DUNI GROUP

ANNUAL AND SUSTAINABILITY REPORT 2020

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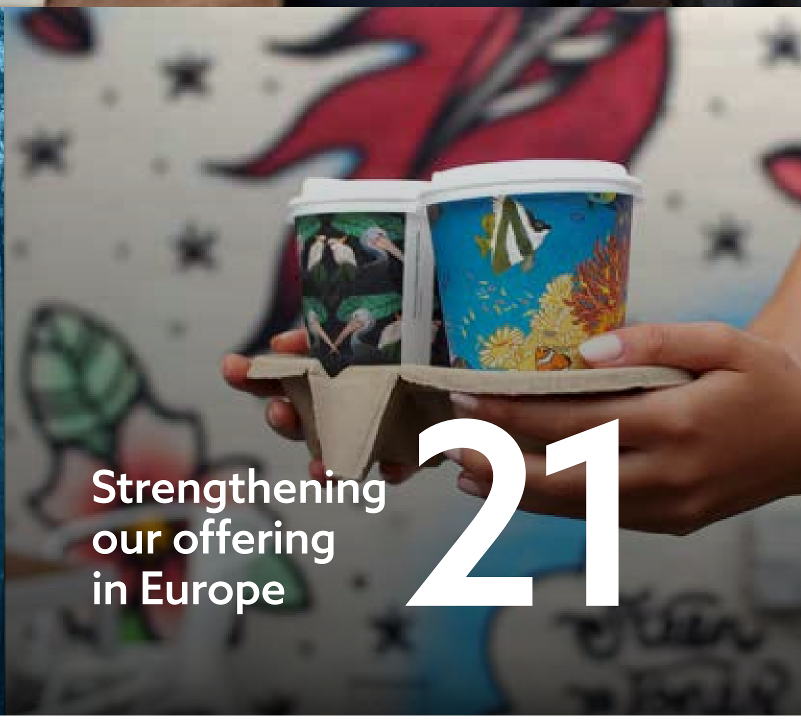
DUNI GROUP AT A GLANCE



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A year we will remember

Everyone is sick and tired of COVID-19. Nevertheless, it's impossible to look back on 2020 without describing the profound impact the pandemic has had globally – on us as individuals, on industry and on society at large.

The enormous human suffering and the economic sinkhole caused by the pandemic cast a dark shadow over the year. However, it was shown once again that crises tend to give rise to new opportunities and innovations.

When the HoReCa industry (hotels, restaurants and catering) practically shut down, some were paralyzed. Others found new ways to conduct their business. Normal restaurants started selling take-away, and companies providing home delivery of food to end consumers experienced strong growth.

The Group was able to gather its collective strength and respond quickly. We put employees on short-time work, transitioned to digital ways of working, and saw positive results from the reorganization we initiated in the first quarter. In hindsight, we can see that the digitalization of our business went much faster than planned.

We learned that we can get through this kind of crisis by taking care of the Company and our employees And by always keeping the needs of our customers in focus. When the market turned toward hygiene solutions and take-away, we were able to help them.

Despite sacrifices and a market in decline in many respects, we are heading into 2021 a stronger company with a solid foundation to build on.

THE ATLANTIS BOWL CONCEPT WINS SUSTAINABLE DESIGN AWARD

Pentawards is the world's leading packaging design award. Atlantis won silver in the "Sustainable design" category.

STRONGER FOCUS ON DUNI AND BIOPAK BRANDS

In January, a new organizational structure was presented with a focus on the Duni and BioPak brands. This change also results in new segment reporting. The new structure will be further strengthened as of January 1, 2021.

RELOCATION OF SWEDISH WAREHOUSE

During the year, our warehouse was relocated from Norrköping to Jönköping. As a result, we will use rail transport to a greater degree instead of trucks in the future. Soon, we will also offer a track and trace service for our customers.

ROBERT DACKESKOG NEW PRESIDENT AND CEO

In August, it was decided that Robert Dackeskog will serve as President and CEO effective January 1, 2021.

HYGIENE PRODUCTS FOR ALL OCCASIONS

The pandemic has driven a substantial increase in the need for products with a high hygiene factor. Duni Group has been able to meet this demand with several new product launches and an expanded offering.

THE PANDEMIC IMPACTED US

The COVID-19 pandemic impacted us just as it did many other businesses and individuals. Read more about this in the CEO and Board Chairman's comments.

A TURBULENT YEAR

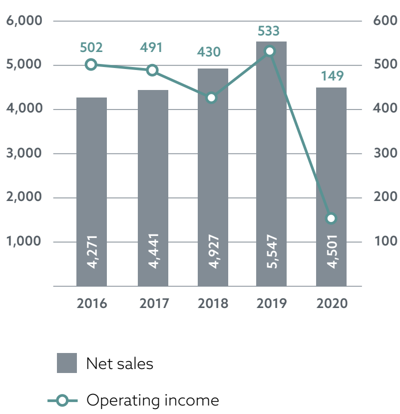
Q1 – A strong start to the year
Q2 – COVID-19 hits and we go in the red
Q3 – Strong gains as markets reopen
Q4 – A second COVID-19 wave moves in and closes most markets again

KEY FINANCIALS, SEK M

	2020	2019	2018	2017	2016
Net sales	**4,501**	5,547	4,927	4,441	4,271
Operating income*	**149**	533	430	491	502
Operating EBITDA*	**374**	762	583	630	632
EBIT	**70**	408	351	456	463
EBITDA	**359**	759	546	629	622
Net income before tax	**7**	377	328	439	441
Net income for the year	**4**	273	249	334	334
Proposed dividend, SEK/Share	**0.00**	0.00	5.00	5.00	5.00
Equity	**2,628**	2,664	2,616	2,594	2,486
Return on equity, %	**0.1%**	10.3 %	9.5 %	12.9 %	13.4 %
Return on capital employed, %	**3.9%**	12.9 %	10.6 %	14.4 %	15.8 %
Number of employees	**2,269**	2,398	2,477	2,362	2,279

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

NET SALES AND OPERATING INCOME, SEK M



OPERATING MARGIN

3.3%

The operating margin was 3.3 (9.6) percent

NET SALES

SEK 4,501 m

Net sales decreased to SEK 4,501 m (5,547)

OPERATING INCOME

SEK 149 m

Operating income was SEK 149 m (533)

DIVIDEND

SEK 0.00

The board proposes to the Annual General Meeting that no dividend be paid for the 2020 financial year. The dividend for the 2019 financial year was also canceled due to COVID-19.

DUNI GROUP AT A GLANCE

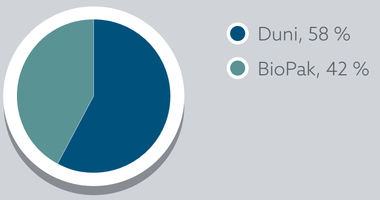
We create Sustainable Goodfoodmood® globally

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

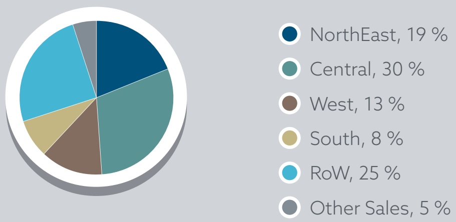
2,269

The Group has 2,269 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 SEGMENT, %



NET SALES PER GEOGRAPHIC REGION, %



All companies have a social responsibility

The concept "sustainable development" is made up of three key dimensions: environmental, economic and social sustainability. The three dimensions are strongly interconnected. This is an approach where the earth, people and the economy must be balanced in a fair and forward-thinking way.

A company like Duni Group – with a large number of employees, operations on several continents, and products used once or a few times – has a clear responsibility in this area.

RESPONSIBILITY – A PART OF DOING BUSINESS

In the Group, sustainability is an integral part of operations. It is part of our products and product concepts, part of our relationships with customers and suppliers, and part of our employee development.

WILLINGNESS TO CHANGE

Society is constantly changing. In the Group, we are aware that nothing is static. We welcome change and share a desire to make a difference. Our aim is to build relationships with suppliers and customers who share our view on sustainability. Our willingness to change and desire to make a difference unites us. A growing number of people are clear that they want to work in a company where responsibility for nature, the environment and people goes beyond words and is reflected in the company's actions. That's the attitude that we want everyone looking to us to have. And of course, that's the attitude we want from those who work at Duni Group and with us as well.

CREATING A SUSTAINABLE GOODFOODMOOD®

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

DUNI GROUP

Two different brands make our offering clearer

In 2020, Duni Group's business was divided into two segments – Duni and BioPak, based on the Group's brands. As of January 1, 2021, the two brand segments will form two business areas: Duni and BioPak. Each business area will have full responsibility for its respective value chain.

The Group sells products via a consolidated commercial organization divided into six regions. In Europe: NorthEast, Central, West and South. The Rest of the World (RoW) region includes Oceania and Asia. There's also an Other Sales category that includes external sales of materials and services.

In 2020, a central marketing department took responsibility for branding strategy, marketing communications, product development and innovation. Since January 2021, the marketing department has been divided between each brand – Duni and BioPak.

DUNI

The Duni brand stands for design, color, shape, and high quality that creates a pleasant atmosphere on every meal occasion. The segment markets products and services that add value everywhere where people cook, serve and enjoy food and drink.

Sustainability is naturally front and center, and all Duni products and services aim to help create a Sustainable Goodfoodmood®. Duni stands for long-standing experience and cutting-edge expertise in wood fiber-based solutions. This reflects many years of specialization in materials and design with very clear eco-profiling.

Duni has a vertically integrated business model for its paper-based products. The Group owns and controls the entire production and delivery chain, from material manufacture and concept development to converting and distribution.

BioPak
It doesn't cost the earth

The BioPak brand was created by the idealists of Australian company BioPak Pty Ltd, which has been a part of the Group since 2018. The brand began to be launched in Europe in 2020 with the aim of becoming the hands-down choice for environmentally-sound meal packaging, which is exactly what it already is in its home market of Australia and New Zealand.

BioPak is synonymous with sustainability and works on both products and circular solutions. The brand stands for cutting-edge expertise as well as transparency and authenticity. Products with the BioPak brand are eco-profiled meal packaging made of renewable plant-based raw materials or recycled materials. The segment's products are manufactured by external production units and procured.

An unusual and educational year

In 2020, the pandemic hit the HoReCa industry incredibly hard, which had a negative impact on us. Our more long-term strategic efforts to increase growth had to partially take a back seat to operational efforts to transition as quickly as possible. We responded quickly and did a good job of cutting costs while also meeting new customer needs, primarily in hygiene and take-away. The digitalization of our working methods was a success factor, and the reorganization at the start of the year also had a positive impact.

The year started off well. The Group came in from 2019 with strong income and cash flow, which allowed us to pay off part of our debts and strengthen our balance sheet. Everything looked stable as we headed into March.

NEW ORGANIZATION CONTINUES TO STRENGTHEN SALES ACTIVITIES
At the start of 2020, a new commercial organization was implemented – a large and significant change. Our four business areas were transformed into two segments based on our two brands. Duni, which produces and markets products for the set table, and BioPak, which offers eco-profiled meal packaging.

Previously, each country had three different sales organizations. By merging them into one consolidated sales organization, we can meet customer needs better. Our sellers can now offer the entire Group's product range, which creates synergy effects.

Robert Dackeskog, President and CEO since January 2021, and Mats Lindroth, acting President and CEO July–December 2020

The organization was evaluated continuously during the year, and in November we decided to create two business areas based on the segments. These will manage the entire value chain, which will make customer account management easier and strengthen our market position. The new organization was implemented in January 2021.

COVID-19 CHANGED EVERYTHING
When the pandemic accelerated starting in mid March, orders received fell dramatically, especially for Duni Professional napkins and table covers. The Duni segment is highly dependent on the HoReCa sector, which was hit very hard.

When increased restrictions caused orders received to fall, our plants and paper mill were impacted negatively as well. Given our vertical integration, our paper mill produces the paper that is converted into napkins and table covers in our plants to supply the Duni segment.

BioPak had a brighter outlook. In several countries, restaurants closed for seated guests, but instead they started serving take-away. This market, along with home deliveries, performed positively, and we experienced very strong growth in take-away products and Duniform® sealing solutions.

FAST AND FOCUSED RESPONSE
We responded quickly to the changes brought about by the pandemic.

Our business adopted a strong focus. Our most important tasks were to take care of the Company and employees and to help our customers through the crisis as best possible. The continued implementation of our 2019–2023 growth strategy had to partially be put on hold. For example, innovation projects were put on hold and no acquisitions were made. As a part of this, almost all employees and managers were put on short-time work for part of

2020. Nevertheless, sustainability along with customer customization and digitalization – fundamental parts of the strategy – remained highly important during the pandemic.

MET NEW CUSTOMER NEEDS

Providing customer customization and being a good partner became decisive. When restaurants started to reopen in the second quarter, hygiene and safety were the top priorities. We were able to meet these needs. Via a collaboration project, we were also able to offer an innovative hygienic solution for digital menus.

At times, we had to work hard on our goods supply to meet the demand for hygiene solutions and take-away products. Our sales organization and our supply organizations did a remarkable job on this.

STRONG INCREASE IN DIGITAL WORKING METHODS

The pandemic accelerated digital transformation, both in our internal working processes and in external communications and customer contacts. We quickly created various digital channels to communicate with and inform managers and employees within the organization.

Both us and our customers noticed that digital communications were highly effective. As of the spring, we set up many digital customer meetings where each of the sales organizations provided information about our product range. This is a new way of working for us that will serve as an effective complement to in-person meetings in the future as well.

MANY IMPORTANT LESSONS LEARNED

The benefits of digitalization are just one of the lessons we learned in 2020. Another is that hygiene in combination with table setting and food service will most likely be important in the coming years.

This is to our advantage. We have many solutions in both Duni and BioPak that make hygiene easier for restaurants and customers in the restaurant environment. This creates opportunities for us – in terms of both what we already have and how we can develop our product range.

INCREASE IN TAKE-AWAY SOFTENED THE BLOW OF THE PANDEMIC

The Group's sales for 2020 totaled SEK 4,501 m (5,547) This represented a 17.7% decline at fixed exchange rates. The Duni segment lost 30.5 percent of its annual revenue while the BioPak segment increased its annual sales by 10.5 percent. The lower sales figure had a direct impact on operating income, which amounted to SEK 149 m (533).

To meet lower demand in the wake of the pandemic, a program was launched already in the spring to adapt production capacity and costs. Overall, we cut costs by approximately SEK 270 m, with approximately SEK 80 m of this amount attributable to government assistance. The program also included risk controls for items associated with volatility in demand, inventories and accounts receivable. This helped decrease the net debt, which was SEK 1,324 m (1,546) at year-end.

A TURBULENT YEAR THAT STRENGTHENED US

Looking back on 2020, it's hard not to be amazed. The Group had a reorganization at the start of the year, severe impact from COVID-19 in Q2, changes in leadership and a second wave of the pandemic in Q3 and Q4, yet our situation still feels stable. The rapid recovery we experienced when the restrictions were eased in the summer shows that we still have a need to spend time together, eat good food and travel, and that our readiness to meet an increase in demand once the restrictions are eased is better than ever.

With changes in 2020 and the next step in our reorganization, we have built a stable foundation capable of responding to both internal and external factors in 2021 and beyond.

Our entire organization was put to the test in 2020. We are proud of all our employees and their hard work. Together, we have proven that we can get through such a severe crisis and have learned much from it. We coped with the impact of the pandemic satisfactorily, and once the market normalizes, we will be poised to take an even stronger position.

Malmö, March, 2021

Mats Lindroth
Acting President and CEO
July–December 2020

Robert Dackeskog
President and CEO since January 2021

Duni's new products for 2021 meet customer hygiene and safety needs.

Robert Dackeskog, President and CEO since January 2021

BOARD CHAIRMAN'S COMMENTS

Duni Group navigated the difficult twists and turns of 2020

In March 2020, it became clear that the pandemic was not merely a product supply challenge as we thought at first but a real, full-blown crisis. This was a completely new situation for the Group. And we needed to respond quickly.

When my colleagues and I from Duni Group Board of Directors and Group Management understood the breadth of the pandemic, we realized that we needed to address everything from a safe work environment and both internal and global communications to loan agreements, government assistance and the balance sheet, to name just a few examples.

We increased the frequency of board meetings and had short status updates every week. We also appointed a board committee to work with the management team on liquidity and loan agreements. Management responded quickly to adapt operations and resources in both segments to market changes.

HYGIENE AND DIGITALIZATION CREATE OPPORTUNITIES

We learned a lot as a company in 2020. Delivering experiences – a Sustainable Goodfoodmood® – is fundamental for us. However, in 2020, our focus was on shaping hygienic restaurant visits. This is an area that is opening up for dialogue with customers and for product development as we, going forward, talk about experiences and sustainability – and hygiene.

The pandemic had a substantial impact on digital transformation and maturity. In most industries, what would have normally been accomplished in several years had to be done in just six months. This involves ways of working and communicating as well as e-commerce, which creates both sales and communication opportunities.

THREE KEY ISSUES FOR DUNI GROUP

Our sustainability agenda remained strong in 2020. This is one of the Company's most important overall strategic issues. The lessons we've learned over the past two years is that the trend in this area is accelerating rapidly and customer maturity has risen substantially. Our former ecoecho® product range, now BioPak, gives us a strong position.

Another fundamental issue in our growth is ensuring that our vertical integration is as effective as possible. To be interesting as a company, we must also complete the globalization we have started. We must have business in both Asia and Europe, which means we must have the willingness to grow both culturally and geographically.

NEW ORGANIZATION AND NEW CEO

At the start of the year, a new organization was launched. Two segments based on the Duni and BioPak brands replaced four business areas. After ongoing evaluation, another step was taken to strengthen our organization. Starting in January 2021, the brand segments will be changed into two business areas with complete responsibility for their respective value chains.

An important internal event during the year was that President and CEO Johan Sundelin had to resign his post effective immediately. Johan contributed to the Company's strategic growth by increasing focus on eco-profiled solutions. However, his leadership did not meet the Board's expectations, and we determined that it was necessary to change CEOs.

Mats Lindroth, deputy CEO and CFO, stepped in as acting President and CEO in the fall. We had a consensus in the board that a new permanent CEO should be either a current or former member of the Company. We welcome Robert Dackeskog as the new President and CEO. He has long-standing, solid experience, with several leading positions in the Group, including leadership of the key vertical business.

BOARD CHANGES IN STABLE COMPANY

The Group's Board of Directors also changed in 2020. The Board was expanded by adding one more director elected by the AGM, going from five to six directors. Two directors whose terms expired in the spring were replaced with three. This represents an increase in the size of the board and a relatively large change that has worked out very well.

Since 2007, Mellby Gård has owned 29.99 percent of Duni Group. This shareholding has never been questioned – it's a company that enjoys long-term confidence and provides stable returns. Our business has made it through other periods of economic decline, so our owners have full confidence that the Company will get through the current crisis as well.

Thomas Gustafsson took office as Chairman of the Board following the AGM in May 2020. He has long-standing experience with Duni Group, as a director from 2009 to 2012, and as President and CEO from 2012 to 2017.

UNCERTAIN FUTURE POSES CHALLENGES

No one knows for sure, but the pandemic can reasonably be expected to continue to have an impact throughout 2021. We are and need to be very well prepared for both positive and negative trends. This will require that we are agile and maintain intensive and clear internal communications.

It's looking positive. We successfully navigated the difficult twists and turns encountered in 2020. So far, the Company has coped well with all the challenges that arose in the wake of the pandemic. I would like to conclude by giving the entire organization enormous credit for its outstanding dedication throughout this difficult year from both myself and the Board.

Malmö, March, 2021

Thomas Gustafsson
Chairman of the Board

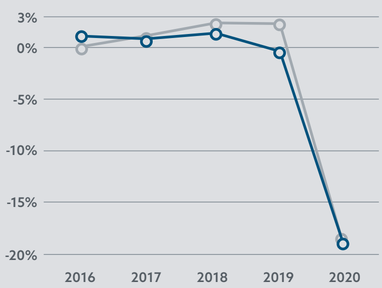
FINANCIAL TARGETS

A year impacted by the pandemic

SALES GROWTH

5 %

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



Organic growth, %
Organic pro forma growth, %

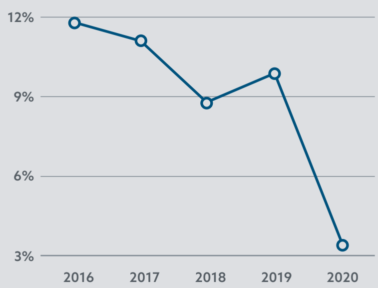
2020 TARGET ATTAINMENT

The currency-adjusted organic growth was -18.9 %. The decrease in sales for the year is a result of social restrictions to reduce the spread of COVID-19.

OPERATING MARGIN

10 %

The 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.



Operating margin, %

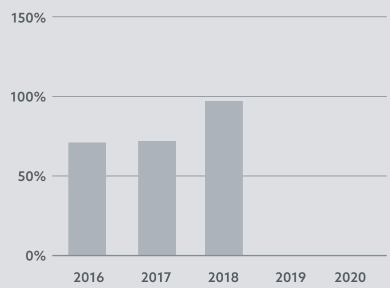
2020 TARGET ATTAINMENT

The operating margin was 3.3 %. The poorer operating margin is a result of the lower sales due to COVID-19.

DIVIDEND

40 %

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



Dividend, % of income after tax

2020 TARGET ATTAINMENT

The board estimates that the Group has a healthy financial position and future competitiveness but finds that no dividend should be paid due to the market uncertainty in the ongoing pandemic and because net income for the year was SEK 2 m (269).

Share performance and ownership structure

During 2020, the share price decreased by 17 %, with a closing price of SEK 107.80 (129.20) at December 31, 2020. Since listing, Duni's share price increased by 116 % until December 31 2020, resulting in a market capitalization of SEK 5.1 billion. During 2020, the closing price varied between a high of SEK 147.60 on February 21 and a low of SEK 62.30 on March 23. Earnings per share for the year were SEK 0.05 (5.73).

During 2020, 14.8 (11.6) million Duni shares were traded, valued at SEK 1,430 million (1,330).

NUMBER OF SHARES AND SHARE CAPITAL

On December 31, 2020, 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 possibilities for expansion, consolidation needs, liquidity and its financial position in general. The Board of Directors proposes that the Annual General Meeting not pay any dividend due to the COVID-19 pandemic and the continued market turbulence.

EXTERNAL ANALYSES WERE PUBLISHED BY:

- Handelsbanken Capital Markets, Karri Rinta
- SEB, Gustav Hageus

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.

OWNERSHP STRUCTURE, 12/31/2020

Number	Number of shareholders	Number of shares	% of total shares
1 – 500	8,991	1,156,472	2.46 %
501 – 1,000	1,084	905,361	1.93 %
1,001 – 5,000	752	1,648,547	3.51 %
5,001 – 10,000	72	516,429	1.10 %
10,001 – 15,000	20	250,696	0.53 %
15,001 – 20,000	14	248,208	0.53 %
20,001 –	85	42,273,319	89.95 %
Total	**11,018**	**46,999,032**	**100 %**

SHAREHOLDERS, 12/31/2020

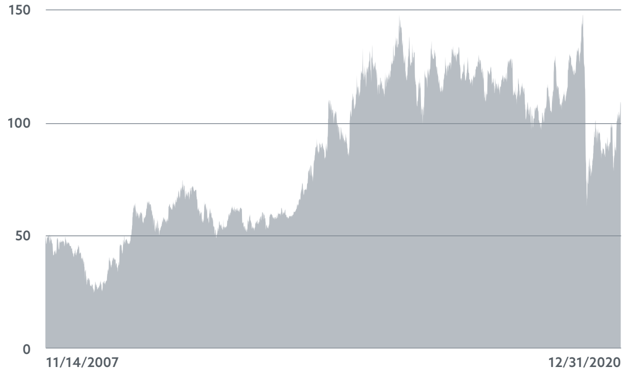
	Number of shares	% of shares
Mellby Gård Investerings AB	14,094,500	29.99 %
Polaris Capital Management, LLC	4,803,450	10.22 %
Carnegie fonder	4,000,000	8.51 %
Lannebo fonder	3,556,294	7.57 %
VERDIPAPIRFONDEN ODIN SVERIGE	3,096,246	6.59 %
FJÄRDE AP-FONDEN	2,237,896	4.76 %
State Street Bank & Trust Co, W9	2,028,815	4.32 %
BROWN BROTHERS HARRIMAN & CO., W9	1,973,535	4.20 %
BNY MELLON NA (FORMER MELLON), W9	1,428,748	3.04 %
Handelsbanken Fonder	1,245,656	2.65 %
Total, the 10 largest owners	38,465,140	81.84 %
Other shareholders	8,533,892	18.16 %
Total	**46,999,032**	**100 %**

DATA PER SHARE

Amount, SEK	12/31/2020
Number of shares at end of period	46,999
Average number of shares before and after dilution	46,999
Share price on December 31	107.8
Earnings per share, before and after dilution	0.05
Equity per share	55.91
P/E ratio	2,156

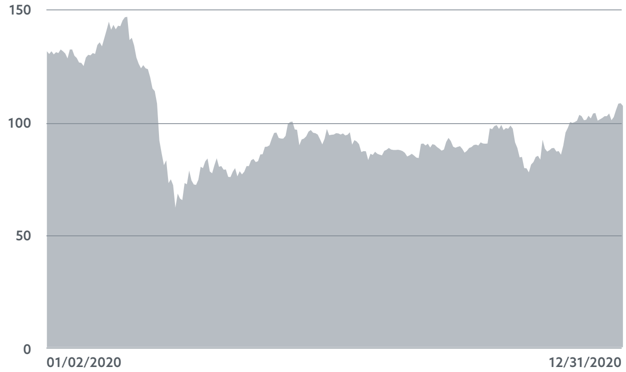
SHARE PERFORMANCE 2007–2020

SEK, closing price



SHARE PERFORMANCE 2020

SEK, closing price



Strategy strengthens our position

At the end of 2018, a platform for profitable growth during the period from 2019 to 2023 was launched. This platform lays the foundation for an even more sustainable and customer-centric organization in line with the external trends and changes shaping our market.

The strategy will strengthen the Company's position as a market leader in Europe and support growth in other markets, especially Oceania and Asia.

The challenges of the pandemic in 2020 demonstrated that the strategy is effective in meeting its goal to add value for customers throughout the customer journey. Although some areas had to be put on the back burner, growth accelerated in digitalization and customer-specific solutions, with the Group succeeding in rapidly transitioning to new sales and communication methods and meeting increasing demand for hygienic solutions.

The two segments, Duni and BioPak, gave us two solid foundations during the pandemic, which has been a strength.

Global trends

- Digitalization
- Customer customization
- Sustainability
- Increase in take-away

The platform for profitable and sustainable growth has five prioritized areas

During the 2020 pandemic year, we continued our efforts in all prioritized areas for sustainable and profitable growth. At the same time, the challenges brought about the pandemic accelerated trends in several areas, and we have focused on flexible solutions in support of more long-term projects.

The most attractive end-customer experience
Improving the customer experience for all our customers, both distributors and end customers, is always a priority. During the year, we primarily focused on providing support with new concepts and ideas to meet a change in needs caused by the pandemic. The importance of digital interactions with customers has increased significantly, which accelerated our innovation capacity to find new ways, such as by using digital event platforms. The B2B commerce pilot project in Switzerland generates valuable insights into how we can improve the digital customer experience.

The best partner for sustainable solutions
Being the best partner for sustainable solutions gained even greater relevance during the year. Our focus remains on collaborating with our customers and supporting them in the frequently difficult decisions regarding the climate, renewability and recycling via open and transparent communication. We provide safe, hygienic and sustainable products, and we actively work to align with the EU directives on single-use products that received great attention during the year.

A digitalized and effective supply chain
Our efforts during the year were focused on further improving efficiency in the value chain and reducing complexity in production with digital tools. The year of the pandemic also resulted in great market volatility and a change in goods supplies and flows, which we coped with by taking a proactive approach with frequent sales forecasts and good communication between different functions.

Customized concepts
When customer needs changed as a result of restrictions across Europe, it has been important for us to be able to meet this demand with customer-specific concepts for take-away and restaurants along with an increased offering for hygiene products At the same time, our long-term projects for pricing strategies and additional customer customization were continued so we will be able to meet future customer needs.

The Duni Way
Our greatest focus for the year was taking care of our employees and coping with all the challenges brought about by the pandemic. We primarily ensured that health and safety were prioritized both at the workplace and outside of it while also enabling home working, focusing on safety in production and coping with the challenges that arose in connection with remote working. We also initiated a long-term project with a focus on culture and values that will continue for many years to come.

CX

Promising start for CX

Our customer experience (CX) digitalization project aiming to provide insights into new roles, ways of working and systems was initiated according to plan in Switzerland at the start of the year. A number of improvements in the customer journey were achieved before COVID-19 put the brakes on the rollout. Although it is difficult to draw any conclusions, it is clear that more and more customers are using our digital services. We see digitalization as a key tool that will benefit our working and business model. Digitalization has also led to the creation of new roles, such as inside sales, which was received positively.

www

New website adds value for customers

The launch of a new website will strengthen our digitalization and streamlining of the customer journey. The new website will combine Duni and BioPak's product ranges in one place, helping customers search for and find the right products. Work on this project began in 2020 with launch planned for 2021 for all of Europe.

dunigroup.com

A mixed year for innovation

Innovation was also shaped by the pandemic with greater focus directed to the trends that accelerated during the year. This included the commencement of a pilot project in circular solutions in collaboration with a major recycling company. At the same time, we saw an increase in the use of our Duni Visualiser app, which helps customers create table settings. In Germany, Duni Group collaborated to create a digital menu so that restaurants would not need a paper menu and to help them register guests in line with new directives (see more on page 32).

Corporate Development capitalizes on its expertise

Because of COVID-19, Corporate Development had to transition parts of its operations. When acquisitions were given lower priority and several development projects were put on hold, the staff's expertise was allocated to other, more operational tasks in the organization. At the same time, the department continued working on the product portfolio and reducing the complexity of our offering.

Rexcell increased its external sales

As a part of our efforts to compensate for a decrease in demand for the products we manufacture in-house, Rexcell's paper mill was able to win orders for raw materials to be used by three major producers of hygiene tissue. In the summer, external deliveries were also secured for the textile-like material Airlaid to be used in the manufacture of washcloths and towels.

Fast response on volatile market

The pandemic led to an increase in demand for fiber-based take-away products and hygienic solutions but also to a highly volatile market in which the Group's Operations department had to continuously adapt capacity to demand. When many suppliers in Asia shut down, we rapidly switched to European suppliers. As a result, we also had to find alternative solutions or products to meet demand. In the Duni segment's in-house production, the priority was ensuring that employees could feel safe and secure while maintaining production and deliveries. In our vertical business, continuous streamlining measures are underway to cut costs and lead times and to improve materials. Digitalization and AI solutions are increasingly being used.

OUR MARKET

New opportunities on a changing market

The 2020 pandemic changed the playing field in ways no one could have foreseen. Our primary target group, the HoReCa sector, was hit very hard. At the same time, take-away increased significantly and hygiene became a key priority for customers. The digitalization of ways of working and communicating accelerated. The changes we have seen during the year will continue to impact the market.

TARGET GROUPS
With its two brands, the Group has a broad offering to the market: solutions for the set table (Duni) and sustainable packaging and other products for take-away (BioPak).

The product range is primarily geared toward various professional customer segments:

- Hotels
- Fast casual, such as cafés, bars, food trucks
- Full service restaurants
- Catering, such as services for companies and healthcare but also for special occasions

Private customers:

- Home Meal Replacement (HMR), such as delis, grocery stores and online suppliers.

In recent years, the largest growth has been seen in fast casual – take-away-driven restaurant concepts positioned in between fine dining restaurants and strictly fast food establishments in terms of price and quality. Companies that deliver take-away to end consumers represent a new segment with strong growth during the pandemic (35 percent). There are also several exciting microsegments, such as dark kitchens/ ghost kitchens, which are kitchens without table service owned by delivery companies or independent companies.

COMPETITORS
With two supplementary product ranges, the Group has few direct competitors. Instead, we compete with various companies in distinct product groups.

Duni is the European market leader in table covers, napkins and other products for the set table. The segment has a global presence and relatively little competition from a global perspective. However, smaller companies compete in each region or country.

With BioPak, the Group has a market-leading position in Asia and Oceania in environmentally-sound take-away solutions. The introduction of BioPak in

Europe strengthens us in this segment in which we already hold a strong position via the ecoecho® product range. This is a growing segment and our competitors consist of small, local companies. The phasing out of plastic in the EU is driving an increase in the number of new businesses focusing on products and materials to replace plastic. These could be competitors but also partners.

BUSINESS INTELLIGENCE

The pandemic put the experience industry and the HoReCa segment into a deep crisis. COVID-19 will continue to impact the market in 2021, but no one knows to what extent.

Trends, attitudes, values

The three most important macrotrends are sustainability, hygiene and digitalization. In addition to these, customer-specific solutions represent an important trend.

Sustainable solutions continue to be the major global megatrend. This trend is being driven by new laws and regulations but also by increasingly stronger awareness at all stages of the value chain. During the pandemic, demand for hygienic solutions saw strong growth and will likely persist for the immediate foreseeable future.

Digitalization accelerated significantly during 2020 as a result of COVID-19. This was previously already a strong trend involving the entire value chain, from new products and solutions through procurement, customer interactions and deliveries to evaluations and service.

Customer-specific, brand-building solutions continue to be important. When building their concepts, many restaurants not only consider their menu but also table settings or food packaging.

A trend that emerged during the pandemic, in regions such as the UK, was tablescaping, where private consumers worked on creating spectacular table settings.

Technological development

The phasing out of plastic is driving the development of alternative, usually fiber-based solutions. Recreating the product advantages of plastic will require several different materials for meeting different needs, such as for fatty food and soups.

New laws and political decisions

Examples include the EU's intensive work on the circular economy, its Farm to Fork Strategy and a packaging directive. The absolute most important at this time is the EU Single-Use Plastics (SUP) Directive. The phasing out of plastic and the ban on expanded polystyrene (EPS) in 2021 have a very significant impact on the market. Duni Group fully supports the plastic phase-out, is at the cutting edge in fiber-based alternatives and sees several opportunities in the ongoing and upcoming changes.

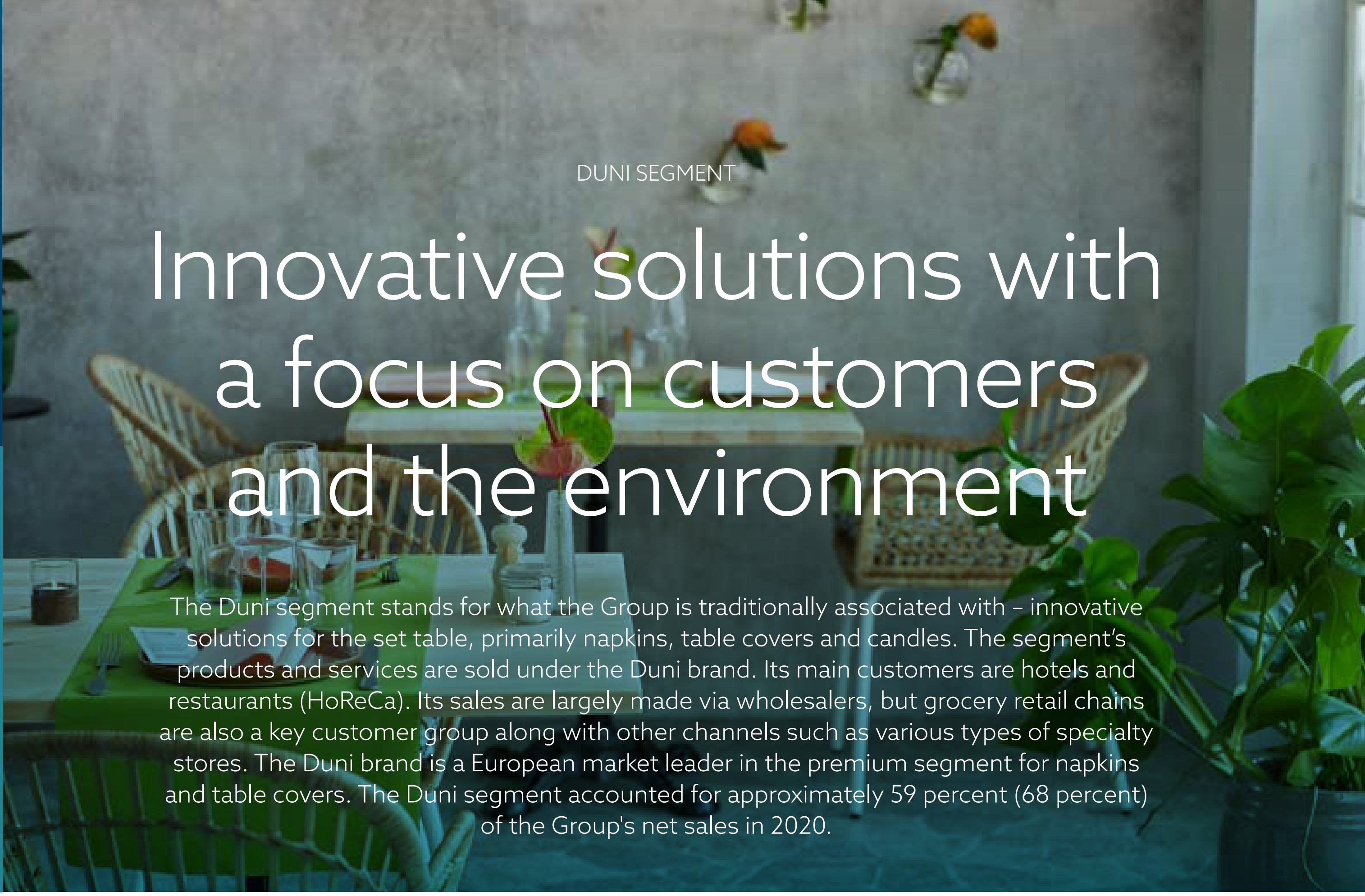
GROWTH OPPORTUNITIES

The fast casual segment is continuing to grow, which is driving demand both for eco-profiled food and drink packaging and for hygienic solutions such as cutlery bags and sealing systems. In general, the growth in take-away creates great opportunities, such as with the new delivery companies. The disruption in traditional demand for various customer segments creates synergy potential for the Group to offer Duni and BioPak products to the same customer.

The conceptualization of restaurants and chains is driving demand for customer-specific products like profile print but also knowledge and digital tools to help customers choose the right products for their needs.

In terms of geography, Asia is a growing market that is maturing. The interest and need for sustainable packaging solutions is increasing steadily. Asia is also the world's largest full-service market, with rising demand for products such as table covers and napkins.

The major breakthrough of digital solutions during the pandemic in 2020 will most likely result in lasting changes in how suppliers and customers behave and communicate. This will drive an increase in e-commerce as well as various digital services and solutions. Our collaboration on digital menus is a good example. We are well-positioned for this trend.



DUNI SEGMENT

Innovative solutions with a focus on customers and the environment

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

2,628

Net sales amounted to SEK 2,628 m (3,816).

7

Operating income was SEK 7 m (416).

0.3 %

The operating margin was 0.3 % (10.9 %).

PRODUCT RANGE
- Napkins
- Table covers
- Candles and accessories
- Hygiene products

2020 PRODUCT LAUNCHES

Sacchetto XL
Hygienic cutlery pack and napkin in larger size

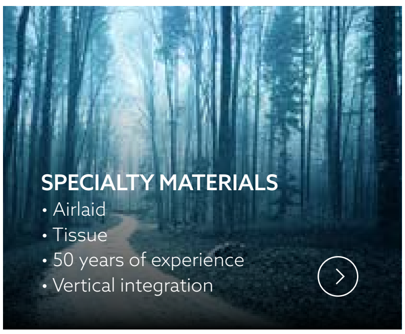
Sealable Sacchetto
Further improves hygiene by reducing contact with both napkin and cutlery

Hygienic fresheners
Hygienic fresheners that can either be used separately or placed in the Sacchetto cutlery pack

Placemats XL
Larger placemats that minimize the guest's contact with the table surface

LED-set Moving Flame
Chargeable tealights with a realistic flame that never goes out

CUSTOMER SEGMENTS
- Events and catering
- Full service restaurants
- Hotels
- Public sector
- Grocery sector
- Staff restaurants



SPECIALTY MATERIALS
- Airlaid
- Tissue
- 50 years of experience
- Vertical integration

DUNI – MATERIALS JOURNEY

Vertical integration provides great benefits

With 50 years of experience in paper production, Duni Group is the great material specialist in our industry. Today, we are building on that knowledge in the Duni segment, which owns almost the entire value chain. This vertical integration is unique in our industry and gives us control over the refinement of our tissue and Airlaid products.

FORESTRY

94 % of the raw materials for Duni's table covers and napkins are FSC®-certified wood fiber from forestry committed to environmental sustainability, social responsibility and economic viability.

PAPER MILL

Rexcell's paper mill in Skåpafors refines wood fiber in paper machines into large paper reels. These jumbo reels of tissue or Airlaid are sent on to the Group's converting units.

CONVERTING

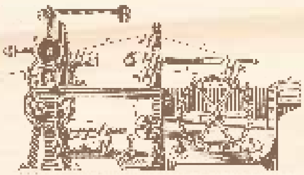
In converting, the paper is cut, pressed, embossed and folded from the jumbo rolls into finished napkins and table covers. The Group has converting operations in Bramsche and Wolkenstein, Germany; Poznan, Poland; Bangkok, Thailand; and Auckland, New Zealand.

DISTRIBUTION

The Duni segment sells the majority of its products via various distributors and retailers. The finished end products are transported further in the value chain.

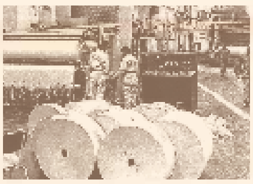
CUSTOMERS

Duni products are sold to both professional customers in the HoReCa segment and to private customers via grocery and retail outlets. Buyers are everyone who wants to create environmentally-sound Goodfoodmood® occasions.



1897

The founding of Skåpafors paper mill sows the seeds that become Duni. The first machine produces kraft paper for industry.



1954

Skåpafors paper mill makes the world's first soft colored napkin.

2007

Duni's shares were listed on the Stockholm stock exchange.

2025

100% fossil-free energy in the paper mill by 2025 and in European production units by 2030 is our goal.

BIOPAK SEGMENT

Leader in sustainable packaging

– expansion in new markets

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

1,874
Net sales amounted to SEK 1,874 m (1,732).

142
Operating income was SEK 142 m (116).

7.6 %
The operating margin was 7.6 % (6.7 %).

BioPak

PRODUCT RANGE
• Products for serving meals

2020 PRODUCT LAUNCHES

BioPak Foldbag
A take-away bag inspired by trendy folding backpacks, made of FSC®-certified, recyclable materials.

Breeze cups
Sealable bagasse cups that are a sustainable alternative to plastic glasses. Volume labeling for serving alcohol included.

Wooden cutlery
A wide range of cutlery and cutlery packs, from basic to premium options.

Concept for sealable bowls
Compostable fiber-based bowls that are sealable.

CUSTOMER SEGMENTS
• Fast casual
• Cafes
• Fast food
• Public sector
• Events and catering
• Others

LAUNCH IN EUROPE

BIOPAK LAUNCH

Strengthening our offering in Europe

Duni Group is consolidating its eco-profiled range of packaging under the BioPak brand. The market-leading concept in Australia is now being launched on the European market.

There's no Planet B! This is the message Australian BioPak used to become the market leader in eco-profiled meal packaging in its domestic market.

The Group acquired the company in 2018 and is now launching the brand on the European market. At the same time, the Group's sustainable range of packaging is now being consolidated under a single brand.

"We believe that BioPak is the best platform for sustainable and circular packaging solutions."

There is great market interest in a clear and simple brand like BioPak," says Fredrik Sverkersten, Marketing Director. "We believe that BioPak is the best platform for sustainable and circular packaging solutions. Now we are going to establish the brand in Europe and build it just a strong as in Australia."

EUROPE – A HIGHLY DIFFERENTIATED MARKET

One challenge is that the European market is highly differentiated. As a result, the successful concept from Australia will now be adapted to the European market.

"A packaging supplier that really wants to work sustainably in Europe must localize," Fredrik explains. "The conditions for recycling and composting vary enormously, sometimes even between cities in the same country. You always need to look into what the best solution is for each individual customer."

The segment's products must always be as sustainable as possible. "BioPak should be the first thing that comes to mind for customers in terms of sustainable meal packaging," says Fredrik.

PERFECT TIMING FOR LAUNCH

Our European business is looking forward to the launch. "The timing is perfect with the implementation of the EU SUP Directive in July 2021, which Duni Group supports," says Axel Gelhot, Head of Marketing Central Europe. "With BioPak's products made of renewable or recycled materials, customers know that they're always choosing products compliant with EU regulations. They also help reduce carbon dioxide emissions from plastic."

Driving development and educating distributors, retailers and end customers are also a part of the brand's mission. "We have studied the implications of the new laws and trained our own staff but also held external webinars. We will continue doing this in spring 2021."

Even in locations where plastic recycling infrastructure is in place, such as Germany, Axel underlines that it is still important to educate end users. "We need to educate them so that what is recyclable ends up in the right flow more frequently than today. BioPak can you play an important role here as well."

MAJOR INVESTMENT TO START OFF 2021

The launch of BioPak in Europe will be a major drive at the start of 2021. An aggressive plan is in place to add new products and communicate the brand. The launch will target professional customers as well as private customers reached via grocery outlets. ■

Rapid transition to help customers

The year got off to a strong start. Sales reached record-highs and a comprehensive reorganization of the sales and marketing organization was made to streamline customer communications and improve the customer experience. This turned out to be the right strategy when the pandemic caused an increase in the cross fertilization between Duni and BioPak and more customers chose products from both.

It has been a difficult year for our customers, especially in the HoReCa segment. We were able to quickly adapt the product ranges of the segments to new customer needs. More restaurants started using take-away, and the BioPak range offers popular fiber-based alternatives to plastic in this area. When demand for hygienic solutions increased significantly, the Duni segment was able to transition and deliver a large quantity of cutlery packs.

Digital working methods were implemented rapidly, which was a success factor both internally and in contact with customers.

NEW COMMERCIAL REGIONS

Central region:
Germany, Austria, Hungary and Switzerland

NorthEast region:
Nordics, Baltics, Poland, Russia and Czechia

South region:
France, Italy, Spain and Portugal

West region:
UK and Benelux

Rest of the World (RoW) region:
Asia and Oceania (APAC), North, South and Latin America (Americas), the Middle East, North Africa and India (MENA)

STRENGTHENING OF ORGANIZATION

To create a more attractive customer experience, at the start of 2020, Duni Group replaced its four business areas with two segments – Duni and BioPak. In the new commercial organization, five regions are responsible for all local sales and marketing of both brands. In November, the Group announced another step to strengthen its organization by creating two business areas based on the segments effective January 1, 2021, each with responsibility for their entire value chain. The current Group Management functions in the areas of Operations, Marketing and Corporate Development will disappear, with responsibility being taken over by the respective new functions.

Record-start to the year lost momentum

In terms of sales, 2020 started out with the best January and February in the Company's history. Then, as of March, the coronavirus shaped the rest of the year. Most professional customers, such as restaurants and hotels, were hit hard, and the Duni segment's sales decreased significantly as of March, especially for napkins and table covers. Sales to grocery outlets declined as well.

DUNI MET STRONG DEMAND FOR HYGIENE

The pandemic gave rise to new customer needs. Hygiene aspects became highly important as restaurants began to re-open in the second quarter, and Duni was able to meet a growing customer need in this area. As a result, sales of Duni Sacchetto cutlery packs and placemats saw very strong growth.

Take-away increased and BioPak delivered

When many restaurants had to close, take-away became a new sales channels for traditional restaurants as well. Home delivery of food also became enormously popular. This prompted a drastic increase in demand for eco-profiled meal packaging. Via its former ecoecho® range, now BioPak, the Group commands a very strong market position. BioPak's meal packaging product range is procured, and we had to work hard to avoid delivery problems when much of the supply chain disappeared, especially in Asia. Instead, European suppliers or alternative products had to be found quickly.

DIGITALIZATION AND NEW WAYS OF WORKING KEPT OUR BUSINESS RUNNING

With lockdowns and remote working, digital ways of working became essential. Traditionally, in-person visits were important for the Group. Now, customer contacts and communications were moved to digital channels. Creative solutions included webinars and digital campaigns, with social media as an important part to generate interest in the product range. At the same time, many tactical activities were pursued to secure sales, including pitching of the Christmas product range, annual negotiations with wholesalers and active efforts on hygienic alternatives.

ATLANTIS WINS SUSTAINABLE DESIGN AWARD

BioPak's Atlantis bowl concept won a prestigious silver medal at the 2020 Pentawards, the world's leading awards contest for packaging design. Atlantis was designed by designer Karolin Larsson in collaboration with Duni Group's marketing department. The concept combines chopsticks made of wood and bamboo with bowls and lids made of compostable bagasse and lids made of recycled plastic.

DUNI VISUALISER – THE APP THAT SETS YOUR TABLE

The Duni Visualiser Augmented Reality app makes planning table decorations easy, risk-free and fun. It's easy from a smartphone to choose coordinated products or complete table settings and generate images of how it will look. In the app, it's also easy to contact Duni Group for information, product specifications and samples or to book a meeting with a salesperson.

Warehouse relocation simplifies logistics

In fall 2020, Duni Group began relocating its warehouse in Norrköping to Jönköping. This streamlines logistics and will lead to cost savings. The relocation will be completed during the first quarter of 2021.

The Coffee Bean & Tea Leaf, Singapore

The Coffee Bean & Tea Leaf (CBTL) is one of the world's most well-known café chains with more than 1,200 locations globally. The first in Singapore was started in 1996, and now there are more than 60 in the country. CBTL Singapore uses plates and bowls from the BioPak BioCane range. This decreases detergent emissions and enables customers to rest assured that they are eating on environmentally-sound and hygienic single-use products. BioCane products will also replace take-away packaging that was made of plastic.

Bünting Group, Germany

In March 2020, Duni Group initiated testing of sustainable packaging with the Bünting Group, which includes supermarket brands Famila and Combi. Bünting's headquarters has so far approved 17 products, and the response from both customers and the company's management has been positive. Five supermarkets have switched their packaging to BioPak and more are on the way. The number of Forum trays alone is about one million per year. The Duniform® sealing system is also used in the chain's 92 commercial kitchens.

Sylvest & Bang, Denmark

Sylvest & Bang in Copenhagen has three foundations: lunches, catering and portion-packed ready-to-eat meals. Before COVID-19, most of this was served on large platters, but now individual portion packaging is used. They use boxes from the BioPak Viking range with transparent lids so that customers can see the food. During the pandemic, Sylvest & Bang started delivering more warm food. Their tests of the Duniform® sealing system have been positive.

Eatery, Sweden

As a result of COVID-19, Stockholm-based restaurant chain Eatery lost 75 % of its lunch guests. To compensate, the chain started delivering food to customers by taxi in Duni Group's packaging. The first order was for 100,000 Duniform® trays. Eatery has invested in four Duniform® machines to seal packaging. After just a few weeks, Eatery had delivered 10,000 portions of food. The chain's collaboration with Taxi Stockholm improves its margins but also benefits the heavily hit taxi sector.

Pinchos, Sweden

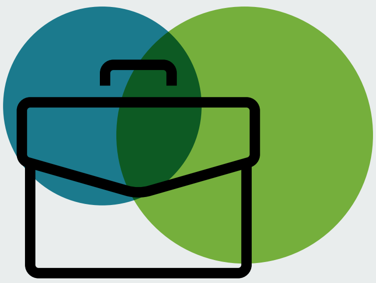
Pinchos is a Swedish chain with 66 restaurants serving hors d'oeuvre from around the world on its menu. Guests book a table, order and pay in an app – Pinchos was the first restaurant chain in the world to take all orders via an app. When they switched to take-away during the pandemic, they chose Duni Group's meal boxes made of bagasse with adhesive lids. The number of take-away boxes they use is estimated to be about 15,000–20,000 per week.

Pura, Germany

In Breitbrunn am Chiemsee, restaurant Pura stretches the boundaries for vegetarian and vegan cooking. Everything is cooked with passion and the conviction that a healthy diet is good for your well-being. The organic ingredients used are sourced regionally and are seasonal. The sustainable concept is also used in Pura's take-away and delivery services. All food and drink are packed in 's environmentally-sound containers. The glass is made of 100% recyclable plastic and the food is delivered in compostable bagasse boxes. Pura also uses Bloom environmentally-sound bags made of grass paper.

Duni Group's people and culture

When employees' job satisfaction is high and opportunities for development are plenty, this has a positive impact on a company's bottom line. However, the great changes brought about by COVID-19 in 2020 put our employees through significant trials and tribulations. Lockdowns, short-time work and working from home drastically changed many peoples' everyday lives. responded quickly, and our digitalization of ways of working and communicating was decisive for employee satisfaction and motivation. Our employees and managers have shown great loyalty and drive in 2020.



GO TO MARKET – REORGANIZATION

A major re-organization project, mainly involving Commercial and Marketing, was initiated in 2020. This strengthened our local presence. Customers now have a single contact person representing both the Duni and BioPak product ranges. The reorganization also enables a more efficient sales process with a focus on value-added sales.

COVID-19 IMPACTS EMPLOYEES

Our greatest focus during this remarkably different year has been on securing the health and safety of our employees both at the workplace and outside of it. In spring 2020, the Group had to put about 80 % of its employees on short-time work. After the summer, many gradually returned to full-time work. Management's goal early on was to be transparent about what we knew and to regularly communicate digitally, using means such as video recordings from the CEO and newsletters every week along with global digital manager meetings every third week.

Better understanding of corporate culture

To strengthen our brand and make us an attractive employer, we must first understand and link words, values and behaviors to our culture. This involves creating clear leadership and a strong sense of belonging as well as paving the way for future acquisitions. The next step is to find ambassadors that can sum up the values that the organization now embodies.

ANALYSIS OF SKILLS NEEDS

A key project initiated in 2020 aims to identify future skills needs based on our strategy. This is linked to existing processes, such as performance appraisals, goal attainment and development of employees, groups and the organization (Dunited). Competency areas in need of strengthening include digital marketing, market insights, artificial intelligence in production and logistics, value-based sales and sustainability.

STRUCTURE AND FRAMEWORKS FOR A MORE FLEXIBLE ORGANIZATION

The Group has initiated efforts to create a clearer structure and frameworks for its organization. The goal is to create an agile, flexible and transparent de-centralized platform to make cross-department collaboration easier. The first step has been to identify what needs to be strengthened and prioritized and to review guidelines and the division of responsibility.

Diversity and inclusion will be prioritized

The Company has low employee turnover and a relatively even gender distribution in general terms. However, there are shortcomings for certain occupational groups and at the manager level. We strive to create a highly inclusive culture where the group of managers and management better reflect the companies in terms of personality, gender and nationality.

SUSTAINABILITY MOVES TO THE HR DEPARTMENT

Sustainability is moving to the HR department to more effectively drive the development of sustainable solutions. It will now be easier to focus on sustainability in the entire organization, from recruitment to products and services.

SUSTAINABILITY

Sustainability and social responsibility

Our Blue Mission

Companies' corporate social responsibility (CSR) efforts are becoming increasingly important. Today, all organizations must take their environmental responsibility as well as their social and economic responsibility. For Duni Group, it's important to contribute to a sustainable world via our business but also by helping partners, customers and other stakeholders throughout the value chain.

Duni Group has a large number of employees, operations on several continents, and products used once or a few times. Therefore, sustainability needs to be an integral part of our core business and is now more important than ever.

We aim to be the best partner for sustainable solutions and collaborate with our customers to provide them with safe, hygienic and sustainable products. By providing open and transparent information, we seek to support both our professional customers and our end consumers in decisions related to climate, renewability and recycling.

We can only develop circular solutions for recycling and reuse by partnering and collaborating with others. We work together to find solutions that make it easier for our customers to meet ambitious environmental goals.

A YEAR OF CHANGE

2020 has been a year of change. COVID-19 naturally impacted our business. One positive change was the launch of BioPak in Europe as our eco-profiled segment in take-away. Despite the difficult times, we see that the need and willingness to choose eco-profiled solutions is just as strong as before. The Group met the increased demand for take-away solutions by continuing to focus on sustainability.

Our products should be safe to use. This is a given that requires knowledge and precision along with in-depth collaboration with suppliers and external experts. All products are tested according to applicable legal requirements and relevant standards.

DECREASING THE CARBON FOOTPRINT

We are deeply committed to reducing the carbon footprint of our products. We aim to exclusively use renewable energy in our production units and to phase out plastic products.

Starting in 2021, we plan to carbon offset the manufacture of our napkins and table cover materials along with the BioPak range.

Ongoing streamlining and systematic improvement activities are underway at our production units across the world to reduce our environmental impact.

PEOPLE IN FOCUS

For our employees and managers, 2020 was a tumultuous year with many changes and a high degree of uncertainty due to COVID-19 and our exposure to the HoReCa market. Like most companies around the world, we had to adopt new ways of working and make health and reduced spread of COVID-19 the number one priority in all contexts.

When most of our employees were working from home or on short-time work, this posed new requirements for aligning the organization, supporting and leading digitally, and motivating and engaging both employees and managers.

HUMAN RIGHTS IN OUR SUPPLY CHAIN

We have actively applied our code of conduct to suppliers of finished goods and input materials alike for 15 years. The code's requirements include human rights, a ban on all forms of child labor, personal safety, working hours and pay. The code is followed up at recurring audits. However, in 2020 we focused on new suppliers and those known to have higher risk levels.

Business ethics is an area in which the Group has a zero tolerance policy for all forms of bribery and corruption. Our policy is clear and is communicated to employees and suppliers. We encourage feedback and have an external process to ensure that information from whistleblowers can be received confidentially.

Sustainability strategy and goals

Duni Group has set five primary goals for its sustainability efforts to achieve by 2030.
You'll find more information on our website Dunigroup.se

1 ENVIRONMENTALLY-SOUND PRODUCTS FOR EVERY GOODFOODMOOD® OCCASION

2 CIRCULAR SOLUTIONS

3 PARTNERSHIPS FOR SUSTAINABILITY

4 CARBON-NEUTRAL BY 2030

5 100 PERCENT ENGAGED EMPLOYEES

1

ENVIRONMENTALLY SOUND PRODUCTS FOR EVERY GOODFOODMOOD® OCCASION

Our customers and end consumers should be able to be confident they have made a sustainable choice when choosing BioPak and Duni. Without a guilty conscience spoiling their experience.

THE MOST IMPORTANT POINTS

- The BioPak brand is launched in Europe
- Aggressive phase-out of plastics
- Napkins and table covers:
  - Raw materials from responsible forestry
  - Decrease in carbon footprint
  - Circular solutions

METRICS AND KPIS

- Growth for BioPak/ecoecho®
- Decrease in plastic sales volumes
- Increasing share of production that is fossil-free
- Activities to close the loop

BACKGROUND

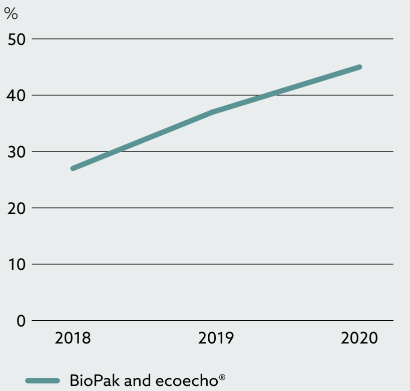
The interest in and demand for more sustainable solutions for single use products continues to grow. As awareness increases, legislation has also been made stricter to protect our environment from littering. The entire lifecycle is taken into account in our drive for innovation in materials, product designs and circular concepts.

NETWORK FOR AN OCEAN FREE OF PLASTICS

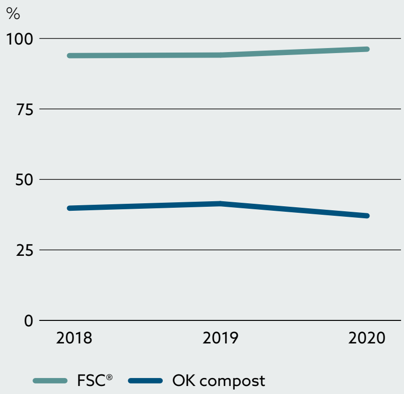
is a member of Håll Havet Rent, a Swedish network for companies, government agencies and experts with a vision of an ocean that is free of plastics. We support the network's agenda in line with our 2019–2023 strategy. We have committed to remove unnecessary plastic in our business and to develop packaging with long-term sustainability. In addition, we will inspire our industry, customers and decision-makers to take action to reduce the use of plastic.

HÅLL HAVET RENT

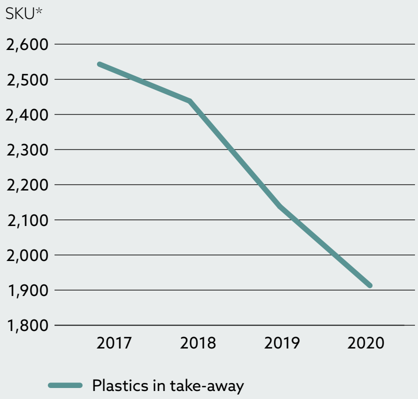
GROWTH OF BIOPAK AND ECOECHO® FOR TAKE-AWAY



FSC® AND OK COMPOST FOR NAPKINS AND TABLE COVERS



PLASTIC SALES VOLUMES FOR 2017–2020



* Stock Keeping Unit

1

Environmentally sound choices for every Goodfoodmood® occasion

Sales of food packaging for take-away continue to experience steady growth. This trend was strengthened by the COVID-19 pandemic in 2020. At the same time, pressure is increasing to replace plastic with fiber-based alternatives.

EU SINGLE-USE PLASTICS DIRECTIVE

Plastic accounts for about 80% of marine litter. The objectives of Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 are to "prevent and reduce the impact on the environment of certain plastic products and to promote a transition to a circular economy by introducing a mix of measures tailored to the products covered by the directive, including an EU-wide ban on single-use plastic products whenever alternatives are available."

The directive stipulates that the EU member states must have phased out single use plastic items including single-use cutlery, plates and straws in 2021. For products made of expanded polystyrene (EPS), also known as styrofoam, all products, including food containers and cups, must be phased out.

Today, environmentally sound single-use products and food packaging are a given for the take-away market. In light of the EU directive entering into full force in 2021, the phase-out of single-use plastic products is now increasing rapidly in Europe. This poses major challenges for the supply chain. Plastic has product benefits that cannot be replaced with a single fiber-based alternative.

Fredrik Sverkersten, Marketing Director, says: "Until now, pretty much the same sustainable solution has been used for various challenges or restaurant types. To effectively replace plastic, fiber-based packaging must be customized to a greater degree than it is now. For example, there are different requirements for cold or hot food, fatty food or liquids. Barrier solutions that can withstand liquid or fat are especially interesting."

THE LAUNCH OF BIOPAK IN EUROPE

Our goal is to provide environmentally-sound products for every Goodfoodmood® occasion. As a result, Fredrik underlines that the Group must take a broader approach in its own research and development as well as when searching for the right partner.

In 2018, the Group acquired Australian company BioPak, which is a hands-down market leader for environmentally sound food packaging in Australia and New Zealand. In 2020, we began to launch the BioPak brand in Europe, which will significantly strengthen our environmentally sound product range in this market. Via the Duni brand, the Group is already the European market leader in products for the set table.

UNDERLYING TREND LEAVING ITS MARK

"Take-away has been a growing trend for several years, and the Group has a strong position in sustainable packaging, says Fredrik. "This type of food sales has accelerated during COVID-19, which has created substantial and exciting opportunities that we intend to make the most of. For example, traditional restaurants have gained a new source of income, and they will probably continue to offer take-away once the pandemic is over."

Although a significant increase in focus on hygiene was seen during the initial emergency phase of the pandemic, he believes that sustainability will continue to be enormously important. ■

2&3

CIRCULAR SOLUTIONS AND PARTNERSHIPS FOR SUSTAINABILITY

Duni Group actively works to close the loop for its products via new solutions for reuse, recycling or composting. Accumulating knowledge in this area also enables us to increase the level of service we provide customers by sharing our expertise.

THE MOST IMPORTANT POINTS

- Local solutions for take-away composting
- Partnerships for recycling in select markets
- Innovative and inspiring solutions for smart reuse of products
- Experience and insight sharing in various forums and projects to create more circular solutions for single-use products
- Explore multi-use solutions for customers

METRICS AND KPIs

- Number of active projects and partnerships

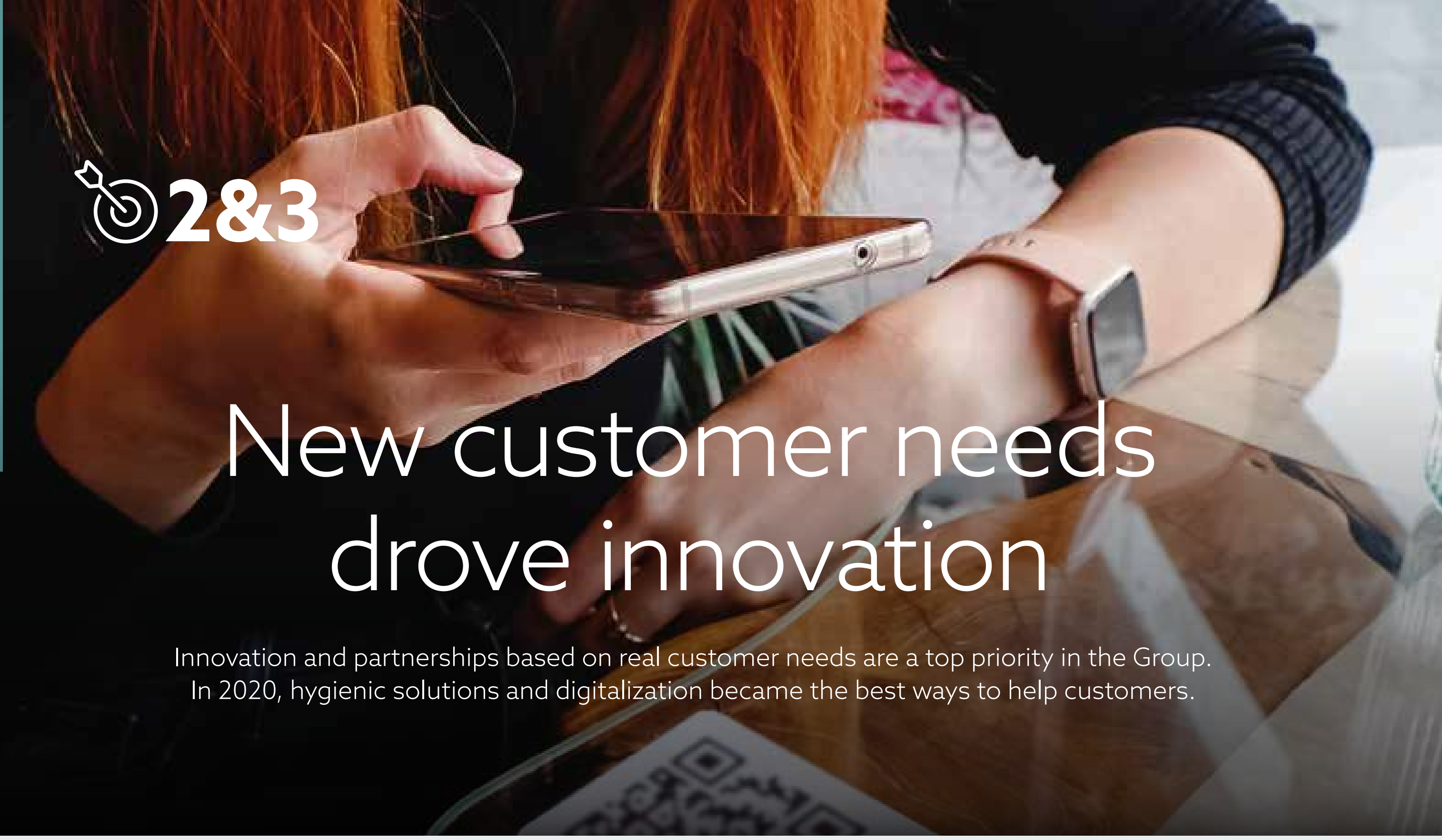
BACKGROUND

Innovation for circular solutions is a challenge that requires collaboration. Via partnerships with various external organizations, we can work to close the loop for our products.

The infrastructure varies widely, and different markets around the world need individual solutions. Our aim is to build local partnerships where we can contribute our knowledge and experience for full-scale, circular models.

SPECIFIC SOLUTIONS MAY INVOLVE:

- Make sorting and collecting easier so that compostable products reach composting facilities
- Partnerships for reuse models
- Collaboration with the recycling industry for increased material recycling of products



2&3

New customer needs drove innovation

Innovation and partnerships based on real customer needs are a top priority in the Group. In 2020, hygienic solutions and digitalization became the best ways to help customers.

When COVID-19 hit our business, the Company's innovation was impacted as well. A couple of months into the year, the pandemic derailed several pilot projects where we were working on finding sustainable circular solutions or advancing solutions for multiple-use products in collaboration with other organizations.

But when some doors closed, others opened. New needs emerged on the market, and the pandemic became a driving force to offer solutions in hygiene and digitalization. Social sustainability was given increased focus alongside environmental sustainability, which remains a top priority.

CUSTOMER ALWAYS IN FOCUS

Our goal is to always help customers find the best solution based on their specific needs. With the pandemic, it was crunch time,, and we had to help customers keep their businesses up and running.

Johan Mårtensson, Business Development & Innovation Manager, says: "When hygiene became the highest priority, we responded quickly and looked into what we could contribute. I checked out many startups to see what was happening in development."

This search resulted in the launch of an app for hygienic digital menus on the German market in collaboration with a German IT vendor. Restaurants no longer need to have a printed paper menu.

DIGITAL SOLUTION WITH MANY BENEFITS

"Together, we created a campaign in which we offered to print QR codes on napkins or placemats. When guests come to the restaurant, all they have to do is scan the QR code with their smartphone. They don't touch anything, which reduces the risk of contagion. The QR code links directly to the digital menu, but it can also help the restaurant with seating reservations or guest registration," says Johan.

> "The pandemic became a driving force to find new solutions in hygiene and digitalization."

The latter is especially important because all restaurants in Germany are required to register their guests. This simplifies contact tracing and sending out information on what to do in connection with COVID-19.

PARTNERSHIPS THAT DRIVE INNOVATION

For us, the menu app also accelerates the transition to a digital business model covering everything from internal processes to communication and marketing. It is also a shining example of how we work with partners to create competitive and sustainable solutions based on real-world customer needs.

"To develop our offering, we need to add skills in various areas. At the same time, others in the value chain can benefit from our strength and experience to reach out," says Johan. "We are always interested in collaborations that drive development, with both established companies and new challengers. If we can help a startup grow, that's a win-win-win, as customers will also get new, innovative solutions." ■

Johan Mårtensson Business Development & Innovation Manager

4

CARBON-NEUTRAL BY 2030

A holistic approach for production and products.

THE MOST IMPORTANT POINTS

- In-house production will be carbon-neutral in 2021* (GHG Protocol Scope 1 and 2)
- Carbon offsetting for BioPak's product range globally starting in 2021*
- Phase-out of 100 percent virgin, fossil plastics in Duni Group's product range by at least 10 percent per year, to be completed in 2030
- Information on products' carbon footprint to help customers make sound choices
- No virgin, fossil plastics in product packaging by 2030

*These dates were pushed back one year because of the turbulence caused by COVID-19.

METRICS AND KPIS

- The share of production that is fossil-free **
- Carbon offsetting, project descriptions and volumes
- Decrease in fossil plastics
- The share of virgin, fossil plastics for packaging

** The results for energy efficiency and carbon dioxide emissions from production in 2020 are not representative due to the impact of COVID-19.

BACKGROUND

We are committed to reducing our carbon footprint and our dependence on fossil fuels. The goal is for all energy used for the Duni segment's manufacturing in Europe to be fossil-free by 2025. By 2030 our goal is to be carbon-neutral by phasing out plastic items, having fossil-free manufacturing and offsetting for areas outside of Duni's control via carbon offsetting projects.

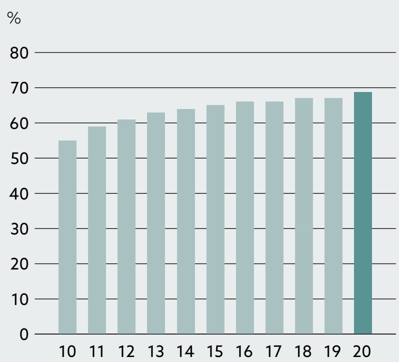
BioPak's product range has a low carbon footprint since it consists of plant-based or recycled materials. Starting in 2021, we plan to carbon offset our global range for the carbon footprint from fossil fuels used in the production and transport of these products.

Duni Group aims to provide its customers with transparent and easily available information on the carbon footprint of our products to enable an informed decision.

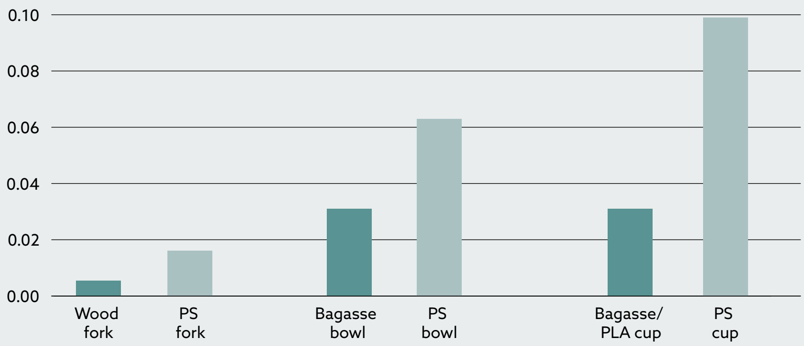
GREEN POWER IN EUROPEAN PRODUCTION

The Group has an ambitious goal to be carbon-neutral by 2030. The challenge primarily involves minimizing emissions from our in-house production. A key step is securing fossil-free electricity for our plants in Europe, which Rexcell, Sweden, and Bramsche, Germany, have already done. In 2020, the converting units in Poznań, Poland, switched electricity suppliers and is now receiving green power from wind, which reduces carbon dioxide emissions from in-house production by as much as 15 percent.

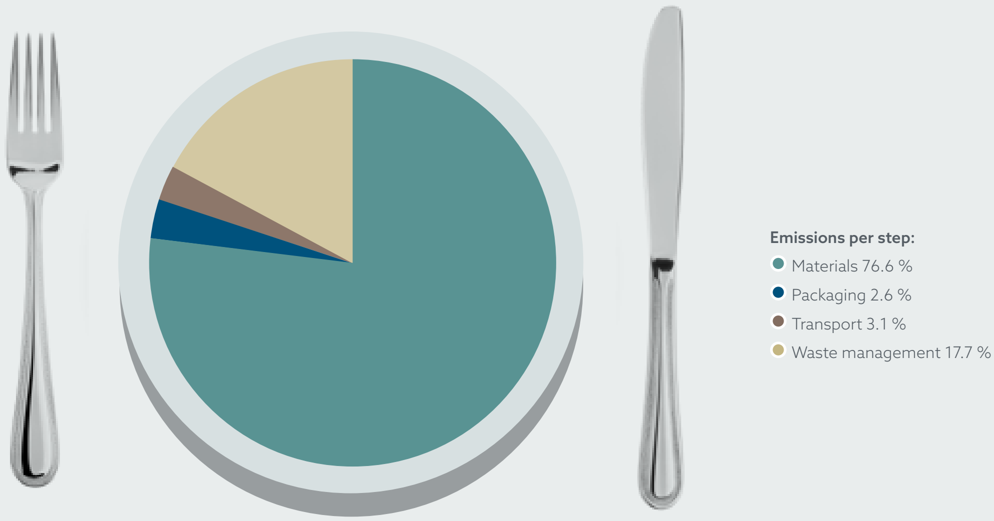
SHARE OF FOSSIL-FREE ENERGY IN PRODUCTION



CARBON FOOTPRINT FOR SOME PRODUCTS – KG CO_2E PER UNIT



Source: 's CO_2 calculator



Easier to choose sustainable with new tool

More and more consumers now choose environmentally-sound solutions. Along with stricter plastic regulations, the pressure on restaurants to use sustainable packaging and products such as plates is on the rise. Our CO_2 calculator helps them make the right choice.

For restaurants and companies that sell take-away food, it is not easy to know whether you are choosing the most sustainable single-use products. Now, this is made easier for those with an app-based calculator to calculate the carbon footprint of the company's food packaging and other products.

"With the Calculator, our customers can calculate their CO_2 emissions as a CO_2 equivalent through various phases of the lifecycle: materials, packaging, transport and final disposal. Although this is just one sustainability aspect, it is an important one," says Lyndsey Parette, Sustainability Specialist.

FROM SELLER TO CONSULTANT

The calculator was launched in early 2020 and has been received positively by our sales force. They are now able to play a more consultative role where they can improve service to customers. Jan-Olof Korsström, Duni Finland, says it is a good tool for helping customers make informed decisions. By increasing transparency around sustainability, this also boosts our credibility and position as an industry leader in the area.

"The tool makes us more professional and showcases our expertise. Customers feel that we are at the cutting edge, which makes us more competitive."

Maurice Hollander, Duni Benelux, describes how he helped a customer – a hospital that uses large quantities of single-use plates: "They were going to put out a call for tenders in advance of implementation of the EU Plastic Directive and we helped them compare plastic and bagasse plates."

ENORMOUS DECREASE IN CO_2 EMISSIONS

The fiber-based alternative's benefits were very clear. For 1,000 plates, the weight would be less than half what it was before, making their transport more environmentally efficeint. This could cut total carbon dioxide emissions by as much as 91 percent.

In addition, the bagasse plates are recyclable or compostable, as opposed to the customer's previous plates, which ended up as residual waste and thus a high cost for the hospital.

"The customer felt that we were very well prepared and was extremely pleasantly surprised with the results," says Maurice. "The results are based on fact, so we aren't engaging in environmental wishful thinking to win new business. Customers appreciate our openness."

CONTINUOUS IMPROVEMENTS

The calculator will be improved continuously, Lyndsey explains. "We're developing the tool all the time to further increase usability. For instance, for now, you can only choose from the BioPak range, but we are looking into also including Duni products."

4

Towards climate-neutral operations by 2030

In 2020, it became even clearer that climate change represents the great challenge of our time. More dramatic forest fires, landslides, record-hot heatwaves, droughts and water shortages demonstrated the increasingly urgent need to transition to a fossil-free economy.

Climate engagement is a key part of our sustainability program, "Our Blue Mission". Therefore, we have set an ambitious goal to be climate-neutral by 2030. The most important part of this is reducing our carbon footprint. Where that is not possible, we will engage in carbon offsetting.

Our carbon footprint is largely attributable to the production of our products. We produce the Duni segment's napkins and table covers in-house, and this is the part we can control. Our goal to be carbon-neutral in our in-house production via offsetting (GHG Protocol Scope 1 and 2) in 2020 was impacted negatively by COVID-19 and postponed until 2021. We're continuing to work on phasing out virgin fossil plastics from all Duni products and packaging materials.

BioPak's food solutions and take-away products are procured externally. This product range is eco-profiled and does not contain any virgin fossil plastics. Starting in 2021, we will carbon offset the BioPak range in Europe. BioPak in Australia already does this. ▶

ENVIRONMENTAL IMPROVEMENTS IN PRODUCTION

The paper mill in Skåpafors produces the raw materials for the Duni segment's products. The paper mill has reduced its emissions for many years.

However, tissue production is energy-intensive, divided into three areas:

- Electric energy runs the machines and produces steam (currently fossil-free)
- A biofuel boiler to produce heat and steam. Replaced oil and electricity in 2010.
- Gas, liquefied petroleum gas (LPG), primarily to dry tissues. This gas accounts for 100 percent of Rexcell's fossil carbon dioxide emissions (GHG Protocol Scope 1 and 2).

The Skåpafors paper mill accounts for 70 percent of total fossil carbon dioxide emissions from the Group's production. With fossil-free drying, our in-house production would be 90 percent fossil-free, compared to today's 67 percent.

MAJORITY FOSSIL-FREE

Our goal is to have replaced fossil gas with gas produced from biomass by the year 2025. We participate in research studies and collaborate with other stakeholders to find solutions.

The plan is for all plants in Europe to reduce their carbon footprint. Starting in 2021, production will be fully powered by electricity from 100 percent fossil-free sources. Outside Europe, the possibilities for fossil-free electricity vary and we are monitoring developments.

In converting, natural gas is also used for heating and production in Germany and district heating in Poland. Our aim is to replace natural gas with biogas by 2025.

SOME PARTS WILL BE CARBON OFFSET

For Duni Group's in-house production, we have good control over the energy used and fossil carbon dioxide emissions. We already report under the GHG Protocol's Scope 1 and 2 except offices and warehouse buildings, which have a small impact. Starting in 2021, we will carbon offset the remaining emissions in one of the UN's certified CDM projects (see fact box).

The GHG Protocol Scope 3 covers a company's climate impact including the entire value chain. Besides in-house production, raw materials and transport are the most significant factors, and we continuously work to reduce their environmental impact. For the time being, we have chosen not to set a goal for reporting and offsetting Scope 3. Instead, we will focus on practical measures. ■

HOW CARBON OFFSETTING WORKS

Carbon offsetting allows individuals or organizations to offset the emissions they cannot avoid by supporting projects that reduce emissions elsewhere. Offset greenhouse gas (GHG) emissions are measured in UN Certified Emission Reductions (CERs) and are generated in Clean Development Mechanism (CDM) projects in emerging markets. The projects earn 1 CER for each metric ton of greenhouse gases they reduce or avoid. By purchasing CERs, individuals and organizations can offset their own emissions.

ABOUT THE GHG PROTOCOLL

The Greenhouse Gas Protocol (GHG Protocol) is used to understand, quantify and manage greenhouse gas emissions. To make reporting clearer, a company's emissions are divided into three scopes.

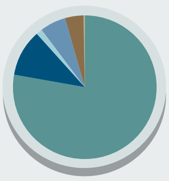
Scope 1: Direct emissions from the burning of fossil fuels, such as in-house production or owned vehicles.

Scope 2: Indirect emissions from the consumption of electricity, district heating and district cooling.

Scope 3: Indirect emissions from purchased goods and services, such as transportation, commuting and material consumption.

CARBON DIOXIDE EMISSIONS

The quantity of carbon dioxide is calculated for both direct and indirect energy sources. The converting factors were obtained from the energy provider or from national statistics.

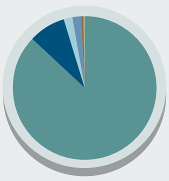


Carbon dioxide emissions, metric tons per plant

Paper mill, Sweden	10,868
Converting, Germany	1,476
Converting, Poland	170
Converting, Paper+Design	835
Converting, Terinex Thailand	564
Converting, Sharp New Zealand	28

ENERGY CONSUMPTION

The use of primary energy in our in-house manufacturing is calculated as the quantity of supplied energy at the plants. No converting is done for primary energy sources.



Energy consumption, MWh per plant

Paper mill, Sweden	162,737
Converting, Germany	15,543
Converting, Poland	3,709
Converting, Paper+Design	3,598
Converting, Terinex Thailand	940
Converting, Sharp New Zealand	278

5

100 PERCENT ENGAGED EMPLOYEES

Employees who are satisfied with their jobs and are committed to our strategic goals – sustainability and customer customization – are critical to our success. Employee engagement is closely connected to them knowing what is expected and their perceived positive energy for work.

THE MOST IMPORTANT POINTS

- Leading with engagement, energy and respect
- Leading with inclusion and equality
- Culture and values
- The right skills in the right place
- A safe and secure environment

METRICS AND KPIS

- Clarity in expectations and energy according to employee survey
- Structured dialogue with employees
- Incidents and injuries
- Gender breakdown of managers

BACKGROUND

The Group has expanded geographically over the past years. Important efforts to make our culture clearer and use this to develop and renew Group-wide values and ways of working were initiated in 2020 and will be intensified in the coming years.

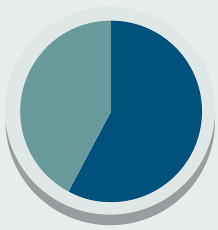
GLOBAL DUNI INCIDENTS PER 1,000 EMPLOYEES*

27

* meaning the reported injury led to at least two days of absence

2019 29 accidents

GENDER BREAKDOWN OF MANAGERS, WHITE COLLAR STAFF



Women: 42 % Men: 58 %

2019 42 % women, 58 % men

DUNI INSIGHT

The Group conducts the Duni Insight employee survey every two to three years in order to check the pulse of our operations. Do employees understand the organization's goals and what to do? Do they have the energy to do it and supportive leadership? Is there potential for improvement?

Employees	2016	2019	2020	Benchmark
Perceived positive energy (self-reported)	73 %	76 %	*	79 %
Clear expectations	69 %	74 %	*	76 %
Engagement	71 %	75 %	*	77 %
Internal recruitment, talent development		13 %	15 %	50 % target
Performance appraisals, (self-reported)		66 %	65 %	

* No new measurement for 2020.

5

Ethics and values key to success

The social aspect of sustainability efforts is important. We seek to contribute to a better society and a better future. Therefore, we highly prioritize our code of conduct and business ethics efforts.

A well-established corporate culture create a strong sense of belonging, engagement and motivated employees. When job satisfaction is high, business and ethics goals can be met in an effective and healthy manner.

"This increases the chances of our employees taking the company's core values on issues such as diversity and responsible action with them in society. In the best-case scenario, positive values will spread like ripples," says Malin Cullin, EVP HR & Sustainability.

THE CODE OF CONDUCT LAYS THE FOUNDATION

The Duni Way is a part of the Company's strategy that describes how we should conduct ourselves as employees in business contexts and our internal efforts. The Duni Way is an ongoing project to more clearly understand our culture and our values.

The HR department organizes regular courses to update employees on the Group's code of conduct and views on business ethics.

The code of conduct is applicable internally, but also externally to our suppliers. Compliance with local legislation is always a must, but we set higher requirements in many cases. We collaborate with our suppliers and conduct regular audits on their premises to check for compliance with the rules.

"The health and safety of our employees is always our top priority. As a result, our code of conduct sets out clear rules for working conditions, discrimination and human rights."

ENSURING DIVERSITY IN THE LONG TERM

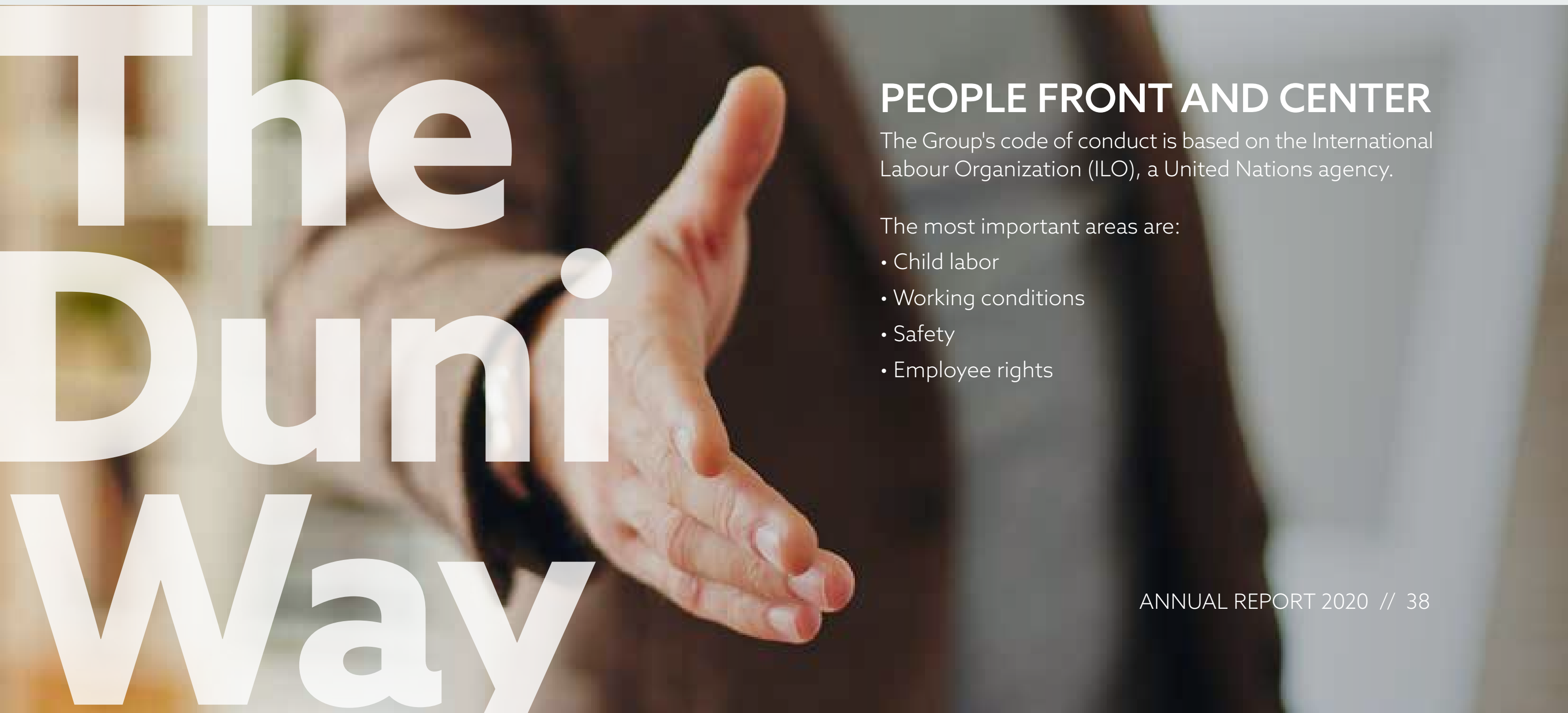
Diversity is a key area that goes beyond gender equality. We take a long-term approach to ensuring diversity in our organization, Malin explains and continues: "We have a strong belief that the company's psychosocial work environment, innovativeness and productivity improve when we have a mix of employees working together. This means people from different cultures but also with different experiences and different ages."

The Duni Way also covers the business ethics principles that apply to our business. Today, we operate in 24 countries and purchase raw materials and products from many different suppliers, which can lead to ethical challenges.

ACTIVE ANTI-CORRUPTION EFFORTS

We have rules and a whistleblower policy to actively combat corruption, bribery, fraud and other transgressions.

"Our efforts to formulate more specific core values for our business will continue in 2021. These will contribute to further strengthening prioritized areas," says Malin.



PEOPLE FRONT AND CENTER

The Group's code of conduct is based on the International Labour Organization (ILO), a United Nations agency.

The most important areas are:

- Child labor
- Working conditions
- Safety
- Employee rights

A PRODUCT'S LIFECYCLE

FIND AND TRACE

It begins with the choice of materials. We prefer renewable raw materials from trees and other plants that are responsibly grown and sourced. Using residual products is another good way to save resources, such as recycled plastic or fiber from sugar cane. Napkins and table covers in Duni's standard range contain a high proportion of renewable and FSC-certified wood fiber.

CREATE AND MAKE

How the product is manufactured is very important. We strive to ensure our plants have good working conditions and limited environmental impact. Our manufacturing is mainly in Europe, but our network of suppliers is worldwide. The same standards apply no matter where production takes place.

SORT AND RECYCLE

This is where the relatively short lifecycle of a product ends. A product can normally be recycled, composted or burned with energy recovery. Littering is not acceptable, and the deposit of waste in landfills should be avoided. More environmentally-responsible materials are being developed, but many countries do not have the infra-structure required for sustainable waste management. This is something we must address together with other stakeholders.

CHOOSE AND USE

Conscious convenience is a good reason to choose and use our products. Single-use products should not only be practical and hygienic. They should also be responsibly produced and have environmental benefits. With BioPak's products and external ecolabels, we make it easier for our customers and consumers to make informed choices.

THE BRAND AS A GUARANTEE FOR PRODUCT SAFETY

Since our products come in contact with food and people, high standards of safety are paramount.

Products with the Duni or BioPak brands must always be guaranteed to be safe. This applies to napkins, plates, packaging and anything else that comes into contact with food. It also applies to candles and other accesso-ries that elevate mealtimes. Candles and electronic products have inherent risks that require high safety for both safe functionality and usage.

We continuously strive to ensure that our products comply with laws and standards relevant to safety. This means that we plan and evaluate tests based on the intended use of the prod-uct, obtain third-party certificates, and provide our customers with accurate and clear information.

Some tips to our customers are to pay attention to the labels below and to feel free to ask us for more information, for example our Declaration of Compliance for plastics that come in contact with food.

The easiest way to find out if a product is safe for contact with food is to look for this little symbol with a glass and fork. It applies to all products intended to come in contact with food, regardless whether they are made of metal, ceramic, paper, cardboard or plastic.

The CE-mark is found on products such as machines, LED candles and party products from Duni. The mark indicates that the supplier follows applicable rules and controls for the product.

The RAL label for candles guarantees minimal sooting, high-quality wick, durable shape, raw materials without contaminants, reliability and safety.

Candles must be handled safely. The pictograms show how.

OUR BLUE MISSION is based on a materiality and stakeholder analysis reviewed by Group Management. The most critical points of the program form the basis of our policies and guide the management of operating activities.

PROGRAMS

ENVIRONMENTAL POLICY

ECO-PROFILING OF PRODUCTS

ecoecho®

WHY?

- Dependence on raw materials and the impact of energy on our climate
- Handling products at the end of their lifecycle
- Short lifecycle of products
- Local environmental impact from our in-house production

HOW?

- Research and development
- Investments in new materials and new production processes
- Ecolabeling and certification programs
- Environmental impact assessments
- ISO 14001 certification
- Environmental requirements and audits at suppliers

AFFECTS

- Society as a whole, everyone who cares about the lifecycle of single-use products and wants to minimize littering
- Our shareholders
- Municipalities and nature areas where we have manufacturing or logistics

CODE OF CONDUCT FOR SUPPLIERS AND OWN OPERATIONS

WHY?

- Work environment and human rights for people who manufacture Duni Group's products
- Local environmental impact from our in-house production

HOW?

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

AFFECTS

- Employees at Duni Group and at our suppliers
- Our shareholders
- Municipalities and nature areas where we have manufacturing or logistics

BUSINESS ETHICS PROVISIONS

WHISTLEBLOWER POLICY

WHY?

- Risks in external business relationships, anti-corruption efforts, business ethics

HOW?

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

AFFECTS

- Society as a whole, human development
- Our shareholders
- Our employees and partners

PRODUCT SAFETY RULES

WHY?

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

HOW?

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

AFFECTS

- Consumers and customers
- Our shareholders

Duni Group's footprint

The Group has extensive operations with production and sales in Europe and increasingly in Southeast Asia, Oceania and other locations.

The following pages present data and KPIs for our business from a social and environmental perspective.

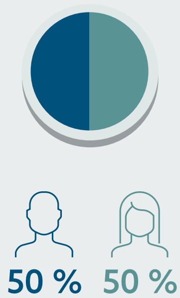
More about our sustainability efforts can be found at Dunigroup.com

EMPLOYEES

Most of the Group's employees are in Sweden, Germany and Poland.

Country	Blue collar employees	White collar staff	Total
Sweden	150	171	321
Germany	639	335	974
Poland	316	145	461
Thailand	120	32	152
New Zealand	31	9	40
Other	6	266	272
Total	**1,262**	**1,007**	**2,269**

GENDER BREAKDOWN



PAYROLL EXPENSES, BY GENDER:

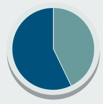
BLUE COLLAR EMPLOYEES

Women: 32 %
Men: 68 %

of total payroll expenses

WHITE COLLAR STAFF

Women: 43 %
Men: 57 %



The table above shows the share of average pay for blue collar and white collar employees based on total payroll expenses including social security contributions. All employees of the Group are counted, including senior executives, and there was no weighting for the nature of the position, years of service, age or similar parameters.

EMPLOYEES SUBJECT TO A COLLECTIVE BARGAINING AGREEMENT

In the countries in which the Group has employees, collective bargaining agreements are in place in 10 out of 20 countries and 49% of the Group's total employees are covered by these.

REPORTED INJURIES

In 2020, 27 injuries* per 1,000 employees were reported at production units.

* Meaning that the reported injury led to at least one day of absence

EMPLOYEES IN UNITS WITH SAFETY COMMITTEES OR SIMILAR SETUP

The companies with over 10 employees have a formal safety committee** or similar setup covering 91 % of the employees in these companies.

** All production units and the larger offices have a safety committee.

DUNI GROUP'S PRESENCE

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

The Group has sales offices in Australia, Austria, Czechia, Finland, France, Germany, the Netherlands, New Zealand, Poland, Russia, Singapore, Spain, Sweden, Switzerland, Thailand, the UAE, the UK and the US.

CODE OF CONDUCT

100%

All companies that deliver end products to our European markets have signed our code of conduct. Suppliers of end products representing around 97% of the purchase value have been audited. In high-risk countries, there are recurring audits for each supplier once per year. Suppliers that are under observation have a development plan prepared together with us or are on a list for planned phase-out. The most common observations are overtime levels, pay and occupational safety.

AUDITS OF CODE OF CONDUCT, END-PRODUCT SUPPLIERS

Geographic area	Purchase value (%) (2020)	Passed (level A-C)	Failed/under observation (level D)
Asia	16 %	18	5
Europe	84 %	74	2

STANDARDS AND CERTIFICATES FOR IN-HOUSE MANUFACTURING

Quality and product safety	Paper mill, Sweden	Converting, Germany	Converting, Poland	Converting, Paper+Design, Germany	Converting, Terinex Thailand	Converting, Sharp New Zealand
ISO 9001 (quality management)	■	■	■	■		
BRC, IFS equivalent (hygiene and safety in contact with food)		■	■	■	■	
Environment						
ISO 14001 (environmental management)	■	■	■	■		
EMAS III		■		■		
ISO 50001 (energy management)	■					
Traceability according to FSC® (responsible forestry)	■	■	■	■	■	■
Nordic ecolabel ("Swan")	■	■	■	■		
"OK Compost" label	■	■	■	■		
Social audits						
SEDEX		■	■	■		
ISO 45001			■			

The certificates are available at Dunigroup.com and www.paper-design.de.

ENVIRONMENTAL DATA FOR MANUFACTURING

	Paper mill, Sweden	Converting, Germany	Converting, Poland	Converting, Paper+Design, Germany	Converting, Terinex Thailand	Converting, Sharp New Zealand
Material usage (metric tons)						
Pulp and paper	49,746	24554	8235	3137	2,937	1,205
Chemicals and additives	4,522	3180	205	401	11	4
Energy (MWh) and water (m³)						
Total energy	162,737	15,543	3,709	3,598	940	278
Electricity	71,274	8,309	2,935	2,288	940	278
Biofuel (wood chips)	45,036					
Steam (remote)			774			
Liquefied petroleum gas (LPG)	46,254					
Natural gas (LNG)		7,234		1,158		
Diesel oil	173			152		
Water (m³)	789,349	11,322	3,014	3,137	3,457	600
Emissions to the air and water (metric tons)						
CO_2 total	10,820	1,476	170	835	564	28
CO_2 direct	48	1,476	0	222	564	28
NOx	10	2	0	0.1	0	0
COD	65	4				
Waste (metric tons)						
Recycling	170	2,419	399	661	109	65
Energy recovery	898	80	61			
Landfill (including covering material)	1,085	49	11	0	0	5
Hazardous waste	33	13	2	6		
Others (including sludge and electronics)	92	261	48	0	1	0

KPIS FOR PRODUCTION

The best partner for sustainable solutions	2020	Aim	Comment
Environmentally-sound products for every Goodfoodmood® occasion			Read more on pages 29–30
Percentage of ecoecho® in take-away	45 %	100 %	Read more on page 29
Percentage of FSC® and OK Compost for napkins and table covers	96 % FSC®, 37 % OK Compost	100 %	Read more on page 29
Circular solutions and partnerships for sustainability			Read more on pages 31–32
Number of focused projects	2	2–3 projects per year	Read more on pages 31–32
Carbon-neutral by 2030			Read more on page 33
Share of fossil-free energy in production Europe	69 %	100 % by 2025	Read more on page 33
100 percent engaged employees			Read more on pages 37–38
Engagement self-reported DuniInsight	Duni Insight will be conducted in Q2 2021	100 %	Read more on page 37
Indicators and standards	**Indicators**	**Benchmark/Aim**	**Comment**
Employees			
Understanding of Duni Group's strategy (self-reported)	See above	77 %/ 100 %	Measured every 2–3 years
Perceived positive energy (self-reported)	See above	79 %/ 100 %	Measured every 2–3 years
Internal recruitment, talent development	15 %	50 %	Few recruitments during the year
Performance appraisals, (self-reported)	15 %	100 %	Measured every 2–3 years
Gender breakdown	50 % Men, 50 % women	40–60 % per gender (man/woman)	Non-binary identification is possible
Gender breakdown for Group Management, white collar staff	58 % Men, 42 % women	40–60 % per gender (man/woman)	Non-binary identification is possible Managers with direct reporting
Reported injuries per 1,000 employees	27	<30 /0	At least one day of sick leave
Employees subject to a collective bargaining agreement	49 %	No standard	Collective bargaining agreements are largely governed by local tradition and laws. Duni Group advocates collective bargaining agreements
Employees in units with safety committees or similar setup	91 %	90 %	Measured for units with >10 employees
Environmental impact production, product safety and code of conduct			
Decrease in energy consumption in converting	-19 %	10 % decrease 2018–2023	Decrease largely due to lower production
Decrease in energy consumption in paper mill	-17 %	10 % decrease 2018–2023	Decrease largely due to lower production
Resource efficiency goal for each production unit and logistics	66 %	100 %	According to ISO 14001 certification. 4 of 6 production units
BRC certification or equivalent quality and hygiene standard for each in-house production unit of finished goods	83 %	100 %	BRC, IFS, FSSC 22000 at 5 of 6 production units
Code of conduct audit at suppliers of finished goods	97 %	>95 %	Volume of finished goods produced at audited suppliers
Climate-neutral, goals and activities			
100 % fossil-free energy in paper mill by 2025	71 %	100 %	A switch to fossil-free LPG is being evaluated
100 % fossil-free electricity in production units in Europe by 2021	97 %	100 %	Procurement of green power has been planned
100 % fossil-free energy in converting units in Europe by 2030	49 %	100 %	Switching fossil natural gas for drying + procurement of green power
Carbon offsetting for fossil energy in production (Scope 1 & 2) starting in 2020			Pushed back to 2021 due to Covid impact on business
Carbon offsetting for BioPak's product range globally starting in 2020			Pushed back to 2021 due to Covid impact on business
Phase-out of 100% virgin, fossil plastics in Duni Group's range by at least 10 % per year, to be completed in 2030	>10 %		The 2020 results are a combination of product replacement and decreased total sales
Information on our products' carbon footprint to help customers make sound choices	Carbon footprint tool launched		
No virgin, fossil plastics in product packaging by 2030	>10 % lower plastic sales in take-away		

ANNUAL REPORT 2020

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DIRECTORS' REPORT

DIRECTORS' REPORT – THE GROUP

The Duni Group 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, the well-reputed Duni and BioPak brands, established customer relations as well as a strong local presence in most European markets have resulted in Duni being a market leader in Europe. Focused efforts for many years on sustainability and environmentally-sound solutions have made a strong contribution to the Group's leading position. Effective January 1, 2020, the business is conducted in two segments: Duni and BioPak. For more details on these, see note 3 Segment reporting and the annual report's presentation of each segment.

STRATEGY AND TRENDS

The Group's current strategy is for the period from 2019 to 2023. The strategy is based in part on a continuing strong focus on sustainability and developing customer-specific solutions based on new technologies and new materials. Another step in the strategy is the BioPak brand being launched in Europe with an aim of establishing it on a global scale. This means that as of 2020, the Group will focus on two main brands: Duni and BioPak. To differentiate the Group from the Duni brand, a new identity is being created under the name the Duni Group. In connection with this decision, the Group is changing and strengthening its sales and marketing organization. This means that the four business areas – Table Top, Consumer, Meal Service and New Markets – cease, and as of January 1, 2020, the Group has a global functional organization with a clearly defined responsibility for sales and marketing.

The trends impacting the business the most are sustainability, customer customization, digitalization and the increase in take-away. A fundamental part of the strategy is creating an attractive experience for our customers, in which environmentally-sound products and the feeling of receiving a hygienic solution are two key parameters. New tailor-made customer concepts are being developed with great focus on new services and innovations. The goal is also to be the best partner for sustainable packaging 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 final area primarily involves how work is done internally. 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, the Duni Group's work involves new designs, form and color schemes, as well as new materials and product solutions. The Group focuses on product and concept development, and possesses a unique strength within form, design and functionality. The innovation process is characterized by the ability to 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 TRENDS AND EXTERNAL FACTORS

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, 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 larger market shares. Because of COVID-19, and the extensive lockdowns that have been instituted in many parts of the world, sales of the Duni segment's products temporarily decreased significantly. Hotels and restaurants in particular have been affected, especially in terms of seated meal service. However, take-away products have benefited from customers picking up food or having it delivered to their homes instead. In the wake of the pandemic, there's a trend that more restaurants will offer take-away as an extended offering to their customers in the future as well.

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 trend that favors sales of customer-specific concepts.

The Group's product category in retail focuses both on the production of private 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 the Duni Group to create growth.

FUTURE OUTLOOK

The HoReCa industry is greatly influenced by lifestyle changes and trends. The hotel and restaurant industry in Europe is a key customer segment for the Group. In the short term, HoReCa and primarily the restaurant sector are being hit very hard by the COVID-19 pandemic. There is great uncertainty with respect to how considerable social restrictions will impact 2021. As long as the market is shut down, the Duni segment's sales will suffer heavily, but they are expected to increase as restrictions on the market are eased.

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.

MAJOR EVENTS DURING THE FINANCIAL YEAR

The 2020 financial year was strongly impacted by the COVID-19 pandemic. Sales decreased by over SEK 1 billion or -18.9% compared with 2019. Operating income decreased by SEK 384 m to SEK 149 m (533). The social restrictions hit the restaurant & hotel sector hard, which was the cause of the lower sales. See more under "Sales and income" and "Operational and financial risks associated with COVID-19 and action taken".

On January 1, segment reporting was changed from four business areas to two brand segments: Duni and BioPak. An organisational change was made and an organization structured according to function was created. Instead of a sales force for each former business area, a central sales force and a central marketing function were created. The new organizational structure was evaluated and fine-tuned during the year. The new organizational change was effective from January 1, 2021. The two brand segments, Duni and BioPak, will each form a business area with full responsibility for its entire value chain. External segment reporting will not be impacted by this.

On July 20, Johan Sundelin resigned as President and CEO. Mats Lindroth, deputy CEO and CFO, was appointed acting President and CEO for the rest of the year. On January 1, 2021, Robert Dackeskog will start as the new President and CEO.

MAJOR EVENTS AFTER THE BALANCE SHEET DATE

In consideration of the continued market turbulence caused by COVID-19, the Duni Group decided in March 2021 to extend its temporary loan agreement until September 30, 2021. This leads to greater financing expenses charged to the first quarter of 2021 in the amount of SEK 9 m. The temporary loan agreement temporarily results in new covenants. The total credit facility, maturity and volume remain unchanged.

In the first quarter of 2021, the Group's sales and income continued to be heavily impacted by the social restrictions instituted during the COVID-19 pandemic. However, extended restrictions have led to an expansion of possibilities to apply for government assistance. The Group continuously explores possibilities for government assistance in all markets. The German government resolved to provide additional assistance for fixed expenses in January 2021. An inquiry has been conducted, and it turns out that the subsidiaries in Germany are eligible to apply for this government assistance. The period is for November 2020 to June 2021. On March 18, 2021, the Duni Group decided to apply for assistance starting with the first four months of the period. After this, the plan is to submit monthly applications to the extent the assistance remains available and the business is eligible for assistance. It is still uncertain how much assistance the German subsidiaries may receive. It is estimated to be around SEK 5-15 m per month.

REPORTING

The annual report covers the 2020 financial year. "Preceding year" refers to the 2019 financial year. The Group manages its business based on what is referred to as operating income within the Group. "Operating income" means operating income before restructuring costs, non-realized valuation effects of currency derivatives, fair value allocations and amortization in connection with business combinations. This year, a gain on recalculation of pension terms and conditions in the Dutch pension plan was also added here. For the bridge between EBIT and operating income, see the table below.

The net amount of restructuring costs was SEK 48 m (2). At the start of the year, an organizational change was implemented and external segment reporting was changed. Instead of four business areas each with responsibility for their own sales force, a joint sales force and central marketing organization were created. In line with the strategy to deliver the most attractive customer experience and continue strengthening sustainability efforts, the Group will focus on two main brands, Duni and BioPak, which each form an operating segment as of January 1, 2021. For detailed information on restructuring costs, see Note 9.

BRIDGE BETWEEN OPERATING INCOME AND EBIT

SEK m	2020	2019
Operating income excluding the new lease standard	144	527
Effects of new leases standard as of January 1. 2019	5	5
Operating income	**149**	**533**
Restructuring costs	-48	-2
Amortization of intangible assets identified in connection with business acquisitions	-64	-121
Fair value allocation in connection with acquisitions	0	-1
Profit due to recalculated pension terms	33	–
Reported operating income (EBIT)	**70**	**408**

SALES AND INCOME

Net sales amounted to SEK 4,501 m (5,547), a 24.2% decrease in sales. At unchanged exchange rates from the preceding year, net sales would have been SEK 980 m lower compared with the outcome for 2019, representing a 17.7% decrease in sales. Organic growth, excluding structural changes, amounted to -18.7% at fixed exchange rates. The year started off with stable sales at par with the previous year for both segments. Starting in the second half of March, the Duni segment's sales decreased sharply when extensive restrictions were imposed on group gatherings and restaurant visits in almost every market. This was followed by a gradual recovery in sales as the restrictions were eased in the second quarter. This recovery then accelerated in the third quarter, approaching the previous year's volumes for a time. In the fourth quarter, sales fell again as new restrictions were imposed in conjunction with the second wave of COVID-19. Demand for the BioPak segment's products was high for the take-away part of the portfolio in all the year's quarters, which led to growth in the first, third and fourth quarters. However, demand for catering products in BioPak declined.

Operating income amounted to SEK 149 m (533). At unchanged exchange rates from the previous year, EBIT was SEK 382 m lower for the year. The gross margin amounted to 18.1% (25.3%) and the operating margin decreased from 9.6% to 3.3%. Social restrictions following the outbreak of the pandemic already began impacting the Duni segment's volumes and income at the end of the first quarter. Following this point, income largely reflected the level of restrictions in Europe, with strict restrictions lowering income in the second and fourth quarters while eased restrictions in the third quarter led to a clear and rapid recovery. During the year, the BioPak segment's growth and income performance, lower raw material costs, and the Group's COVID-19 cost-cutting program made a positive contribution to the Group's income. Strong measures were taken already in April 2020 to compensate for the lower sales. A cost-cutting program was launched that resulted in approximately SEK 270 m in total cost cuts for the year. Approximately SEK 80 m of this amount was for government assistance, primarily short-time work. Transition support, support for fixed expenses, was only received in Sweden at an amount of approximately SEK 8 m and is included in the total amount of payments received in the form of government assistance. Examples of other measures includes a freeze on new hires, consulting services, travel, marketing activities and deferred investments.

Net financial items amounted to SEK -63 m (-32). In May, the covenants in the loan agreement were renegotiated in order to temporarily adapt to the current market situation. The total credit facility, maturity and volume remain unchanged. The renegotiated covenants apply from April 2020 to March 2021 and resulted in an increase in financial expenses totaling SEK 21 m.

Income before tax was SEK 7 m (377).

A tax expense of SEK 3 m (103) was reported for the financial year. The effective tax rate was 47.7% (27.5%). The tax expenses for the year include adjustments and non-recurring effects from the previous year of SEK 1.9 m (-0.8).

Net income for the year amounted to SEK 4 m (273), of which non-controlling interests amounted to SEK 1 m (4).

INVESTMENTS

The Group's net investments excluding acquisitions amounted to SEK 79 m (183). Investments for the year were kept to a minimum and mainly consisted of necessary maintenance investments in the Group's production units in Poland, Germany and Sweden. Depreciation and amortization amounted to SEK 289 m (293), of which SEK 65 m (66) was attributable to right-of-use assets.

CASH FLOW AND FINANCIAL POSITION

The Group's operating cash flow was SEK 282 m (665). Cash flow including investing activities amounted to SEK 178 m (445). The lower net income for the year had a direct impact on the poorer cash flow. The Group's total assets on December 31 amounted to SEK 5,780 m (6,245).

The Group's interest-bearing net debt amounted to SEK 1,324 m, compared with SEK 1,546 m on December 31, 2019. A lower level of investment and no dividend during the year made a positive contribution to the net debt being down from the previous year.

Financial overview [1]	2020	2019
Net sales, MSEK	4,501	5,547
Gross profit, MSEK	814	1,403
Operating income, MSEK	149	533
Operating EBITDA, MSEK	374	762
EBIT	70	408
EBITDA	359	759
Interest-bearing net debt, MSEK	1,324	1,546
Number of employees	2,269	2,398
Sales growth	-18.9 %	12.6 %
Organic growth	-18.7 %	-0.5 %
Organic pro forma growth	-18.4 %	2.4 %
Gross margin	18.1 %	25.3 %
Operating margin	3.3 %	9.6 %
Operating EBITDA margin	8.3 %	13.7 %
EBIT margin	1.6 %	7.4 %
EBITDA margin	8.0 %	13.7 %
Return on capital employees [2]	3.9 %	12.9 %
Return on shareholders' equity	0.1 %	10.3 %
Interest-bearing net debt/shareholders' equity	50.4 %	58.0 %
Interest-bearing net debt/operating EBITDA	3.54	2.0

1) Financial information for 2016-2020 can be found in the five-year summary on page 61.
2) Calculated on the basis of the last twelve months and operating income.

OPERATIONAL AND FINANCIAL RISKS

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

The development of attractive product ranges, particularly the Christmas collection, is very important in order to achieve satisfactory sales and income performance. The Duni Group addresses this issue by constantly developing its range. Approximately 25% of the collection is replaced each year in response to existing trends and to shape new trends.

A weaker economic climate, or other unforeseen events such as a pandemic, over an extended period of time in Europe could lead to a reduction in the number of restaurant visits, reduced 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.

In 2019, Brexit was identified as an operational risk. The transition period for Brexit is now over. The Duni Group's business has been impacted in the form of increased administration as well as delayed deliveries to a certain extent. New processes are in place, which should stabilize the situation in the second quarter of 2021. There will also be an increase in guarantee commitments to UK government agencies.

The Group'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 Finance Function, 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 33 regarding risk management.

OPERATIONAL AND FINANCIAL RISKS ASSOCIATED WITH COVID-19 AND ACTION TAKEN

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

The decrease in sales amounted to 54% in April, recovered to 7% in June and totalled 7% for the third quarter. For the fourth quarter, sales decreased by 25%. Social restrictions that limit hotel and restaurant business have a major impact on the Group's sales. Therefore, the level of uncertainty is still high heading into the first quarter of 2021 as the restriction levels in January and February have been at about the same level as in the fourth quarter. Sales performance is strongly impacted by how and when the restrictions in key markets are eased, especially for the Duni segment.

Temporary, strong and immediate actions were implemented to limit the impact of lost sales and lower efficiency in the Group's plants. Comprehensive shortening of working hours for both white collar and blue collar employees, deferred investments and a freeze on hiring new employees and consultants are examples of the actions taken. Overall, these actions cut costs by more than SEK 150 m in the second quarter and approximately SEK 60 m in both the third quarter and fourth quarters, making a positive contribution to income. Great focus on increased control of working capital is also a part of this cost-cutting program.

Operation of the Group's logistics and production units has been realigned and is continuously adapted to the current situation. Fewer shifts and production days have been implemented to ensure that cost and inventory levels are kept under control as well as to enable the rapid upscaling of production when the restrictions are eased. Capacity utilization in our plants increased somewhat in the second half of the second quarter, reaching an almost normalized level in the third quarter, only to fall again in the fourth quarter as both the paper mills and parts of the conversion machines were shut down for certain periods of time.

Throughout the period, the Group has dedicated extra focus to the performance of accounts receivable and bad debt losses with multiple parts of the organization involved. During certain periods of time, weekly follow-up meetings were held between the treasury function and the sales function for each market. So far, bad debt losses and payments from customers have not deviated significantly from the norm, but uncertainty remains high as most restaurants are still subject to restrictions, and the risk of bankruptcy increases as these restrictions are prolonged.

In the second quarter, the Duni Group negotiated with its banks and agreed on temporary new covenants to adapt to the current market situation. The total credit facility, maturity and volume remain unchanged. An extended financial expense for this totaled SEK 21 m.

The renegotiated covenants apply from April 2020 to March 2021. It is estimated that the terms of the loan will be met, but this situation will be evaluated on an ongoing basis due to the uncertain situation caused by the pandemic.

As an additional measure, the board withdrew the dividend for the 2019 financial year and proposes to the AGM in May 2021 that no dividend be paid for the 2020 financial year. The Group started the year with a strong financial position, and the Group's financial position remained good at the end of the year.

LEGAL DISPUTES

Upon closing of the accounts, there were a few disputes with customers, agents and suppliers involving small amounts. Provisions have been made in the annual accounts that, in management's opinion, cover any negative outcome of these disputes.

SUSTAINABILITY REPORTING

A sustainability report is also published in this annual report, see pages 27–44. This sustainability report is based on five foundations that describe sustainability strategy and goals. These are:

- Environmentally-sound products for every Goodfoodmood® occasion
- Circular solutions
- Partnerships for sustainability
- Carbon-neutral by 2030
- 100% engaged employees

The Group's sustainability efforts are also described here in the directors' report under "Environment and social responsibility" and "Employees and work environment".

SUSTAINABILITY STRATEGY AND GOALS

The Duni Group has set five primary goals for its sustainability efforts to achieve by 2030. You'll find more information on our website **duni.com**

1 ENVIRONMENTALLY-SOUND PRODUCTS FOR EVERY GOODFOODMOOD® OCCASION

2 CIRCULAR SOLUTIONS

3 PARTNERSHIPS FOR SUSTAINABILITY

4 CARBON-NEUTRAL BY 2030

5 100 PERCENT ENGAGED EMPLOYEES

ENVIRONMENT AND SOCIAL RESPONSIBILITY

In accordance with an adopted environmental strategy, the Duni Group 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, safety, pay conditions and working hours.

The Duni Group has also been granted FSC® certification, license number FSC-C014985 (Forest Stewardship Council), for the sale, production and distribution of products such as napkins, table covers and serving products. This means that 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. For more information about these, see the section on emission rights in Note 20 Intangible assets.

EMPLOYEES AND WORK ENVIRONMENT

The Duni Group 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. The Group works actively on diversity in many different ways to make it clear within the organization that it is considered an important issue. The Duni Group shall be a group that reflects the surrounding community. 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. The Group's code of conduct for employees also includes the work environment. Systematic work on the work environment is performed at the Group's plants, and is audited through internal audits based on the code of conduct. Each month, Group Management and the Board receive key ratios concerning accidents and sick leave due to accidents at the plants.

The Board has a clear policy that all employees must be aware of and prevent corruption. In addition to compliance with the code of conduct, the Board has also adopted a business ethics policy that all employees and suppliers are expected to follow. This policy states how the Group 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. The Duni Group requires that all third parties, suppliers and external parties with whom the Group cooperates shall comply with the business ethics policy and applicable legislation in the respective country.

The Duni Group 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.

As of December 31, 2020, the Group had 2,269 employees. The number of employees on December 31, 2019 was 2,398. 953 (1,034) of the employees were engaged in production. The Group's production plants are located in Bramsche and Wolkenstein, Germany, in Poznan, Poland, in Bengtsfors, Sweden, in Bangkok, Thailand and in Auckland, New Zealand.

FOREIGN COMPANIES AND BRANCHES

The Duni Group 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, with company registration number 556536-7488 and its registered office in Malmö, is responsible for the Group's sales and customer support in the Nordic market. The Parent Company also contains Group Management and joint Group staff functions such as finance, HR, purchasing, communication, marketing and IT. Parts of the Group's development resources are in the Parent Company.

Net sales amounted to SEK 966 m (1,214). EBIT was recognized at SEK -31 m (36) and net financial items amounted to SEK 118 m (310). The Parent Company was impacted by social restrictions to slow down the spread of COVID-19 in the same way as the rest of the Group. Payments received for government assistance in the form of short-time work amounted to SEK 7.5 m and for transition support the amount was SEK 2.5 m.

Net financial items includes dividends received from subsidiaries in the amount of SEK 41 m (89) and Group contributions received totaling SEK 99 m (235). Net income for the year was SEK 78 m (284).

The Parent Company's investments in fixed assets amounted to SEK 13 m (30). Depreciation and amortization totaled SEK 22 m (19).

The Parent Company's equity-assets ratio at year-end was 49.9% (47.9%). The Parent Company's cash and cash equivalents at December 31, 2020 amounted to SEK 272 m (212). The Parent Company paid a shareholders' contribution to Rexcell Tissue & Airlaid AB in the amount of SEK 80 m.

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 AB'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, 2020

Duni AB is listed on NASDAQ Stockholm under the ticker name "DUNI". Duni's three largest owners at December 31, 2020 are Mellby Gård AB (29.99%), Polaris Capital Management LLC (10.22%) and Carnegie fonder (8.51%).

THE SHARES

Duni AB's share capital consists of 46,999,032 outstanding common shares, each carrying 1 vote per share. The quotient value of the shares was SEK 1.25 per share. Duni AB does not hold any treasury shares.

There shall be no fewer than 32,008,000 and no more than 128,032,000 shares. There are no outstanding warrants or convertible debentures. Senior executives collectively own 0.3% of the shares in Duni AB at 12/31/2020.

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

BOARD AND CEO'S PROPOSED ALLOCATION OF EARNINGS

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

Allocation of earnings Parent Company (SEK)	2020
Unrestricted equity in Parent Company	
Retained earnings	1,784,656,423
Net income for the year	77,664,730
Total unrestricted equity in Parent Company	**1,862,321,153**

Due to the market uncertainty caused by the COVID-19 pandemic, the Board of Directors proposes that the earnings at the disposal of the Annual General Meeting be carried forward.

Shareholders' equity would have been SEK 3.3 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 and has been listed on the NASDAQ Stockholm Mid Cap list since November 14, 2007. The Group is governed via General Meetings, the Board of Directors and the CEO, as well as 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 Group Management also serve as directors on the boards of subsidiaries.

Duni AB 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 AB applies the Code in its entirety except for one rule, 9.2. Thomas Gustafsson is a member of the Remuneration Committee although he cannot be considered independent of the Company and management because he was CEO of Duni AB between December 2012 and October 2017. The reason for the deviation from the Code in this case is that Thomas Gustafsson is very well acquainted with the Company's circumstances in issues such as employee situations, talent provision and remuneration structures given his many years as CEO and before that director at the Group.

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 are 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, Duni.se.

GENERAL MEETING

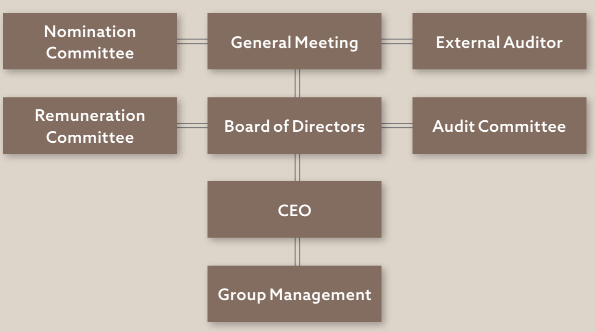
At the General Meeting, the shareholders decide upon key issues. Among other things, the General Meeting adopts the income statements and balance sheets, resolves upon allocation of the Company's earnings, discharge from liability for the directors and the CEO, election of the Board of Directors and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

Pursuant to the Swedish Companies Act, notice of Duni AB'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 the Group's website. The fact that notice has been issued shall be announced in Svenska 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.

2020 Annual General Meeting

The 2020 Annual General Meeting was held on Tuesday, May 12, 2020, in Malmö, Sweden. 49 shareholders, representing 56% of the voting rights, were present at the General Meeting, primarily through proxies.

CORPORATE GOVERNANCE



Thomas Gustafsson was elected to chair the meeting. No other directors or employee representatives were present in person besides Thomas Gustafsson. Magnus Yngen, Pia Rudengren and the Company's auditor Carl Fogelberg participated over the phone. The meeting was shortened to reduce the risk of spreading COVID-19. Shareholders were requested to vote in advance of the meeting instead of attending it in person. The CEO did not give a speech, as is customary. The minutes from the meeting are available on the Group's website, Duni.se. All resolutions were adopted in accordance with the Nomination Committee's proposals. The reasoning for the resolutions can be found on the Group's website. Some of the resolutions adopted at the General Meeting were:

- Adoption of income statements and balance sheets
- That no dividend be paid for the 2019 financial year
- Discharge from liability for the directors and CEO
- That the Board shall comprise six directors without alternates
- The re-election of directors Thomas Gustafsson, Pauline Lindwall and Alex Myers
- Election of Morten Falkenberg, Sven Knutsson and Pia Marions as new directors
- Thomas Gustafsson was elected the Chairman of the Board
- The re-election of PwC as auditors
- Change in the Board's remuneration, the Chairman of the Board shall receive SEK 578,000 (590,000) and all other directors shall each receive SEK 309,000 (315,000).
- Changed remuneration of SEK 125,000 (128,000) to the chairman of the Audit Committee and SEK 59,000 (60,000) to other members of the Audit Committee
- Changed remuneration of SEK 65,000 (67,000) to the chairman of the Remuneration Committee and SEK 30,000 (31,000) to other members of the Remuneration Committee
- Adoption of the Board's proposed guidelines for the remuneration of senior executives
- Procedures regarding the composition and work of the Nomination Committee

2021 Annual General Meeting

In consideration of applicable government guidelines and the Pandemic Act, the Annual General Meeting of Duni AB will be conducted using mandatory postal voting. The AGM will be held on May 4, 2021. On the same day, a video of the CEO's speech will be posted to the Group's website. Shareholders will have the opportunity to submit written questions in advance of the meeting. A notice of the Annual General Meeting, containing the Board's proposals, will be published on March 25, 2021. More information is available on the Group's website.

Nomination Committee

The Nomination Committee nominates the individuals to be proposed at the Annual General Meeting for election to Duni AB'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.

For the 2020 Annual General Meeting, the Nomination Committee proposed the re-election of directors Pauline Lindwall and Alex Myers. Pia Rudengren and Magnus Yngen declined re-election. Thomas Gustafsson was proposed to be the new Chairman of the Board. Morten Falkenberg, Sven Knutsson and Pia Marions were proposed as new directors. Given that two of five directors declined re-election, the Nomination Committee determined that it was appropriate to strengthen the Board by increasing the number of directors from five to six to ensure continuity over time. The two directors leaving the Board of Directors had been in office since 2007 and 2008, respectively.

The reasoned opinion of the Nomination Committee for the 2020 Annual General Meeting also 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. Two of the directors now proposed are women and four are men (equivalent to 33.3 percent and 66.6 percent, respectively). The Swedish Corporate Governance Board published an aim in April 2014 for at least 40 percent representation of each gender on the boards of listed companies following the 2020 AGM season. The percentage of women in the proposed board composition is below the Nomination Committee's long-term goal of an equal gender distribution but is close to the target level formulated by the Swedish Corporate Governance Board for the 2020 AGM season. The Nomination Committee still aims for an equal gender distribution but has focused on creating an optimally composed board in consideration of the directors' expertise, age, experience and background. The Annual General Meeting resolved to elect directors in accordance with the proposals of the Nomination Committee.

The Nomination Committee shall be comprised of representatives of Duni AB's three largest shareholders at September 30. Board Chairman Thomas Gustafsson convened the Nomination Committee in October 2020 and the composition was presented on November 2, 2020.

The Nomination Committee comprises the following members:

Name	Represents	Ownership stake 12/31/2020
Thomas Gustafsson	Director of the Board	
Johan Andersson (Chairman)	Mellby Gård AB	29.99 %
Bernard R. Horn, Jr.	Polaris Capital Management, LLC	10.22 %
John Strömgren	Carnegie fonder	8.51 %
Total		**48.72 %**

The Nomination Committee held meetings on November 17, 2020 and January 21, 2021. Prior to the 2021 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. The Board of Directors is effective, and all directors are duly engaged and committed, including employee representatives. The Nomination Committee is aware that the long-term goal for diversity has not been met. However, given that the Company is going through a pandemic, and got mostly new directors at the last AGM, the Nomination Committee concludes that the Board consists of a nice, relevant mix of education, expertise, industry experience and international experience for the time being. All current directors are proposed for re-election at the 2021 Annual General Meeting. Other elections are presented in the notice of the Annual General Meeting.

BOARD OF DIRECTORS

The Board of Directors 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.

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.

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 12, 2020, the Board comprises six directors and four employee representatives (two directors and two alternates). The CEO is not a member of the Board but usually participates at board meetings to present matters, as does the CFO. For a more detailed presentation of the directors, see pages 57-58. The Board of Directors comprises the following directors.

The board's work

The Board meets in accordance with a predetermined yearly plan, and additional meetings are scheduled as needed. 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

2020 BOARD ATTENDANCE

	Function	Independent [1]	Board meetings	Audit Committee	Remuneration Committee
Magnus Yngen	Chairman	X	5 of 5	2 of 2	1 of 1
Thomas Gustafsson	Director	[2,3]	5 of 5	–	1 of 1
Pauline Lindwall	Director	X	14 of 14	–	3 of 3
Alex Myers	Director	X	14 of 14	2 of 2	–
Pia Rudengren	Director	X	5 of 5	2 of 2	–
Thomas Gustafsson	Chairman	[2,3]	9 of 9	2 of 2	2 of 2
Morten Falkenberg	Director	X	9 of 9	–	2 of 2
Sven Knutsson	Director	[2]	9 of 9	2 of 2	–
Pia Marions	Director	X	9 of 9	2 of 2	–
Per-Åke Halvordsson	Employee representative, director	[3]	14 of 14	–	–
David Green	Employee representative, director	[3]	9 of 14	–	–
Marcus Hall	Employee representative, alternate	[3]	14 of 14	–	–
Peter Lundin	Employee representative, alternate	[3]	12 of 14	–	–

[1] As per definition in Swedish Corporate Governance Code.
[2] Not independent (in relation to largest shareholders).
[3] Not independent (in relation to the Duni Group).

Magnus Yngen and Pia Rudengren resigned at the 2020 Annual General Meeting and were replaced by Morten Falkenberg, Sven Knutsson and Pia Marions. Thomas Gustafsson was elected the Chairman of the Board. Thomas is not considered independent of the Company, management or the Company's largest shareholder.

management of the Company's affairs as well as the day-to-day operations of the Company.

The Board of Directors evaluates the work of the CEO regularly. During the year, the Board of Directors determined that Johan Sundelin's leadership failed to meet the Board's expectations, leading to his resignation as CEO on July 17, 2020. Mats Lindroth was then appointed acting CEO. Robert Dackeskog was appointed the new CEO starting on January 1, 2021.

The Board of Directors held fourteen board meetings at which minutes were taken in 2020. In a normal year, the Board has seven planned meetings. In light of COVID-19 and the impact government restrictions have on sales and income, the Board held five extra meetings with a focus on COVID-19 in addition to the planned meetings as well as two meetings to discuss organizational matters.

The regular meetings and the meetings for organizational matters included the following agenda items in 2020:

- 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
- Organizational matters
- Financing and loan conditions
- Discussions and resolution to create two complete business areas for Duni and BioPak instead of two brand segments.
- Regular evaluation and analyses regarding the profitability and growth of each segment
- Strategic matters such as sustainability, market trends and digitalization
- The economic climate and economic conditions

The social restrictions across Europe and the rest of the world, which were intended to slow down the spread of COVID-19, led to a decrease in sales for the year by slightly more than SEK one billion or 18.9%. The Board was regularly updated on business planning, sales performance, remedial actions and financing. A cost-cutting program for COVID-19 was presented to the Board early on including short-time work, government assistance, a freeze on investments, suspended consulting services, fewer marketing activities, and less travel. In total, the cost-cutting program saved approximately SEK 270 m for the year, of which approximately SEK 80 m is for government assistance. Follow-up reports on the cost-cutting program have been sent to the board regularly. The Group has a large share of fixed expenses for the sales force, administration, conversion plants and paper mills. Despite an extensive and powerful cost-cutting program, operating income took a heavy hit as a result of the lower sales.

In addition to the regular and extraordinary board meetings, 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 segment and market. This also includes a report on the number of injuries that occurred at the production and conversion companies during the month. Prior to each board meeting, the Board also reviews the most recent balance sheet and the cash flow. In 2020, information provided to the Board was more extensive and detailed, mainly involving the impact of COVID-19 on sales and income.

Remuneration Committee

The Remuneration Committee prepares issues concerning remuneration and other benefits for corporate management, while decisions thereon are taken by the Board of Directors. The Remuneration Committee shall also follow and evaluate the guidelines for the remuneration of senior executives adopted by the Annual General Meeting. Remuneration and benefits for company management are evaluated through comparisons with market data provided by external sources. Such data demonstrates 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. What is discussed at each meeting is reported by the committee chair at the next board meeting, which is usually held later on the same day.

The Remuneration Committee held three meetings in 2020 and comprises three members: Pauline Lindwall (Chairman), Thomas Gustafsson and Morten Falkenberg. The 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. The Audit Committee is responsible for ensuring the quality of the Company's financial reporting. The Committee also evaluates 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. Particular focus was on risks involving COVID-19 and financing 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 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. What is discussed at each meeting is reported by the committee chair at the next board meeting, which is usually held later on the same day.

The Audit Committee held four meetings in 2020 and comprises three members: Pia Marions (chair), Thomas Gustafsson and Sven Knutsson. 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 the Board Chairman, are decided upon by the Annual General Meeting. In accordance with a resolution adopted by the Annual General Meeting on May 12, 2020, the annual fee was set at a total of SEK 2,123,000, of which SEK 578,000 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 368,000.

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

BOARD REMUNERATION FOR THE MAY 2020–APRIL 2021 PERIOD

SEK	Board fees	Audit Committee fee	Remuneration Committee fee	Total
Thomas Gustafsson	578,000	59,000	30,000	667,000
Morten Falkenberg	309,000	–	30,000	339,000
Sven Knutsson	309,000	59,000	–	368,000
Pauline Lindwall	309,000	–	65,000	374,000
Pia Marions	309,000	125,000	–	434,000
Alex Myers	309,000	–	–	309,000
Total	**2,123,000**	**243,000**	**125,000**	**2,491,000**

CEO

Robert Dackeskog has served as the Chief Executive Officer (CEO) since January, 1, 2021. In 2020, Johan Sundelin served as CEO until July 17 when the Board decided that he should resign effective immediately. Deputy CEO Mats Lindroth was appointed acting CEO for the rest of the year. On August 3, 2020, the Board announced that Robert Dackeskog would be the new CEO. 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.

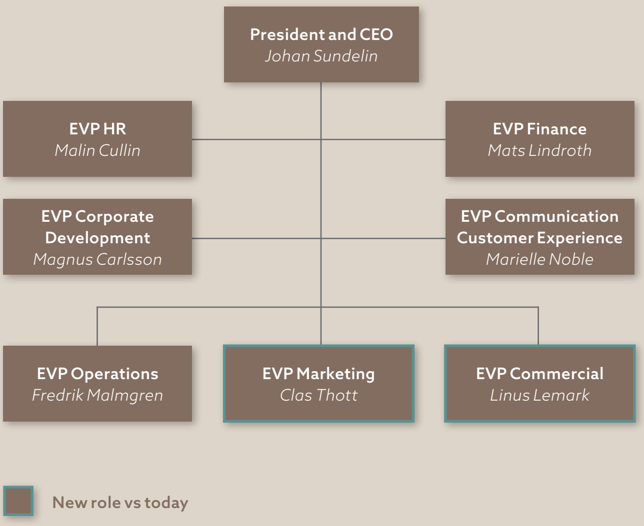
As of December 31, 2020, Mats Lindroth held 25,200 shares and 12,500 synthetic options in Duni AB. The synthetic options are issued by Mellby Gård AB. He does not have any ownership interest in companies with which the Group has significant commercial relations. Further information regarding the CEO is provided in Note 16 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 staff functions.

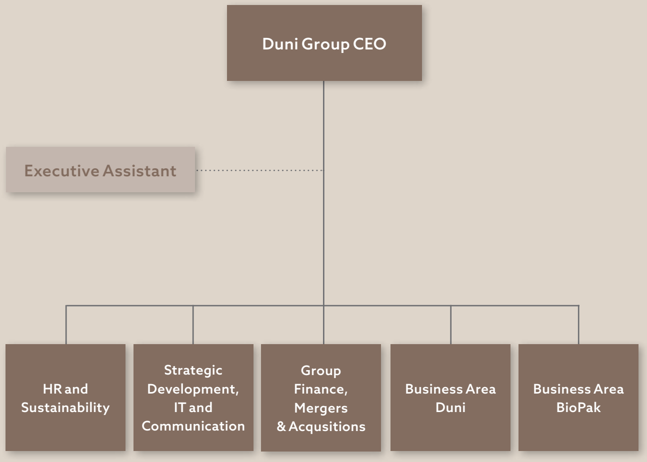
Group Management, including the CEO, comprised ten individuals at the start of the year. 2020 Group Management

GROUP MANAGEMENT AS OF JANUARY 1, 2020:



At the year's meetings, the cost-cutting package due to COVID-19 was the dominant topic but evaluation and fine-tuning of the reorganization implemented on January 1, 2020, was also on the agenda. On January 1, 2020, a consolidated sales and marketing organization was implemented. The four business areas were discontinued and segment reporting was changed to reporting sales and profitability for two brand segments: Duni and BioPak. Group Management was then structured by function and comprised 8 individuals instead of 10 as before. The organization was evaluated during the year, and in November 2020, a decision was made to create two business areas out of Duni and BioPak instead of the Duni and BioPak brand segments. Creating business areas will make responsibilities clearer because each business area will have full responsibility for its respective value chain. As a result, the central marketing department will also be divided between Duni and BioPak. The sales directors for each region will report directly to the CEO. This strengthened organization is effective from January 1, 2021, and Group Management is then reduced from eight to six individuals.

GROUP MANAGEMENT AS OF JANUARY 1, 2021:



The year started off with Group Management holding two-day meetings each month. When COVID-19 broke out in the middle of March 2020, Group Management meetings were held more frequently. When social restrictions were at their more extensive, and thus the impact on sales and income was greatest, Group Management meetings were held three times a week for updates on matters including logistics, the performance of orders received, planning of short-time work, and planning of shutdowns of conversion plants and machinery at the Skåpafors paper mill. An immediate freeze on investments was implemented and all external consulting projects were re-scheduled. The Board proposed to cancel the dividend, which was passed as a resolution at the AGM in May. Negotiations were also initiated early on to renegotiate the covenants of the financing agreement. This led to increased financing expenses totaling SEK 21 m. At most, over 2,000 of the Group's 2,300 employees were on short-time work.

Regular monitoring of delivery performance, logistics and growth along with other strategic issues and plans of action were also on the yearly agenda for Group Management. These were naturally still deliberated on but COVID-19 dominated the agenda during the year. However, the annual strategy meeting between the Board and Group Management was held in September, which was important for updating and reviewing Duni's strategy and focus areas.

REMUNERATION OF SENIOR EXECUTIVES

The Group has not granted any loans, extended or issued any guarantees or provided any security to the benefit of directors, senior executives or auditors. None of the directors, senior executives or auditors have entered into transactions with the Duni Group directly or indirectly through any affiliated company.

Below are the remuneration guidelines for the CEO and other members of Management that were adopted by the Annual General Meeting on May 12, 2020 and apply until the next Annual General Meeting. These are proposed to be left unchanged at the Annual General Meeting in May 2021.

Remuneration guidelines for senior executives

These guidelines apply to those who are a part of Duni AB's Group Management ("senior executives") and directors during the time the guidelines apply, in the manner specified below. The guidelines do not apply to remuneration decided on by the AGM, such as share-related or share price-related incentive programs. The guidelines shall apply until new guidelines are adopted by the AGM.

With respect to employment relationships subject to rules other than Swedish rules, appropriate adaptations may be made to comply with such mandatory rules or fixed local practices, in which case the overall purpose of these guidelines shall be fulfilled as far as possible.

A description of business strategies and sustainability efforts can be found in Duni AB's annual and sustainability report. Successful implementation of business strategies and safeguarding of the Company's long-term interests, including its longevity, require that the Company is able to recruit and retain qualified employees. The goal of the remuneration policy is to offer remuneration on market terms in order to attract, motivate and retain skilled and talented employees.

The total remuneration of senior executives shall be aligned with the senior executive's responsibilities and authorities. The total remuneration may consist of a fixed cash salary, a variable cash salary (bonus), pension benefits and other benefits. In addition to this, and irrespective of these guidelines, the AGM may resolve on share-related and share price-related remuneration.

Variable cash salary

The variable cash salary shall be limited in advance to a maximum amount and based on performance with respect to pre-determined and measurable performance goals, which are designed to promote the Company's business strategy and long-term value creation, including its longevity. The annual variable cash salary (annual bonus) shall be capped at 75 percent of the fixed cash salary. The variable cash salary may be based on metrics such as the annual profitability and capital tie-up targets set by the board, and may be linked to the Group's adjusted EBIT and adjusted capital employed.

Once the period for measuring attainment of the criteria for payment of the variable cash salary has ended, the board shall determine to what extent the criteria have been met based on a proposal from the Remuneration Committee. In its assessment of whether the criteria have been met, the board, upon proposal from the Remuneration Committee, has the option to grant exemptions from the goals that were set on the grounds set out below under deviation from guidelines. With respect to the attainment of financial targets, the assessment shall be based on the most recently published financial information of the Company with any adjustments that the board made in advance upon implementation of the program.

Variable remuneration shall not be paid, or variable remuneration shall be reclaimable, if the senior executive acted in breach of the Company's code of conduct. The variable cash salary may be paid once the measurement period has ended or it may be deferred for later payment. In compliance with legislation, the board shall have the option to fully or partially reclaim variable cash salaries paid on incorrect grounds.

Other remuneration

Additional cash remuneration may be paid as a one-time arrangement under extraordinary circumstances in order to recruit or retain executives. Such remuneration may not exceed an amount equivalent to one year of the fixed cash salary. Resolutions on such remuneration shall be passed by the board upon proposal from the Remuneration Committee.

Pensions

Senior executives shall be covered by the ITP plan in accordance with the applicable collective bargaining agreement or equivalent. Under the ITP plan, the pension premium for senior executives does not exceed 40 percent of their fixed cash salary.

Other benefits

Other benefits, such as company cars, fuel, disability insurance and health insurance, shall be eligible to be provided to the extent this is considered to be on market terms for senior executives in equivalent positions in the labor market in which the senior executive participates. The cumulative value of these benefits is not permitted to exceed 12 percent of the fixed cash salary.

Terms and conditions upon termination of employment

Senior executives shall be employed until further notice (permanent employees). Upon termination of employment, the fixed cash salary during the applicable notice period and severance compensation combined shall not exceed 18 months of the fixed cash salary. In the event of termination on the part of the executive, the executive shall not be entitled to severance compensation. Senior executives shall be able to be compensated for non-compete obligations after termination of employment to the extent that severance compensation is not paid for the corresponding period. Such compensation shall be capped at the equivalent of 12 months' fixed cash salary.

Remuneration of directors

In the event that board directors (including via wholly-owned companies) render services for the Group in addition to board work, a cash fee can be paid for this (consulting fee). This fee shall be on market terms and be aligned with how much such services benefit the Duni Group. Remuneration of directors, as well as other terms and conditions, are determined by the board.

Decision-making process and deviations

In preparing the board's proposal for these remuneration guidelines, salaries and employment conditions for employees have been taken into consideration because information on the total remuneration of employees, the components of the remuneration and the increase and rate of increase in the remuneration over time have been a part of the Remuneration Committee and the board's supporting documents for evaluating whether the guidelines and the restrictions imposed by them are fair.

The Remuneration Committee deliberates on the Board's resolution proposed guidelines for the remuneration of senior executives. These are reviewed annually and presented for resolution at the AGM in the event of proposed amendments or at least every fourth year. The CEO and other executives that are a part of management do not attend the board's discussions and resolutions on remuneration-related issues to the extent that such issues affect them.

The Board of Directors is permitted to resolve to temporarily deviate from the guidelines, fully or partially, in the event that there are special grounds justifying this in an individual case and such deviation is necessary to satisfy the Company's long-term interests, including its viability, or to secure the Company's financial strength. As stated above, the Remuneration Committee's tasks include deliberating on the Board's resolutions on matters of remuneration, which includes resolving to deviate from the guidelines.

For more information about the remuneration of senior executives, see Note 16 Salaries and other remuneration.

AUDITING

At the Annual General Meeting held on May 12, 2020, PricewaterhouseCoopers AB was re-elected auditor, with Carl Fogelberg as auditor-in-charge. The auditors review the annual financial statements 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 financial statements 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 the third quarter report. In addition to Duni AB, Carl Fogelberg is also the auditor-in-charge for companies such as Eniro AB and Ascelia Pharma AB and co-signing auditor for Haldex. Carl Fogelberg is an authorized public accountant and member of FAR SRS. Apart from the audit engagement, fees to PwC for other engagements during 2020 totaled SEK 3.4 m (2019: 2.8). For detailed information about the remuneration of external auditors, see Note 9 Remuneration for auditors.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROL WITH RESPECT TO FINANCIAL REPORTING FOR THE 2020 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 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 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.

The Group 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, and monitoring.

With the support of the Audit Committee, Group Management performs risk mapping in accordance with COSO 2013 and the 17 fundamental principles. However, the Group 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. The Board 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. There is an independent whistleblower system to which all 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 business is organized into business areas with profit centers. The Audit Committee regularly communicates with the auditors in order to evaluate and improve the internal control. The Group has established an accounting center for the European countries within the Group. The accounting center provides independent accounting services to the business. This function complies with standardized procedures and routines. The head of the accounting center reports directly to the Group CFO.

INFORMATION AND COMMUNICATION

Information, both externally and internally, is governed by a communications and IR policy as well as an 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 the Group'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. 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

Management has found no need for a formal internal audit department but annually evaluates whether such a function is needed. The Group 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 BioPak 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 the Group. 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. The 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 six directors 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.

THOMAS GUSTAFSSON *Born 1965*

Chairman of the Board since 2020

Vice President and Director of Mellby Gård AB, Board Chairman of Smart Eyes International AB, KappAhl AB (publ) and OJ Holding Sweden AB, and Board Director of Topeja Holding AB and Aros Kapital AB

Professional experience: CEO of Duni AB (publ) 2012-2017

Previously responsible for overseeing Mellby Gård AB's consumer goods companies and, before that, he served as President and CEO of 2E Group AB (publ). Senior executive positions at Spendrups Bryggeri AB, Brämhults Juice AB and Eckes Granini GmbH

Education: Business administration degree

Elected in 2019

Shares in Duni: 26,400

He is not considered independent of the company, company management or Duni's major shareholders

PAULINE LINDWALL *Born 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

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

Elected in 2014

Shares in Duni: 1,000

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

ALEX MYERS *Born 1963*

President and CEO, Avramar Seafood Group

Professional experience: President and CEO, Getinge AB, and before that President and CEO, Hilding Anders Group. CEO, ArjoHuntleigh / Executive Vice President Getinge Group. Senior Vice President, Western Europe and Global Sales & Marketing, Carlsberg Breweries. Vice President Marketing & Innovation, Orkla Beverages (Pripps-Ringnes). 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: 7,000

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

PIA MARIONS *Born 1963*

CFO at Skandia Group

Board member of Skandiabanken Aktiebolag (publ), Skandia Fastigheter AB and Vitrolife AB (publ)

Professional experience: CFO at Folksam Group, Carnegie Group and Skandia Liv, senior positions at Royal Bank of Scotland, Länsförsäkringar Liv and the Swedish Financial Supervisory Authority, worked as a chartered accountant.

Education: Ms Marions holds a M.Sc. in Business and Economics from Stockholm University

Elected in 2020

Shares in Duni: 1,000

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

MORTEN FALKENBERG *Born 1958*

Board member of Velux Group, Aktiebolag Fagerhult (publ) and Caljan

Professional experience: President and CEO, and board member, of Nobia AB (publ). Executive Vice President and Head of Floor Care and Small Appliances at Electrolux. Before that, senior positions at TDC Mobile and the Coca-Cola Company.

Education: Mr Falkenberg holds a B.Sc in Business Administration from Copenhagen School of Economics and Business Administration

Elected in 2020

Shares in Duni: 2,891

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

SVEN KNUTSSON *Born 1965*

CEO of Mellby Gård Innovation and Tillväxt AB. Chairman of the Board at Klarahill AB and Söderberg & Haak Maskin. Board member of KappAhl AB, Open Air Group AB, Hedson Technologies AB and OJ Holding AB (Oscar Jacobsson)

Professional experience: Previous experience from various industries and companies, including Thule Group, Cardo Flow Solutions and Alfa Laval, also CFO of Boxon AB.

Education: Mr Knutsson holds an MBA in economics from Lund University

Elected in 2020

Shares in Duni: 2,000

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

DAVID GREEN *Born 1978*

Employee representative for LO/Pappers

Mr Green is 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 1959*

Employee representative, PTK

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

Mr Halvordsson has undertaken PTK board training

Elected in 2005

Shares in Duni: 0

Not independent of the company

GROUP MANAGEMENT

ROBERT DACKESKOG *Born 1971*

President and CEO of Duni since January 2021.

Most recently Robert was the CEO of Unident AB. Before that, he held management positions at the Duni Group such as Director Business Area Table Top and Director Business Area Consumer.

Robert Dackeskog holds an MSc in Business Administration from the University of Gothenburg.

Shares in Duni (own and related parties): 10,000

Synthetic options*: 0

MATS LINDROTH *Born 1960*

Executive Vice President BA BioPak since January 2021. Acting President and CEO between July-December 2020 and Executive Vice President Finance/CFO at the Duni Group since 2009. He has been employed at Duni since 1987.

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

Shares in Duni (own and related parties): 25,200

Synthetic options*: 12,500

MALIN CULLIN *Born 1972*

Executive Vice President HR and Sustainability since January 2020.

Malin comes from the role of Global Employer Branding & Talent Manager at INTER IKEA Group. Prior to that, she has worked in the field of HR at several different companies, including Tarkett and Lyckeby Culinar. Malin has 18 years of combined experience in HR from a variety of positions.

Malin Cullin holds a Bachelor's degree in Human Resources and an exam as a submarine officer in the Marines, Swedish Armed Forces.

Shares in Duni (own and related parties): 250

Synthetic options*: 0

MAGNUS CARLSSON *Born 1976*

Executive Vice President Finance/CFO since January 2021.

Magnus has been employed in the Duni Group since 2009 and comes from a position as Executive Vice President Corporate Development since September 2018. Before that, he served as Group Controller for many years. Prior to starting at the Duni Group, he worked in different controlling positions at Lindab AB and most previously as business Controller at 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 1974*

EVP Strategic Development, IT and Communications since September 2020.

Marielle has been employed in the Duni Group since 2011 and her most recent prior position was Communications and Customer Experience Director, and before that Marketing Director Table Top. She also has a solid background in marketing and communication from past positions with PartnerTech and AudioDev.

Marielle Noble has a Bachelor of Communications from Lund University.

Shareholdings (own and related parties): 500

Synthetic options*: 0

LINUS LEMARK *Born 1977*

Executive Vice President BA Duni since January 2021.

Linus Lemark has been employed in the Duni Group since 2007 and comes from a position as Executive Vice President Commercial since January 2020 and has been a member of Duni Group Management since May 2012. He previously worked as Innovation Director at The Absolut Company AB and Vice President at Aquavit in New York.

During the years 2007-2009, Linus Lemark served as Corporate Development Manager and Marketing Manager Duni Food Solutions at Duni.

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

Shares in Duni (own and related parties): 5,770

Synthetic options*: 37,500

* Synthetic options are issued by Mellby Gård AB.

FIVE-YEAR SUMMARY, CONSOLIDATED INCOME

SEK m	2020	2019	2018	2017	2016
Net sales	4,501	5,547	4,927	4,441	4,271
Cost of goods sold	-3,687	-4,145	-3,650	-3,177	-3,039
Gross profit	**814**	**1,403**	**1,278**	**1,264**	**1,231**
Selling expenses	-514	-592	-565	-505	-483
Administrative expenses	-265	-285	-282	-261	-245
Research and development expenses	-5	-3	-9	-8	-8
Other operating income	121	24	3	12	10
Other operating expenses	-80	-137	-75	-47	-43
EBIT	**70**	**408**	**351**	**456**	**463**
Financial income	2	2	1	0	1
Financial expenses	-65	-34	-23	-18	-23
Net financial items	**-63**	**-32**	**-22**	**-17**	**-22**
Income after financial items	**7**	**377**	**328**	**439**	**441**
Income tax	-3	-103	-79	-106	-107
Net income for the year	**4**	**273**	**249**	**334**	**334**
Net income for the year attributable to:					
Equity holders of the Parent Company	2	269	245	329	332
Non-controlling interests	1	4	4	5	2

FIVE-YEAR SUMMARY, CONSOLIDATED BALANCE SHEETS

SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
ASSETS					
Goodwill	2,011	2,054	2,073	1,617	1,577
Other intangible assets	480	503	509	294	304
Tangible assets	1,015	1,125	1,143	1,080	951
Right-of-use assets	192	192	–	–	–
Financial assets	131	85	67	51	67
Total fixed assets	**3,756**	**3,958**	**3,792**	**3,042**	**2,899**
Inventory	861	781	771	627	548
Accounts receivable	599	915	921	798	730
Other receivables	200	279	210	139	124
Cash and cash equivalents	364	311	260	227	186
Total current assets	**2,024**	**2,287**	**2,162**	**1,791**	**1,588**
TOTAL ASSETS	**5,780**	**6,245**	**5,954**	**4,833**	**4,487**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity attributable to equity holders of the Parent Company	2,542	2,563	2,526	2,509	2,406
Non-controlling interests	87	101	91	85	80
Total shareholders' equity	**2,628**	**2,664**	**2,616**	**2,594**	**2,486**
Long-term loans	1,216	1,370	1,402	642	676
Other long-term liabilities	638	757	727	399	402
Total long-term liabilities	**1,854**	**2,128**	**2,129**	**1,041**	**1,079**
Accounts payable	422	505	424	428	373
Short-term loans	270	222	103	197	–
Other short-term liabilities	606	727	682	573	549
Total short-term liabilities	**1,299**	**1,453**	**1,209**	**1,197**	**922**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5,780**	**6,245**	**5,954**	**4,833**	**4,487**

KEY RATIOS IN BRIEF, GROUP

	2020	2019	2018	2017	2016
Net sales, SEK m	4,501	5,547	4,927	4,441	4,271
Gross profit, SEK m	814	1,403	1,278	1,264	1,231
Operating income, SEK m	149	533	430	491	502
Operating EBITDA, SEK m	374	762	583	630	632
EBIT, SEK m	70	408	351	456	463
EBITDA, SEK m	359	759	546	629	622
Interest-bearing net debt, SEK m	1,324	1,546	1,490	855	757
Number of employees	2,269	2,398	2,477	2,362	2,279
Sales growth	-18.9 %	12.6 %	10.9 %	4.0 %	1.7 %
Organic growth	-18.7 %	-0.5 %	1.5 %	0.9 %	1.2 %
Organic pro forma growth	-18.4 %	2.4 %	2.5 %	1.1 %	-0.01 %
Gross margin	18.1 %	25.3 %	25.9 %	28.5 %	28.8 %
Operating margin	3.3 %	9.6 %	8.7 %	11.1 %	11.8 %
Operating EBITDA margin	8.3 %	13.7 %	11.8 %	14.2 %	14.8 %
EBIT margin	1.6 %	7.4 %	7.1 %	10.3 %	10.8 %
EBITDA margin	8.0 %	13.7 %	11.1 %	14.2 %	14.6 %
Return on capital employed[1)]	3.9 %	12.9 %	10.6 %	14.4 %	15.8 %
Return on shareholders' equity	0.1 %	10.3 %	9.5 %	12.9 %	13.4 %
Interest-bearing net debt/shareholders' equity	50.4 %	58.0 %	57.0 %	32.9 %	30.5 %
Interest-bearing net debt/operating EBITDA	3.5	2.0	2.6	1.4	1.2

1) Calculated on the basis of the last twelve months and operating income.

CONSOLIDATED INCOME STATEMENT

SEK m	Note*	2020	2019
Net sales	3,4	4,501	5,547
Cost of goods sold	4,5,6,7,8	-3,687	-4,145
Gross profit		**814**	**1,403**
Selling expenses	5,6,8	-514	-592
Administrative expenses	5,6,8,9	-265	-285
Research and development expenses	5,6	-5	-3
Other operating income	10	121	24
Other operating expenses	5,6,8,10	-80	-137
EBIT	11,16,17,33	**70**	**408**
Income from financial items	11,12,17		
Financial income		2	2
Financial expenses		-65	-34
Net financial items		**-63**	**-32**
Income after financial items		**7**	**377**
Income tax	14	-3	-103
Net income for the year		**4**	**273**
Income attributable to:			
Equity holders of the Parent Company		2	269
Non-controlling interests		1	4
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:	31,37		
Before dilution		0.05	5.73
After dilution		0.05	5.73

* RELATED NOTES TO THE INCOME STATEMENT
3 – Segment reporting
4 – Intra-Group purchases and sales
5 – Expenses by nature
6 – Depreciation, amortization and impairment
7 – Inventories
8 – Restructuring costs – allocation to restructuring reserve
9 – Remuneration for auditors
10 – Other operating income and expenses
11 – Net exchange rate differences
12 – Income from financial items
14 – Income tax
16 – Salaries and other remuneration
17 – Pension obligations
31 – Share capital, earnings per share and allocation of earnings
33 – Financial risks
37 – Related-party transactions

STATEMENT OF COMPREHENSIVE INCOME

SEK m	2020	2019
Net income for the year	**4**	**273**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation of net pension obligation	11	-20
Total	**11**	**-20**
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences for the year – translation of subsidiaries	-59	43
Cash flow hedges	-1	2
Total	**-60**	**44**
Other comprehensive income for the year, net of tax:	**-49**	**24**
Total comprehensive income for the year	**-45**	**298**
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company	-45	287
Non-controlling interests	-15	11

CONSOLIDATED BALANCE SHEET

SEK m	Note	Dec. 31, 2020	Dec. 31, 2019
ASSETS	1,2,3,33,34		
Fixed assets			
Intangible assets	20		
Goodwill		2,011	2,054
Customer relationships		235	277
Capitalized development expenses		37	46
Trademarks, software and licenses		136	180
Total intangible assets		**2,419**	**2,556**
Tangible assets	21		
Buildings, land and land improvements		349	383
Machinery and other technical equipment		537	582
Equipment, tools and installations		75	88
Construction in progress and advance payments for tangible assets		53	73
Right-of-use assets	22	192	192
Total tangible assets		**1,206**	**1,317**
Financial assets			
Deferred tax assets	14	122	75
Other long-term receivables	27	10	10
Total financial assets		**131**	**85**
Total fixed assets		**3,756**	**3,958**
Current assets			
Inventory	7	861	781
Accounts recievable	23	599	915
Derivative instruments	28	3	1
Tax assets		16	75
Other receivables	23	152	155
Prepaid expenses and accrued income	24	28	48
Cash and cash equivalents	26	364	311
Total inventories	30	**2,024**	**2,287**
TOTAL ASSETS		**5,780**	**6,245**

SEK m	Note	Dec. 31, 2020	Dec. 31, 2019
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2,3,33,34		
Equity			
Share capital	31	59	59
Other injected capital		1,681	1,681
Reserves		83	127
Retained earnings including net income for the year		719	696
Total equity attributable to the shareholders of the Parent Company		**2,542**	**2,563**
Non-controlling interests		87	101
Total shareholders's equity		**2,628**	**2,664**
Long-term liabilities	29		
Bank loans	29	1,031	1,187
Leasing liability	29	185	183
Derivative instruments	28	307	342
Deferred tax liability	14	119	130
Pension provisions	17	212	276
Total long-term liabilities		**1,854**	**2,118**
Short-term liabilities			
Accounts payable		422	505
Tax liabilities		41	57
Short-term bank loans	29	261	209
Leasing liability	22	9	12
Derivative instruments	28	24	23
Other liabilities		109	153
Allocation to restructuring reserve	8	26	11
Accrued expenses and deferred income	25	406	493
Total short-term liabilities		**1,299**	**1,463**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	30,35	**5,780**	**6,245**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Other injected capital	Other reserves	Cash flow reserve	Fair value reserve*	Profit carried forward incl. net income for the year	Non-controlling interests	Share-holders' equity
	Attributable to equity holders of the Parent Company							
Opening balance Jan. 1, 2019	**59**	**1,681**	**76**	**0**	**13**	**697**	**91**	**2,616**
Comprehensive income								
Net income for the year	–	–	36	2	–	249	11	298
Total comprehensive income for the year	**0**	**0**	**36**	**2**	**0**	**249**	**11**	**298**
Revaluation liability to the minority	–	–	–	–	–	-15	–	-15
Transactions with owners								
Dividend paid to shareholders for 2018	–	–	–	–	–	-235	–	-235
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**-235**	**–**	**-235**
Opening balance Jan. 1, 2020	**59**	**1,681**	**112**	**2**	**13**	**696**	**101**	**2,664**
Comprehensive income								
Net income for the year	–	–	-43	-1	–	14	-15	-45
Total comprehensive income for the year	**0**	**0**	**-43**	**-1**	**0**	**14**	**-15**	**-45**
Revaluation liability to the minority	–	–	–	–	–	8	–	8
Transactions with owners								
Dividend paid to shareholders for 2019	–	–	–	–	–	–	–	0
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**–**	**0**
Closing balance Dec. 31, 2020	**59**	**1,681**	**69**	**1**	**13**	**719**	**87**	**2,628**

* 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	2020	2019
Cash flow from operating activities:			
EBIT		70	408
Adjustments for non-cash items	32	249	326
Interest received		2	2
Interest paid		-46	-29
Paid income tax		-29	-126
Cash flow from operating activities before changes in working capital		**256**	**582**
Changes in working capital:			
Increase(-)/decrease (+) in inventories		-111	9
Increase(-)/decrease(+) in accounts receivable		287	38
Increase(-)/decrease(+) in receivables		-66	-26
Increase(+)/decrease (-) in accounts payable		-94	62
Increase(+)/decrease(-) in short-term liabilities		10	0
Cash flow from operating activities		**282**	**665**
Cash flow used in investing activities:	28		
Acquisition of tangible fixed assets	21	-71	-155
Acquisition of intangible assets	20	-11	-28
Sale of tangible assets	21	4	0
Sale of intangible assets	20	0	0
Acquisition of subsidiaries	19	-25	-36
Cash flow used in investing activities		**-104**	**-220**
Cash flow used in financing activities:	29		
Dividend paid to shareholders		–	-235
Net change, overdraft facilities and other financial liabilities		7	-6
Repayment of debt		-362	-186
Loans received		313	55
Amortization of leasing liability	22	-69	-24
Cash flow used in financing activities		**-111**	**-396**
Cash flow for the year		**67**	**48**
Cash and cash equivalents, opening balance		311	260
Exchange rate differences, cash and cash equivalents		-14	2
Cash and cash equivalents, closing balance	26	**363**	**311**

PARENT COMPANY INCOME STATEMENT

SEK m	Note*	2020	2019
Net sales	3,4	966	1,214
Cost of goods sold	4,5,6,7,8	-905	-1,107
Gross profit		**61**	**108**
Selling expenses	5,6,7.8	-117	-138
Administrative expenses	5,6,7,8,9	-185	-188
Research and development expenses	5,6	-6	-5
Other operating income	10	259	300
Other operating expenses	5,8,10	-44	-40
EBIT	11,17,33,36	**-31**	**36**
Income from financial items	11,12		
Revenue from participation in Group companies	13	141	323
Other interest income and similar items		27	29
Interest expenses and similar items		-50	-42
Net financial items		**118**	**310**
Income after financial items		**87**	**346**
Tax on income for the year	14	-10	-63
Net income for the year	37	**78**	**284**

* RELATED NOTES TO THE INCOME STATEMENT
1 – General information
2 – General accounting principles
3 – Segment reporting
4 – Intra-Group purchases and sales
5 – Expenses by nature
6 – Depreciation, amortization and impairment
7 – Inventories
8 – Restructuring costs – allocation to restructuring reserve
9 – Remuneration for auditors
10 – Other operating income and expenses
11 – Net exchange rate differences
12 – Income from financial items
13 – Income from participation in Group companies
14 – Income tax
17 – Pension obligations
33 – Financial risks
36 – Obligations
37 – Related-party transactions

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m		2020	2019
Net income for the year		**78**	**284**
Other comprehensive income[1)]			
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences for the period – translation of foreign subsidiaries	–	–	–
Cash flow hedge	4	-2	-2
Sum	**4**	**-2**	**-2**
Total comprehensive income for the year		**4**	**-2**
Sum comprehensive income for the year	**82**	**281**	**281**
Sum comprehensive income for the year attributable to:			
Equity holders of the Parent Company	82	281	281

1) The Parent Company does not have any comprehensive income classified as items that will not be reclassified to profit or loss.

PARENT COMPANY, BALANCE SHEET

SEK m		Dec. 31, 2020	Dec. 31, 2019
ASSETS	1,2,3,33,34		
Fixed assets			
Intangible assets	20		
Capitalized development expenses		19	54
Trademarks, software and licenses		39	10
Total intangible assets		**58**	**65**
Tangible assets	21		
Buildings, land and land improvements		9	10
Machinery and other technical equipment		9	10
Equipment, tools and installations		1	2
Construction in progress and advance payments for tangible assets		4	1
Total tangible assets		**24**	**23**
Financial assets			
Participations in Group companies	18,19	1,439	1,359
Deferred tax assets	14,28	16	16
Other long-term recievables, internal	27	1,733	1,794
Other long-term receivables		7	7
Total financial assets		**3,195**	**3,176**
Total fixed assets		**3,277**	**3,264**
Current assets			
Inventory	7	84	103
Accounts receiveable	23	74	113
Derivative instruments	28	3	1
Receivables Group companies	23	8	36
Other recievables	23	12	17
Prepaid expenses and accrued income	24	14	14
Short-term financial recievables from Group companies	23	160	132
Cash and cash equivalents	26	272	212
Total current assets		**628**	**628**
TOTAL ASSETS	30	**3,905**	**3,892**

PARENT COMPANY, BALANCE SHEET CONT.

SEK m		Dec. 31, 2020	Dec. 31, 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	31	59	59
Statutory reserve		11	11
Revaluation reserve		13	13
Development expenditure reserve		1	2
Total restricted equity		**84**	**85**
Unrestricted equity			
Retained earnings		1,787	1,497
Net income for the year		78	284
Total non-restricted equity		*1,864*	*1,781*
Shareholders' equity		**1,948**	**1,866**
Provisions			
Allocation to pensions	17	86	91
Deferred tax liability	14	13	14
Total provisions		**99**	**105**
Long-term liabilities			
Bank loans	29	1,002	**1,165**
Derivative instruments	28	1	1
Total long-term liabilities		**1,003**	**1,165**
Short-term liabilities			
Accounts payable		56	69
Liabilities to Group companies		394	322
Bank loans	29	261	209
Tax liabilities		21	26
Other liabilities		22	26
Allocation to restructuring reserve	8	16	1
Accrued expenses and deferred income	25	84	103
Total short-term liabilities		**855**	**756**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	32.35	**3,905**	**3,892**

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
Opening balance Jan. 1, 2019	**59**	**11**	**13**	**3**	**33**	**0**	**1,701**	**1,819**
Comprehensive income								
Comprehensive income for the year	–	–	–	–	–	-2	284	281
Total comprehensive income for the year	**0**	**0**	**0**	**0**	**0**	**-2**	**284**	**281**
Transactions with owners								
Dividend paid to shareholders for 2018	–	–	–	–	–	–	-235	-235
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Allocation to development expenditure reserve	**–**	**–**	**–**	**-1**	**–**	**–**	**1**	**0**
Opening balance Jan. 1, 2020	**59**	**11**	**13**	**2**	**33**	**-2**	**1,751**	**1,866**
Comprehensive income								
Comprehensive income for the year	–	–	–	–	–	4	78	82
Total comprehensive income for the year	**0**	**0**	**0**	**0**	**0**	**4**	**78**	**82**
Transactions with owners								
Dividend paid to shareholders for 2019	–	–	–	–	–	–	–	–
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Allocation to development expenditure reserve	**–**	**–**	**–**	**0**	**–**	**–**	**0**	**0**
Closing balance Dec. 31, 2020	**59**	**11**	**13**	**2**	**33**	**2**	**1,828**	**1,948**

PARENT COMPANY, CASH FLOW STATEMENT

SEK m	Note	2020	2019
Cash flow from operating activities:			
EBIT		-31	36
Adjustments for non-cash items	32	45	69
Interest received		27	29
Dividends received		41	89
Interest paid		-50	-42
Paid income tax		-15	-55
Cash flow from operating activities before changes in working capital		**16**	**126**
Changes in working capital:			
Increase(-)/decrease (+) in inventories		2	-1
Increase(-)/decrease(+) in accounts receivable		68	6
Increase(-)/decrease(+) in receivables		-6	-13
Increase(+)/decrease (-) in accounts payable		-16	10
Increase(+)/decrease(-) in short-term liabilities		-1	-2
Cash flow from operating activities		**63**	**0**
Cash flow used in investing activities:			
Acquisition of intangible assets	20	-9	-26
Acquisition of tangible assets	21	-7	-4
Sale of tangible assets	21	0	0
Change in net lending to Group companies	27	114	294
Acquisition of subsidiaries	19	–	-7
Sale of subsidiaries		–	–
Change in interest-bearing receivables		-2	0
Cash flow used in investing activities		**96**	**257**
Cash flow used in financing activities:	29		
Dividend paid to shareholders		–	-235
Net change, overdraft facilities and other financial liabilities		-50	24
Repayment of debt		-362	-186
Loans raised		313	55
Cash flow used in financing activities		**-99**	**-342**
Cash flow for the year		60	41
Cash and cash equivalents, opening balance		212	171
Cash and cash equivalents, closing balance	26	**272**	**212**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38

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-away. The Group develops, manufactures and sells functional and attractive concepts and products for the serving and packaging of meals. Duni enjoys a leading position thanks to a combination of high quality, established customer relations, well-reputed brands, and a strong local presence in Europe.

The Parent Company is a registered limited company with its registered office in Malmö. The address of its headquarters is Box 237, SE-201 22 Malmö, and the website is www.duni.se. Duni is listed on NASDAQ Stockholm under the ticker name "DUNI".

On March 24, 2021, 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. 1/1/2019–12/31/2019.

NOTE 2 – GENERAL ACCOUNTING PRINCIPLES

This note sets forth general accounting principles applied in the preparation of the annual report, to the extent these are not disclosed in the following notes. The majority of the accounting principles used can be found under the respective note. Unless otherwise stated below, all accounting principles in this annual report have been applied consistently for all presented years.

The consolidated financial statements cover Duni AB and its subsidiaries. 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 2.4, Parent Company's accounting principles.

2.1 BASES FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1.1 Compliance with IFRS

The consolidated financial statements for Duni AB and its subsidiaries 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 (IFRSIC) as adopted by the EU.

2.1.2 Cost method

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

- 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 – the plan assets are measured at fair value through other comprehensive income.

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.

2.2 CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

The Duni Group 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, 2020. The Group applies the following standards and amendments for the first time as of the financial year beginning on January 1, 2020:

- Definition of material – Amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any material impact on the Group's financial statements.

A number of new standards and interpretations enter into force as regards financial years beginning after January 1, 2020, and these have not been applied in conjunction with the preparation of this financial report. These new standards and interpretations are not expected to have any material impact on the Group for the financial year beginning on January 1, 2021 or later.

2.3 CONSOLIDATED FINANCIAL STATEMENTS

2.3.1 Subsidiaries

A subsidiary is a company in which another company holds a controlling interest. An investor has a controlling interest over the investee when the investor is exposed to, or is entitled to variable returns from, the investment in the investee and can influence the amount of the returns using its controlling interest over the investee. 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 combinations. 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 combination are initially measured at fair value on the acquisition date. For each acquisition, it is determined whether 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.

2.3.2 Changes in ownership stake in a subsidiary without a change in controlling interest

The Group applies the principle of reporting transactions with non-controlling interests that do not lead to a loss of control as equity transactions, i.e., transactions with owners in their role as 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. Non-controlling interests in an acquired company are recognized 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 combination.

In cases where there are call options for remaining shareholdings, the companies are recognized as if they were fully consolidated and a liability is simultaneously recognized amounting to the discounted expected redemption price of the options. The non-controlling interest attributable to the option is thus eliminated. 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, and the revaluation is recognized in equity.

2.3.3 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 are initially recognized in the Group's balance sheet at cost. There are not any affiliated companies in the Group at present.

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. The Group 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:

- assets and liabilities for each of the balance sheets are translated at the closing day rate
- revenue and expenses for each of the income statements are translated at the average exchange rate
- 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 THE PARENT COMPANY'S ACCOUNTING PRINCIPLES
The Parent Company prepares its annual report pursuant to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, Accounting for Legal Entities. RFR 2 entails that the Parent Company's annual report for the legal entity shall apply all IFRSs and statements approved by the EU, insofar as possible within the scope of the Swedish Annual Accounts Act and taking into consideration the connection between accounting and taxation. The Recommendation states which exceptions and supplements are to be made compared with accounting pursuant to IFRS.

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

2.5.1 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 put option of minority owners
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 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 goodwill on acquisition; 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, in accordance with the simplification rule in RFR 2.

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.

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

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.

2.6 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. 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 are specified on an ongoing basis in the notes.

NOTE 3 – SEGMENT REPORTING

ACCOUNTING PRINCIPLES

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. Group Management constitutes the strategic decision-making body and decides on the allocation of resources within the Group and evaluates the results of operations. The strategic decision-making group addresses and evaluates operations based on lines of business, or operating segments, to which the same risks and opportunities apply. Sales between the segments take place on market terms.

At the start of the year, the business was divided into four operating segments: Table Top, Meal Service, Consumer and New Markets. In January, an organizational change was made, which also led to a change in segment reporting. As of January 1, 2020, the business was instead divided into two operating segments, Duni and BioPak, in order to strengthen both ownership and strategic growth in each segment. The Board of Directors and Management manage the performance of the business based on sales from the two brands, Duni and BioPak. This makes the customer offering clearer and one sales organization is formed instead of sales via the previous four business areas. In turn, the sales organization is divided into regions, and five sales managers with regional responsibility report to the EVP Commercial, who is a member of Group Management. The regions will have local responsibility for sales and marketing of both the Duni and BioPak brands to all customers. A central marketing department is also formed that will have responsibility for branding strategy, marketing communications, product development and innovation.

During the year, the new organization was evaluated regularly, and in November an additional measure to strengthen the new organization was launched. The two operating segments will form full-scale business areas effective January 1, 2021. This will make responsibilities clearer, and each business area will have full responsibility for its respective value chain. However, external segment reporting will not change as this is considered fine-tuning of the organization launched in the beginning of the year. Sales and operating income were divided between Duni and BioPak for the whole year. The difference is that, as of 2021, business area heads will have responsibility for their entire business area, including cash flow. Marketing will be the responsibility of each business area. The Commercial sales organization will remain unchanged, but the sales directors for each region will report directly to the president of the Group. Staff functions will be "HR & Sustainability", "Strategic Development, IT and Communication", and "Group Finance, Mergers & Acquisitions". All of production will be in the Duni business area. Logistics and other support functions will largely be shared by the business areas, and costs will be allocated with a weighted ratio based on sales and indirect costs per segment.

Duni segment: The Duni segment stands for what the Group is traditionally associated with – innovative solutions for the set table, primarily napkins, table covers and candles. The segment's products and services are sold under the Duni brand. Its customers are primarily hotels and restaurants, the HoReCa market, with sales largely made via wholesalers, but grocery retail chains are also a key customer group along with other channels such as various types of specialty stores.

BioPak Segment: The BioPak segment offers environmentally-sound concepts for meal packaging and serving products for applications including take away, ready-to-eat meals, and various types of catering. The segment's customers are various types of restaurants with take-away concepts and companies that are active in the healthcare and care sectors. Stores and other food producers are also a major customer group. The segment's products and services are currently sold under both the Duni and BioPak brands but the goal is for the segment to primarily represent the BioPak brand.

Organizational structure

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

The regions are:

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

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

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

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

Revenue recognition

Revenue includes the fair value of what has been, or will be, received for sold goods in the Group's operating activities. Revenue is recognized exclusive of value added tax, returns and discounts and after elimination of intra-Group sales. The Duni Group 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.

Revenue is recognized 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 the Duni Group has objective evidence that all criteria for acceptance have been met.

Revenue from customer contracts is divided into different categories. The Duni Group has identified each segment as two different category types. Within these, sales by region and by product group are specified in order to reflect the nature of the sales. The Group'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.

Returned goods

In those cases where 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. Returned goods are recognized as their gross amounts in the balance sheet. Estimated returned goods are recognized as a provision and the cost of sold goods with respect to the recognized returned goods increases inventories.

Restated comparative figures

The Duni Group changed the composition of its operating segments as of January 1, 2020, as specified above. To make the information in the tables below comparable between years, the comparative figures for the 2019 financial year have been restated.

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SIGNIFICANT ESTIMATES AND JUDGMENTS

The operating segments use shared IT solutions and logistics. When recognizing the shared assets by operating segment, they have been allocated based on a weighting of each operating segment's business volume and share of indirect costs; 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 Group-wide expenses.

With the implementation of IFRS, allocation of the Group's goodwill items has taken place through allocation ratios. In addition, goodwill on acquisition 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 combination. Part of the goodwill comprises SEK 1,199 m for the old organization before the Duni Group was listed, and this is allocated to the Duni segment. The remaining goodwill is goodwill on acquisition that arose when various companies were acquired. These companies have been allocated to a segment based on what products they sell. The companies that manufacture napkins have been allocated to the Duni segment. More detailed disclosures on the allocation of goodwill can be found in Note 20 – Intangible assets.

However, interest income and interest expenses are not allocated per segment since they are affected by measures taken by the central treasury function, which manages the Group's cash liquidity.

OPERATING SEGMENTS, GROUP

2020, SEK m	Duni	BioPak	Non-distributed	Total
Total net sales	2,647	1,881	–	4,528
Net sales from other segments	19	8	–	27
Net sales from external customers	**2,628**	**1,873**	**–**	**4,501**
Operating income	7	142	–	149
Items not included in operating income	-50	-29	–	-79
Reported EBIT	**-43**	**113**	**–**	**70**
Financial income				2
Financial expenses				-65
Income tax				-3
Net income for the year				**4**
Total assets	3,883	1,523	373	5,779
Total liabilities	779	675	1,697	3,151
Investments	70	13	–	83
Depreciation/amortization	222	67	–	289

2019, SEK m	Duni	BioPak	Non-distributed	Total
Total net sales	3,876	1,743	–	5,618
Net sales from other segments	60	11	–	71
Net sales from external customers	**3,816**	**1,732**	**–**	**5,547**
Operating income	416	116	–	533
Items not included in operating income	-57	-68	–	-124
Reported EBIT	**359**	**48**	**–**	**408**
Financial income				2
Financial expenses				-34
Income tax				-103
Net income for the year				**273**
Total assets	4,585	1,339	321	6,245
Total liabilities	1,135	579	1,867	3,581
Investments*	127	15	–	142
Depreciation/amortization	234	59	–	293

* The total amount of investments during 2019 was reported in the 2019 Annual Report at SEK 183 m, but SEK 41 m was for leases and was mistakenly included in this item.

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DIVISION OF REVENUE FROM CUSTOMER CONTRACTS, GROUP

2020, SEK m	Duni	BioPak	Total
Primary geographic regions			
NorthEast	423	434	856
Central	1,126	232	1,358
West	443	140	582
South	221	128	349
Rest of World	196	940	1,137
Other Sales	219	0	219
Total	**2,628**	**1,874**	**4,501**
Product groups			
Napkins	1,494	43	1,537
Table covers	601	0	602
Candles	158	0	159
Packaging solutions	3	853	856
Serving products	0	913	913
Other	371	64	435
Total	**2,628**	**1,874**	**4,501**
Time of revenue recognition			
Goods/services transferred at once	2,628	1,874	4,501
Goods/services transferred over time	–	–	0
Total	**2,628**	**1,874**	**4,501**

2019, SEK m	Duni	BioPak	Total
Primary geographic regions			
NorthEast	648	423	1,071
Central	1,671	216	1,887
West	719	126	844
South	411	139	550
Rest of World	264	827	1,091
Other Sales	104	0	104
Total	**3,816**	**1,732**	**5,547**
Product groups			
Napkins	2,464	42	2,506
Table covers	788	1	789
Candles	187	0	187
Packaging solutions	75	843	919
Serving products	9	787	796
Other	291	59	351
Total	**3,816**	**1,732**	**5,547**
Time of revenue recognition			
Goods/services transferred at once	3,816	1,732	5,547
Goods/services transferred over time	–	–	0
Total	**3,816**	**1,732**	**5,547**

The Duni Group manages its business based on what it refers to as operating income. Group Management evaluates and manages its business areas on a monthly basis using this alternative key financial. "Operating income" means operating income before restructuring costs, non-realized valuation effects of currency derivatives, fair value allocations and amortization in connection with business combinations.

SEK m	2020	2019
Bridge between operating income and EBIT		
Operating income	**149**	**533**
Restructuring costs	-48	-2
Amortization of intangible assets identified in connection with business acquisitions	-64	-121
Fair value allocation in connection with business acquisitions	0	-1
Profit on recalculated pension terms	33	–
Reported EBIT	**70**	**408**

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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. Financial liabilities, with the exception of accounts payable and derivative instruments, have not been allocated. See the table below for non-allocated liabilities.

SEK m	2020	2019
Non-allocated liabilities		
Leases	194	195
Bank loans	1,130	1,351
Total non-allocated liabilities	**1,324**	**1,546**

Total sales from external customers broken down per product group:

SEK m	2020	2019
Product groups		
Napkins	1,583	2,570
Table covers	621	803
Candles	164	189
Serving products	817	733
Packaging solutions	872	866
Other*	444	386
Net sales from external customers	**4,501**	**5,547**

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

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

SEK m	2020	2019
Net sales		
Sweden	293	340
Australia	815	687
Germany	1,131	1,492
South	349	550
West	582	844
Rest of NorthEast	563	731
Rest of Central	227	395
Rest of World	322	404
Other Sales	219	104
Net sales from external customers	**4,501**	**5,547**

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	2020	2019
Tangible and intangible assets		
Sweden	1,714	1,738
Australia	615	665
Germany	849	958
South	1	1
West	66	44
Rest of NorthEast	134	160
Rest of Central	0	1
Rest of World	245	308
Total tangible and intangible assets	**3,625**	**3,874**

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

Parent Company, SEK m	2020	2019
Operating segment		
Duni	531	778
BioPak	434	436
Total net sales	**966**	**1,214**

Parent Company's breakdown of net sales per geographic area:

Parent Company, SEK m	2020	2019
Geographic areas		
Sweden	283	323
Rest of NorthEast	497	628
Central	173	244
West	7	11
Rest of World	4	6
Other Sales	2	1
Total net sales	**966**	**1,214**

NOTE 4 – INTRA-GROUP PURCHASES AND SALES

At arm's length pricing has been applied in conjunction with intra-group purchases and sales.

Intra-group purchases and sales amounted to SEK 2,224 m (2019: 3,304). The Parent Company sold goods to its subsidiaries for SEK 287 m (2019: 389) and purchased goods from subsidiaries in the amount of SEK 506 m (2019: 747).

NOTE 5 – EXPENSES BY NATURE

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

		Group	
SEK m	Note	2020	2019
Change in inventories of finished products and products in progress		1,384	1,382
Raw materials and consumables		655	956
Logistic costs		597	675
Costs for sales and marketing		251	272
Costs for remuneration of employees	16	1,096	1,242
Depreciation, amortization and impairment	6	289	351
Other expenses		279	285
Total operating expenses		**4,551**	**5,162**

"Other expenses" include expenses for real estate, rent and traveling.

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NOTE 6 – DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation/amortization	Group		Parent Company	
SEK m	2020	2019	2020	2019
Customer relationships	65	62	–	–
Capitalized development expenses	16	13	13	10
Trademarks and licenses	5	7	3	4
Buildings and land improvements	19	18	1	1
Plant and equipment	184	192	5	5
Total depreciation/amortization	**289**	**293**	**22**	**19**

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

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Cost of goods sold	154	158	2	2
Selling expenses	22	28	–	–
Administrative expenses	49	44	20	16
Research and development expenses	0	0	0	0
Other operating expenses	63	63	0	0
Total depreciation/amortization	**289**	**293**	**22**	**19**

Impairment	Group		Parent Company	
SEK m	2020	2019	2020	2019
Goodwill	–	58	–	–
Plant and equipment	–	1	–	–
Total impairment	**0**	**59**	**0**	**0**

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

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Other operating expenses	–	59	–	–
Total impairment	**0**	**59**	**0**	**0**

NOTE 7 – INVENTORIES

ACCOUNTING PRINCIPLES

Inventories are recognized at the lowest 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.

Estimated returned goods are recognized at their gross amounts. Sales decrease and a provision for returns is recognized in the balance sheet. As a result, the cost of sold goods with respect to the recognized returned goods increases inventories.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Raw materials and consumables	146	163	–	–
Work in progress	62	79	–	–
Finished goods and goods for resale	537	479	78	92
Advance payments to suppliers	115	60	6	11
Total	**861**	**781**	**84**	**103**

The change in inventories is reported under the item "Costs of goods sold" and, for the Group, amounted to SEK 3,292 m (2019: 3,835). The corresponding item for the Parent Company amounted to SEK 637 m (2019: 800).

The Group's impairment write-down of inventory to the net realizable value amounted to SEK 14 m (2019: 15). The Parent Company's recognized impairment losses on inventory amounted to SEK 3 m (2019: 4). Impairment losses have been reversed in 2020 in the amount of SEK 1 m (2019: 1).

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NOTE 8 – RESTRUCTURING COSTS – ALLOCATION TO RESTRUCTURING RESERVE

ACCOUNTING PRINCIPLES

Provisions for restructuring costs 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.

SIGNIFICANT ESTIMATES AND JUDGMENTS

Allocation to the restructuring reserve is calculated based on contracts following completed negotiations with unions and other parties involved. The magnitude of the provision is calculated based on assumptions about the time at which the expense is to be recognized and the estimated expense for salaries, severance compensation and other obligations arising in connection with termination.

Restructuring costs amounted to SEK 48 m (2). The Group has had a new global functional organization since January 1, 2020, with only two segments (Duni and BioPak) along with a shared sales force and a central marketing organization. The restructuring costs for this totaled SEK 30 m. The program leads to annual savings of SEK 20 m with full effect from the second half of 2020. In addition, a restructuring cost for severance compensation to the outgoing CEO was charged in the amount of SEK 9 m. In the fourth quarter, the Duni Group launched an additional measure to strengthen its new organizational structure by moving from two brand segments to two business areas. External segment reporting will not change as this is considered fine-tuning of the organization launched in the beginning of the year. The new organization will be effective on January 1, 2021. Its restructuring costs amounted to SEK 9 m, were charged to the fourth quarter and results in annual savings totaling SEK 10 m, which creates room for reinvestment in key areas such as sustainability and digitalization. Consequently, total restructuring costs for the year were SEK 48 m.

Restructuring costs are included in each function as follows:

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Cost of goods sold	2	0	–	–
Selling expenses	31	2	10	–
Administrative expenses	13	0	13	–
Other operating expenses	2	–	2	–
Total restructuring expenses	**48**	**2**	**26**	**0**

Allocation to restructuring reserve:

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Opening balance, restructuring reserve	11	29	1	6
Utilized reserves	-33	-19	-10	-5
Reversal of reserve	0	-2	0	-1
Allocations for the year	48	3	26	1
Closing balance, restructuring reserve	**26**	**11**	**16**	**1**
Of which short-term	25	10	15	0

NOTE 9 – REMUNERATION FOR AUDITORS

	Group		Parent Company	
SEK m	2020	2019	2020	2019
PricewaterhouseCoopers				
– Audit engagement	4.5	5.5	2.0	2.4
of which to PricewaterhouseCoopers AB	*2.2*	*2.6*	*2.0*	*2.4*
– Auditing activities in addition to the audit engagement	0.1	0.1	–	–
of which to PricewaterhouseCoopers AB	–	–	–	–
– Tax advice	2.6	1.7	0.3	0.4
of which to PricewaterhouseCoopers AB	*0.3*	*0.4*	*0.3*	*0.4*
– Other services	0.5	1.0	0.2	0.9
of which to PricewaterhouseCoopers AB	*0.2*	*0.9*	*0.2*	*0.9*
Total	**7.7**	**8.2**	**2.5**	**3.7**

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Other auditors				
– Audit engagement	0.7	0.2	–	–
– Auditing activities in addition to the audit engagement	0.0	0.1	–	–
– Tax advice	0.1	0.0	–	–
– Other services	0.0	0.0	–	–
Total	**0.8**	**0.3**	**0.0**	**0.0**
Total remuneration for auditors	**8.4**	**8.5**	**2.5**	**3.7**

"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 10 – OTHER OPERATING INCOME AND EXPENSES

ACCOUNTING PRINCIPLES

Other operating income includes other revenue not classified as sales and that cannot be attributable to selling products or services. Other operating expenses includes expenses that cannot be classified in other functions.

Government assistance
Government grants are recognized at fair value when there is reasonable certainty that the grant will be received and that the conditions associated with the grant will be met. 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. Government assistance is recognized as other operating income.

Acquisition expenses
Acquisition expenses are recognized in the Group as other operating expenses. In the Parent Company, these are recognized as shares in subsidiaries in compliance with RFR 2.

Depreciation, amortization and impairment
Amortization of customer relationships and goodwill impairment losses attributable to acquisitions are recognized in other operating expenses.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Exchange rate gains	0	12	0	2
Administrative services	–	–	249	298
Capital gains	0	1	0	0
Government support	82	–	10	–
Profit on recalculated pension terms	33	–	–	–
Other items	5	11	0	0
Total other operating income	**121**	**24**	**259**	**300**
Exchange rate losses	4	–	4	–
Depreciation/amortization	63	63	0	0
Impairment losses	0	58	0	–
Administrative services	–	–	38	39
Capital loss	1	1	0	0
Acquisition expenses	–	2	–	–
Other items	11	13	1	1
Total other operating expenses	**80**	**137**	**44**	**40**

Other operating income
operating income includes government employment assistance (nystartsjobb) amounting to SEK 0 thousand (2019:16) in Other items. There are not any unfulfilled conditions or contingent liabilities associated with these grants.

The Duni Group received government assistance for short-time work (SEK 74 m) and transition support (SEK 8 m) during the year, for a total of SEK 82 m. Each country has different names for support funding for employees, but all government assistance received for both transition support and employees is consolidated under other operating income. Transition support has only been received in Sweden. Government grants intended to cover costs or reduce rent from landlords, in countries other than Sweden, are allocated over periods and recognized in the income statement in the same periods as the costs which the grant is intended to compensate for.

SEK 33 m in one-off revenue was included in other operating income in relation to a gain on recalculation of pension terms and conditions in the Dutch pension plan.

Other operating expenses
administrative services in the Parent Company primarily involve administrative expenses for subsidiaries.

Other items, revenue, primarily comprise gains on disposal of fixed assets. Other items, expenses, include losses on disposal of fixed assets, bank fees and other administrative expenses. The bank fees include fees in connection with payment of invoices, fees for receiving payments and expenses for holding external bank accounts. These expenses are directly related to operations, which is why they are considered operating expenses and not financial expenses.

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NOTE 11 – NET EXCHANGE RATE DIFFERENCES

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

	Group		Parent Company	
SEK m	2020	2019	2020	2019
EBIT				
Other exchange rate differences in EBIT	-4	12	-4	2
Total exchange rate differences in EBIT	**-4**	**12**	**-4**	**2**
Financial items				
Exchange rate differences in financial items	-9	-1	-1	2
Total exchange rate differences in financial items	**-9**	**-1**	**-1**	**2**
Total net exchange rate differences in income statement	**-14**	**11**	**-5**	**3**

NOTE 12 – INCOME FROM FINANCIAL ITEMS

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Financial income				
Interest income, external investments	2	2	2	2
Interest income, Group companies	–	–	25	27
Total financial income	**2**	**2**	**27**	**29**
Financial expenses				
Interest expenses, external loans	-34	-14	-33	-13
Interest expenses, pensions	-3	-5	-3	-3
Interest expenses, Group companies	–	–	0	-1
Interest expenses, interest rate swaps	0	-2	0	-2
Interest costs, leasing	-5	-5	–	–
Change in fair value, currency forwards	-9	-1	-1	2
Other financial expenses	-13	-6	-12	-4
Total financial expenses	**-65**	**-34**	**-50**	**-22**

The impact of COVID-19 prompted the renegotiation of the covenants in the loan agreement. The renegotiated covenants apply from April 2020 to March 2021 and resulted in financial expenses totaling SEK 21 m, which comprises SEK 16 m in interest expenses and SEK 5 m in other financial expenses above. Because this represents the renegotiation of existing loans, the expense is recognized in full in Q2 2020. Since Duni Group is primarily a borrower, the entire effect is recognized among interest expenses. Other financial income and expenses include bank charges as well as exchange rate effects on financial loans and investments. Bank fees include fees that are directly attributable to the Group's external loans.

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% (2019: 4.0%) set by PRI, calculated on the average of opening and closing balances on the item "Pension provisions".

NOTE 13 – INCOME FROM PARTICIPATION IN GROUP COMPANIES

During the year, the Parent Company received dividends from subsidiaries amounting to SEK 41 m (2019: 89). Received Group contributions amounted to SEK 99 m (2019: 235).

NOTE 14 – INCOME TAX

ACCOUNTING PRINCIPLES

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.

SIGNIFICANT ESTIMATES AND JUDGMENTS

Various judgments are made to determine current and deferred tax assets and liabilities. The probability of deferred tax assets being used to offset future taxable profit is one of the parameters assessed. The fair value of future taxable profit could change because these are affected by factors such as the estimate of future taxable surpluses and changes in applicable tax rules.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Current tax for the year	-56	-123	-10	-59
Current tax attributable to previous years	2	-1	0	-3
Deferred tax	51	20	0	0
Tax on income for the year	**-3**	**-103**	**-10**	**-63**

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

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Deferred tax, internal profit on inventories	-2	2	–	–
Deferred tax, untaxed reserves	-2	-2	–	–
Deferred tax, appraised loss carry-forwards	42	14	–	–
Deferred tax, Intangible assets	9	8	–	–
Deferred tax, other	4	-2	0	0
Total deferred tax	**51**	**20**	**0**	**0**

The tax attributable to components in other comprehensive income amounted to SEK -2 m (2019: 5), most of which comprises tax on reappraisal of the net pension obligation.

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

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Reported income before tax	7	377	87	346
Tax according to applicable tax rate	-3	-81	-18	-75
Tax effect of non-deductible expenses	-15	-22	-1	-5
Tax effect of non-taxable income	14	1	9	20
Tax income/expenses due to changed tax rate	-1	0	–	–
Adjustments relating to previous years	2	-1	0	-3
Tax on income for the year in accordance with the income statement	**-3**	**-103**	**-10**	**-63**

TAX RATE

The weighted average tax rate in the Group was 47.7% (2019: 21.5%). The Parent Company's applicable income tax rate is 21.4% (2019: 21.4%). As of the 2019 financial year, Swedish corporate tax was reduced from 22 percent to 21.4 percent, and will be further reduced 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.

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Deferred tax assets

SEK m, Group	Loss carry-forwards	Internal profit	Pensions	Structural expenses	Other	Total
At December 31, 2018	**2**	**0**	**20**	**7**	**28**	**57**
Recognized in income statement	14	2	0	-1	-3	12
Recognized in other comprehensive income	–	–	5	–	–	5
Acquired tax assets	–	–	–	–	0	0
Exchange differences	0	0	0	0	1	1
At December 31, 2019	**16**	**2**	**25**	**6**	**26**	**75**
Recognized in income statement	42	-2	-7	-1	14	46
Recognized in other comprehensive income	–	–	-2	–	–	-2
Exchange differences	2	0	0	0	1	3
At December 31, 2020	**60**	**0**	**16**	**5**	**41**	**122**

Deferred tax liabilities

SEK m, Group	Untaxed reserves	Intangible assets	Other	Total
At December 31, 2018	**39**	**63**	**31**	**134**
Recognized in income statement	3	-13	2	-8
Acquired tax liability	–	0	–	0
Exchange rate differences	–	4	–	4
At December 31, 2019	**42**	**55**	**33**	**130**
Recognized in income statement	2	-9	2	-5
Exchange rate differences	–	-6	–	-6
At December 31, 2020	**44**	**41**	**35**	**119**

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 measured in accordance with the applicable tax rate in each country.

	Deferred tax assets					**Deferred tax liabilities**
SEK m, Parent Company	Loss carry-forwards	Structural expenses	Financial instruments	Other	Total	Other
At December 31, 2018	**0**	**4**	**1**	**13**	**18**	**12**
Recognized in income statement	–	0	0	-2	-2	2
Recognized in other comprehensive income	–	–	–	–	0	–
Exchange differences	–	–	–	–	0	–
At December 31, 2019	**0**	**4**	**–**	**11**	**16**	**14**
Recognized in income statement	–	0	0	0	0	-1
Recognized in other comprehensive income	–	–	–	–	0	–
Exchange differences	–	–	–	–	0	–
At December 31, 2020	**0**	**4**	**0**	**11**	**16**	**13**

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.

	Group		**Parent Company**	
SEK m	2020	2019	2020	2019
Deferred tax assets				
Utilize after more than 12 months	89	51	12	15
Utilize within 12 months	33	24	4	1
Total	**122**	**75**	**16**	**16**
Deferred tax liabilities				
Utilize after more than 12 months	110	117	13	14
Utilize within 12 months	9	13	–	–
Total	**119**	**130**	**13**	**14**

The net change regarding deferred taxes is as follows:

	Group		**Parent Company**	
SEK m	2020	2019	2020	2019
Opening balance	**–55**	**-77**	**2**	**6**
Recognized in income statement	51	20	1	-4
Recognized in other comprehensive income	-2	5	–	–
Acquired tax liability	–	0	–	–
Exchange differences	9	-3	–	–
Closing balance	**3**	**-55**	**3**	**2**

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NOTE 15 – AVERAGE NUMBER OF EMPLOYEES

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

	2020			2019		
	Men	Women	Total	Men	Women	Total
Parent Company						
Sweden	69	78	147	62	69	131
France	1	–	1	–	–	–
Total, Parent Company	**70**	**78**	**148**	**62**	**69**	**131**
Subsidiaries						
Australia	28	39	67	21	28	49
Austria	5	5	10	6	5	11
Belgium	4	5	9	4	5	9
Czech Republic	3	4	7	3	4	7
Denmark	7	3	10	7	3	10
Finland	6	10	16	6	10	16
France	12	31	43	12	30	42
Germany	609	484	1,093	674	451	1,125
Hungary	1	–	1	1	–	1
Italy	6	–	6	6	–	6
Netherlands	21	23	44	24	23	47
New Zealand	13	27	40	18	25	43
Norway	3	6	9	4	6	10
Poland	202	294	496	197	308	505
Russia	9	8	17	8	8	16
Singapore	10	10	20	12	10	22
Spain	5	7	12	5	7	12
Sweden	149	38	187	155	36	191
Switzerland	14	11	25	18	12	30
Thailand	42	111	153	46	111	157
United States	–	1	1	–	–	–
UK	17	19	36	19	18	37
Total, subsidiaries	**1,166**	**1,136**	**2,302**	**1,245**	**1,100**	**2,345**
Total, Group	**1,236**	**1,214**	**2,450**	**1,307**	**1,169**	**2,476**

NOTE 16 – SALARIES AND OTHER REMUNERATION

ACCOUNTING PRINCIPLES

Compensation upon termination of employment is paid when an employee's employment is terminated prior to the normal retirement date or when an employee accepts voluntary severance in exchange for certain compensation. Severance compensation is recognized 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.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Salaries and other remuneration	884	981	106	107
Social security expenses	196	204	43	34
Pension expenses – defined contribution plans	34	42	20	26
Pension expenses – defined benefit plans*	-18	15	–	–
Total	**1,096**	**1,242**	**169**	**168**

*"Defined benefit plans" includes a gain of SEK 33 m on the recalculation of the pension plan in the Netherlands.

Payroll expenses, by gender:

	2020		2019	
Percentage	Men	Women	Men	Women
Blue collar employees	68%	32%	63%	37%
White collar staff	57%	43%	57%	43%

The table shows the share of average pay for blue collar and white collar employees based on total payroll expenses including social security contributions. All employees of the Group are counted, including senior executives, and there was no weighting for the nature of the position, years of service, age or similar parameters.

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Salaries and other remuneration for senior executives and other employees:

SEK m	2020 Salaries and other remuneration (of which bonuses)	2020 Pension expenses	2019 Salaries and other remuneration (of which bonuses)	2019 Pension expenses
Board, CEO, VPs and other senior executives	54 (1)	5	50 (9)	9
Other employees	830 (20)	11	934	48
Group, total	**884**	**16**	**983**	**57**

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

The Group's Board consists of 6 (2019: 5) individuals, of whom 67% are men (2019: 60%). Magnus Yngen and Pia Rudengren left the board at the AGM in May 2020. Thomas Gustafsson was elected the new chairman of the board. It was decided that the board would consist of 6 individuals instead of 5. Morten Falkenberg, Sven Knutsson and Pia Marions were elected as new directors.

Other senior executives comprise 6 (2019: 10) individuals, including the CEO, of whom 67% are men (2019: 70%). At the start of the year, a reorganization was made to structure Group Management by function instead of by business area with staff functions. Group Management was reduced from 10 to 8 individuals. One individual chose to resign their post and took another position in the organization. As of January 1, 2021, the Group is changing its organization again and returning to an organization structured by business area with staff functions and Group Management will comprise 6 individuals.

REMUNERATION FOR SENIOR EXECUTIVES

Fees and other remuneration for the Board of Directors, including the Board Chairman, are decided upon by the Annual General Meeting. Pursuant to guidelines for remuneration of senior executives adopted by the AGM on May 12, 2020, 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. In July 2020, CEO Johan Sundelin resigned and Mats Lindroth was appointed acting CEO. For their respective terms as CEO, a gross salary of SEK 2.7 m was paid to Johan Sundelin and SEK 1.3 m to Mats Lindroth. 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 Board proposes that the 2021 AGM keep the guidelines for the remuneration of senior executives unchanged. Detailed information about these guidelines can be found in the Directors' Report.

In accordance with a resolution adopted by the AGM on May 12, 2020, the annual fee for the current Chairman of the Board shall be SEK 578,000 (SEK 590,000), while the fee for other directors shall be SEK 309,000 (SEK 315,000) each. In addition, fees for committee work shall be SEK 65,000 (SEK 67,000) to the Chairman of the Remuneration Committee and SEK 30,000 (SEK 31,000) each to the other members of the Remuneration Committee, as well as SEK 125,000 (SEK 128,000) to the Chairman of the Audit Committee and SEK 59,000 (SEK 60,000) 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 2020 and 2019 financial years.

Remuneration and other benefits during the year:

2020, SEK k	Base pay / Board fees	Pension expenses*	Other benefits	Variable remuneration**	Severance compensation	Total
Chairman of the Board – Thomas Gustafsson 8 months	445	–	–	–	–	445
Chairman of the Board – Magnus Yngen 4 months	227	–	–	–	–	227
Director – Pauline Lindwall 12 months	377	–	–	–	–	377
Director – Alex Myers 12 months	331	–	–	–	–	331
Director – Morten Falkenberg 8 months	226	–	–	–	–	226
Director – Sven Knutsson 8 months	245	–	–	–	–	245
Director – Pia Marions 8 months	289	–	–	–	–	289
Director – Thomas Gustafsson 4 months	115	–	–	–	–	115
Director – Pia Rudengren 4 months	148	–	–	–	–	148
Chief Executive Officer – Johan Sundelin 7 months	2,697	604	92	–	7,681	11,074
Chief Executive Officer – Mats Lindroth 5 months	1,330	310	41	–	–	1,681
Other senior executives	10,169	3,044	400	–	6,239	19,852
Total	**16,599**	**3,958**	**533**	**0**	**13,920**	**35,010**

*) Of the Group's pension expenses above, the entire amount relates to the Parent Company.

**) The variable remuneration relates to bonuses recognized as expenses for the 2020 financial year, which are paid out in 2021.

Remuneration and other benefits during the year:

2019, SEK k	Base pay / Board fees	Pension expenses*	Other benefits	Variable remuneration**	Total
Chairman of the Board – Magnus Yngen	670	–	–	–	670
Director – Pauline Lindwall	376	–	–	–	376
Director – Pia Rudengren	436	–	–	–	436
Director – Alex Myers	369	–	–	–	369
Director – Johan Andersson	340	–	–	–	340
Chief Executive Officer – Johan Sundelin	4,209	1,317	151	3,132	8,809
Other senior executives	14,167	4,203	604	6,663	25,635
Total	**20,567**	**5,520**	**755**	**9,794**	**36,635**

*) Of the pension expenses above, SEK 5.3 m relates to the Parent Company.

**) The variable remuneration relates to bonuses recognized as expenses for the 2019 financial year, which are paid out in 2020.

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% (2019: 75%) of the base pay. For other senior executives, the variable remuneration is capped at between 75%–50% (2019: 75%–50%) of the base pay. The bonus system covers only one year each time following a decision by the Board of Directors. For the 2020 financial year, a bonus was paid to the CEO amounting to SEK 0 m (2019: 3). In addition, the CEO is entitled to some other employment benefits such as a company car.

PENSIONS

CEO

The CEO has an agreed retirement age of 65 and is covered by the Duni Group's pension policy for salaried employees with a position within Group Management, with the addition that 35% is paid 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, a cash pension contribution is paid 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 or if his employment is terminated due to negligence on his part. During the year, an expense was recognized for severance compensation to Johan Sundelin totaling SEK 7.7 m.

Other senior executives

The majority of the other senior executives have employment contracts which are terminable on 6 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. During the year, an expense was recognized for severance compensation to three outgoing senior executives totaling SEK 6.2 m.

NOTE 17 – PENSION OBLIGATIONS

ACCOUNTING PRINCIPLES

Starting on January 1, 2013, the Duni Group 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.

The Group 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. The Duni Group has both defined benefit and defined contribution pension plans. A defined contribution pension plan is a pension plan pursuant to which fixed contributions are paid to a separate legal entity. The Group has no legal or constructive 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. The majority of the Group's pension remuneration is paid via defined contribution plans. 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 union credit method. The present value of a defined benefit obligation is determined by discounting the estimated future pension payments using the rate of interest on 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, the Duni Group 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.

SIGNIFICANT ESTIMATES AND JUDGMENTS

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, the expected return on plan assets, future salary increases, inflation and demographic conditions. Assumptions regarding the discount rate are based on high-quality investments at fixed interest with a term to maturity corresponding to the Group's existing pension obligations. Other demographic conditions are based on 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. The Group 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.

Provisions for pensions and similar obligations:

	Group	
SEK m	2020	2019
Defined benefit plans	212	276

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. Employees are usually guaranteed a pension equivalent to a percentage of their pay. 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.

During the year, the pension plan in the Netherlands was closed for vesting. The pension asset was recalculated as per best practices using a different discount rate, which led to a gain of SEK 33 m carried through income in the income statement.

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 10 Accounting for the ITP 2 pension plan financed through insurance with Alecta, this is a defined benefit plan covering several employers. For the 2020 financial year, the Company did not have access to information needed to recognize its proportional share of the plan's obligations, plan assets and expenses. As a result, it was not possible to recognize the plan as a defined benefit plan. Duni AB 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 ITP 2, 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 contributions for the next reporting period for ITP 2 policies taken out with Alecta amounted to SEK 6 m (2019: 4).

Alecta's surplus may be divided among the policyholders and/or the insured. As at 12/31/2020, Alecta's surplus in the form of the collective funding level amounted to 148% (2019: 148%). 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 collective funding level will normally be allowed to vary between 125 and 155 percent. If Alecta's collective funding level falls below 125 percent or exceeds 155 percent, remedial actions will be taken to create the conditions for the funding level to go back to the normal interval. In the event of low funding, one remedial action could be to increase the agreed price for taking out new policies and expanding existing benefits. In the event of high funding, one remedial action could be to institute premium reductions.

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The amounts recognized in the consolidated balance sheet consist of:

	Defined benefit plans	
SEK m	2020	2019
Present value of consolidated obligations	368	417
Fair value of plan assets	-329	-325
Present value of non-consolidated obligations	173	184
Net pension liability in balance sheet	**212**	**276**

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

SEK m	2020	2019
Income relating to service during the current year	33	–
Costs relating to service during the current year	-12	-10
Interest expenses	-8	-12
Interest income	5	7
Total pension income/expenses regarding defined benefit plans	**18**	**-15**
Pension expenses for the year regarding defined contribution plans	-34	-42
Total pension expenses for the year, included in personnel expenses (Note 16)	**-16**	**-57**
The year's reappraisal of pension plans recognized in other comprehensive income	**11**	**-20**

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

SEK m	2020	2019
Operating expenses	21	-10
Financial expenses	-3	-5
Total income/expenses from defined benefit pension plans in the income statement	**18**	**-15**

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

SEK m	2020	2019
At the beginning of the year	601	516
Expenses -/Income + for service during current year	-21	10
Interest expenses	8	12
Reappraisals, losses(+)/gains(-) as a consequence of experience-based adjustments of defined benefits obligations	-26	1
Reappraisals, losses(+)/gains(-) as a consequence of changed demographic assumptions	-3	-4
Reappraisals, losses(+)/gains(-) as a consequence of changed financial assumptions	32	72
Exchange differences	-28	16
Disbursed benefits	-22	-22
At year-end	**541**	**601**

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	2020	2019
At the beginning of the year	-325	-260
Expected return on plan assets	-5	-7
Reappraisals, losses (+)/gains (-) as a consequence of experience-based adjustments of plan assets	-15	-42
Exchange differences	22	-12
Employer's contributions	-11	-10
Employee's contributions	-1	-1
Disbursed benefits	6	7
Settlements	0	0
At year-end	**-329**	**-325**
Experience-based adjustments of plan assets	**15**	**42**

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

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, 79% (78%) of the insurance contracts are invested in equity instruments, 9% (10%) in bonds, and 9% (9%) in real estate. The assumed return on the plan assets is stated as the guaranteed return plus the anticipated bonus.

Contributions to defined benefit plans in 2021 are expected to be on the same level as in 2020.

The weighted average term for pension obligations is 19.5 years (18.0).

Actuarial assumptions on the balance sheet date

	Sweden	Germany	UK	Netherlands	Belgium
Discount rate	0.6 % (1.2)	0.5 % (0.75)	1.45 % (2.05)	0.8 % (1.2)	0.8 % (0.75)
Expected return on plan assets	–	0.5 % (0.75)	1.45 % (2.05)	0.8 % (1.2)	0.8 % (0.75)
Future annual salary increases	–	–	3.6 % (3.8)	2.4 % (2.4)	2.8 % (2.8)
Future annual pension increases	1.55 % (1.8)	1.75 % (1.75)	2.85 % (3.1)	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.

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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.

At December 31, 2020, the present value of the defined-benefit obligation comprised approximately SEK 46 m (54) attributable to active employees, SEK 199 m (223) to employees who left the pension plan before retirement and SEK 296 m (325) attributable to people who are covered by the plan and are retired.

DEFINED BENEFIT PLANS – RISKS

Through its defined benefit pension plans, the Duni Group 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. The Duni Group 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 plan, 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, 2020:

SEK m	Sweden	Germany	UK	Netherlands	Belgium	Total
Present value of defined benefit obligations	149	30	203	151	8	541
Fair value of plan assets	–	-1	-171	-151	-6	-329
Total defined benefit pension plans by country	**149**	**29**	**32**	**0**	**2**	**212**

Composition by country, 2020:

SEK m	Sweden	Germany	UK	Netherlands	Belgium	Total
Present value of defined benefit obligations	158	54	205	176	8	601
Fair value of plan assets	–	-1	-177	-142	-6	-325
Total defined benefit pension plans by country	**158**	**53**	**28**	**34**	**3**	**276**

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

Type of asset	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.5%	Decrease with 9.2% (8.6)	Increase with 10.6% (9.8)

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 6.6% (6.3).

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 6.3% (6.3).

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 5.8% (5.8).

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

	Parent Company	
SEK m	2020	2019
Provisions in accordance with the Swedish Pension Obligations (Security) Act		
FPG/PRI pensions	86	91
Liability in the balance sheet	**86**	**91**
The following amounts are recognized in the Parent Company's income statement:		
Earned during the year	0	0
Interest expenses	-3	-6
Pension expenses for the year	**3**	**-6**

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

At the beginning of the year	91	94
Net expenses recognized in the income statement	3	5
Disbursed benefits	-8	-8
Settlements	0	0
At year-end	**86**	**91**

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

NOTE 18 – PARTICIPATIONS IN GROUP COMPANIES

	Registration number	Registered office	Number of shares and participations	Equity, %	Carrying amount, SEK k
Swedish subsidiaries					
Rexcell Tissue & Airlaid AB	556193-9769	Bengtsfors	12,000	100	161,440
Finess Borrby AB	556262-2604	Malmö	1,000	100	0
					161,440
Foreign subsidiaries					
Duni Holding BV	23068767	Breda, NL	260,731	100	597,856
– Duni Verwaltungs GmbH	Osnabrück HRB 19689	Bramsche, DE		(100)	(€ 20,467)
– Duni Holding S.A.S	3493 0993 000064	Ste Helene du Lac, FR		(100)	(€ 2,871)
– Duni Benelux B.V.	23052488	Breda, NL		(100)	(€ 7,250)
– Duni Ltd.	897172	Runcorn, GB		(100)	(€ 8,395)
– Duni A/S	10 99 98 98	Copenhagen, DK		(100)	(€ 1,377)
– Duni AS	962346057	Oslo, NO		(100)	(€ 370)
– Duni OY	0864585-8	Helsinki, FI		(100)	(€ 1,578)
– Duni Holding Asia & Pacific Pte Ltd.	201316245E	Singapore, SG		(100)	(€ 62)
Duni Iberica S.L.	B60689692	Barcelona, ES	200,000	100	23,176
Duni Poland Sp. z o.o.	KRS no. 40401	Poznan, PL	15,300	100	48,133
Duni Sales Poland Sp. z o.o.	KRS no. 254481	Poznan, PL	1,000	100	1,190
Duni EFF Sp. z o.o.	KRS no. 249084	Poznan, PL	1,000	100	1,130
Duni (CZ) s.r.o.	65410106	Kladno, CZ	1	100	8,827
Duni AG	212544	Rotkreutz, CH	400	100	578
Duni RUS LLC	7816110025	Moscow, RU	100	100	11
Duni Beteiligungsgesellschaft GmbH	Osnabrück HRB 20099	Bramsche, DE	1	100	3,076
Paper+Design Beteiligungsgesellschaft GmbH	Chemnitz HRB 26488	Wolkenstein, DE	1	100	227
– 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	35,832
BioPak Pty Ltd	ACN 119 998 711	NSW, AU	300	75	439,176
– Kindtoo Ltd, Biopac UK Ltd	05893315	England & Wales, GB		(56)	(AUD 3,900)
– BioPak Ltd NZ	2308658	Auckland, NZ		(75)	0
– BioPak UK Ltd	NI641948	Northern Ireland, GB		(75)	0
– BioPak Sustainable Solutions Pte Ltd	201842974C	Singapore,SG		(75)	0
					1,277,014
Participations in Group companies					**1,438,454**

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

	Parent Company	
SEK k	2020	2019
Opening value, participations in Group companies	1,358,454	1,370,730
Investments for the year	–	7,724
Shareholders' contributions	80,000	–
Write-downs of the year	–	-20,000
Closing value, participations in Group companies	**1,438,454**	**1,358,454**

NOTE 19 – BUSINESS COMBINATIONS

ACCOUNTING PRINCIPLES

Acquired assets and liabilities, including items not recognized in the acquired company's balance sheet, such as trademark assets or customer relationships, are measured at fair value.

For each individual business combination, a choice is made on whether the interest will be recognized at fair value or at the interest's proportional share in the identifiable net assets of the acquired company. Subsidiaries Terinex Siam in Thailand and BioPak Pty Ltd in Australia are recognized at fair value. A detailed description of accounting principles can be found in their entirety in Note 2.

SIGNIFICANT ESTIMATES AND JUDGMENTS

Preliminary acquisition analyses based on as thorough estimates and judgments as possible are conducted at the time of acquisition. However, the analyses may need to be adjusted further down the road. All acquisition analyses are subject to final adjustments no later than 12 months after the acquisition date.

When there are obligations to acquire the remaining shares of a company, these are recognized as if they were fully consolidated. At the same time, the Group recognizes a liability equivalent to the discounted expected redemption price for these call options. The non-controlling interest attributable to the option is thus also eliminated. There is a put option and a call option both parties can opt to exercise during the period from October 2020 to April 2021 amounting to approximately SEK 24 m for an additional 5% of the shares. There is also an obligation to acquire the remaining 20% of the shares in BioPak Pty Ltd after five years, via 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 340 m at year-end. The value will change depending on the company's growth and profitability in the coming five years. In the previous year, a call option was recognized for the remaining shares in Kindtoo Ltd (BioPak UK Ltd). This call option was fully exercised in 2020 and thus no longer exists.

NO BUSINESS COMBINATIONS TOOK PLACE IN 2020

As stipulated by contract, a partial payment was made in February 2020 and a final payment in October 2020 for the remaining consideration owed for Horizons Supply Pty Ltd. In total, SEK 10.3 m was paid during the year.

The put option was exercised in October 2020, and the remaining 25% of the shares in Kindtoo Ltd, which owns BioPak UK Ltd, were bought out. The consideration was SEK 14.5 m. The company was already 100% consolidated from the start and the purchase only had a minor impact on financial net debt.

ACQUISITIONS 2019

On October 1, 2019, one of the Group's subsidiaries, BioPak Pty Ltd in Australia, acquired 100% of the shares and votes in Horizons Supply Pty Ltd. Horizons is a sales company specializing in customer-specific, tailored and sustainable packaging solutions for the restaurant and retail sectors in Australia. The company boasts a strong rate of growth, sales of approximately SEK 60 m and an operating margin in line with the Group's financial targets. Horizons was founded in 2013, has 6 employees and offices in Melbourne.

The consideration was approximately SEK 40 m and is accommodated within the current loan facility. 80% of the consideration was paid at the time of acquisition and 20% will be paid on October 1, 2020 as additional consideration. This is included in the "Other short-term financial liabilities" item in the balance sheet as of December 31, 2019. The acquisition costs amounted to SEK 2 m and were charged to income for the year under "Other operating expenses". The acquisition was consolidated in the New Markets business area as of October 1, 2019. Acquired surplus values largely comprise customer contracts. The goodwill arising on the acquisition will be matched by synergies in the sales and marketing organization between BioPak and Horizons and by synergies in procurement mainly from China.

For the period from October 1 to December 31, 2019, Horizons contributed SEK 20.5 m to the Group's net sales and SEK 0.9 m in net income after tax and amortization of customer relationships. If Horizons had been consolidated as of January 1, 2019, the Group's income statement would show additional revenue of SEK 57.7 m along with SEK 2.5 m in net income after tax including amortization of customer relationships.

HORIZONS SUPPLY PTY LTD

Acquired net assets	SEK k, Fair value
Intangible assets	30,531
Tangible assets	191
Inventory	7,645
Accounts receivable	7,214
Cash	505
Accounts payable	-8,390
Deferred tax asset/liability net	120
Other short-term liabilities	-832
Acquired identifiable net assets	**36,985**
Goodwill	3,153
Acquired net assets	**40,138**

SHARP SERVIETTES (UNITED CORPORATION LIMITED)

In May 2019, the remaining 20% of the shares in Sharp Serviettes in New Zealand were bought out after the minority owners exercised their option. The consideration was SEK 7.2 m, which is in line with initial statements. The company was already 100% consolidated from the start and the purchase only had a minor impact on financial net debt.

Effect on cash flow – acquisition of subsidiaries, SEK m	2020	2019
Cash purchase price	-25	-37
Less: cash and cash equivalents	–	1
Paid purchase price	**-25**	**-36**
Redemption of loans	–	–
Total effect on cash flow	**-25**	**-36**

NOTE 20 – INTANGIBLE ASSETS

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ACCOUNTING PRINCIPLES

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 testing is conducted to ascertain whether the recoverable amount, i.e. the higher of net realizable value or value in use, exceeds the carrying amount. 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. 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 the Group's definition of cash-generating units upon the allocation of goodwill is provided below.

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).

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).

Emission rights

The Duni Group participates in the EU's emission rights trading system. Received emission rights are recognized as intangible assets measured at cost, in other words, initially at SEK zero. 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.

SIGNIFICANT JUDGMENTS AND ASSUMPTIONS

Group Management determines the estimated useful life and thereby the amortization of the Group's intangible 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.

Each year, the Group assesses whether there is any impairment of goodwill. The recoverable amount of cash-generating units has been determined by calculating the value in use. Certain estimates must be made for these calculations. 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.

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 below. 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.

The impact of the COVID-19 pandemic was also taken into account in the calculations for impairment testing performed for the 2020 financial year. Company management estimates that this impact is limited to how long the pandemic impacts operations. As soon as social restrictions are eased and the markets are opened for business as usual, company management estimates that sales will recover to pre-pandemic rates. However, it is estimated that it can take awhile to achieve full recovery, which is taken into consideration in terms of both the profit margin and the growth rate in the forecast periods.

SEK m	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Goodwill				
Acquisition values				
Opening acquisition values	2,115	2,073	2,053	2,053
Increase through business combination	–	3	–	–
Translation differences	-52	37	–	–
Closing accumulated cost	**2,063**	**2,113**	**2,053**	**2,053**
Amortization				
Opening accumulated amortization	–	–	-2,053	-2,053
Closing accumulated amortization	**0**	**0**	**-2,053**	**-2,053**
Impairment losses				
Opening accumulated impairment losses	-58	–	–	–
Impairment losses for the year		-58	–	–
Translation differences	5	–	–	
Closing accumulated impairment losses	**-53**	**-58**	**0**	**–**
Closing carrying amount	**2,011**	**2,054**	**0**	**0**

SEK m	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Other intangible assets, customer relationships				
Acquisition values				
Opening acquisition values	496	445	–	–
Increase through business combination	–	31	–	–
Reclassification	13	–	–	–
Translation differences	-34	20	–	–
Closing accumulated acquisition values	**476**	**496**	**0**	**0**
Amortization				
Opening accumulated amortization	-220	-153	–	–
Amortization for the year	-52	-62	–	–
Reclassification	16	–	–	–
Translation differences	15	-4	–	–
Closing accumulated amortization	**-241**	**-220**	**0**	**0**
Closing carrying amount	**235**	**277**	**0**	**0**

SEK m	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Trademarks, software and licenses				
Acquisition values				
Opening acquisition values	260	257	64	64
Investments	–	1	–	–
Increase through business combination	–	1	–	–
Disposals and retirements	–	-1	–	-1
Reclassification	-10	1	2	1
Translation differences	-2	1	–	–
Closing accumulated acquisition values	**248**	**260**	**65**	**64**
Amortization				
Opening accumulated amortization	-80	-73	-19	-32
Amortization for the year	-18	-7	-8	-4
Disposals and retirements	–	1	0	1
Reclassification	-16	–	–	–
Translation differences	1	-1	–	–
Closing accumulated amortization	**-112**	**-80**	**-27**	**-35**
Closing carrying amount	**136**	**180**	**39**	**29**

SEK m	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Capitalized development expenses				
Acquisition values				
Opening acquisition values	202	175	164	140
Investments	11	27	10	25
Disposals and retirements	0	-1	–	-1
Reclassification	-3	-1	-2	-1
Translation differences	-1	1	–	–
Closing accumulated acquisition values	**208**	**202**	**172**	**164**
Amortization				
Opening accumulated amortization	-156	-143	-144	-119
Amortization for the year	-16	-13	-8	-10
Disposals and retirements	–	0	–	0
Translation differences	1	0	–	–
Closing accumulated amortization	**-171**	**-156**	**-152**	**-128**
Closing carrying amount	**37**	**46**	**19**	**36**
Intangible assets, total	**2,419**	**2,556**	**58**	**65**

EMISSION RIGHTS

In 2005, the EU introduced an emission rights system as a method for restricting carbon dioxide emissions. The Group holds permits for the production of 65,000 tonnes of wet laid tissue per year and 52,000 tonnes of airlaid tissue per year at the mill in Skåpafors and 10,000 tonnes of airlaid tissue in Dals Långed. The mills hold permits issued by the Administrative Board in Västra Götaland County regarding emissions of carbon dioxide (CO_2). For the period from 2013 to 2020, Rexcell Tissue & Airlaid AB has been allocated a total of 166,246 metric tons. The allocation for 2020 is 0 metric tons for Dals Långed and 17,349 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 metric tons per year, and Skåpafors 17,349 metric 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 by the County Administrative Board has been dormant since 2017, but can be resumed up to 2020 upon application. A decision on 2021 has not yet been received.

Excess emission rights are carried over to the following year, while support purchases are made if the emission rights are insufficient. If purchases of additional rights are made in 2021, the Company estimates that these will not reach any significant amount. In 2020, Rexcell Tissue & Airlaid AB had 6,529 (4,655) unused emission rights with a market value of SEK 0 m (0). In total, 10,820 metric tones were used in Skåpafors in 2020, whereas the amount for 2019 was 13,059 metric tons. Received emission rights are reported as intangible assets recognized at an acquisition value of zero.

ALLOCATION OF GOODWILL

With the implementation of IFRS, allocation of the Group's goodwill items has taken place through allocation ratios. In addition, goodwill on acquisition is 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 combination. In making the allocation, management considers the estimated business volumes of the units and made a judgment of market growth for each unit. The reallocation of goodwill following the new reorganisation at the start of the year is disclosed in the table below.

Acquisitions and goodwill on acquisition in SEK m

Associated segments from 2020	Reported in business area until 2019	Year	Acquisition	Country	Goodwill on acquisition[2], SEK m
BioPak	New Markets	2019	Horizons Supply Pty Ltd	Australia	3
BioPak	New Markets	2018	BioPak Pty Ltd	Australia	427
BioPak	Meal Service	2018	Kindtoo Limited (Biopac UK Ltd)	UK	17
Duni	New Markets	2017	United Corporation Ltd (Sharp Serviettes)	New Zealand	37
Duni	New Markets	2016	Terinex Siam Co Ltd	Thailand	104
Duni	Consumer	2014	Paper+Design Group	Germany	197
BioPak	New Markets	2013	Song Seng Associates Pte Ltd	Singapore	50[1]

[1] Asset acquisition
[2] Acquired goodwill translated to SEK at the acquisition date.

Allocation of goodwill to the Group's cash-generating units

The former Table Top and Consumer business areas were allocated to the Duni segment and Meal Service was allocated to the BioPak segment. New Markets was divided between them depending on which products they primarily sell. Terinex Siam and United Corporation (Sharp Serviettes) have napkin production and primarily sell napkins. Therefore, they were allocated to the Duni segment. Duni Song Seng, BioPak Pty, Horizons Supply Ltd and Kindtoo Ltd primarily sell packaging solutions and take-away products. Therefore, they were allocated to the BioPak segment.

SEK m	2020	2019
Segment:		
Duni	1,534	1,559
BioPak	435	449
Duni Song Seng	26	29
Sharp Serviettes	16	17
Total	**2,011**	**2,054**

SEK m	2019
Business Area:	
Table Top	1,199
Meal Service	11
Consumer	228
New Markets	616
	2,054

IMPAIRMENT TESTING FOR GOODWILL

Impairment testing for goodwill is performed annually at the end of the financial year and when there are indications of impairment. For the 2020 financial year, which was heavily impacted by COVID-19, uncertainty has been too high during the year in the middle of the ongoing pandemic. As a result, a judgement has been made that impairment testing could not be performed earlier than at the end of the year. The impact is short-term, given that operations are expected to recover to normal levels once social restrictions in Europe are eased.

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. Even if the estimated rate of growth which is applied to discounted cash flows after the forecast five-year period had been 1% point lower than management's judgment, there would be no goodwill impairment of the goodwill tested for each segment or individual companies. In 2019, impairment was identified for individual companies Duni Song Seng (SEK 38 m) and Sharp Serviettes (SEK 20 m).

Duni Song Seng and Sharp Serviettes exhibited poorer profitability than what was forecast at the time of their acquisition and they are not fully integrated into the Duni Group and its segments either. In 2020, progress was made on their integration via new management and greater participation in production and sales. However, due to COVID-19, which impacts sales and profitability, the Duni Group continued to make a judgment that these companies will continue to be impairment tested for goodwill individually. The impairment testing this year did not identify any further impairment. No impairment would have been found if the impairment testing had been performed at the segment level. The assessments in the assumptions were based on the companies' current situation, 2020 outcomes, 2021 budgets and the best estimate in light of these circumstances of what the companies can achieve in the future.

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

Discount rate before tax used per segment	2020
Duni	9.4%
BioPak	10.3%
Duni Song Seng	11.7%
Sharp Serviettes	13.3%

Discount rate before tax used per business area	2019
Table Top	7.9%
Meal Service	7.9%
Consumer	8.7%
New Markets	9.5%
Duni Song Seng	10.3%
Sharp Serviettes	11.9%

The tables below show the rate of growth (on average) used in the calculation for each segment in 2020 and business area in 2019.

Growth rate segment 2020	Year 1	Year 2	Year 3	Year 4	Year 5	Beyond the forecast period
Duni	12%	20%	2%	2%	2%	2%
BioPak	10%	20%	20%	10%	5%	2%
Duni Song Seng	18%	4%	5%	5%	1%	1%
Sharp Serviettes	25%	10%	5%	7%	9%	2%

Growth rate business area 2019	Year 1	Year 2–5	Beyond the forecast period
Table Top	2%	2%	2%
Meal Service	2%	3%	3%
Consumer	2%	3%	2%
New Markets	2%	3%	3%
Duni Song Seng	13%	1%	1%
Sharp Serviettes	-0,8%	2%	2%

The rate of growth has been adjusted in light of the ongoing COVID-19 pandemic and the estimated recovery effect following the easing of social restrictions. In the long term and beyond the forecast period, the pandemic is not estimated to have any impact.

NOTE 21 – TANGIBLE ASSETS

ACCOUNTING PRINCIPLES

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, buildings 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.

SIGNIFICANT JUDGMENTS AND ASSUMPTIONS

Group Management determines the estimated useful life and thereby the depreciation of the Group's 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.

BUILDINGS

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Acquisition values				
Opening acquisition values	522	504	119	119
Investments	3	1	–	–
Disposals and retirements	-3	–	-1	–
Reclassification	–	10	–	–
Translation differences	-18	8	–	–
Closing accumulated acquisition values	**504**	**522**	**119**	**119**
Depreciation				
Opening accumulated depreciation	-216	-188	-106	-105
Depreciation for the year	-19	-18	-1	-1
Disposals and retirements	2	–	1	–
Reclassification	0	-9	–	–
Translation differences	6	-2	–	–
Closing accumulated depreciation	**-227**	**-216**	**-106**	**-106**
Impairment losses				
Opening accumulated impairment losses	-9	-8	-8	-8
Closing accumulated impairment losses	**-8**	**-8**	**-8**	**-8**
Closing carrying amount	**269**	**297**	**5**	**5**

LAND AND LAND IMPROVEMENTS

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Acquisition values				
Opening acquisition values	97	95	2	2
Disposals and retirements	-3	–	0	–
Translation differences	-4	2	–	–
Closing accumulated acquisition values	**89**	**97**	**1**	**2**
Impairment gains				
Opening accumulated impairment gains	–	–	12	12
Closing accumulated impairment gains	**0**	**0**	**12**	**12**
Impairment losses				
Opening accumulated impairment losses	-9	-9	-9	-9
Closing accumulated impairment losses	**-9**	**-9**	**-9**	**-9**
Closing carrying amount	**81**	**87**	**5**	**5**
Buildings, land and land improvements	**349**	**383**	**9**	**10**

The Parent Company does not hold any assets under finance leases in 2019 and in 2020. For information about the Group's leased assets for 2020, see Note 22.

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MACHINERY AND OTHER TECHNICAL EQUIPMENT

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Acquisition values				
Opening acquisition values	2,092	2,046	59	55
Investments	9	22	1	1
Increase through business acquisitions	–	0	–	–
Disposals and retirements	-27	-70	-5	0
Reclassification	63	71	2	3
Translation differences	-66	23	–	–
Closing accumulated acquisition values	**2,071**	**2,092**	**57**	**59**
Depreciation				
Opening accumulated depreciation	-1,498	-1,448	-46	-43
Depreciation for the year	-95	-99	-4	-3
Disposals and retirements	23	68	2	0
Reclassification	1	-2	–	–
Translation differences	48	-17	–	–
Closing accumulated depreciation	**-1,520**	**-1,498**	**-48**	**-46**
Impairment losses				
Opening accumulated impairment losses	-13	-12	-3	-3
Impairment losses for the year	–	-1	–	–
Scrapping of impairment losses	3	–	3	–
Translation differences	0	0	–	–
Closing accumulated impairment losses	**-9**	**-13**	**0**	**-3**
Closing carrying amount	**542**	**582**	**9**	**10**

EQUIPMENT, TOOLS AND INSTALLATIONS

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Acquisition values				
Opening acquisition values	386	368	22	22
Investments	12	16	–	0
Disposals and retirements	-15	-10	-7	-1
Reclassification	-2	5	0	1
Translation differences	-17	6	–	–
Closing accumulated acquisition values	**363**	**386**	**14**	**22**
Depreciation				
Opening accumulated depreciation	-298	-281	-19	-19
Depreciation for the year	-25	-27	-1	-1
Disposals and retirements	14	9	7	1
Reclassification	2	5	–	–
Translation differences	14	-5	–	–
Closing accumulated depreciation	**-292**	**-298**	**-13**	**-19**
Closing carrying amount	**71**	**88**	**1**	**2**

CONSTRUCTION IN PROGRESS AND ADVANCE PAYMENTS

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Acquisition values				
Opening acquisition values	93	94	1	1
Investments	48	76	6	4
Sales	-1	0	0	–
Reclassification	-64	-77	-2	-5
Translation differences	-3	1	–	1
Closing accumulated acquisition values	**73**	**93**	**4**	**1**
Impairment losses				
Opening accumulated impairment losses	-20	-20	0	0
Closing accumulated impairment losses	**-20**	**-20**	**0**	**0**
Closing carrying amount	**53**	**73**	**4**	**1**

NOTE 22 – LEASES

ACCOUNTING PRINCIPLE

Under IFRS 16, leases are recognized as right-of-use assets and financial liabilities in the balance sheet. The Group leases several offices, warehouses, machines, forklifts and cars. The leases are normally signed for binding terms between 2 and 8 years, but there may be an option to extend them. The leases may include both lease and non-lease components. The Group allocates the remuneration of the lease to lease and non-lease components based on their relative independent prices. However, for lease payments relating to properties for which the Group is a tenant, the Group has opted not to separate lease and non-lease components, instead recognizing these as a single lease component. The terms and conditions are negotiated separately for each contract and have many different provisions. The leases do not contain any special conditions or restrictions expect that the lessor retains the rights to pledged leased assets. The leased assets cannot be used as collateral for loans.

Assets and liabilities that arise from leases are initially recognized at present value. Lease liabilities include the present value of the following lease payments:

- fixed payments or deductions for any benefits associated with signing the lease, variable lease payments that are based on an index or a price
- amounts expected to be paid by the lessee as per residual value guarantees
- the redemption price for a purchase option if the Group is reasonably certain it will exercise this option
- penalties due upon termination of the lease, if the lease term indicates that the Group will exercise an option to terminate the lease.

Lease payments that will be made for reasonably certain extension options are also included in the measurement of the liability.

The leases payments are discounted using the lease's implicit interest rate. If this interest rate cannot be established easily, which is normally the case for the Group's leases, the lessee's incremental borrowing rate will be used, which is the interest rate that the individual lessee would pay for borrowing the funds required to purchase an asset similar in value to the right of use in a similar economic environment with similar terms and collateral.

The incremental borrowing rate for new contracts is set as follows:

The Duni Group's current borrowing rate including maturity premiums and adjustments for the internal borrowing margin (corresponding to adjustments for the specific terms and conditions of the contract such as the lease term, country, currency and collateral).

The Group is exposed to any future increases in variable lease payments based on an index or interest rate that are not included in the lease liability until they occur. When adjustments of lease payments based on an index or interest rate occur, the lease liability is remeasured and adjusted to the right of use.

The lease payments are distributed between principal repayment and interest. The interest is recognized in the income statement over the term of the lease in a way that results in a fixed interest rate for the lease liability recognized in the respective period.

The assets with a right of use are measured at cost and include the following:

- the amount the lease liability was originally measured at
- lease payments paid at or before the start date, less any benefits received upon signing the lease
- initial direct expenses
- expenses for restoring the asset to the condition stipulated in the lease terms and conditions.

Rights of use are normally amortized on a straight-line basis over the shorter of the useful life and lease term. If the Group is reasonably certain it will exercise a purchase option, the right of use is amortized over the useful life of the underlying asset.

Payments for short contracts for equipment and vehicles and all low-value leases are recognized as an expense on a straight-line basis in the income statement. Short contracts are leases with a lease term of 12 months or less. Low-value leases include IT equipment and minor office equipment. Low value is defined as below USD 5 thousand.

As per RFR 2, the rules of IFRS 16 do not need to be applied in legal entities. In such cases, a company that is the lessee shall recognize lease payments as an expense on a straight-line basis over the term of the lease. The right of use and lease liability shall thus not be recognized in the balance sheet. Duni AB has chosen to apply the exemption in RFR 2 and leases will therefore be classified as operating leases in the Parent Company going forward.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38

SIGNIFICANT ESTIMATES AND JUDGMENTS

Upon recognition of leases under IFRS 16, estimates and assumptions must be used. The two most significant are the judgments of the lease term's length and what discount rate will be used.

In establishing the lease's length, management considers all information available that provides an economic incentive to exercise an extension option, or to not exercise an option to terminate a lease. Options to extend a lease are only included in the lease's length if it is reasonably certain that the lease will be extended (or not terminated). Individual assessments on extensions are made regularly, lease by lease.

For leases for warehouses, offices and equipment, the following factors are normally the most significant:

- If the leases have significant fees for termination (or not extend them), the Group normally estimates that it is reasonably certain that they will be extended (or not terminated).
- If the Group has leasehold improvements and expects that they have a significant residual value, it is usually reasonably certain that the leases will be extended (or not terminated).
- Otherwise, the Group takes into account other factors, including historical lease terms, and the expenses and business disruptions required to replace the leased asset.

The majority of extension options for leases of offices and vehicles have not been included in the lease liability because the Group can replace these assets without significant expenses or business disruptions.

The lease term is reassessed if an option is exercised (or not exercised) or if the Group is forced to exercise the option (or not exercise it). The judgment that it is reasonably certain is only reassessed if some significant event or change in circumstances occurs that impacts this judgment and the change is within the control of the lessee. There was no need for any such reassessment during the financial year.

BALANCE SHEET ITEMS

Right-of-use assets	Group	
SEK m	2020	2019
Property	149	145
Forklifts	10	10
Cars	32	36
Other	1	1
Total	**192**	**192**

Right-of-use assets added during the year amounted to SEK 66.5 m (24.7).

Lease liabilities	Group	
SEK m	2020	2019
Long-term	185	183
Short-term	9	12
Total leasing liability	**194**	**195**

Maturity analysis of lease liabilities, undiscounted amounts	Group	
SEK m	2020	2019
Within 1 year	9	15
Between 1 and 2 years	28	26
Between 2 and 3 years	23	23
Between 3 and 4 years	16	6
Between 4 and 5 years	89	30
Later than 5 years	44	106
Total	**210**	**206**

INCOME STATEMENT ITEMS

Amortization of right-of-use assets	Group	
SEK m	2020	2019
Property	40	39
Forklifts	3	3
Cars	19	24
Other	1	1
Total	**65**	**67**
Interest costs (included in financial costs)	5	5
Expenses related to short-term leasing agreements (included in cost of goods sold and administrative costs)	2	2
Expenses atttributable to leasing agreements for which the underlying asset is of low value which is not short-term lease agreements (included in administrative costs)	2	1
Expenses atttributable to variable leasing payments which are not included in the valuation of leasing liabilities (included in administrative costs)	0	0
Total	**9**	**8**

OTHER LEASE DISCLOSURES

The total cash flow for the year for leases was SEK -69 m (-24).
The amount of lease obligations, for which the lease term had not yet begun at year-end, is not significant.

NOTE 23 – ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

ACCOUNTING PRINCIPLES

Accounts receivable are recognized at amortized cost, pursuant to IFRS 9. The following requirements must be met for financial assets to be classified at amortized cost:

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

The Group 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 provision method is chosen 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.

Accounts receivable are written off and recognized as incurred losses when information has been obtained that the customer will likely be unable to pay an invoice for reasons such as bankruptcy or unsuccessful garnishment attempts.

SIGNIFICANT ESTIMATES AND JUDGMENTS

Judgments and assumptions are made for provisioning for bad debts. General assumptions are made about provisioning for bad debts based on when the accounts receivable became overdue. Individual judgements are made for larger customers regarding whether the receivables are estimated to be paid. These assumptions are based on knowledge of the customers, such as the customer's capacity to pay, payment history and any ongoing disputes.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Accounts receivable	599	915	74	113
Receivables from Group companies	–	–	8	36
Other receivables	152	155	12	17
Short-term financial receivables, from Group companies	–	–	160	132
Total accounts receivable and other receivables	**751**	**1,070**	**254**	**298**

Other receivables above relate to:

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Receivables from suppliers	60	8	–	–
VAT receivable	77	85	11	17
Factoring	1	9	–	–
Receivables government support	2	–	–	–
Other receivables	12	53	1	–
Total other receivables	**152**	**155**	**12**	**17**

Credit exposure:

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Accounts receivable neither overdue nor impaired	544	770	72	106
Accounts receivable overdue but not impaired	69	102	3	6
Impaired accounts receivable	24	61	1	1
Provision for bad debts	-38	-18	-1	-1
Total accounts receivable	**599**	**915**	**74**	**113**

The credit risk associated with accounts receivable that are neither overdue nor impaired is normally not considered to be large. This risk increased during the year due to COVID-19. The Group's customers are hit hard by restrictions on their business, resulting in a sharp decrease in their revenue. As a result, the Duni Group estimates that the credit risk is temporarily higher during the pandemic and that more customers could go into bankruptcy or have payment difficulties, which resulted in a higher provision for bad debts than usual.

The 2020 financial year was heavily impacted by the COVID-19 pandemic and sales decreased significantly, which is the reason why total accounts receivable outstanding were lower at SEK 599 m (915). The largest customer segment is in the restaurant industry, which has been hit hard by lockdowns in society. This also increases the risk of bad debts. Although the maturity of outstanding accounts receivable has not gone up significantly, uncertainty with respect to non-overdue accounts receivable is far greater than in previous years. This has been taken into account when provisioning for bad debts. Throughout the year, extraordinarily strong focus has been dedicated to the performance of accounts receivable and overdue accounts receivable. The sales function, customer service, treasury and controllers have all worked together and periodically held weekly meetings at the region level. The discussions there have been at the customer level.

36% (2019: 43%) of total accounts receivable that are neither overdue nor impaired have a rating of AA or higher. Of the remaining accounts receivable with a lower rating, SEK 95 m (17%) have credit insurance. Due to the geographical spread, the history on customers, and the improbability of all customers encountering payment difficulties at the same time, there is no reason for major impairment of the remainder in this category.

No individual customer's total accounts receivable exceeds 5.9% (2019: 5.6%) of the total accounts receivable that are neither overdue nor impaired. Regarding credit risks and exposures, see Note 33.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38

Aging of accounts receivable overdue but not impaired:

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Less than 1 month	33	87	–	6
1-3 months	30	12	3	1
3-6 months	7	2	–	0
More than 6 months	-1	1	–	–
Total	**69**	**102**	**3**	**6**

On December 31, 2020, provisions for bad debts amounted to SEK 38 m (2019: 18). The individually assessed receivables which are deemed to be in need of impairment relate primarily to wholesalers who have unexpectedly encountered financial difficulties. It has been assessed that some of the receivables are expected to be recoverable.

Aging of impaired accounts receivable:

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Less than 3 months	4	44	–	1
3-6 months	2	3	0	0
More than 6 months	18	14	1	1
Total	**24**	**61**	**1**	**1**

Specification of reserve for bad debts:

	Group		Parent Company	
SEK m	2020	2019	2020	2019
At beginning of year	18	16	1	2
Provisions for bad debts	26	5	0	0
Receivables written off during the year	-3	-2	0	-1
Reversed non-utilized amount	-2	-2	0	0
Exchange differences	-1	0	–	–
At year-end	**38**	**18**	**1**	**1**

Provisions for the respective reversal of reserves for bad debts are included in the item "Selling expenses" in the income statement. In other categories within accounts receivable and other receivables, no assets are included for which impairment is needed. The maximum exposure to credit risks as per the balance sheet date is the fair value for each category of receivables mentioned above. The Group holds no assets pledged as security.

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

	Group		Parent Company	
SEK m	2020	2019	2020	2019
SEK	28	35	24	35
EUR	295	526	14	21
GBP	52	20	–	–
DKK	24	36	24	36
NOK	13	21	13	21
PLN	9	87	–	–
CHF	15	21	–	–
AUD	111	101	–	–
Other currencies[1)]	54	68	–	–
Total	**599**	**915**	**74**	**113**

[1)] Other currencies include NZD, RUB, SGD, THB, USD, etc.

NOTE 24 – PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Prepaid rent	3	3	2	2
Prepaid insurance	2	4	1	1
Prepaid pensions	5	5	4	4
Prepaid catalog expenses	2	6	1	2
Prepaid licenses and subscriptions	6	5	6	0
Deposits	1	1	1	0
Prepaid exposition expenses	2	1	–	0
Other items	9	24	0	5
Total prepaid expenses and accrued income	**28**	**48**	**14**	**14**

NOTE 25 – ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Accrued personnel expenses	104	148	28	45
Accrued interest expenses	7	0	7	0
Accrued expenses, invoices	85	92	21	25
Accrued liabilities to customers*	179	224	23	29
Other items	31	29	5	4
Total accrued expenses and deferred income	**406**	**493**	**84**	**103**

* Accrued liabilities to customers mainly involves customer bonuses.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38

NOTE 26 – CASH AND CASH EQUIVALENTS

ACCOUNTING PRINCIPLES
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. Cash and cash equivalents comprise cash and available bank balances.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Cash and cash equivalents	364	311	272	212
Total cash and cash equivalents	**364**	**311**	**272**	**212**

NOTE 27 – OTHER LONG-TERM RECEIVABLES

ACCOUNTING PRINCIPLES
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.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Loan receivables	10	10	–	–
Financial receivables from Group companies	–	–	1,733	1,794
Total other long-term receivables	**10**	**10**	**1,733**	**1,794**

NOTE 28 – DERIVATIVE INSTRUMENTS

ACCOUNTING PRINCIPLES

The Group applies IFRS 9 for hedge accounting as of January 1, 2018. The hedge accounting rules in IFRS 9 are more compatible with the Company's practical risk management as the standard has a more principle-based approach to hedge accounting. The Duni Group's previous hedging arrangements qualified for hedge accounting under IFRS 9 and the hedging documentation has therefore been updated in accordance with this.

Hedging documentation

To meet the requirements of hedge accounting, certain documentation concerning the hedging instrument and its relationship to the hedged item is required. In addition, goals and strategies are documented for risk management and hedging measures, and the effectiveness of the hedging arrangement is assessed 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.

Measurement of derivative instruments

Derivative instruments are recognized in the balance sheet at the transaction date and measured at fair value, upon both initial recognition and subsequent measurement. The fair value of derivatives traded on an active market is based on the listed market prices on the balance sheet date, which means the current purchase price. For financial instruments which are not traded on an active market (e.g. OTC derivatives), the fair value is determined through the use of various valuation techniques. The fair value of interest rate swaps is calculated as the value of future cash flows discounted using current market interest rates, while the fair value of currency forward contracts is established through the use of listed prices for currency forward contracts on the balance sheet date. 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. Call and put options entered into with minority shareholders upon business combination are recognized directly in equity as a transaction with minority shareholders. The Duni Group uses derivative instruments as hedging instruments for forecast cash flows or hedges of net investments in foreign operations.

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 gain or loss attributable to the ineffective part is recognized immediately in the income statement under Other net gains/losses. The gain or loss attributable to the effective part of an interest rate swap which hedges borrowings at a variable interest rate is recognized in the income statement in Financial expenses.

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 significant ineffectiveness attributable to interest rate swaps in 2020 and 2019.

Net investment hedges

Hedges of net investments in foreign operations via currency forward contracts 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 classified to profit or loss when foreign operations are fully or partially divested.

Classification and recognition

Information regarding the fair value for various derivative instruments used for hedging purposes is provided in this note. Changes in the hedging reserve in equity are set forth in the consolidated 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.

Fair value for derivative instruments recognized under hedge accounting:

	2020		2019	
SEK m	Asset	Liability	Asset	Liability
Interest rate swaps – cash flow hedge	–	1	0	–
Currency forward contracts	3	0	1	0
Liability for put option of minority owners	–	329	–	365
Total reported in the balance sheet	**3**	**330**	**1**	**365**
Financial instruments covered by set-off master agreement	0	–	0	–
Total after taking into consideration set-off master agreement	**3**	**–**	**1**	**–**

The Duni Group uses interest rate swaps and currency forward contracts as hedging instruments to manage its exposure to changes in exchange rates. 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 6 months for the total loan portfolio, with the possibility of a variation of +/- 6 months. The Group 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 12/31/2020 was EUR 60 m. Gains and losses on interest rate swaps at December 31, 2020, which are recognized in the hedging reserve in equity in the "Consolidated Statement of Changes in Equity", will be regularly transferred to financial expenses in the income statement until such time as the swap has expired.

CURRENCY FORWARD CONTRACTS

Currency forward contracts are entered into with the aim of protecting the Group from exchange rate movements through the contract determining the rate at which an asset or liability in foreign currency will be realized. An increase or decrease in the amount required to settle the asset/liability is offset by a corresponding change in value of the currency forward contract. There was no ineffectiveness to be recognized from hedges of net investments in foreign operations.

In 2018, the Parent Company entered into a currency swap totaling AUD 21 m to hedge the net investment in Biopak Pty Ltd. This currency swap is recognized under the net investment hedge rules.

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	
SEK m	2020	2019
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 3 m (2019: 1).

LIABILITY FOR PUT OPTION OF MINORITY OWNERS

On October 15, 2018, 75% of the shares were acquired in BioPak Pty Ltd in Australia. There is a put option and a call option both parties can opt to exercise during the period from October 2020 to April 2021 amounting to approximately SEK 24 m for an additional 5% of the shares. There is also 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.

The Duni Group 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 29 – BORROWINGS

ACCOUNTING PRINCIPLES

Long-term and short-term interest-bearing liabilities are measured at amortized cost. They are initially measured at fair value, net of transaction costs, but are subsequently measured at amortized cost. 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.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Long-term				
Bank loans	1,031	1,187	1,002	1,165
Total long-term borrowing	**1,031**	**1,187**	**1,002**	**1,165**

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Short-term				
Bank loans	261	209	261	209
Total short-term borrowing	**261**	**209**	**261**	**209**
Total borrowing	**1,292**	**1,396**	**1,263**	**1,374**

With respect to borrowing, the Group'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	2020	2019
6 months or less	231	209
6-12 months	30	–
More than one year	1,031	1,187
Total	**1,292**	**1,396**

Current financing, fair value:

	Nominal value	
SEK m	2020	2019
Bank loans	1,292	1,396
Overdraft facilities	0	0
Leases	194	196
Total	**1,486**	**1,592**

The Group's bank loans and overdraft facilities are in EUR and carry a variable interest rate where the interest is established at the 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 less accrued interest. The financing agreement was signed on December 18, 2017, and is long term. It consists of two revolving credit facilities with a nominal amount of EUR 200 m. EUR 150 m expires in December 2022 and EUR 50 m expires in July 2022. The latter facility was renegotiated in December 2020, which results in an increase in the margin for 2021. Additional financing was taken out in the amount of EUR 30 m in 2019 with quarterly repayments of EUR 1.5 m. In addition to the long-term financing, there is also a short-term liability in the form of a put/call facility amounting to EUR 20 m maturing in May 2021. The interest rate of all financing is variable and set at EURIBOR plus a margin, until the next rolling. The average rate of interest on bank loans was 2% (2019: 0.50%) per year. The change in the average interest rate between 2019 and 2020 is because of the temporary conditions that were renegotiated during the year and had to be adapted to the current market situation. For more information, see also Note 34. The difference between the values recognized in the balance sheets for 12/31/2020 and the nominal values consists of transaction costs. Accrued interest is recognized as accrued expenses. The tables below show the nominal values excluding accrued interest for borrowings.

On behalf of the Group, the Parent Company has taken out an overdraft facility with a nominal amount of EUR 10 m. At 12/31/2020, the amount drawn was EUR 0 m.

Interest-bearing net debt, components

SEK m	2020	2019
Other long-term receivables	10	10
Cash and cash equivalents	364	311
Overdraft facilities	0	0
Long-term bank loans	-1,031	-1,187
Lease liability	-194	-196
Short-term bank loans	-261	-209
Allocation to pensions	-212	-276
Interest-bearing net debt	**-1,324**	**-1,546**

Breakdown of interest-bearing net debt:

SEK m	2020	2019
Cash and cash equivalents and other long-term receivables	374	321
Allocation to pensions	-212	-276
Lease liability	-194	-196
Gross debt – fixed interest	–	–
Gross debt – variable interest	-1,292	-1,396
Interest-bearing net debt	**-1,324**	**-1,546**

The interest-bearing net debt also includes allocation to pensions. In the table below, the Duni Group 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. The interest-bearing net debt excluding allocation to pensions amounted to SEK 1,112 m.

Net debt excluding allocation to pensions:

SEK m	Cash and cash equivalents	Other long-term receivables	Overdraft facilities	Other financial liabilities	Leases maturing within 1 year	Leases maturing later than 1 year	Borrowings maturing within 1 year	Borrowings maturing later than 1 year	Total
Interest-bearing net debt at December 31, 2018	**260**	**10**	**0**	**0**	**-1**	**-3**	**-103**	**-1,399**	**-1,236**
Net cash flow	48	0	0	-6	0	-24	-109	-22	-113
Exchange differences	3	0	0	6	0	24	3	234	270
Other non-cash items	–	–	–	0	-12	-180	–	–	-192
Interest-bearing net debt at December 31, 2019	**311**	**10**	**0**	**0**	**-13**	**-183**	**-209**	**-1,187**	**-1,271**
Net cash flow	67	0	–	7	–	-69	-49	0	-44
New lease ageements	–	–	–	–	–	64	–	–	64
Exchange differences	-14	0	–	-7	–	0	-3	156	132
Other non-cash items	–	–	–	–	4	3	–	–	7
Interest-bearing net debt at December 31, 2020	**364**	**10**	**0**	**0**	**-9**	**-185**	**-261**	**-1,031**	**-1,112**

NOTE 30 – CLASSIFICATION OF FINANCIAL INSTRUMENTS

ACCOUNTING PRINCIPLES

The Duni Group has applied IFRS 9 since January 1, 2018. 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.

Classification

The Group's 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, which is 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, but 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.

Derivative instruments

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 in Note 28 Derivative instruments.

Assets measured at amortized cost

The Duni Group 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 contractual 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.

Assets measured at fair value through profit or loss

Apart from derivative instruments, there are not any financial assets measured at fair value through profit or loss.

Assets measured at fair value through other comprehensive income

There are not any financial assets measured at fair value through other comprehensive income.

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 mature 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.

Financial liabilities measured at fair value through profit or loss

Apart from derivative instruments, there are not any financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at fair value through other comprehensive income

Apart from derivative instruments, there are not any financial liabilities measured at fair value through other comprehensive income.

Calculation of fair value

The fair value of listed financial assets 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. For financial instruments which are not traded on an active market, the fair value is determined through the use of various valuation techniques. The Duni 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 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. For other financial assets and liabilities, fair value is considered to be the same as the carrying amount, because of the short expected term to maturity.

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.

All derivative instruments are classified in accordance with Level 2, except for the put option to the minority shareholders, which is classified in accordance with level 3.

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.

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.

SEK m	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Assets				
Non-financial assets				
Tangible and intangible assets	3,625	3,873	81	88
Right-of-use assets	192	192	–	–
Deferred tax assets	122	75	16	16
Other financial fixed assets	–	–	1,439	1,359
Inventory	861	781	84	103
Prepaid expenses and accrued income	28	48	14	14
Total non-financial assets	**4,828**	**4,969**	**1,634**	**1,580**
Assets valued at amortized cost				
Other long-term receivables	10	10	7	7
Accounts receivable	599	915	74	113
Tax assets	16	75	0	0
Other receivables	152	155	12	17
Receivables from Group companies	–	–	1,902	1,962
Cash and cash equivalents/Cash and bank balances	364	311	272	212
Total assets valued at amortized cost	**1,141**	**1,466**	**2,267**	**2,311**
Assets measured at fair value through profit or loss				
Derivative instruments	3	1	3	1
Total assets measured at fair value through profit or loss	**3**	**1**	**3**	**1**
Total assets	**5,972**	**6,436**	**3,904**	**3,892**

SEK m	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Liabilities				
Non-financial liabilities				
Deferred tax liability	119	130	13	14
Allocation to pensions	212	276	86	91
Allocation to restructuring reserve	26	11	16	1
Total non-financial liabilities	**357**	**417**	**115**	**106**
Liabilities at amortized cost				
Overdraft facilities	0	0	0	0
Bank loans	1,292	1,396	1,263	1,374
Leasing liability	194	196	–	–
Accounts payable	422	505	56	69
Tax liabilities	41	57	21	26
Other liabilities	109	152	22	26
Liabilities to Group companies	–	–	394	322
Accrued expenses and deferred income	406	493	84	103
Total liabilities at amortized cost	**2,464**	**2,799**	**1,840**	**1,920**
Derivative instruments used for hedging purposes				
Derivative instruments	1	0	0	0
Total derivative instruments used for hedging purposes	**1**	**0**	**0**	**0**
Liabilities measured at fair value through profit or loss				
Derivative instruments	0	0	0	0
Total liabilities at fair value through profit or loss	**0**	**0**	**0**	**0**
Liabilities measured at fair value through equity				
Derivative instruments	329	365	0	0
Total liabilities measured at fair value through equity	**329**	**365**	**0**	**0**
Total liabilities	**3,151**	**3,581**	**1,955**	**2,026**

NOTE 31 – SHARE CAPITAL, EARNINGS PER SHARE AND ALLOCATION OF EARNINGS

On December 31, 2020, the share capital comprised 46,999,032 (2019: 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, 2020, 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 there were no outstanding convertible debentures or warrants, there has been no dilution of the Duni Group's shares in the 2020 and 2019 financial years.

Dividends to the Parent Company's shareholders are recognized as a liability in the Group's financial statements after the Annual General Meeting has approved the dividend.

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:

SEK m	2020	2019
Income attributable to the equity holders of the Parent Company (SEK m)	2	269
Weighted average number of outstanding common shares (thousands)	46,999	46,999
Earnings per share, before and after dilution (SEK per share)	**0.05**	**5.73**

ALLOCATION OF EARNINGS

Retained earnings	1,784,656,423
Net income for the year	77,664,730
SEK	**1,862,321,153**

Due to the market uncertainty caused by the COVID-19 pandemic, the Board of Directors proposes that the earnings at the disposal of the Annual General Meeting be carried forward.

NOTE 32 – ADJUSTMENTS FOR NON-CASH ITEMS

ACCOUNTING PRINCIPLES

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 note 26.

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Depreciation/amortization	289	293	22	19
Impairment, shares in subsidiaries	–	–	–	20
Impairment, inventories	–	–	19	-2
Restructuring	15	-18	16	-5
Allocation to pensions	-59	18	3	6
Write-down goodwill	–	58	–	–
Change in value, derivatives	-1	-13	0	0
Other	5	-12	-15	31
Total	**249**	**326**	**45**	**69**

NOTE 33 – FINANCIAL RISKS

33.1 FINANCIAL RISK FACTORS

The Group's financial operations are exposed to many different financial risks. These can be divided into currency risks, price risks regarding energy consumption and pulp purchases, interest rate risks in cash flow and interest rate risks in fair value, credit risks and liquidity risks. The finance policy focuses on contingencies on the financial markets.

Financial risk management is handled by a central finance department (Treasury) in accordance with a finance policy reviewed annually and approved by the Board of Directors. The policy includes both overall risk management and risk management for specific areas, such as currency risks, interest rate risks, the use of derivative and non-derivative financial instruments and the investment of surplus liquidity. Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operational units. The financial hedge relationships established by the Duni Group as an element in its risk management do not qualify for hedge accounting pursuant to the rules in IFRS 9, apart from two exceptions. Interest rate swaps have been taken out as hedging 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 acquired company BioPak Pty Ltd, Australia, is hedged using currency forward contracts pursuant to the rules on net investment hedges in foreign currency.

33.1.1 Market risks

Currency risks

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

Transaction exposure

Transaction exposure arises when a company sells and buys in a currency other than its functional currency. The transaction exposure is minimized primarily through external commercial transactions mainly being made in the functional currencies of the subsidiaries. Purchases by subsidiaries, primarily internal, may however be made in currencies other than the subsidiary's own functional currency, and thus these purchases are exposed to a currency risk. By also directing the internal flows as far as possible to the functional currency of the recipient subsidiary, the currency risk is concentrated to a small number of subsidiaries. The Group's external outflows are primarily in SEK, USD and PLN, while external inflows are primarily in AUD, DKK, NOK, CHF and GBP. The acquisition of BioPak Pty increased exposure in USD and AUD. The Group's policy is to not hedge flows in foreign currency in any way other than as is described above. There is no policy to hedge interest payments either, whether internal or external.

There is an indirect currency risk in USD via 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.

On January 1, 2021, the UK exited the EU and the Brexit transition period ended. We now see the risk, which was identified as regarding how Brexit could impact the Group, as eliminated. The Group's business has been impacted in the form of increased administration as well as delayed deliveries to a certain extent. New processes are in place and this is expected to stabilize in spring 2021. As a part of this, guarantee commitments to UK government agencies will increase.

Translation exposure – Consolidation

Translation exposure arises when the income statements of subsidiaries are translated to SEK.

Translation exposure 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 2019, net sales for the year would have been SEK 66 m higher and the underlying EBIT would have been SEK 2 m higher.

Translation exposure – Balance sheet

The Group 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 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.

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 72% by internal net lending with the same currency breakdown. The remaining 28% of internal net lending is hedged on the currency futures market in accordance with the Group'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, the Duni Group 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. However, there is some exposure in the Group's working capital, and had all currencies been 1% higher/lower, due to exposure in the individual subsidiaries and the consolidated balance sheet items, the Group's income would have been approximately +/- SEK 6 m (2019: +/- SEK 9 m). The corresponding figures for the Parent Company are approximately +/- SEK 0.1 m (2019: +/- SEK 3 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 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 effectiveness of the hedge was assessed when the hedging arrangement was entered into. The hedged item and hedging instrument are assessed on an ongoing basis to ensure that the arrangement meets the requirements.

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 of the electricity used by all production and conversion units in Europe affects income by approximately -/+ SEK 3 m (2019: 3).

During 2020, the subsidiary Rexcell Tissue & Airlaid AB purchased approximately 71,000 MWh of electricity at a cost of approximately SEK 25 m; 3,600 metric tons of LPG for approximately SEK 15 m; and woodchips for the biofuel boiler at a cost of approximately SEK 10 m (2019: 83,000 MWh of electricity for SEK 40 m; 4,350 metric tons of LPG for SEK 21 m; and woodchips for SEK 13 m).

Rexcell Tissue & Airlaid AB has been allocated emission rights for the period 2013 to 2020, divided between Dals Långed and Skåpafors. In 2020, Rexcell Tissue & Airlaid AB had 6,529 (4,654) unused emission rights with a market value of SEK 0 m (0). In total, 10,820 metric tons were used in Skåpafors in 2020. For more information about emission rights, please see the Directors' Report.

Pulp price risks
OTC trading in financial contracts takes place with respect to certain paper and pulp products, i.e. there is a possibility to reduce the risk of fluctuations in the paper and pulp price. Purchases of paper and pulp are made by the subsidiary, Rexcell Tissue & Airlaid AB. The Duni Group currently has not signed any such contracts. A change of +/- 5% per metric ton in the price of pulp during 2020 affects income by -/+ SEK 15 m (2019: 19).

Interest rate risks with respect to cash flows and fair value
Since all external borrowing is at variable interest rates, the Duni Group is exposed to interest rate risks regarding cash flows, primarily in EURIBOR (see Note 29 for more details). 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 using interest rate swaps maturing in December 2022, March 2023 and December 2025. 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.

The Group has no significant interest-bearing assets. Revenue 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 12/31/2020 been 100 points higher/lower, with all other variables being constant and taking into account interest rate swaps, net financial items for 2020 would have been SEK 1 m lower/higher (2019: 10). Other components in equity would have been SEK 18 m (2019: SEK 5 m) lower/higher, primarily as a consequence of a decrease/increase in the fair value of interest rate derivatives used as hedging instruments.

Risk of liability to minority owner put option
On October 15, 2018, 75% of the shares were acquired in BioPak Pty Ltd in Australia. There is a put option and a call option both parties can opt to exercise during the period from October 2020 to April 2021 amounting to approximately SEK 24 m for an additional 5% of the shares. There is 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.

The option was measured at SEK 329 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 15 m. The Group recognizes a small part as a short-term and the rest as a long-term derivative liability for this put option equivalent to the discounted expected redemption price for the option. Changes in the value of the derivative instrument are recognized in equity.

33.1.2 Credit risks
Credit risks are managed at the 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.

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

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. For more information about accounts receivable, please see Note 23

The impact of COVID-19 has prompted extraordinary focus on the performance of accounts receivable and bad debt losses with follow-up meetings held between the treasury and sales functions in each market. So far, bad debt losses and payments from customers have not deviated significantly from the norm, but uncertainty remains high as most restaurants are still subject to restrictions, and the risk of bankruptcy increases as these restrictions are prolonged.

Receivables overdue by more than 180 days accounted for 1.9% of total accounts receivable (2019: 0.9%). For the Parent Company, the corresponding figure is 0.6% (2019: 0.2%).

NOTE 34 – MANAGEMENT OF CAPITAL RISK

CAPITAL RISK
Capital risk comprises refinancing and liquidity risks, and these risks arise if the company cannot meet payment obligations due to a liquidity shortage or difficulties obtaining loans from external sources.

The risk is managed by Treasury ensuring that sufficient cash and cash equivalents are available through financing, agreed credit facilities (these are described in greater detail in Note 29) and the possibility to close market positions. Excess liquidity is centralized via the Group's cash pools. Treasury manages liquidity both within and between these cash pools. On December 31, 2020, the Duni Group's liquidity totaled SEK 364 m (2019: 311) along with a non-utilized credit facility of SEK 1,150 m (2019: 1,050). Payments for coming periods relating to financial liabilities are shown in the tables below.

The Group'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. The EUR 150 m facility matures in December 2022 and the EUR 50 m facility matures in July 2022. The latter facility was renegotiated in December 2020. Additional financing was taken out in the amount of EUR 30 m in 2019 with quarterly repayments of EUR 1.5 m. In addition to the long-term financing, there is also a short-term liability in the form of a put/call facility amounting to EUR 20 m maturing in May 2021. A put/call facility means that there is a mutual option to terminate the agreement at the end of each interest term. There are overdraft facilities in place totaling EUR 10 m that had not been used at December 31, 2020.

The 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 is 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 for compliance with the credit facilities. A breach of the financial key ratio would result in increased financial expenses in the form of fees, increased margins and cancelled credit facilities.

Until the outbreak of COVID-19, the conditions of the financial key ratios have always been met. The great uncertainty surrounding COVID-19 and its impact on the Group's financial position prompted renegotiation of a temporary loan agreement to adapt the conditions to the current market situation.

Instead of the financial key ratio being net debt as a percentage of the underlying EBITDA, the conditions were adapted to rolling EBITDA and monthly monitoring of available funds. The total credit facility, maturity and volume remain unchanged. The temporary loan agreement applies from April 2020 to March 2021. This led to increased financial expenses totalling SEK 21 m, with SEK 16 m of this amount accounting for interest expenses and SEK 5 m for other financial expenses. Given that this was for modification of existing loans, the expense was recognized in its entirety in the second quarter of 2020.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38

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

		1 to 3 months		3 to 12 months		Later than 1 year but within 2 years	
SEK m	Book value	Interest rate	Amortization	Interest rate	Amortization	Interest rate	Amortization
Bank loans	-1,292	-3	-15	-9	-246	-12	-1,031
Overdraft facility	0	–	0	–	–	–	–
Accounts payable and other liabilities	-532	–	-532	–	–	–	–
Currency forward contracts[1]	0	–	–	–	–	–	–
– Interest rate swap	-1	0	–	0	–	0	–
– Liability for put option of minority owners	-329	–	–	–	-24	–	-305
Derivative instruments – Liabilities	**-330**	**0**	**0**	**0**	**-24**	**0**	**-305**
Currency forward contracts[1]	3	–	–	–	–	–	–
– Interest rate swap	0	–	–	–	–	–	–
Derivative instruments – Assets	**3**	**0**	**0**	**0**	**0**	**0**	**0**
Sum	**-2,151**	**-3**	**-532**	**-9**	**-270**	**-12**	**-1,336**

[1] Gross flows are shown in the table below.

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

SEK m	2020	2019
Currency forward contracts	3	1
Interest rate swap	-1	0
Liability for put option of minority owners*	-329	-365
Sum	**-327**	**-364**

* For liability for put option of minority owners, see Note 28.

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

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	2020	2019
Currency forward contracts		
– Inflow according to contracts for financial assets and liabilities	755	649
– Outlow according to contracts for financial assets and liabilites	-755	-649

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

	2020	2019
Recognized amount (AUD m)	64	65
Nominal amount of hedging instruments (AUD m)	21	21
Hedge ratio	100%	100%
Weighted average of forward prices during the year (including forward points)	6.245	6.499

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

	2020	2019
Recognized amount (EUR m)	0	0
Average maturity (years)	3	2
Nominal amount of hedging instruments (EUR m)	60	15
Hedge ratio	100%	100%
Weighted average of the variable interest rate during the year	-0.41%	-0.33%

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
Balance at 12/31/2018	**-1,605**	**2,568**
Plus: Change in fair value of hedging instrument recognized in other comprehensive income	2,060	-4,981
Less deferred tax	-431	996
Balance at 12/31/2019	**-24**	**-1,417**
Plus: Change in fair value of hedging instrument recognized in other comprehensive income	-1,249	6,569
Less deferred tax	248	-1,314
Balance at 12/31/2020	**-977**	**3,818**

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

CAPITAL STRUCTURE

The Group intends to secure the capital structure of its business going forward. Capital is assessed on the basis of the net debt/equity ratio, which 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:

	Group	
SEK m	2020	2019
Total borrowings	**1,292**	**1,396**
Leasing liability	194	195
Allocation to pensions	212	276
Other long-term receivables	-10	-10
Less: cash and cash equivalents	-364	-311
Interest-bearing net debt[1]	1,324	1,546
Total equity	**2,628**	**2,664**
Total capital	**3,952**	**4,210**
Net debt/equity ratio	34%	37%

[1] The calculation of interest-bearing net debt is exclusive of derivatives.

NOTE 35 – CONTINGENT LIABILITIES AND PLEDGED ASSETS

CONTINGENT LIABILITIES

	Group		**Parent Company**	
SEK m	2020	2019	2020	2019
Guarantees	53	56	40	54
FPG/PRI	2	2	2	2
Total contingent liabilities	**55**	**58**	**42**	**56**

Of the guarantees in the Parent Company, SEK 37 m (2019: 39) are pledged to the benefit of Group companies. Guarantees in the Parent Company, relating primarily to local customs departments, amount to SEK 3 m (2019: 3).

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

The Duni Group has an environmental policy and has implemented control systems which assist the Group in ensuring compliance with environmental legislation. The Duni Group considers the existing operations and production plants to fulfill in all essential respects the requirements stipulated in environmental legislation and provisions which extend to the Group. However, the Group cannot guarantee that currently unknown obligations, for example cleanup or restoration of property owned or previously owned by the Duni Group, 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.

There are not any contingent assets relating to 2020 and 2019.

PLEDGED ASSETS

BioPak Pty Ltd has pledged assets in the amount of SEK 29 m. The Parent Company had no pledged assets in 2020.

NOTE 36 – OBLIGATIONS

ACCOUNTING PRINCIPLES
Operating leases
Operating leases are defined as all leases that are not finance leases, which means that the lessor in all essential respects holds the financial risks and rewards associated with ownership. The Parent Company only holds leases 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 AB leases some offices and warehouses as well as passenger cars, primarily for the sales organization. The largest leases are non-terminable in advance. 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 operating leases, is broken down as follows:

	Parent Company	
SEK m	2020	2019
Payable within one year	1	7
Payable later than one but within five years	17	6
Payable later than five years	–	–
Total	**18**	**13**
Of which leases signed during the year	16	1

The total expenses for operating leases during the year amounted to SEK 7 m (2019: 8) in the Parent Company. The Parent Company does not hold any finance leases.

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NOTE 37 – RELATED-PARTY TRANSACTIONS

No significant transactions with related parties took place during the 2020 financial year or the 2019 financial year.

Other than the information above and the information in Note 16 regarding Remuneration of senior executives and in Note 4 regarding Intra-group purchases and sales, there are no transactions with closely related companies.

NOTE 38 – EVENTS AFTER THE BALANCE SHEET DATE

In consideration of the continued market turbulence caused by COVID-19, the Duni Group decided in March 2021 to extend its temporary loan agreement until September 30, 2021. This leads to greater financing expenses charged to the first quarter of 2021 in the amount of SEK 9 m. The temporary loan agreement temporarily results in new covenants. The total credit facility, maturity and volume remain unchanged.

In the first quarter of 2021, the Group's sales and income continued to be heavily impacted by the social restrictions instituted during the COVID-19 pandemic. However, extended restrictions have led to an expansion of possibilities to apply for government assistance. The Group continuously explores possibilities for government assistance in all markets. The German government resolved to provide additional assistance for fixed expenses in January 2021. An inquiry has been conducted, and it turns out that the subsidiaries in Germany are eligible to apply for this government assistance. The period is for November 2020 to June 2021. On March 18, 2021, the Duni Group decided to apply for assistance starting with the first four months of the period. After this, the plan is to submit monthly applications to the extent the assistance remains available and the business is eligible for assistance. It is still uncertain how much assistance the German subsidiaries may receive. It is estimated to be around SEK 5–15 m per month.

THE BOARD OF DIRECTORS AND CEO'S ASSURANCE AND SIGNATURES

The Board of Directors and CEO hereby affirm that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's financial position and results of operations. The annual report has been prepared in accordance with generally accepted accounting 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, 03/24/2021

Thomas Gustafsson
Chairman of the Board

Sven Knutsson
Director

Pauline Lindwall
Director

Alex Myers
Director

Morten Falkenberg
Director

Pia Marions
Director

Per-Åke Halvordsson
Employee representative, PTK

David Green
Employee representative, LO

Robert Dackeskog
President and CEO

Our auditor's report was submitted on 29 March, 2021

PricewaterhouseCoopers AB

Carl Fogelberg
Authorized Public Accountant

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AUDITOR'S REPORT

To the annual general meeting of the shareholders of Duni AB (publ), company registration 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 2020 except for the corporate governance statement and the statutory sustainability report on pages 51–56. The annual accounts and consolidated accounts of the company are included on pages 46–117 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 2020 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 2020 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 51–56. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

OUR AUDIT APPROACH
AUDIT SCOPE

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

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

MATERIALITY

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

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the Key audit matter
VALUATION OF INTANGIBLE ASSETS	
Refer to notes 2 and 20 of the annual report. The value of intangible assets amounted, as of 31 December 2020, to MSEK 2 419. In accordance with IFRS, management shall annually perform an impairment test for goodwill with indefinite economic use. MSEK 1 550 of the goodwill is related to business area Duni and MSEK 461 is related to business area BioPak. 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 and other ingantible assets related to business areas BioPak to be a Key audit matter as it is recently acquired goodwill and other intangivle assets. The history regarding assumptions and judgements are shorter compared to business area Duni. 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.

Key audit matter	How our audit addressed the Key audit matter
REBATES, CLIENT BONUSES AND RETURNS	
Refer to notes 2 and 25 of 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 179. 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 1–45 and 121–123. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

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

AUDITOR'S RESPONSIBILITY

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Duni AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 51–56 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 pages 27–44, 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 (publ) by the general meeting of the shareholders on 12 May 2020 and has been the company's auditor since the introduction on Nasdaq Stockholm, 1 November 2007.

Malmö, March 29, 2021

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 the Group's four business areas until 2019 – primarily sells to the retail sector.

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

Currency adjusted/currency impact translation effects
Figures adjusted for changes in exchange rates related to consolidation. Figures for 2020 are calculated at exchange rates for 2019. Effects of translation of balance sheet items are not included.

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 designed products in collaboration with well-known designers.

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

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

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

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, sales and profitability.

Meal Service
One of the Group's four business areas until 2019 – sales to companies operating within restaurants, catering or food production.

Merchandizing
Duni assists store owners in filling the shelves, building displays and managing sales campaigns and offers.

New Markets
One of the Group's four business areas until 2019 – 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 five quarters.

Our Blue Mission
Duni's Corporate Social Responsibility (CSR) efforts are governed by the Our Blue Mission program. It describes Duni's approach to sustainability in a number of areas such as the environment, product safety, social responsibility, social rights and business ethics.

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.

Segment BioPak
As of January 1, 2020, the previous business areas ceased to be replaced by a functional organization with clear sales and market responsibility. The new organization consists of two segments; Duni and BioPak.

Segment Duni
As of January 1, 2020, the previous business areas ceased to be replaced by a functional organization with clear sales and market responsibility. The new organization consists of two segments; Duni and BioPak.

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 the Group's four business areas until 2019 – sells to hotels, restaurants, catering firms and wholesalers.

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

KEY RATIO DEFINITIONS

Some financial metrics are not defined in IFRS but are instead so called Alternative Performance Measures. The purpose is to provide additional information that facilitates a better and more specific comparison of performance from year to year. See bridges below. Duni Group defines its key ratios as follows.

Capital employed

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

Cost of goods sold

Cost of goods sold including production and logistic costs.

Currency adjusted

Figures adjusted for changes in exchange rates related to consolidation. Figures for 2020 are calculated at exchange rates for 2019. Effects of restatement of balance sheet items are not included.

Earnings per share

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

Earnings per share adjusted for goodwill impairment

Net income, excluding goodwill impairment, divided by the average number of shares.

EBIT

Earnings before interest and taxes.

EBIT margin

EBIT as a percentage of net sales.

EBITA

Earnings before interest, taxes and amortization.

EBITA margin

EBITA as a percentage of net sales.

EBITDA

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

EBITDA margin

EBITDA as a percentage of net sales.

Gross margin

Gross profit as a percentage of net sales.

Interest-bearing net debt

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

Net debt/equity ratio

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

Number of employees

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

Operating EBITDA

EBITDA less restructuring costs and fair value allocations.

Operating EBITDA margin

Operating EBITDA as a percentage of net sales.

Operating income

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

Operating margin

Operating income as a percentage of net sales.

Organic growth

Sales growth adjusted for currencies and acquisitions. Acquired companies are included in organic growth when they have comparable quarters. For 2018 and previous years, organic growth has been calculated when acquired companies have been a part of the Group for eight quarters.

Organic pro forma growth

Currency-adjusted growth including acquisitions, which are compared with the previous year's pro forma figures.

P/E ratio

Current share price as a percentage of earnings per share.

Return on capital employed

Operating income as a percentage of capital employed.

Return on equity

Net income for the year as a percentage of equity.

BRIDGE BETWEEN OPERATING INCOME AND EBIT

SEK m	2020	2019
Operating income exkluding the new leases standard	**144**	**527**
Effects of new leases standard as of January 1st, 2019	5	5
Operating income	**149**	**533**
Restructuring costs	-48	-2
Amortization of intangible assets identified in connection with business acquisitions	-64	-121
Fair value allocation in connection with acquisitions	0	-1
EBIT	**70**	**408**

BRIDGE BETWEEN OPERATING EBITDA, EBITDA AND EBIT

SEK m	2020	2019
Operating EBITDA exkluding the new leases standard	**305**	**691**
Effects of new leases standard as of January 1. 2019	70	71
Operating EBITDA	**374**	**762**
Restructuring costs	-48	-2
Fair value allocation in connection with acquisitions	0	-1
EBITDA	**359**	**759**
Amortization of intangible assets identified in connection with business acquisitions	-64	-121
Amortization/depreciation included in EBIT	-160	-164
EBIT	**70**	**408**

BRIDGE BETWEEN REPORTED NET SALES, ORGANIC GROWTH AND PRO FORMA GROWTH

SEK m	2020	2019
Reported net sales	**4,501**	**5,547**
Currency effect	65	0
Deductions for acquisitions	-59	0
Net sales for organic growth	**4,508**	**5,547**
Organic growth	**-18.7 %**	
Reported net sales	**4,501**	**5,547**
Currency effect	65	0
Acquisitions net sales pro forma	0	47
Net sales for organic pro forma growth	**4,567**	**5,595**
Organic pro forma growth	**-18.4 %**	

CALENDAR

ANNUAL GENERAL MEETING ON MAY 4, 2021
In light of the ongoing COVID-19 pandemic and in order to reduce the risk of the spread of contagion, the Board has decided that the AGM will be held exclusively using postal voting in line with applicable statutory regulations. As a result, the AGM will be held without the physical attendance of shareholders, proxies or other outsiders, and shareholders can only exercise their voting rights at the AGM via postal voting.

REGISTRATION AND NOTICE OF PARTICIPATION FOR AGM VIA POSTAL VOTING
Those who wish to participate in the AGM must be listed as a shareholder in the share register maintained by Euroclear Sweden AB reflecting circumstances on Monday, April 26, 2021, and must give notice of their participation by submitting their postal vote so that it is received by Duni AB no later than Monday, May 3, 2021.

A special form must be used for postal voting. The form will be available at Duni ABE's website www.duni.se in conjunction with publication of the notice of the AGM. The postal voting form is deemed notice of participation.

NOMINEE SHARES
To be entitled to participate in the AGM, shareholders whose shares are nominee registered must, in addition to giving notice of participation in the AGM by submitting their postal vote, arrange for the shares to be registered in their own name so that the shareholder is listed in the share register as of Monday, April 26, 2021. Such registration may be temporary (voting rights registration) and is requested from the nominee as per the nominee's procedures in such time in advance as the nominee determines. Voting rights registrations made by the nominee by Wednesday, April 28, 2021, will be taken into consideration when preparing the share register.

Further instructions will be provided in the notice of the AGM.

DIVIDEND
The board proposes to the Annual General Meeting that no dividend be paid for the 2020 financial year. The dividend for the 2019 financial year was also canceled due to COVID-19. The board estimates that the Duni Group has a healthy financial position and future competitiveness but that no dividend should be paid due to the market uncertainty in the ongoing pandemic and because net income for the year was SEK 2 m (269), in order to further strengthen the Group's financial position

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

Thomas Gustafsson, Chairman of the Board of Duni AB

Johan Andersson, Mellby Gård Investerings 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 the fees therefore.

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

TIMETABLE FOR FINANCIAL INFORMATION:

Publication dates
April 22, 2021 – January–March 2021 Interim Report

July 15, 2021 – January–June 2021 Interim Report

October 21, 2021 – January–September 2021 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.

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Duni AB (publ) Annual Report 2020
Reg. no 556536-7488

Text, graphic design and production: Bysted AB

DUNI.INPUBLIX.COM/2020


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