

A family of five is gathered around a white metal outdoor table in a lush garden. The table is set with plates of food, glasses of juice, and a brown paper bag. A man in a dark shirt and a young boy in a red shirt sit on the left. A woman in a patterned top sits in the center. Two other women sit on the right. They are all engaged in conversation and eating. The scene is framed by a dense canopy of green grapevines overhead. A wicker basket and a woven basket are on the ground near the table. The overall atmosphere is peaceful and social.

# ANNUAL REPORT 2018

2018 theme

# Explore

What will Goodfoodmood® mean in 2023?  
What trends will influence us then?  
And what customer needs will determine  
how Duni shapes its offering?

Duni's strategy for 2019–2023 will strengthen the company and our market position, in both the short and long term. To ensure its success, our customers must be at the heart of everything we do.

We will get even better at picking up on and understanding – and meeting – their needs during various phases of the customer journey. This will be reflected in the overall themes of our annual reports – Explore 2018, Experience 2019 and Expand 2020.

Our goal is to shape our business to make us the hands-down partner in a world where customer customization, environmental issues and digitalization are becoming increasingly important.

This year's theme, Explore, means that we will really make an effort to understand how we can inspire our customers and help them make sustainable choices that are good for the environment.

This will be an exciting journey.



# 6

THIS IS DUNI



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CEO'S COMMENTS

"In a challenging world around us, we have received confirmation that Duni is on the right track, with both a strong organization and offering."

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They deliver what's good



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INNOVATION



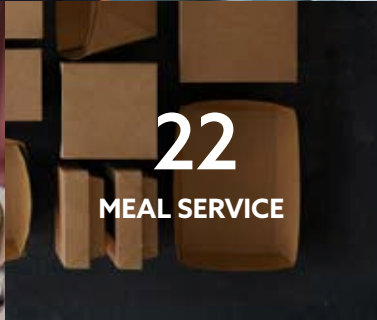
# 20

TABLE TOP



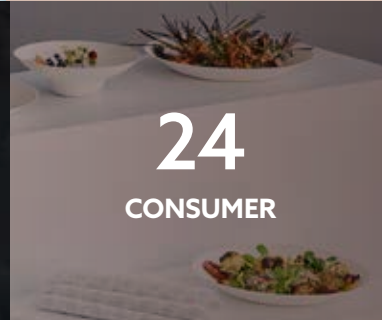
# 22

MEAL SERVICE



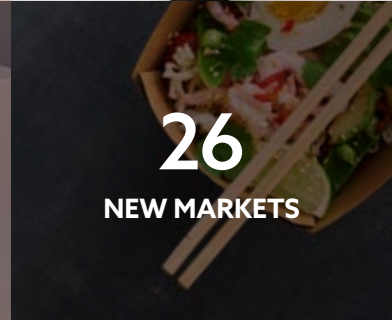
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CONSUMER



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NEW MARKETS



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# A new strategy and key acquisitions

**BioPak Pty Ltd. in Australia** was acquired and consolidated into New Markets. The company's environmentally sound disposable packaging will be crucial for Duni's continuing expansion in Asia and Oceania.

In order to strengthen Duni's diversity efforts, the company initiated a **collaboration with Mitt Liv**, a social enterprise that strives to achieve an inclusive society.

The investment in **increased production capacity** for the crucial airlaid material has been completed. This material is used for product groups including Dunilin® and Dunisoft®.

Three major **initiatives to improve margins** were launched to improve income and meet the challenge posed by high pulp prices.

Duni is expanding its already broad spectrum of **plastic-free and sustainable alternatives** under its ecoecho® brand.

Marielle Noble was appointed **Customer Experience Director** as a part of the new strategy's increased customer focus. Magnus Carlson succeeded Thomas Löb as **Corporate Development Director**.

A **new strategy** was launched as a platform for growth, aiming to make Duni even more customer-focused and sustainable.

The acquisition of **Biopac UK Ltd. in the UK** strengthens Meal Service and Duni's sustainable disposable packaging offering in Europe.

## OPERATING MARGIN

# 8.7 %

The operating margin was 8.7 (11.1) percent

## NET SALES

# SEK 4,927 m

Net sales increased to SEK 4,927 m (4,441)

## OPERATING INCOME

# SEK 430 m

Operating income was SEK 430 m (491)

## DISTRIBUTION

# SEK 5.00

The Board of Directors proposes a dividend of SEK 5.00 (5.00) per share

## KEY RATIOS, SEK M <sup>1), 2)</sup>

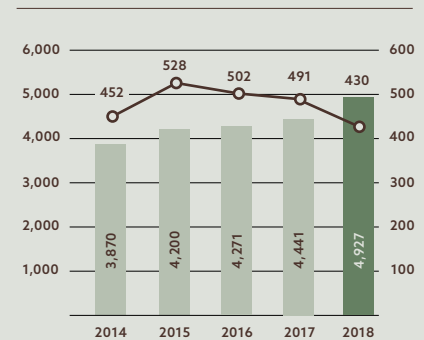
	2018	2017	2016	2015	2014
Net sales	4,927	4,441	4,271	4,200	3,870
Operating income*, SEK m	430	491	502	528	452
Operating EBITDA*	583	630	632	656	572
EBIT	351	456	463	493	433
EBITDA	546	629	622	622	556
Net income before tax	328	439	441	459	414
Net income for the year	249	334	334	346	302
Proposed dividend, SEK/Share	5.00	5.00	5.00	5.00	4.50
Equity	2,616	2,594	2,486	2,345	2,193
Return on equity, %	9.5%	12.9%	13.4%	14.8%	13.8%
Return on capital employed, %	10.6%	14.4%	15.8%	18.6%	15.4%
Number of employees	2,477	2,362	2,279	2,082	2,092

\* 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.

<sup>1)</sup> 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.

<sup>2)</sup> Key ratios for 2016 and onwards include non-controlling interests.

## NET SALES AND OPERATING INCOME, SEK M



■ Net sales  
○ Operating income

THIS IS DUNI

# We create Goodfoodmood®

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

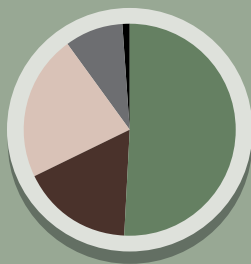


## 2,500

The Group has approximately 2,500 employees in 24 countries.

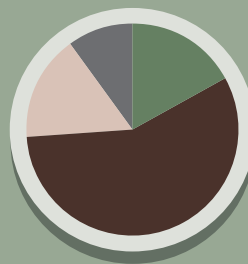
The headquarters are located in Malmö, Sweden, and production units are located in Sweden, Germany, Poland, Thailand and New Zealand.

NET SALES PER BUSINESS AREA, %



- Table Top, 51%
- Meal Service, 17%
- Consumer, 22%
- New Markets, 9%
- Other, 1%

NET SALES PER GEOGRAPHIC REGION, %



- Nordic region, 17%
- Central Europe, 57%
- Southern & Eastern Europe, 16%
- Rest of the world, 10%

# PRO DU CTS

Duni's products are sold in more than 40 markets and Duni is the market leader in Central and Northern Europe.

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 2018, Duni produced:

**3.1 billion m<sup>2</sup>**

of raw materials for the production of napkins and table covers

**13.1 billion**

napkins

**164.8 billion**

running meters of table covers

Duni is listed on NASDAQ  
Stockholm.

## FOUR BUSINESS AREAS TO MEET MARKET 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 napkins, table covers, serving products, candles and table top accessories to the retail sector, including retail outlets.



### NEW MARKETS

Offers table setting and packaging concepts to hotels, restaurants, the catering industry and retail sector in markets outside Europe.

## 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.



# A new strategy launched after a year heavily influenced by increasing pulp prices

Duni has both a strong offering and organization. This helped the company tackle external challenges in 2018, including sharp increases in pulp prices. It also lays a stable foundation for the new strategy to increase the company's growth. Focus on digitalization and even stronger customer customization and eco-profiling are the main points of the strategy for 2019.

All companies must address and manage trends and other external factors. In a world in constant flux, you must adapt when the playing field and rules change.

As a result, Duni initiated a program in 2018 to strengthen margins and launched a new strategy for 2019–2023. Our long-term goal is to improve growth. It's a balancing act. We have to be brave enough to invest in the future at the same time that we cut costs.

## STRONG INITIATIVES TO STRENGTHEN DUNI'S PROFIT

The program aims to strengthen Duni's profit, which was impacted by several external factors in 2018. The exceptional increase in pulp prices posed a major challenge. With pulp prices increasing just as much in one year as they had in all the past ten years combined, and energy prices increasing sharply at the same time, Duni's income was impacted negatively. We tackled the challenge with three strong initiatives that will contribute to improving income in 2019:

- Prices were raised at the end of 2017 and another price increase was announced in summer 2018. We have successfully implemented these price increases.
- A major project was initiated to update Duni's logistics structure, which will cut the company's costs. These efforts will continue into 2019. One example is that we are looking into how Duni can create more transshipment points. In addition to cutting costs, this is also good for the environment and the customer service.

- For several years, Duni's workforce has grown faster than its sales. The company is now downsizing white-collar staff, which will result in annual savings of slightly more than SEK 35 million.

"In a challenging world around us, we have received confirmation that Duni is on the right path, with both a strong organization and offering."

## NEW STRATEGY TO IMPROVE GROWTH

Another initiative will improve Duni's growth in the long term. As a competitive supplier, we must make an effort to be a customer-focused partner. Duni already has this approach, but is taking a major step further in this direction with its new strategy, the 2019–2023 Platform for Growth.

The strategy has five fundamental components. These are based on trends in the world around us where we see great opportunity to build on Duni's strengths in order to meet market needs and create a successful business.

- The most attractive end-customer experience
- The best partner for sustainable solutions
- Customized concepts
- A digitalized and effective supply chain
- A strengthened organization (The Duni Way)

Several efficiency improvement measures are also being taken to ensure progress in the implementation of the strategy. For example, restructuring will ensure that resources and staff are used in prioritized projects and initiatives that contribute to long-term growth.

## THE MOST ATTRACTIVE END-CUSTOMER EXPERIENCE

Customers should see Duni as the best company to do business with. This means that Duni's offering must be relevant and easy to comprehend, while contacts with Duni should also be a pleasant experience for the customer. In 2019, Duni will test whether increased digitalization of the customer experience is considered positive. Another good example is the Go Joy Wow assortment platform, which the Table Top business area uses to make it easier for customers to choose the right quality of table covers and napkins. The clarity this provides has led to an increase in table cover sales for our premium material, Evolin®.

## THE BEST PARTNER FOR SUSTAINABLE SOLUTIONS

The new strategy will give the Group an even stronger environmental profile. Duni has come a long way with environmentally sound solutions and the ecocho® product range sales are growing steadily. This assortment is performing particularly well in the Meal Service business area where it's a perfect match for the increasing market demand for innovative environmental products, in part as a replacement for fossil-based plastic.

The negative impact of plastic on the environment and expected regulations





in this area are an important issue for us. However, we are well-equipped and the growth in ecoecho® is a testament to the strength of Duni's environmental offering. The Consumer business area is planning to use new alternatives to phase out single-use products made from plastic by 2020.

Two strategically important activities in 2018 were the acquisition of British Biopac and Australian BioPak. Both of these companies hold strong positions in their local markets in environmentally sound packaging for food and beverages. The acquisition of BioPak is also strategically important for the New Markets business area because it strengthens Duni's position in Asia and Oceania, one of our prioritized growth markets.

#### **CUSTOMIZED CONCEPTS**

As demand for customized products and services grows, Duni will expand its collaboration with customers to develop tailor-made solutions that strengthen their brands. Duni has already made great strides in areas such as branded prints and will continue to develop this part of its offering.

Duni's extensive knowledge of the company's customers' customer and how we can create goodfoodmood® is crucial in this collaboration and can enhance the competitiveness of our customers.

#### **A DIGITALIZED AND EFFECTIVE SUPPLY CHAIN**

Digitalization impacts all industries. Digitalizing internal processes increases Duni's efficiency in administration, manufacturing and conversion. Digitalizing and automating the supply chain also enables us to improve the customer experience. This makes it easier for customers to collaborate and do business with Duni.

The customer journey is a key part of the strategy and better digital tools will enable us to add value for customers based on well-founded insights.

#### **A STRENGTHENED ORGANIZATION**

The fifth component of the strategy is The Duni Way, which focuses on how we can continue building a strong organization and corporate culture based on common, relevant core values. Duni continuously strives to be an attractive workplace where employees have good opportunities for development.

We also see benefits from improving Duni's internal communications. For example, this will make it easier to collaborate and share experiences and ideas across organizational borders.

#### **NEW DIRECTION FOR DUNI**

I can now look back on a little over a year as president and CEO of Duni. It's been a challenging year with the sharp

"With a new strategy based on increased digitalization and customer focus and a stronger environmental focus, we have good prospects for creating long-term positive growth for Duni."

increases in pulp and energy prices putting pressure on margins. However, I am confident that our short-term margin-improvement program has a good chance of delivering gradual income improvements in 2019.

When I look at Duni's strengths and what is happening on the market, I see several opportunities. With a new strategy based on increased digitalization and customer focus, and a stronger environmental focus, we have laid a solid foundation for long-term positive growth for Duni. I also have great faith that Duni's skilled and committed organization will deliver on the new strategy excellently.

Malmö, March 2019

**Johan Sundelin**  
President and CEO

# Financial targets

## SALES GROWTH

# 5%

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



### 2018 TARGET ATTAINMENT

The currency-adjusted organic growth was 1.5%. It is believed that the market as a whole grew on average by approximately 1%.

## OPERATING MARGIN

# 10%

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.



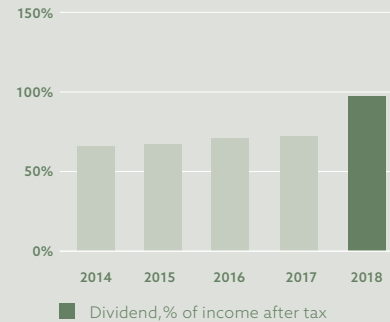
### 2018 TARGET ATTAINMENT

The operating margin was 8.7%. As a result of the substantial increases in input material prices, the financial target of an operating margin over 10% could not be achieved.

## DIVIDEND

# 40%

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



### 2018 TARGET ATTAINMENT

In spite of restructuring costs, investments and major acquisitions in 2018, Duni has a financial position that allows for a dividend in line with the previous year. The Board proposes a dividend of SEK 5.00 per share, i.e. it is proposed that the dividend for 2018 shall equal 96% of income after tax.



### THEME: EXPLORE

"Good finances are a necessary platform for Duni's continuing growth. Satisfied customers are a fundamental part of our new strategy and an essential requirement for our profitability in the long term."

Mats Lindroth, Chief Financial Officer

# A platform for growth

In late 2018, Duni launched a new strategy for 2019–2023 to be better at tackling external and market changes. This will defend and strengthen Duni’s position as the market leader in Europe and support the company’s growth in other markets, such as Asia and Oceania.

Two main points of the strategy are increased customer and environmental focus.

**WHY A NEW STRATEGY?**

- Growth in focus
- Global trends
- Changed customer needs and behaviors

**GROWTH IN FOCUS**  
The long-term goal of the strategy is to improve growth. The short-term focus is on profit.

**GLOBAL TRENDS**

- Digitalization
- Customization
- Sustainability
- Increase in take-away

**CHANGED CUSTOMER NEEDS AND BEHAVIORS**  
The world around us is changing and it's important for Duni to keep up. The strategy is based on Duni's strengths and aims to meet customer needs throughout the customer journey. The idea is to focus on and improve in the area where Duni's strengths and the customers' needs overlap in digitalization, customer-specific solutions, including services, and eco-profiled products.

## Duni's strategy pyramid

Duni's 2019–2023 strategy has been visualized in a pyramid with five prioritized areas. There are several initiatives for each area.



### THE MOST ATTRACTIVE END-CUSTOMER EXPERIENCE

- Activities such as:
- Pilot projects involving the customer experience
  - B2B E-commerce



### CUSTOMIZED CONCEPTS

- Activities such as:
- Value-based pricing
  - Several services in offering



### THE BEST PARTNER FOR SUSTAINABLE SOLUTIONS

- Activities such as:
- Eco-products for every goodfoodmood® occasion
  - Solutions for a closed loop



### A DIGITALIZED AND EFFECTIVE SUPPLY CHAIN

- Activities such as:
- Investments in air-laid
  - Decreased complexity in production



### THE DUNI WAY

- Activities such as:
- Focus on internal communications
  - Revise Duni's core values



# A developing market creates new opportunities

Duni conducts operations mainly in Europe, Asia and Oceania. The main market consists primarily of Western and Central Europe. The West European market for single-use table setting products is estimated to be worth approximately EUR 9.6 billion. 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 table top products has an estimated value of approximately EUR 1.6 billion<sup>1</sup> and can be divided into two main channels – HoReCa and the consumer retail sector. Most retail sector 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 sector, 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 dominant, Duni perceives great potential for growth.

## THE EUROPEAN RESTAURANT MARKET

The West European restaurant market turns over approximately EUR 500 billion. 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 healthcare sector is taking an increasingly share of the market segment for serving food to companies and institutions. However, this change varies by geographic market. 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

<sup>1</sup> Source: Euromonitor, ECA Statistics and Freedonia World Food Disposables.



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 such as Duni, which through its concepts is able to assist in providing customers with the appropriate type of profiling.

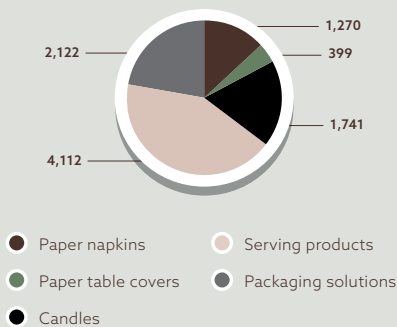
#### SUSTAINABILITY – AN INCREASINGLY IMPORTANT FACTOR

Restaurants are becoming increasingly environmentally conscious and making more exacting demands regarding single-use articles having an 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.

#### THE WESTERN EUROPEAN MARKET <sup>1)</sup>

EUR 9.6 billion in total

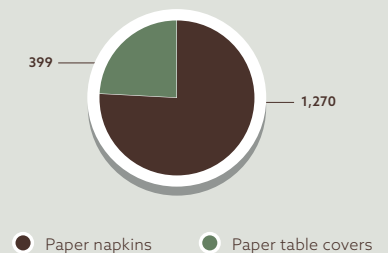
Duni's relevant markets are worth approximately EUR 9.6 billion, with Germany being the largest geographic market. The largest categories – which also have the highest rate of growth – are serving products, packaging solutions and candles. Duni's total market share in Western Europe is approximately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



#### TABLE TOP PRODUCTS <sup>2)</sup>

EUR 1.6 billion in total

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.



<sup>1)</sup> Duni's relevant market in 2014 including candles, serving products and packaging solutions for take-away. Figures are based on MSP, Manufacturer Selling Price.

<sup>2)</sup> Source: Euromonitor, ECA Statistics and Freedonia World Food Disposables.

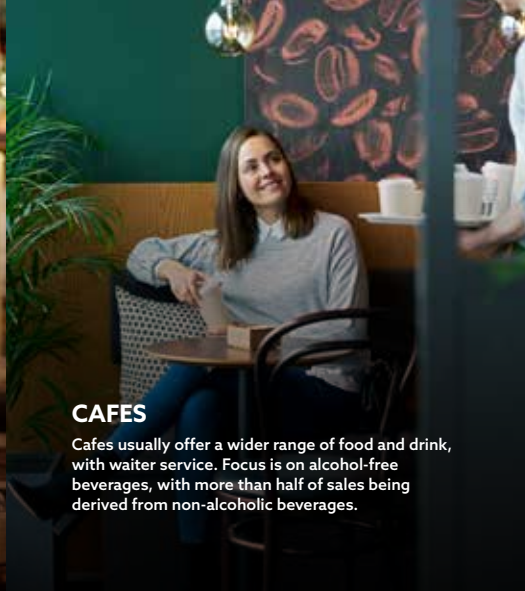


The mark of  
responsible forestry



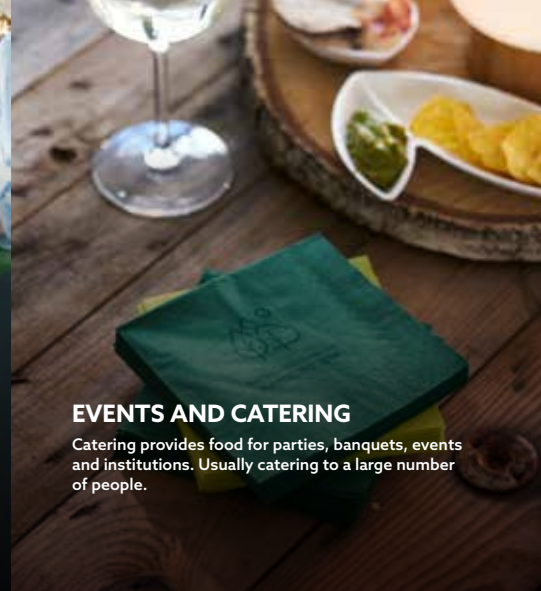
### BARS

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.



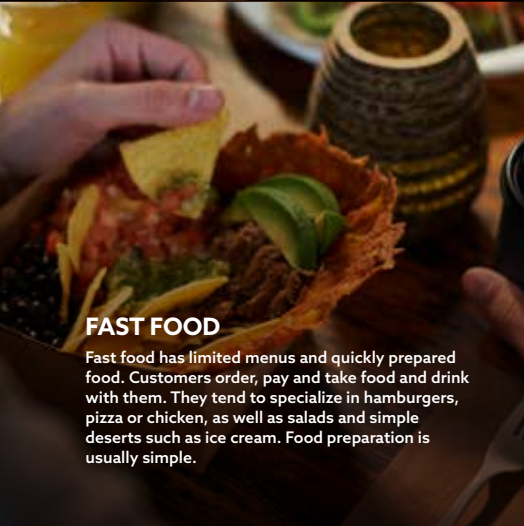
### CAFES

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.



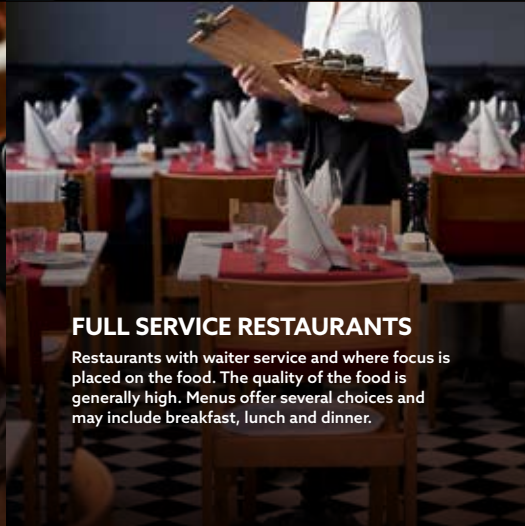
### EVENTS AND CATERING

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



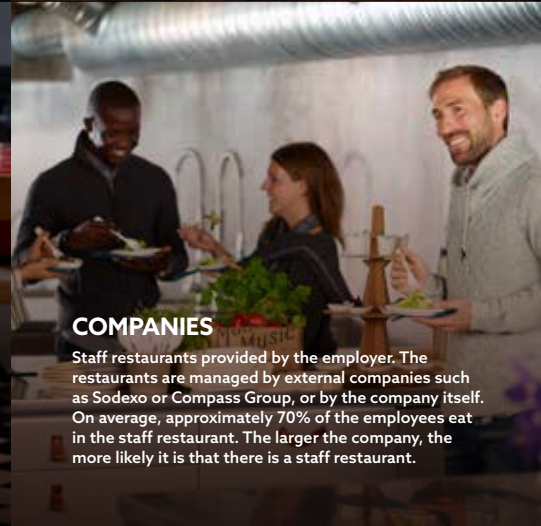
### FAST FOOD

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.



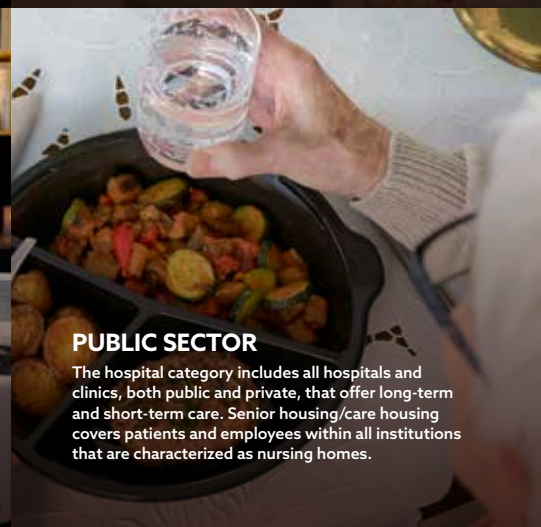
### HOTELS

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.



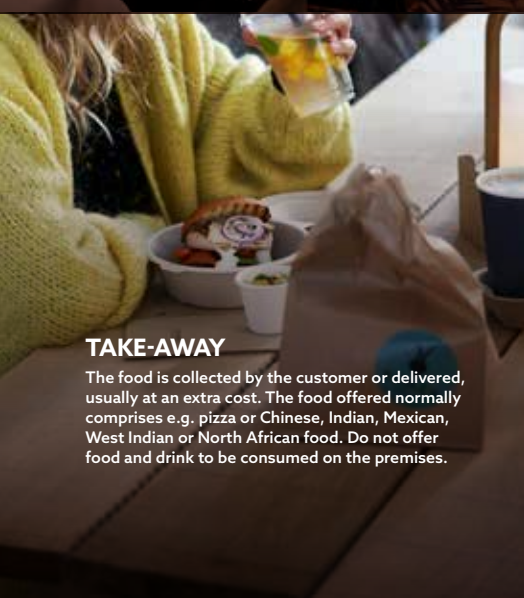
### CONFERENCES AND TRADE FAIRS

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.



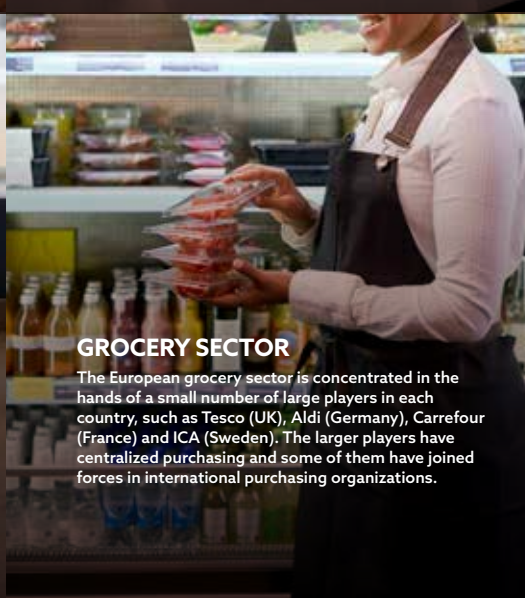
### PUBLIC SECTOR

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.



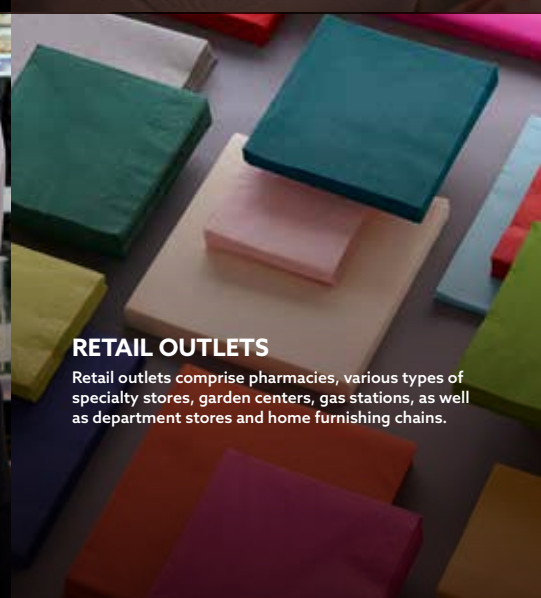
### TAKE-AWAY

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.



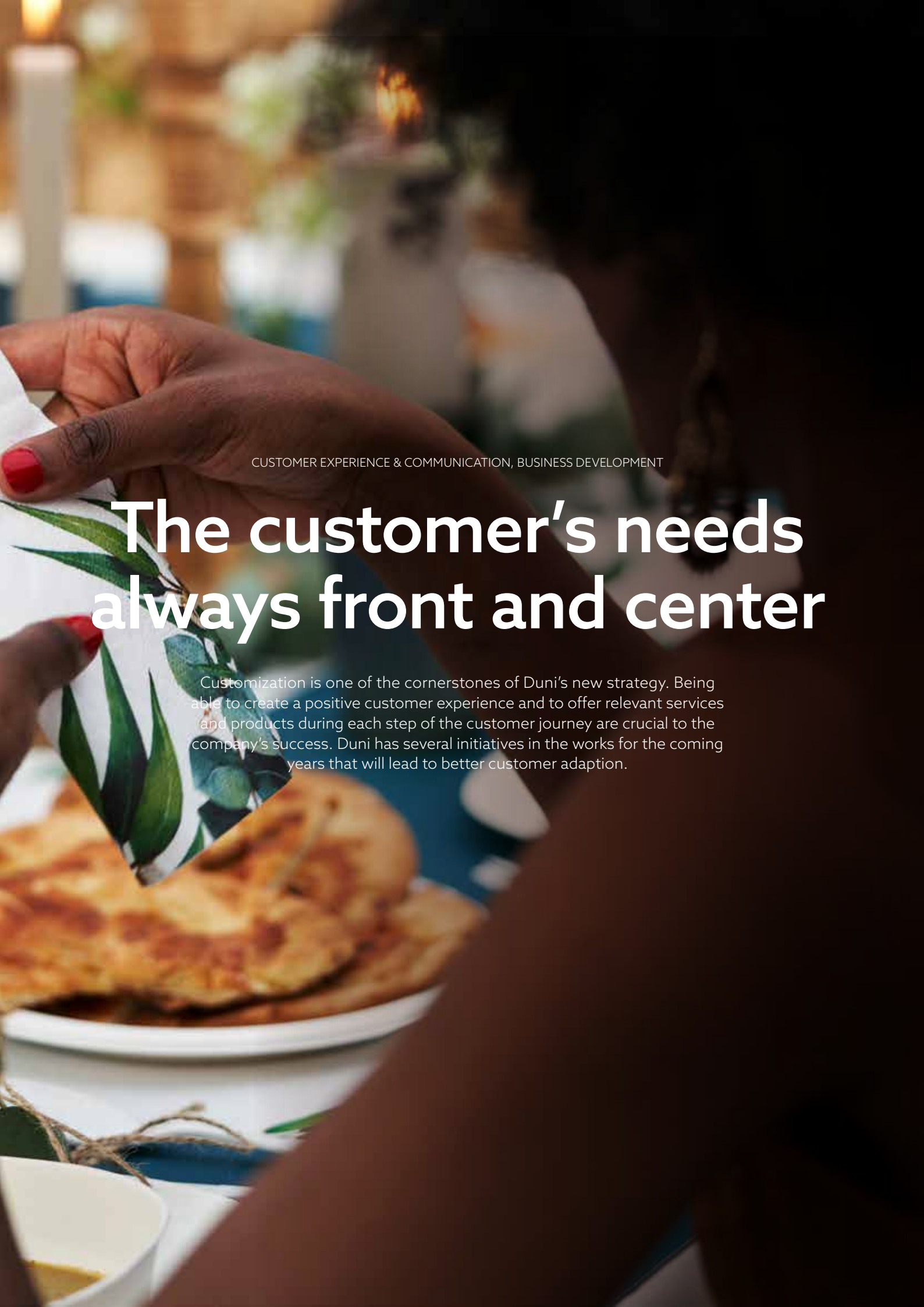
### GROCERY SECTOR

The European grocery sector 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.



CUSTOMER EXPERIENCE & COMMUNICATION, BUSINESS DEVELOPMENT

# The customer's needs always front and center

Customization is one of the cornerstones of Duni's new strategy. Being able to create a positive customer experience and to offer relevant services and products during each step of the customer journey are crucial to the company's success. Duni has several initiatives in the works for the coming years that will lead to better customer adaption.





**THEME: EXPLORE**

“This is where the customer experiences us as a brand and company that adds value and increases sales. We are now creating a map for the future that we will test in 2019. By picking up on trends and understanding where the market is heading, we can strengthen our customer focus.”

Marielle Noble, Communications & Customer Experience Director

**A MORE CUSTOMER-ORIENTED ORGANIZATION**

For Duni to be able to deliver value-added solutions in the future, the company must get to know its customers better and understand their various needs during the customer journey. Our efforts to become a more customer-oriented organization include strengthening our brand and focusing more strongly on business development. The customer journey also represents themes in Duni’s annual reports for three years: Explore, 2018, Experience, 2019 and Expand, 2020.

**DIGITALIZATION ADDS VALUE FOR CUSTOMERS**

Duni has initiated efforts to create a better and more integrated digital platform that will add value for customers. In 2019, the first version will be tested in a select country to obtain direct feedback that Duni can then build on.

**SUSTAINABLE INNOVATION KEY TO SUCCESS**

Demand for various services in the grocery and retail sector continues to rise. As a result, Duni is investing in developing an offering that strengthens customer engagement and interest. In 2018, Duni hired a new innovation and business development director (see interview page 28). Duni is now building a platform for innovation where the company can develop new concepts and services in areas such as the environment. Part of these efforts will also include how to develop collaboration internally as well as with external partners to strengthen Duni’s innovation.

**GOODFOODMOOD 2.0 - BRAND DEVELOPMENT**

The Duni brand stands for food, people and design, which is expressed in the brand platform Goodfoodmood®. Duni products will contribute to an elevated meal experience and pleasant interaction

between people, no matter where, how or when the meal is served. Feelings, interactions and relationships are crucial to the brand. Goodfoodmood is a common denominator in Duni’s business: from product and concept development to purchases of environmentally sound materials. This is the starting point for enabling Duni to offer relevant customer offerings with clear business benefit. To further strengthen the brand, Duni has initiated efforts to review how the current platform can also reflect the crucial efforts being pursued in relation to sustainability.

**NEW INTRANET STRENGTHENS COLLABORATION**

Duni has launched a new intranet to strengthen collaboration within the organization. This increases opportunities to share ideas and experiences across unit borders and reflects a stronger focus on internal communications and engagement.



**THEME: EXPLORE**

“Duni’s strength is that we are responsive to the market. Understanding our customers’ needs on a profound level is absolutely critical in our efforts to build long-term relationships together. We are inspired by the curiosity of our customers and this drives us to constantly change and improve.”

Magnus Carlsson, Director Corporate Development

**VALUE-BASED PRICING IMPROVES PROFITABILITY**

Value-based pricing has been identified as a key area for Duni to secure and improve its future profitability. A new initiative will improve Duni’s ability to employ value-based pricing in its offer to customers, but will also improve how Duni positions and directs its offer based on what the customers are willing to pay. For the internal organization, the initiative will result in improved processes and a clearer focus on customer value.

**ACQUISITIONS CREATE GROWTH**

The market of Asia and Oceania is exhibiting strong growth and has been a prioritized growth region for Duni since 2013. The strategy 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. Previous acquisitions in Singapore, Thailand and New Zealand are now followed by the strategically important acquisition of BioPak Pty Ltd in Australia. The company’s environmentally sound food and

beverage packaging opens the door to the Australian and New Zealand markets.

**INCREASED EFFICIENCY IN THE VALUE CHAIN**

Duni is starting a new initiative to strengthen the company’s ability to meet the constantly growing demands for customer-specific products. The initiative will cover the entire value chain for Duni’s products and will facilitate understanding of cost-driving factors. This in turn will lead to better control over complexity and a more relevant offering to the market.

# They deliver what's good

Holy Greens is a fast-food chain invested in healthy and sustainable products, in harmony with people and nature. It was selected as the winner of the Swedish Health Restaurant of the Year award (Årets Hälsokrog) in 2018 and the company plans to continue expanding. Duni delivers eco-profiled salad bowls and lids, but their collaboration runs much deeper than that.





## HOLY GREENS

Founded in: 2013

Headquarters: Malmö, Sweden

Business: sells salads, juices and health shots

Restaurants: Stockholm, Gothenburg, Malmö and Helsingborg

Number of employees: more than 150

Why are some companies successful and not others? Timing naturally plays a big part. Being on the money with macro-trends and delivering just what the market or a customer segment wants at a given time.

But that's not enough. The successful company must also have a deep-rooted commitment and belief in what it is doing. And a willingness to pull up your sleeves and put in all the time and hard work required to make a company take off.

The Swedish restaurant chain Holy Greens is a shining example of this. The company was founded in 2013 and is now present in Helsingborg, Malmö, Gothenburg and Stockholm. And its expansion has only just begun.

### AN AWARD-WINNING CONCEPT

In 2018, Holy Greens won the DI Gasell award and was named Årets Hälsokrog at the Restaurant Gala on the following basis: "Expansion of high-class salad bars across the country makes it simple for many people to choose healthy food quickly and easily. Seasonal raw materials and salads that hit the spot in terms of flavor suited to guests on the go or those who wish to sit down."

Founders David Egonson and Nebo Pavicevic had a clear vision of what they wanted to do right from the start. Holy Greens would offer "a good and quick lunch that is equally friendly to our bodies as it is to nature and our suppliers". Their concept spans everything from raw material and supplier choices to how to ensure a positive customer experience as well as the company's approach to issues such as diversity.

Holy Greens focuses on locally produced, organic and, to the greatest extent possible, sustainable solutions, and works hard to find the right suppliers. This applies not only to raw materials

used as ingredients for food but also to the packaging the food is served in.

Regardless whether customers eat at one of Holy Greens' restaurants or bring their food home, it is served in bowls from Duni. The companies have collaborated since 2014.

"With Duni's bagasse products, we can offer personal take-away boxes that are both stylish and environmentally sound. The perfect packaging for our precious vegetables."

David Egonson,  
Owner and Fonder of Holy Greens

### PRODUCTS WITH MANY BENEFITS

A big reason why Holy Greens chose Duni was the ability to deliver a product range that goes hand in hand with the company's focus on environmentally friendly, sustainable solutions. Holy Greens' salad bowls and lids are a part of Duni's ecoecho® product range. The bowls are made of compostable bagasse where byproducts of sugar cane production replace wood fibers in the pulp. The lids are made of transparent, recycled plastic (rPET).

The design of Duni's products was also important to Holy Greens. In addition to being stylish, the possibilities to use the products in brand building efforts played a big part for Holy Greens. The salad bowl lids were embossed with the company's logo to strengthen the brand.

### COLLABORATION THAT PRODUCES RESULTS

An increasingly important success factor in most industries is creating close collaboration throughout the value chain. When the company started out, Holy Greens benefited greatly from the knowledge of products and materials that Duni shared. Duni helped Holy Greens test various materials to find salad bowls with the right properties.

The companies have continued their close collaboration and are currently working on developing a new, tailored salad bowl for Holy Greens.



# Customer-specific and eco-profiled solutions

Table Top is Duni's largest business area with 51 percent of the Group's net sales. Duni is the European market leader in products for the set table. The business area's sales take place through distributors, wholesalers and directly to end customers.

**2,486**

Net sales amounted to SEK 2,486 m (2,338).

**330**

Operating income was SEK 330 m (375).

**13.3 %**

The operating margin was 13.3 % (16.0 %).



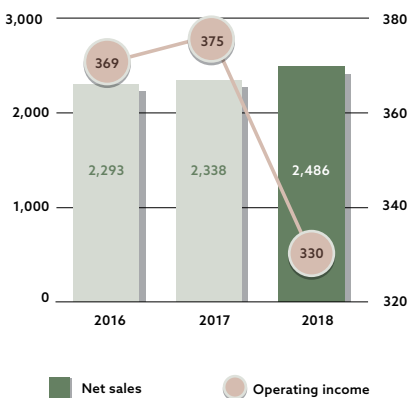
**THEME: EXPLORE**

"We should inspire, be relevant and create customer value every day. Duni should be a strong partner that adds value by helping customers develop their business."

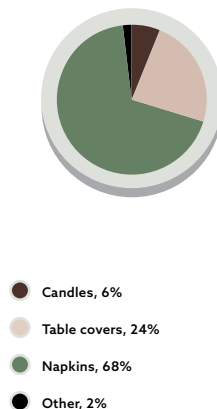
Robert Dackeskog, Director Business Area Table Top

On January 15, 2019, Duni announced that Robert Dackeskog was resigning his post. Linus Lemark was simultaneously appointed as the new Table Top Business Area Director.

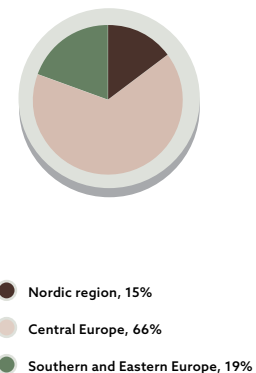
**NET SALES AND OPERATING INCOME, SEK M**



**NET SALES BY PRODUCT GROUP, %**



**NET SALES PER GEOGRAPHIC REGION, %**



## TABLE TOP CUSTOMER SEGMENTS

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

# FOCUS ON THE CUSTOMER

A strong customer focus based on excellent knowledge of trends and customer needs is now crucial to our success. This requires close collaboration, both within Duni and throughout the value chain. It is absolutely critical that we strengthen customer relationships through trust-building collaborations that add clear value for the customer.



## Strengthening customer brands

More and more restaurants are actively working to build their brands and want to use table top products such as plates, napkins and table covers in their branding efforts. Duni can offer several concepts that help customers strengthen their brands and demand for these services is rising steadily.



### GO JOY WOW MEET CUSTOMER NEEDS

Duni's *GO JOY WOW* assortment platform makes it easy for customers to find napkins and table covers with the right feel for specific occasions. *GO* is the simple and reliable option at a low cost but still high quality. *JOY* stands for stylish and modern solutions. *WOW* stands for sophisticated and luxurious products for special occasions.

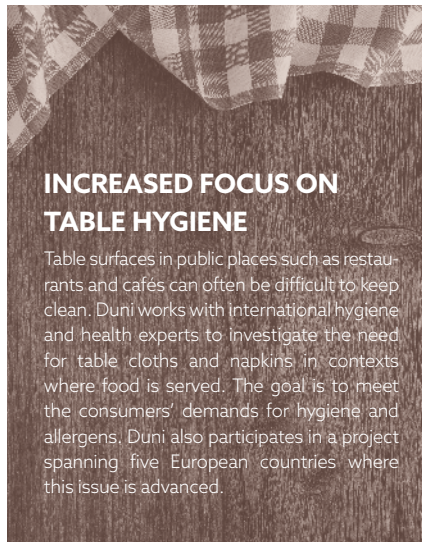


*GO JOY WOW* has led to an increase in sales of table covers in the linen-like Evolin® material. It's now easier for customers to identify the premium value Evolin® stands for. The Dunilin® napkins, an eco-profiled material with a soft linen feel, is a good complement to the table covers of the *WOW* offering.



## Like candles, but without the risk

Duni's innovative assortment of LED lights has the feel of real candles, but they are fire-proof and cost 80 percent less than tealights. The rechargeable lights are available for use both indoors and outdoors. They have a long burn time and can be controlled by remote control.



### INCREASED FOCUS ON TABLE HYGIENE

Table surfaces in public places such as restaurants and cafés can often be difficult to keep clean. Duni works with international hygiene and health experts to investigate the need for table cloths and napkins in contexts where food is served. The goal is to meet the consumers' demands for hygiene and allergens. Duni also participates in a project spanning five European countries where this issue is advanced.



The demand for environmentally sustainable solutions is increasingly gaining strength, as are solutions that close the loop. Duni continuously works to develop new, environmentally responsible materials as part of its ecoecho® range. Most Table Top products can already be recycled or composted.

### Increase in Southern and Eastern Europe

In 2018, tourism increased in Southern and Eastern Europe, which also resulted in gains for the restaurant sector. This had a direct positive impact on the business unit's sales, and it was able to increase its market share in this part of Europe.



# Leader in sustainable packaging

The Meal Service business area develops serving and packaging concepts for meals that suit a modern, on-the-go lifestyle, such as take-away, catering, and fresh ready-to-eat food in grocery stores, food trucks and market halls.

**846**

Net sales amounted to SEK 846 m (704).

**41**

Operating income was SEK 41 m (31).

**4.9 %**

The operating margin was 4.9 % (4.4 %).

**THEME: EXPLORE**

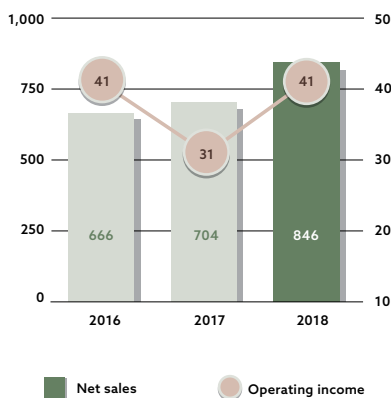


“Our customers seek inspiration on how they can build their brands and their concepts with attractive packaging for food and beverages. We can guide, train and help them make smart and sustainable choices that enhance the end user’s experience.”

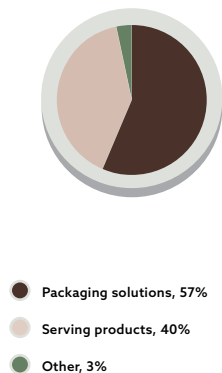
Linus Lemark, Director Business Area Meal Service

On January 15, 2019, Duni announced that Linus Lemark was appointed Table Top Business Area Director. Franck Bancarel has been appointed the new Meal Service Business Area Director effective March 2019.

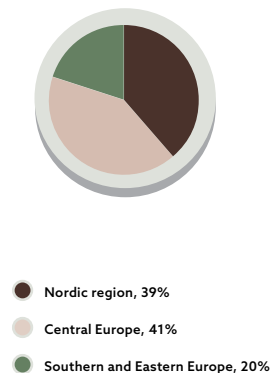
**NET SALES AND OPERATING INCOME, SEK M**



**NET SALES BY PRODUCT GROUP, %**



**NET SALES PER GEOGRAPHIC REGION, %**



# DRIVING SUSTAINABLE PRODUCT SALES

Media coverage of how plastic is polluting the world's oceans has contributed to end-user demand for renewable products and plastic alternatives are continuing to grow. The Meal Service business area has actively worked to develop sustainable solutions based on a clear vision of being our customers' most attractive sustainable supplier. This has led to a substantial increase in sales in Duni's ecoecho® range. As of 2018, all new products and innovations in Meal Service are in the ecoecho® range.

## MEAL SERVICE CUSTOMER SEGMENTS

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



### EFFICIENT PURCHASES

Cost savings in the value chain are crucial to Meal Service's ability to offer its customers quality products at a good price. As a result, the business area's dedicated buyers work to get the best possible price on innovative materials.

## PERFECT SOLUTION FOR TAKE-AWAY

Take-away packaging can be practical, stylish, eco-profiled and safe all at once, which is proven by Duni's Duniform® concept. With the new Duniform® DF5, it's easy to seal crystal-clear ecoecho® glasses made of rPET – quickly, hygienically and without leakage. This is a cost-effective solution for businesses where a fast customer flow is important.



DUNIFORM® DF5



## Bagasse leading the fiber revolution

The byproduct Bagasse is perfect for sustainable coffee cups, salad boxes and plates in the ecoecho® range where it replaces plastic and wood fibers. The material is superior to wood fibers in the production of shaped bowls. In 2018, Duni launched Octabagasse – an update of the Company's popular Octaview® now made of bagasse.

## ACQUISITION GIVES SUSTAINABLE PACKAGING A BOOST

The acquisition of Biopac UK Ltd. strengthens Duni's range of sustainable disposable packaging for food and beverages in the UK. The company's packaging is well suited for customization according to customers' branding and Biopac is growing strongly in its home market.



## Customer-specific solutions popular

More and more customers are requesting customized products. These products give them the ability to strengthen their brands by printing their logo on coffee cups or embossing it on packaging. However, the only limit is your imagination. Duni helps customers design creative solutions.

# A sustainable offering suited to consumers

The Consumer business area markets napkins, table covers, serving items, candles and other table top accessories via the grocery and retail sectors. Sales are both under Duni's own brand and under private labels. The wholly-owned Germany company Paper+Design is a part of the business area.

**1,061**

Net sales amounted to SEK 1,061 m (1,010).

**42**

Operating income was SEK 42 m (57).

**4.0 %**

The operating margin was 4.0 % (5.6 %).

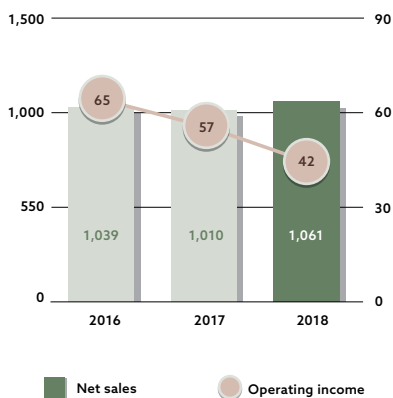


**THEME: EXPLORE**

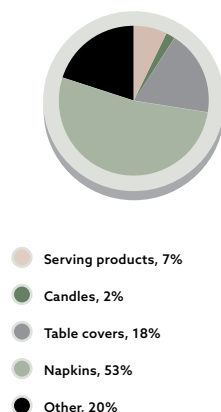
"Duni is a market leader in the retail sector and must be available in all channels where customers seek information. It should be easy to find information about our product offering and associated services, and about our values on environmental issues."

Anna Lundqvist, Director Business Area Consumer

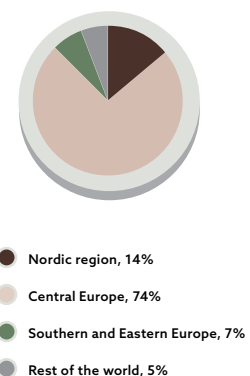
**NET SALES AND OPERATING INCOME, SEK M**



**NET SALES BY PRODUCT GROUP, %**



**NET SALES PER GEOGRAPHIC REGION, %**





# PLASTIC PRODUCTS BEING PHASED OUT

Plastic has traditionally played a significant role in the business area's assortment. A decision was made to phase out all single-use products based on fossil raw materials that are delivered to the retail sector by 2020. They will be replaced with environmentally sound alternatives.



## Increased focus on sustainable assortment

Sustainable products will gain in importance as plastic is phased out. The single-use products in the Amazonica collection are an example of environmental awareness combined with outstanding design. The collection was launched in collaboration with design duo Bernadotte & Kylberg. Amazonica contains stylish plates and bowls made of bagasse and cutlery made of CPLA, plant-based and biodegradable materials. The range also includes napkins made of FSC-certified and compostable biomaterials.

### CONSUMER CUSTOMER SEGMENTS

- Grocery sector
- Retail outlets



### LABELING HELPS CUSTOMERS MAKE THE RIGHT CHOICE

Duni's clear labeling helps customers choose eco-profiled products. Duni's logo is now green on these products and graphic symbols clearly show which of Duni's products are based on sustainable materials. Other symbols show certification and if the product is home compostable.



## Paper+Design strengthens its position

German Paper+Design is part of the Consumer business area. Increased collaboration has resulted in a stronger position in the key German market. Paper+Design is now launching a new brand platform in line with Duni's Goodfood-mood® that enhances the company's already strong focus on napkin design.

### STRENGTHENING CUSTOMER BRANDS

Duni offers a private label solution where the company's products are marketed under its customers' brands. This enables the customer to effectively build its brand and profile with a quality assortment for the set table and design tailored to the target group. This business model of customer-specific solutions makes a Duni a superior business partner.



### NEW DIGITALIZATION PROJECTS

As the grocery and retail sector becomes increasingly digitalized, Duni is sharpening its focus on this area to offer customers relevant services. Duni has initiated a project to create a better and more integrated digital platform that aims to add value for customers.

# Continuing expansion in new markets

Business area New Markets sells Duni's concepts and products in markets outside Europe.

**448**

Net sales amounted to SEK 448 m (322).

**13**

Operating income was SEK 13 m (24).

**2.9 %**

The operating margin was 2.9 % (7.4 %).

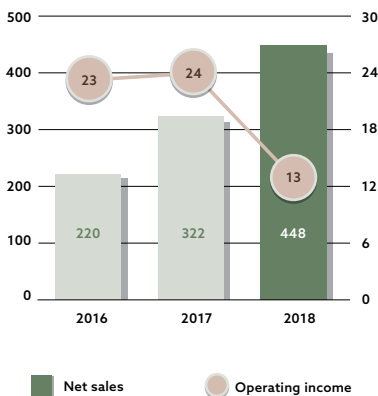


**THEME: EXPLORE**

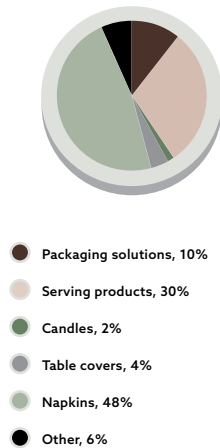
"We're building our expertise in environmentally sound packaging and will get out the message that we are the market leader in this area. We must use our expertise to build strong partner relationships: we will understand our customers' businesses better than our competitors and provide better service to our customers."

Patrik Söderstjerna, Director Business Area New Markets

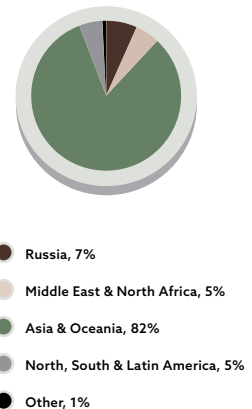
**NET SALES AND OPERATING INCOME, SEK M**



**NET SALES BY PRODUCT GROUP, %**



**NET SALES PER GEOGRAPHIC REGION, %**



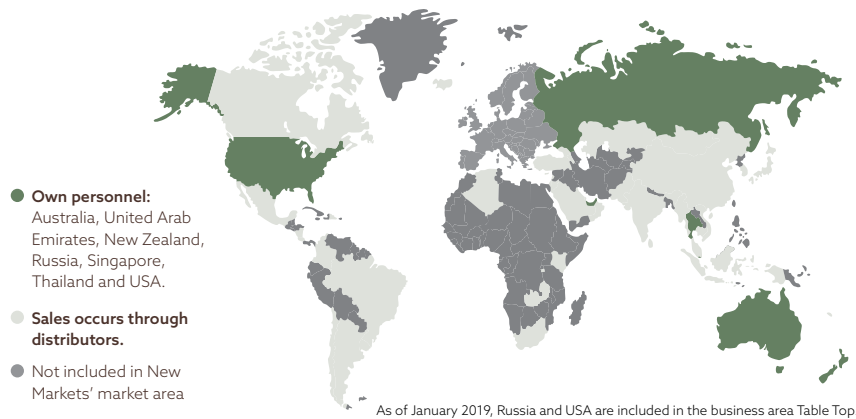
## NEW MARKETS CUSTOMER SEGMENTS

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

## EXPANSION IN THE WORLD MARKET

New Markets is a combination of sales offices and acquired companies outside of Europe. Now New Markets is working to bring this family closer to Duni in Europe. The business area saw continuing entrepreneur-driven expansion in the world market in 2018. Mexico is home to a concept store with Duni's premium assortment. In Taiwan, Duni is collaborating with a partner to launch its assortment. Tourism and the number of business trips are on the rise, as is the number of meals eaten outside the home. This has had a positive impact on the business.

## NEW MARKETS' MARKETS



## Restructuring in Singapore

Duni Song Seng in Singapore, acquired in 2013, was restructured in 2018. The implementation of a new ERP system, relocation to a new office and the shift to an external warehouse had a temporary negative impact on income. These changes will streamline the company's operations and improve logistics.



## ASIAN MARKET TRENDS

The number of market participants in Asia has increased due to the low entry barriers for single-use products. Competition in the low-price segment has become fiercer as a result. The market for premium products is smaller, but that hasn't stopped Duni's premium napkin sales from increasing. Growing environmental awareness has also translated into increasingly higher demand for sustainable alternatives.



## MORE EFFICIENT PRODUCTION

In 2018, Sharp Serviettes in New Zealand invested in a machine to streamline napkin conversion at its production plant in Auckland. The company mainly sells to the HoReCa segment and retail sector, and also distributes Duni products.



## Export increases in Thailand

Exports from Terinex Siam's factory in Thailand continue to grow. A new inventory management system was installed to improve operations. In addition, new qualities and colors were introduced in conversion to make the premium assortment even more competitive.

## Acquisitions strengthen sustainable segment in Asia and Oceania

Asia and Oceania represent a prioritized growth region for Duni in which we are expanding through acquisitions and structural improvements. In 2018, Duni acquired BioPak Pty Ltd in Australia, which delivers eco-profiled disposable packaging for the food service industry that is made of fiber, cardboard and bioplastics. With its rapid growth, the company is the market leader in Australia and is also strong in New Zealand. The acquisition opens the door for growth and expansion in other markets.



# "We deliver sustainable experiences"

Meet Johan Mårtensson, Business & Innovation Manager at Duni since summer 2018. Here he discusses his role and how Duni needs to think and work to meet future market needs.

## WHAT WAS YOUR FIRST IMPRESSION OF DUNI?

"There is enormous energy and will. Most realize that Duni must continue to develop and deliver relevant solutions throughout the customer journey. Other companies and innovators need to see that Duni is open and receptive to innovation and know that we want to help develop products and services. We need to continue developing our ecosystem around Duni."

## WHAT ARE YOUR THOUGHT ON THE COMPANY'S ECOSYSTEM?

"It's important to be active in various networks, using our market knowledge and pointing to customer needs that we see. Then we'll grow much faster than if we did it all on our own. We can get a lot back and help others at the same time.

Innovation is about delivering customer value. We have good knowledge of the HoReCa industry and can serve as a demo environment for innovations. This does not always have to involve large volumes. Duni also has an interesting structure because we both offer purchases and have vertically integrated

production. I don't think many people are aware of that."

## WHY ARE SUSTAINABLE SOLUTIONS SO IMPORTANT?

"I don't see a future for companies that do not deliver sustainable solutions. It will be incredibly important to take responsibility for the company's products, both when they are used and afterwards.

"You've got to examine the material and the loop and ask: how can we do this with environmentally sound materials? How can we help our customers choose more sustainable solutions?"

When Duni thinks about sustainability, this must cover everything from how much energy is used to create a product and how it is transported to how it can be recycled.

At the same time, more and more people want fast and convenient solutions. This is where our products

come in. You've got to examine the material and the loop and ask: how can we do this with environmentally sound materials? How can help our customers choose more sustainable solutions?"

## WHAT SUCCESS FACTORS DO YOU SEE?

"We are now building an organization to support these changes. Collaborating and sharing knowledge, both within Duni and with external organizations, is important. Various types of forums will be established to facilitate this. One of my goals for next year is to explore new areas we have defined as interesting. We will conduct tests both internally and in collaboration with partners in pilot projects.

We had our first innovation workshop in the fall where we looked into various future areas for Duni and how we can deliver relevant services. External experts participated and gave suggestions from their perspectives. This was the first step in being brave enough to let others into our thought process as we look to the future and the place we want Duni to hold."



## JOHAN MÅRTESSON

**Title:** Business Development & Innovation Manager

**Age:** 39

**Background:** Market economics, Niels Brock Business School, Copenhagen. Computer Science, Malmö University. Has worked in marketing and innovation for industrial companies for 7-8 years. Most recently CEO of a large network in the packaging industry.

**Passion:** Surfing, nature, travel and friends.



# Several projects streamlining the value chain

Operations is responsible for Duni's paper mills and its conversion, distribution and warehouse facilities as well as IT and other system support. Duni's conversion plants in Germany and Poland produce the parts of the assortment based on the paper manufactured at Rexcell Tissue & Airlaid AB.

**THEME: EXPLORE**

"Our focus on the customer journey is important because customers that are loyal to Duni generate more efficient processes and we can provide them with better service. Duni must also get involved locally in proximity to the production sites to make it easier to hire skilled staff."

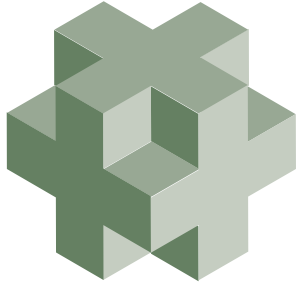
Fredrik Malmgren, Director Operations



# +25%

## MAJOR INVESTMENTS IN PAPER PRODUCTION

Duni's wholly-owned subsidiary Rexcell has made a major investment in airlaid production to meet the need for premium materials for applications such as the crucial napkin qualities Dunilin® and Dunisoft®. This will increase airlaid production capacity at the Skåpafors paper mill by 25 percent.



## Complexity that adds value for customers

The complexity of Duni's production is increasing as customers demand more customized solutions. Duni has improved its rate of customization through increasing sales of branded prints. Duni has also cut costs in several areas and decreased the amount of waste.

### LOGISTICS PROJECT WITH MANY BENEFITS

The transportation network in Central Europe is under heavy pressure and new and improved transportation solutions are required. Duni's Cosmos project aims to improve the efficiency of transportation and the warehouse structure, which will also result in reduced logistics costs. A new distribution network opens the door to growth, both organically and through easier integration of acquired companies. Fewer transportation kilometers also reduces Duni's climate impact, and more stable deliveries adds more value for customers.



## Continuous improvements produce results

Duni's product strategy for table covers has been implemented, leading to a 35% volume increase for Evolin®, Duni's linen-like table cover material. Rexcell streamlined its operations through continuous improvements. For example, it succeeded in cutting down on machine disruptions and reduced the time it takes for color changes.



### OPTIMIZING THE VALUE CHAIN

Duni's Hansa project aims to optimize the value chain for merchandise. The project is broad in scope but is focused on processes and organizational structures in purchasing and material supply. The goal is for better processes, increased transparency and clearer ownership in the supply chain should lead to sales growth. Investments in a web-based platform will enable increased digitization of simple tasks and facilitate integration and collaboration with suppliers.

## Digitalization – a strong trend

Digitalization has been making waves in most industries, and its impact on Duni is also great. Most areas of the company are affected, including conversion, where digitization plans are now in place. Further training will also be provided for staff to keep up with the digital transformation.



# Sustainable solutions gaining in importance

Duni is strengthening its strategic corporate social responsibility efforts. Especially in terms of environmental efforts, which are becoming increasingly business-critical. Duni takes responsibility for being a part of the solution instead of the problem.



**THEME: EXPLORE**

“Society is currently making a concerted effort to increase recycling and protection of the environment. Most people want to contribute to reducing environmental impact these days. Today’s challenges require new solutions and partnerships, and our customers want help choosing environmentally sound solutions for their business.”

Elisabeth Gierow, Corporate CSR & Quality Director



## Duni’s 2025 CSR strategy

Society faces many climate and environmental challenges. Collaboration in the value chain needs to be strengthened significantly for purposes such as preventing littering, producing new sustainable materials and increasing the recycling of single-use products. Duni has come a long way in its environmental efforts, with eco-profiled products and external ecolabels serving as shining examples. Duni’s new CSR strategy takes these efforts a step further.

### THE BEST PARTNER FOR SUSTAINABLE SOLUTIONS

In line with its 2019–2025 CSR targets, Duni is working on several fronts to offer a broad, environmentally sound assortment.

- Duni will offer green products for every Goodfoodmood® occasion, resulting in an increase in bio-based, biodegradable products in its product range. At the same time, Duni is beginning to phase out fossil-based plastics.
- A closed loop will become increasingly important, and Duni is looking for solutions to recycle products. The company works with other organizations in these efforts, such as increased recycling of take-away products.
- Partnerships for sustainability are becoming increasingly important for tackling environmental challenges. For example, Duni collaborates with other organizations to prevent littering.
- The Duni Way, our way of doing business, summarizes how Duni develops its strategy to contribute to engaged and secure employees. This includes increased internal collaboration and a corporate culture founded on strong, common core values.
- Our Blue Mission – Duni’s CSR program – describes the integrated, constant efforts we pursue for corporate social responsibility and resource efficiency. This involves taking social responsibility and promoting sustainable development in environmental, economic and social terms.

Read more about Duni’s sustainability efforts in **its CSR report, Our Blue Mission 2018**





## TAKE-AWAY OF THE FUTURE

Plastic is high on the environmental agenda. Duni supports the European Commission's proposal to create an extensive regulatory framework for preventing the negative environmental impact of plastic. Market demand for Duni's eco-profiled assortment increased significantly in 2018, and Duni continues to develop sustainable, plastic-free alternatives to products such as straws, cutlery, plates and bowls. Duni is taking the lead in the transition to environmentally sound, fiber-based products that represent the future of take-away.

### COMPOSTABLE NAPKINS ON THE RISE

Market demand for compostable alternatives is increasingly gaining strength. Compostable items in Duni's assortment are tested and certified for industrial or home composting. Duni's soft paper napkins (tissues) have been approved for home composting since 2018.



### Partnerships drive environmental issues

Ongoing partnerships are required at all levels and with various entities to solve contemporary environmental challenges. Duni is a part of the Håll Havet Rent (Keep the oceans clean) network, which works to reduce littering in our oceans, and also partners with RISE – Research Institutes of Sweden to increase recycling of take-away packaging. Other ongoing partnerships include organizations such as Packbridge (sustainable packaging) and Paper Province (paper manufacturing). Duni also participates in the development of standards for recycling marking.



### CUPS OF BAGASSE

Ecocho® Sweet compostable coffee cups made of bagasse and paper were launched in 2018 under the "Love your city" theme. These environmentally sound disposable cups are available in a variety of sizes for both warm and cold beverages and are well suited for branding prints. They can be combined with lids made of compostable CPLA.



### Sustainable products lead the way

The products in Duni's environmentally sound ecocho® assortment are made of fiber-based, plastic-free materials such as bagasse, compostable bioplastic and recycled plastic. The Ecocho® product range has experienced strong growth and now accounts for 20 percent of Duni's take-away assortment. Duni's environmental profile was further strengthened by the acquisitions it made in 2018, as both BioPak in Australia and Biopac in the UK are companies with a focus on environmentally-sound take-away packaging.

## Duni and the UN Sustainable Development Goals

Both now and in the future, the UN's 17 Global Sustainable Development Goals aim to combat poverty, protect our planet and ensure that everyone can experience peace and prosperity. Duni works toward all 17 goals, but the following are the most important:

**8.**

Decent Work and Economic Growth

**12.**

Sustainable Consumption and Production

**13.**

Fight Climate Change

**14.**

Oceans and Marine resources

**15.**

Ecosystems and Biological Diversity

Read more about the Sustainable Development Goals at [sustainabledevelopment.un.org](https://sustainabledevelopment.un.org)

# Stronger culture and core values for the future

The employees are crucial to the success of a company. Duni is investing in the future with several initiatives to strengthen our corporate culture and create values that will take us into the future.



## THEME: EXPLORE

"Engaged employees are a prerequisite for Duni to achieve a high degree of effectiveness and satisfied customers. From a candidate perspective, this means that we will focus on being an attractive employer, to both our existing employees and external candidates."

Sofie Lindström, HR Director

## Effective talent development tool

Dunited is Duni's tool for developing its employees and organization with a clear connection to business goals. The Dunited process makes HR efforts clearer while also enabling the results to be measured and monitored. Talent management is at the heart of Dunited: how Duni, as an attractive employer, recruits, retains, develops and rewards employees and gives them the support they need to perform as well as possible. The process also includes leadership development, mentorship and succession planning. Digital tools are being used increasingly to streamline the process.



## Making disadvantaged children's dreams come true

For several years, Duni in Sweden has been collaborating with the My Special Day Foundation, which works with and helps children with severe diseases and diagnoses. The foundation's goal is to create activities that bring relief and joy to their difficult lives. Duni organized two cooking camps that were a hit for approximately 30 children in 2016. In 2017, Duni organized a napkin designing contest.

In 2018, Duni organized a cooking camp for 15 children in Stockholm inspired by the Nobel Banquet. The participants also got to visit the Blue Hall of the Stockholm City Hall, where the Nobel Banquet takes place, and enjoyed dessert prepared by Daniel Roos of Sweden's national culinary team.

## A strong belief in diversity

Duni has a strong will to actively contribute to positive change in society. Diversity is prioritized within the company, to improve both the work climate and innovation. This contributes to a more dynamic organization where people with different backgrounds, perspectives and experiences work together and challenge each other and the organization.



## PARTNERSHIP THAT CREATES JOBS

In Sweden, Duni collaborates with Mitt Liv (My life), a social enterprise working for an inclusive society and a job market that values diversity. The Mitt Livs Chans (The chance of My life) mentorship program stands out among the enterprise's activities, which also include recruitment and training.



## FACTS

- As of December 31, 2018, Duni had 2,532 (2,437) employees, equivalent to 2,477 (2,362) full-time positions. Of the increase, 16 employees are attributable to the acquisition of Biopac UK Ltd in the UK and 53 employees to the acquisition of BioPak Ltd in Australia and New Zealand.
- The blue collar employees work within logistics, manufacturing and maintenance. Most blue collar employees (77.9%) work within manufacturing and maintenance at the plants in Skåpafors in Sweden, Bramsche and Wolkensstein in Germany, Poznan in Poland and Bangkok in Thailand. 31.0% of blue collar employees in Germany work within logistics at the international distribution center in Bramsche. 51.0% 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

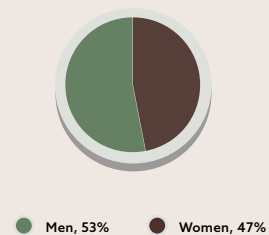
employment. The employees are organized in a European Workers Council. Duni enjoys good relations with the labor unions, and personnel turnover varies between each unit of the Group. In 2018, 14.7% of Duni's employees left the Group. 9.6% of the Group's employees are temporary employees. In the countries in which Duni has employees, collective bargaining agreements are in place in 9 out of 19 countries and 52.4% of Duni's total employees are covered by these. The companies with over 10 employees have a formal safety committee covering 87.9%\*\* of the employees in these companies. In 2018, 39\*\* accidents per 1,000 employees were reported at Duni's production units.

- \* As a percentage of the total number of employees at the end of the period. Including natural resignations, expiration of temporary contracts, restructuring programs, etc.
- \*\* All production units and the larger offices have a safety committee.
- \*\*\* Meaning that the reported injury led to at least one day absence.

## GEOGRAPHIC AND FUNCTIONAL BREAKDOWN

Country	Blue collar employees	White collar staff	Total
Sweden	151	195	346
Germany	754	359	1,113
Poland	357	151	508
Thailand	116	33	149
Netherlands	0	54	54
Australia	0	52	52
New Zealand	34	9	42
France	0	40	40
UK	4	29	33
Other	3	136	140
<b>Total</b>	<b>1,419</b>	<b>1,058</b>	<b>2,477</b>

## GENDER BREAKDOWN



## AVERAGE NUMBER OF EMPLOYEES

<b>2018</b>	<b>2,509</b>
2017	2,412
2016	2,212
2015	2,174
2014	2,184
2013	1,902





# Success is about people

Duni must have the right skills in the right place in its organization to make Duni's new strategy a reality in the coming years. Many initiatives pursued within Duni aim to make the company an attractive workplace. The point is to recruit, retain and develop the talent that is best for Duni.

Duni is now the European market leader. Strengthening its position in a world in rapid flux and growing in other regions requires a well-formulated strategy as well as having the right skills in prioritized areas. At its core, success is about people.

## **MUST TAKE RESPONSIBILITY AS A COMPANY**

The competition for skills is on the rise in many industries and all companies must maintain, develop and communicate their employer brand. This is a key success factor as the ability to attract, recruit, retain and develop the right skills becomes increasingly business-critical.

This is why being a company that takes responsibility is an essential part of Duni's employer brand. These efforts are defined in the company's CSR program, Our Blue Mission.

To be a company characterized by decency, it is crucial that Our Blue Mission is a fixture of daily operations and that environmental responsibility, the code of conduct, business ethics and product safety are not neglected. How Duni is perceived – not only by potential employees and the rest of the world but also by current employees – depends on this.

## **CONTINUOUS TALENT DEVELOPMENT**

Job satisfaction is good for both the employees and the employer. In a healthy organization, employees feel seen and have opportunities for development. This is why Duni takes an active and consistent approach to talent management according to a well-defined plan – Dunited.

When it comes to recruiting and retaining talent, being a global company gives Duni an edge. There are great opportunities for employees to move between positions in various functions and countries. The company takes an active approach to internal recruitment, which creates good opportunities for employees to develop. At the same time, these development opportunities make Duni an attractive employer to external, especially younger, talent.

## **CONNECTING THE ORGANIZATION**

The importance of Duni's continuing development as an attractive and well-functioning workplace is emphasized in the company's new strategy for 2019–2023. The part of the strategy involving the company's internal efforts and culture is called The Duni Way and includes several internal initiatives.

One area of focus in the strategy is to facilitate and increase collaboration within the organization. Making it easier to communicate and share experiences and ideas also facilitates innovation, and this can make it easier to develop the customer-specific solutions and services the market demands in relation to digitalization and the environment.

## **GETTING EVEN STRONGER**

Internal communications are also prioritized in the strategy. The goal is for Duni's employees to be able to quickly find out what's happening with the Group. A new intranet was launched in 2018 and will contribute positively to both collaboration and communication.

Success is about people. The goal of the initiatives now in progress and being launched, in both HR and IT, is to further increase engagement and lay a solid foundation for Duni to grow and manage external factors.



# The share

During 2018, the share price fell by 19%, with a closing price of SEK 98.10 (121.25) at December 31, 2018. Since being listed on the exchange, Duni's share price had increased by 96% up to December 31 2018, resulting in a market capitalization of SEK 4.6 billion. During 2018, the closing price varied between a high of SEK 128.20 on June 28 and 29 and a low of SEK 96.50 on December 10. Earnings per share for the year were SEK 5.22 (6.99). During 2018, 10 (8) million Duni shares were traded, valued at SEK 1,102 m (1,003).

## NUMBER OF SHARES AND SHARE CAPITAL

On December 31, 2018, 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 2018 financial year, corresponding to 96% (71%) of income after tax.

## 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.



## OWNERSHIP STRUCTURE, DECEMBER 31, 2018

Number	Number of shareholders	Number of shares	% of shares
1 - 500	7,672	1,027,329	2.19
501 - 1,000	1,000	833,399	1.77
1,001 - 5,000	669	1,524,497	3.24
5,001 - 10,000	68	498,496	1.06
10,001 - 15,000	18	224,074	0.48
15,001 - 20,000	13	230,273	0.49
20,001 -	76	42,660,964	90.77
<b>Total</b>	<b>9,516</b>	<b>46,999,032</b>	<b>100</b>

## SHAREHOLDERS, DECEMBER 31, 2018

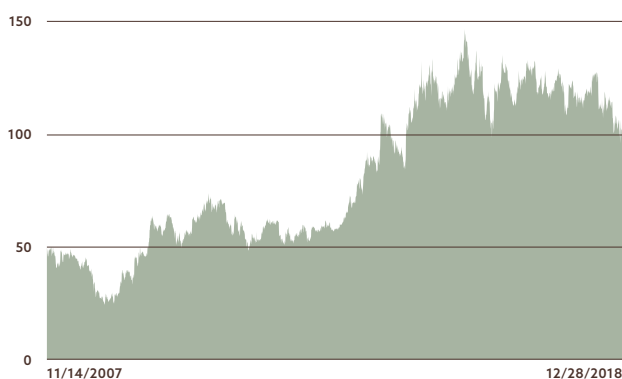
	Number of shares	% of shares
Mellby Gård Investering AB	14,094,500	29.99
Polaris Capital Management LLC	4,356,064	9.27
Carnegie fonder	4,250,000	9.04
Lannebo fonder	2,926,539	6.23
VERDIPAPIRFOND ODIN SVERIGE	2,196,246	4.67
FJÄRDE AP-FONDEN	2,042,896	4.35
State Street Bank & Trust Com., Boston	1,954,501	4.16
BNY MELLON NA (FORMER MELLON)	1,781,633	3.79
Swedbank Robur fonder	1,753,414	3.73
Handelsbanken fonder	1,140,358	2.43
Total, the 10 largest owners	36,496,151	77.65
Other shareholders	10,502,881	22.35
<b>Total</b>	<b>46,999,032</b>	<b>100</b>

## DATA PER SHARE

Amount, SEK	12/31/2018
Number of shares at end of period (thousand)	46,999
Average number of shares before and after dilution (thousand)	46,999
Share price on December 31	98.1
Earnings per share, before and after dilution	5.22
Equity per share	55.67
P/E ratio	18.79

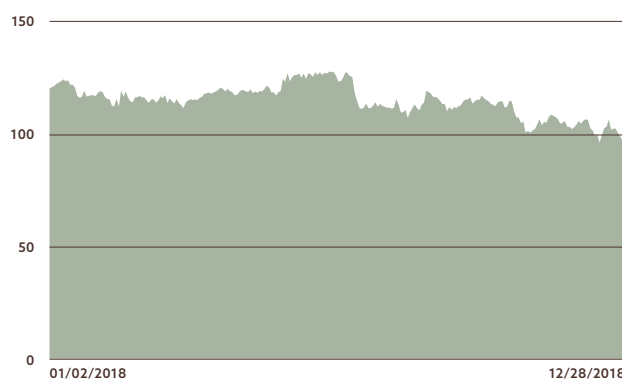
## SHARE PERFORMANCE 2008-2018

SEK, closing price



## SHARE PERFORMANCE 2018

SEK, closing price



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# DIRECTORS' REPORT

## DIRECTORS' REPORT – THE GROUP

Duni is one of Europe's leading suppliers of inspiring table setting concepts and sustainable 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. Increased focus on sustainable and eco-profiled solutions have further strengthened the Group's position. 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 to companies in the healthcare and care sectors. Table Top mainly markets napkins, table covers and candles for the set table. Duni is a market leader within the premium segment in Europe. The business area accounted for approximately 51% (53%) of Duni's net sales during the year.

The **Meal Service** business area offers concepts for meal packaging and serving products for applications including takeaway, ready-to-eat meals, and various types of catering. The business area's customers are mainly take-away-driven restaurants, food producers, and health and care. As a niche player within this area, Duni enjoys a leading position in the Nordic region and has a clear growth agenda on identified markets in Europe. The business area accounted for approximately 17% (16%) of Duni's net sales during the year. Biopac UK Ltd in the UK is included in the business area as of February 2018.

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 different types of specialty stores, including garden centers, home furnishing stores, and DIY stores. The business area accounted for approximately 22% (23%) of Duni's net sales during the year.

The **New Markets** business area offers Duni's attractive quality product concept, table top concept and packaging to 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 business area accounted for approximately 9% (7%) of Duni's net sales during the year. Duni has acquired several companies in New Markets since 2016. Southeast Asia is and has been a prioritized area for geographic growth. The most recent acquisition in order was BioPak Pty Ltd in Australia and New Zealand. Duni acquired 75% of the shares in the rapidly growing supplier of sustainable packaging. The company has a clear environmental profile and has been part of the business area since October 2018.

### TRENDS AND EXTERNAL FACTORS

To enable better management of external factors, such as those due to raw material prices or macro-trends that govern customer needs and behaviors, Duni launched a new strategy for the years 2019 to 2023 in late fall 2018. The strategy's long-term goal is to improve Duni's growth. The short-term goal is to strengthen profit.

The main impacting Duni's business the most are digitalization, customer customization, sustainability and the increase in take-away. As part of the new strategy, Duni has identified five areas that the Group will prioritize. Increased customer focus is a fundamental part of the strategy. To create the most attractive experience for the end customer, the Group is launching solutions that make it easier for customers to do business with Duni. New tailor-made customer concepts will also be developed with a focus on services and innovations. The goal is also to be the best partner for sustainable solutions, which includes an increase in the number of eco-products as well as a stronger focus on solutions for a closed loop. Increased digitalization in the supply chain will streamline operations, from administration to production and logistics. The fifth area primarily involves Duni's internal activities. Here the Group's core values play a key role, but areas such as internal communications and strategic acquisitions also have crucial parts to play.

### 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.

### 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 a 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 retail focuses both on the production of private retail labels and sales of Duni's own brands. 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 2018 financial year. "Preceding year" refers to the 2017 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 -31 m (0). In the fourth quarter, an efficiency-improvement program was launched with a focus on cutting indirect costs. This covers Duni's entire business and includes streamlining and downsizing. Around 60 people are affected and the total restructuring cost of is estimated at SEK 33 m, of which SEK 31 m was recognized in 2018. The annual savings of this program are estimated to exceed SEK 35 m with a gradually increasing impact in 2019. In 2017, restructuring costs were incurred for efficiency improvements in marketing and sales. The Company also received damages attributable to the period before Duni was listed. This revenue is also attributable to the Parent Company. For more information on restructuring costs, see Note 9.

### BRIDGE BETWEEN OPERATING INCOME AND EBIT

SEK m	2018	2017
<b>Operating income</b>	<b>430</b>	<b>491</b>
Restructuring costs	-31	0
Amortization of intangible assets identified in connection with business acquisitions	-43	-34
Fair value allocation in connection with acquisitions	-6	-1
<b>Reported operating income (EBIT)</b>	<b>351</b>	<b>456</b>

## NET SALES

Duni's net sales amounted to SEK 4,927 m (4,441), a 10.9% increase in sales. At unchanged exchange rates from the preceding year, net sales would have been SEK 268 m higher compared with the outcome for 2017, representing a 6.0% increase in sales. Organic growth, excluding structural changes, amounted to 1.5% at fixed exchange rates.

The **Table Top** business area reported net sales of SEK 2,486 m (2,338). At fixed exchange rates, this corresponds to a sales increase of 1.1%. Several key markets increased their sales during the year, but sales fell in Duni's largest market, Germany, and in the Nordic region. Napkins experienced stable growth while overall growth is still being slowed down by lower demand for table covers.

The **Meal Service** business area reported net sales of SEK 846 m (704). At fixed exchange rates, this corresponds to a sales increase of 15.9%. In February, Biopac UK Ltd was acquired and consolidated in Meal Service. Organic growth excluding the acquisition amounted to 6.4% and the business area also shows growth in all regions. The Ecoecho® assortment in particular is making progress and is now a material part of the total portfolio.

Within the **Consumer** business area, net sales amounted to SEK 1,061 m (1,010). At fixed exchange rates, this corresponds to a sales decrease of 0.6%. The business area succeeded in retaining sales levels for customer-specific products despite excess capacity in the market for both contract production and napkins geared toward the retail sector. In addition, the business area had lower sales to one major international customer. Growth in key markets such as Germany and the Netherlands played a key role in propping up sales.

The **New Markets** business area reported net sales of SEK 448 m (322). At fixed exchange rates, this corresponds to a sales increase of 35.9%. As of October, acquired company BioPak in Australia is a part of the business area. Excluding acquisitions, the sales of New Markets decreased by 10.0%. Several markets near Europe, which were previously included in the New Markets business area, have been moved to the Table Top business area. Russia, the US and Thailand exhibited stable growth during the year. Singapore reported lower sales, which were impacted by the relocation of warehouses and offices and the implementation of a new ERP system.

## INCOME

Operating income amounted to SEK 430 m (491). At unchanged exchange rates from the previous year, EBIT was SEK 94 m lower for the year. The gross margin amounted to 25.9% (28.5%) and the operating margin decreased from 11.1% to 8.7%. As a result, the financial target of an operating margin over 10% was not met. The sharp increase in pulp prices is responsible for dragging down net income for the year. In addition to pulp prices, the costs of electricity, cardboard, polystyrene and shipping (referred to as inputs) all increased significantly during the year. A price increase was implemented early in the year but pulp prices continued to rise. As a result, a second price increase was announced and was in the process of implementation at year-end. This will gradually take effect in Q1 2019.

The Table Top business area and especially the Consumer business area were hit the hardest by the sharp raw material price increases during the year, which consequently decreased their operating income. The income of New Markets also decreased, partly as a result of the high raw material costs but mainly due to high costs in connection with the relocation of warehouses and offices and the implementation of a new ERP system at Duni's company in Singapore. Meal Service, with a portfolio that is not dependent on pulp prices, experienced a significantly better year and increased its operating income.

Net financial items amounted to SEK -22 m (-17). Income before tax was SEK 328 m (439).

A tax expense of SEK 79 m (106) was reported for the financial year. The effective tax rate was 24.0% (24.0%). The tax expenses for the year include adjustments and non-recurring effects from the previous year of SEK -2.6 m (-1.3).

Net income for the year amounted to SEK 249 m (334), of which non-controlling interests amounted to SEK 4 m (5).

## INVESTMENTS

The Group's net investments excluding acquisitions amounted to SEK 198 m (234). Duni invested SEK 45 m during the year to upgrade the airlaid machine at its subsidiary Rexcell Tissue & Airlaid AB. The investment increased airlaid capacity by approximately 25% per year. In 2017, an 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 201 m (174).

## CASH FLOW AND FINANCIAL POSITION

The Group's operating cash flow was SEK 343 m (449). Cash flow including investing activities amounted to SEK -289 m (156). Two acquisitions were made during the year, which impacted investing activities by SEK -427 m.

The Group's balance sheet total on December 31 amounted to SEK 6,027 m (4,833).

The Group's interest-bearing net debt amounted to SEK 1,490 m, compared with SEK 855 m on December 31, 2017.

## 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 existing trends and to shape 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. It is important that 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. Brexit was identified as an operational risk during the year as it could impact Duni's operations in the UK.

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 goods for resale 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 goods for resale, 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 and other controlled sources.

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 tons of wet laid tissue per year and 52,000 tons of airlaid tissue per year at the mill in Skåpafors and 10,000 tons 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<sub>2</sub>). For 2018, the allocation of emission rights was 0 tons in Dals Långed and 18,078 tons 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 tons per

year, and Skåpafors 17,349 tons per year. The Dals Långed production plant is dormant and emission rights are not used when there is no production. The allocation of emission rights from the country administrative board is dormant as of 2017 but can be reactivated as of 2020 by application.

Excess emission rights are carried forward to the next year and, if the emission rights are insufficient, the Company purchases additional rights. If purchases of additional rights are made in 2019, the Company estimates that these will not reach any significant amount. In 2018, Rexcell Tissue & Airlaid AB had 4,672 (5,130) unused emission rights with a market value of SEK 0 m (0). In total, 13,406 tons were used in Skåpafors in 2018.

#### 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. 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 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. An external whistleblower system manages reports, which can be made anonymously if desired. The recipients are the HR Director, the CFO and the Chairman of the Board's Audit Committee. No whistleblower cases were reported during the year. Under året har inga visseblåsarärenden rapporterats.

As of December 31, 2018, the Company had 2,477 employees. The number of employees on December 31, 2017 was 2,362. 1,085 (1,057) of the employees were engaged in production. Duni's production plants are located in Bramsche and Wolkenstein, Germany, in Poznan, Poland, in Bengtsfors, Sweden, in Bangkok, Thailand and in Auckland, New Zealand.

#### THE BOARD'S WORK

Since the Annual General Meeting held on Tuesday, May 8, 2018, the Board of Directors comprises five members and two employee representatives. Two alternate employee representatives also attend board meetings. During the year, the Board held nine meetings at which minutes were taken. For further information on the work of the Board, see the Corporate Governance Report.

## REMUNERATION TO THE CEO AND SENIOR EXECUTIVES

Principles regarding the CEO and senior executives, as proposed to the 2019 Annual General Meeting, to be applicable in 2019 up until the next Annual General Meeting, correspond in all essential respects to the established principles which were adopted by the 2018 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 24 countries.

## PARENT COMPANY DIRECTORS' REPORT

### SALES, INCOME AND FINANCIAL POSITION

The Parent Company, Duni AB, is responsible for the Group's sales and customer support in the Nordic market. The Parent Company is also home to Group Management and shared Group functions, such as finance, HR, purchasing, communication, marketing and IT. Parts of the Group's development resources are in the Parent Company.

Net sales amounted to SEK 1,194 m (1,160). EBIT was reported at SEK 13 m (26) and net financial items amounted to SEK 276 m (297). The reason for the decrease in income is the same for the Nordic region as for the Group as whole: sharp increases in pulp prices during the year and price compensation from customers not yet being fully implemented.

Net financial items includes dividends received from subsidiaries in the amount of SEK 136 m (138) and Group contributions received totaling SEK 137 m (152). Net income for the year was SEK 256 m (284).

The Parent Company's investments in tangible assets amounted to SEK 29 m (21). Depreciation and amortization totaled SEK 17 m (16).

The Parent Company's equity-assets ratio at year-end was 44.0% (52.4%). The Parent Company's cash and cash equivalents at December 31, 2018 amounted to SEK 171 m (157).

### OPERATIONAL AND FINANCIAL RISKS IN THE PARENT COMPANY

The Parent Company's risks are the same as those of the Group in all material respects.

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.

## OWNERSHIP AND SHARES

### OWNERSHIP STRUCTURE AT DECEMBER 31, 2018

Duni is listed on the NASDAQ Stockholm under the ticker name "DUNI". Duni's three largest owners at December 31, 2018 are Mellby Gård Investering AB (29.99%), Polaris Capital Management LLC (9.27%) and Carnegie fonder (9.04%).

### DUNI'S SHARE

Duni's share capital consists of 46,999,032 outstanding ordinary shares with voting rights of 1 vote per share. The quotient value of the shares was SEK 1.25 per share. Duni does not hold any treasury shares.

The minimum number of shares is 32,008,000 and the maximum is 128,032,000. There are no outstanding warrants or convertibles. Senior executives collectively own 0.1% of the shares in Duni at 12/31/2018.

Further information about Duni's shares and owners can be found in the Corporate Governance Report.

## BOARD AND CEO'S PROPOSED ALLOCATION OF EARNINGS

### ALLOCATION OF EARNINGS PARENT COMPANY (SEK)

and that the remaining amount be carried forward

Allocation of earnings Parent Company (SEK)	2018
<b>Unrestricted equity in Parent Company</b>	
Retained earnings	1 476 455 243
Net income for the year	255 860 452
<b>Total unrestricted equity in Parent Company</b>	<b>1 732 315 695</b>
<b>The Board of Directors and CEO propose:</b>	
that SEK 5.00 share be distributed to shareholders	234 995 160
	1 497 320 535
<b>Total</b>	<b>1 732 315 695</b>

The Board of Directors proposes that the 2019 AGM resolve to allocate earnings such that a total of SEK 5.00 per share is distributed to shareholders, which is equivalent to a total of SEK 234,995,160, and that the remaining unrestricted equity be carried forward.

The Board of Directors also proposes that the dividends be dispersed in two partial payments to better adapt to Duni's cash flows during the year. The Board of Directors proposed May 9, 2019 as the record date for the first partial payment of SEK 2.50 and November 12, 2019 as the record date for the second partial payment of SEK 2.50. This means that shareholders registered at the record dates of May 9 and November 12 are entitled to dividends.

In the event that the 2019 AGM resolves in accordance with the Board's proposed allocation of earnings, SEK 1,497 m will be carried forward. The Parent Company's restricted equity will be fully covered following the proposed dividend. The Group's shareholders' equity amounted to SEK 2,616 m.

In accordance with Chapter 18 Section 4 of the Swedish Companies Act (2005:551), as the basis for its proposed dividend, the Board estimated that the proposed dividend is justifiable in consideration of the requirements of the business for the size of the Parent Company and Group's shareholders' equity and the Parent Company and Group's consolidation needs, liquidity and financial position in general. With the major acquisitions and investments along with a challenging year in terms of raw material prices, the Board of Directors estimates that Duni still has a financial position and future competitiveness that allow a dividend at par with the previous year. After the proposed dividend, the Board believes that Duni will still have the means to make acquisitions while meeting its obligations and completing planned investments.

Following the dividend, the Parent Company and Group's equity-assets ratio is also estimated to be sound in relation to the industry in which the Group operates. The proposed allocation of earnings will not impact the Parent Company and Group's ability to meet their payment obligations. The Board of Directors estimates that the Parent Company and Group are well prepared to cope with changes relating to liquidity and unexpected events. The proposal to divide the dividend into two partial payments will make the Company's liquidity planning more effective with a better balance in net debt over the year. The Board of Directors believes that the Parent Company and Group are capable of coping with future business risks and losses if such arise.

Shareholders' equity would have been SEK 1.7 m lower if financial instruments measured at fair value in accordance with Chapter 4 Section 14 a of the Swedish Annual Accounts Act had instead been measured at the lower of cost or net realizable value.

# CORPORATE GOVERNANCE REPORT FOR DUNI AB (PUBL)

Duni AB is a Swedish public limited company (publikt aktiebolag) and has been listed on the NASDAQ Stockholm Mid Cap list 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](http://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.

## 2018 Annual General Meeting

Duni's 2018 Annual General Meeting was held on Tuesday, May 8, 2018, in Malmö. 170 shareholders, representing approximately 68% 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 employee representatives were present.

Members of Group Management and the Company's auditor were also present. The minutes from the meeting are available on Duni's website, [www.duni.com](http://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
- Dividend of SEK 5.00 per share for the 2017 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
- No change in the Board's remuneration, the Chairman of the Board shall receive SEK 562,000 (562,000) and all other directors shall each receive SEK 300,000 (300,000)
- No change in the remuneration of the chairman of the Audit Committee at SEK 121,000 and no change in the remuneration of the other members of the Audit Committee at SEK 57,000
- No change in the remuneration of the chairman of the Remuneration Committee at SEK 63,000 and no change in the remuneration of the other members of the Remuneration Committee at SEK 29,000
- Adoption of the Board's proposed guidelines for the remuneration of senior executives
- Procedures regarding the composition and work of the Nomination Committee

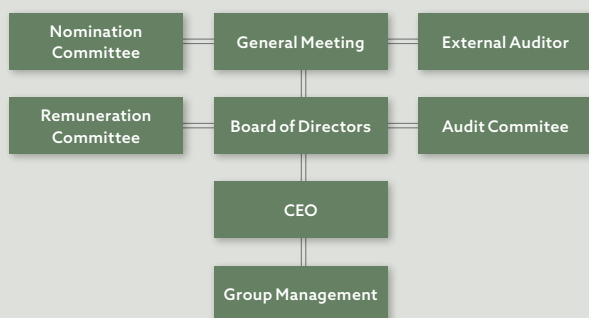
## 2019 Annual General Meeting

The next Annual General Meeting of the Shareholders of Duni will be held at 3 PM on May 7, 2019 at AnXet, Dockplatsen 12, Malmö, Sweden. A notice of the Annual General Meeting, containing the Board's proposals, will be published at the end of March 2019. More information about the Annual General Meeting, notice of participation, etc. is available on Duni's website.

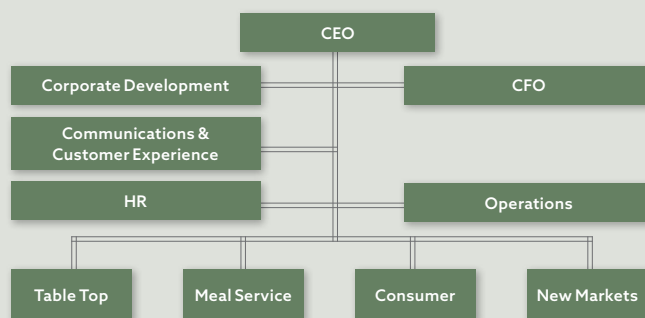
## Nomination Committee

The Nomination Committee nominates the individuals to be proposed at the Annual General Meeting for election to Duni's Board. It also presents proposals regarding audit fees, Board fees, including the allocation of such fees between the Chairman and other board directors, as well as any compensation for committee work. All proposals are presented at the Annual General Meeting as well as in the notice to attend and on the website prior to the Annual General Meeting.

## ARTICLES OF ASSOCIATION



## 2018 GROUP MANAGEMENT



For the 2018 Annual General Meeting, the Nomination Committee proposed the re-election of directors Magnus Yngen (Chairman), Johan Andersson, Pauline Lindwall, Alex Myers and Pia Rudengren. The reasoned opinion of the Nomination Committee for the 2018 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 2018 and the composition was presented on October 31, 2018.

The Nomination Committee had its first meeting on December 10, 2018 and its second meeting on February 1, 2019. Prior to the 2019 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 directors 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. Johan Andersson has declined re-election and the Nomination Committee proposes Thomas Gustafsson as a new director, which was announced in a press release on February 4, 2019. Thomas Gustafsson is the Deputy CEO of Mellby Gård AB and was previously CEO of Duni in 2012-2017. In addition, the Nomination Committee proposes the re-election of the other directors: Magnus Yngen, Pauline Lindwall, Alex Myers and Pia Rudengren and that Magnus Yngen be elected Chairman of the Board. Other elections are presented in the notification of Duni's Annual General Meeting.

The Nomination Committee comprises the following members:

Name	Represents	Ownership stake 12/31/2018
Magnus Yngen	Chairman of the Board	
Rune Andersson (Chairman)	Mellby Gård Investering AB	29.99%
Bernard R. Horn, Jr.	Polaris Capital Management, LLC	9.27%
John Strömgren	Carnegie fonder	9.04%
<b>Total</b>		<b>48.30%</b>

## 2018 BOARD ATTENDANCE:

	Function	Independent <sup>1)</sup>	Board meetings	Audit Committee	Remuneration Committee
Magnus Yngen	Chairman	x	9 of 9	4 of 4	3 of 3
Johan Andersson	Director	<sup>2)</sup>	9 of 9	-	2 of 3
Pauline Lindwall	Director	x	9 of 9	-	3 of 3
Alex Myers	Director	x	9 of 9	4 of 4	-
Pia Rudengren	Director	x	9 of 9	4 of 4	-
Per-Åke Halvordsson	Employee representative, director	<sup>3)</sup>	9 of 9	-	-
David Green	Employee representative, director	<sup>3, 4)</sup>	4 of 4	-	-
Tapio Nieminen	Employee representative, director	<sup>3, 4)</sup>	3 of 5	-	-
David Green	Employee representative, alternate	<sup>3, 4)</sup>	5 of 5	-	-
Åsa Lundqvist	Employee representative, alternate	<sup>3, 4)</sup>	3 of 5	-	-
Marcus Hall	Employee representative, alternate	<sup>3, 4)</sup>	4 of 4	-	-
Peter Lundin	Employee representative, alternate	<sup>3, 4)</sup>	2 of 4	-	-

<sup>1)</sup> As per definition in Swedish Corporate Governance Code. <sup>2)</sup> Not independent (in relation to Duni's largest shareholders). <sup>3)</sup> Not independent (in relation to Duni).

<sup>4)</sup> Tapio Nieminen resigned on June 26, 2018 and was replaced by David Green, who was previously an alternate. Marcus Hall was appointed to fill in as alternate. Åsa Lundqvist resigned on June, 5 2018 and was replaced by Peter Lundin.

## 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 8, 2018, the Board of Directors comprises five members and four employee representatives (two regulars 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 directors, 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 2018, the Board held nine meetings at which minutes were taken.

The following items were among those on the agenda in 2018:

- 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
- Discussion and review of a new strategy for the years 2019-2023
- Growth 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 2018
- Ongoing investments and follow-up of approved investments
- The economic climate and economic conditions

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

The CEO 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 corporate management, while decisions thereon are taken 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 2018 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. A GDPR policy, the acquisition of BioPak in Australia, the restructuring of Duni Song Seng in Singapore, and discussions and analysis of the new accounting standard for leases were also on the agenda 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 2018 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.

#### 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 8, 2018, 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 below.

#### CEO

Johan Sundelin is the Chief Executive Officer of Duni. 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, 2018, Johan Sundelin held 2,000 shares in Duni AB. He does not have any ownership interest 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.

#### BOARD REMUNERATION FOR THE MAY 2018-APRIL 2019 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
<b>Total</b>	<b>1 762 000</b>	<b>235 000</b>	<b>121 000</b>	<b>2 118 000</b>

Group Management, including the CEO, comprises ten individuals. On September 1, 2018, a new role was added as Marielle Noble joined Duni's management team as Customer Experience Director. Duni's strategic focus on customer quality is crucial to the Company's growth and this role will support Duni's growth in the coming years. Marielle will be responsible for strategic measures aiming to improve the customer experience, brand management and the Company's communications. On September 1, Magnus Carlsson succeeded Thomas Löob as Corporate Development Director following Mr. Löob's resignation from the management team on July 1.

Management had two-day meetings every other month and one-day meetings every other month during the year. The meetings during the year were characterized by devising and refining the new strategy for the years 2019-2023 – a platform for growth and a Duni with a stronger customer and environmental focus. Regular monitoring of delivery performance, logistics and growth along with other strategic issues and plans of action were also on the yearly agenda. 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. Duni's Group Controller has an agenda item at each meeting to present and 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 Management were adopted by the Annual General Meeting on May 8, 2018 and apply until the next Annual General Meeting. The guidelines proposed to the 2019 Annual General Meeting are in all essential respects equivalent to the guidelines which applied in 2018. 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 above shows the total gross remuneration paid to Group Management, including basic salaries, variable remuneration, pension payments and other benefits. Johan Sundelin received an annual gross salary of SEK 4,066,663 and has a possibility to achieve a bonus not exceeding 75% of his annual basic salary, based on predetermined targets for the Group. In addition, he is entitled to some other employment benefits such as a company car. Both parties may terminate the agreement upon six months' written notice. In addition, except in the event of termination by the Company due to negligence, the CEO is entitled to an amount equal to twelve times his monthly salary.

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 8, 2018, PricewaterhouseCoopers AB was re-elected auditor. Eva Carlsvi was rotated out after serving as the signing auditor for seven years and Carl Fogelberg succeeded her 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, Carl Fogelberg is also the auditor-in-charge for Öresundsbro Konsortiet I/S and Sparbanken Sjuhärad AB (Publ) and co-signing auditor for companies such as Haldex AB and Victoria Park AB. Carl Fogelberg is an authorized public accountant and member of FAR SRS. Apart from the audit engagement, fees to PwC for other engagements during 2018 totaled SEK 4.6 m (2017: 4.0).

#### REMUNERATION OF SENIOR EXECUTIVES

2018, MSEK	Base pay	Variable remuneration	Other benefits	Pension costs	Total
Chief Executive Officer – Johan Sundelin	4.1	–	0.1	1.4	5.6
Other senior executives	13.3	0.4	0.8	4.5	19.0

#### AUDITING FIRM REMUNERATION

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Remuneration for audit engagement	4.3	3.7	1.7	1.7
Remuneration for auditing activities in addition to the audit engagement	0.1	0.2	–	–
Remuneration for tax consultation	1.9	2.9	0.7	1.1
Remuneration for other consultation	2.6	0.9	2.6	0.8
<b>Total auditing firm remuneration</b>	<b>8.9</b>	<b>7.7</b>	<b>4.9</b>	<b>3.6</b>



## THE BOARD'S DESCRIPTION OF INTERNAL CONTROL WITH RESPECT TO THE FINANCIAL REPORTING FOR THE 2018 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. However, Duni chooses to describe the internal control system in relation to the 1992 version of the COSO framework.

### CONTROL ENVIRONMENT

The rules of procedure of the Board and the instructions issued by the Board regarding the work of the CEO and board committees clearly define the 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, Paper+Design and Biopac UK Ltd. 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. The accounting center operates based on standardized processes and routines, is independent of the operational business, and reports directly to the CFO. They also perform engagements for 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 of the Board since 2016.

Board Chairman, Fractal Design AB and Vålinge Group AB.

Deputy Chairman, Intrum 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 in relation to the Company, company management and Duni's larger shareholders.



## PAULINE LINDWALL *Born in 1961*

Director, McKesson Europe AG 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.

**UTBILDNING:** 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 in relation to the Company, company management and Duni's larger 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 in relation to the Company, company management and Duni's larger shareholders.



### PIA RUDENGREN *Born in 1965*

Board Chair, Social Initiative AB.

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

**PROFESSIONAL EXPERIENCE:** Full-time non-executive director. 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 in relation to the Company, company management and Duni's larger shareholders.



### JOHAN ANDERSSON *Born in 1978*

CEO and President and board member 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:** Holds 14,094,500 shares via Mellby Gård Investerings AB. Independent of the company, company management but not of Duni's largest shareholders.



### DAVID GREEN *Born in 1978*

Employee representative for LO/Pappers.

Employed as a machine operator at TM3 with Rexcell Tissue & Airlaid AB.

Elected in 2018

**SHARES IN DUNI:** 0

Not independent of the company.



### PER-ÅKE HALVORDSSON *Born in 1959*

Employee representative for PTK.

Employed as an organizational /and management resource at Rexcell Tissue & Airlaid AB.

Corporate governance training PTK.

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 DLF och DLF Service AB.

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

**SHARES IN DUNI (OWN AND RELATED PARTIES):** 2,000

Synthetic options: 75,000



## **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.

**ASHARES IN DUNI (OWN AND RELATED PARTIES):** 25,200

Synthetic options: 12,500



## **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 held a managerial position at Accenture.

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

**SHARES IN DUNI (OWN AND RELATED PARTIES):** 400

Synthetic options: 12,500



## **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 (OWN AND RELATED PARTIES):** 5,857

Synthetic options: 50,000



## **MAGNUS CARLSSON** *Born in 1976*

Corporate Development Director since September 2018. Magnus has worked at Duni since 2009 and his previous position was Group Controller. Prior to that, he worked in various controlling roles within Lindab AB, most recently as business area controller for Lindab Ventilation.

Magnus Carlsson holds an MSc in business administration and a BA in political science from Lund University.

**SHAREHOLDINGS (OWN AND RELATED PARTIES):** 1,500

Synthetic options: 37,500



## **MARIELLE NOBLE** *Born in 1974*

Communications and Customer Experience Director since September 2018.

Marielle has worked at Duni since 2011 and her most recent prior position was Marketing Director Table Top, and before that Marketing Director Consumer. She also has a solid background in marketing and communication from past positions with PartnerTech och AudioDev.

Marielle Noble has a BA from Lund University.

**SHAREHOLDINGS (OWN AND RELATED PARTIES):** 500

Synthetic options: 0



**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.

On January 15, 2019, Duni announced that Linus Lemark was appointed Table Top Business Area Director. Franck Bancarel has been appointed the new Meal Service Business Area Director effective March 2019.

**SHARES IN DUNI (OWN AND RELATED PARTIES):** 5,000

Synthetic options: 37,500



**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 (OWN AND RELATED PARTIES):** 0

Synthetic options: 37,500



**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 (OWN AND RELATED PARTIES):** 9,700

Synthetic options: 50,000



**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.

On January 15, 2019, Duni announced that Robert Dackeskog was resigning his post. Linus Lemark was simultaneously appointed as the new Table Top Business Area Director.

**SHARES IN DUNI (OWN AND RELATED PARTIES):** 5,000

# FIVE-YEAR SUMMARY, CONSOLIDATED INCOME

SEK m	2018	2017	2016	2015	2014
Net sales	4 927	4 441	4 271	4 200	3 870
Cost of goods sold	-3 650	-3 177	-3 039	-2 959	-2 736
<b>Gross profit</b>	<b>1 278</b>	<b>1 264</b>	<b>1 231</b>	<b>1 241</b>	<b>1 134</b>
Selling expenses	-565	-505	-483	-476	-456
Administrative expenses	-282	-261	-245	-240	-211
Research and development expenses	-9	-8	-8	-10	-11
Other operating income	3	12	10	13	4
Other operating expenses	-75	-47	-43	-37	-27
<b>EBIT</b>	<b>351</b>	<b>456</b>	<b>463</b>	<b>490</b>	<b>433</b>
Financial income	1	0	1	2	5
Financial expenses	-23	-18	-23	-33	-24
<b>Net financial items</b>	<b>-22</b>	<b>-17</b>	<b>-22</b>	<b>-31</b>	<b>-19</b>
<b>Income after financial items</b>	<b>328</b>	<b>439</b>	<b>441</b>	<b>459</b>	<b>414</b>
Income tax	-79	-106	-107	-113	-113
<b>Net income for the year from continuing operations</b>	<b>249</b>	<b>334</b>	<b>334</b>	<b>346</b>	<b>302</b>
Net income for the year from discontinued operations	-	-	-	4	18
<b>Net income for the year</b>	<b>249</b>	<b>334</b>	<b>334</b>	<b>350</b>	<b>319</b>
<b>Net income for the year attributable to:</b>					
Equity holders of the Parent Company	245	329	332	350	319
Non-controlling interests	4	5	2	-	-

# FIVE-YEAR SUMMARY, CONSOLIDATED BALANCE SHEETS

SEK m	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
<b>ASSETS</b>					
Goodwill	2 114	1 617	1 577	1 455	1 463
Other intangible assets	541	294	304	275	311
Tangible assets	1 143	1 080	951	857	851
Financial assets	67	51	67	98	140
<b>Total fixed assets</b>	<b>3 866</b>	<b>3 042</b>	<b>2 899</b>	<b>2 684</b>	<b>2 765</b>
Inventory	771	627	548	500	503
Accounts receivable	921	798	730	660	743
Other receivables	210	139	124	131	69
Cash and cash equivalents	260	227	186	203	205
<b>Total current assets</b>	<b>2 162</b>	<b>1 791</b>	<b>1 588</b>	<b>1 494</b>	<b>1 563</b>
<b>TOTAL ASSETS</b>	<b>6 027</b>	<b>4 833</b>	<b>4 487</b>	<b>4 178</b>	<b>4 328</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Shareholders' equity attributable to equity holders of the Parent Company	2 526	2 509	2 406	2 345	2 193
Non-controlling interests	91	85	80	-	-
<b>Total shareholders' equity</b>	<b>2 616</b>	<b>2 594</b>	<b>2 486</b>	<b>2 345</b>	<b>2 193</b>
Long-term loans	1 402	642	676	552	11
Other long-term liabilities	800	399	402	360	394
<b>Total long-term liabilities</b>	<b>2 202</b>	<b>1 041</b>	<b>1 079</b>	<b>912</b>	<b>405</b>
Accounts payable	424	428	373	352	341
Short-term loans	103	197	-	-	818
Other short-term liabilities	682	573	549	568	572
<b>Total short-term liabilities</b>	<b>1 209</b>	<b>1 197</b>	<b>922</b>	<b>920</b>	<b>1 731</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>6 027</b>	<b>4 833</b>	<b>4 487</b>	<b>4 178</b>	<b>4 328</b>

## KEY RATIOS IN BRIEF, GROUP

	2018	2017	2016	2015	2014
Net sales, SEK m	4 927	4 441	4 271	4 200	3 870
Gross profit, SEK m	1 278	1 264	1 231	1 241	1 134
Operating income, SEK m	430	491	502	528	452
Operating EBITDA, SEK m	583	630	632	656	572
EBIT, SEK m	351	456	463	493	433
EBITDA, SEK m	546	629	622	622	556
Interest-bearing net debt, SEK m	1 490	855	757	584	888
Number of employees	2 477	2 362	2 279	2 082	2 092
Gross margin	25.9%	28.5%	28.8%	29.6%	29.3%
Operating margin	8.7%	11.1%	11.8%	12.6%	11.7%
Operating EBITDA margin	11.8%	14.2%	14.8%	15.6%	14.8%
EBIT margin	7.1%	10.3%	10.8%	11.7%	11.2%
EBITDA margin	11.1%	14.2%	14.6%	14.8%	14.4%
Return on capital employed*	10.6%	14.4%	15.8%	18.6%	15.4%
Return on shareholders' equity	9.5%	12.9%	13.4%	14.8%	13.8%
Interest-bearing net debt/shareholders' equity	57.0%	32.9%	30.5%	24.9%	40.5%
Interest-bearing net debt/operating EBITDA	2.6	1.4	1.2	0.9	1.6

\* Calculated based on operating income

# CONSOLIDATED INCOME STATEMENT

SEK m	Note*	2018	2017
Net sales	5, 6	4 927	4 441
Cost of goods sold	6, 7, 8, 9, 10	-3 650	-3 177
<b>Gross profit</b>		<b>1 278</b>	<b>1 264</b>
Selling expenses	7, 8, 9	-565	-505
Administrative expenses	7, 8, 9, 11	-282	-261
Research and development expenses	7, 8	-9	-8
Other operating income	14	3	12
Other operating expenses	7, 8, 15	-75	-47
<b>EBIT</b>	5, 16	<b>351</b>	<b>456</b>
<b>Income from financial items</b>	16, 17		
Financial income		1	0
Financial expenses		-23	-18
<b>Net financial items</b>		<b>-22</b>	<b>-17</b>
<b>Income after financial items</b>		<b>328</b>	<b>439</b>
Income tax	19	-79	-106
<b>Net income for the year</b>		<b>249</b>	<b>334</b>
<b>Income attributable to:</b>			
Equity holders of the Parent Company		245	329
Non-controlling interests		4	5
<b>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:</b>	20		
Before and after dilution		5.22	6.99

\* 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



# STATEMENT OF COMPREHENSIVE INCOME

SEK m	2018	2017
<b>Net income for the year</b>	<b>249</b>	<b>334</b>
<b>Other comprehensive incomes:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of net pension obligation	-18	4
<b>Total</b>	<b>-18</b>	<b>4</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange rate differences for the year – translation of foreign subsidiaries	14	3
Cash flow hedge	5	2
<b>Total</b>	<b>19</b>	<b>5</b>
<b>Other comprehensive income for the year, net of tax:</b>	<b>1</b>	<b>10</b>
<b>Total comprehensive income for the year</b>	<b>251</b>	<b>343</b>
<b>Total comprehensive income for the year attributable to:</b>		
Equity holders of the Parent Company	245	338
Non-controlling interests	6	5

# CONSOLIDATED BALANCE SHEET

SEK m	Note	Dec. 31, 2018	Dec. 31, 2017
<b>ASSETS</b>	1, 2, 3, 4, 5		
<b>Fixed assets</b>			
<i>Intangible assets</i>	21		
Goodwill		2 114	1 617
Customer relationships		469	240
Capitalized development expenses		32	30
Trademarks, software and licenses		40	25
<b>Total intangible assets</b>		<b>2 655</b>	<b>1 911</b>
<i>Tangible assets</i>			
Buildings, land and land improvements	22	392	385
Machinery and other technical equipment	23	590	522
Equipment, tools and installations	24	87	89
Construction in progress and advance payments for tangible assets	25	74	83
<b>Total tangible assets</b>		<b>1 143</b>	<b>1 080</b>
<i>Financial assets</i>			
Deferred tax assets	19	57	49
Other long-term receivables	27	10	2
<b>Total financial assets</b>		<b>67</b>	<b>51</b>
<b>Total fixed assets</b>		<b>3 866</b>	<b>3 042</b>
<b>Current assets</b>			
<i>Inventory</i>	10		
Raw materials and consumables		174	165
Work in progress		7	8
Finished goods and goods for resale		559	435
Advance payments to suppliers		31	18
<b>Total inventories</b>		<b>771</b>	<b>627</b>
<i>Short-term receivables</i>			
Accounts receivable	28	921	798
Derivative instruments	29	1	2
Tax assets		35	23
Other receivables	28	136	84
Prepaid expenses and accrued income	30	37	30
<b>Total current receivables</b>		<b>1 131</b>	<b>937</b>
Cash and cash equivalents		260	227
<b>Total current assets</b>		<b>2 162</b>	<b>1 791</b>
<b>TOTAL ASSETS</b>	32	<b>6 027</b>	<b>4 833</b>

SEK m	Note	2018-12-31	2017-12-31
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
	1, 2, 3, 4, 5		
<b>Equity</b>			
Share capital	20	59	59
Other injected capital		1 681	1 681
Reserves		89	65
Retained earnings including net income for the year		697	704
<b>Total equity attributable to the shareholders of the Parent Company</b>		<b>2 526</b>	<b>2 509</b>
Non-controlling interests		91	85
		<b>2 616</b>	<b>2 594</b>
<b>Long-term liabilities</b>			
	31		
Overdraft facilities	31	-	2
Bank loans	31	1 399	637
Finance lease liability	31	2	4
Derivative instruments	29	340	17
Deferred tax liability	19	206	138
Pension provisions	33	255	244
<b>Total long-term liabilities</b>		<b>2 202</b>	<b>1 041</b>
<b>Short-term liabilities</b>			
Accounts payable		424	428
Tax liabilities		23	41
Short-term bank loans	31	103	197
Derivative instruments	29	11	11
Other liabilities		143	83
Allocation to restructuring reserve	9	29	6
Accrued expenses and deferred income	34	477	432
<b>Total short-term liabilities</b>		<b>1 209</b>	<b>1 197</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	32, 35	<b>6 027</b>	<b>4 833</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Attributable to equity holders of the Parent Company						Non-controlling interests	Shareholders' equity
	Share capital	Other injected capital	Other reserves	Cash flow reserve	Fair value reserve*	Profit carried forward incl. net income for the year		
<b>Opening balance Jan. 1, 2017</b>	<b>59</b>	<b>1 681</b>	<b>53</b>	<b>-7</b>	<b>13</b>	<b>606</b>	<b>80</b>	<b>2 486</b>
<b>Comprehensive income</b>								
Net income for the year	-	-	4	2	-	333	5	343
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>333</b>	<b>5</b>	<b>343</b>
Non-controlling interest arising upon acquisition of subsidiaries	-	-	-	-	-	-	0	0
<b>Transactions with owners</b>								
Dividend paid to shareholders for 2016	-	-	-	-	-	-235	-	-235
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-235</b>	<b>0</b>	<b>-235</b>
<b>Opening balance Jan. 1, 2018</b>	<b>59</b>	<b>1 681</b>	<b>57</b>	<b>-5</b>	<b>13</b>	<b>704</b>	<b>85</b>	<b>2 594</b>
<b>Comprehensive income</b>								
Net income for the year	-	-	13	5	-	228	6	251
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>5</b>	<b>0</b>	<b>228</b>	<b>6</b>	<b>251</b>
Non-controlling interest arising upon acquisition of subsidiaries	-	-	-	-	-	-	0	0
<b>Transactions with owners</b>								
Dividend paid to shareholders for 2017	-	-	-	-	-	-235	-	-235
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-235</b>	<b>-</b>	<b>-235</b>
<b>Transactions with minority shareholders</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>Closing balance Dec. 31, 2018</b>	<b>59</b>	<b>1 681</b>	<b>76</b>	<b>0</b>	<b>13</b>	<b>697</b>	<b>91</b>	<b>2 616</b>

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

# CONSOLIDATED CASH FLOW STATEMENT

SEK m	Note	2018	2017
<b>Cash flow from operating activities:</b>			
EBIT		351	456
Adjustments for non-cash items	36	215	141
Interest received		1	0
Interest paid		-21	-12
Paid income tax		-130	-88
<b>Cash flow from operating activities before changes in working capital</b>		<b>415</b>	<b>497</b>
<b>Changes in working capital:</b>			
Increase(-)/decrease (+) in inventories		-66	-57
Increase(-)/decrease(+) in accounts receivable		-2	-49
Increase(-)/decrease(+) in receivables		-53	-3
Increase(+)/decrease (-) in accounts payable		-34	56
Increase(+)/decrease(-) in short-term liabilities		82	5
<b>Cash flow from operating activities</b>		<b>343</b>	<b>449</b>
<b>Cash flow used in investing activities:</b>			
Acquisition of tangible fixed assets	22, 23, 24, 25	-177	-222
Acquisition of intangible assets		-27	-15
Sale of tangible assets		-	-
Sale of intangible assets		0	3
Acquisition of subsidiaries	38	-427	-59
<b>Cash flow used in investing activities</b>		<b>-632</b>	<b>-293</b>
<b>Cash flow used in financing activities:</b>			
Dividend paid to shareholders	31	-235	-235
Net change, overdraft facilities and other financial liabilities		-68	-32
Repayment of debt		-52	-488
Loans received		672	640
<b>Cash flow used in financing activities</b>		<b>317</b>	<b>-115</b>
<b>Cash flow for the year</b>			
Cash and cash equivalents, opening balance		227	186
Exchange rate differences, cash and cash equivalents		6	0
<b>Cash and cash equivalents, closing balance</b>		<b>260</b>	<b>227</b>

# PARENT COMPANY INCOME STATEMENT

SEK m	Note*	2018	2017
Net sales	5, 6	1 194	1 160
Cost of goods sold	6, 8, 9, 10	-1 099	-1 050
<b>Gross profit</b>		<b>95</b>	<b>110</b>
Selling expenses	8, 9	-134	-122
Administrative expenses	8, 9, 11	-170	-160
Research and development expenses	8	-7	-5
Other operating income	14	268	247
Other operating expenses	8, 15	-39	-44
<b>EBIT</b>	16	<b>13</b>	<b>26</b>
<b>Income from financial items</b>	16, 17		
Revenue from participation in Group companies	18	273	290
Other interest income and similar items		25	22
Interest expenses and similar items		-22	-16
<b>Net financial items</b>		<b>276</b>	<b>297</b>
<b>Income after financial items</b>		<b>289</b>	<b>323</b>
Tax on income for the year	19	-33	-39
<b>Net income for the year</b>		<b>256</b>	<b>284</b>

\* 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)
- 13 - Salaries and other remuneration

# PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	2018	2017
<b>Net income for the year</b>	<b>256</b>	<b>284</b>
<b>Other comprehensive income*</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange rate differences for the period – translation of foreign subsidiaries**	-	-2
Cash flow hedge	5	2
<b>Other comprehensive income for the year, net of tax</b>	<b>5</b>	<b>1</b>
<b>Total comprehensive income for the year</b>	<b>261</b>	<b>285</b>
<b>Total comprehensive income for the year attributable to:</b>		
Equity holders of the Parent Company	261	285

\* 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, 2018	Dec. 31, 2017
<b>ASSETS</b>	1, 2, 3, 4, 5		
<b>Fixed assets</b>			
<i>Intangible assets</i>	21		
Goodwill		0	0
Capitalized development expenses		21	19
Trademarks, software and licenses		32	21
<b>Total intangible assets</b>		<b>53</b>	<b>40</b>
<i>Tangible assets</i>			
Buildings, land and land improvements	22	11	12
Machinery and other technical equipment	23	9	8
Equipment, tools and installations	24	3	3
Construction in progress and advance payments for tangible assets	25	1	2
<b>Total tangible assets</b>		<b>24</b>	<b>25</b>
<i>Financial assets</i>			
Participations in Group companies	26, 38	1 371	932
Deferred tax assets	19	18	19
Other long-term receivables, internal	27	1 764	1 624
Other long-term receivables		6	-
Derivative instruments	29	1	-
<b>Total financial assets</b>		<b>3 159</b>	<b>2 575</b>
<b>Total fixed assets</b>		<b>3 236</b>	<b>2 640</b>
<b>Current assets</b>			
<i>Inventory</i>	10		
Work in progress		-	0
Finished goods and goods for resale		97	88
Advance payments to suppliers		8	10
<b>Total inventories</b>		<b>105</b>	<b>98</b>
<i>Short-term receivables</i>			
Accounts receivable	28	121	112
Derivative instruments	29	1	2
Receivables from Group companies	28	33	32
Tax assets		-	5
Other receivables	28	12	13
Prepaid expenses and accrued income	30	13	14
<b>Total current receivables</b>		<b>179</b>	<b>178</b>
Short-term financial receivables, from Group companies	28	140	138
Cash and bank balances		171	157
<b>Total current assets</b>		<b>595</b>	<b>572</b>
<b>TOTAL ASSETS</b>	32	<b>3 832</b>	<b>3 211</b>

# PARENT COMPANY, BALANCE SHEET, CONTINUED

SEK m	Note	Dec. 31, 2018	Dec. 31, 2017
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	20	59	59
Statutory reserve		11	11
Revaluation reserve		13	13
Development expenditure reserve		3	1
<b>Total restricted equity</b>		<b>87</b>	<b>84</b>
<i>Unrestricted equity</i>			
Retained earnings		1 477	1 425
Net income for the year		256	284
<i>Total non-restricted equity</i>		<i>1 733</i>	<i>1 709</i>
<b>Shareholders' equity</b>		<b>1 819</b>	<b>1 794</b>
<b>Provisions</b>			
Allocation to pensions	33	94	97
Deferred tax liability	33	12	12
<b>Total provisions</b>		<b>106</b>	<b>109</b>
<b>Long-term liabilities</b>			
Bank loans	31	1 384	<b>637</b>
Derivative instruments	29	-	5
<b>Total long-term liabilities</b>		<b>1 384</b>	<b>642</b>
<b>Short-term liabilities</b>			
Accounts payable		61	60
Liabilities to Group companies		222	270
Bank loans	31	103	197
Derivative instruments	29	3	11
Tax liabilities		22	22
Other liabilities		25	26
Allocation to restructuring reserve	9	6	2
Accrued expenses and deferred income	34	82	78
<b>Total short-term liabilities</b>		<b>524</b>	<b>667</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	32	<b>3 832</b>	<b>3 211</b>



# PARENT COMPANY, CHANGES IN EQUITY

SEK m	Share capital	Statutory reserve	Revaluation reserve	Development expenditure reserve	Translation reserve	Cash flow reserve	Unrestricted equity	Total shareholders' equity
<b>Opening balance Jan. 1, 2017</b>	<b>59</b>	<b>11</b>	<b>13</b>	<b>0</b>	<b>7</b>	<b>-7</b>	<b>1 661</b>	<b>1 744</b>
<b>Comprehensive income</b>								
Comprehensive income for the year	-	-	-	-	-	2	284	286
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>284</b>	<b>286</b>
<b>Transactions with owners</b>								
Dividend paid to shareholders for 2016	-	-	-	-	-	-	-235	-235
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-235</b>	<b>-235</b>
<b>Allocation to development expenditure reserve</b>								
	-	-	-	1	-	-	-1	0
<b>Transfer*</b>								
	-	-	-	-	26	-	-26	0
<b>Opening balance Jan. 1, 2018</b>	<b>59</b>	<b>11</b>	<b>13</b>	<b>1</b>	<b>33</b>	<b>-5</b>	<b>1 683</b>	<b>1 794</b>
Changed accounting principle: IFRS 9							-1	-1
<b>Adjusted opening balance Jan. 1, 2018</b>	<b>59</b>	<b>11</b>	<b>13</b>	<b>1</b>	<b>33</b>	<b>-5</b>	<b>1 682</b>	<b>1 793</b>
<b>Comprehensive income</b>								
Comprehensive income for the year	-	-	-	-	-	5	256	261
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>256</b>	<b>261</b>
<b>Transactions with owners</b>								
Dividend paid to shareholders for 2017	-	-	-	-	-	-	-235	-235
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-235</b>	<b>-235</b>
<b>Allocation to development expenditure reserve</b>								
	-	-	-	2	-	-	-2	0
<b>Closing balance Dec. 31, 2018</b>	<b>59</b>	<b>11</b>	<b>13</b>	<b>3</b>	<b>33</b>	<b>0</b>	<b>1 701</b>	<b>1 819</b>

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

# PARENT COMPANY, CASH FLOW STATEMENT

SEK m	Note	2018	2017
<b>Cash flow from operating activities:</b>			
EBIT		13	26
Adjustments for non-cash items	36	46	-13
Interest received		25	22
Dividends received		136	138
Interest paid		-22	-14
Paid income tax		0	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>198</b>	<b>159</b>
<b>Changes in working capital:</b>			
Increase(-)/decrease (+) in inventories		0	3
Increase(-)/decrease(+) in accounts receivable		-8	14
Increase(-)/decrease(+) in receivables		-5	-1
Increase(+)/decrease (-) in accounts payable		-23	1
Increase(+)/decrease(-) in short-term liabilities		-30	1
<b>Cash flow from operating activities</b>		<b>-66</b>	<b>18</b>
<b>Cash flow used in investing activities:</b>			
Acquisition of intangible assets	21	-34	-13
Acquisition of tangible assets	22, 23, 24, 25	4	-9
Sale of tangible assets		0	0
Change in net lending to Group companies		-64	-43
Acquisition of subsidiaries		-470	-49
Sale of subsidiaries		25	-
Change in interest-bearing receivables		0	37
<b>Cash flow used in investing activities</b>		<b>-539</b>	<b>-77</b>
<b>Cash flow used in financing activities:</b>			
Dividend paid to shareholders		-235	-235
Net change, overdraft facilities and other financial liabilities		36	21
Repayment of debt		-52	-488
Loans received		672	640
<b>Cash flow used in financing activities</b>		<b>421</b>	<b>-62</b>
<b>Cash flow for the year</b>		<b>14</b>	<b>38</b>
Cash and cash equivalents, opening balance		157	119
<b>Cash and cash equivalents, closing balance</b>		<b>171</b>	<b>157</b>

# 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](http://www.duni.com). Duni is listed on NASDAQ in Stockholm under the ticker name "DUNI".

On March 20, 2019, the Board of Directors approved this annual report for publication. The annual report may be changed by the Company's owners after approval by the Board.

Unless otherwise specifically stated, all amounts are reported in million kronor (SEK m) and relate to the 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. 1/1/2017–12/31/2017.

## 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,
- and 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 2.20, 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, 2018. Presented below are the standards that Duni applies for the first time with respect to the financial year commencing on January 1, 2018. The new rules have no retractive effect on Duni and the comparative figures for 2017 have therefore not been restated.

Other standards, changes and interpretations which enter into force as regards the financial year commencing on January 1, 2018 have no material impact on the consolidated financial statements.

#### IFRS 9 Financial instruments (adopted by the EU)

Duni has applied the standard as of January 1, 2018 and, in accordance with the standard, comparative figures have not been restated. IFRS 9 replaces the parts of IAS 39 covering the recognition and derecognition of financial instruments from the balance sheet, the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting.

With the exception of the Parent Company's reporting, Duni has no income statement or balance sheet transition effects from this standard. The Parent Company's transition effect concerns provisions for intra-Group receivables as a consequence of IFRS 9. This means that a provision is made for intra-Group receivables even if it is not considered an expected loss for the Group. The provision amounts to SEK 0.7 m, which is carried to equity in the Parent Company.

The new hedge accounting rules in IFRS 9 are more compatible with the Company's risk management in practice as the standard introduces a more principle-based approach to hedge accounting. Duni's previous hedging arrangements qualified for hedge accounting under IFRS 9 and the hedging documentation has been updated in accordance with this.

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

IFRS 15 is the new standard for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. Duni has applied the prospective transition method, according to which the comparative figures have not been restated.

Application of the new standard has not had any material impact on Duni's income statement or balance sheet.

The recognition of returned goods in the balance sheet has changed and they are recognized at their gross amount in the balance sheet as of January 1, 2018. Estimated returned goods are recognized as a provision and the cost of sold goods with respect to the recognized returned goods increases inventories instead of being recognized at its net amount in the liability for the provision for estimated returns as in the past. Inventories at year-end increased by SEK 6 m as a result of this change.

Other standards, changes and interpretations which enter into force as regards the financial year commencing on January 1, 2018 have no material impact on the consolidated financial statements.

A number of new standards and interpretations enter into force as regards financial years beginning after January 1, 2018, and these have not been applied in conjunction with the preparation of this financial report. These new standards and interpretations are expected to impact Duni's financial reports as follows:

#### IFRS 16 Leases

##### *Material requirements*

IFRS 16 was published in January 2016. Implementation of the standard results 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.

## Impact

The standard will primarily impact the reporting of Duni's operating leases. Duni will recognize the accumulated effect of initial IFRS 16 application as an adjustment to the opening balance on the initial application date and the transition will not have any impact on shareholders' equity. The lease liability is measured at the present value of the remaining lease payments. The right-of-use asset for all identified leases subject to the new standard equals the amount of the lease liability. The expenses for these leases will be recognized in the income statement as depreciation and interest expenses, which will impact income metrics such as EBITDA, EBIT and net financial items. Duni has chosen to apply the practical exemptions for short-term leases (leases of 12 months or less) and leases of low-value assets (the underlying asset's value is less than USD 5 k) and not recognize an asset and liability for them. Instead, these leases are recognized as recurring expenses in the income statement. Duni has chosen to divide its leases into portfolios and use the same discount rate on lease portfolios with similar characteristics.

For a bridge between obligations for operating leases at December 31, 2018 and the lease liability recognized upon transition to IFRS 16, see Note 37.

## Applicable from January 1, 2019

IFRS 16 Leases will be applicable to financial years beginning on or after January 1, 2019. Duni has chosen to use the simplified transition method for transition to IFRS 16 where comparative figures are not restated.

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 and/or liability to minority shareholders. 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 fair value for the assets of the acquired subsidiary, in the event of a "bargain purchase", the difference is reported directly in the Consolidated statement of comprehensive income.

Intra-group transactions, 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 holding's proportionate share of the identifiable net assets of the acquired company. This choice of principle is made for each individual business acquisition. Duni has recognized non-controlling interests at fair value in subsidiaries Terinex Siam in Thailand, Sharp Serviettes in New Zealand, Biopac UK Ltd in the UK and BioPak Pty Ltd in Australia.

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 consideration will be based on the Company's normalized average financial performance for the two closed financial years preceding the date the option is exercised.

Duni has an obligation to acquire the remaining 25% of the shares in Kindtoo Ltd (Biopac UK Ltd). The minority owners have a put option during the period from August 2020 to March 2021, whereby the redemption price is determined by the future income.

Duni has an obligation to acquire the remaining 20% of the shares in BioPak Pty Ltd in five years. One of the minority shareholders of BioPak Pty Ltd has a put option during the period from October 2023 to April 2024, whereby the redemption price is determined by the future income. The liability is equivalent to the discounted expected redemption price of the option, which is calculated using a profit multiple at par with that used in the initial transaction. This liability to minority shareholders was measured at SEK 336 m at year-end. The value will change depending on the company's growth and profitability in the coming five years.

As a result of the aforementioned options, these companies are recognized as if they were fully consolidated and a liability corresponding to the discounted expected redemption price for the options is recognized 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 related is recognized directly in equity and separated from other changes in equity. The liability to minority shareholders is recognized as a derivative instrument.

### 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. 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 at the closing day rate
- b) revenue and expenses for each of the income statements are translated at the average exchange rate
- c) all exchange rate differences which arise are reported in other comprehensive income

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

Duni applies IFRS 15 Revenue from Contracts with Customers as of January 1, 2018 and has chosen the prospective transition method. The new standard has not had any impact on Duni's income statement or balance sheet. 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 control over the goods is transferred, which occurs when the goods are delivered to the customer or wholesaler and there are not any unfulfilled obligations that could impact approval of the goods. Delivery occurs when the goods have been transported to the specific location, the risk of obsolete or lost goods has been transferred to the customer or wholesaler and they have accepted the goods in accordance with the contract, the deadline for complaints against the contract has expired or Duni has objective evidence that all criteria for acceptance have been met.

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. Revenue is recognized only to the extent it is highly probable that no substantial reversal will occur. A liability is recognized for expected volume discounts in relation to sales until the balance sheet date. Given that the magnitude of returns has been stable in the past years, it is highly probable that there will not be any substantial reversal of recognized revenue. The validity of customer agreements, entitlement to discounts, customer bonuses and returns, and the estimated quantity of returns or customer bonuses is reassessed at each balance sheet date. 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 relationships, trademarks and licenses

Identifiable acquired customer relationships are recognized at fair value and are attributable to acquisitions made from 2013 onwards. The relationships are amortized on a straight-line basis over an estimated useful life of 10 years.

Acquired trademarks and licenses are recognized at cost. Trademarks and licenses have a determinable useful life and are recognized at cost 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 exist to use or sell the intangible asset;
- (d) the way in which the intangible asset will generate probable future economic benefits can be demonstrated;
- (e) adequate technical, financial and other resources exist to complete the development and to use or sell the intangible asset; and
- (f) the expenditures which relate to the intangible asset during its development can be calculated in a reliable manner.

Other development 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 ASSETS

Buildings and land primarily include plants and offices. All tangible assets are recognized at cost less depreciation. Cost 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 cost 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 cost 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.

Duni will apply the new accounting standard for leases, IFRS 16, as of January 1, 2019. What the standard implies can be found in section 2.1.1 above and the transition effects are disclosed in Note 37.

Duni leases various properties, cars and forklifts. Rental contracts vary in length and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis and the lease liabilities include the net present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 2.11 FINANCIAL ASSETS AND LIABILITIES

Duni applies IFRS 9, issued by the IASB in July 2014, as of January 1, 2018. The application of this standard resulted in changes in accounting principles. Duni did not opt for early application of IFRS 9 in previous periods. The Group opted to continue applying the hedge accounting rules of IAS 39 upon application of IFRS 9. As is permitted in the IFRS 9 transition rules, the Group opted to not restate comparative figures.

### Classification

Duni's new principles for the classification and measurement of financial assets are based on an assessment of both (i) the company's business model for managing financial assets and (ii) the characteristics of the

contractual cash flows from the financial asset.

Financial assets are initially measured at fair value plus, if the asset is not recognized at fair value through profit or loss, transaction costs directly attributable to the purchase. Transaction costs attributable to financial assets measured at fair value through profit or loss are recognized as an expense in the income statement directly.

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 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.

The Group's derivatives are measured at fair value in the balance sheet. In cases where hedge accounting is applied or if the derivatives comprise a package of options in respect of acquired subsidiaries, the changes in value are recognized through other comprehensive income. In other cases, the changes in value are recognized through profit or loss, including cases where they financially hedge the risk but hedge accounting is not applied. See more below in the section entitled Derivative instruments and hedge accounting.

### 2.11.1 Assets measured at amortized cost

Duni only classifies its financial assets as assets measured at amortized cost when the following requirements are met:

- the asset is part of a business model with the goal of collecting contract sure cash flows, and
- the contract terms create cash flows that solely consist of capital and interest on the outstanding capital at specific points in time.

The following financial assets are measured at amortized cost: Financial assets, Other receivables, Accrued revenue, Accounts receivable and Cash and cash equivalents. These assets were measured at amortized cost under the previous policies as well.

### 2.11.2 Assets measured at fair value through profit or loss

Duni does not have any other financial assets except derivative instruments measured at fair value through profit or loss.

### 2.11.3 Assets measured at fair value through other comprehensive income

Duni does not have any other financial assets except derivative instruments measured at fair value through other comprehensive income.

### 2.11.4 Financial liabilities measured at amortized cost

Long-term and short-term interest-bearing liabilities and other financial liabilities such as accounts payable and accrued expenses are included in this category. These liabilities are measured at amortized cost.

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.

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.

### 2.11.5 Financial liabilities measured at fair value through profit or loss

Duni does not have any other financial liabilities except derivative instruments measured at fair value through profit or loss.

### **2.11.6 Financial liabilities measured at fair value through other comprehensive income**

Duni does not have any other financial liabilities except derivatives instruments measured at fair value through other comprehensive income.

### **2.11.7 Derivative instruments and hedge accounting**

Derivative instruments are recognized in the balance sheet at the transaction date and measured at fair value, upon both initial recognition and subsequent measurement. Recognition of subsequent changes in value depends on whether the derivative has been identified as a hedging instrument and, if such is the case, the nature of the hedged item. If a hedging arrangement has not been identified, the change in value of the derivative instrument is recognized in the income statement with the exception of any call and put options agreed with minority shareholders during business combinations. These are recognized directly in equity as a transaction with minority shareholders. Duni identifies certain derivatives as either hedges of forecast cash flows or hedges of a net investment in a foreign operation.

To meet the requirements of hedge accounting, certain documentation concerning the hedging instrument and its relationship to the hedged item is required. Duni also documents goals and strategies for risk management and hedging measures, as well as an assessment of the effectiveness of the hedging arrangement in terms of offsetting changes in fair value or cash flow for hedged items, both at the start of the hedge and then on an ongoing basis.

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.

#### *Cash flow hedges*

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 profit or loss attributable to the ineffective part is reported immediately in the income statement under Other net profits/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.

The Group hedges its future interest payments using interest rate swaps. The Group enters into interest rate swaps that have the same critical terms as the hedged object. Critical terms can be the reference rate, interest conversion dates, payment dates, due dates and the nominal amount. The Group does not hedge 100% of its loans and therefore only identifies the share of outstanding loans corresponding to the nominal amounts of the swaps. Ineffectiveness could arise because of CVA/DVA adjustment to the interest rate swap. There was not any ineffectiveness attributable to interest rate swaps in 2018 and 2017.

#### *Net investment hedges*

Hedges of net investments in foreign operations are recognized similarly to cash flow hedges. The share of a gain or loss on a hedging instrument considered an effective hedge is recognized in other comprehensive income and accumulated in equity. The gain or loss attributable to the ineffective part is recognized immediately in the income statement as other revenue or other expenses. Accumulated gains and losses in equity are reclassified to profit or loss when foreign operations are fully or partially divested.

In 2018, the Parent Company entered into currency forward contracts and raised bank loans in AUD totaling AUD 21 m, which were identified as hedging the net investment in Biopak Pty Ltd. There was no ineffectiveness to be recognized from hedges of net investments in foreign operations.

### **2.11.8 Impairment of receivables**

As of January 1, 2018, Duni measures future expected credit losses related to investments in debt instruments measured at amortized cost

or fair value with changes through other comprehensive income based on forward-looking information. The Group chooses the provision method based on whether or not a material increase in credit risk has occurred. In accordance with the rules of IFRS 9, the Group applies a simplified method for impairment testing of accounts receivable. As a result of the simplification, the provision for expected credit losses is calculated based on the risk of loss for the entire term of the receivable and is recognized upon initial recognition of the receivable.

### **2.11.9 Calculation of fair value**

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.

### **2.11.10 Derecognition of financial assets and liabilities**

Financial instruments are derecognized from the balance sheet when all risks and rewards have been transferred to another party or when obligations have been met.

### **2.11.11 Accounting principles applied until december 31, 2017**

The switch from IAS 39 to IFRS 9 only resulted in a change in terminology. Duni previously classified Cash and Bank Balances, Other Receivables, Accrued income and Accounts receivable as Loan receivables and accounts receivable, which are now Financial assets measured at amortized cost. Duni previously only recognized impairment losses on receivables if there were objective evidence of impairment for a financial asset or a group of financial assets. The change in policy has not resulted in any significant differences.

## **2.12 INVENTORIES**

Inventories are recognized at lower of cost and net realizable value. Cost is determined using the first in, first out method (FIFO). The cost 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 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.

## 2.15 EMPLOYEE BENEFITS

### 2.15.1 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.

### 2.15.2 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.

## 2.16 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.

## 2.17 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.

## 2.18 EMISSION RIGHTS

Duni participates in the EU's emission rights trading system. Received emission rights are initially measured at cost, 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.

## 2.19 GOVERNMENT ASSISTANCE

Government grants are recognized at fair value when there is reasonable certainty that the grant will be received and that Duni will meet the conditions associated with the grant. 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.

## 2.20 THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company prepares its annual report pursuant to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, 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.

As does the Group, the Parent Company applies the new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

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

### 2.20.1 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.

#### *Liability for minority shareholder put option*

The liability for put options to priority shareholders is recognized in the Parent Company at the lower of cost or net realizable value. The Group recognizes this liability as a long-term derivative liability.

#### *Intangible assets*

Intangible assets in the Parent Company are recognized at cost 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 assets*

Tangible assets in the Parent Company are recognized at cost 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 financial risks: currency risks, price risks regarding energy consumption and pulp purchases, 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 relationships established by Duni as an element in its risk management do not qualify for hedge accounting pursuant to the rules in IFRS 9, apart from two exceptions. Duni has taken out interest rate swaps as hedge instruments. The interest rate swaps are recognized in accordance with the rules governing cash flow hedges. The other exception is that part of the assets in newly acquired company BioPak Pty Ltd is hedged using currency forward contracts pursuant to the rules on net investment hedges in foreign currency.

#### **3.1.1 Market risks**

##### *Currency risk*

Duni operates internationally and is exposed to currency risks which arise from various currencies 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 – Consolidation*

Translation exposure arises when the income statements of subsidiaries are translated to SEK. Translation exposure – consolidation refers to the Group exposure's in connection with the consolidation and translation of subsidiaries with a different functional currency than the Group's functional currency, SEK. The Group's functional currency is the same as its presentation currency. Translation from each company's functional currency to SEK has a major impact on the Group's reported revenue and income. At unchanged exchange rates compared with 2017, net sales for the year would have been SEK 218 m lower and the underlying operating income would have been SEK 33 m lower.

##### *Translation exposure – Balance sheet*

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 approximately 85% by internal net lending with the same currency breakdown. The remaining 15% 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 (2017: +/- SEK 5 m). The corresponding figures for the Parent Company are approximately +/- SEK 3 m (2017: +/- SEK 4 m).

There is also exposure in the Group because the Group's net assets are in subsidiaries with currencies other than SEK. Translation of these net assets results in translation effects that are recognized in other comprehensive income. The Group has a policy that governs when and to what extent this exposure is to be hedged. As of 2018, the Group hedges part of the net assets in newly acquired company BioPak Pty Ltd using currency forward contracts. Currency forward contracts are recognized pursuant to the rules on net investment hedges in foreign currency. The hedge is strictly for financial aims and not for speculative purposes. The derivative instrument meets the criteria for hedge accounting. The impact of the hedge is assessed when the hedging arrangement is entered into. The hedged item and hedging instrument are assessed on an ongoing basis to ensure that the arrangement meets the requirements.

##### *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. Duni's external outflows are primarily in SEK, USD and PLN, while external inflows are primarily in DKK, NOK, CHF and GBP. Duni's policy is to not hedge flows in foreign currency in any way other than as is described above.

Duni furthermore 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.

Uncertainty about Brexit and what will happen after March 29, 2019 is seen as a risk. Duni's total net exposure in GBP is approximately SEK 300 m. A change in GBP of +/- 5% would impact income by approximately SEK 15 m.

#### **Price risks**

##### *Energy price risks*

Through their energy-intensive operations, production and conversion units are 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 used by all production and conversion units in Europe affects income by approximately +/- SEK 5 m (2017: SEK 3 m).

During 2018, the subsidiary Rexcell Tissue & Airlaid AB purchased

approximately 82,370 MWh of electricity at a cost of approximately SEK 45 m; 4,470 metric tons of LPG for approximately SEK 25 m; and woodchips for the biofuel boiler at a cost of approximately SEK 11 m (2017: 87,393 MWh of electricity for SEK 36 m; 4,493 metric tons of LPG for SEK 19 m; and woodchips for SEK 9 m).

Rexcell Tissue & Airlaid AB has been allocated emission rights for the period 2013 to 2020, divided between Dals Långed and Skåpafors. In 2018, Rexcell Tissue & Airlaid AB had 4,672 (5,130) unused emission rights with a market value of SEK 0 m (0). In total, 13,406 metric tons were used in Skåpafors in 2018. For more information about emission rights, please see the Directors' Report.

#### *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 2018 affects income by +/- SEK 5 m (2017: SEK 4 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. The interest rate swaps are solely for financially hedging risks, not speculative purposes.

The impact of the hedge is assessed when the hedging arrangement is entered into. The hedged item and hedging instrument are assessed on an ongoing basis to ensure that the arrangement meets the requirements. The Group does not hedge 100% of its loans and therefore only identifies the share of outstanding loans corresponding to the nominal amounts of the interest rate swaps. The financial relationship has been 100% effective because the critical conditions have been matched throughout the year.

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 12/31/2018 been 100 points higher/lower, with all other variables being constant and taking into account interest rate swaps, Duni's net financial items for 2018 would have been SEK 8 m lower/higher (2017: SEK 1 m). Other components in equity would have been SEK 6 m lower/higher (2017: SEK 6 m), primarily as a consequence of a decrease/increase in the fair value of interest rate derivatives used as hedge instruments.

#### *Risk of liability to minority owner put option*

On October 15, 2018, Duni acquired 75% of the shares in BioPak Pty Ltd in Australia. There is a put option and a call option both parties can opt to exercise within two years amounting to approximately SEK 24 m for an additional 5% of the shares. Duni has an obligation to acquire the remaining 20% of the shares within five years. One of the minority shareholders of BioPak Pty Ltd thus has a put option during the period from October 2023 to April 2024, whereby the redemption price is determined by the future income.

In February 2018, Duni acquired 75% of the shares in Kindtoo Ltd, which is marketed under the name of Biopac UK Ltd. The minority owners of Kindtoo Ltd have a put option during the period from August 2020 to March 2021, whereby the redemption price is determined by the future income and Duni has an obligation to acquire the remaining 25%.

In a previous year, Duni acquired 80% of the shares of New Zealand company United Corporations 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 small part as a short-term and the rest as a long-term derivative liability for these put options 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 acquired companies except BioPak Pty LTD increases by 10%, this will generate an impact of SEK 1 m on the Group's equity. The major impact is in BioPak Pty Ltd. The put option was measured at SEK 336 m at year-end. The value of this option will change depending on the company's growth and profitability in the coming five years. If the assumed growth and profitability rate increase or decrease by 10%, the value of the put option would change by approximately +/- SEK 18 m.

### **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) or better 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 0.89% of total accounts receivable (2017: 0.77%). For the Parent Company, the corresponding figure is 1.30% (2017: 1.22%).

### **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, 2018, Duni had cash and equivalents of SEK 260 m (2017: SEK 227 m) as well as a non-utilized credit facility of SEK 843 m (2017: SEK 1,300 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 as a percentage of the underlying 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.

Duni's financing agreement was signed on December 18, 2017. The financing is long term and consists of two loan facilities with revolving borrowing in EUR. The two facilities total EUR 200 m. During the year, an extension option was exercised for the facility amounting to EUR 150 m, putting the expiration date in December 2021. The facility of EUR 50 m matures in June 2020. Duni has the possibility to freely use the facilities based on the Company's liquidity needs within the term of the facility. In addition to this financing, there is a put call totaling EUR 10 m which matures in May 2019. There are overdraft facilities in place totaling EUR 17 m that had not been used at December 31, 2018.

The table shows the Group's contracted outstanding non-discounted interest payments and repayments on financial liabilities and liabilities regarding derivative instruments:

SEK m	Carrying amount	1-3 months		3-12 months		More than 1 year but within 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Bank loans	-1 502	-1	-	-	-103	-	-1 399
Overdraft facilities	-	-	-567	-	-	-	-
Accounts payable and other liabilities	-567	-	-567	-	-	-	-
- Currency forward contracts*	0	-	-	-	-	-	-
- Interest rate swaps	-3	-1	-	-	-3	-	-
- Liability for minority shareholder put option	-348	-	-	-	-9	-	-340
<b>Derivative instruments - Liabilities</b>	<b>-351</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-12</b>	<b>0</b>	<b>-340</b>
- Currency forward contracts*	1	-	-	-	-	-	-
- Interest rate swaps	-	-	-	-	-	-	-
<b>Derivative instruments - Assets</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>-2 419</b>	<b>-2</b>	<b>-567</b>	<b>0</b>	<b>-115</b>	<b>0</b>	<b>-1 739</b>

\* Gross inflows are reported in the table below.

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

SEK m	2018	2017
Currency forward contracts	1	-9
Interest rate swaps	-3	-5
Liability for put option of minority owners*	-348	-11
<b>Total</b>	<b>-350</b>	<b>-25</b>

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

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	2018	2017
<b>Currency forward contracts</b>		
- Inflow regarding contracts for financial assets and liabilities	394	771
- Outflow regarding contracts for financial assets and liabilities	-393	-777

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 carrying amount. This is due to the fact that the Group's transaction costs in connection with the arrangement of loans are booked against the loan.

#### Impact of hedge accounting on the Group's financial position and performance

The effects of hedge accounting of the impact of currency risks on the Group's financial position and performance are shown below:

Net investment in foreign operations	2018	2017
Recognized amount (AUD m)	63	-
Nominal amount of hedging instruments (AUD m)	21	-
Hedge ratio	34%	-
Weighted average of forward prices during the year (including forward points)	6,3807	-

The hedged item is estimated to, in all material respects, have the same change in fair value as the hedging instrument.

#### Derivative instruments - Interest rate swaps

	2018	2017
Recognized amount (EUR m)	40	40
Maturity date	8/7/2019	8/7/2019
Nominal amount of hedging instruments (EUR m)	40	40
Hedge ratio	28%	47%
Weighted average of the variable interest rate during the year	-0.324%	-0.325%

The hedged item is estimated to, in all material respects, have the same change in fair value as the hedging instrument.

#### Hedge reserve

SEK k	Interest rate swaps	Currency forwards
<b>Balance at 1/1/2017</b>	<b>-5 965</b>	<b>0</b>
Plus: Change in fair value of hedging instrument recognized in other comprehensive income	2 654	-
Less deferred tax	-584	-
<b>Balance at 12/31/2017</b>	<b>-3 895</b>	<b>0</b>
Plus: Change in fair value of hedging instrument recognized in other comprehensive income	2 952	3 267
Less deferred tax	-662	-699
<b>Balance at 12/31/2018</b>	<b>-1 605</b>	<b>2 568</b>

The hedge expense is included in the table above and its amount is negligible.

### 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	
	2018	2017
<b>Total borrowings</b>	<b>1 502</b>	<b>834</b>
Overdraft facilities	0	2
Other long-term receivables	2	2
Allocation to pensions	255	244
Long-term interest-bearing receivable	-9	-
Less: cash and cash equivalents	-260	-227
Interest-bearing net debt*	1 490	855
	<b>2 616</b>	<b>2 594</b>
<b>Total capital</b>	<b>4 106</b>	<b>3 449</b>
Net debt/equity ratio	36%	25%

\* The calculation of interest-bearing net debt is exclusive of derivatives.

### 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, except for the put option to the minority shareholders, which is classified in level 3.

## 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 assets

Group Management determines the estimated useful life and thereby the amortization and depreciation on the Group's intangible and tangible 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 1 percent unit lower than the management's judgment 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	2018	2017
Table Top	7.6%	8.1%
Consumer	8.8%	9.3%
New Markets	10.6%	11.1%

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 to companies in the healthcare and care sectors. Table Top mainly markets napkins, table covers and candles for the set table.

The **Meal Service** business area offers concepts for meal packaging and serving products for applications including takeaway, ready-to-eat meals, and various types of catering. The business area's customers are mainly takeaway-driven restaurants, food producers, and health and care.

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 different types of 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.

The business areas generally share the same product range. However, design and packaging solutions are adapted to match 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 on a monthly basis 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						
2018, SEK m	Table Top	Meal Service	Consumer	New Markets	Non-distributed	TOTAL
Total net sales	2 486	846	1 074	448	86	4 940
Net sales from other segments	-	-	12	-	-	12
<b>Net sales from external customers</b>	<b>2 486</b>	<b>846</b>	<b>1 061</b>	<b>448</b>	<b>86</b>	<b>4 927</b>
Operating income	330	41	42	13	4	430
Items not included in operating income	-17	-5	-36	-22	0	-80
<b>Reported EBIT</b>	<b>313</b>	<b>36</b>	<b>6</b>	<b>-9</b>	<b>4</b>	<b>351</b>
Financial income						1
Financial expenses						-23
Income tax						-79
<b>Net income for the year</b>						<b>249</b>
Total assets	2 912	311	1 336	1 424	44	6 027
Total liabilities	804	137	391	551	1 528	3 411
Investments	110	13	61	17	4	205
Depreciation/amortization	82	11	78	29	2	201

Operating segment						
2017, SEK m	Table Top	Meal Service	Consumer	New Markets	Non-distributed	TOTAL
Total net sales	2 338	705	1 034	322	67	4 465
Net sales from other segments	-	0	24	-	-	24
<b>Net sales from external customers</b>	<b>2 338</b>	<b>704</b>	<b>1 010</b>	<b>322</b>	<b>67</b>	<b>4 441</b>
Operating income	375	31	57	24	5	491
Items not included in operating income	0	0	-26	-9	0	-35
<b>Reported EBIT</b>	<b>375</b>	<b>31</b>	<b>31</b>	<b>15</b>	<b>5</b>	<b>456</b>
Financial income						0
Financial expenses						-18
Income tax						-106
<b>Net income for the year</b>						<b>334</b>
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

## IFRS 15 DIVISION OF REVENUE

IFRS 15 stipulates new requirements for revenue recognition and revenue from customer contracts is divided into different categories. Duni has identified each of its business areas in four different category types. Within these, sales by region and by product group are specified in order to reflect the nature of Duni's sales. Duni's goods and services are transferred at the same time, and income is received in the same month as the goods are delivered to the customer or the service is rendered.

2018, SEK m	Table Top	Meal Service	Consumer	New Markets	Other	TOTAL
<i>Primary geographic regions</i>						
Nordic region	367	328	149	1	18	863
Central Europe	1 641	349	782	1	42	2 815
Southern & Eastern Europe	478	168	71	32	22	771
Rest of the world	0	0	59	415	4	478
<b>Total</b>	<b>2 486</b>	<b>846</b>	<b>1 061</b>	<b>448</b>	<b>86</b>	<b>4 927</b>
<i>Product groups</i>						
Napkins	1 699	-	559	213	-	2 472
Table covers	588	-	195	16	-	799
Candles	157	-	20	7	-	183
Packaging solutions	-	478	1	47	-	526
Serving products	-	341	77	135	-	553
Other	42	26	210	29	86	394
<b>Total</b>	<b>2 486</b>	<b>846</b>	<b>1 061</b>	<b>448</b>	<b>86</b>	<b>4 927</b>
<i>Time of revenue recognition</i>						
Goods/services transferred at once	2 486	846	1 061	448	86	4 927
Goods/services transferred over time	-	-	-	-	-	0
<b>Total</b>	<b>2 486</b>	<b>846</b>	<b>1 061</b>	<b>448</b>	<b>86</b>	<b>4 927</b>

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	2018	2017
<b>Bridge between operating income and EBIT</b>		
Operating income	430	491
Restructuring costs	-31	0
Unrealized value changes, derivative instruments	0	-
Amortization of intangible assets identified in connection with business acquisitions	-43	-34
Fair value allocation in connection with business acquisitions	-6	-1
<b>Reported EBIT</b>	<b>351</b>	<b>456</b>

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	2018	2017
<b>Non-allocated liabilities</b>		
Overdraft facilities	-	2
Leases	2	4
Bank loans	1 501	834
Liabilities of other operations not tracked as an operating segment	24	21
<b>Total non-allocated liabilities</b>	<b>1 528</b>	<b>860</b>

Total sales from external customers broken down per product group:

SEK m	2018	2017
<b>Product groups</b>		
Napkins	2 472	2 270
Table covers	799	785
Candles	183	181
Serving products	553	455
Packaging solutions	526	412
Other*	394	339
<b>Net sales from external customers</b>	<b>4 927</b>	<b>4 441</b>

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

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

SEK m	2018	2017
<b>Net sales</b>		
Sweden	337	324
Rest of the Nordic region	526	513
Germany	1 482	1 371
Rest of Central Europe	1 333	1 198
Southern and Eastern Europe	771	697
Rest of the world	479	338
<b>Net sales from external customers</b>	<b>4 927</b>	<b>4 441</b>

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

Total tangible and intangible assets broken down per geographic area:

SEK m	2018	2017
<b>Tangible and intangible assets</b>		
Sweden	1 581	1 544
Germany	996	996
Rest of Central Europe	27	2
Southern and Eastern Europe	160	138
Australia	704	-
Rest of the world	331	311
<b>Total tangible and intangible assets</b>	<b>3 798</b>	<b>2 991</b>

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

Parent Company, SEK m	2018	2017
<b>Operating segment</b>		
Table Top	565	564
Meal Service	396	373
Consumer	178	175
New Markets	45	39
Other	9	9
<b>Total net sales</b>	<b>1 194</b>	<b>1 160</b>

Parent Company, SEK m	2018	2017
<b>Geographic areas</b>		
Nordic region	781	759
Central Europe	301	275
Southern and Eastern Europe	112	126
Rest of the world	0	0
<b>Total net sales</b>	<b>1 194</b>	<b>1 160</b>

## NOTE 6 – INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to SEK 3,238 m (2017: 2,981). The Parent Company sold goods to its subsidiaries for SEK 392 m (2017: 377) and purchased goods from subsidiaries in the amount of SEK 731 m (2017: 698). 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.

SEK m	Note	Group	
		2018	2017
Change in inventories of finished products and products in progress		1 029	785
Raw materials and consumables		986	933
Expenses for remuneration of employees	13	1 201	1 090
Depreciation, amortization and impairment	8	199	174
Other expenses		1 165	1 015
<b>Total operating expenses</b>		<b>4 580</b>	<b>3 997</b>

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

## NOTE 8 – DEPRECIATION AND AMORTIZATION

Depreciation/amortization SEK m	Group		Parent Company	
	2018	2017	2018	2017
Customer relationships	40	34	0	-
Capitalized development expenses	12	10	8	7
Trademarks and licenses	13	6	3	4
Buildings and land improvements	18	15	1	1
Plant and equipment	118	108	4	4
<b>Total depreciation/amortization</b>	<b>201</b>	<b>174</b>	<b>17</b>	<b>16</b>

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

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Cost of goods sold	116	106	2	2
Selling expenses	8	7	-	-
Administrative expenses	29	26	15	14
Research and development expenses	0	0	0	0
Other operating expenses	49	34	0	-
<b>Total depreciation/amortization</b>	<b>201</b>	<b>173</b>	<b>17</b>	<b>16</b>

Impairment SEK m	Group		Parent Company	
	2018	2017	2018	2017
Capitalized development expenses	-	-	-	-
Buildings and land improvements	-	-	-	-
Plant and equipment	-2	-	-	-
Construction in progress and advance payments for tangible assets	-	-	-	-
<b>Total impairment</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Selling expenses	-	-	-	-
Other operating expenses	-2	-	-	-
<b>Total impairment</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NOTE 9 – RESTRUCTURING COSTS – ALLOCATION TO RESTRUCTURING RESERVE

Restructuring costs amounted to SEK 31 m (0). In October 2018, an efficiency-improvement program was launched with a focus on cutting indirect costs. The program extends to Duni's entire business, all business areas, and its measures include downsizing. Around 60 people are affected and the total restructuring cost of is estimated at SEK 33 m, of which SEK 31 m was recognized in 2018. The annual savings of this program are estimated to exceed SEK 35 m with full effect as of Q3 2019. In 2017, restructuring costs were incurred for efficiency improvements in marketing and sales. The Company also received damages attributable to the period before Duni was listed. This revenue is also attributable to the Parent Company.

Restructuring costs are included in each function as follows:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Cost of goods sold	11	1	-	-
Selling expenses	12	4	0	-
Administrative expenses	8	3	6	-
Other operating expenses	-	-7	-	-7
<b>Total restructuring expenses</b>	<b>31</b>	<b>0</b>	<b>6</b>	<b>-7</b>

Allocation to restructuring reserve:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Opening balance, restructuring reserve	6	12	2	6
Utilized reserves	-8	-14	-2	-4
Reversal of reserve	-	-	-	-
Allocations for the year	31	8	6	-
<b>Closing balance, restructuring reserve</b>	<b>29</b>	<b>6</b>	<b>6</b>	<b>2</b>
Of which short-term	23	6	6	2



## NOTE 10 – INVENTORIES

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Raw materials and consumables	174	165	-	-
Work in progress	7	8	-	-
Finished goods and goods for resale	559	435	97	88
Advance payments to suppliers	31	18	8	10
<b>Total</b>	<b>771</b>	<b>627</b>	<b>105</b>	<b>98</b>

The change in inventories is reported under the item "Costs of goods sold" and, for the Group, amounts to SEK 3,833 m (2017: 3,361). The corresponding item for the Parent Company amounts to SEK 798 m (2017: 772).

The Group's impairment write-down of inventory to the net realizable value amounts to SEK 6 m (2017: 5). The Parent Company's reported impairment write-down of inventory amounts to SEK 3 m (2017: 2). Impairment losses have been reversed in 2018 in the amount of SEK 1 m (2017: 0).

## NOTE 11 – REMUNERATION FOR AUDITORS

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>PricewaterhouseCoopers</b>				
- Audit engagement	4.3	3.7	1.7	1.7
<i>of which to PricewaterhouseCoopers AB</i>	1.9	1.9	1.7	1.7
- Auditing activities in addition to the audit engagement	0.1	0.2	-	-
<i>of which to PricewaterhouseCoopers AB</i>	-	-	-	-
- Tax advice	1.9	2.9	0.7	1.1
<i>of which to PricewaterhouseCoopers AB</i>	0.7	1.1	0.7	1.1
- Other services	2.6	0.9	2.6	0.8
<i>of which to PricewaterhouseCoopers AB</i>	2.6	0.8	2.6	0.8
<b>Total</b>	<b>8.9</b>	<b>7.7</b>	<b>4.9</b>	<b>3.6</b>

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Other auditors</b>				
- Audit engagement	0.1	0.1	-	-
- Auditing activities in addition to the audit engagement	0.0	0.0	-	-
- Tax advice	0.1	0.0	-	-
- Other services	0.0	0.0	-	-
<b>Total</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Total remuneration for auditors</b>	<b>9.1</b>	<b>7.8</b>	<b>4.9</b>	<b>3.6</b>

"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.

	2018			2017		
	Men	Women	Total	Men	Women	Total
<b>Parent Company</b>						
Sweden	71	87	158	67	84	151
<b>Total, Parent Company</b>	<b>71</b>	<b>87</b>	<b>158</b>	<b>67</b>	<b>84</b>	<b>151</b>
<b>Subsidiaries</b>						
Australia*	2	2	4	-	-	-
Austria	7	4	11	7	4	11
Belgium	4	5	9	4	5	9
Czech Republic	3	5	8	3	4	7
Denmark	7	4	11	7	3	10
Finland	6	11	17	5	12	17
France	12	30	42	13	28	41
Germany	685	448	1 133	690	434	1 124
Hungary	1	-	1	1	-	1
Italy	5	1	6	6	2	8
Netherlands	24	26	50	23	21	44
Norway	7	5	12	7	6	13
New Zealand	12	29	41	13	26	39
Poland	215	334	549	199	305	504
Russia	9	9	18	8	7	15
Singapore	10	10	20	26	11	37
Spain	5	7	12	5	7	12
Sweden	157	40	197	154	42	196
Switzerland	15	11	26	14	10	24
Thailand	52	96	148	45	85	130
UK**	15	21	36	8	11	19
<b>Total, subsidiaries</b>	<b>1 253</b>	<b>1 098</b>	<b>2 351</b>	<b>1 238</b>	<b>1 023</b>	<b>2 261</b>
<b>Total, Group</b>	<b>1 324</b>	<b>1 185</b>	<b>2 509</b>	<b>1 305</b>	<b>1 107</b>	<b>2 412</b>

\* Calculated from the acquisition date, October 15, 2018

\*\* Biopac UK Ltd is included as of February 2018.

## NOTE 13 – SALARIES AND OTHER REMUNERATION

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Salaries and other remuneration	950	852	105	95
Social security expenses	200	190	31	36
Pension expenses – defined contribution plans	36	33	25	24
Pension expenses – defined benefit plans	15	15	-	-
<b>Total</b>	<b>1 201</b>	<b>1 090</b>	<b>161</b>	<b>155</b>

2018, Payroll expenses by gender	Men	Women	Total
Blue collar employees	61%	39%	100%
White collar staff	59%	41%	100%

The table shows share of average salary for blue collar employees as well as for white collar staff based on total costs for wages, including social security contributions. All employees in the Group, including senior executives, are included and no weighting is done regarding the nature of employment and years or age etc.

Salaries and other remuneration for senior executives and other employees:

SEK m	2018		2017	
	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	46 (2)	7	32 (2)	7
Other employees	910	44	820	40
<b>Group, total</b>	<b>950</b>	<b>51</b>	<b>852</b>	<b>48</b>

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

The Group's Board consists of 5 (2017: 5) individuals, of whom 60% are men (2017: 60%).

Other senior executives' comprise 10 (2017: 9) individuals, including the CEO, of whom 70% are men (2017: 78%).

On September 1, 2018, a new role was added as Marielle Noble joined Duni's management team as Customer Experience Director. Duni's strategic focus on customer quality is crucial to the Company's growth and this role will support Duni's growth in the coming years. Marielle will be responsible for strategic measures aiming to improve the customer experience, brand management and the Company's communications. On September 1, Magnus Carlsson succeeded Thomas Löbb as Corporate Development Director following Mr. Löbb's resignation from the management team on July 1.

### 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 8, 2018, 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, are members of 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 2019 AGM, are in all essential respects the same as those which applied in 2018.

In accordance with a resolution adopted by the AGM on May 8, 2018, the annual fee for the current Chairman of the Board shall be SEK 562,000 (SEK 562,000), while the fee for other directors shall be SEK 300,000 (SEK 300,000) each. In addition, fees for committee work shall be SEK 63,000 (SEK 63,000) to the Chairman of the Remuneration Committee and SEK 29,000 (SEK 29,000) each to the other members of the Remuneration Committee, as well as SEK 121,000 (SEK 121,000) to the Chairman of the Audit Committee and SEK 57,000 (SEK 57,000) 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 2018 and 2017 financial years.

### Remuneration and other benefits during the year

2018, SEK k	Base pay / Board fees	Pension expenses*	Other benefits	Variable remuneration**	Total
Chairman of the Board – Magnus Yngen	648	-	-	-	648
Director – Pauline Lindwall	363	-	-	-	363
Director – Pia Rudengren	421	-	-	-	421
Director – Alex Myers	357	-	-	-	357
Director – Johan Andersson	329	-	-	-	329
Chief Executive Officer – Johan Sundelin	4 067	1 401	130	-	5 598
Other senior executives	13 250	4 472	830	399	18 951
<b>Total</b>	<b>19 435</b>	<b>5 873</b>	<b>960</b>	<b>399</b>	<b>26 667</b>

\* 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 2018 financial year, which are paid out in 2019.

2017, SEK k	Base pay / Board fees	Pension expenses*	Other benefits	Variable remuneration**	Non-recurring remuneration***	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
Chief Executive Officer – Johan Sundelin	833	335	11	-	2 500	3 679
Other senior executives	12 277	4 560	620	677	-	18 134
<b>Total</b>	<b>19 214</b>	<b>6 805</b>	<b>661</b>	<b>677</b>	<b>2 500</b>	<b>29 857</b>

\* 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.

\*\*\* Non-recurring remuneration refers to remuneration received on the start date.

## BONUS

The CEO and all senior executives are included in a bonus system based on profitability and capital tie-up targets, primarily with respect to their individual operational area, but also Group targets. For the CEO, the variable remuneration is capped at 75% (2017: 75%) of the base pay salary. For other senior executives, the variable remuneration is capped at between 75%-50% (2017: 75%-45%) of the base pay. The bonus system covers only one year each time following a decision by the Board of Directors. For the 2018 financial year, a bonus of SEK 0 m (2017: 0) 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. One has 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 including 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.

### 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 in some cases is included in the basis for pension computation.

## NON-RECURRING REMUNERATION

### CEO

No one-time remuneration was paid in 2018. Johan Sundelin received non-recurring remuneration of SEK 2,500 k on the start date of his

employment on October 15, 2017. This amount qualified 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 2018, the Remuneration Committee held three meetings at which minutes were taken.

## NOTE 14 - OTHER OPERATING INCOME

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Exchange rate gains	-	1	3	-
Administrative services	-	-	264	240
Capital gains	0	1	0	-
Other items	3	10	1	7
<b>Total other operating income</b>	<b>3</b>	<b>12</b>	<b>268</b>	<b>247</b>

Government employment assistance (nystartsjobb) amounting to SEK 53 k (2017: 0) is included in Other items. There are not any unfulfilled terms or contingent liabilities associated with these grants. Government assistance intended to cover costs are allocated over periods and recognized as revenue in the income statement in the same periods as the costs which the grant is intended to cover.

## NOTE 15 - OTHER OPERATING EXPENSES

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Exchange rate losses	1	-	-	0
Depreciation/amortization	43	34	0	-
Administrative services	-	-	38	43
Capital loss	2	2	0	1
Other items*	28	11	1	0
<b>Total other operating expenses</b>	<b>75</b>	<b>47</b>	<b>39</b>	<b>44</b>

\* Other items include acquisition expenses

## NOTE 16 - NET EXCHANGE RATE DIFFERENCES

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

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>EBIT</b>				
Change in fair value - currency derivatives	0	0	0	0
Other exchange rate differences in EBIT	-1	1	3	0
<b>Total exchange rate differences in EBIT</b>	<b>-1</b>	<b>1</b>	<b>3</b>	<b>0</b>
<b>Financial items</b>				
Change in fair value - currency derivatives	-	-	-	-
Exchange rate differences in financial items	2	2	3	2
<b>Total exchange rate differences in financial items</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>
<b>Total net exchange rate differences in income statement</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>2</b>

## NOTE 17 – INCOME FROM FINANCIAL ITEMS

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Financial income</b>				
Interest income, external investments	1	0	-	0
Interest income, Group companies	-	-	24	22
<b>Total financial income</b>	<b>1</b>	<b>0</b>	<b>24</b>	<b>22</b>
<b>Financial expenses</b>				
Interest expenses, external loans	-11	-6	-10	-6
Interest expenses, pensions	-5	-5	-5	-5
Interest expenses, Group companies	-	-	-	0
Interest expenses, interest rate swaps	-4	-3	-4	-3
Change in fair value, currency forwards	2	2	2	2
Other financial expenses	-6	-4	-4	-3
<b>Total financial expenses</b>	<b>-23</b>	<b>-18</b>	<b>-22</b>	<b>-16</b>

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% (2017: 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 136 m (2017: 138). Received Group contributions amounted to SEK 137 m (2017: 152).

## NOTE 19 – INCOME TAX

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Current tax for the year	-95	-93	-33	-22
Current tax attributable to previous years	-2	-1	1	1
Deferred tax attributable to previous years	0	-	-	0
Deferred tax	19	-11	-1	-18
<b>Tax on income for the year</b>	<b>-79</b>	<b>-106</b>	<b>-33</b>	<b>-39</b>

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

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Deferred tax, internal profit on inventories	-3	3	-	-
Deferred tax, untaxed reserves	-1	-2	-	-
Deferred tax, appraised loss carry-forwards	0	-18	-	-18
Deferred tax, Intangible assets	13	9	-	-
Deferred tax, other	9	-4	-1	0
<b>Total deferred tax</b>	<b>19</b>	<b>-11</b>	<b>-1</b>	<b>-18</b>

The tax attributable to components in other comprehensive income amounts to SEK 1 m (2017: SEK 10 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:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Reported income before tax	328	439	289	323
Tax according to applicable tax rate	-76	-104	-64	-71
Tax effect of non-deductible expenses	-9	-4	-1	-1
Tax effect of non-taxable income	6	3	31	31
Tax income/expenses due to changed tax rate	2	0	0	-
Adjustments relating to previous years	-2	-1	1	1
<b>Tax on income for the year in accordance with the income statement</b>	<b>-79</b>	<b>-106</b>	<b>-33</b>	<b>-39</b>

## TAX RATE

The weighted average tax rate in the Group amounted to 23.0% (2017: 23.6 %). The Parent Company's applicable income tax rate is 22% (2017: 22%).

As of the 2019 financial year, Swedish corporate tax is reduced from 22 percent to 21.4 percent, and to 20.6 percent from the 2021 financial year.

## 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
<b>At December 31, 2016</b>	<b>19</b>	<b>0</b>	<b>29</b>	<b>5</b>	<b>11</b>	<b>65</b>
Recognized in income statement	-18	3	-	0	9	-6
Effect of changed tax rates reported in the income statement	-	-	-	-	-	0
Recognized in other comprehensive income	-	-	-10	-	-	-10
Acquired tax assets	-	-	-	-	-	0
Exchange differences	0	-	-	-	0	0
<b>At December 31, 2017</b>	<b>2</b>	<b>3</b>	<b>19</b>	<b>5</b>	<b>20</b>	<b>49</b>
Recognized in income statement	0	-3	2	2	4	5
Effect of changed tax rates reported in the income statement	-	-	0	0	1	1
Recognized in other comprehensive income	-	-	-1	-	-	-1
Acquired tax assets	-	-	-	-	4	4
Exchange differences	0	0	0	0	-1	-1
<b>At December 31, 2018</b>	<b>2</b>	<b>0</b>	<b>20</b>	<b>7</b>	<b>28</b>	<b>57</b>

### Deferred tax liabilities

SEK m, Group	Untaxed reserves	Intangible assets	Other	Total
<b>At December 31, 2016</b>	<b>36</b>	<b>70</b>	<b>20</b>	<b>126</b>
Recognized 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
<b>At December 31, 2017</b>	<b>38</b>	<b>68</b>	<b>32</b>	<b>138</b>
Recognized in income statement	0	-13	-1	-14
Effect of changed tax rates reported in the income statement	1	-	-	1
Acquired tax liability	-	77	-	77
Exchange rate difference	-	4	-	4
<b>At December 31, 2018</b>	<b>39</b>	<b>135</b>	<b>31</b>	<b>206</b>

Intangible assets refer to deferred tax on acquired customer relationships and trademarks. 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.

SEK m, Parent Company	Deferred tax assets					Deferred tax liabilities
	Loss carry-forwards	Structural expenses	Financial instruments	Other	Total	Other
<b>At December 31, 2016</b>	<b>18</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>24</b>	<b>0</b>
Recognized in income statement	-18	-	-1	-	-19	0
Transfer	-	-	-	13	13	12
Recognized in other comprehensive income	-	-	-	-	0	-
Exchange differences	0	-	-	-	0	-
<b>At December 31, 2017</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>13</b>	<b>19</b>	<b>12</b>
Recognized in income statement	-	0	-1	0	-1	0
Recognized in other comprehensive income	-	-	-	-	0	-
Exchange differences	-	-	-	-	0	-
<b>At December 31, 2018</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>13</b>	<b>18</b>	<b>12</b>

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.

Breakdown of expiration dates:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Deferred tax assets</b>				
Utilize after more than 12 months	53	37	18	18
Utilize within 12 months	4	12	1	1
<b>Total</b>	<b>57</b>	<b>49</b>	<b>19</b>	<b>19</b>
<b>Deferred tax liabilities</b>				
Utilize after more than 12 months	187	126	12	12
Utilize within 12 months	19	12	-	-
<b>Total</b>	<b>206</b>	<b>138</b>	<b>12</b>	<b>12</b>

The net change regarding deferred taxes is as follows:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Opening balance</b>	<b>-89</b>	<b>-61</b>	<b>7</b>	<b>24</b>
Recognized in income statement	19	-11	-1	-18
Recognized in other comprehensive income	-1	-10	-	-
Acquired tax liability	-73	-7	-	-
Exchange differences	-5	1	-	0
<b>Closing balance</b>	<b>-149</b>	<b>-89</b>	<b>6</b>	<b>7</b>

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

On December 31, 2018, the share capital comprised 46,999,032 (2017: 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, 2018, 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 2018 and 2017 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:

	2018	2017
Income attributable to the equity holders of the Parent Company (SEK m)	245	329
Weighted average number of outstanding common shares (thousands)	46 999	46 999
<b>Earnings per share, before and after dilution (SEK per share)</b>	<b>5.22</b>	<b>6.99</b>

### ALLOCATION OF EARNINGS

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

Retained earnings	1 476 455 243
Net income for the year	255 860 452
<b>SEK</b>	<b>1 732 315 695</b>

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	1 497 320 535
<b>SEK</b>	<b>1 732 315 695</b>

## NOTE 21 – INTANGIBLE ASSETS

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Goodwill</b>				
<i>Acquisition values</i>				
Opening acquisition values	1 617	1 577	2 053	2 053
Investments	-	-	-	-
Increase through business combination	478	37	-	-
Disposals and retirements	-	-	-	-
Translation differences	19	3	-	-
<b>Closing accumulated acquisition values</b>	<b>2 114</b>	<b>1 617</b>	<b>2 053</b>	<b>2 053</b>
<i>Amortization</i>				
Opening accumulated amortization	-	-	-2 053	-2 053
<b>Closing accumulated amortization</b>	<b>0</b>	<b>0</b>	<b>-2 053</b>	<b>-2 053</b>
<b>Closing carrying amount</b>	<b>2 114</b>	<b>1 617</b>	<b>0</b>	<b>0</b>

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Other intangible assets, customer relationships</b>				
<i>Acquisition values</i>				
Opening acquisition values	348	322	-	-
Investments	-	-	-	-
Increase through business combination	115	20	-	-
Disposals and retirements	-	-	-	-
Translation differences	15	6	-	-
<b>Closing accumulated acquisition values</b>	<b>478</b>	<b>348</b>	<b>0</b>	<b>0</b>
<i>Amortization</i>				
Opening accumulated amortization	-108	-72	-	-
Amortization for the year	-40	-34	-	-
Disposals and retirements	-	-	-	-
Translation differences	-5	-2	-	-
<b>Closing accumulated amortization</b>	<b>-153</b>	<b>-108</b>	<b>0</b>	<b>0</b>
<b>Closing carrying amount</b>	<b>325</b>	<b>240</b>	<b>0</b>	<b>0</b>

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Trademarks, software and licenses</b>				
<i>Acquisition values</i>				
Opening acquisition values	70	52	50	34
Investments	9	15	8	14
Increase through business combination	153	1	-	-
Disposals and retirements	0	-	-	-
Reclassification	24	2	6	2
Translation differences	1	-	-	-
<b>Closing accumulated acquisition values</b>	<b>257</b>	<b>70</b>	<b>64</b>	<b>50</b>
<i>Amortization</i>				
Opening accumulated amortization	-45	-39	-29	-25
Amortization for the year	-13	-6	-3	-4
Business combinations	0	-	-	-
Disposals and retirements	0	-	-	-
Reclassification	-13	-	-	-
Translation differences	-1	-	-	-
<b>Closing accumulated amortization</b>	<b>-73</b>	<b>-45</b>	<b>-32</b>	<b>-29</b>
<b>Closing carrying amount</b>	<b>184</b>	<b>25</b>	<b>32</b>	<b>21</b>



SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Capitalized development expenses</b>				
<i>Acquisition values</i>				
Opening acquisition values	160	160	129	130
Investments	19	1	17	1
Increase through business combination	-	-	-	-
Decrease through disposal	-	-	-	-
Disposals and retirements	-	-	-	-
Reclassification	-5	-2	-6	-2
Translation differences	1	1	-	-
<b>Closing accumulated acquisition values</b>	<b>175</b>	<b>160</b>	<b>140</b>	<b>129</b>
<i>Amortization</i>				
Opening accumulated amortization	-130	-120	-110	-103
Amortization for the year	-12	-10	-8	-7
Increase through disposal	-	-	-	-
Disposals and retirements	-	-	-	-
Reclassification	-	-	-	-
Translation differences	-1	-1	-	-
<b>Closing accumulated amortization</b>	<b>-143</b>	<b>-130</b>	<b>-119</b>	<b>-110</b>
<i>Impairment losses</i>				
Opening accumulated impairment losses	0	0	0	0
Impairment losses for the year	-	-	-	-
Disposals	-	-	-	-
Translation differences	-	-	-	-
<b>Closing accumulated impairment losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing carrying amount</b>	<b>32</b>	<b>30</b>	<b>21</b>	<b>19</b>
<b>Intangible assets, total</b>	<b>2 655</b>	<b>1 911</b>	<b>53</b>	<b>40</b>

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 2018 is 0 metric tons for Dals Långed and 18,078 metric tons for Skåpafors. The total allocation of emission rights will diminish each year up to 2020, when Dals Långed will have emission rights corresponding to 0 tons per year, and Skåpafors 17,349 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, 13,406 metric tons were consumed in Skåpafors in 2018, compared with 13,308 metric tons in 2017. 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.

Acquisitions and goodwill on acquisition in SEK m

Business Area	Year	Acquisition	Country	Goodwill on acquisition, SEK m
New Markets	2018	BioPak Pty Ltd	Australia	468 <sup>2)</sup>
Meal Service	2018	Kindtoo Limited (Biopac UK Ltd)	UK	10
New Markets	2017	United Corporation Ltd (Sharp Serviettes)	New Zealand	37
New Markets	2016	Terinex Siam Co Ltd	Thailand	104
Consumer	2014	Paper+Design Group	Germany	197
New Markets	2013	Song Seng Associates Pte Ltd	Singapore	50 <sup>1)</sup>

<sup>1)</sup> Asset acquisition

<sup>2)</sup> Preliminary goodwill on acquisition, the acquisition analysis has not been established

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

SEK m	2018	2017
Table Top	1 199	1 199
Meal Service	10	-
Consumer	224	215
New Markets	680	203
<b>Total</b>	<b>2 114</b>	<b>1 617</b>

Impairment testing for goodwill is performed annually for and when there are indications of impairment. No impairment testing is performed during the year the company is acquired, in other words, for Meal Service in 2018 when Biopak UK Ltd was acquired and for BioPak Pty Ltd in New Markets. 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 % (2 %)	2 % (2 %)	2 % (1 %)
Consumer	2 % (2 %)	3 % (3 %)	2 % (1 %)
New Markets	2 % (2 %)	3 % (3 %)	3 % (1 %)

Discount rate before tax used per business area	
Table Top	7.6% (8.1%)
Consumer	8.8% (9.3%)
New Markets	10.6% (11.1%)

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

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Buildings</b>				
<i>Acquisition values</i>				
Opening acquisition values	480	407	120	120
Investments	6	55	-	-
Increase through business combination	1	-	-	-
Disposals and retirements	-2	-	0	-
Reclassification	3	8	-	0
Translation differences	15	10	-	-
<b>Closing accumulated acquisition values</b>	<b>504</b>	<b>480</b>	<b>119</b>	<b>120</b>
<i>Depreciation</i>				
Opening accumulated depreciation	-168	-151	-104	-103
Depreciation for the year	-18	-15	-1	-1
Business combinations	0	-	-	-
Disposals and retirements	1	0	0	-
Reclassification	0	0	-	-
Translation differences	-3	-2	-	-
<b>Closing accumulated depreciation</b>	<b>-188</b>	<b>-168</b>	<b>-105</b>	<b>-104</b>
<i>Impairment losses</i>				
Opening accumulated impairment losses	-8	-8	-8	-8
Impairment losses for the year	-	-	-	-
Reversal of impairment losses	-	-	-	-
Translation differences	-	-	-	-
<b>Closing accumulated impairment losses</b>	<b>-8</b>	<b>-8</b>	<b>-8</b>	<b>-8</b>
<b>Closing carrying amount</b>	<b>308</b>	<b>304</b>	<b>6</b>	<b>7</b>

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Land and land improvements</b>				
<i>Acquisition values</i>				
Opening acquisition values	91	60	2	2
Investments	0	29	-	-
Increase through business combination	-	-	-	-
Disposals and retirements	-	-	-	-
Reclassification	-	-	-	-
Translation differences	4	2	-	-
<b>Closing accumulated acquisition values</b>	<b>95</b>	<b>91</b>	<b>2</b>	<b>2</b>
<i>Impairment gains</i>				
Opening accumulated impairment gains	-	-	12	12
<b>Closing accumulated impairment gains</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>12</b>
<i>Impairment losses</i>				
Opening accumulated impairment losses	-9	-9	-9	-9
Impairment losses for the year	-	-	-	-
Reversal of impairment losses	-	-	-	-
Translation differences	-	-	-	-
<b>Closing accumulated impairment losses</b>	<b>-9</b>	<b>-9</b>	<b>-9</b>	<b>-9</b>
<b>Closing carrying amount</b>	<b>85</b>	<b>82</b>	<b>5</b>	<b>5</b>
<b>Buildings, land and land improvements</b>	<b>392</b>	<b>385</b>	<b>11</b>	<b>12</b>

Duni does not hold any buildings under finance leases.

## NOTE 23 – MACHINERY AND OTHER TECHNICAL EQUIPMENT

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<i>Acquisition values</i>				
Opening acquisition values	1 901	1 807	51	49
Investments	32	13	1	1
Increase through business combination	1	7	-	-
Disposals and retirements	-42	-35	0	-2
Reclassification	124	64	2	3
Translation differences	36	45	-	-
<b>Closing accumulated acquisition values</b>	<b>2 051</b>	<b>1 901</b>	<b>55</b>	<b>51</b>
<i>Depreciation</i>				
Opening accumulated depreciation	-1 365	-1 279	-40	-39
Depreciation for the year	-92	-86	-3	-3
Business combinations	-1	-	-	-
Disposals and retirements	37	30	0	1
Reclassification	-1	2	-	-
Translation differences	-28	-32	-	-
<b>Closing accumulated depreciation</b>	<b>-1 449</b>	<b>-1 365</b>	<b>-43</b>	<b>-40</b>
<i>Impairment losses</i>				
Opening accumulated impairment losses	-14	-14	-3	-3
Impairment losses for the year	-2	-	-	-
Reversal of impairment losses	4	-	-	-
Reclassification	-	-	-	-
Translation differences	0	0	-	-
<b>Closing accumulated impairment losses</b>	<b>-12</b>	<b>-14</b>	<b>-3</b>	<b>-3</b>
<b>Closing carrying amount</b>	<b>590</b>	<b>522</b>	<b>9</b>	<b>8</b>

Machinery and other technical equipment under finance leases are included in the above table for the Group in the amount of SEK 5 m (2017: SEK 6 m) in acquisition value and SEK 2 m (2017: SEK 3 m) in accumulated depreciation.

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

## NOTE 24 – EQUIPMENT, TOOLS AND INSTALLATIONS

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<i>Acquisition values</i>				
Opening acquisition values	353	320	22	21
Investments	16	24	0	0
Increase through business combination	4	-	-	-
Decrease through disposal	-	-	-	-
Disposals and retirements	-6	-11	-1	-1
Reclassification	-12	10	2	2
Translation differences	13	10	-	-
<b>Closing accumulated acquisition values</b>	<b>368</b>	<b>353</b>	<b>22</b>	<b>22</b>
<i>Depreciation</i>				
Opening accumulated depreciation	-264	-246	-19	-18
Depreciation for the year	-26	-22	-1	-1
Business combinations	-3	-	-	-
Disposals and retirements	6	10	1	1
Increase through disposal	-	1	-	-
Reclassification	15	-	-	-
Translation differences	-10	-7	-	-
<b>Closing accumulated depreciation</b>	<b>-281</b>	<b>-264</b>	<b>-19</b>	<b>-19</b>
<b>Closing carrying amount</b>	<b>87</b>	<b>89</b>	<b>3</b>	<b>3</b>

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

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<i>Acquisition values</i>				
Opening acquisition values	103	84	2	1
Investments	123	100	3	5
Increase through business combination	-	-	-	-
Decrease through disposal	-	-	-	-
Sales	-1	0	0	-
Reclassification	-134	-83	-4	-5
Translation differences	2	3	-	-
<b>Closing accumulated acquisition values</b>	<b>94</b>	<b>103</b>	<b>1</b>	<b>2</b>
<i>Impairment losses</i>				
Opening accumulated impairment losses	-20	-20	0	0
Impairment losses for the year	-	-	-	-
Reversal of impairment losses	-	-	-	-
Translation differences	-	-	-	-
<b>Closing accumulated impairment losses</b>	<b>-20</b>	<b>-20</b>	<b>0</b>	<b>0</b>
<b>Closing carrying amount</b>	<b>74</b>	<b>83</b>	<b>1</b>	<b>2</b>

## NOTE 26 – PARTICIPATIONS IN GROUP COMPANIES

	Registration number	Registered office	Number of shares and participations	Equity, %	Carrying amount, SEK k
<b>Swedish subsidiaries</b>					
Rexcell Tissue & Airlaid AB	556193-9769	Bengtsfors	12 000	100	81 440
Finess Borby AB	556262-2604	Malmö	1 000	100	0
					<b>81 440</b>
<b>Foreign subsidiaries</b>					
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	98 652
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	1496526	Auckland, NZ	1 000	80	48 373
BioPak Pty Ltd	ACN 119 998 711	NSW, AU	300	75	420 349
– Shareholders' contribution to BioPak Pty Ltd					18 562
– Kindtoo Ltd, Biopac UK Ltd	05893315	England & Wales, GB	200	(56)	(AUD 3 900)
– BioPak Ltd NZ	2308658	Auckland, NZ	100	(75)	0
– BioPak Ltd GB	NI641948	Northern Ireland, GB	10	(75)	0
					<b>1 289 290</b>
<b>Participations in Group companies</b>					<b>1 370 730</b>

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

SEK k	Parent Company	
	2018	2017
Opening value, participations in Group companies	931 923	883 541
Investments for the year	420 349	48 373
Other	-104	9
Shareholders' contributions	18 562	-
<b>Closing value, participations in Group companies</b>	<b>1 370 730</b>	<b>931 923</b>

## NOTE 27 – OTHER LONG-TERM RECEIVABLES

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Loan receivables	10	2	0	0
Financial receivables from Group companies	-	-	1 764	1 624
<b>Total other long-term receivables</b>	<b>10</b>	<b>2</b>	<b>1 764</b>	<b>1 624</b>

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

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Accounts receivable	921	798	121	112
Receivables from Group companies	-	-	33	32
Other receivables	136	84	12	13
Short-term financial receivables, from Group companies	-	-	140	138
<b>Total accounts receivable and other receivables</b>	<b>1 057</b>	<b>882</b>	<b>306</b>	<b>295</b>

Regarding credit risks and exposures, see Note 3.1.2.

Other receivables above relate to:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Receivables from suppliers	8	10	-	-
VAT receivable	79	32	12	13
Factoring	8	9	-	-
Other receivables	41	33	0	0
<b>Total other receivables</b>	<b>136</b>	<b>84</b>	<b>12</b>	<b>13</b>

Credit exposure:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Accounts receivable neither overdue nor impaired	806	706	108	102
Accounts receivable overdue but not impaired	106	91	13	10
Impaired accounts receivable	25	17	2	2
Provision for bad debts	-16	-15	-2	-2
<b>Total accounts receivable</b>	<b>921</b>	<b>798</b>	<b>121</b>	<b>112</b>

The credit risk associated with accounts receivable that are neither overdue nor impaired is not considered to be large. 31% (2017: 37%) 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 4.4% (2017: 3.9%) of the total accounts receivable that are neither overdue nor impaired.

Aging of accounts receivable overdue but not impaired:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Less than 1 month	75	75	12	10
1-3 months	25	13	1	0
3-6 months	4	3	-	-
More than 6 months	1	1	-	-
<b>Total</b>	<b>106</b>	<b>91</b>	<b>13</b>	<b>10</b>

On December 31, 2018, provisions for bad debts amounted to SEK 16 m (2017: SEK 15 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:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Less than 3 months	12	3	0	0
3-6 months	4	4	0	0
More than 6 months	10	10	2	2
<b>Total</b>	<b>25</b>	<b>17</b>	<b>2</b>	<b>2</b>

Specification of reserve for bad debts:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
At beginning of year	15	23	2	3
Provisions for bad debts	5	2	1	-
Receivables written off during the year	-3	-2	-1	-
Reversed non-utilized amount	-2	-9	-	-1
Exchange differences	0	0	-	-
<b>At year-end</b>	<b>16</b>	<b>15</b>	<b>2</b>	<b>2</b>

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:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
SEK	38	35	38	34
EUR	550	524	21	19
GBP	94	79	-	-
DKK	37	34	37	34
NOK	25	24	25	24
PLN	18	21	-	-
CHF	22	25	-	-
AUD	70	-	-	-
Other currencies*	67	56	-	-
<b>Total</b>	<b>921</b>	<b>798</b>	<b>121</b>	<b>112</b>

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

## NOTE 29 - DERIVATIVE INSTRUMENTS

SEK m	2018		2017	
	Asset	Liability	Asset	Liability
Interest rate swaps – cash flow hedge	-	3	0	5
Currency forward contracts	1	1	2	11
Liability for put option of minority owners	-	348	-	11
<b>Total reported in the balance sheet</b>	<b>1</b>	<b>351</b>	<b>2</b>	<b>28</b>
Financial instruments covered by set-off master agreement	0	-	0	-
<b>Total after taking into consideration set-off master agreement</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>

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 IFRS 9.

The outstanding nominal amount on 12/31/2018 was EUR 40 m. Gains and losses on interest rate swaps as per December 31, 2018, 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.

### NET INVESTMENT HEDGE

Part of the assets in newly acquired company BioPak Pty Ltd is hedged using currency forward contracts pursuant to the rules on net investment hedges.

### 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	
	2018	2017
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 1 m (2017: SEK -9 m).

#### LIABILITY FOR PUT OPTION OF MINORITY OWNERS

On October 15, 2018, Duni acquired 75% of the shares in BioPak Pty Ltd in Australia. There is a put option and a call option both parties can opt to exercise within two years amounting to approximately SEK 24 m for an additional 5% of the shares. Duni has an obligation to acquire the remaining 20% of the shares within five years. One of the minority shareholders of BioPak Pty Ltd thus has a put option during the period from October 2023 to April 2024, whereby the redemption price is determined by the future income.

In February 2018, Duni acquired 75% of the shares in Kindtoo Ltd, which is marketed under the name of Biopac UK Ltd. The minority owners of Kindtoo Ltd have a put option during the period from August 2020 to March 2021, whereby the redemption price is determined by the future income and Duni thus has an obligation to acquire the remaining 25%.

In a previous year, Duni acquired 80% of the shares of New Zealand company United Corporations 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 small part as a short-term and the rest as a long-term derivative liability for these put options equivalent to the discounted expected redemption price for the options.

#### NOTE 30 - PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Prepaid rent	3	3	2	2
Prepaid lease payments	1	1	0	-
Prepaid insurance	4	2	0	-
Prepaid pensions	5	5	4	4
Prepaid catalog expenses	6	7	3	3
Other items	17	12	4	6
<b>Total prepaid expenses and accrued income</b>	<b>37</b>	<b>30</b>	<b>13</b>	<b>14</b>

#### NOTE 31 - BORROWINGS

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Long-term</b>				
Bank loans	1 399	637	1 384	637
Overdraft facilities	-	2	-	0
<b>Total long-term borrowing</b>	<b>1 399</b>	<b>639</b>	<b>1 384</b>	<b>637</b>

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Short-term</b>				
Bank loans	103	197	103	197
<b>Total short-term borrowing</b>	<b>103</b>	<b>197</b>	<b>103</b>	<b>197</b>
<b>Total borrowing</b>	<b>1 502</b>	<b>836</b>	<b>1 487</b>	<b>834</b>

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	2018	2017
6 months or less	103	197
6-12 months	0	0
More than one year	1 399	637
<b>Total</b>	<b>1 502</b>	<b>834</b>

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 12/31/2018 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	2018	2017
Other long-term receivables	10	2
Cash and cash equivalents	260	227
Overdraft facilities	0	-2
Long-term bank loans	-1 399	-637
Finance lease liability	-2	-4
Short-term bank loans	-103	-197
Allocation to pensions	-256	-244
<b>Interest-bearing net debt</b>	<b>-1 490</b>	<b>-855</b>

SEK m	2018	2017
Cash and cash equivalents and other long-term receivables	270	229
Allocation to pensions	-256	-244
Finance lease liability	-2	-4
Gross debt – fixed interest	-	-
Gross debt – variable interest	-1 502	-836
<b>Interest-bearing net debt</b>	<b>-1 490</b>	<b>-855</b>

\* See interest rate swaps Note 29.

Interest-bearing net debt excluding allocation to pensions:

SEK m	Cash and cash equivalents	Other long-term receivables	Overdraft facilities	Other financial liabilities	Finance leases maturing within 1 year	Finance leases maturing later than 1 year	Borrowings maturing within 1 year	Borrowings maturing later than 1 year	Total
<b>Interest-bearing net debt at December 31, 2016</b>	<b>186</b>	<b>2</b>	<b>-14</b>	<b>0</b>	<b>-1</b>	<b>-2</b>	<b>0</b>	<b>-659</b>	<b>-489</b>
Net cash flow	41	0	13	19	0	-1	-	-152	-81
Exchange differences	0	0	0	-19	0	0	-7	-16	-42
Other non-cash items	-	-	-	-	-	-	-190	190	0
<b>Interest-bearing net debt at December 31, 2017</b>	<b>227</b>	<b>2</b>	<b>-2</b>	<b>0</b>	<b>-1</b>	<b>-3</b>	<b>-197</b>	<b>-637</b>	<b>-611</b>
Net cash flow	28	8	2	58	0	0	90	-726	-540
Exchange differences	5	0	0	-58	0	0	4	-36	-85
Other non-cash items	-	-	-	0	-	-	-	-	0
<b>Interest-bearing net debt at December 31, 2018</b>	<b>260</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-3</b>	<b>-103</b>	<b>-1 399</b>	<b>-1 236</b>

The interest-bearing net debt Duni tracks as a key ratio also includes allocation to pensions. In the table above, Duni has chosen not to include allocation to pensions because the net cash flow in the table should match 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 1502 m (2017: SEK 836 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.

SEK m	2018		2017	
	Carrying amount	Nominal value	Carrying amount	Nominal value
Bank loans	1 502	1 502	834	834
Overdraft facilities	0	0	2	2
Leases	2	2	4	4
<b>Total</b>	<b>1 504</b>	<b>1 504</b>	<b>840</b>	<b>840</b>

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

SEK m	2018	2017
EUR	1 504	840
Other currencies	-	-
<b>Total</b>	<b>1 504</b>	<b>840</b>

## BANK LOANS

Duni's financing agreement was signed on December 18, 2017 and is long term. The financing consists of two revolving credit facilities with a nominal amount of EUR 200 m. MEUR EUR 150 m expires in December 2021 and EUR 50 m expires in June 2020. Duni also has an EUR 10 m credit agreement which extends until May 2019. 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 0.40% (2017: 0.38% per year).

## OVERDRAFT FACILITIES

On behalf of the Group, the Parent Company has arranged two overdraft facilities with a nominal amount of EUR 17 m. At 12/31/2018, the amount drawn was EUR 0 m.



## NOTE 32 – CLASSIFICATION OF FINANCIAL INSTRUMENTS

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Assets</b>				
<b>Non-financial assets</b>				
Tangible and intangible assets	3 798	2 991	77	65
Deferred tax assets	57	49	18	19
Other financial fixed assets	-	-	1 371	932
Inventory	771	627	105	98
Prepaid expenses and accrued income	37	30	13	14
<b>Total non-financial assets</b>	<b>4 663</b>	<b>3 697</b>	<b>1 584</b>	<b>1 128</b>
<b>Assets valued at amortized cost*</b>				
Other long-term receivables	10	2	6	0
Accounts receivable	921	798	121	112
Tax assets	35	23	0	5
Other receivables	136	84	12	13
Receivables from Group companies	-	-	1 936	1 794
Cash and cash equivalents/Cash and bank balances	260	227	172	157
<b>Total assets valued at amortized cost*</b>	<b>1 363</b>	<b>1 134</b>	<b>2 247</b>	<b>2 081</b>
<b>Assets measured at fair value through profit or loss</b>				
Derivative instruments	1	2	1	2
<b>Total assets measured at fair value through profit or loss</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Total assets</b>	<b>6 027</b>	<b>4 833</b>	<b>3 832</b>	<b>3 211</b>

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

\* 2017: Loan receivables and accounts receivable

SEK m	Group		Parent Company	
	2018	2017	2018	2017
<b>Liabilities</b>				
<b>Non-financial liabilities</b>				
Deferred tax liability	206	138	12	12
Allocation to pensions	255	244	94	97
Allocation to restructuring reserve	29	6	6	2
<b>Total non-financial liabilities</b>	<b>490</b>	<b>388</b>	<b>112</b>	<b>111</b>
<b>Liabilities at amortized cost</b>				
Overdraft facilities	0	2	0	0
Bank loans	1 502	834	1 487	834
Accounts payable	424	428	61	60
Tax liabilities	23	41	22	22
Other liabilities	143	87	25	26
Liabilities to Group companies	-	-	222	270
Accrued expenses and deferred income	477	432	82	78
<b>Total liabilities at amortized cost</b>	<b>2 569</b>	<b>1 824</b>	<b>1 899</b>	<b>1 289</b>
<b>Derivative instruments used for hedging purposes</b>				
Derivative instruments	3	5	3	5
<b>Total derivative instruments used for hedging purposes</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>5</b>
<b>Liabilities measured at fair value through profit or loss</b>				
Derivative instruments	0	11	0	11
<b>Total liabilities at fair value through profit or loss</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>11</b>
<b>Liabilities measured at fair value through equity</b>				
Derivative instruments	349	11	0	-
<b>Total liabilities measured at fair value through equity</b>	<b>349</b>	<b>11</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>3 410</b>	<b>2 239</b>	<b>2 014</b>	<b>1 416</b>

## 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:

SEK m	Group	
	2018	2017
Defined benefit plans	255	244

### 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 (2017: SEK 4 m).

Alecta's surplus may be divided among the policyholders and/or the insured. As at 12/31/2018, Alecta's surplus in the form of the collective funding level amounted to 142% (2017:154%). 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:

SEK m	Defined benefit plans	
	2018	2017
Present value of consolidated obligations	343	325
Fair value of plan assets	-260	-261
Present value of non-consolidated obligations	172	180
<b>Net pension liability in balance sheet</b>	<b>255</b>	<b>244</b>

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

SEK m	2018	2017
Costs relating to service during the current year	-10	-9
Interest expenses	-11	-11
Interest income	6	5
<b>Total pension expenses regarding defined benefit plans</b>	<b>-15</b>	<b>-15</b>
Pension expenses for the year regarding defined contribution plans	-36	-33
<b>Total pension expenses for the year, included in personnel expenses (Note 13)</b>	<b>-51</b>	<b>-48</b>
<b>The year's reappraisal of pension plans recognized in other comprehensive income</b>	<b>-18</b>	<b>4</b>

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

SEK m	Defined benefit plans	
	2018	2017
EBIT	-10	-10
Financial expenses	-5	-5
<b>Total expenses from defined benefit plans in the income statement</b>	<b>-15</b>	<b>-15</b>

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

SEK m	Defined benefit plans	
	2018	2017
At the beginning of the year	505	502
Expenses for service during current year	10	9
Interest expenses	11	11
Reappraisals, losses (+)/gains (-) as a consequence of experience-based adjustments of defined benefit obligations	3	-2
Reappraisals, losses (+)/gains (-) as a consequence of changed demographic assumptions	2	0
Reappraisals, losses (+)/gains (-) as a consequence of changed financial assumptions	-6	-1
Exchange differences	12	5
Disbursed benefits	-22	-20
<b>At year-end</b>	<b>516</b>	<b>505</b>

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	2018	2017
At the beginning of the year	-261	-234
Expected return on plan assets	-6	-5
Reappraisals, losses (+)/gains (-) as a consequence of experience-based adjustments of plan assets	20	-15
Exchange differences	-8	-2
Employer's contributions	-10	-9
Employee's contributions	-1	-1
Disbursed benefits	6	5
Settlements	0	0
<b>At year-end</b>	<b>-260</b>	<b>-261</b>
<b>Experience-based adjustments of plan assets</b>	<b>-20</b>	<b>-15</b>

The plan assets are located primarily in the UK and the Netherlands. In the Netherlands and Germany, funding consists primarily of insurance contracts which provide a guaranteed annual return with a possibility of a bonus decided on annually by the insurance company. In the UK, 81% (83%) of the plan assets are invested in equity instruments, 10% (8%) 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 during 2019 are expected to be on the same level as in 2018.

The weighted average term for pension obligations is 17.1 years (17.6).

Actuarial assumptions on the balance sheet date:

	Sweden	Germany	UK	Netherlands	Belgium
Discount rate	1.95% (2.05)	1.65% (1.5)	2.85% (2.75)	2.0% (1.8)	1.6% (1.5)
Expected return on plan assets	-	1.65% (1.5)	2.85% (2.75)	2.0% (1.8)	1.6% (1.5)
Future annual salary increases	-	-	4.10% (4.05)	2.4% (2.4)	2.8% (2.8)
Future annual pension increases	1.8% (1.7)	1.75% (1.75)	3.35% (3.30)	0.0% (0.0)	0.0% (0.0)
Personnel turnover	-	-	0.0% (0.0)	0.0% (0.0)	0.0-5.0% (0.0-5.0)*

\*Various assumptions based on age.

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. In line with previous years, the discount rate is set for the Swedish plans by reference to the market for covered mortgage 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, although this will be partially offset by an increase in the value of the bonds.

**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, 2018:

SEK m	Sweden	Germany	UK	Netherlands	Belgium	Total
Present value of defined benefit obligations	152	53	165	139	7	516
Fair value of plan assets	-	-1	-140	-115	-5	-260
<b>Total defined benefit pension plans by country</b>	<b>152</b>	<b>52</b>	<b>25</b>	<b>24</b>	<b>2</b>	<b>255</b>

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
<b>Total defined benefit pension plans by country</b>	<b>155</b>	<b>52</b>	<b>12</b>	<b>23</b>	<b>2</b>	<b>244</b>

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

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.5%	Decrease by 7.8% (9.0)	Increase by 8.4% (8.0)

The sensitivity analysis of the 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 5.8% (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 6.2% (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 5.7% (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:

SEK m	Parent Company	
	2018	2017
FPG/PRI pensions	94	97
<b>Liability in the balance sheet</b>	<b>94</b>	<b>97</b>

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

SEK m	2018	2017
Earned during the year	0	0
Interest expenses	-5	-5
<b>Pension expenses for the year</b>	<b>-5</b>	<b>-5</b>

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

SEK m	2018	2017
At the beginning of the year	97	100
Net expenses recognized in the income statement	5	5
Disbursed benefits	-8	-8
Settlements	0	-
<b>At year-end</b>	<b>94</b>	<b>97</b>

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

## NOTE 34 - ACCRUED EXPENSES AND DEFERRED INCOME

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Accrued personnel expenses	122	124	31	28
Accrued interest expenses	0	0	0	0
Accrued expenses, invoices	112	77	21	22
Accrued liabilities to customers*	213	203	27	23
Other items	29	27	3	5
<b>Total accrued expenses and deferred income</b>	<b>477</b>	<b>432</b>	<b>82</b>	<b>78</b>

\* Accrued liabilities to customers mainly involves customer bonuses.

## NOTE 35 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

### PLEDGED ASSETS

Via newly acquired company BioPak Pty Ltd, the Group has pledged assets in the amount of SEK 15.7 m. The Parent Company had no pledged assets in 2018.

### Contingent liabilities

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Guarantees	44	37	41	35
FPG/PRI	2	2	2	2
<b>Total contingent liabilities</b>	<b>46</b>	<b>39</b>	<b>43</b>	<b>37</b>

Of the guarantees in the Parent Company, SEK 38 m (2017: SEK 35 m) are pledged to the benefit of Group companies and SEK 3 m (2017: SEK 2.4) to local customs departments.

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

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Depreciation/amortization	201	174	17	16
Impairment, inventories	-	-	-6	-4
Restructuring	22	-6	4	5
Allocation to pensions	9	-26	5	5
Change in value, derivatives	-13	-3	-	-
Other	-4	3	26	-35
<b>Total</b>	<b>215</b>	<b>141</b>	<b>46</b>	<b>-13</b>

## 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:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Payable within one year	62	56	15	13
Payable later than one but within five years	117	106	17	6
Payable later than five years	53	47	-	-
<b>Total</b>	<b>232</b>	<b>210</b>	<b>32</b>	<b>18</b>
Of which leases signed during the year	39	33	3	8

The total expenses for operating leases during the year amounted to SEK 97 m (2017: SEK 77 m) in the Group and SEK 25 m (2017: 25 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:

SEK m	Group		Parent Company	
	2018	2017	2018	2017
Payable within one year	2	1	-	-
Payable later than one but within five years	0	2	-	-
Payable later than five years	-	0	-	-
<b>Total</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>
Present value of future lease payments	2	4	0	0

IFRS 16 Leases will be applied starting on January 1, 2019 and stipulates that Duni recognize assets and liabilities in the balance sheet for all leases where it is the lessee. The income statement will be impacted by the depreciation of the asset and interest expenses for the liability instead of an operating lease expense. Duni has identified and assessed the leases subject to the new standard. Duni has chosen to use the simplified transition method for transition to IFRS 16 where comparative figures are not restated. Duni will recognize the accumulated effect of initial IFRS 16 application as an adjustment to the opening balance on the initial application date and the transition will not have any impact on shareholders' equity. The lease liability is measured at the present value of the remaining lease payments, and the right-of-use asset for all identified leases subject to the new standard equals the amount of the lease liability. The expenses for these leases will be recognized in the income statement as depreciation and interest expenses, which will impact income metrics such as EBITDA, EBIT and net financial items. Duni has chosen to apply the practical exemptions for short-term leases (leases of 12 months or less) and leases of low-value assets (the underlying asset's value is less than USD 5 k) and not recognize an asset and liability for them. Instead, these leases are recognized as recurring expenses in the income statement. Duni has chosen to divide its leases into portfolios and use the same discount rate on lease portfolios with similar characteristics.

For further disclosure, please see Note 2.1.1

#### Breakdown of transition to IFRS 16

SEK m	Group
Obligations for operating leases at December 31, 2018	232
Discounting of the Group's weighted average incremental borrowing rate: 2.8%*	-8
Plus: Obligations for finance leases at December 31, 2018	2
Minus: Short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis	-12
<b>Lease liability recognized at January 1, 2019</b>	<b>214</b>

\* at initial effective date (01/01/2019)

#### Transition effects, total assets

SEK m	Group
<b>Closing balance Dec. 31, 2018</b>	<b>6 027</b>
Restatement	214
<b>Opening balance Jan. 1, 2019</b>	<b>6 241</b>

## NOTE 38 – BUSINESS ACQUISITIONS

### BioPak Pty Ltd

On October 15, 2018, Duni acquired 75% of the shares and votes in BioPak Pty Ltd in Australia. BioPak is a leading supplier of sustainable disposable packaging for the food service industry in Australia and New Zealand. The company was established in 2006 and has 26 employees. Its sales are approximately SEK 385 m and its operating margin is well in line with Duni's financial targets. BioPak boasts a strong rate of growth and annual historic growth of over 20%. BioPak Pty Ltd has three subsidiaries and was consolidated in the New Markets business area as of mid October.

For the period from October 15 to December 31, 2018, BioPak contributed SEK 115 m to the Group's net sales and SEK 1.4 m in net income after tax and amortization of customer relationships. If BioPak had been consolidated as of January 1, 2018, Duni's income statement would show additional revenue of SEK 334 m along with SEK 8.4 m in net income after tax including amortization of customer relationships.

The consideration was approximately SEK 411 m and is accommodated within the current loan facility. The purchase was charged to

Duni's net debt in the amount of SEK 430 m. Acquisition costs of SEK 9.3 m were charged to Q4 under the Other expenses line item. In accordance with RFR2, the Parent Company recognizes these expenses as financial assets.

There is a put option and a call option both parties can opt to exercise within two years amounting to approximately SEK 24 m for an additional 5% of the shares. Duni also has an obligation to acquire the remaining 20% of the shares within five years. One of the minority shareholders of BioPak Pty Ltd thus has a put option during the period from October 2023 to April 2024, whereby the redemption price is determined by the future income. As a consequence of the option, Duni will recognize the acquisition of the shares in Kindtoo Ltd as if the company had been fully consolidated, and will recognize a liability equivalent to the discounted expected redemption price of the option, which is calculated using a profit multiple at par with that used in the initial transaction. The liability is recognized as a derivative instrument and included in the Other long-term liabilities line item. This liability to minority shareholders was measured at SEK 336 m at year-end. The value of this option will change depending on the company's growth and profitability in the coming five years.

The difference between the cash consideration paid, the value of the options and the net assets acquired will essentially consist of goodwill, trademarks and customer relationships, with no part of these acquisition-related items estimated to be deductible for tax purposes. The goodwill is primarily attributable to Duni gaining a strong position in sustainable disposable packaging in the Australian and New Zealand markets. The acquisition analysis is still preliminary and the distribution between intangible assets and goodwill is still being calculated.

Acquired net assets	SEK k, Fair value
Intangible assets	247 714
Tangible assets	1 708
Inventory	54 356
Accounts receivable	86 032
Cash	4 922
Long-term loans	-18 233
Short-term loans	-5 439
Accounts payable	-16 971
Deferred tax liability	-71 322
Tax liabilities	-25
Other short-term liabilities	-3 667
<b>Acquired identifiable net assets</b>	<b>279 076</b>
Liability to minority shareholders	-335 972
Goodwill	468 147
<b>Acquired net assets</b>	<b>411 251</b>

### Kindtoo Ltd, Biopac UK Ltd

In conjunction with the acquisition of BioPak Pty Ltd in Australia, Duni AB sold its shares in Kindtoo Limited to BioPak Pty Ltd at market value on October 15, 2018. The intention is for the company to be a part of the BioPak group from a strictly organizational standpoint but continue to belong to and be consolidated in the Meal Service business area in organizational terms because the company operates in the European market.

On February 8, 2018, Duni acquired 75% of the shares and votes in Kindtoo Ltd, which is marketed under the name Biopac UK Ltd. Biopac is a leading supplier of sustainable disposable packaging for food and beverages in the UK. The company was consolidated in the Meal Service business area as of February.

Biopac UK Ltd was established in 2002 and has 12 employees. They specialize in food packaging and service products made from sustainable materials. Based on its capacity to customize food and beverage packaging according to the customer's brand, with a clear focus on sustainable, environmentally-sound products, Biopac has gained market share in the UK. The company has annual sales of approximately SEK 55 m, with an operating margin well in line with Duni's Meal Service business area.

For the period from February 1 to December 31, 2018, BioPak UK Ltd

contributed SEK 70 m to the Group's net sales and SEK 3 m in net income after tax and amortization of customer relationships. If BioPak UK Ltd had been consolidated as of January 1, 2018, Duni's income statement would show additional revenue of SEK 3.9 m along with SEK 0.3 m in net income after tax including amortization of customer relationships. The consideration of SEK 23 m was paid in cash in conjunction with the takeover. The purchase was charged to Duni's net debt in the amount of SEK 26 m, which is accommodated within the current loan facility. The acquisition costs were charged to income for the year under "Other operating expenses" and totaled SEK 2.1 m. In accordance with RFR2, the Parent Company recognizes these expenses as financial assets.

Duni has an obligation to acquire the remaining 25 % of the shares. The minority owners of Kindtoo Ltd have a put option during the period from August 2020 to March 2021, whereby the redemption price is determined by the future income. As a consequence of the option, Duni recognizes the acquisition of the shares in Kindtoo Ltd as if the company had been fully consolidated, and recognizes a liability equivalent to the discounted expected redemption price of the options. The difference between the liability for the option and the non-controlling interest to which the option is related will be recognized directly against equity.

The fair value of 100% of the net assets amounts to SEK 30 m. Intangible assets primarily comprise customer contracts. The goodwill is related to Duni's access to an existing distribution model in the capital region and Meal Service gaining a footing in the UK market. Duni has not previously been established with these types of products in this market. No part of the reported goodwill or intangible assets is expected to be deductible in conjunction with income taxation.

Acquired net assets	SEK k, Fair value
Intangible assets	5 627
Tangible assets	705
Inventory	9 970
Accounts receivable	8 939
Cash	1 774
Deferred income and expenditure	139
Long-term loans	-1 699
Short-term loans	-3 425
Accounts payable	-5 860
Deferred tax liability	-1 049
Tax liabilities	-961
Other short-term liabilities	-1 061
Other liabilities	-200
<b>Acquired identifiable net assets</b>	<b>12 899</b>
Liability to minority shareholders	-7 556
Goodwill	17 326
<b>Acquired net assets</b>	<b>22 668</b>

### 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 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 was charged to Duni's net debt in the amount of SEK 59 m, which is accommodated within the current loan facility. The acquisition costs were charged to the 2017 income for the year under "Other operating expenses" and totaled SEK 1.7 m. In accordance with RFR2, the Parent Company recognizes these expenses as financial assets.

Duni has an obligation to acquire the remaining 20 % of the shares. The minority owners of United Corporation Limited have a put option for the April-June period in 2019, 2020 and 2021. In the event that the option is exercised, the consideration 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 related 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 assets primarily comprise 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 reported goodwill or intangible assets is expected to be deductible in conjunction with income taxation.

For the period from May 1 to December 31, 2017, Sharp Serviettes contributed SEK 39 m to the Group's net sales and SEK 2 m in net income after tax and amortization of customer relationships. If Sharp Serviettes had been consolidated as of January 1, 2017, Duni's income statement would show additional revenue of SEK 17 m along with SEK 1 m in net income after tax including amortization of customer relationships.

Acquired net assets	SEK k, Fair value
Intangible assets	19 872
Tangible assets	6 816
Inventory	11 919
Accounts receivable	5 665
Cash	1 152
Long-term loans	-12 878
Accounts payable	-3 040
Deferred tax liability	-5 814
Tax liabilities	-1 026
Other short-term liabilities	-406
Other liabilities	-456
<b>Acquired identifiable net assets</b>	<b>21 804</b>
Liability to minority shareholders	-11 702
Goodwill	36 703
<b>Acquired net assets</b>	<b>46 806</b>

Effect on cash flow - acquisition of subsidiaries, SEK m	2018	2017
Cash purchase price	-434	-47
Less: cash and cash equivalents	7	1
<b>Paid purchase price</b>	<b>-427</b>	<b>-46</b>
Redemption of loans	-	-12
<b>Total effect on cash flow</b>	<b>-427</b>	<b>-58</b>

## NOTE 39 – RELATED-PARTY TRANSACTIONS

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No material transactions with related parties have taken place during the 2018 financial year or the 2017 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

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On January 15, 2019, Duni issued a press release announcing changes to its management team. Linus Lemark was appointed to succeed Robert Dackeskog as the Table Top Business Area Director effective when Dackeskog leaves Duni on January 31, 2019.

On February 4, 2019, Duni issued a press release announcing the Nomination Committee's proposals to the Board of Directors for the 2019 Annual General Meeting. These include to elect Thomas Gustafsson as a new board director given that Johan Andersson has declined re-election. In addition, the Nomination Committees proposes the re-election of all other board directors and the re-election of Magnus Yngen as Chairman of the Board.

## THE BOARD OF DIRECTORS AND CEO'S ASSURANCE AND SIGNATURES

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The Board of Directors and CEO assure that the consolidated financial statements have been prepared in accordance with the IFRS as adopted by the EU and that they provide a true and fair view of the Group's financial position and performance. The annual report has been prepared in accordance with generally accepted accounting practices and provides a true and fair view of the Parent Company's financial position and performance.

The directors' reports for the Group and Parent Company provide a true and fair view of the Group and Parent Company's business, financial position and performance and describe the substantial risks and uncertainties to which the Parent Company and the companies that are part of the Group are subject.

Malmö, 03/20/2019

Magnus Yngen  
*Chairman of the Board*

Johan Andersson  
*Director*

Pauline Lindwall  
*Director*

Alex Myers  
*Director*

Pia Rudengren  
*Director*

Per-Åke Halvordsson  
*PTK Employee Representative*

David Green  
*LO Employee Representative*

Johan Sundelin  
*President and CEO*

Our audit report was submitted on April 1, 2019  
PricewaterhouseCoopers AB

Carl Fogelberg  
*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 2018 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 2018 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 2018 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 judgments; 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

Referring to note 2,4 and 21 in the annual report.

The value of Goodwill with indefinite economic use amounted, as of 31 December 2018, to MSEK 2 114. 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 914 is related to business areas Consumer, Meal Service 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, Meal Service 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.

## REBATES, CLIENT BONUSES AND RETURNS

Referring 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 213.

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.

## 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](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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### 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 2018 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](http://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 8 May 2018 and has been the company's auditor since the introduction on Nasdaq Stockholm, 1 November 2007.

Malmö 1 April 2019

PricewaterhouseCoopers AB  
Carl Fogelberg

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% biodegradable. 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 – primarily sells to the retail sector.

## 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.

## Conversion

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

## Customization

Tailoring solutions for specific customers so they reinforce the customer's own concept and brand.

## Designs for Duni®

A unique concept whereby Duni develops specially design products in collaboration with well-known designers.

## Dunichel®

Dunichel 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 and beverage 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. It 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 grounds that they possess one or more environmentally approved 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 cozy atmosphere and positive mood on all occasions when food and beverages 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.

## 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 managing sales campaigns and offers.

## New Markets

One of Duni's four business areas – sells to hotels, restaurants, catering firms and the retail sector in markets outside Europe.

## OK Compost

The OK Compost® label means that Duni has the world's first and largest range of compostable napkins, both single-colored and in select designs.

## 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 exercises social responsibility within a number of areas such as the environment, product safety, social responsibility, social rights and business ethics.

## Private label

Products marketed under the customer's own label.

## 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 – sells 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 measures that in some cases are not defined by the IFRS, but are alternative key financials. 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 adjusted for restructuring costs, fair value allocations and amortization of intangible assets identified in connection with business acquisitions.

## Operating margin

Operating income as a percentage of net sales.

## P/E ratio

Current share price as a percentage of earnings per share.

## Interest-bearing net debt

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

## Net debt/equity ratio

Interest-bearing net debt as a percentage of total equity.

## Capital employed

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

## Currency adjusted

Figures adjusted for changes in exchange rates related to consolidation. Figures for 2018 are calculated at exchange rates for 2017. Effects of restatement 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	2018	2017
<b>Operating income</b>	<b>430</b>	<b>491</b>
Restructuring costs	-31	0
Amortization of intangible assets identified in connection with business acquisitions	-43	-34
Fair value allocation in connection with acquisitions	-6	-1
<b>EBIT</b>	<b>351</b>	<b>456</b>

## BRIDGE BETWEEN OPERATING EBITDA, EBITDA AND EBIT

SEK m	2018	2017
<b>Operating EBITDA</b>	<b>583</b>	<b>630</b>
Restructuring costs	-31	0
Fair value allocation in connection with acquisitions	-6	-1
<b>EBITDA</b>	<b>546</b>	<b>629</b>
Amortization of intangible assets identified in connection with business acquisitions	-43	-34
Amortization included in operating income	-152	-139
<b>EBIT</b>	<b>351</b>	<b>456</b>

# CALENDAR

## ANNUAL GENERAL MEETING ON MAY 7, 2019

The Annual General Meeting will be held at AnXet (formerly Akvariet), Dockplatsen 12, Malmö at 3:00 PM on Tuesday, May 7, 2019. Registration commences at 2:15 PM.

## NOTICE OF PARTICIPATION

Shareholders who wish to participate must be entered in the share register maintained by Euroclear Sweden AB no later than April 30, 2019 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, Bolagsstämman, Box 237, SE-201 22 Malmö
- by email to [bolagsstamma@duni.com](mailto:bolagsstamma@duni.com)

## In the notice, the shareholders shall state their:

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

In 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 April 30, 2019.

## DIVIDEND

The Board of Directors proposes a dividend of SEK 5.00 per share, or SEK 235 m. The Board of Directors also proposes that the dividends be dispersed in two partial payments. The Board of Directors proposed May 9, 2019 as the record date for the first partial payment of SEK 2.50 and November 12, 2019 as the record date for the second partial payment of SEK 2.50.

In the event the AGM resolves in accordance with the proposal, dividends will be disbursed on May 14 and November 15, respectively.

## 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 Investering AB, Chairman of the Nomination Committee

John Strömgren, Carnegie fonder

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

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 24, 2019 – January–March 2019 Interim Report,

July 12, 2019 – January–June 2019 Interim Report,

October 18, 2019 – January–September 2019 Interim Report.

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

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

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Box 237  
SE-201 22 MALMÖ

## Visiting address:

Ubåtshallen, Östra Varvgatan 9A  
Tel +46 40 10 62 00

Email general inquiries: [info@duni.com](mailto:info@duni.com)

For addresses of Duni's subsidiaries and distributors, please see [www.duni.com](http://www.duni.com).

## CONTACT, INVESTOR RELATIONS:

Mats Lindroth, CFO, [mats.lindroth@duni.com](mailto:mats.lindroth@duni.com)

## CONTACT, PRESS AND COMMUNICATION:

Marielle Noble, Communications & Customer Experience Director, [marielle.noble@duni.com](mailto:marielle.noble@duni.com)

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