter 2018 with a strengthened position in order to meet market demands in terms of both quality and volume.

GOOD RELATIONSHIPS

"The investments in both technology and people clearly show that we are on the right track. By communicating clear goals and shared processes, and exchanging experiences, Rexcell improves its business practices and makes us stronger as we face the future."

Thomas Lööb, Director Corporate Development

FSC
www.fsc.org
FSC® C014985
The mark of responsible forestry

SATISFIED CUSTOMERS

GOOD RELATIONSHIPS #3

In order to meet the increasingly diverse needs of the market, Duni has implemented a series of measures in recent years to become a more customer-oriented company. The foundation is the comprehensive Goodfoodmood® platform, which both guides and positions Duni's product and concept development toward food, people and design. The work has resulted in a more focused customer segmentation within Duni's various business areas, while shifting responsibility outward in the organization and closer to the customers. Deeper customer insight and good relationships enable Duni to provide a more precise and customized offering.

OPERATIONS

MAJOR SYNERGIES IN THE BEST INTERESTS OF THE CUSTOMER

Operations is primarily responsible for Duni's conversion, distribution and warehouse facilities in Germany and Poland.

The conversion plants are where Duni's paper-based products are produced. The paper itself comes from the subsidiary Rexcell paper mill in Sweden. Operations also handles IT and other systems support for Duni's operations as a whole. Since being taken in under Duni's ownership, the companies in Asia have been given help with planning, processes and other support via Operations.

MORE THAN A SUPPLY CHAIN

Duni's strength lies in being vertically integrated, which means that important structures can be built for the exchange of experience and communication between company employees within all units and business areas. This increases competitiveness and makes it possible to refine the customer offering. In 2017, a global purchasing organization for raw materials was implemented, creating major synergies and clear customer benefit. Action was also taken to streamline and improve delivery precision, such as the new warehouse building that was recently put into use in Germany.

DIGITALIZATION AND INCREASED SERVICE LEVELS

Expansion of a central IT environment for Duni as a whole continued in 2017. A digital delivery chain leads to improved service levels and increased delivery capacity. Work is also underway to further digitize the production processes themselves.

GOODFOODMOOD, SHARED VIEW AND COOPERATION

It is not just Duni's end users who should experience Goodfoodmood® during a meal. Work has begun to remodel the lunch restaurant and break room at the production facility in Poland. The idea is to create an atmosphere of enjoyment like you would find in any other restaurant – not only for the employees, but also for other visitors. The internal work with the Duni Cooperative Culture continues and has begun producing clear results; employees are provided tools to feel more enabled, and therefore feel a greater sense of motivation, satisfaction, and a greater sense of well-being.

GOOD RELATIONSHIPS

"An individual who understands how we can communicate and work more efficiently together and is provided the tools to enable this, feels a greater motivation, satisfaction, and a greater sense of well-being."

Fredrik Malmgren, Director Operations

MORE EFFICIENT DELIVERIES

Action has been taken to streamline and improve delivery precision, such as the new warehouse building being put into use in Germany.

DIGITAL DELIVERY CHAIN

Expansion of a central IT environment for Duni as a whole continued in 2017, leading to improved service levels and increased delivery capacity.

GOODFOODMOOD IN POLAND

Work has begun to remodel the lunch restaurant and break room at the facility in Poland to create an atmosphere of enjoyment like you would find in any other restaurant.

OUR BLUE MISSION

DUNI'S CSR PROGRAM

Being a leading manufacturer of table setting 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 also 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 is also an important part in this work. These products are brought together under the ecoecho® brand, a range that 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 VALUE CHAIN

Nothing is stronger than its weakest link. Duni has been working according to a set Code of Conduct for many years. The code applies throughout the value chain, both at Duni's own production facilities and at its suppliers. The code includes clear rules of conduct within areas including working conditions, human rights, and discrimination. Duni conducts regular audits and training courses on compliance with the Code of Conduct.

ETHICAL PRINCIPLES

Having a presence in many markets involves both opportunities and risks. To minimize potential risks, Duni has developed ethical principles that define how the Group will work proactively to prevent corruption, bribery, fraud and other unauthorized 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

SUSTAINABILITY – AN ONGOING PROCESS

Duni's corporate social responsibility work is strategic and comprehensive, collected into a clear plan – Our Blue Mission.

Our Blue Mission is a sustainability program based on a materiality and stakeholder analysis reviewed by Duni's executive management. The most critical aspects of the program form the basis of Duni's policies and guide management of operational activities. Our Blue Mission takes a comprehensive approach to issues related to the environment, product safety, social responsibility, social rights, and business ethics. It is strategic and structural work with defined targets that must be achieved by 2020.

EARNING CUSTOMER CONFIDENCE

The overall goal of Duni's CSR work is to live up to our customers' confidence that our products are manufactured in an ethical, safe and environmentally-sound manner. Duni operates in many areas: from its own production to design, concept development, and converting in a number of wholly-owned or majority-owned plants accross Europe and Asia and with sales in over 40 markets. When it comes to paper-based products labeled with the Duni brand, we have control over the entire production chain, creating excellent opportunities to manage issues and influence the development of the CSR program. When it comes to external product purchases as well, there is a well-defined structure of responsibility with clear requirement specifications for suppliers.

GOOD RELATIONSHIPS

"We have a responsibility, not only to our employees, but also to our customers and the end users of our products."

Elisabeth Gierow, Corporate CSR & Quality Director

RESPONSIBILITY FOR EMPLOYEES AND CUSTOMERS

For some time now, Duni has had a Code of Conduct in place and well-developed processes to ensure compliance, both with suppliers and within its own manufacturing. The code of conduct addresses environmental issues, human rights, reasonable compensation, amongst other things and applies in all countries in which Duni operates. Many issues relate to cultural differences in various countries, but there can also be differences in laws and regulations. Duni is responsible for ensuring good working conditions for those who manufacture Duni products, the employees of its suppliers, and its own employees. Duni's approach to sustainability must apply to the greatest extent possible, regardless of where in the world operations are being conducted. The process is facilitated by the fact that many suppliers are in favor of maintaining a dialog and getting support and assistance in conducting their operations ethically and with good working conditions.

SUSTAINABILITY TARGETS

The following sustainability targets for 2020 are under constant review.

100 %

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

100 %

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

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.

20 %

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

ECOECHO®-KRITERIER

An ecoecho product shall fulfill at least two of the following criteria:

- Renewable – plant based
- Compostable in accordance with the requirements of the EN 13432 standard for industrial composting
- Responsibly produced (e.g. wood fiber from FSC® forest)
- Resource efficient (e.g. made from recycled material)

STRATEGY FOR ADDITIONAL ECO-PRODUCTS

The CSR program serves as a strategy for managing product development in a clear, environmentally-oriented direction. The ecoecho® environmental classification defines a number of criteria that an eco-profiled product should meet. It is a way to meet market demand and drive the development of new, functional, and environmentally-sound materials. One example of such materials is bagasse from sugar cane fibers, which is a renewable, resource-efficient and compostable material. Recycled glass, bioplastics and recycled plastic are additional examples of environmentally-sound materials. Duni also offers products with a number of external ecolabels, such as the Swan Nordic Ecolabel, FSC® for responsible forestry and OK Compost® for compostable products.

PRODUCT SAFETY

Duni prioritizes high quality and product safety. Products intended to come into contact with food are regulated by EU legislation. Duni's work with food contact involves planning and evaluation of testing based on the intended use of the product, monitoring by third-party institutions, and providing customers with accurate and clear information.

Candles and electronic products have an inherent risk that requires strict attention to safety in both production and handling. Duni has a testing program in place, an international cooperation for candle safety standards, and quality-certified products. The development of attractive LED products that replace candles increases safety and creates a Goodfoodmood® atmosphere both in the home, in restaurants and within the healthcare sector.

CSR IN THE VALUE CHAIN

Duni's CSR work is extensive because the Company's operations and its products can be seen as ranging from the earth to the table and back to the earth. It all starts with sustainable forestry and sustainable materials, and ends with compostability or recycling to the greatest extent possible. Over this journey, employees, suppliers, customers, end users and society in general are all affected. Since everything is a chain where the individual parts affect each other, the CSR work is an ongoing process. Here, CSR plays a strategic role as it points to increased commercial benefit and to insight that this work will never be finished. The initiatives can only strive towards the aim of materials, production, use and recycling continuously reaching higher levels of sustainability than they had before. It is a necessary and pressing journey for Duni that will continue in 2018.

SUSTAINABLE APPROACH

GOOD RELATIONSHIPS #4

Duni has a well-developed Code of Conduct, both for its own operations and for external suppliers. The latter is particularly important since Duni is a global company with operations in 23 countries, and with the purchase of raw materials and products from external suppliers. The Code of Conduct is part of our CSR program, known as Our Blue Mission. Many appreciate the support Duni provides to ensure operations are conducted sustainably and with a good work environment. Good dialog also builds better relationships with the suppliers, which facilitates the joint work, making it simpler and more efficient.

DUNI'S PROGRAM FOR SUSTAINABILITY

Duni's Corporate Social Responsibility Report is published annually. The aim is to provide an overview of key issues and Duni's development as a socially responsible company.

Here, we report on Duni's footprint with the help of environmental data from the manufacturing in Europe and information from audits conducted at Duni's suppliers, where we check for compliance with Duni's Code of Conduct.

More about Duni's governance and how Duni takes social responsibility can be found at Duni.com and in our Sustainability Report – Our Blue Mission.

OUR BLUE MISSION is based on a materiality and stakeholder analysis reviewed by Duni's executive management. The most critical aspects of the program form the basis of Duni's policies and guide the management of operational activities.

PROGRAMS

ENVIRONMENTAL POLICY
ECO-PROFILING OF PRODUCTS
ecoecho®

WHY?
- Dependence on raw materials and the impact of the energy on our climate
- Handling products at the end of their life cycle
- Short life cycle of Duni products
- Local environmental impact from our own production

HOW?
- Research and development
- Investments in new materials and new production processes
- Ecolabeling and certification program
- Assessments of environmental impact
- ISO 14001 certification
- Environmental requirements and audits at suppliers

AFFECTS
- Society as a whole, everyone who cares about the life cycle of singleuse products and wants to minimize littering
- Duni's shareholders
- Municipalities and nature areas where Duni has manufacturing or logistics

DUNI'S CODE OF CONDUCT FOR SUPPLIERS AND OWN OPERATIONS

WHY?
- Work environment and human rights for people working with the manufacture of Duni products
- Local environmental impact from our own production

HOW?
- Audits at suppliers with evaluation and support
- Audits of our own operations
- Employee surveys every other year
- Occupational health and safety procedures and training courses
- Environmental requirements at suppliers

AFFECTS
- Employees at Duni and at our suppliers
- Duni's shareholders
- Municipalities and nature areas where Duni has manufacturing or logistics

BUSINESS ETHICS PROVISIONS
WHISTLEBLOWING POLICY

WHY?
- Risks in external business relationships, anti-corruption work, business ethics

HOW?
- Risk assessment and risk training
- Channels and procedures for reporting
- Protection for whistleblowers
- Liability
- Actions and sanctions

AFFECTS
- Society as a whole, human development
- Duni's shareholders
- Duni's employees and partners

PRODUCT SAFETY RULES

WHY?
- Products intended to come in contact with food and consumer safety

HOW?
- Supplier and product requirements
- Testing program and declaration of conformity

AFFECTS
- Consumers and Duni customers
- Duni's shareholders

EMPLOYEES

BUSINESS-DRIVEN AND BUSINESS-MINDED HR

Even though HR is an acronym for Human Resources, it also represents good relationships.

Without good relationships between the employees, it is harder to achieve business goals. Each employee should grow and develop in relation to their individual circumstances and their specific situation, but always in symbiosis with the rest of the team, within the department, and within the Company as a whole. This is both a cultural matter and an insight, where Duni's HR should consistently work to acheive Duni's goals in its Business Areas, thus being both business-driven and business-minded.

GUIDED BY INTERNAL NEEDS

The work within HR is directly tied to the needs of Duni's business areas, and has a strong link to adopted strategies and set goals. At the end of each year, each business area conducts a review of what they need to do to achieve their budget and other goals – a process that each local HR department is responsible for out in the organizations. The input this provides then guides work with training, development and other supporting activities intended to enable the organization as a whole to work well in all aspects. In this manner, HR's work is closely linked to the business and the goals of the business areas also become the goals of HR.

VITALIZES AND CREATES DYNAMICS

The basis for employee development is formulated in a well-defined plan – Dunited. It was created to ensure a sustainable organization, while being a tool for vitalizing and creating dynamics in the Company's operations. Dunited is a process that makes HR work clearer and makes it possible to measure and monitor the results. Within Dunited, there are programs like Duni Academy focused on leadership development, mentorship programs and other collaborative forums.

GOOD LEADERSHIP

Good leadership is based on inspiration, clarity and the ability to coach employees so that the right person is paired with the right position in the Company. It requires the presence of a good manager who creates clear succession plans in a nurturing environment so that future managers can be identified early-on and grow within the organization. Recruitment work is conducted at a global level, where all employees are given the chance to change work tasks, change organization, or even change country. As part of this, open positions are always published internally before being advertised externally. It is necessary to mix things up, be open and welcome people who contribute to and enrich the culture. The right person in the right place is the idea behind our HR work. Internal recruitment, employee performance interviews and open discussions in the management teams are three routes to achieving this.

FOCUS ON SUSTAINABILITY

During the year, work with the various components of Dunited was intensified and the content refined. Since people, the organization and society change, it is an ongoing process. It is especially interesting to see the young generation ask about the Company's environmental profile when discussing potential employment. It shows insight and how important the Company's purpose is to them. This approach fits in well at Duni since focus on sustainability issues is growing within our operations.

GOOD RELATIONSHIPS

"Our HR work aims to ensure we have a sustainable organization where both the employees and the company can grow."

Sofie Lindström, HR Director

GEOGRAPHIC AND FUNCTIONAL BREAKDOWN

Country	Blue collar employees	White collar staff	Total
Sweden	153	186	339
Germany	756	352	1 108
Poland	347	134	481
Thailand	95	33	128
Netherlands	0	56	56
New Zealand	31	9	40
France	0	37	37
UK	0	19	19
Others	14	140	154
Total	**1 396**	**966**	**2 362**

AVERAGE NUMBER OF EMPLOYEES

2017	**2 412**
2016	2 212
2015	2 174
2014	2 184
2013	1 902

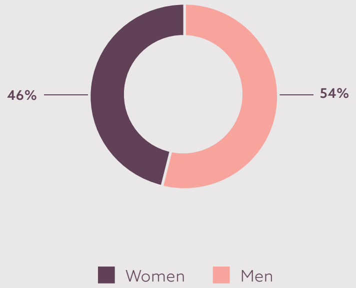
DUNI'S CORE VALUES

OPEN MIND
OWNERSHIP
ADDED VALUE
WILL TO WIN

FACTS

- As of December 31, 2017, Duni had 2,437 (2,375) employees, equivalent to 2,362 (2,279) full-time positions.
- The blue collar employees work within logistics, manufacturing and maintenance. Most blue collar employees (76.6%) work within manufacturing and maintenance at the plants in Skåpafors in Sweden, Bramsche and Wolkenstein in Germany, Poznan in Poland, Bangkok in Thailand, and Auckland in New Zealand. 32.8% of blue collar employees in Germany work within logistics at the international distribution center in Bramsche. 51.9% of white collar employees 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.

GENDER BREAKDOWN



SHARE PERFORMANCE

During 2017, the share price fell by 3%, with a closing price of SEK 121.25 (125.00) being recorded on December 31, 2017. Since being listed on the exchange, Duni's share price had increased by 143% up to December 31, 2017, entailing a market capitalization of SEK 5.7 billion. During 2017, the closing price varied between a high of SEK 133.75 on March 1 and a low of SEK 109.00 on November 24. Earnings per share for the year were SEK 6.99 (7.06). During 2017, 8 (9) million Duni shares were traded, valued at SEK 1,003 million (1,124).

NUMBER OF SHARES AND SHARE CAPITAL

On December 31, 2017, 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 Board of Directors' long-term intention for dividends to 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 of SEK 5.00 (5.00) be paid per share for the 2017 financial year, corresponding to 72% (71%) of income after tax.

OWNERSHP STRUCTURE, DECEMBER 31, 2017

Number	Number of shareholders	Number of shares	% of shares
1 – 500	8 323	1 042 133	2.22
501 – 1 000	988	822 790	1.75
1 001 – 5 000	636	1 444 762	3.07
5 001 – 10 000	62	453 514	0.96
10 001 – 15 000	18	214 128	0.46
15 001 – 20 000	13	240 518	0.51
20 001 –	100	42 781 187	91.03
Total	**10 140**	**46 999 032**	**100**

SHAREHOLDERS, DECEMBER 31, 2017

	Number of shares	% of shares
Mellby Gård Investerings AB	14 094 500	29.99
Swedbank Robur fonder	4 297 872	9.14
Carnegie fonder	4 000 000	8.51
Polaris Capital Management LLC	3 565 697	7.59
Lannebo fonder	2 810 115	5.98
Verdipapirfond Odin Sverige	1 890 042	4.02
Fjärde AP-fonden	1 652 790	3.52
State Street Bank & Trust Com., Boston	1 570 649	3.34
JPM Chase NA	1 116 894	2.38
DnB - Carlson fonder	708 309	1.51
Total, the 10 largest owners	35 706 868	75.97
Other shareholders	11 292 164	24.03
Total	**46 999 032**	**100**

DATA PER SHARE

Amount, SEK	12/31/2017
Number of shares at end of period	46 999
Average number of shares before and after dilution	46 999
Share price on December 31	121.3
Earnings per share, before and after dilution	6.99
Equity per share	55.19
P/E ratio	17.35

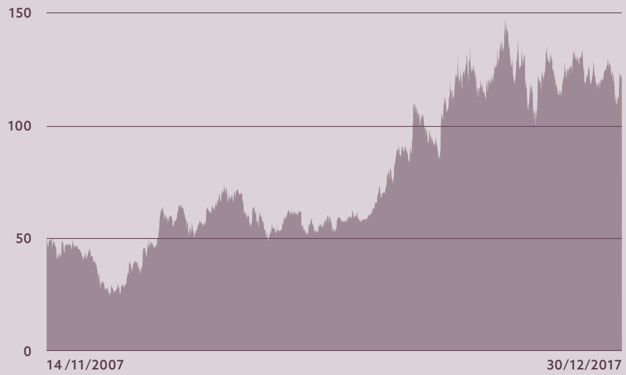
EXTERNAL ANALYSES WERE PUBLISHED BY:

- 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.

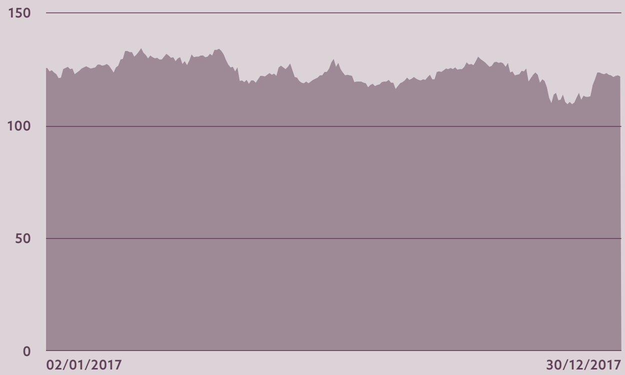
SHARE PERFORMANCE 2007–2017

SEK, closing price



SHARE PERFORMANCE 2017

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 in most European markets have resulted in Duni being a market leader in Europe. Operations are conducted within four business areas: Table Top, Meal Service, Consumer and New Markets.

The **Table Top** business area offers Duni's concepts and products primarily to hotels, restaurants and catering, and companies in the health and care sector. Table Top mainly markets napkins, table-coverings and candles for the set table. Duni is a market leader within the premium segment in Europe. The business area accounted for approximately 53% (54%) of Duni's net sales during the year.

The **Meal Service** business area offers concepts for meal packaging and serving products for e.g. take-away, fresh ready-to-eat food and various types of catering. The business area's customers are mainly take-away-driven restaurants, food producers, and companies in the health and care sector. As a niche player, Duni enjoys a leading position within this area in the Nordic region and has a clear growth agenda for identified markets in Europe. The business area accounted for approximately 16% (16%) of Duni's net sales during the year.

The **Consumer** business area offers consumer products primarily to the retail sector in Europe. The business area's customers mainly comprise grocery retail chains, but also other channels such as specialty stores, including garden centers, home furnishing stores, and DIY stores. The business area accounted for approximately 23% (24%) of Duni's net sales during the year.

The **New Markets** business area offers 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 aims its offering at the retail sector. The acquisition of 80% of Sharp Serviettes (United Corporation Ltd) in New Zealand, which was conducted in May 2017, was integrated during the year and is a part of New Markets. The business area accounted for approximately 7% (5%) 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 product 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 that create a clear added value for the various customer categories in the market.

DESIGNS FOR DUNI®

Designs for Duni® was created in 2013 to strengthen the Duni brand as an innovative player. This is a unique concept whereby Duni develops products in cooperation with well-known European designers and design houses. The concept positions Duni as a leading design partner at the retailers. This strengthens Duni's range while making Duni more attractive in the market and increasing the degree of innovation. Over the years, Duni has collaborated with the likes of the Melli Mello design house, Harald Glöökler and byGraziela in Germany, Vallila in Finland, and sisters Lisbet and Gocken Jobs in Sweden. In 2017, Duni launched the Amazonica collection, which is the result of a design collaboration between Duni and the design duo Bernadotte & Kylberg. Amazonica is an innovative and stylish collection of disposable plates, bowls, cutlery and napkins. The collection is made of environmentally-sound and plant-based materials like bagasse and CPLA, and is also falls under Duni's ecoecho® range.

CONTINUOUS INNOVATION

Products in the Duni ecoecho® premium range are manufactured from 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 forestry.

Ecoecho® includes, for example, products made from the environmentally-sound material bagasse, as well as an entire compostable range of single-colored napkins carrying the OK Compost® ecolabel.

Duni has a number of products that are an alternative to linen. The table cover material Evolin® combines the look and feel of textile and linen table covers 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 meals are increasingly consumed on the go. New restaurant concepts, such as ready meals 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 in 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 that 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.

Another sector of the market comprises the serving of food to companies and institutions. It is primarily the care sector that is taking larger 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 of the home. Demand for brand-profiled and environmentally-sound 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 2017 financial year. "Preceding year" refers to the 2016 financial year. Duni controls its operations based on what Duni refers to as operating income. "Operating income" means operating income before restructuring costs, non-realized valuation effects of currency derivatives, fair value allocations and amortization in connection with business acquisition. For the bridge between EBIT and operating income, see the table below.

Restructuring costs amounted to SEK 0 m (-10). Restructuring costs were incurred for efficiency improvements in marketing and sales. In addition, revenue was recognized for damages relating to the period before Duni was listed. For more information on restructuring costs, see Note 9.

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

BRIDGE BETWEEN OPERATING INCOME AND EBIT

SEK m	2017	2016
Operating income	491	502
Restructuring costs	0	-10
Amortization of intangible assets identified in connection with business acquisitions	-34	-27
Fair value allocation in connection with acquisitions	-1	-1
Reported operating income (EBIT)	**456**	**463**

NET SALES

Duni's net sales amounted to SEK 4,441 m (4,271), a 4.0% increase in sales. At unchanged exchange rates from the preceding year, net sales would have been SEK 129 m higher compared with the outcome for 2016, representing a 3.0% increase in sales. Organic growth, excluding structural changes, amounted to 0.9% at fixed exchange rates.

The **Table Top** business area reported net sales of SEK 2,338 m (2,293). At fixed exchange rates, this corresponds to a 1.2% increase in sales. The year has been characterized by a somewhat more stable situation in the main market, Germany. The business area also shows growth in all regions. The consumer confidence index rose gradually over the course of the year, which had a positive effect on the restaurant sector, which grew at pace with the economy as a whole.

The **Meal Service** business area reported net sales of SEK 704 m (666). At fixed exchange rates, this corresponds to a 4.9% increase in sales. The market for Meal Service products is growing more than the restaurant industry. Environmentally-sound packaging material is driving growth, with increasing market interest in solutions of this type. The business area is showing growth in all regions.

Within the **Consumer** business area, net sales amounted to SEK 1,010 m (1,039). At fixed exchange rates, this corresponds to a 3.6% decrease in sales. The European retail sector has developed positively since the end of 2013, with an annual increase rate of just above 2%. However, competition is intense in most markets, especially with regard to standard products. Duni is primarily growing in areas in which it offers unique materials or environmentally-sound products and in which it has taken a leading position. The business area is growing in the Nordic region, but has lower sales than the preceding year in the remaining markets.

The **New Markets** business area reported net sales of SEK 322 m (220). At fixed exchange rates, this corresponds to a 42.4% increase in sales. From May, the acquisition of Sharp Serviettes, New Zealand has been consolidated within New Markets. The year shows sound growth in several strategically important areas, such as Asia and Oceania. There was also lower demand in other regions, such as the Middle East. As in Europe, there is strong development within environmentally-sound alternatives, with distinct demand for these products.

INCOME

Operating income amounted to SEK 491 m (502). Adjusted for translation effects due to exchange rate movements, operating income was SEK 17 m lower than last year. The gross margin amounted to 28.5% (28.8%) and the operating margin decreased from 11.8% to 11.1%.

Net financial items amounted to SEK -17 m (-22). The translation effects were less negative than the preceding year. Income before tax was SEK 439 m (441).

A tax expense of SEK 106 m (107) was reported for the financial year. The effective tax rate was 24.0% (24.3%). The tax expense for the year includes adjustments and non-recurring effects from the preceding year amounting to SEK -1.3 m (-0.4). The deferred tax asset relating to loss carryforwards was utilized at the amount of SEK 18 m (35). Duni AB has now utilized its entire loss carryforwards and is now once again paying tax in Sweden.

Net income for the year amounted to SEK 334 m (334), of which non-controlling interests amounted to SEK 5 m (2).

INVESTMENTS

The Group's net investments excluding acquisitions amounted to SEK 234 m (176). In early 2017, a SEK 55 m investment was made in a logistics property in Germany. Apart from this, the investments related primarily to the Group's production plants in Poland, Germany and Sweden. Depreciation/amortization amounted to SEK 174 m (159).

CASH FLOW AND FINANCIAL POSITION

The Group's operating cash flow was SEK 449 m (446). Cash flow including investing activities amounted to SEK 156 m (146). Cash flow for the year was affected by the acquisition of Sharp Serviettes in New Zealand in the amount of SEK -59 m. Terinex Siam, Thailand, was acquired in 2016, which affected cash flow by SEK -103 m.

The Group's balance sheet total on December 31 amounted to SEK 4,833 m (4,487).

The Group's interest-bearing net debt amounted to SEK 855 m, compared with SEK 757 m on December 31, 2016.

OPERATIONAL AND FINANCIAL RISKS

Duni is exposed to a number of operational risks that are important to manage.

The development of attractive product ranges, particularly the Christmas collection, is very important in order for Duni to achieve 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 through factors such as increased discounts and customer bonuses.

To minimize risks in the form of, inter alia, fire, disruptions or other damage to inventory, property and plants and to cover liability, the Company has a comprehensive insurance program covering the entire Group.

The Board's audit committee conducts annual reviews of the Company's operational and financial risks based on the risk analysis conducted. This also includes environmental risks as well as risks related to entry into new markets such as anti-corruption, fraud and social aspects such as conditions from an labor law and diversity perspective. The Company's approach to managing different risks is presented in the policy that the Board reviews and approves each year. The management team held a workshop during the year where they discussed and updated their view of the Company's operational and financial risks. The aim was to ensure that both management and the Board have a shared view of what risks the Company is exposed to, and to ensure there is a monitoring strategy for each individual risk.

Duni's financial 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 Finance Function (EFF), 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), credit risks and liquidity risks. These risks are controlled in an overall risk management policy that focuses on unforeseen events in the financial markets and endeavors to minimize potential adverse effects on the Group's financial results. 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 that, in the management's opinion, cover any negative outcome of these disputes. See also Note 35, Pledged assets and contingent liabilities.

SUSTAINABILITY REPORT

Duni's corporate social responsibility work (including policies and significant risks in the areas of the environment, social conditions, personnel, respect for human rights, and anti-corruption) is collected into an overarching program called "Our Blue Mission". The program is updated and presented annually in an independent report that is published at the same time as the annual report. Duni's sustainability work is also reported here in the directors' report under "Environment and social responsibility" and "Employees and work environment". See also Note 35, Pledged assets and contingent liabilities.

ENVIRONMENT AND SOCIAL RESPONSIBILITY

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.

An environmental management system and a quality management system in accordance with ISO 14001 and ISO 9001, respectively, have been implemented and certified at all of the Group's European production units.

Suppliers of traded goods and significant raw materials are evaluated according to the Group's code of conduct, which covers both environmental and social responsibility. Prior to new contracts for the purchase of traded goods, an audit is first performed at the supplier's plant based on the code of conduct. Audits are also performed on a regular basis at existing suppliers based on a risk assessment that 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), regarding the sale, production and distribution of products such as napkins, table covers and serving products. This means that Duni's paper products are sourced from sustainable forests.

Rexcell Tissue & Airlaid AB conducts two operations that 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. For 2017, the allocation of emission rights was 0 tonnes in Dals Långed and 18,438 tonnes in Skåpafors. The total allocation of emission rights will diminish each year up to 2020, when Dals Långed will have emission rights corresponding to 0 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 of 2017. In total, 13,308 tonnes were used in Skåpafors in 2017.

EMPLOYEES AND WORK ENVIRONMENT

Duni operates based on four core values that 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 that, 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 form the foundation 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. Duni works actively with diversity in many different ways to make it clear within the organization that it is considered an important issue. Duni shall be a company that reflects the surrounding society. 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 that 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 conducted every other year, and was last conducted in 2016. The survey includes questions regarding the employees' work environment. Systematic work on the work environment is performed 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 ratios 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 work to prevent corruption. In addition to compliance with the code of conduct, the Duni Board has also adopted a business ethics policy that all employees and suppliers are expected to follow. 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 in particular how managers and employees are expected to act in their contact with customers, suppliers, owners, competitors and other external parties. Duni requires that all third parties, suppliers and external parties with whom Duni cooperates shall comply with Duni's business ethics policy and applicable legislation in the respective country.

Duni also has a whistleblower policy that 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.

As of December 31, 2017, the Company had 2,362 employees. The number of employees on December 31, 2016 was 2,279. 1,057 (966) of the employees were employed in production. Duni's production plants are located in Bramsche and Wolkenstein in Germany, Poznan in Poland, Bengtsfors in Sweden, Bangkok in Thailand and Auckland in New Zealand.

THE BOARD'S WORK

Since the Annual General Meeting held on May 3, 2017, the Board of Directors comprises five members and two employee representatives. Two alternate employee representatives also attend all board meetings. During the year, the Board held eight meetings at which minutes were taken. For further information on the work of the Board, see the Corporate Governance Report.

REMUNERATION TO THE CEO AND SENIOR EXECUTIVES

Principles regarding the CEO and senior executives, as proposed to the 2018 Annual General Meeting, to be applicable in 2018 up until the next Annual General Meeting, correspond in all essential respects to the established principles which were adopted by the 2017 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 21 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 1,160 m (1,140). Operating income was recognized at SEK 26 m (-63), and net financial items at SEK 297 m (277). Income improved as a result of the full amortization of goodwill on acquisition in 2016. This was previously charged to other operating expenses at SEK 100 m per annum. Net financial items include internal dividends received during the year of SEK 138 m (159) and a Group contribution received of SEK 152 m (115). Net income for the year was SEK 284 m (178).

The Parent Company's investments in fixed assets amounted to SEK 21 m (15). Depreciation and amortization amounted to SEK 16 m (117).

The Parent Company's equity ratio at year-end was 52.4% (58.7%). The Parent Company's cash and equivalents on December 31, 2017 amounted to SEK 157 m (119).

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 AT DECEMBER 31, 2017

Duni is listed on NASDAQ Stockholm under the ticker name "DUNI". Duni's three largest shareholders at December 31, 2017 are Mellby Gård Investerings AB 29.99%, Swedbank Robur fonder 9.1% and Carnegie fonder 8.5%.

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 per share. 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 0.2% of the shares in Duni at December 31, 2017.

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

ALLOCATION OF EARNINGS PROPOSED BY THE BOARD OF DIRECTORS AND CEO

Allocation of earnings, Parent Company (SEK)	2017
Non-restricted equity in the Parent Company	
Retained earnings	1 424 750 387
Net income for the year	284 193 250
Total non-restricted equity in the Parent Company	**1 708 943 637**
The Board and CEO propose:	
a dividend to the shareholders of SEK 5.00 per share	234 995 160
and that the remaining amount be carried forward	1 473 948 477
Total	**1 708 943 637**

The Board of Directors proposes to the 2018 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 11, 2018, and that the remaining non-restricted equity be carried forward.

Provided that the 2018 Annual General Meeting resolves in accordance with the Board's dividend proposal, SEK 1,474 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 2,594 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 a total of 13.1% of the shareholders' equity of the Parent Company and 9.1% of the Group's total equity. 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 52.4% and 51.3% 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 measured at the lower of cost or market, instead of being measured at fair value pursuant to Chapter 4, section 14 of the Annual Accounts Act, total equity would have been SEK 2 m higher.

CORPORATE GOVERNANCE REPORT FOR DUNI AB (PUBL)

Duni AB is a Swedish public limited company which has been listed on NASDAQ in Stockholm since November 14, 2007. Duni is governed via General Meetings, the Board of Directors and the CEO, as well as Duni's Group Management, in accordance with the Swedish Companies Act, the Company's Articles of Association and the rules of procedure and internal guidelines 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. Their stipulations include 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 the remuneration of the Board of Directors and auditors.

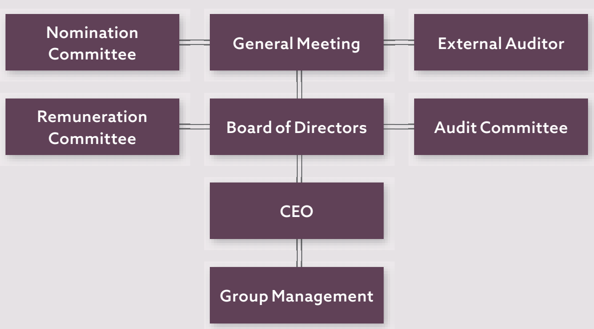
Pursuant to the Swedish Companies Act, notice of Duni's Annual General Meeting must be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice shall be issued through an announcement in Post och Inrikes Tidningar (The Official Gazette) and on Duni's website. The fact 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 no later than the date stated in the notice.

2017 Annual General Meeting

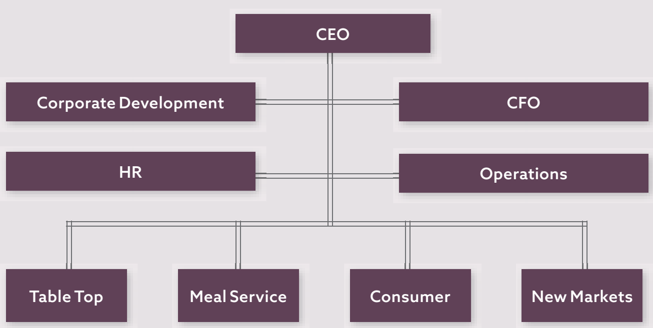
Duni's 2017 Annual General Meeting was held on Wednesday, May 3, 2017 in Malmö. 219 shareholders, representing approximately 58% of the voting rights, were present at the General Meeting in person or through proxies. The Chairman of the Board, Magnus Yngen, was elected to chair the meeting. All directors and three of four 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 2016 financial year;
- Discharge from liability for the directors and CEO;
- That the Board shall comprise five directors without alternates;
- The re-election of directors Johan Andersson, Pauline Lindwall, Alex Myers, Pia Rudengren and Magnus Yngen;
- The election of Magnus Yngen as Chairman of the Board;
- The re-election of PwC as auditors;
- The increase of the Board's remuneration, the Chairman of the Board shall receive SEK 562,000 (535,000) and all other directors shall each receive SEK 300,000 (285,000);
- Remuneration of SEK 121,000 (115,000) to the chairman of the Audit Committee and SEK 57,000 (54,000) to other members of the Audit Committee;
- Remuneration of SEK 63,000 (60,000) to the chairman of the Remuneration Committee and SEK 29,000 (27,500) to other members of the Remuneration Committee;
- Adoption of the Board's proposed guidelines for the remuneration of 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 issue of no more than 4,640,000 new shares.

CORPORATE GOVERNANCE



GROUP MANAGEMENT 2017



2018 Annual General Meeting

The next Annual General Meeting of the shareholders of Duni will be held at 3pm on Tuesday, May 8, 2018 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 2018. 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 remuneration 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.

For the 2017 Annual General Meeting, the Nomination Committee proposed the re-election of Magnus Yngen (Chairman of the Board), Johan Andersson, Pauline Lindwall, Alex Myers and Pia Rudengren. The reasoned opinion of the Nomination Committee for the 2017 Annual General Meeting shows that the Nomination Committee applied Rule 4.1 of the Code as diversity policy in its proposals to the Board of Directors. The aim of the policy is to ensure that the composition of the Board of Directors is suited to the Company's operations, stage of development and other circumstances, that the Board of Directors is characterized by diversity and breadth in terms of skills, experience and background, and that an even gender distribution is prioritized. The Annual General Meeting resolved to elect directors in accordance with the proposals of the Nomination Committee, which resulted in the election of five directors, two women and three men (40 and 60 percent, respectively).

The Nomination Committee shall be comprised of representatives of Duni's three largest shareholders at September 30. Board Chairman Magnus Yngen convened the Nomination Committee in October 2017 and the composition was presented on November 7, 2017.

The Nomination Committee had its first meeting on November 29, 2017. Prior to the 2018 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 is of the opinion 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 genders, education, skills, industry experience and international experience.

All current directors are proposed for re-election at the 2018 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 12/31/2017
Magnus Yngen	Chairman of the Board	
Rune Andersson (Chairman)	Mellby Gård Investerings AB	29.99 %
Johan Strömgren	Carnegie fonder	8.51 %
Bo Lundgren	Swedbank Robur fonder	9.14 %
Total		**47.64 %**

BOARD OF DIRECTORS

Duni's Board decides on the Company's strategies, resources, 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 day-to-day management in accordance with the Board's instructions.

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 and employee representatives. Since the Annual General Meeting held on May 3, 2017, 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 divided between the Board's members, and how often the Board shall meet. In addition, the rules of procedure govern the Board's obligations, quorum, instructions to the CEO, the division 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 scheduled as needed. In 2017, the Board held eight meetings at which minutes were taken.

2017 BOARD ATTENDANCE:

	Function	Independence [1]	Board meetings	Audit Committee	Remuneration Committee
Magnus Yngen	Chairman	x	8 of 8	4 of 4	3 of 3
Johan Andersson	Director	[2]	8 of 8	–	3 of 3
Pauline Lindwall	Director	x	8 of 8	–	3 of 3
Alex Myers	Director	x	8 of 8	4 of 4	–
Pia Rudengren	Director	x	8 of 8	4 of 4	–
Per-Åke Halvordsson	Employee representative, director	[3]	8 of 8	–	–
Henry Olsen	Employee representative, director	[3, 4]	4 of 4	–	–
Tapio Nieminen	Employee representative, alternate	[3, 4]	3 of 4	–	–
Tapio Nieminen	Employee representative, director	[3, 4]	3 of 4	–	–
Åsa Lundqvist	Employee representative, alternate	[3]	8 of 8	–	–
David Green	Employee representative, alternate	[3, 4]	2 of 4	–	–

[1] As per definition in Swedish Corporate Governance Code. [2] Not independent (in relation to Duni's largest shareholders). [3] Not independent (in relation to Duni).
[4] Henry Olsen resigned in June 2017 and was replaced by Tapio Nieminen. Tapio Nieminen was replaced by David Green.

The following items were among those on the agenda in 2017:

- The annual accounts, including the auditors' report, the proposed allocation of earnings and the year-end report;
- The annual report and approval of the notice of the Annual General Meeting;
- Follow-up of the annual audit 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;
- Regular evaluation and analyses regarding the performance of each business area in terms of growth and profitability;
- Strategic issues and risks;
- Mapping of the Company's financial and operational risks;
- Goods supply and logistics issues;
- Regular forecasts for 2017;
- Ongoing investments and follow-up of approved investments;
- The economic climate and economic conditions;
- Recruitment and appointment of a new President and CEO.

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 is responsible for implementation of the business plan and the regular management of the Company's affairs as well as the day-to-day operations of the Company.

The Board receives monthly written information in the form of a monthly report containing updates on the Company's sales, operating income and changes in working capital as well as comments on the performance of each business area and market. 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 a detailed evaluation of the Board of Directors each year based on the adopted rules of procedure. The evaluation includes the composition of the Board, individual directors as well as the Board's work and procedures. 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. No 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 company management, while decisions thereon are made by Duni's Board of Directors. Remuneration and benefits for company management are evaluated through comparisons with market data provided by external sources. Such data demonstrates that Duni has competitive remuneration levels and that the total remuneration package is reasonable and not excessively high. The Remuneration Committee evaluates bonus policies prior to each new year. Once a year, the Remuneration Committee evaluates senior executives and also certain second-tier managers in accordance with a systematic procedure.

The Remuneration Committee held three meetings in 2017 and comprises three members: Pauline Lindwall (Chairman), Johan Andersson and Magnus Yngen. Duni's CEO attends the meetings, except for matters regarding his own remuneration, as does the HR Director, who serves as a secretary at meetings of the Remuneration Committee.

Audit Committee

The Audit Committee works according to an agenda adopted annually and its activities meet the requirements set out in the Swedish Companies Act and the EU Audit Regulation. Duni's Audit Committee is responsible for ensuring the quality of the Company's financial reporting. The Committee also evaluates Duni's internal control processes and management of financial and operating risks. There is a special item on the annual agenda for fraud and anti-corruption issues. The Audit Committee followed up and evaluated the acquisitions made since 2013 during the year. 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 as well as reviewing and monitoring the impartiality and independence of the auditor. When preparing a proposal regarding the election of auditors and remuneration for audit work, the Nomination Committee is assisted by the Audit Committee, which shall monitor whether the auditor's term of office exceeds applicable rules, procure audits and submit a recommendation in accordance with the EU Audit Regulation.

The Audit Committee held four meetings in 2017 and comprises three members: Pia Rudengren (Chairman), Magnus Yngen and Alex Myers. The CFO and the Group Accounting Manager, as well as the auditors, attend all meetings.

BOARD REMUNERATION FOR THE MAY 2017–APRIL 2018 PERIOD

SEK	Board fees	Audit Committee fee	Remuneration Committee fee	Total
Magnus Yngen	562 000	57 000	29 000	648 000
Johan Andersson	300 000	–	29 000	329 000
Pauline Lindwall	300 000	–	63 000	363 000
Alex Myers	300 000	57 000	–	357 000
Pia Rudengren	300 000	121 000	–	421 000
Total	**1 762 000**	**235 000**	**121 000**	**2 118 000**

REMUNERATION TO SENIOR EXECUTIVE

2017, SEK m	Basic salary	Variable remuneration	Other benefits	Pension expenses	Signing bonuses	Total
CEO – Thomas Gustafsson	4.0	–	0.0	1.9	–	6.0
CEO – Johan Sundelin*	0.8	–	0.0	0.3	2.5	3.7
Other senior executives	12.3	0.7	0.6	4.6	–	18.1

* Refers to the October 17–December 31 period.

REMUNERATION OF THE BOARD OF DIRECTORS

Fees and other remuneration for the Board of Directors, 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, 2017, the annual fee was set at a total of SEK 1,762,000, of which SEK 562,000 is payable to the Chairman of the Board. In addition, a resolution was adopted to set the fee for committee work at a total of SEK 356,000.

The distribution of the remuneration among the members of the Board is shown in the table on previous page.

CEO

Johan Sundelin succeeded Thomas Gustafsson as CEO on October 16, 2017. Thomas Gustafsson participated in Johan Sundelin's introduction program until the end of the year. 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 Group's operations in accordance with guidelines issued by the Board of Directors.

As of December 31, 2017, Johan Sundelin held 1,000 shares in Duni AB and Thomas Gustafsson held 26,400 shares in Duni AB. Neither of them have any ownership interests in companies with which Duni has significant commercial relations. Further information regarding the CEO is provided in Note 13 of the Annual Report.

GROUP MANAGEMENT

The CEO presides over the work of Group Management and adopts decisions in consultation with the 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. During the year, Group Management held five meetings, one two-day meeting and four one-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 growth, logistics and delivery performance along with strengthening the organization to meet customer expectations. 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 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 OF SENIOR EXECUTIVES

Remuneration guidelines for the CEO and other members of Group Management were adopted by the Annual General Meeting on May 3, 2017 and apply until the next Annual General Meeting. The guidelines proposed to the 2018 Annual General Meeting are in all essential respects equivalent to the guidelines which applied in 2017. Remuneration shall be on market terms and comprise fixed and variable salaries, other benefits and a pension. The variable salary may never exceed the fixed salary.

The table on previous page shows the total gross remuneration paid to Group Management, including basic salaries, variable remuneration, pension payments and other benefits. Thomas Gustafsson received an annual gross salary of SEK 4,021,120 and had a possibility to achieve a bonus not exceeding 75% of his annual basic salary, based on predetermined targets for the Group. In addition, he was entitled to some other employment benefits such as a company car. Both Duni and Gustafsson were entitled to terminate the agreement upon six months' written notice. In addition, except in the event of termination by the Company due to negligence, Gustafsson was entitled to an amount equal to twelve times his monthly salary. Johan Sundelin received the same benefits and contract as Thomas Gustafsson. Johan received a signing bonus of SEK 2,500,000 as a lump sum amount on the start date. This amount qualifies neither for bonuses nor pensions. Johan's annual gross salary in terms of 2018 salary levels is SEK 4,066,663.

The CEO is covered by Duni's pension policy for salaried employees holding positions within Group Management, with the addition that Duni pays 35% on the pension-qualifying income in excess of 7.5 income base amounts to the alternative ITP solution. Pension-qualifying income also includes a three-year average of paid bonuses. The CEO retirement age is 65. The pension expense corresponds to the costs for defined contribution plans. The occupational pension provision is fully tax-deductible for Duni. There are no other outstanding pension obligations 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 have entered into transactions with Duni directly or indirectly through any affiliated company.

AUDIT

At the Annual General Meeting held on May 3, 2017, PricewaterhouseCoopers AB was re-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 procedures 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 for remuneration of senior executives is audited. The auditors attend all meetings of the Audit Committee during the year. In October, an interim audit is performed in combination with a general review of Duni's third quarter report. In addition to Duni, Eva Carlsvi is also auditor-in-charge in respect of, among other companies including 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 2017 totaled SEK 4.0 (2016: 4.8 m).

AUDITING FIRM REMUNERATION

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Remuneration for audit engagement	3.8	4.3	1.7	1.8
Remuneration for auditing activities other than audit engagement	0.2	0.6	–	0.4
Remuneration for tax consultation	2.9	2.3	1.1	0.1
Remuneration for other consultation	0.9	1.9	0.8	1.8
Total accounting firm remuneration	**7.8**	**9.2**	**3.6**	**4.1**

THE BOARD'S DESCRIPTION OF INTERNAL CONTROL WITH RESPECT TO THE FINANCIAL REPORTING FOR THE 2017 FINANCIAL YEAR

Pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for internal control. Among other things, this entails 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 external financial reporting in the form of the annual reports and interim reports published by Duni each year, and to ensure that financial reports are prepared in accordance with the law, applicable accounting standards, and other requirements imposed on listed companies. The internal control also aims to ensure the quality of financial reporting to Company management and the Board of Directors so that decisions are made based on the right grounds and established principles and guidelines are observed.

Duni describes the internal control system for financial reporting based on the areas that constitute the basis for internal control in accordance with the "Internal Control – Integrated Framework" issued by COSO, namely the following areas: control environment, risk assessment, control structure, 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 continue describing 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 division of responsibilities and powers with the aim of ensuring efficient management of risks in business operations. Duni has established an Audit Committee to review the instructions and procedures used in the financial reporting process as well as accounting principles and changes to them. Group Management reports each month to the Board in accordance with established procedures. Internal control instruments for financial reporting consist primarily of the 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 business is to be conducted in a business 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 STRUCTURE

Material risks for operations are analyzed by the Board as a part of 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 that impact them. Risk areas are documented and assessed based on likelihood and impact. Based on this, control processes are structured to ensure high quality in financial reporting. The risk areas are evaluated by the Audit Committee at least once per year.

The organizational structure together with the division 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 an accounting center for the European countries within Duni. The accounting center provides independent accounting services to the operations. The head of the accounting center reports directly to the Group CFO.

INFORMATION AND COMMUNICATION

Information, both externally and internally, is governed by Duni's communications and IR policy as well as its insider policy and guidelines. These address responsibilities, routines and rules. The policies are regularly evaluated to ensure that information disclosed 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 Duni's website. Meetings with financial analysts are arranged regularly in connection with the publication of quarterly reports. The intranet is the main source of information internally in Duni. 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 external financial reports before they are formally approved by the Board. The Audit Committee receives regular reports from the auditors regarding the internal control and monitors significant issues. The Board receives a monthly written report covering sales, operating income, the 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 the financial trend within the Group's business areas each month. Comparisons with the preceding year, budgets and plans, and evaluation of the key performance indicators are used for monitoring 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, Poland, which functions as a centralized accounting function providing accounting services to all subsidiaries in Europe, apart from Russia. The accounting center along with the accounts department at the head office serve as consultants to the countries within the Group that are not included in the center, in other words, New Zealand, Russia, Singapore, Thailand and German company Paper+Design. The accounting center operates based on standardized processes and routines, is independent of the operational business, and reports directly to the CFO. They also have engagements from external customers, similar to the engagements they perform for Duni. This centralized and independent process for accounting and financial reporting is considered to constitute a platform for sound internal control with respect to financial reporting. Duni's Group accounts department also performs certain internal audit work in the form of 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 in 1958*

Chairman since 2016.

Board Chairman, Fractal Design AB.

Deputy Chairman, Intrum Justitia AB.

Director, Dometic AB.

PROFESSIONAL EXPERIENCE: President and CEO, Camfil. 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 in 2008

SHARES IN DUNI: 6,000

Independent of the company, company management and Duni's major shareholders.

PAULINE LINDWALL *Born in 1961*

Director, McKesson Europe AG, Lantmännen and Swedish Match AB.

PROFESSIONAL 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 in 2014

SHARES IN DUNI: 1,000

Independent of the company, company management and Duni's major shareholders.

ALEX MYERS *Born in 1963*

Senior industrial adviser, Advent International. Board Chairman, NoseOption AB.

PROFESSIONAL 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 in 2013

SHARES IN DUNI: 2,000

Independent of the company, company management and Duni's major shareholders.

PIA RUDENGREN *Born in 1965*

Board Chair, Social Initiative AB.

Director, KappAhl AB, Boliden AB, AcadeMedia AB, Tikkurila Oyj and WeMind AB.

PROFESSIONAL EXPERIENCE: Full-time director. Executive Vice President, W Capital Management AB. CFO and management group member, Investor AB.

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

Elected in 2007

SHARES IN DUNI: 1,200

Independent of the company, company management and Duni's major shareholders.

JOHAN ANDERSSON *Born in 1978*

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

PROFESSIONAL EXPERIENCE: Former CEO of Smarteyes International AB. Previously employed at EQT Partners AB.

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

Elected in 2016

SHARES IN DUNI: 14,094,500 owned via Mellby Gård Investerings AB.

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

TAPIO NIEMINEN *Born in 1961*

Employee representative for LO.

Employee representative on the Board of Rexcell Tissue & Airlaid AB.

Mr Nieminen is employed as an operations technician at Ångcentralen at Rexcell Tissue & Airlaid AB.

Elected in 2017

SHARES IN DUNI: 0

Not independent of the Company

PER-ÅKE HALVORDSSON *Born in 1959*

Employee representative PTK.

Mr Halvordsson is employed as a management and organization resource at Rexcell Tissue & Airlaid AB.

Mr Halvordsson has undertaken PTK board training.

Elected in 2005

SHARES IN DUNI: 0

Not independent of the Company.

GROUP MANAGEMENT

JOHAN SUNDELIN *Born in 1969*

President and CEO of Duni since October 2017.

Johan Sundelin was the CEO of Santa Maria, a Paulig Group company. Before that, he was the CEO of Abba Seafood, an Orkla Group company.

Johan Sundelin is a director of Svenska Retursystem AB and of DLF och DLF Service AB.

Johan Sundelin holds a Master's degree in Business Administration from Umeå and York University.

SHARES IN DUNI: 1,000

MATS LINDROTH *Born in 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 in 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 in 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

FREDRIK MALMGREN *Born in 1974*

Director Operations at Duni since March 2015.

Fredrik Malmgren's 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 in 1957*

Corporate Development Director at 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 in Chemical Engineering from Lund University.

SHARES IN DUNI: 6,000

ROBERT DACKESKOG *Born in 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 in 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 in 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 and 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

PATRIK SÖDERSTJERNA *Born in 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: 9,700

FIVE-YEAR SUMMARY, CONSOLIDATED INCOME STATEMENTS

SEK m	2017	2016	2015	2014	2013
Net sales	4 441	4 271	4 200	3 870	3 349
Cost of goods sold	-3 177	-3 039	-2 959	-2 736	-2 366
Gross profit	**1 264**	**1 231**	**1 241**	**1 134**	**983**
Selling expenses	-505	-483	-476	-456	-436
Administrative expenses	-261	-245	-240	-211	-173
Research and development expenses	-8	-8	-10	-11	-15
Other operating income	12	10	13	4	0
Other operating expenses	-47	-43	-37	-27	-7
EBIT	**456**	**463**	**490**	**433**	**352**
Financial income	0	1	2	5	7
Financial expenses	-18	-23	-33	-24	-26
Net financial items	**-17**	**-22**	**-31**	**-19**	**-19**
Income after financial items	**439**	**441**	**459**	**414**	**334**
Income tax	-106	-107	-113	-113	-79
Net income for the year from continuing operations	**334**	**334**	**346**	**302**	**254**
Net income for the year from discontinued operations	–	–	4	18	13
Net income for the year	**334**	**334**	**350**	**319**	**267**
Net income for the year attributable to:					
Equity holders of the Parent Company	329	332	350	319	267
Non-controlling interests	5	2	–	–	–

FIVE-YEAR SUMMARY, CONSOLIDATED BALANCE SHEETS

SEK m	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
ASSETS					
Goodwill	1 617	1 577	1 455	1 463	1 249
Other intangible fixed assets	294	304	275	311	78
Tangible fixed assets	1 080	951	857	851	723
Financial fixed assets	51	67	98	140	180
Total fixed assets	**3 042**	**2 899**	**2 684**	**2 765**	**2 230**
Inventories	627	548	500	503	434
Accounts receivable	798	730	660	743	658
Other operating receivables	139	124	131	69	148
Cash and cash equivalents	227	186	203	205	225
Total current assets	**1 791**	**1 588**	**1 494**	**1 563**	**1 465**
TOTAL ASSETS	**4 833**	**4 487**	**4 178**	**4 328**	**3 695**
EQUITY AND LIABILITIES					
Equity attributable to the Parent Company's shareholders	2 509	2 406	2 345	2 193	2 099
Non-controlling interests	85	80	–	–	–
Total equity	**2 594**	**2 486**	**2 345**	**2 193**	**2 099**
Long-term loans	642	676	552	11	492
Other long-term liabilities	399	402	360	394	263
Total long-term liabilities	**1 041**	**1 079**	**912**	**405**	**755**
Accounts payable	428	373	352	341	348
Short-term loans	197	–	–	818	–
Other short-term liabilities	573	549	568	572	493
Total short-term liabilities	**1 197**	**922**	**920**	**1 731**	**841**
TOTAL EQUITY AND LIABILITIES	**4 833**	**4 487**	**4 178**	**4 328**	**3 695**

KEY RATIOS IN BRIEF, GROUP

	2017	2016	2015	2014	2013
Net sales, SEK m	4 441	4 271	4 200	3 870	3 349
Gross profit, SEK m	1 264	1 231	1 241	1 134	983
Operating income, SEK m	491	502	528	452	369
Operating EBITDA, SEK m	630	632	656	572	473
EBIT	456	463	493	433	352
EBITDA	629	622	622	556	483
Interest-bearing net debt, SEK m	855	757	584	888	491
Number of employees	2 362	2 279	2 082	2 092	1 902
Gross margin	28.5%	28.8%	29.6%	29.3%	29.4%
Operating margin	11.1%	11.8%	12.6%	11.7%	11.0%
Operating EBITDA margin	14.2%	14.8%	15.6%	14.8%	14.1%
EBIT margin	10.3%	10.8%	11.7%	11.2%	10.5%
EBITDA margin	14.2%	14.6%	14.8%	14.4%	14.4%
Return on capital employed*	14.4%	15.8%	18.6%	15.4%	13.3%
Return on equity	12.9%	13.4%	14.8%	13.8%	12.1%
Net debt / equity ratio	32.9%	30.5%	24.9%	40.5%	23.4%
Net debt / operating EBITDA	1.4	1.2	0.9	1.6	1.0

* Calculated based on operating income

CONSOLIDATED INCOME STATEMENT

SEK m	Note*	2017	2016
Net sales	5, 6	4 441	4 271
Cost of goods sold	6, 7, 8, 9, 10	-3 177	-3 039
Gross profit		**1 264**	**1 231**
Selling expenses	7, 8, 9	-505	-483
Administrative expenses	7, 8, 9, 11	-261	-245
Research and development expenses	7, 8	-8	-8
Other operating income	14	12	10
Other operating expenses	7, 8, 15	-47	-43
EBIT	5, 16	**456**	**463**
Income from financial items	16, 17		
Financial income		0	1
Financial expenses		-18	-23
Net financial items		**-17**	**-22**
Income after financial items		**439**	**441**
Income tax	19	-106	-107
Net income for the year		**334**	**334**
Income attributable to:			
Equity holders of the Parent Company		329	332
Non-controlling interests		5	2
Earnings per share (expressed in SEK per share), calculated on net income for the year attributable to equity holders of the Parent Company for the year:	20		
Before and after dilution		6.99	7.06

* RELATED NOTES TO THE INCOME STATEMENT
1 – General information
2 – Summary of important accounting principles
3 – Financial risks
4 – Important estimations and assessments for accounting purposes
5 – Operating segments
12 – Personnel (Average number)
13 – Salaries and other remuneration

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	2017	2016
Net income for the year	**334**	**334**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial profit/loss on post-employment benefit obligations	4	-30
Total	**4**	**-30**
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences for the year – translation of foreign subsidiaries	3	-3
Cash flow hedge	2	-1
Total	**5**	**-4**
Other comprehensive income for the year, net after tax:	**10**	**-34**
Total comprehensive income for the year	**343**	**300**
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company	338	295
Non-controlling interests	5	5

CONSOLIDATED BALANCE SHEET

SEK m	Note	Dec. 31, 2017	Dec. 31, 2016
ASSETS	1, 2, 3, 4, 5		
Fixed assets			
Intangible fixed assets	21		
Goodwill		1 617	1 577
Customer relations		240	250
Capitalized development expenses		30	40
Trademarks, software and licenses		25	14
Total intangible fixed assets		**1 911**	**1 881**
Tangible fixed assets			
Buildings, land and land improvements	22	385	299
Machinery and other technical equipment	23	522	514
Equipment, tools and installations	24	89	74
Construction in progress and advance payments for tangible fixed assets	25	83	64
Total tangible fixed assets		**1 080**	**951**
Financial fixed assets			
Deferred tax assets	19	49	65
Other long-term receivables	27	2	2
Total financial fixed assets		**51**	**67**
Total fixed assets		**3 042**	**2 899**
Current assets			
Inventories	10		
Raw materials and consumables		165	146
Products in progress		8	6
Finished goods and goods for resale		435	384
Advances to suppliers		18	11
Total inventories		**627**	**548**
Current receivables			
Accounts receivable	28	798	730
Derivative instruments	29	2	1
Tax assets		23	14
Other receivables	28	84	80
Prepaid expenses and accrued income	30	30	30
Total current receivables		**937**	**855**
Cash and cash equivalents		227	186
Total current assets		**1 791**	**1 588**
TOTAL ASSETS	32	**4 833**	**4 487**

SEK m	Note	Dec. 31, 2017	Dec. 31, 2016
EQUITY AND LIABILITIES	1, 2, 3, 4, 5		
Equity			
Share capital	20	59	59
Other contributed capital		1 681	1 681
Reserves		65	59
Retained earnings including net income for the year		704	606
Total equity attributable to the shareholders of the Parent Company		**2 509**	**2 406**
Non-controlling interests		85	80
Total equity		**2 594**	**2 486**
Long-term liabilities	31		
Overdraft facility	31	2	14
Bank loans	31	637	659
Financial leasing liabilities	31	4	3
Derivative instruments	29	17	8
Deferred tax liabilities	19	138	126
Pension provisions	33	244	268
Total long-term liabilities		**1 041**	**1 079**
Short-term liabilities			
Accounts payable		428	373
Tax liabilities		41	25
Short-term bank loans	31	197	–
Derivative instruments	29	11	12
Other liabilities		83	78
Allocation to restructuring reserve	9	6	12
Accrued expenses and deferred income	34	432	423
Total short-term liabilities		**1 197**	**922**
TOTAL EQUITY AND LIABILITIES	32, 35	**4 833**	**4 487**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Parent Company							
SEK m	Share capital	Other contributed 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, 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**
Non-controlling interest arising upon acquisition of subsidiaries	–	–	–	–	–	–	75	75
Transactions with owners								
Dividends relating to 2015	–	–	–	–	–	-235	–	-235
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**-235**	**0**	**-235**
Opening balance, Jan 1, 2017	**59**	**1 681**	**53**	**-7**	**13**	**606**	**80**	**2 486**
Comprehensive income								
Net income for the year	–	–	4	2	–	333	5	343
Total comprehensive income for the year	**0**	**0**	**4**	**2**	**0**	**333**	**5**	**343**
Non-controlling interest arising upon acquisition of subsidiaries	–	–	–	–	–	–	0	0
Transactions with owners								
Dividends relating to 2016	–	–	–	–	–	-235	–	-235
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**-235**	**0**	**-235**
Closing balance, Dec 31, 2017	**59**	**1 681**	**57**	**-5**	**13**	**704**	**85**	**2 594**

* 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	2017	2016
Cash flow from operating activities:			
EBIT		456	463
Adjustments for non-cash items	36	141	141
Interest received		0	1
Interest paid		-12	-11
Paid income tax		-88	-117
Cash flow from operating activities before changes in working capital		**497**	**478**
Changes in working capital:			
Increase(-)/decrease (+) in inventories		-57	-18
Increase(-)/decrease(+) in accounts receivable		-49	-42
Increase(-)/decrease(+) in receivables		-3	6
Increase(+)/decrease (-) in accounts payable		56	9
Increase(+)/decrease(-) in short-term liabilities		5	14
Cash flow from operating activities		**449**	**446**
Cash flow used in investing activities:	31		
Acquisition of tangible fixed assets	22, 23, 24, 25	-222	-166
Acquisition of intangible fixed assets		-15	-12
Sale of tangible fixed assets		–	3
Sale of intangible fixed assets		3	0
Acquisition of subsidiaries	38	-59	-124
Change in other long-term liabilities		–	0
Cash flow used in investing activities		**-293**	**-300**
Cash flow used in financing activities:	31		
Dividends to shareholders		-235	-235
Net change, overdraft facilities and other financial liabilities		-32	-9
Repayment of loans		-488	-191
Loans received		640	277
Cash flow used in financing activities		**-115**	**-159**
Cash flow for the year		**41**	**-12**
Cash and cash equivalents, opening balance		186	203
Exchange rate differences, cash and cash equivalents		0	-6
Cash and cash equivalents, closing balance		**227**	**186**

PARENT COMPANY INCOME STATEMENT

SEK m	Note*	2017	2016
Net sales	5, 6	1 160	1 140
Cost of goods sold	6, 8, 9, 10	-1 050	-1 023
Gross profit		**110**	**117**
Selling expenses	8, 9	-122	-121
Administrative expenses	8, 9, 11	-160	-158
Research and development expenses	8	-5	-5
Other operating income	14	247	256
Other operating expenses	8, 15	-44	-151
EBIT	16	**26**	**-63**
Income from financial items	16, 17		
Revenue from participation in Group Companies	18	290	273
Other operating income and similar income		22	25
Interest expenses and similar expenses		-16	-22
Net financial items		**297**	**277**
Income after financial items		**323**	**214**
Tax on income for the year	19	-39	-35
Net income for the year		**284**	**178**

* RELATED NOTES TO THE INCOME STATEMENT
1 – General information
2 – Summary of important accounting principles
3 – Financial risks
4 – Important estimations and assessments for accounting purposes
5 – Operating segments
12 – Personnel (Average number)
13 – Salaries and other remuneration

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	2017	2016
Net income for the year	**284**	**178**
Other comprehensive income*		
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences for the period – translation of foreign subsidiaries**	-2	0
Cash flow hedge	2	-1
Other comprehensive income for the year, net after tax	**1**	**-1**
Total comprehensive income for the year	**285**	**178**
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company	285	178

* 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, 2017	Dec. 31, 2016
ASSETS	1, 2, 3, 4, 5		
Fixed assets			
Intangible fixed assets	21		
Goodwill		0	0
Capitalized development expenses		19	27
Trademarks, software and licenses		21	9
Total intangible fixed assets		**40**	**36**
Tangible fixed assets			
Buildings, land and land improvements	22	12	13
Machinery and other technical equipment	23	8	8
Equipment, tools and installations	24	3	2
Construction in progress and advance payments for tangible fixed assets	25	2	1
Total tangible fixed assets		**25**	**24**
Financial fixed assets			
Participations in Group companies	26, 38	932	884
Deferred tax assets	19	19	24
Other long-term receivables, internal	27	1 624	1 484
Total financial fixed assets		**2 575**	**2 392**
Total fixed assets		**2 640**	**2 452**
Current assets			
Inventories	10		
Products in progress		0	0
Finished goods and goods for resale		88	89
Advances to suppliers		10	7
Total inventories		**98**	**96**
Short-term receivables			
Accounts receivable	28	112	103
Derivative instruments	29	2	1
Receivables from Group companies	28	32	51
Tax assets		5	5
Other receivables	28	13	21
Prepaid expenses and accrued income	30	14	14
Total current receivables		**178**	**196**
Short-term financial receivables, from Group companies	28	138	121
Cash and bank balances		157	119
Total current assets		**572**	**240**
TOTAL ASSETS	32	**3 211**	**2 983**

PARENT COMPANY, BALANCE SHEET, CONTINUED

SEK m	Note	Dec. 31, 2017	Dec. 31, 2016
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital	20	59	59
Statutory reserve		11	11
Revaluation reserve		13	13
Development expenditure reserve		1	–
Total restricted equity		**84**	**83**
Non-restricted equity			
Retained earnings		1 425	1 483
Net income for the year		284	178
Total non-restricted equity		*1 709*	*1 661*
Total equity		**1 794**	**1 744**
Provisions			
Pension provisions	33	97	100
Deferred tax liabilities	33	12	–
Total provisions		**109**	**100**
Long-term liabilities			
Bank loans	31	637	659
Derivative instruments	29	5	8
Total long-term liabilities		**642**	**667**
Short-term liabilities			
Accounts payable		60	64
Liabilities to Group companies		270	305
Bank loans	31	197	–
Derivative instruments	29	11	12
Tax liabilities		22	–
Other liabilities		26	15
Allocation to restructuring reserve	9	2	6
Accrued expenses and deferred income	34	78	70
Total short-term liabilities		**667**	**472**
TOTAL EQUITY, PROVISIONS AND LIABILITIES	32	**3 211**	**2 983**

PARENT COMPANY, CHANGES IN EQUITY

SEK m	Share capital	Statutory reserve	Re-valuation reserve	Develop-ment expenditure reserve	Translation reserve	Cash flow reserve	Non-restricted equity	Total equity
Opening balance, Jan 1, 2016	**59**	**11**	**13**	**0**	**7**	**-7**	**1 719**	**1 802**
Comprehensive income								
Comprehensive income for the year	–	–	–	–	–	-1	178	178
Total comprehensive income for the year	**0**	**0**	**0**	**0**	**0**	**-1**	**178**	**178**
Transactions with owners								
Dividends relating to 2015	–	–	–	–	–	–	-235	-235
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**-235**	**-235**
Opening balance, Jan 1, 2017	**59**	**11**	**13**	**0**	**7**	**-7**	**1 661**	**1 744**
Comprehensive income								
Comprehensive income for the year	–	–	–	–	–	2	284	286
Total comprehensive income for the year	**0**	**0**	**0**	**0**	**0**	**2**	**284**	**286**
Transactions with owners								
Dividends relating to 2016	–	–	–	–	–	–	-235	-235
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**-235**	**-235**
Allocation to development expenditure reserve	**–**	**–**	**–**	**1**	**–**	**–**	**-1**	**0**
Transfer*	**–**	**–**	**–**	**–**	**26**	**–**	**-26**	**0**
Closing balance, Dec 31, 2017	**59**	**11**	**13**	**1**	**33**	**-5**	**1 683**	**1 794**

* This refers to transfer of the historically accumulated translation differences previously recognized in equity.

PARENT COMPANY, CASH FLOW STATEMENT

SEK m	Note	2017	2016
Cash flow from operating activities:			
EBIT		26	-63
Adjustments for non-cash items	36	-13	118
Interest received		22	25
Dividends received		138	159
Interest paid		-14	-7
Paid income tax		0	0
Cash flow from operating activities before changes in working capital		**159**	**232**
Changes in working capital:			
Increase(-)/decrease (+) in inventories		3	-10
Increase(-)/decrease(+) in accounts receivable		14	-14
Increase(-)/decrease(+) in receivables		-1	-7
Increase(+)/decrease (-) in accounts payable		1	16
Increase(+)/decrease(-) in short-term liabilities		1	-1
Cash flow from operating activities		**18**	**-16**
Cash flow used in investing activities:			
Acquisition of intangible fixed assets	21	-13	-11
Acquisition of tangible fixed assets	22, 23, 24, 25	-9	-5
Sale of tangible fixed assets		0	0
Change in net lending to Group companies		-43	15
Acquisition of subsidiaries		-49	-117
Change in interest-bearing receivables		37	1
Cash flow used in investing activities		**-77**	**-116**
Cash flow used in financing activities:			
Dividends to shareholders		-235	-235
Net change, overdraft facilities and other financial liabilities		21	24
Repayment of loans		-488	-191
Loans received		640	277
Cash flow used in financing activities		**-62**	**-125**
Cash flow for the year		38	-25
Cash and cash equivalents, opening balance		119	144
Cash and cash equivalents, closing balance		**157**	**119**

NOTES

NOTE 1 – GENERAL INFORMATION

Duni AB and its subsidiaries operate internationally and are leaders within attractive, quality table setting products and concepts and 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, Sweden, and the website is www.duni.com. Duni is listed on NASDAQ in Stockholm under the ticker name "DUNI".

On March 21, 2018, 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.

The hygiene products business that was discounted during the year has been removed from the consolidated income statements, including for the comparison years, and is now reported under discontinued operations on a line after net income for the year.

Unless otherwise specifically stated, all amounts are reported in million kronor (SEK m) and relate to the January 1–December 31 period 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. 1/1/2016–12/31/2016.

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

Compliance with IFRS
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 the International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU.

Cost method
The consolidated financial statements have been prepared in accordance with the cost method, except for:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss,
- financial assets and liabilities (including derivative instruments) classified as hedge instruments and
- defined benefit pension plans – plan assets measured at fair value.

The preparation of financial statements in compliance with IFRS requires the use of a number of important estimates for accounting purposes. Furthermore, when applying the Group's accounting principles, management must make certain judgments. The areas which involve a high degree of judgment, which are complex, or such areas in which assumptions and estimates 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, Accounting 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 the IASB and statements from the IFRIC as adopted by the EU and which are mandatory starting on January 1, 2017. Presented below are the standards that Duni applies for the first time with respect to the financial year commencing on January 1, 2017, and which have had an impact on the consolidated financial statements:

Disclosure Initiative: Amendments to IAS 7. The amendments to IAS 7 entail extended disclosure requirements for financial liabilities. An entity must explain changes in liabilities relating to financing activities. This includes changes attributable to cash flows (such as raising and repaying loans) and non-cash items such as acquisitions, divestments, accrued interest and unrealized exchange rate differences. These disclosures are made in Note 31.

Other standards, changes and interpretations which enter into force as regards the financial year commencing on January 1, 2017 have no material impact on the consolidated financial statements.

IFRS 9 Financial Instruments (adopted by the EU)
Material requirements
IFRS 9 Financial Instruments addresses the classification, measurement and recognition 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 measurement of financial instruments and introduces a new impairment model.

Impact
Duni has assessed its financial assets and liabilities and does not expect any material impact on the Company's income statement or balance sheet.

Other financial assets held by Duni include:

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

Duni does not expect the classification, measurement or recognition of the Group's financial assets and liabilities to have any material impact. Nor will Duni's recognition of financial liabilities be changed, since the new requirements only affect the recognition of financial liabilities that are recognized at fair value in the income statement, and the Group has no liabilities of that type. The rules regarding derecognition from the balance sheet have been carried over from IAS 39 Financial Instruments: Recognition and Measurement, 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 approach to hedge accounting. Duni's current hedging arrangements will continue to quality for hedge accounting under IFRS 9 and Duni has updated the hedging documentation in accordance with this. On the transition to IFRS 9, hedge accounting will not affect the Company's income statement or balance sheet.

Changes in the fair value of currency forward contracts attributable to forward points and changes in the time value of currency option contracts will be recognized in a new hedging reserve within equity in the future. The amounts are recognized against the hedged transaction when it occurs. 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 earlier recognition of credit losses. The model is to be applied to financial assets that are recognized at amortized cost, debt instruments that are measured 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 is not affected by these changes in the credit loss reserve. The current reserve already covers this change.

The new standard also introduces extended disclosure requirements and changes in presentation.

Applicable from January 1, 2018
Duni will apply the new rules retroactively from January 1, 2018 with the help of the practical transition provisions in the standard. The comparative figures for 2017 will not be restated, with the exception of changes in the fair value of currency forward contracts attributable to forward points, which will be recognized in the hedging reserve.

IFRS 15 Revenue 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 revenue being recognized when the customer gains control over the sold product or service – a principle which replaces the earlier principle that revenue is recognized when the risks and rewards have been transferred to the purchaser. A company may choose between full retroactivity or forward-looking application with additional disclosures.

Impact
Management has assessed the effects of the new standard and has identified the following areas which will be affected:

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

The consequences of IFRS 15 will not have any material impact on Duni's income statement or balance sheet. IFRS 15 has extended disclosure requirements that will affect Duni.

Applicable from January 1, 2018
The transition method applied is fully retroactive application.

IFRS 16 Leases
Material requirements
IFRS 16 was published in January 2016. Implementation of the standard will result in almost all lease agreements being recognized in the balance sheet, since a difference is no longer made between operating and finance leases. According to the new standard, an asset (the right to use a leased asset) and a financial obligation to make lease payments must be recognized. Short-term leases and leases involving low amounts are exempted. For lessors, recognition will in all essential respects be unchanged.

Impact
The standard will primarily affect the reporting of Duni's operating leases. At the balance sheet date, the Group's non-terminable operating leases amounted to SEK 210 m; see Note 37. Duni is not yet done assessing the extent to which these obligations will be recognized as assets and liabilities, and how this will affect the Group's income and classification of cash flows. Short-term leases and leases involving low amounts will be expensed in the income statement on a straight-line basis. The assessment of how many leases fall under short-term leases and leases involving low amounts was not yet complete at the end of 2017.

Operating income, the equity ratio and the net 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.

Applicable from January 1, 2019
IFRS 16 Leases has not yet been adopted by the EU, but is expected to be applicable to financial years beginning on or after January 1, 2019. At present, Duni does not intend to opt for early application of the standard. Duni plans to apply the simplified transition method and will not restate comparative figures.

No other changes to the IFRS or IFRIC interpretations that have not yet entered into force are expected to have any material impact on Duni.

2.2 CONSOLIDATED ACCOUNTS

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 units or where the Group, through agreements, exercises a controlling influence. Subsidiaries are included in the consolidated financial statements commencing on 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 acquisition method is used for reporting the Group's business acquisitions. The purchase price for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities 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 expensed when incurred. Identifiable acquired assets and assumed liabilities in a business acquisition are initially measured at fair value on the acquisition date. For each acquisition, Duni determines whether all non-controlling interests in the acquired company are recognized at fair value or at the interest's proportional share in the net assets of the acquired company.

The amount by which the purchase price, any non-controlling interests, and the fair value on the acquisition date of earlier shareholdings exceeds the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. If the amount is less than the fair value of the assets of the acquired subsidiary, in the event of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Intra-group transactions, balance sheet items and unrealized gains 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 share of the carrying amount of the subsidiary's net assets is recognized in equity. Gains or losses upon divestments to non-controlling interests are also recognized in equity. Duni recognizes non-controlling interests in an acquired company either at fair value or at the proportionate share of the acquired company's identifiable net assets. This choice of principle is made for each individual business acquisition. Duni has non-controlling interests in subsidiaries Terinex Siam in Thailand and Sharp Serviettes in New Zealand, which are recognized at fair value.

Duni has an obligation to acquire the remaining 20% of the shares in Sharp Serviettes. The minority owners have a put option in the April-June period for 2019, 2020 and 2021. In the event that the option is exercised, the purchase price will be based on the Company's normalized average financial performance for the two closed financial years preceding the date the option is exercised. As a result of the option, Duni recognizes a non-controlling interest and allocates the interest's share of the income to the interest. The Group also recognizes a liability corresponding to the discounted expected redemption price for the options with elimination of the non-controlling interest attributable to the option. The difference between the liability for the option and the non-controlling interest to which the option relates is recognized directly in equity and separated from other changes in equity.

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 shareholdings corresponding to between 20% and 50% of the voting rights. Participations in affiliated companies are recognized in accordance with the equity method and initially measured 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 the allocation of resources and assessment of the income of the operating segment. In Duni, this function has been identified as Group Management, which makes strategic decisions. As from January 1, 2017, Duni's segment reporting covers four business areas, based on the 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, the Swedish krona (SEK) is 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. Exchange rate 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 exchange rate on the balance sheet date are recognized in the income statement. Exchange rate differences on lending and borrowing are recognized in net financial items, while other exchange rate differences are included in operating income. Exceptions apply when the transactions constitute hedging which satisfies the conditions for hedge accounting of cash flows or of net investments, since gains /losses are recognized in other comprehensive income. Duni applies hedge accounting via interest rate swaps, with part of the interest rate risk hedged at a fixed rate.

2.4.3 Group companies

The results of operations and financial position of all Group companies (of which none has a high inflation currency as their functional currency) which have a functional currency other than the reporting currency are translated to the Group's reporting currency as follows:

a) assets and liabilities for each of the balance sheets are translated using the exchange rate at the balance sheet date
b) revenue and expenses for each of the income statements are translated using the average exchange rate
c) all exchange rate differences that arise are recognized in other comprehensive income.

Upon consolidation, exchange rate differences which arise as a consequence of translation of net investments in foreign operations are transferred to other comprehensive income. Upon the full or partial divestment of a foreign business, the exchange rate differences which are recognized in other comprehensive income are transferred to the income statement and recognized 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 using the exchange rate at the balance sheet date.

2.5 CASH FLOW STATEMENT

The cash flow statement is prepared using 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 meet 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 will be, received for sold goods in the Group's operating activities. Revenue is recognized exclusive of value added tax, returns and discounts and after elimination of intra-Group sales. Duni also has service revenue in the form of sales of financial and administrative services from the Group's accounting center. This revenue is not of a substantial amount and is unallocated as part of revenue in the income statement.

Duni recognizes 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 recognized 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 opportunities associated with the products (obsolescence, gain or loss upon future sale) have passed to the customer.

In those cases where Duni's products are sold with volume discounts and the customers are entitled to return defective products, the sales revenues are recognized based on the price stated in the sales contract, net of estimated volume discounts and returns at the time of the sale. Accumulated experience is used to assess and make provision for discounts and returns. The assessment of volume discounts is based on expected annual purchases. No financial component is deemed to be established 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 recognized 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 recognized as intangible assets. Goodwill is reviewed annually to identify any impairment and recognized at acquisition value less accumulated impairment losses. Impairment of goodwill is not reversed. Gains or losses upon the divestment of a unit include the remaining carrying amount of 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 recognized at fair value and are attributable to acquisitions made from 2013 onwards. The relations are amortized on a straight-line basis over an estimated useful life of 10 years.

Acquired trademarks and licenses are recognized at acquisition value. Trademarks and licenses have a determinable useful life and are recognized at acquisition value less accumulated amortization. Trademarks and licenses are amortized on a straight-line basis in order to allocate their cost over their estimated useful life (3-10 years).

2.7.3 Research and development
Capitalized research expenses relate primarily to expenditure for the implementation of the SAP ERP system.

Research expenses are recognized when incurred.

Expenditure incurred in development projects (relating to design and testing of new or improved products) are recognized 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 are established for the use or sale of 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 are available to complete the development and to use or sell the intangible asset; and
(f) the expenses which relate to the intangible asset during its development can be calculated in a reliable manner.

Other development expenditure which does not fulfill these conditions is recognized as an expense when incurred. Development expenditure previously recognized as an expense is not recognized as an asset in a subsequent period. Capitalized development expenses are recognized as intangible assets and the assets are amortized from the time the asset is ready for use on a straight-line basis over the estimated useful life (3–10 years).

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

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

Land is not depreciated. In order to allocate their acquisition value down to the estimated residual value over the estimated useful life, other assets are depreciated on a straight-line basis as follows:

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.

Gains or losses from divestments are established through a comparison between the sales revenue and the carrying amount, and are recognized 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 recoverable amount, i.e. the higher of net realizable value or value in use, exceeds the carrying amount. With respect to other non-financial assets, a similar assessment is carried out as soon as there are indications that the carrying amount is too high. The asset's value is written down to the recoverable amount as soon as it is shown that it is lower than the carrying amount.

2.10 LEASES
Fixed assets which are used under leases are classified in accordance with the financial terms of the lease agreement. Leases of fixed assets, where the Group in all essential respects holds the financial risks and benefits associated with ownership, is classified as finance leases. Finance leases are recognized at the beginning of the lease period at the lower of the fair value of the leased item or the present value of the minimum lease payments. Other leases agreements are classified as operating leases. Payments made during the lease term (less deductions for any incentives from the lessor) are recognized as an expense in the income statement on a straight-line basis over the lease 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 upon initial recognition and reviews this decision on each subsequent reporting date.

2.11.1 General principles
Purchases and sales of financial assets are recognized on the transaction day – the date on which the Group undertakes to purchase or sell the asset. Financial instruments are initially recognized at fair value plus transaction expenses, which applies to all financial assets which are not recognized at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value, while related transaction expenses are recognized 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 ownership. Financial assets measured at fair value through profit or loss are recognized after the acquisition date at fair value. Loans and receivables are recognized at amortized cost applying the effective annual interest rate method.

The fair value of listed financial assets corresponds to the listed bid price on the balance sheet date. The fair value of unlisted financial

assets is determined by using valuation techniques such as recently completed transactions, the price of similar instruments or discounted cash flows. The 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 able to meet its obligations. The impairment is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted to the financial asset's original effective rate of interest. The carrying amount 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 variable interest, the relevant effective 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 recognized at a net amount in the balance sheet only when there is a legal right to set off the recognized 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 measured at fair value through profit or loss
Financial assets measured 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 and interest-rate swaps on borrowings.

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

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

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

Information regarding the fair value for various derivative instruments used for hedging purposes is provided in Note 29. Changes in the hedging reserve 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 short-term 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 short-term liabilities.

2.11.4 Loans and receivables
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 recognized in the income statement in the sales function and impairment of loan receivables is recognized 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 recognized at fair value and thereafter at accrued acquisition value applying the effective interest rate method, less any provisions for impairment.

A 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 carrying amount of the asset and the present value of estimated future cash flows.

2.12 INVENTORIES
Inventories are recognized at lower of the acquisition value and net realizable value. 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 operating activities, 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 measured at amortized cost. The classification depends on the purpose for which the financial liability was acquired. Management determines the classification of the financial liabilities upon initial recognition and reviews this decision on each subsequent reporting date.

2.14.1 Financial liabilities measured at fair value through profit or loss
Derivative instruments with a negative fair value which do not meet the criteria for hedge accounting are measured at fair value through profit or loss. For a description of the derivative instruments held by Duni and for further information regarding their recognition, please see section 2.11 Financial assets measured 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 measured at fair value via Other comprehensive income. For a more detailed description of the recognition 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 measured at amortized cost
Borrowings and other financial liabilities such as accounts payable are included in this category. Accounts payable comprise obligations to pay for goods or services which have been acquired from suppliers in the course of operating activities. 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 recognized as long-term liabilities.

Financial liabilities are initially measured at fair value, net of transaction costs. Thereafter, financial liabilities are measured at amortized cost, and any difference between the amount received (net of transaction costs) and the repayment amount is recognized in the income statement allocated over the loan period, applying the effective interest rate method. In the event of 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 income for the period to which they relate. Distributed dividends are recognized as a liability after the Annual General Meeting has approved the dividend.

Borrowings and 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 current tax for previous years, and changes in deferred taxes.

All tax liabilities/tax assets are measured 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 recognized in the income statement. The tax consequences of items recognized directly in equity are recognized in equity, and the tax consequences of items recognized reported in comprehensive income are recognized in comprehensive income.

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

Deferred tax assets with respect to loss carry-forwards or other future taxable deductions are recognized to the extent it is likely that the deduction may be set off against surpluses in conjunction with future taxation. Deferred tax liabilities relating to temporary differences attributable to investments in subsidiaries and branches are not recognized 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 be made 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 managed 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 contributions to a separate legal entity. Duni has no legal or informal obligations to pay additional contributions 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 recognized 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 plan assets. The defined benefit pension obligation is calculated annually by independent actuaries applying the projected unit 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 investment-grade 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 are 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 recognized in "Other comprehensive income" during the period in which they arise.

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

In respect of defined contribution plans, Duni pays contributions 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 recognized as personnel expenses when they fall due for payment. Prepaid contributions are recognized as an asset to the extent the Group 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 recognizes severance compensation when the Group is demonstrably obligated 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 severance. Benefits payable more than 12 months after the balance sheet date are discounted to present value.

2.17 PROVISIONS
Provisions for environmental restoration measures, restructuring expenses and any legal claims are recognized 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 recognizes provisions 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 carrying amount 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 recognized at the lower of the carrying amount and the fair value less selling expenses. 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 recognition 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 measured at the acquisition value, i.e. SEK 0. Values are not adjusted up. 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 recognized only when realized upon an external sale.

2.20 GOVERNMENT ASSISTANCE
Government grants are recognized at fair value when there is reasonable certainty that the grant will be received and that Duni will satisfy the conditions associated with the aid. Government grants relating to costs are allocated over periods and recognized in the income statement in the same periods as the costs which the grant 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, Accounting for Legal Entities. RFR 2 entails that the Parent Company's annual report for the legal entity shall apply all IFRSs 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 accounting and taxation. The Recommendation states which exceptions and supplements are to be made compared with accounting pursuant to IFRS.

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

2.21.1 Differences between the accounting principles of the group and the parent company

Differences between the accounting principles of the Group and the Parent Company 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
Shares in subsidiaries are recognized in the Parent Company pursuant to the cost method. In the Parent Company, acquisition costs are recognized as shares in subsidiaries. Received dividends and Group contributions are recognized as financial income.

Intangible fixed assets
Intangible fixed assets in the Parent Company are recognized at acquisition value less accumulated amortization and any impairment losses. Goodwill recognized in the Parent Company is acquisition goodwill; the useful life is thus estimated by company management to be no more than 20 years. Amortization of goodwill takes place on a straight-line basis over an estimated useful life of 20 years.

Tangible fixed assets
Tangible fixed assets in the Parent Company are recognized at acquisition value less accumulated depreciation and any impairment losses in the same manner as for the Group, but any write-ups are added.

Leased assets
All lease agreements are recognized in the Parent Company pursuant to the rules for operating leases.

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

Income tax
Due to the connection between accounting and taxation, the deferred tax liability on untaxed reserves in the Parent Company is recognized 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 recognized in accordance with the rules governing cash flow hedging.

3.1.1 Market risks

Currency risks
Duni operates internationally and is exposed to currency risks which arise from various currency exposures. Duni'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 effect on 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 2016, net sales for the year would have been SEK 41 m lower and the underlying operating income would have been SEK 6 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 exchange rate at the balance sheet date is included in the Group's income. 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 to 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 income. The Parent Company's external borrowing is matched to approximately 52% by internal net lending with the same currency breakdown. The remaining 48% 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 mainly in the functional currencies of the subsidiaries. Thus, as regards the consolidated Group, the translation exposure in the working capital of the individual subsidiaries is assessed as minor.

Had all currencies been 5% higher/lower, due to exposure in the individual subsidiaries and the consolidated balance sheet items the Group's income would have been approximately +/- SEK 5 m (2016: +/- SEK 7 m). The corresponding figures for the Parent Company are approximately +/- SEK 4 m (2016: +/- SEK 4 m).

Transaction exposure
Transaction exposure arises when a company sells and buys in a currency other than its functional currency. The transaction exposure is minimized primarily through external commercial transactions mainly being made in the functional currencies of the subsidiaries. Purchases by subsidiaries, primarily internal, may however be made 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 outflows are primarily in SEK and PLN, while external inflows 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 the USD gives rise to increased or reduced purchasing costs for the Group.

Price risks

Energy price risks
During 2017, the subsidiary Rexcell Tissue & Airlaid AB purchased approximately 87,393 MWh of electricity at a cost of approximately SEK 36 m; 4,493 metric tons of LPG for approximately SEK 19 m; and woodchips for the biofuel boiler at a cost of approximately SEK 9 m (2016: 81,207 MWh of electricity for SEK 29 m; 3,792 metric tons of LPG for SEK 15 m; and woodchips for SEK 9 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 income by approx. -/+ SEK 2 m (2016: -/+ SEK 1 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 2017 is 0 metric tons for Dals Långed and 18,438 metric tons for Skåpafors. The total number of emission rights will diminish each year up to 2020, when Dals Långed will have emission rights corresponding to 0 metric tons per year, and Skåpafors 17,349 metric tons 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 2018, it is estimated that they will not amount to any significant sum. In 2017, Rexcell Tissue & Airlaid AB had 5,130 (9,623) unused emission rights with a market value of SEK 0 m (0). In total, 13,308 metric tons were used in Skåpafors during 2017.

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 made by the subsidiary, Rexcell Tissue & Airlaid AB. Duni currently has not signed any such contracts. A change of +/- 1% per metric ton in the price of pulp during 2017 affects income by -/+ SEK 4 m (2016: -/+ 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 operating activities 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 interest rate. Outstanding loans are entirely in EUR.

Had interest rates on the Group's borrowing at 12/31/2017 been 100 points higher/lower, with all other variables being constant and taking into account interest rate swaps, Duni's net financial items for 2017 would have been SEK 1 m lower/higher (2016: SEK 3 m). Other components in equity would have been SEK 6 m (2016: SEK 10 m) lower/higher, primarily as a consequence of a decrease/increase in the fair value of interest rate derivatives used as hedge instruments.

Risk in respect of liability to minority put option
In May 2017, Duni acquired 80% of the shares of New Zealand company United Corporation Limited, which is traded under the name Sharp Serviettes. The minority owners have a put option that may be exercised by the seller during the April–June period in the years 2019–2021. The redemption price is determined by future income multiplied by a given multiple, which results in an obligation for Duni to acquire the remaining 20% of the shares.

Duni recognizes a long-term derivative liability for this put option equivalent to the discounted expected redemption price for the options. Changes in the value of the derivative instrument are recognized in equity. If the future income of the company increases by 10%, this will generate an impact of SEK 1 m on the Group's equity.

3.1.2 Credit risks

Credit risks are managed on a Group level. Credit risks arise through cash and 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 large 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 given to the customer's financial position, previous experience and other factors. Individual risk limits are established based on internal or external credit assessments in accordance with the limits established by the Board. The use of credit limits is monitored regularly.

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

Receivables overdue by more than 180 days accounted for 0.77% of total accounts receivable (2016: 1.99%). For the Parent Company, the corresponding figure is 1.22% (2016: 1.63%).

3.1.3 Liquidity risk

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

As per December 31, 2017, Duni had cash and equivalents of SEK 227 m (2016: SEK 186 m) as well as a non-utilized credit facility of SEK 1,300 m (2016: SEK 850 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 operating EBITDA. The interest margin is calculated based on the same key ratio and adjusted based on given levels each quarter. This key ratio is used solely for compliance with the credit facilities and is thus not a key ratio defined by Duni.

SEK m	Book value	1–3 months Interest	1–3 months Repayment	3–12 months Interest	3–12 months Repayment	Later than 1 year but within 5 years Interest	Later than 1 year but within 5 years Repayment
Bank loans	-834	-1	–	–	-197	–	-637
Overdraft facility	–	–	–	–	–	–	–
Accounts payable and other liabilities	-511	–	-511	–	–	–	–
– Currency forward contracts*	-11	–	-11	–	–	–	–
– Interest rate swaps	-5	-1	–	–	–	–	–
– Liability for put option of minority owners	-11	–	–	–	–	–	-11
Derivative instruments – Liabilities	**-28**	**-1**	**-11**	**0**	**0**	**0**	**-11**
– Currency forward contracts*	2	–	2	–	–	–	–
– Interest rate swaps	–	–	–	–	–	–	–
Derivative instruments – Assets	**2**	**0**	**2**	**0**	**0**	**0**	**0**
Total	**-1 371**	**-2**	**-520**	**0**	**-197**	**0**	**-648**

* Gross flows are shown in the table below.

The market value of the derivative instruments is broken down by derivative type as follows:

SEK m	2017	2016
Currency forward contracts	-9	-11
Interest rate swaps	-5	-8
Liability for put option of minority owners*	-11	–
Total	**-25**	**-19**

* For liability for put option of minority owners, see Note 29.

Duni's new financing agreement was signed on December 18, 2017. The financing consists of two loan facilities with revolving borrowing in EUR. The two facilities total EUR 200 m. Both of the two facilities are long term, with EUR 50 m until June 2020 and EUR 150 m until December 2020. Duni has the possibility to freely use the facility based on the Company's liquidity needs within the term of the facility. In addition to this financing, there is a put-call facility totaling EUR 20 m which matures in May 2018. There are two overdraft facilities in place totaling EUR 7 m and EUR 10 m. The table above shows the Group's contracted outstanding non-discounted interest payments and repayments on financial liabilities and liabilities regarding derivative instruments.

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	2017	2016
Currency forward contracts		
– Inflow regarding contracts for financial assets and liabilities	771	608
– Outflow regarding contracts for financial assets and liabilities	-777	-620

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

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

3.2 MANAGEMENT OF CAPITAL RISK

Duni's objective with respect to its 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 interest-bearing net debt divided by total capital. The interest-bearing net debt is calculated as total borrowings 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:

SEK m	Group 2017	Group 2016
Total borrowings	**834**	**659**
Overdraft facility	2	14
Other long-term receivables	2	2
Pension provisions	244	268
Group loans/receivables	–	–
Less cash and cash equivalents	-227	-186
Net Interest-bearing debt*	855	757
Total equity	**2 594**	**2 486**
Total capital	**3 449**	**3 243**
Net debt/equity ratio	25%	23%

* Calculation of interest-bearing 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 listed market price used for the Group's financial assets is the current bid price.

The 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 the fair value of the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of currency forward contracts is established through the use of listed prices for currency forward contracts on the balance sheet date.

The carrying amount of 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, the 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 measurement to 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 measured at fair value and for hedging purposes; all derivative instruments are classified in Level 2.

NOTE 4 – SIGNIFICANT ESTIMATES AND JUDGMENTS FOR ACCOUNTING PURPOSES

Estimates and judgments 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 SIGNIFICANT ESTIMATES AND JUDGMENTS FOR ACCOUNTING PURPOSES

The Group makes estimates and judgments regarding the future. By definition, the estimates for accounting purposes which follow therefrom rarely correspond to the actual outcome. The estimates and judgments which entail a significant risk of material adjustments in the carrying amounts of assets and liabilities during the following financial year are outlined below.

4.1.1 Useful life, intangible and tangible fixed assets

Group Management determines the estimated useful life and thereby the amortization and deprecation on the Group's intangible and tangible fixed assets. These estimates are based on historical knowledge of the useful life of equivalent assets. Useful lives and estimated residual values are reviewed on each balance sheet date and adjusted as required.

Regarding the carrying amounts on each balance sheet date for intangible and tangible fixed assets, see Notes 21–25.

4.1.2 Impairment testing for goodwill

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

The carrying amounts of goodwill at 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 judgment of 1%, there would be no impairment of goodwill.

The estimated discount rate before tax which Duni applies is shown in the table below:

Discount rate before tax	2017	2016
Table Top	8.1%	7.4%
Consumer	9.3%	8.7%
New Markets	11.1%	10.4%

Even if the estimated discount rate before tax which is applied to discounted cash flows had been 1% higher than the management's judgment, 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 conditions. Assumptions regarding the discount rate are based on high-quality investments at fixed interest with a term to maturity corresponding to the Group's existing pension obligations. Other demographic conditions are based on established 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.

The carrying amounts of pension liabilities for each balance sheet date are set forth in Note 33, "Pension obligations".

4.2 SIGNIFICANT JUDGMENTS IN APPLYING THE COMPANY'S ACCOUNTING PRINCIPLES

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

The operating segments utilize common fixed assets. When recognizing the common fixed assets by 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 been made when allocating common Group expenses. Acquisition goodwill has been allocated to the cash-generating units and operating segments based on a judgment of which units will benefit from the synergies, etc. created by the business acquisition. In making the allocation, management has considered the estimated business volumes of the units and made a judgment 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 making strategic decisions. Since January 1, 2017, operations in Duni are divided into four 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 and New Markets lines of business as operating segments; internally within Duni they are designated as business areas.

The Table Top business area offers Duni's concepts and products primarily to hotels, restaurants and catering, and companies in the health and care sectors. Table Top mainly markets napkins, tablecoverings and candles for the set table.

The Meal Service business area offers concepts for meal packaging and serving products for take-away, fresh ready-to-eat meals, and various types of catering. The business area's customers are mainly take-away-operated restaurants, food producers, and companies in the health and care sectors.

The Consumer business area offers consumer products primarily to the retail sector in Europe. The business area's customers comprise grocery retail chains, but also other channels such as specialty stores, including garden centers, home furnishing stores, and DIY stores.

The New Markets business area offers Duni's attractive quality products, table top concepts and packaging to new markets outside of Europe. In addition to customer segments such as hotels, restaurants and catering, the business area also aims its offering at retail.

Up to and including 2016, operations were divided between five operating segments. Starting in 2017, Duni no longer tracks the Materials & Services business area and will instead report it under Other. This is a natural step given that the former hygiene business, which were discontinued in March 2015, were included in Materials & Services. At that time, the business area accounted for approximately 13% of Duni's total net sales. After the hygiene business were discontinued, they were recognized as discontinued operations and were therefore no longer included in Materials & Services. The business area accounted for only slightly more than 1% of Duni's net sales in 2016. External sales of tissue and airlaid materials from the Skåpafors factory and external sales of finance and accounting services from the European Finance Function (EFF) in Poznan are also included in Other.

These business areas largely have a joint product assortment. However, design and packaging solutions are adapted to suit the different sales channels. Production and support functions are largely shared by these 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.

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 four business areas, which are evaluated and controlled based on the operating income, i.e. reported EBIT before restructuring costs, 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 segment						
2017, SEK m	Table Top	Meal Service	Consumer	New Markets	Non-allocated	TOTAL
Total net sales	2 338	705	1 034	322	67	4 465
Net sales from other segments	–	0	24	–	–	24
Net sales from external customers	**2 338**	**704**	**1 010**	**322**	**67**	**4 441**
Operating income	375	31	57	24	5	491
Items not included in operating income	0	0	-26	-9	0	-35
Reported EBIT	**375**	**31**	**31**	**15**	**5**	**456**
Financial income						0
Financial expenses						-18
Income tax						-106
Net income for the year						**334**
Total assets	2 979	225	1 235	355	39	4 833
Total liabilities	827	106	346	99	860	2 239
Investments	151	13	62	8	3	237
Depreciation/amortization	79	7	69	16	2	174

Operating segment							
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
Items not included in operating income	-5	-2	-27	-4	0	–	-38
Reported EBIT	**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

Duni controls its operations based on what Duni refers to as operating income. 'Operating income' is an alternative key ratio that means operating income before restructuring costs, non-realized valuation effects of currency derivatives, fair value allocations and amortization of intangible assets identified in connection with business acquisitions. See the bridge between operating income and EBIT below.

SEK m	2017	2016
Bridge between operating income and EBIT		
Operating income	491	502
Restructuring costs	0	-10
Non-realized valuation changes, derivative instruments	–	–
Amortization of intangible assets identified in connection with business acquisitions	-34	-27
Fair value allocation in connection with business acquisitions	-1	-1
Reported EBIT	**456**	**463**

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	2017	2016
Non-allocated liabilities		
Overdraft facility	2	14
Leases	4	3
Bank loans	834	659
Liabilities of other operations not tracked as an operating segment	21	–
Total non-allocated liabilities	**860**	**676**

Total sales from external customers broken down per product group:

SEK m	2017	2016
Product groups		
Napkins	2 270	2 160
Tablecoverings	785	852
Candles	181	179
Serving products	455	421
Packaging solutions	412	372
Other*	339	286
Net sales from external customers	**4 441**	**4 271**

* Other includes coffee filters, take-away bags, straws and bags etc.

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

SEK m	2017	2016
Net sales		
Sweden	324	318
Rest of the Nordic region	513	493
Germany	1 371	1 368
Rest of Central Europe	1 198	1 200
Southern and Eastern Europe	697	642
Rest of the world	338	249
Net sales from external customers	**4 441**	**4 271**

Duni does not have any single customer that accounts for more than 10% of its net sales.

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

SEK m	2017	2016
Tangible and intangible fixed assets		
Sweden	1 544	1 532
Germany	996	918
Rest of Central Europe	2	2
Southern and Eastern Europe	138	118
Rest of the world	311	262
Total tangible and intangible fixed assets	**2 991**	**2 832**

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

Parent Company, SEK m	2017	2016
Operating segment		
Table Top	564	563
Meal Service	373	364
Consumer	175	178
New Markets	39	28
Other	9	7
Total net sales	**1 160**	**1 140**

Parent Company, SEK m	2017	2016
Geographic area		
Nordic region	759	728
Central Europe	275	273
Southern and Eastern Europe	126	139
Rest of the world	0	0
Total net sales	**1 160**	**1 140**

NOTE 6 – INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to SEK 2,981 m (2016: SEK 2,884 m). The Parent Company sold goods to its subsidiaries for SEK 377 m (2016: SEK 385 m) and purchased goods from subsidiaries in the amount of SEK 698 m (2016: SEK 673 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	2017	2016
Change in inventories of finished products and products in progress		785	724
Raw materials and consumables		933	932
Expenses for remuneration of employees	13	1 090	1 003
Depreciation/amortization and impairment	8	174	159
Other expenses		1 015	999
Total operating expenses		**3 997**	**3 817**

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

NOTE 8 – DEPRECIATION AND AMORTIZATION

Depreciation/amortization	**Group**		**Parent Company**	
SEK m	2017	2016	2017	2016
Goodwill	–	–	–	100
Customer relations	34	29	–	–
Capitalized development expenses	10	12	7	9
Trademarks and licenses	6	7	4	3
Buildings and land improvements	15	11	1	1
Plant and equipment	108	100	4	4
Total depreciation/amortization	**174**	**159**	**16**	**117**

The goodwill of the Parent Company was fully amortized as of December 31, 2016.

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

	Group		**Parent Company**	
SEK m	2017	2016	2017	2016
Cost of goods sold	106	96	2	3
Selling expenses	7	7	–	–
Administrative expenses	26	27	14	15
Research and development expenses	0	0	0	0
Other operating expenses	34	29	–	100
Total depreciation/amortization	**173**	**159**	**16**	**117**

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	2017	2016	2017	2016
Capitalized development expenses	–	–	–	–
Buildings and land improvements	–	–	–	–
Plant and equipment	–	–	–	–
Construction in progress and advance payments for tangible fixed assets	–	–	–	–
Total impairment	**0**	**0**	**0**	**0**

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

	Group		**Parent Company**	
SEK m	2017	2016	2017	2016
Selling expenses	–	–	–	–
Other operating expenses	–	–	–	–
Total impairment	**0**	**0**	**0**	**0**

NOTE 9 – RESTRUCTURING COSTS – ALLOCATION TO RESTRUCTURING RESERVE

Restructuring costs amounted to SEK 0 m (10). Restructuring costs were incurred during the year for efficiency improvements in marketing and sales. In addition, revenue was recognized for damages relating to the period before Duni was listed. This revenue is also attributable to the Parent Company. Restructuring costs totaling SEK 10 m were incurred in 2016 for organizational changes and efficiency improvements in production in Germany and in sales in the Nordic region. This program was completed in 2016.

The restructuring costs are included in each function as follows:

	Group		**Parent Company**	
SEK m	2017	2016	2017	2016
Cost of goods sold	1	3	–	0
Selling expenses	4	1	–	1
Administrative expenses	3	7	–	5
Other operating expenses	-7	0	-7	0
Total restructuring expenses	**0**	**10**	**-7**	**6**

Allocation to restructuring reserve:

	Group		**Parent Company**	
SEK m	2017	2016	2017	2016
Opening balance, restructuring reserve	12	10	6	3
Utilized reserves	-14	-9	-4	-3
Reversal of reserve	–	0	–	0
Allocations for the year	8	10	–	6
Closing balance, restructuring reserve	**6**	**12**	**2**	**6**
Of which short-term	6	12	2	6

NOTE 10 – INVENTORIES

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Raw materials and consumables	165	146	–	–
Work in progress	8	6	–	0
Finished goods and goods for resale	435	384	88	89
Advances to suppliers	18	11	10	7
Total	**627**	**548**	**98**	**96**

The change in inventories is reported under the item "Cost of goods sold" and, for the Group, amounts to SEK 3,361 m (2016: SEK 3,086 m). The corresponding item for the Parent Company amounts to SEK 772 m (2016: SEK 751 m).

The Group's impairment write-down of inventory to the net realizable value amounts to SEK 5 m (2016: SEK 7 m). The Parent Company's recognized impairment write-down of inventory amounts to SEK 2 m (2016: SEK 3 m). Impairment losses have been reversed in 2017 in the amount of SEK 0 m (2016: SEK 0 m).

NOTE 11 – REMUNERATION FOR AUDITORS

	Group		Parent Company	
SEK m	2017	2016	2017	2016
PricewaterhouseCoopers				
– Audit engagement	3.7	4.2	1.7	1.8
of which to PricewaterhouseCoopers AB	*1.9*	*2.1*	*1.7*	*1.8*
– Auditing activities other than audit engagement	0.2	0.6	–	0.4
of which to PricewaterhouseCoopers AB	–	*0.4*	–	*0.4*
– Tax advice	2.9	2.3	1.1	0.1
of which to PricewaterhouseCoopers AB	*1.1*	*0.1*	*1.1*	*0.1*
– Other services	0.9	1.9	0.8	1.8
of which to PricewaterhouseCoopers AB	*0.8*	*1.8*	*0.8*	*1.8*
Total	**7.7**	**9.0**	**3.6**	**4.1**

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Other auditors				
– Audit engagement	0.1	0.1	–	–
– Auditing activities 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 remuneration for auditors	**7.8**	**9.2**	**3.6**	**4.1**

"Audit engagement" means remuneration for the statutory audit, i.e. work that is central for the issuance of an auditor's report as well as "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.

	2017			2016		
	Men	Women	Total	Men	Women	Total
Parent Company						
Sweden	67	84	151	66	82	148
Total, Parent Company	**67**	**84**	**151**	**66**	**82**	**148**
Subsidiaries						
Austria	7	4	11	6	5	11
Belgium	4	5	9	5	5	10
Czech Republic	3	4	7	2	4	6
Denmark	7	3	10	7	3	10
Finland	5	12	17	5	12	17
France	13	28	41	14	26	40
Germany	690	434	1 124	648	408	1 056
Hungary	1	–	1	1	0	1
Italy	6	2	8	5	2	7
Netherlands	23	21	44	26	25	51
New Zealand	13	26	39	–	–	0
Norway	7	6	13	7	7	14
Poland	199	305	504	183	298	481
Russia	8	7	15	8	5	13
Singapore	26	11	37	28	10	38
Slovakia	–	–	0	0	1	1
Spain	5	7	12	6	6	12
Sweden	154	42	196	162	46	208
Switzerland	14	10	24	15	8	23
Thailand	45	85	130	16	30	46
UK	8	11	19	9	10	19
Total, subsidiaries	**1 238**	**1 023**	**2 261**	**1 153**	**911**	**2 064**
Total, Group	**1 305**	**1 107**	**2 412**	**1 219**	**993**	**2 212**

NOTE 13 – SALARIES AND OTHER REMUNERATION

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Salaries and other remuneration	852	784	95	89
Social security expenses	190	167	36	34
Pension expenses – defined contribution plans	33	39	24	19
Pension expenses – defined benefit plans	15	12	–	–
Total	**1 090**	**1 003**	**155**	**142**

Salaries and other remuneration for senior executives and other employees:

	2017		2016	
SEK m	Salaries and other remuneration (of which bonuses)	Pension expenses	Salaries and other remuneration (of which bonuses)	Pension expenses
Board, CEO, VPs and other senior executives	32 (2)	7	29 (2)	6
Other employees	820	40	755	45
Group, total	**852**	**48**	**784**	**51**

BOARD FEES AS WELL AS EMPLOYMENT AND TERMINATION TERMS AND CONDITIONS FOR SENIOR EXECUTIVES

The Group's Board consists of 5 (2016: 5) individuals, of whom 60% are men (2016: 60%).

Other senior executives' comprise 9 (2016: 9) individuals, including the CEO, of whom 78% are men (2016: 78%).

Johan Sundelin succeeded Thomas Gustafsson as CEO on October 16, 2017. Thomas remained with the Company throughout 2017.

Principles

Fees and other remuneration for the Board of Directors, including Duni's Board Chairman, are decided upon by the Annual General Meeting. Pursuant to guidelines for remuneration of senior executives adopted by the AGM on May 3, 2017, remuneration for the CEO and other senior executives shall be on market terms and consist of basic salary, other benefits (including car benefit), other remuneration (including bonuses 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 for the CEO and other senior executives are payable as part of the total remuneration package. The guidelines for remuneration of senior executives, which are proposed for adoption at the 2018 AGM, are in all essential respects the same as those which applied in 2017.

In accordance with a resolution adopted by the AGM on May 3, 2017, the annual fee for the current Chairman of the Board shall be SEK 562,000 (SEK 535,000), while the fee for other directors shall be SEK 300,000 (SEK 285,000) each. In addition, fees for committee work shall be SEK 63,000 (SEK 60,000) to the Chairman of the Remuneration Committee and SEK 29,000 (SEK 27,500) each to the other members of the Remuneration Committee, as well as SEK 121,000 (SEK 115,000) to the Chairman of the Audit Committee and SEK 57,000 (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 2017 and 2016 financial years.

Remuneration and other benefits during the year

2017, SEK k	Basic salary/ Board fee	Pension expenses*	Other benefits	Variable remuneration**	Signing bonus***	Total
Chairman of the Board – Magnus Yngen	638	–	–	–	–	638
Director – Pauline Lindwall	357	–	–	–	–	357
Director – Pia Rudengren	414	–	–	–	–	414
Director – Alex Myers	351	–	–	–	–	351
Director – Johan Andersson	324	–	–	–	–	324
CEO – Thomas Gustafsson	4 021	1 910	30	–	–	5 961
CEO – Johan Sundelin	833	335	11	–	2 500	3 679
Other senior executives	12 277	4 560	620	677	–	18 134
Total	**19 214**	**6 805**	**661**	**677**	**2 500**	**29 857**

* Of the Group's pension expenses above, the entire item relates to the Parent Company.
** The variable remuneration relates to bonuses recognized as expenses for the 2017 financial year, which are paid out in 2018.
*** Signing bonus refers to remuneration received on the start date.

Remuneration and other benefits during the year

2016, SEK k	Basic salary/ Board fee	Pension expenses*	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 recognized as expenses for the 2016 financial year, which are paid out in 2017.

BONUSES

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% (2016: 75%) of the basic salary. For other senior executives, the variable remuneration is capped at between 75%–45% (2016: 75%–45%) of the basic salary. The bonus system covers only one year each time following a decision by the Board of Directors. For the 2017 financial year, a bonus of SEK 0 m (2016: SEK 0 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 addition that Duni pays 35% on the pension-qualifying income in excess of 7.5 income base amounts to the alternative ITP solution. Pension-qualifying income also includes a three-year average of paid bonuses. The pension expense corresponds to the costs for defined contribution plans. 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 vacation 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 notice 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.

Thomas Gustafsson terminated his employment in July and his employment ends in the beginning of January. He will not receive any severance compensation. Johan Sundelin became the new CEO on October 16, 2017. Thomas received full remuneration for the full year and participated in Johan's orientation program.

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 on twelve months' notice by either the Company or the executive, without severance compensation.

SIGNING BONUS

CEO

Johan Sundelin received signing bonus of SEK 2,500 k on the start date. This amount qualifies neither for bonuses nor pensions.

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. The CEO attends 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 made by Duni's Board. The Remuneration Committee also participates in the preparation of proposals regarding the adoption of any share-related incentive schemes within Duni. In 2017, the Remuneration Committee held three meetings at which minutes were taken.

NOTE 14 – OTHER OPERATING INCOME

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Exchange rate gains	1	6	–	1
Administrative services	–	–	240	255
Capital gains	1	1	–	–
Other items	10	3	7	0
Total other operating income	**12**	**10**	**247**	**256**

NOTE 15 – OTHER OPERATING EXPENSES

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Exchange rate losses	–	–	0	–
Depreciation/amortization	34	29	–	100
Administrative services	–	–	43	51
Capital loss	2	1	1	1
Other items	11	13	0	0
Total other operating expenses	**47**	**43**	**44**	**151**

NOTE 16 – NET EXCHANGE RATE DIFFERENCES

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

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Operating income				
Change in fair value – currency derivatives	0	0	0	0
Other exchange rate differences	1	5	0	1
Total exchange rate differences in operating income	**1**	**5**	**0**	**1**
Financial items				
Change in fair value – currency derivatives	–	–	–	–
Exchange rate differences in financial items	2	-4	2	-5
Total exchange rate differences in financial items	**2**	**-4**	**2**	**-5**
Total net exchange rate differences in income statement	**3**	**1**	**2**	**-4**

NOTE 17 – INCOME FROM FINANCIAL ITEMS

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Financial income				
Interest income, external investments	0	1	0	1
Interest income, Group companies	–	–	22	24
Total financial income	**0**	**1**	**22**	**25**
Financial expenses				
Interest expenses, external loans	-6	-7	-6	-6
Interest expenses, pensions	-5	-6	-5	-5
Interest expenses, Group companies	–	–	0	0
Interest expenses, interest rate swaps	-3	-3	-3	-3
Change in fair value, currency forwards	2	-4	2	-5
Other financial expenses	-4	-2	-3	-2
Total financial expenses	**-18**	**-23**	**-16**	**-22**

The interest share of pension expenses for the year is recognized among interest expenses. The rate of interest used in the Parent Company is 4.0% (2016: 4.0%) set by PRI, calculated on the average of opening and closing balances on the item "Pension provisions".

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

NOTE 18 – INCOME FROM PARTICIPATION IN GROUP COMPANIES

During the year, the Parent Company received dividends from subsidiaries amounting to SEK 138 m (2016: SEK 159 m). Received Group contributions amounted to SEK 152 m (2016: SEK 115 m).

NOTE 19 – INCOME TAX

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Current tax for the year	-93	-72	-22	0
Current tax attributable to previous years	-1	0	1	–
Deferred tax attributable to previous years	–	0	0	–
Deferred tax	-11	-35	-18	-35
Tax on income for the year	**-106**	**-107**	**-39**	**-35**

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

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Deferred tax, internal profit on inventories	3	0	–	–
Deferred tax, untaxed reserves	-2	-4	–	–
Deferred tax, appraised loss carry-forwards	-18	-36	-18	-36
Deferred tax, other	5	4	0	1
Total deferred tax	**-11**	**-35**	**-18**	**-35**

The tax attributable to components in other comprehensive income amounts to SEK 10 m (2016: SEK -8 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	2017	2016	2017	2016
Reported income before tax	439	441	323	214
Tax according to applicable tax rate	-104	-108	-71	-47
Tax effect of non-deductible expenses	-4	-3	-1	-23
Tax effect of non-taxable income	3	4	31	35
Tax income/expenses due to changed tax rate	0	0	–	–
Adjustments relating to previous years	-1	0	1	–
Tax on income for the year in accordance with the income statement	**-106**	**-107**	**-39**	**-35**

TAX RATE

The weighted average tax rate in the Group amounted to 23.6% (2016: 24.5%). The Parent Company's applicable income tax rate is 22% (2016: 22%).

TEMPORARY DIFFERENCES

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

Deferred tax assets

SEK m, Group	Loss carry-forwards	Internal profit	Pensions	Structural expenses	Other*	Total
At 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 assets	–	–	–	–	0	0
Exchange rate differences	-2	–	–	–	2	0
At December 31, 2016	**19**	**0**	**29**	**5**	**11**	**65**
Reported in income statement	-18	3	–	0	9	-6
Effect of changed tax rates reported in the income statement	–	–	–	–	–	0
Reported in other comprehensive income	–	–	-10	–	–	-10
Acquired tax assets	–	–	–	–	–	0
Exchange rate differences	0	–	–	–	0	0
At December 31, 2017	**2**	**3**	**19**	**5**	**20**	**49**

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

Deferred tax liabilities

SEK m, Group	Untaxed reserves	Intangible assets	Other	Total
At 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 difference	–	3	0	3
At December 31, 2016	**36**	**70**	**20**	**126**
Reported in income statement	2	-9	12	5
Effect of changed tax rates reported in the income statement	–	–	–	0
Acquired tax liability	–	7	–	7
Exchange rate difference	–	0	–	0
At December 31, 2017	**38**	**68**	**32**	**138**

Intangible assets refer to deferred tax on acquired customer relations. Other includes deferred tax on differences between the book and plan values 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	Other	Total	Other	Financial instruments
At December 31, 2015	**54**	**6**	**0**	**0**	**60**	**0**	**0**
Reported in income statement	-36	-1	2	–	-35	–	–
Transfer	–	–	–	–	0	–	–
Reported in other comprehensive income	–	–	–	–	0	–	–
Exchange rate differences	0	–	–	–	0	–	–
At December 31, 2016	**18**	**4**	**2**	**0**	**24**	**0**	**0**
Reported in income statement	-18	–	-1	–	-19	0	–
Transfer	–	–	–	13	13	12	–
Reported in other comprehensive income	–	–	–	–	0	–	–
Exchange rate differences	0	–	–	–	0	–	–
At December 31, 2017	**0**	**4**	**1**	**13**	**19**	**12**	**0**

Other refers to deferred entitlement to deductions and payroll tax on direct pensions.

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:

SEK m	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Deferred tax assets				
Utilized after more than 12 months	37	30	18	0
Utilized within 12 months	12	35	1	24
Total	**49**	**65**	**19**	**24**
Deferred tax liabilities				
Utilized after more than 12 months	126	96	12	–
Utilized within 12 months	12	30	–	–
Total	**138**	**126**	**12**	**0**

The net change regarding deferred taxes is as follows:

SEK m	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Opening balance	**-61**	**-21**	**24**	**60**
Reported in income statement	-11	-35	-18	-35
Reported in other comprehensive income	-10	8	–	–
Acquired tax liability	-7	-9	–	–
Exchange rate differences	1	-3	0	0
Closing balance	**-89**	**-61**	**7**	**24**

NOTE 20 – SHARE CAPITAL, EARNINGS PER SHARE AND ALLOCATION OF EARNINGS

On December 31, 2017, the share capital comprised 46,999,032 (2016: 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, 2017, 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 2017 and 2016 financial years.

EARNINGS PER SHARE, BEFORE AND AFTER DILUTION

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

	2017	2016
Income attributable to the equity holders of the Parent Company (SEK m)	329	332
Weighted average number of outstanding common shares (thousands)	46 999	46 999
Earnings per share, before and after dilution (SEK per share)	**6.99**	**7.06**

ALLOCATION OF EARNINGS

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings	1 424 750 387
Net income for the year	284 193 250
SEK	**1 708 943 637**

The Board of Directors proposes that earnings be allocated as follows:

Dividend to the shareholders of SEK 5.00 per share, in total	234 995 160
Carry forward	1 473 948 477
SEK	**1 708 943 637**

NOTE 21 – INTANGIBLE ASSETS

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Goodwill				
Acquisition values				
Opening acquisition values	1 577	1 455	2 053	2 053
Investments	–	–	–	–
Increase through business acquisitions	37	104	–	–
Sales and disposals	–	–	–	–
Translation differences	3	18	–	–
Closing accumulated acquisition values	**1 617**	**1 577**	**2 053**	**2 053**
Amortization				
Opening accumulated amortization	–	–	-2 053	-1 953
Amortization for the year	–	–	–	-100
Sales and disposals	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated amortization	**0**	**0**	**-2 053**	**-2 053**
Closing book value	**1 617**	**1 577**	**0**	**0**

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Other intangible fixed assets, customer relations				
Acquisition values				
Opening acquisition values	322	261	–	–
Investments	–	–	–	–
Increase through business acquisitions	20	46	–	–
Sales and disposals	–	–	–	–
Translation differences	6	15	–	–
Closing accumulated acquisition values	**348**	**322**	**0**	**0**
Amortization				
Opening accumulated amortization	-72	-41	–	–
Amortization for the year	-34	-29	–	–
Sales and disposals	–	–	–	–
Translation differences	-2	-2	–	–
Closing accumulated amortization	**-108**	**-72**	**0**	**0**
Closing book value	**240**	**250**	**0**	**0**

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Trademarks, software and licenses				
Acquisition values				
Opening acquisition values	52	64	34	53
Investments	15	1	14	–
Increase through business acquisitions	1	1	–	–
Sales and disposals	–	–	–	–
Reclassifications	2	-14	2	-19
Translation differences	–	1	–	–
Closing accumulated acquisition values	**70**	**52**	**50**	**34**
Amortization				
Opening accumulated amortization	-39	-48	-25	-43
Amortization for the year	-6	-7	-4	-3
Business acquisitions	–	0	–	–
Sales and disposals	–	–	–	–
Reclassifications	–	17	–	21
Translation differences	–	-1	–	–
Closing accumulated amortization	**-45**	**-39**	**-29**	**-25**
Closing book value	**25**	**14**	**21**	**9**

SEK m	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Capitalized development expenses				
Acquisition values				
Opening acquisition values	160	151	130	118
Investments	1	12	1	11
Increase through business acquisitions	–	–	–	–
Decrease through divestments	–	0	–	–
Sales and disposals	–	-23	–	-23
Reclassifications	-2	19	-2	24
Translation differences	1	1	–	–
Closing accumulated acquisition values	**160**	**160**	**129**	**130**
Amortization				
Opening accumulated amortization	-120	-113	-103	-96
Amortization for the year	-10	-12	-7	-9
Increase through divestment	–	0	–	–
Sales and disposals	–	23	–	23
Reclassifications	–	-16	–	-21
Translation differences	-1	-1	–	–
Closing accumulated amortization	**-130**	**-120**	**-110**	**-103**
Impairment				
Opening accumulated impairment	0	0	0	0
Impairment for the year	–	–	–	–
Disposals	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated impairment	**0**	**0**	**0**	**0**
Closing book value	**30**	**40**	**19**	**27**
Intangible assets, total	**1 911**	**1 881**	**40**	**36**

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 metric tons. The allocation for 2017 is 0 metric tons for Dals Långed and 18,438 metric tons for Skåpafors. The total number of emission rights will diminish each year up to 2020, when Dals Långed will have emission rights corresponding to 0 metric tons per year, and Skåpafors 17,349 metric tons 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. In total, 13,308 metric tons were consumed in Skåpafors in 2017, compared with 11,367 metric tons in 2016. Received emission rights are reported as intangible assets recognized at an acquisition value of zero.

IMPAIRMENT TESTING FOR GOODWILL

Impairment testing is performed for goodwill at the end of each financial year. With the implementation of IFRS, allocation of the Group's goodwill items has taken place through allocation ratios; see Note 4.2.

In 2017, Sharp Serviettes in New Zealand was acquired with an acquisition goodwill of SEK 37 m. 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 to the Group's cash-generating units identified per business area as follows:

SEK m	2017	2016
Table Top	1 199	1 199
Consumer	215	209
New Markets	203	169
Total	**1 617**	**1 577**

Impairment testing for goodwill is performed annually for and when there are indications of impairment. Recoverable amounts for cash-generating units are determined based on estimated values in use. 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 estimated 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, the figures in brackets show what growth rate was used in last year's calculation.

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

Discount rate before tax used per business area	
Table Top	8.1% (7.4%)
Consumer	9.3% (8.7%)
New Markets	11.1% (10.4%)

Significant assumptions which are used for calculations of values in use are primarily profit margin, growth rate and a nominal discount rate. Which discount rate is used for each business area can be seen in the table above. The discount rate before tax is used in conjunction with present value calculation of estimated future cash flows.

Company management has established the profit margin and growth rate based on previous income 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 the Group's operations are stable and there are therefore not any individual significant assumptions that could impact the profit margin. The estimated growth rate is applied in all essential respects to net sales and free cash flow.

Company management believes that reasonably possible changes in the significant assumptions used in the calculations would not have such a major impact as to individually reduce the recoverable amount to a value which is below the carrying amount.

NOTE 22 – BUILDINGS, LAND AND LAND IMPROVEMENTS

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Buildings				
Acquisition values				
Opening acquisition values	407	371	120	120
Investments	55	9	–	–
Increase through business acquisitions	–	13	–	–
Sales and disposals	–	0	–	–
Reclassifications	8	3	0	–
Translation differences	10	11	–	–
Closing accumulated acquisition values	**480**	**407**	**120**	**120**
Depreciation				
Opening accumulated depreciation	-151	-135	-103	-103
Depreciation for the year	-15	-11	-1	-1
Business acquisitions	–	-4	–	–
Sales and disposals	0	0	–	–
Reclassifications	0	0	–	–
Translation differences	-2	-1	–	–
Closing accumulated depreciation	**-168**	**-151**	**-104**	**-103**
Impairment				
Opening accumulated impairment	-8	-8	-8	-8
Impairment for the year	–	–	–	–
Reversal of impairment	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated impairment	**-8**	**-8**	**-8**	**-8**
Closing book value	**304**	**248**	**7**	**8**

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Land and land improvements				
Acquisition values				
Opening acquisition values	60	50	2	2
Investments	29	0	–	–
Increase through business acquisitions	–	10	–	–
Sales and disposals	–	–	–	–
Reclassifications	–	-1	–	–
Translation differences	2	2	–	–
Closing accumulated acquisition values	**91**	**60**	**2**	**2**
Write-ups				
Opening accumulated write-ups	–	–	12	12
Closing accumulated write-ups	**0**	**0**	**12**	**12**
Impairment				
Opening accumulated impairment	-9	-9	-9	-9
Impairment for the year	–	–	–	–
Reversal of impairment	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated impairment	**-9**	**-9**	**-9**	**-9**
Closing book value	**82**	**51**	**5**	**5**
Buildings, land and land improvements	**385**	**299**	**12**	**13**

Duni has no buildings under finance leases.

NOTE 23 – MACHINERY AND OTHER TECHNICAL EQUIPMENT

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Acquisition values				
Opening acquisition values	1 807	1 638	49	53
Investments	13	16	1	2
Increase through business acquisitions	7	13	–	–
Sales and disposals	-35	-16	-2	-6
Reclassifications	64	126	3	1
Translation differences	45	32	–	–
Closing accumulated acquisition values	**1 901**	**1 807**	**51**	**49**
Depreciation				
Opening accumulated depreciation	-1 279	-1 174	-39	-42
Depreciation for the year	-86	-79	-3	-3
Business acquisitions	–	-11	–	–
Sales and disposals	30	14	1	6
Reclassifications	2	-6	–	–
Translation differences	-32	-23	–	–
Closing accumulated depreciation	**-1 365**	**-1 279**	**-40**	**-39**
Impairment				
Opening accumulated impairment	-14	-42	-3	-3
Impairment for the year	–	–	–	–
Reversal of impairment	–	–	–	–
Reclassification	–	28	–	–
Translation differences	0	0	–	–
Closing accumulated impairment	**-14**	**-14**	**-3**	**-3**
Closing book value	**522**	**514**	**8**	**8**

Machinery and other technical equipment under finances leases are included in the above table for the Group in the amount of SEK 6 m (2016: SEK 5 m) in acquisition value and SEK 3 m (2016: SEK 2 m) in accumulated depreciation.

The Parent Company has no machinery and other technical equipment under finance leases.

NOTE 24 – EQUIPMENT, TOOLS AND INSTALLATIONS

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Acquisition values				
Opening acquisition values	320	296	21	23
Investments	24	19	0	0
Increase through business acquisitions	–	3	–	–
Decrease through divestments	–	–	–	–
Sales and disposals	-11	-5	-1	-4
Reclassifications	10	-5	2	1
Translation differences	10	12	–	–
Closing accumulated acquisition values	**353**	**320**	**22**	**21**
Depreciation				
Opening accumulated depreciation	-246	-228	-18	-21
Depreciation for the year	-22	-21	-1	-1
Business acquisitions	–	-2	–	–
Sales and disposals	10	5	1	4
Increase through divestment	1	–	–	–
Reclassifications	–	9	–	–
Translation differences	-7	-9	–	–
Closing accumulated depreciation	**-264**	**-246**	**-19**	**-18**
Closing book value	**89**	**74**	**3**	**2**

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

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Acquisition values				
Opening acquisition values	84	119	1	6
Investments	100	122	5	3
Increase through business acquisitions	–	1	–	–
Decrease through divestments	–	0	–	–
Sales	0	0	–	–
Reclassifications	-83	-159	-5	-7
Translation differences	3	1	–	–
Closing accumulated acquisition values	**103**	**84**	**2**	**1**
Impairment				
Opening accumulated impairment	-20	-20	0	0
Impairment for the year	–	–	–	–
Disposal of write-downs	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated impairment	**-20**	**-20**	**0**	**0**
Closing book value	**83**	**64**	**2**	**1**

NOTE 26 – PARTICIPATIONS IN GROUP COMPANIES

	Registration number	Registered office	Number of shares and participations	Equity, %	Book value, SEK k
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	8 827
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
United Corporation Ltd	NZBN9429031814676	Auckland, NZ	1 000	80	48 373
					850 483
Participations in Group companies					**931 923**

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

	Parent Company	
SEK k	2017	2016
Opening value, participations in Group companies	883 541	765 634
Investments for the year	48 373	117 907
Other	9	–
Shareholders' contributions	–	–
Repayment of shareholders' contributions	–	–
Divestments for the year	–	–
Impairment for the year	–	–
Closing value, participations in Group companies	**931 923**	**883 541**

NOTE 27 – OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Loan receivables	2	2	0	0
Financial receivables from Group companies	–	–	1 624	1 484
Total other long-term receivables	**2**	**2**	**1 624**	**1 484**

Loan receivables are measured at amortized cost. Loan receivables mainly carry variable interest and thus the fair value is estimated to correspond to the book value.

NOTE 28 – ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Accounts receivable	798	730	112	103
Receivables from Group companies	–	–	32	51
Other receivables	84	80	13	21
Short-term financial receivables from Group companies	–	–	138	121
Total accounts receivable and other receivables	**882**	**810**	**295**	**296**

Regarding credit risks and exposures, see Note 3.1.2.

Other receivables above relate to:

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Receivables from suppliers	10	6	–	–
VAT receivable	32	32	13	21
Factoring	9	8	–	–
Other receivables	33	33	0	0
Total other receivables	**84**	**80**	**13**	**21**

Credit exposure:

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Accounts receivable neither overdue nor impaired	706	673	102	102
Accounts receivable overdue but not impaired	91	58	10	2
Impaired accounts receivable	17	23	2	3
Provision for bad debts	-15	-23	-2	-3
Total accounts receivable	**798**	**730**	**112**	**103**

The credit risk associated with accounts receivable that are neither overdue nor impaired is not considered to be large. 37% (2016: 40%) of total accounts receivable that are neither overdue 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 account receivable exceeds 3.9% (2016: 4.3%) of the total accounts receivable that are neither overdue nor impaired.

Aging of accounts receivable overdue but not impaired:

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Less than 1 month	75	47	10	0
1–3 months	13	11	0	1
3-6 months	3	0	–	0
More than 6 months	1	0	–	0
Total	**91**	**58**	**10**	**2**

On December 31, 2017, the reserve for bad debts amounted to SEK 15 m (2016: SEK 23 m). The individually assessed receivables which are deemed to be in need of impairment relate primarily to wholesalers who have unexpectedly encountered financial difficulties. It has been assessed that some of the receivables are expected to be recoverable.

Aging of impaired accounts receivable:

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Less than 3 months	3	4	0	1
3-6 months	4	4	0	1
More than 6 months	10	15	2	1
Total	**17**	**23**	**2**	**3**

Specification of reserve for bad debts:

	Group		Parent Company	
SEK m	2017	2016	2017	2016
At the beginning of year	23	18	3	1
Provisions for bad debts	2	10	–	2
Receivables written off during the year	-2	-1	–	0
Reversed non-utilized amount	-9	-5	-1	0
Exchange rate differences	0	1	–	–
At year-end	**15**	**23**	**2**	**3**

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 impairment is needed.

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	2017	2016	2017	2016
SEK	35	28	34	28
EUR	524	492	19	19
GBP	79	71	–	–
DKK	34	33	34	33
NOK	24	23	24	23
PLN	21	19	–	0
CHF	25	25	–	–
Other currencies*	56	38	–	0
Total	**798**	**730**	**112**	**103**

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

NOTE 29 – DERIVATIVE INSTRUMENTS

	2017		2016	
SEK m	Asset	Liability	Asset	Liability
Interest rate swaps – cash flow hedge	0	5	0	8
Currency forward contracts	2	11	1	12
Liability for put option of minority owners	–	11	–	–
Total reported in the balance sheet	**2**	**28**	**1**	**20**
Financial instruments covered by set-off master agreement	0		0	
Total after taking into consideration set-off master agreement	**2**		**1**	

Duni uses interest rate swaps and currency forward contracts to manage its exposure to changes in exchange rates. All derivative instruments are measured at market value and changes in value with respect to currency forward contracts are recognized in the income statement, whereas changes in the value of interest rate swaps are recognized in other comprehensive income. The change in value of the liability for the put option is recognized in equity. 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 recognized 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 its outstanding loans through interest rate swaps, variable against fixed interest rates. Reporting of interest rate swaps is classified as cash flow hedging and recognized under hedge accounting in accordance with IAS 39.

The outstanding nominal amount on 12/31/2017 was EUR 40 m. Gains and losses on interest rate swaps as per December 31, 2017, which are recognized in the hedging reserve in equity in the "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 from 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	
	2017	2016
Currency forward contracts for financial assets and liabilities	3	3

At the end of the period, the market value of these forward contracts was SEK -9 m (2016: SEK -11 m).

LIABILITY FOR PUT OPTION OF MINORITY OWNERS

In May 2017, Duni acquired 80% of the shares of New Zealand company United Corporation Limited, which is traded under the name Sharp Serviettes. Duni has an obligation to acquire the remaining 20% of the shares. The minority owners have a put option during the April–June period in the years 2019–2021. The redemption price is determined by future income multiplied by a given multiple. Duni recognizes a liability, as a long-term derivative liability, equivalent to the discounted expected redemption price for the options.

NOTE 30 – PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Prepaid rent	3	3	2	1
Prepaid lease payments	1	1	–	–
Prepaid insurance	2	6	–	0
Prepaid pensions	5	5	4	4
Prepaid catalog expenses	7	8	3	3
Other items	12	8	6	5
Total prepaid expenses and accrued income	**30**	**30**	**14**	**13**

NOTE 31 – BORROWINGS

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Long-term				
Bank loans	637	659	837	659
Overdraft facility	2	14	0	0
Total long-term borrowing	**639**	**673**	**837**	**659**

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Short-term				
Bank loans	197	–	–	–
Total short-term borrowing	**197**	**0**	**0**	**0**
Total borrowing	**836**	**673**	**837**	**659**

With respect to borrowing, Duni's exposure to changes in interest rates and contractual dates for interest renegotiation is as follows at the end of the reporting period:

SEK m	2017	2016
6 months or less	197	0
6-12 months	0	0
More than one year	637	659
Total	**834**	**659**

Duni's borrowings are measured at amortized cost applying the effective interest rate method. The difference between the values recognized in the balance sheets for 12/31/2017 and the nominal values consists of transaction costs.

Duni's accrued interest is recognized as accrued expenses. Shown below are the nominal values excluding accrued interest, and carrying amounts for Duni's borrowings.

BREAKDOWN OF INTEREST-BEARING NET DEBT

The interest-bearing net debt and the change for the respective period are analyzed below.

SEK m	2017	2016
Other long-term receivables	2	2
Cash and cash equivalents	227	186
Overdraft facility	-2	-14
Long-term bank loans	-637	-659
Finance lease liabilities	-4	-3
Short-term bank loans	-197	–
Pension provisions	-244	-268
Interest-bearing net debt	**-855**	**-757**

SEK m	2017	2016
Cash and cash equivalents and other long-term receivables	229	187
Pension provisions	-244	-268
Finance lease liabilities	-4	-3
Gross debt – fixed interest	–	–
Gross debt – variable interest*	-836	-673
Interest-bearing net debt	**-855**	**-757**

* See interest rate swaps in Note 29.

Net debt excluding pension provisions:

	Cash and cash equivalents	Other long-term receivables	Overdraft facility	Other financial liabilities	Finance leases maturing within 1 year	Finance leases maturing in more than 1 year	Borrowings maturing within 1 year	Borrowings maturing in more than 1 year	Total
Interest-bearing net debt at December 31, 2016	**186**	**2**	**-14**	**0**	**-1**	**-2**	**0**	**-659**	**-489**
Net cash flow	41	0	13	19	0	-1	–	-152	-81
Exchange rate differences	0	0	0	-19	0	0	-7	-16	-42
Other non-cash items	–	–	–	–	–	–	-190	190	0
Interest-bearing net debt at December 31, 2017	**227**	**2**	**-2**	**0**	**-1**	**-3**	**-197**	**-637**	**-611**

The interest-bearing net debt that Duni tracks as a key ratio includes pension provisions. In the table above, Duni has chosen not to include pension provisions in order to enable the net cash flow in the table to be compared against cash flow for the year and cash flow used in financing activities in the consolidated cash flow statement.

FAIR VALUES CURRENT FINANCING

Duni's bank loans and overdraft facility, amounting to SEK 836 m (2016: SEK 673 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.

	2017		**2016**	
SEK m	Carrying amount	Nominal value	Carrying amount	Nominal value
Bank loans	834	834	659	659
Overdraft facility	2	2	14	14
Leases	4	4	3	3
Total	**840**	**840**	**676**	**676**

The carrying amounts, per currency, for the Group's borrowings are as follows:

SEK m	**2017**	**2016**
EUR	840	662
Other currencies	–	14
Total	**840**	**676**

BANK LOANS

Duni's new financing agreement was signed on December 18, 2017 and is long term. This financing agreement has similar loan terms to the previous facility. The financing now consists of two revolving credit facilities with a nominal amount of EUR 200 m. EUR 150 m expires in December 2020 and EUR 50 m expires in June 2020. Duni also has an EUR 20 m credit agreement which extends until May 2018. The interest rate is variable and set at EURIBOR plus a margin, until the next rolling. The average rate of interest on bank loans was 0.38% (2016: 0.46% per year).

OVERDRAFT FACILITY

On behalf of the Group, the Parent Company has arranged two overdraft facilities with a nominal amount of EUR 17 m.
At 12/31/2017, the amount drawn was EUR 0 m.

NOTE 32 – CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Assets				
Non-financial assets				
Tangible and intangible fixed assets	2 991	2 832	65	60
Deferred tax assets	49	65	19	24
Other financial fixed assets	–	–	932	884
Inventories	627	548	98	96
Prepaid expenses and accrued income	30	30	14	14
Total non-financial assets	**3 697**	**3 475**	**1 128**	**1 078**
Loan receivables and accounts receivable				
Other long-term receivables	2	2	0	0
Accounts receivable	798	730	112	103
Tax assets	23	14	5	5
Other receivables	84	80	13	21
Receivables from Group companies	–	–	1 794	1 656
Cash and cash equivalents/Cash and bank balances	227	186	157	119
Total loan receivables and accounts receivable	**1 134**	**1 012**	**2 081**	**1 904**
Assets measured at fair value through profit or loss				
Derivative instruments	2	1	2	1
Total assets measured at fair value through profit or loss	**2**	**1**	**2**	**1**
Total assets	**4 833**	**4 487**	**3 211**	**2 983**

Duni does not have any assets which are classified as "Derivative instruments used for hedging purposes" and "Available for sale".

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Liabilities				
Non-financial liabilities				
Deferred tax liabilities	138	126	12	–
Pension provisions	244	268	97	100
Allocation to restructuring reserve	6	12	2	6
Total non-financial liabilities	**388**	**406**	**111**	**106**
Liabilities at amortized cost				
Overdraft facility	2	14	0	0
Bank loans	834	659	834	659
Accounts payable	428	373	60	64
Tax liabilities	41	25	22	–
Other liabilities	87	81	26	15
Liabilities to Group companies	–	–	270	305
Accrued expenses and deferred income	432	423	78	70
Total liabilities at amortized cost	**1 824**	**1 575**	**1 289**	**1 113**
Derivative instruments used for hedging purposes				
Derivative instruments	5	8	5	8
Total derivative instruments used for hedging purposes	**5**	**8**	**5**	**8**
Liabilities measured at fair value through profit or loss				
Derivative instruments	11	12	11	12
Total liabilities at fair value through profit or loss	**11**	**12**	**11**	**12**
Liabilities measured at fair value through equity				
Derivative instruments	11	–	–	–
Total liabilities measured at fair value through equity	**11**	**0**	**0**	**0**
Total liabilities	**2 239**	**2 001**	**1 416**	**1 239**

NOTE 33 – PENSION OBLIGATIONS

Remuneration for pensions and other post-employment remuneration is mainly paid through defined contribution 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 defined benefit plans under which employees are guaranteed a pension corresponding to a percentage of their salary.

Provisions for pensions and similar obligations:

	Group	
SEK m	2017	2016
Defined benefit plans	244	268

DEFINED BENEFIT PLANS

Within the Group, there are a number of defined benefit plans where, after completion of employment, the employees are entitled to remuneration based on their final salary and period of employment. The largest plans are in Sweden, Germany, the UK, the Netherlands and Belgium. The plans in the UK and the Netherlands are consolidated externally, with the plan assets held by foundations or similar legal entities. The activities of the foundations are governed by national regulations and practices 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.

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

PENSION INSURANCE WITH ALECTA

Obligations regarding retirement pensions and family pensions for salaried employees in Sweden are secured through insurance with independent insurance company Alecta. According to a statement issued by the Swedish Financial Reporting Board, URF 3 Classification of ITP plans financed through insurance with Alecta, this is a defined benefit plan covering several employers. Duni does not have access to such information as makes it possible to recognize this plan as a defined benefit plan. The pension plan according to ITP2, which is secured through insurance with Alecta, is thus recognized 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 4 m (2016: SEK 3 m).

Alecta's surplus may be divided among the policyholders and/or the insured. As at 12/31/2017, Alecta's surplus in the form of the collective funding level amounted to 154% (2016: 149%). 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 recognized in the consolidated balance sheet consist of:

	Defined benefit plans	
SEK m	2017	2016
Present value of consolidated obligations	325	318
Fair value of plan assets	-261	-234
Present value of non-consolidated obligations	180	184
Net pension liability in balance sheet	**244**	**268**

The total pension expenses recognized in the group's income statement are as follows:

SEK m	2017	2016
Costs relating to service during the current year	-9	-7
Interest expenses	-11	-12
Interest income	5	7
Total pension expenses regarding defined benefit plans	**-15**	**-12**
Pension expenses for the year regarding defined contribution plans	-33	-39
Total pension expenses for the year, included in personnel expenses (Note 13)	**-48**	**-51**
The year's reappraisal of pension plans recognized in other comprehensive income	**4**	**-30**

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

	Defined benefit plans	
SEK m	2017	2016
EBIT	-10	-7
Financial expenses	-5	-5
Total expenses from defined benefit plans in the income statement	**-15**	**-12**

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

	Defined benefit plans	
SEK m	2017	2016
At the beginning of the year	502	447
Expenses for service during current year	9	7
Interest expenses	11	12
Reappraisals, losses (+)/gains (-) as a consequence of experience-based adjustments of defined benefit obligations	-2	0
Reappraisals, losses (+)/gains (-) as a consequence of changed demographic assumptions	0	1
Reappraisals, losses (+)/gains (-) as a consequence of changed financial assumptions	-1	60
Exchange rate differences	5	-6
Disbursed benefits	-20	-20
At year-end	**505**	**502**

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	2017	2016
At the beginning of the year	-234	-211
Expected return on plan assets	-5	-7
Reappraisals, losses (+)/gains (-) as a consequence of experience-based adjustments of plan assets	-15	-20
Exchange rate differences	-2	8
Employer's contributions	-9	-8
Employee's contributions	-1	-1
Disbursed benefits	5	5
Settlements	0	0
At year-end	**-261**	**-234**
Experience-based adjustments of plan assets	**-15**	**-20**

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, 83% (81%) of the plan assets are invested in equity instruments, 8% (10%) in bonds, and 9% (9%) 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 2017.

The weighted average term for pension obligations is 17.6 years.

Actuarial assumptions on the balance sheet date

	Sweden	Germany	UK	Netherlands	Belgium
Discount rate	2.05% (2.2)	1.5% (1.4)	2.75% (2.7)	1.8% (1.9)	1.5% (1.5)
Expected return on plan assets	–	1.5% (1.4)	2.75% (2.7)	1.8% (1.9)	1.5% (1.5)
Future annual salary increases	–	–	4.05% (4.1)	2.4% (2.4)	2.8% (2.8)
Future annual pension increases	1.7% (1.65)	1.75% (1.75)	3.30% (3.35)	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 only have disbursements.

Through its defined benefit pension plans, Duni is exposed to a number of risks, and the most significant risks are:

Asset volatility: The plan's liabilities are calculated using a discount rate which is based on corporate bonds. A deficit arises if the plan assets do not achieve a corresponding return. In the short term, this can result in volatility, but since the liability in the pension plan is long-term in nature, investments in instruments such as equity instruments are suited 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 decrease in the interest rate paid on corporate bonds will result in an increase in the liabilities of the plans.

Inflation risk: Some of the plan's obligations are linked to inflation, with higher inflation resulting in higher 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.

Composition by country, 2017:

SEK m	Sweden	Germany	UK	Netherlands	Belgium	Total
Present value of defined benefit obligations	155	53	155	136	6	505
Fair value of plan assets	–	-1	-143	-113	-4	-261
Total defined benefit pension plans by country	**155**	**52**	**12**	**23**	**2**	**244**

Composition by country, 2016:

SEK m	Sweden	Germany	UK	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
Total defined benefit pension plans by country	**156**	**54**	**29**	**27**	**2**	**268**

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

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.5 %	Decrease by 9.0%	Increase by 8.0%

The sensitivity analysis 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 6.4%.
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 5.9%.
The methods and assumptions upon which the sensitivity analyses are based have not changed since the previous year.

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

	Parent Company	
SEK m	2017	2016
FPG/PRI pensions	97	100
Liability in the balance sheet	**97**	**100**

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

SEK m	2017	2016
Earned during the year	0	0
Interest expenses	-5	-5
Pension expenses for the year	**-5**	**-5**

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

SEK m	2017	2016
At the beginning of the year	100	104
Net expenses recognized in the income statement	5	5
Disbursed benefits	-8	-8
Settlements	–	0
At year-end	**97**	**100**

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

NOTE 34 – ACCRUED EXPENSES AND DEFERRED INCOME

	Group		**Parent Company**	
SEK m	2017	2016	2017	2016
Accrued personnel expenses	124	116	28	27
Accrued interest expenses	0	0	0	0
Accrued expenses, invoices	77	81	22	18
Accrued liabilities to customers*	203	201	23	19
Other items	27	24	5	5
Total accrued liabilities and deferred income	**432**	**423**	**78**	**70**

* Accrued liabilities to customers mainly involves customer bonuses.

NOTE 35 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS

The Group and the Parent Company had no pledged assets in 2017 or 2016.

Contingent liabilities

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Guarantees	37	74	35	71
FPG/PRI	2	3	2	3
Total contingent liabilities	**39**	**77**	**37**	**73**

Of the guarantees in the Parent Company, SEK 35 m (2016: SEK 59 m) are pledged to the benefit of Group companies. Guarantees in the Parent Company, relating primarily to local customs departments, amount to SEK 2.4 m (2016: SEK 14 m).

Duni has an environmental policy and has implemented control systems which assist Duni in ensuring compliance with environmental legislation. Duni considers the existing operations and production plants to fulfill in all essential respects the 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 two properties owned by Duni AB.

No significant liabilities are expected to arise as a consequence of any of the above types of contingent liabilities.

NOTE 36 – ADJUSTMENTS FOR NON-CASH ITEMS

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Depreciation/amortization	174	160	16	117
Impairment, inventories	–	–	-4	-4
Restructuring	-6	-15	5	3
Pension provisions	-26	-1	5	4
Change in value, derivatives	-3	0	–	–
Other	3	-3	-35	-2
Total	**141**	**141**	**-13**	**118**

NOTE 37 – OBLIGATIONS

OPERATING LEASES

Duni leases 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. The leases are non-terminable operating leases. Leases 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 lease payments, with respect to non-terminable leases, is broken down as follows:

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Payable within one year	56	60	13	19
Payable later than one but within five years	106	130	6	12
Payable later than five years	47	61	–	–
Total	**210**	**251**	**18**	**31**
Of which leases signed during the year	33	42	8	10

The total expenses for operating leases during the year amounted to SEK 77 m (2016: SEK 72 m) in the Group and SEK 25 m (2016: 22 m) in the Parent Company.

FINANCE LEASES

The nominal value of future minimum lease payments, with respect to non-terminable leases, is broken down as follows:

	Group		Parent Company	
SEK m	2017	2016	2017	2016
Payable within one year	1	1	–	–
Payable later than one but within five years	2	6	–	–
Payable later than five years	0	6	–	–
Total	**4**	**13**	**0**	**0**
Present value of future lease payments	4	13	0	0

NOTE 38 – ACQUISITIONS

BIOPAC UK LTD

On February 8 2018, Duni acquired 75% of the shares in Kindtoo Ltd, which is marketed under the name Biopac UK Ltd, from the entrepreneurs Mark Brigden and Eric Grayham. Biopac is a leading supplier of sustainable packaging for food and beverages in the UK. As from and including February 2018, the company is consolidated in the Meal Service business area.

Biopac has 12 employees and annual sales of approximately SEK 55 m, with an operating margin well in line with the Meal Service business area. The entrepreneurs will continue to play an active role in the company. 90% of the purchase price will be paid in cash in conjunction with the acquisition and the remaining amount will be paid in accordance with the established acquisition balance sheet. The total purchase price amounts to approximately SEK 22 m for 75% of the company's shares. The same amount is carried to Duni's interest-bearing net debt, and is covered by the existing facility. A preliminary specification of the acquisition, including other acquisition-related information, will be provided in the interim report for Q1 2018.

SHARP SERVIETTES

On May 3, 2017, Duni acquired a total of 80% of the shares of New Zealand company United Corporation Limited, which is traded under the name Sharp Serviettes. Sharp Serviettes is a leading manufacturer and supplier of napkins as well as food hygiene and serving products in New Zealand. The company is consolidated in the New Markets business area as from and including May 2017.

Sharp Serviettes has 45 employees and has its production unit in western Auckland with distribution across New Zealand. The company is a leading supplier of table setting products in and was also already a Duni product distributor before the acquisition. Sharp Serviettes is a well-reputed partner in the HoReCa industry and retail sector in New Zealand. The company offers a wide range of quality products that can be adapted to customer requirements. Sharp Serviettes values short lead times and manufactures to order, to maintain high delivery performance.

The purchase price of SEK 59 m was paid in cash in connection with the takeover, and SEK 47 m of the purchase price was for the shares in the company, while SEK 12 m was to redeem loans. The purchase impacted Duni's interest-bearing net debt in the amount of SEK 59 m, which is accommodated within the current loan facility. The acquisition costs affect the net income for 2017 under the item "Other operating expenses" and amount to SEK 1.7 m. In accordance with RFR2, the Parent Company recognizes these costs as financial fixed assets.

Duni has an obligation to acquire the remaining 20% of the shares. The minority owners of United Corporation Limited have a a put option in the April-June period for 2019, 2020 and 2021. In the event that the option is exercised, the purchase price will be based on the Company's normalized average financial performance for the two closed financial years preceding the date the option is exercised. As a result of the option, Duni recognizes a non-controlling interest and allocates the interest's share of the income to the interest. The Group also recognizes a liability corresponding to the discounted expected redemption price for the options with elimination of the non-controlling interest attributable to the option. The difference between the liability for the option and the non-controlling interest to which the option relates is recognized directly in equity and separated from other changes in equity.

The fair value of 100% of the net assets amounts to SEK 59 m. Intangible fixed assets primarily consist of customer contracts. Goodwill corresponds to the synergy effects within purchasing and access to another production unit and thus a stronger platform for Duni in Asia and Oceania. No part of the recognized goodwill or intangible fixed assets is expected to be deductible in conjunction with income taxation.

During the period May 1–December 31, 2017, Sharp Serviettes contributed SEK 39 m to the Group's net sales and SEK 2 m to income after tax and amortization on customer relations. Had Sharp Serviettes been consolidated as from January 1, 2017, Duni's income statement would have shown additional revenues of SEK 17 m and SEK 1 m in income after tax including amortization on customer relations.

Acquired net assets	SEK k, Fair value
Intangible fixed assets	19 872
Tangible fixed assets	6 816
Inventories	11 919
Accounts receivable	5 665
Cash	1 152
Long-term loans	-12 878
Accounts payable	-3 040
Deferred tax liabilities	-5 814
Tax liabilities	-1 026
Other short-term liabilities	-406
Other liabilities	-456
Acquired identifiable net assets	**21 804**
Non-controlling interests	-11 702
Goodwill	36 703
Acquired net assets	**46 806**

TERINEX SIAM CO.LTD.

On August 17, 2016, Duni acquired in total 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 aluminum foil.

Adopted acquisition analysis at December 31, 2016:

Acquired net assets	**SEK k, 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 interest-bearing net debt, which is accommodated within current loan agreements. The acquisition costs affect net income for the year under the item "Other operating expenses" and amount to SEK 5 m. In accordance with RFR2, the Parent Company recognizes these costs as financial fixed assets.

Duni has chosen to recognize 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 the synergy effects in purchasing and that Duni now has its own production unit 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 recognized goodwill or intangible fixed assets is expected to be deductible in conjunction with income taxation.

Accounts receivable and other current receivables correspond to the contractual amounts since it is expected that all accounts receivable and other short-term receivables are recoverable.

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 the minority's share. 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 the minority's share.

Effect on cash flow – acquisition of subsidiaries, SEK m	**2017**	2016
Cash purchase price	-47	-113
Less cash and cash equivalents	1	10
Paid purchase price	**-46**	**-103**
Redemption of loans	-12	–
Supplemental purchase price, Duni Song Seng*	–	-21
Total effect on cash flow	**-58**	**-124**

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

NOTE 39 – RELATED-PARTY TRANSACTIONS

No material transactions with related parties have taken place during the 2017 financial year or the 2016 financial year.

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

NOTE 40 – EVENTS AFTER THE BALANCE SHEET DATE

A total of 75% of the shares in Kindtoo Ltd in the UK were acquired on February 8, 2018. The company is traded under the name Biopac UK.

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 the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's financial position and results of operations. The annual report has been prepared in accordance with generally accepted accounting principles and provides a true and fair view of the Parent Company's financial position and results of operations.

The Directors' Report for the Group and Directors' Report for the Parent Company provide true and fair overviews of the development of the business, financial position and results of operations 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 21, 2018

Magnus Yngen
Chairman of the Board

Johan Andersson
Director

Pauline Lindwall
Director

Alex Myers
Director

Pia Rudengren
Director

Per-Åke Halvordsson
Employee representative, PTK

Tapio Nieminen
Employee representative, LO

Johan Sundelin
President and CEO

Our auditor's report was submitted on 21 March, 2018

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 2017 except for the corporate governance statement and the statutory sustainability report on pages 45-49 and 43 respectively. The annual accounts and consolidated accounts of the company are included on pages 41-104 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 2017 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 2017 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 opinions do not cover the corporate governance statement and the statutory sustainability report on pages 45-49 and 43 respectively. 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.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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	
Refering to note 2,4 and 21 in the annual report. The value of Goodwill with indefinite economic use amounted, as of 31 December 2017, to MSEK 1 617. In accordance with IFRS, management shall annually perform an impairment test. MSEK 1 199 of the goodwill is related to business area Table Top and MSEK 418 is related to business areas Consumer and New Markets. 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. We consider the Goodwill related to business areas Consumer and New Markets to be a Key audit matter as it is recently acquired goodwill. The history regarding assumptions and judgements are shorter compared to business area Table Top. No impairment requirement was identified in conjunction with the testing undertaken by management.	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	
Refering to note 2 and 34 in the annual report. 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 MSEK 203. 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	
Refering to note 2 and 10 in the annual report. 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 MSEK 627. 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 1-40 and 108-110. 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 and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is 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 2017 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 fulfill 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 administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is 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 45-49 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.

THE AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the statutory sustainability report on page 43, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report 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 opinion.

A statutory sustainability report has been prepared.

PricewaterhouseCoopers AB, box 4009, 203 11 Malmö, was appointed auditor of Duni AB by the general meeting of the shareholders on the 3 May 2017 and has been the company's auditor since the introduction on Nasdaq Stockholm, 1 November 2007.

Malmö 21 March 2018

PricewaterhouseCoopers AB
Eva Carlsvi

Authorized Public Accountant

GLOSSARY

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

Amuse-bouche
Duni Amuse-bouche® is 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 / IFS
BRC and IFS are management systems for hygiene and food safety. The units in Bramsche and Poznan are BRC-certified. The unit in Wolkenstein is IFS-certified.

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

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

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®
Duniletto is a 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 covers.

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

Ecoecho® bioplastic
A bio-based material that 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 table cover material that combines the look and feel of textile and linen table covers 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 that 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. The units in Bramsche, Wolkenstein, Poznan, and Skåpafors are ISO 14001-certified.

ISO 26000
ISO 26000 is an international standard that 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.

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

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.

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

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

Merchandising
Duni assists store owners in filling the shelves, building displays and dealing with sales campaigns and offers.

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

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

Organic growth

Growth excluding currency and structural effects. Acquired companies are included in organic growth when they have been a part of the Duni Group for eight quarters.

Our Blue Mission

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

Private label

Products marketed under customer's own label.

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 on June 1, 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 four 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

Duni uses financial metrics that in some cases are not defined in the IFRS. These are called alternative key ratios. The purpose is to provide additional information that facilitates a better and more specific comparison of performance from year to year. Duni defines its key ratios as follows.

Number of employees

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

Return on equity

Net income for the year as a percentage of equity.

Return on capital employed

Operating income as a percentage of capital employed.

Gross margin

Gross profit as a percentage of net sales.

EBIT

Reported operating income.

EBIT margin

EBIT as a percentage of net sales.

EBITA

Operating income before amortization of intangible assets.

EBITA margin

EBITA as a percentage of net sales.

EBITDA

Operating income before depreciation and impairment of fixed assets.

EBITDA margin

EBITDA as a percentage of net sales.

Cost of goods sold

Cost of goods sold including production and logistic costs.

Operating income

EBIT less restructuring costs, fair value allocations and amortization of intangible assets identified in connection with business acquisitions.

Operating margin

Operating income as a percentage of net sales.

P/E ratio

Current share price relative to earnings per share.

Interest-bearing net debt

Interest-bearing liabilities and pensions less cash and cash equivalents and interest-bearing receivables.

Interest-bearing net debt relative to equity

Interest-bearing net debt relative to total equity.

Capital employed

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

Currency adjusted

Figures adjusted for the effects of exchange rate differences in conjunction with consolidation. Figures for 2017 are calculated at exchange rates for 2016. Effects of conversion of balance sheet items are not included.

Earnings per share

Income for the period divided by the average number of shares.

BRIDGE BETWEEN OPERATING INCOME AND EBIT

SEK m	2017	2016
Operating income	491	502
Restructuring costs	0	-10
Amortization of intangible assets identified in connection with business acquisitions	-34	-27
Fair value allocation in connection with acquisitions	-1	-1
Reported operating income (EBIT)	**456**	**463**

CALENDAR

ANNUAL GENERAL MEETING, MAY 8, 2018

The Annual General Meeting will be held at Akvariet, Dockplatsen 12, Malmö at 3.00pm on Tuesday, May 8. Registration commences at 2.15pm.

NOTICE OF PARTICIPATION

Shareholders who wish to participate must be entered in the share register maintained by Euroclear Sweden AB no later than May 2, 2018 and must give notice of their participation no later than the same date in any of the following ways:

- by telephone +46 40 10 62 00
- by letter to Duni AB, Bolagsstämma, Box 237, SE-201 22 Malmö
- by email to: bolagsstamma@duni.com

In the notice, the shareholders shall state their:

- name
- personal ID no./registration no.
- address and telephone number
- number of shares

On order to vote at the AGM, shareholders whose shares are nominee registered must request that the bank or nominee managing the shares arrange for temporary ownership registration a couple of bank days prior to May 2, 2018.

DIVIDEND

The Board of Directors proposes a dividend of SEK 5.00 per share, or SEK 235 m. May 11, 2018 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 16.

DUNI AB'S NOMINATION COMMITTEE

Duni'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
- Johan Strömgren, Carnegie fonder
- 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 their fees.

Complete information regarding the AGM is available on the Duni website.

TIMETABLE FOR FINANCIAL INFORMATION:

Publication dates

April 20, 2018
– January–March 2018 Interim Report,

July 13, 2018
– January–June 2018 Interim Report,

October 18, 2018
– January–September 2018 Interim Report.

Closing accounts and interim reports are published in Swedish and English and can be downloaded from Duni's website. 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.

ADDRESSES

HEADQUARTERS

Duni AB
Box 237
201 22 MALMÖ

Visiting address:
Ubåtshallen, Östra Varvsgatan 9A
Tel +46 40 10 62 00

Email general inquiries: info@duni.com

For addresses of Duni's subsidiaries and distributors, please see www.duni.com.

CONTACT, INVESTOR RELATIONS:

Mats Lindroth, CFO, mats.lindroth@duni.com

CONTACT, PRESS AND COMMUNICATION:

Saloni Deva, IR & Communications Manager, saloni.deva@duni.com

Duni AB (publ) 2017 Annual Report
Reg. no. 556536-7488

DUNI.INPUBLIX.COM/2017/EN

Text, graphic design and production: Bysted AB.


FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C119234
Duni
SUPPLIER OF GOODFOODMOOD
Duni.com