



## Interim Report for Duni AB (publ) 1 January – 30 September 2010

(compared with the same period of the previous year)

27 October 2010

### *Stable operating margin*

1 January – 30 September 2010

- Net sales amounted to SEK 2,873 m (3,063). Adjusted for exchange rate changes, net sales decreased by 0.2%.
- Earnings per share for continuing operations amounted, after dilution, to SEK 4.02 (4.36).

1 July – 30 September 2010

- Net sales amounted to SEK 943 m (1,021). Adjusted for exchange rate changes, net sales decreased by 1.9%.
- Earnings per share for continuing operations amounted, after dilution, to SEK 1.54 (2.12).
- The fire at a production plant in June is assessed to have affected total sales in the quarter by just over 3%. Identified costs relating to the disruption in operations have been compensated by anticipated insurance indemnification.

### *Key financials*

	9 months January- September	9 months January- September	3 months July - September	3 months July - September	12 months October- September	12 months January- December
SEK m	2010	2009	2010	2009	09/10	2009
Net sales	2 873	3 063	943	1 021	4 031	4 220
Operating income <sup>1)</sup>	272	269	103	113	439	436
Operating margin <sup>1)</sup>	9.5%	8.8%	11.0%	11.0%	10.9%	10.3%
Income after financial items	255	279	99	134	421	444
Net income <sup>2)</sup>	189	205	72	100	320	336

1) Underlying operating income; for link to reported operating income, see the section entitled "Non-recurring items".

2) With respect to continuing operations.

### *CEO's comments*

"During the third quarter, Duni reached the same EBIT margin of 11% as for the last year despite somewhat lower sales, mainly related to changed exchange rates. Retail showed a continued weak trend and Tissue reported significantly lower sales – compared, however, with an unusually strong quarter last year. The fire which broke out at a production plant in June has negatively affected sales for the quarter: by almost 2% for Professional, approximately 15% for Tissue and only marginally for Retail.

Taking into account the fire Professional achieved an underlying volume growth in the quarter of just over 2%. The big picture is largely the same as in the preceding quarter and industry data signals an improved market trend in general, which will support continued positive volume development.

In principal all planned price increases were carried out during the quarter. This has given support to the gross margin, albeit the full effect will not be reached until the next quarter. It can also be noted that, as

far as Duni is concerned, increasing costs for raw materials and traded goods have had additional impact during the third quarter. From this perspective it is satisfying that we have been able to maintain an operating margin of 11%. We achieved an operating income of SEK 103 m for the quarter, which is at fixed exchange rates at the same level as last year.

Finally, we believe that the recovery will continue on Duni's main markets, a factor which creates conditions for volume growth within Professional. As regards the Retail business area, we anticipate a more stable volume development during the final quarter of the year," says Fredrik von Oelreich, President and CEO, Duni.

### *Net sales amounted to SEK 2,873 m*

Net sales during the period 1 January – 30 September 2010 decreased by SEK 190 m compared with the same period of last year, to SEK 2,873 m (3,063). Adjusted for exchange rate changes, net sales declined marginally by 0.2%. The Professional business area has increased sales with almost 3%, while Retail experienced a continued weak sales trend.

Net sales for the period 1 July – 30 September amounted to SEK 943 m (1,021). Adjusted for exchange rate changes, net sales decreased by 1.9%. Both Retail and Tissue reported weak sales during the quarter. The weak quarter for Tissue is mainly attributable to the fire, but it should also be noted that last year the business area had an exceptionally strong quarter.

Net sales, currency effect SEK m	9 months	9 months	9 months	Change in fixed exchange rates	3 months	3 months	3 months	Change in fixed exchange rates
	January - September 2010	January - September 2010 <sup>1)</sup> recalculated	January - September 2009		July - September 2010	July - September 2010 <sup>1)</sup> recalculated	July - September 2009	
Professional	2 025	2 176	2 119	2.7%	681	730	708	3.0%
Retail	458	492	535	-7.9%	138	148	161	-8.1%
Tissue	390	390	409	-4.7%	124	124	151	-18.3%
<b>Duni</b>	<b>2 873</b>	<b>3 058</b>	<b>3 063</b>	<b>-0.2%</b>	<b>943</b>	<b>1 002</b>	<b>1 021</b>	<b>-1.9%</b>

<sup>1)</sup> Reported net sales for 2010 recalculated at 2009 exchange rates.

### *Operating margin of 9.5 %*

Operating income (EBIT) adjusted for non-recurring items amounted to SEK 272 m (269) for the period 1 January – 30 September 2010. The underlying operating margin for the Group thereby strengthened from 8.8% to 9.5%. Operating income adjusted for exchange rate changes increased by SEK 37 m compared with last year. The gross margin weakened from 26.4% to 25.7%. Income after financial items was SEK 255 m (279). Income after tax was SEK 189 m (205).

Operating income (EBIT) adjusted for non-recurring items for the period 1 July – 30 September was SEK 103 m (113). The gross margin weakened to 26.0% (28.1%). The planned price increases were gradually implemented during the third quarter. Raw materials prices, particularly the price of pulp, stabilized at higher levels, while prices of traded goods have continued upwards. The fire at the production plant in Dalsland, Sweden, had a negative impact on the gross margin. The identified costs have been compensated through business disruption insurance and have been booked as "Other operating income".

Despite the weaker gross margin, the operating margin for the quarter was maintained at 11.0% (11.0%). The implemented price increases together with a lower cost structure as a consequence of the cost saving program are to be considered the main reasons for an unchanged operating margin. Adjusted for exchange rate changes, the operating income is on the same level as last year. Income after financial items was SEK 99 m (134). Income after tax was SEK 72 m (100).

The immediate and forceful measures taken in connection with the fire have effectively mitigated the negative consequences of the event. Negotiations with the insurance company are expected to be completed during the fourth quarter. The assessment remains that the insurance will cover the economic consequences of the disruption in operations, but that it will be necessary for Duni to cover a smaller part of the investment requirements.

Underlying operating income, currency effect	9 months January - September 2010	9 months January - September 2010 <sup>1)</sup> recalculated	9 months January - September 2009	3 months July - September 2010	3 months July - September 2010 <sup>1)</sup> recalculated	3 months July - September 2009
SEK m	2010	recalculated	2009	2010	recalculated	2009
Professional	260	292	265	97	107	104
Retail	-1	2	-8	-1	-1	0
Tissue	13	13	12	7	7	9
<b>Duni</b>	<b>272</b>	<b>306</b>	<b>269</b>	<b>103</b>	<b>113</b>	<b>113</b>

<sup>1)</sup> Underlying operating income for 2010 recalculated at 2009 exchange rates.

### Non-recurring items

Non-recurring items refer to restructuring expenses as well as non-realized valuation effects of derivatives due to the fact that hedge accounting is not applied.

Reported income for the period 1 January – 30 September 2010 is affected by non-realized valuation effects of derivatives in the amount of SEK -5 m (48) and restructuring costs of SEK 0 m (-2). For further information, see Note 4.

Non-recurring items	9 months January - September 2010	9 months January - September 2009	3 months July - September 2010	3 months July - September 2009	12 months October - September 09/10	12 months January - December 2009
SEK m	2010	2009	2010	2009	09/10	2009
<b>Underlying operating income</b>	<b>272</b>	<b>269</b>	<b>103</b>	<b>113</b>	<b>439</b>	<b>436</b>
Unrealized value changes, derivative instruments	-5	48	-1	25	1	54
Restructuring costs	0	-2	0	-1	0	-2
<b>Reported operating income</b>	<b>267</b>	<b>315</b>	<b>102</b>	<b>137</b>	<b>440</b>	<b>488</b>

### Reporting of operating segments

Duni's operations are divided into three segments, referred to as business areas.

The Professional business area (sales to hotels, restaurants and catering companies) accounted for 70% (69%) of Duni's net sales for the period 1 January – 30 September 2010.

The Retail business area (primarily focused on retail trade) accounted for 16% (18%) of net sales during the period.

The Tissue business area (airlaid and tissue-based material for tabletop products and hygiene applications) accounted for 14% (13%) of sales to external customers during the period.

Duni		
Table Top		Tissue 14%
Professional 70%	Retail 16%	



Split between business areas

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

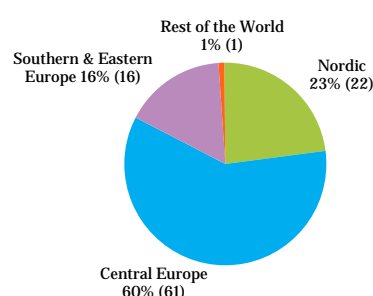
Duni management team, which decides upon the allocation of resources within Duni and evaluates results from the business operations, is the highest executive decision-making body in Duni. Duni controls the business areas on the underlying operating income, after shared costs have been allocated to each business area. For further information, see Note 3.

### Professional business area

Net sales for the period 1 January – 30 September 2010 declined by SEK 94 m, to SEK 2,025 m (2,119). At fixed exchange rates, this represents a sales increase of 2.7%. Most of Professional's markets are displaying stronger demand, a factor which creates conditions for growth.

Operating income declined to SEK 260 m (265) with an increased operating margin of 12.8% (12.5%).

Net sales for the period 1 July – 30 September fell by SEK 27 m, to SEK 681 m (708). At fixed exchange rates this represents a sales increase of 3.0%. The UK is the driving market behind the growth in Central Europe, which at the same time has succeeded in improving its gross margin from the preceding quarter.



Sales - Geographical split, Professional

Operating income declined to SEK 97 m (104) with an operating margin of 14.3% (14.7%). Price increases were gradually carried out during the quarter, which mitigated the negative effects of significant cost increases for input materials.

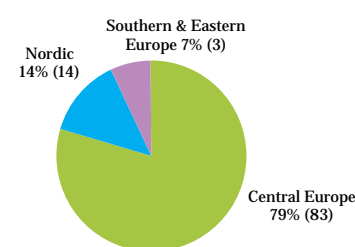
	9 months January- September 2010	9 months January – September 2010 <sup>1)</sup> recalculated	9 months January- September 2009	3 months July - September 2010	3 months July – September 2010 <sup>1)</sup> recalculated	3 months July- September 2009	12 months October- September 09/10	12 months January- December 2009
Net Sales Professional, SEK m								
Nordic region	463	464	461	152	152	153	640	639
Central Europe	1 208	1 326	1 291	412	449	432	1 672	1 755
Southern & Eastern Europe	333	364	349	111	121	119	451	467
Rest of the World	20	22	17	6	7	5	27	24
<b>Total</b>	<b>2 025</b>	<b>2 176</b>	<b>2 119</b>	<b>681</b>	<b>730</b>	<b>708</b>	<b>2 791</b>	<b>2 885</b>

<sup>1)</sup> Reported net sales for 2010 recalculated at 2009 exchange rates.

### Retail business area

Net sales for the period 1 January – 30 September 2010 declined by SEK 77 m, to SEK 458 m (535), representing a sales decrease of 7.9% at fixed exchange rates. The weak sales are due to the discontinuation of unprofitable business, decreased room for in-store activities as well as lower market shares, primarily in the Nordic region.

Operating income increased to SEK -1 m (-8). The operating margin improved to -0.2% (-1.5%). The margin continues to be better than the preceding year despite



Sales - Geographical split, Retail

challenging market conditions. This is thanks to a healthier platform which Retail has created in the recent past and which now constitutes a better base for profitability.

Net sales for the period of 1 July – 30 September were SEK 138 m (161). At fixed exchange rates this represents a sales decrease of 8.1%. Sales continue to be weak in the third quarter, primarily in Germany and the Nordic region where shelf space in some cases have decreased and competition has intensified from private label. Operating income was SEK -1 m (0) and the operating margin was -1.0% (-0.3%).

During the quarter, an important private label customer finally decided to shift the main part of its purchasing to other suppliers. This will gradually affect Retail's sales in 2011, albeit with relatively limited impact on profitability since measures have been taken to offset this through smaller, but more profitable, business.

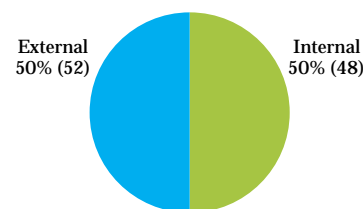
Net Sales – Retail	9 months January- September 2010	9 months January – September 2010 <sup>1)</sup> recalculated	9 months January- September 2009	3 months July - September 2010	3 months July – September 2010 <sup>1)</sup> recalculated	3 months July - September 2009	12 months October- September 09/10	12 months January- December 2009
SEK m								
Nordic region	66	66	77	18	18	22	105	116
Central Europe	363	396	443	108	117	132	563	643
Southern & Eastern Europe	30	31	13	12	13	6	49	32
Rest of the World	0	0	2	0	0	1	0	2
<b>Total</b>	<b>458</b>	<b>492</b>	<b>535</b>	<b>138</b>	<b>148</b>	<b>161</b>	<b>715</b>	<b>792</b>

<sup>1)</sup> Reported net sales for 2010 recalculated at 2009 exchange rates.

## Tissue business area

Net sales for the period 1 January – 30 September 2010 fell by 4.7%, to SEK 390 m (409).

Operating income was SEK 13 m (12). The operating margin strengthened to 3.2% (2.9%). The increasing price of pulp has been regularly offset by price increases, however with a degree of time lag. The fire has led to a large number of activities to mitigate consequences, including necessary market prioritization. The assessment is that Duni's strong customer relations will remain intact.



Sales mix. Tissue

Net sales for the period of 1 July – 30 September were SEK 124 m (151). Operating income was SEK 7 m (9) and the operating margin was 5.8% (5.8%). The investment in a new bio-fuel boiler is now in place and, since August, has contributed to lower operating costs. This is also to be seen as an important element in Duni's ambition to be a leader within environmental work.

## Cash flow

The Group's operating cash flow for the period 1 January – 30 September 2010 amounted to SEK 62 m (360). The level of inventory has normalized this year and follows a more regular seasonal variation which explains the lower cash flow. Inventory is valued at SEK 506 m (448). Accounts receivable have declined by SEK 60 m to SEK 610 m (670).

Cash flow including investment activities amounted to SEK -111 m (268). Duni's net investments amounted to SEK 177 m (81), an increase compared with the preceding year which is explained by the investment in a bio-fuel boiler and purchase of a previously operationally-leased machine at the paper mill in Skåpafors. Depreciation and write-downs for the period amounted to SEK 79 m (76).

The Group's interest-bearing net debt as of 30 September 2010 is SEK 785 m, compared with SEK 870 m as of 30 September 2009 and SEK 631 m as of 31 December 2009. The increase in net debt from the low



level at the end of last year is mainly due to the seasonal increase in operating working capital and the higher level of investment. Net debt has temporarily been negatively affected by the fire in the form of indemnification which has not yet been received from the insurance company.

### *Financial net*

The financial net for the period 1 January – 30 September 2010 was SEK -12 m (-36). External interest expenses are lower than last year thanks to a reduced indebtedness and lower market interest rates. The financial net is affected by positive realized and unrealized changes in value which, for the same period last year, were negative.

### *Taxes*

The total reported tax expense for the period 1 January – 30 September 2010 was SEK 66 m (74), yielding an effective tax rate of 25.9% (26.5%). The tax expense for the year includes adjustments from previous periods of SEK 1.2 m (1.4). The deferred tax asset relating to loss carry-forwards was utilized in the amount of SEK 27 m (16).

### *Earnings per share*

The period's earnings per share for continuing operations before and after dilution amounted to SEK 4.02 (4.36).

### **Duni's share**

As per 30 September 2010 the share capital amounted to SEK 58,748,790 divided into 46,999,032 shares, each with a quotient value of SEK 1.25.

### **Shareholders**

Duni is listed on NASDAQ OMX Stockholm under the ticker name "DUNI". Duni's three largest shareholders, as per 30 September 2010, are Mellby Gård Investering AB (29.99%), Polaris Capital Management, LLC (10.73%) and Swedbank Robur fonder (7.08%).

### *Personnel*

On 30 September 2010 there were 1,924 (1,918) employees. 850 (854) of the employees were engaged in production. Duni's production units are located in Bramsche in Germany, Poznan in Poland, and Bengtsfors in Sweden.

### *Acquisitions*

No acquisitions were carried out during the period.

### *New establishment*

No new establishments were carried out during the period.

### *Risk factors for Duni*

A number of risk factors may affect Duni's operations in terms of both operational and financial risks. Operational risks are normally handled by each operating unit and financial risks are managed by the Group's Treasury department, which is included as a unit within the Parent Company.

### **Operational risks**

Duni is exposed to a number of operational risks which it is important to manage. The development of attractive product ranges, particularly the Christmas collection, is extremely important in order for Duni to achieve good sales and income growth. Duni addresses this issue by constantly developing its range. Approximately 25% of the collection is replaced each year in response to, and to create new, trends. A weaker economy over an extended period of time in Europe might lead to fewer restaurant visits, reduced

consumption at consumer level and increased price competition, which may affect volumes and gross margins.

Control and management of fluctuations in prices of raw materials and energy have a major impact on Duni's competitiveness. Due to the fact that hedge accounting is not applied, Duni has an increased accounting exposure, as unrealized profits or losses related to derivative instruments are accounted for in the income statement.

### **Financial risks**

Duni's finance management and its handling of financial risks are regulated by a finance policy adopted by the Board of Directors. The Group divides its financial risks between currency risks, interest rate risks, credit risks, financing and liquidity risks. These risks are controlled in an overall risk management policy which focuses on unforeseen events on the financial markets and endeavors to minimize potential adverse effects on the Group's financial results. The risks for the Group are in all essential respects also related to the Parent Company. Duni's management of financial risks is described in greater detail in the Annual Report as per 31 December 2009.

Since 2007, Duni's long-term financing has been secured through financing agreements valid until 2012. Duni has no significant changes in contingent liabilities since 31 December 2009.

### *Transactions with related parties*

No transactions with related parties took place during the third quarter of 2010.

### *Major events since 30 September*

No significant events have occurred after the balance sheet date.

### *Interim reports*

Quarter IV      16 February 2011

### *Annual General Meeting 2011*

The Annual General Meeting of Duni AB will be held in Malmö on 5 May 2011 at 3.00 PM CET. For additional information, please see Duni's website.

### *The Parent Company*

Net sales for the period 1 January – 30 September 2010 amounted to SEK 850 m (844). Income after financial items was SEK 217 m (502). The figure for the last year includes extra dividends from subsidiaries.

Net debt amounted to SEK -221 m (46), of which a net asset of SEK 972 m (755) relates to subsidiaries. Other receivables have increased due to increased lending to subsidiaries. Net investments amounted to SEK 16 m (14).

### *Group structure and reporting*

During 2006 and at the beginning of 2007, Duni completed the work of concentrating its operations to its core business, in principle corresponding to the former Duni Europe. In order to facilitate a relevant comparison between the years, only the new Group structure is reported in full and designated in this report as "continuing operations". In December 2008, the provision for capital gains on the sale of Duni Americas was settled and thus Duni will continue to maintain the concept "continuing operations" up to and including the interim report for the period 1 January – 30 September 2010. There is no non-controlling interest in Duni.



# Q3 | 2010

## *Accounting principles*

This interim report has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The Parent Company's financial statements are prepared in accordance with RFR 2.3, Reporting for Legal Entities, and the Swedish Annual Accounts Act. The accounting principles applied are those described in the annual report as per 31 December 2009.

## *Information in the report*

The information is such that Duni is obliged to publish pursuant to the Securities Market Act. The information will be disclosed to the media for publication at 8.00 AM CET on 27 October.

The interim report will be presented on Wednesday, 27 October at 10.00 AM CET at a telephone conference which also can be followed via the web. To participate in the telephone conference, please dial +46 (0)8 5052 0110. To follow the presentation via the web, please visit this link:

<http://events.webeventservices.com/duni/2010/10/27/>

This report has been prepared in both a Swedish and an English version. In the event of any discrepancy between the two, the Swedish version shall apply.

*Malmö, 26 October 2010*

Fredrik von Oelreich, President and CEO

### *Additional information is provided by:*

Fredrik von Oelreich, President and CEO, +46 40 10 62 00

Mats Lindroth, CFO, +46 40 10 62 00

Fredrik Wahrolén, Marketing and Communications Manager, +46 734 19 62 07

Duni AB (publ)

Box 237

201 22 Malmö

Tel.: +46 40 10 62 00

[www.duni.com](http://www.duni.com)

Registration no: 556536-7488





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## *Review Report*

We have reviewed the interim report for the period 1 January 2010 – 30 September 2010 for Duni AB. The Board of Directors and CEO are responsible for the preparation and presentation of this interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö 26 October 2010

PricewaterhouseCoopers AB

Bo Hjalmarsson  
Authorized Public Accountant

## Consolidated Income Statements

SEK m (Note 1)	9 months January - September 2010	9 months January - September 2009	3 months July - September 2010	3 months July - September 2009	12 months October- September 09/10	12 months January- December 2009
<b>Net Sales</b>	<b>2 873</b>	<b>3 063</b>	<b>943</b>	<b>1 021</b>	<b>4 031</b>	<b>4 220</b>
Cost of goods sold	-2 134	-2 254	-698	-734	-2 934	-3 054
<b>Gross profit</b>	<b>739</b>	<b>809</b>	<b>245</b>	<b>287</b>	<b>1 097</b>	<b>1 166</b>
Selling expenses	-328	-354	-99	-109	-456	-482
Administrative expenses	-129	-141	-43	-45	-172	-184
Research and development expenses	-16	-19	-5	-6	-26	-29
Other operating incomes (Note 4)	54	98	15	48	63	107
Other operating expenses (Note 4)	-54	-78	-11	-38	-66	-90
<b>Operating income (Note 3)</b>	<b>267</b>	<b>315</b>	<b>102</b>	<b>137</b>	<b>440</b>	<b>488</b>
Financial income	1	2	0	0	1	2
Financial expenses, etc.	-13	-38	-3	-3	-20	-45
<b>Net financial items</b>	<b>-12</b>	<b>-36</b>	<b>-3</b>	<b>-3</b>	<b>-19</b>	<b>-43</b>
<b>Income after financial items</b>	<b>255</b>	<b>279</b>	<b>99</b>	<b>134</b>	<b>421</b>	<b>444</b>
Income tax	-66	-74	-27	-35	-100	-108
<b>Net Income</b>	<b>189</b>	<b>205</b>	<b>72</b>	<b>100</b>	<b>320</b>	<b>336</b>
<b>Income attributable to:</b>						
Equity holders of the Parent Company	189	205	72	100	320	336
<b>Earnings per share, attributable to equity holders of the Parent Company, SEK</b>						
Before and after dilution	4.02	4.36	1.54	2.12	6.81	7.15
Average number of shares before and after dilution ('000)	46 999	46 999	46 999	46 999	46 999	46 999

## Statement of comprehensive income

SEK m	9 months January - September 2010	9 months January - September 2009	3 months July - September 2010	3 months July - September 2009	12 months October- September 09/10	12 months January- December 2009
<b>Net income of the period</b>	<b>189</b>	<b>205</b>	<b>72</b>	<b>100</b>	<b>320</b>	<b>336</b>
<b>Comprehensive income</b>						
Exchange rate differences - translation of subsidiaries	11	-6	6	8	11	-6
<b>Comprehensive income of the period</b>	<b>11</b>	<b>-6</b>	<b>6</b>	<b>8</b>	<b>11</b>	<b>-6</b>
<b>Sum of comprehensive income of the period</b>	<b>200</b>	<b>199</b>	<b>78</b>	<b>108</b>	<b>331</b>	<b>330</b>
<b>Comprehensive income of the period attributable to:</b>						
Equity holders of the Parent Company	200	199	78	108	331	330

Comprehensive income consists of translation differences with no tax effects.

## Consolidated Quarterly Income Statements in brief

SEK m	2010			2009			2008	
	Jul - Sep	Apr - Jun	Jan - Mar	Oct - Dec	Jul - Sep	Apr - Jun	Jan - Mar	Oct - Dec
<b>Net Sales</b>	<b>943</b>	<b>970</b>	<b>960</b>	<b>1 157</b>	<b>1 021</b>	<b>1 035</b>	<b>1 007</b>	<b>1 145</b>
Cost of goods sold	-698	-724	-712	-800	-734	-766	-755	-848
<b>Gross profit</b>	<b>245</b>	<b>246</b>	<b>248</b>	<b>357</b>	<b>287</b>	<b>269</b>	<b>252</b>	<b>297</b>
Selling expenses	-99	-107	-121	-128	-109	-119	-126	-119
Administrative expenses	-43	-42	-45	-43	-45	-52	-45	-51
Research and development expenses	-5	-5	-6	-10	-6	-6	-6	-6
Other operating incomes	15	16	23	9	48	24	27	14
Other operating expenses	-11	-18	-25	-12	-38	-8	-32	-69
<b>Operating income</b>	<b>102</b>	<b>91</b>	<b>74</b>	<b>173</b>	<b>137</b>	<b>108</b>	<b>70</b>	<b>66</b>
Financial income	0	0	0	0	0	0	1	3
Financial expenses etc.	-3	-2	-8	-7	-3	-14	-21	-30
<b>Net financial items</b>	<b>-3</b>	<b>-1</b>	<b>-8</b>	<b>-7</b>	<b>-3</b>	<b>-14</b>	<b>-20</b>	<b>-27</b>
<b>Income after financial items</b>	<b>99</b>	<b>90</b>	<b>66</b>	<b>166</b>	<b>134</b>	<b>94</b>	<b>50</b>	<b>39</b>
Income tax	-27	-24	-15	-35	-35	-26	-13	-3
<b>Net income, continuing operations</b>	<b>72</b>	<b>66</b>	<b>51</b>	<b>131</b>	<b>100</b>	<b>68</b>	<b>37</b>	<b>36</b>
<b>Net income, discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>Net Income</b>	<b>72</b>	<b>66</b>	<b>51</b>	<b>131</b>	<b>100</b>	<b>68</b>	<b>37</b>	<b>42</b>

## Consolidated Balance Sheets in brief

SEK m	30 September 2010	31 December 2009	30 September 2009
<b>ASSETS</b>			
Goodwill	1 199	1 199	1 199
Other intangible fixed assets	41	29	32
Tangible fixed assets	562	510	490
Financial fixed assets	301	336	348
<b>Total fixed assets</b>	<b>2 103</b>	<b>2 074</b>	<b>2 069</b>
Inventories	506	382	448
Accounts receivable	610	640	670
Other operating receivables	208	163	154
Cash and cash equivalents	84	230	153
<b>Total current assets</b>	<b>1 407</b>	<b>1 415</b>	<b>1 425</b>
<b>TOTAL ASSETS</b>	<b>3 510</b>	<b>3 489</b>	<b>3 494</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>1 872</b>	<b>1 789</b>	<b>1 658</b>
Long-term loans	695	682	840
Other long-term liabilities	207	216	225
<b>Total long-term liabilities</b>	<b>902</b>	<b>898</b>	<b>1 065</b>
Accounts payable	270	344	285
Other short-term liabilities	466	458	486
<b>Total short-term liabilities</b>	<b>736</b>	<b>802</b>	<b>771</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3 510</b>	<b>3 489</b>	<b>3 494</b>

## Change in the Group's shareholders' equity

SEK m	Attributable to equity holders of the parent company					TOTAL EQUITY
	Share capital	Other injected capital	Reserves	Fair value reserve <sup>1)</sup>	Loss carried forward incl. net income for the period	
<b>Opening balance 1 January 2009</b>	<b>59</b>	<b>1 681</b>	<b>42</b>	<b>13</b>	<b>-251</b>	<b>1 544</b>
Sum of comprehensive income of the period	-	-	-6	-	205	199
Dividend paid to shareholders	-	-	-	-	-85	-85
<b>Closing balance 30 September 2009</b>	<b>59</b>	<b>1 681</b>	<b>36</b>	<b>13</b>	<b>-131</b>	<b>1 658</b>
Sum of comprehensive income of the period	-	-	0	-	131	131
<b>Closing balance 31 December 2009</b>	<b>59</b>	<b>1 681</b>	<b>36</b>	<b>13</b>	<b>0</b>	<b>1 789</b>
Sum of comprehensive income of the period	-	-	11	-	189	200
Dividend paid to shareholders	-	-	-	-	-117	-117
<b>Closing balance 30 September 2010</b>	<b>59</b>	<b>1 681</b>	<b>47</b>	<b>13</b>	<b>72</b>	<b>1 872</b>

<sup>1)</sup> 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	1 January- 30 September 2010	1 January- 30 September 2009
<b>Current operation</b>		
Operating income	267	315
Adjustment for items not included in cash flow etc	84	-4
Paid interest and tax	-37	-84
Change in working capital	-252	133
<b>Cash flow from operations</b>	<b>62</b>	<b>360</b>
<b>Investments</b>		
Acquisition of fixed assets	-181	-81
Sales of fixed assets	3	0
Change in interest-bearing receivables	4	-11
<b>Cash flow from investments</b>	<b>-173</b>	<b>-92</b>
<b>Financing</b>		
Taken up loans <sup>1)</sup>	136	1 365
Amortization of debt <sup>1)</sup>	-102	-1 600
Dividend paid	-117	-85
Change in borrowing	53	-41
<b>Cash flow from financing</b>	<b>-30</b>	<b>-361</b>
<b>Cash flow from the period</b>	<b>-142</b>	<b>-93</b>
Liquid funds, opening balance	230	249
Exchange difference, cash and cash equivalents	-4	-3
<b>Cash and cash equivalents, closing balance</b>	<b>84</b>	<b>153</b>

<sup>1)</sup> Loans and amortizations, within the credit facility, are reported gross for duration above 3 months according to IAS 7.



## Key ratios in brief

	1 January- 30 September 2010	1 January- 30 September 2009
Net Sales, SEK m	2 873	3 063
Gross Profit, SEK m	739	809
EBIT <sup>1)</sup> , SEK m	272	269
EBITDA <sup>1)</sup> , SEK m	351	346
Net debt	785	870
Number of Employees	1 924	1 918
Sales growth	-6.2%	3.7%
Gross margin	25.7%	26.4%
EBIT <sup>1)</sup> margin	9.5%	8.8%
EBITDA <sup>1)</sup> margin	12.2%	11.3%
Return on capital employed <sup>1)</sup>	18.6%	18.9%
Net debt/equity ratio	41.9%	52.5%
Net debt/EBITDA <sup>1)</sup>	1.44	1.69

<sup>1)</sup> Calculated based on underlying operating income.

## Parent Company Income Statements in brief

SEK m	(Note 1)	9 months January- September 2010	9 months January - September 2009	3 months July - September 2010	3 months July- September 2009
<b>Net Sales</b>		<b>850</b>	<b>844</b>	<b>289</b>	<b>286</b>
Cost of goods sold		-750	-767	-251	-262
<b>Gross profit</b>		<b>100</b>	<b>77</b>	<b>38</b>	<b>24</b>
Selling expenses		-84	-82	-22	-25
Administrative expenses		-94	-104	-32	-34
Research and development expenses		-9	-9	-2	-3
Other operating incomes		185	255	56	114
Other operating expenses		-151	-173	-45	-70
<b>Operating income</b>		<b>-52</b>	<b>-36</b>	<b>-8</b>	<b>6</b>
Revenue from participations in Group Companies		251	547	10	0
Other interest revenue and similar income		16	24	6	6
Interest expenses and similar expenses		3	-34	-5	-17
<b>Net financial items</b>		<b>270</b>	<b>538</b>	<b>11</b>	<b>-10</b>
<b>Income after financial items</b>		<b>217</b>	<b>502</b>	<b>3</b>	<b>-4</b>
Taxes on income for the period		-11	-8	-5	-5
<b>Net income for the period</b>		<b>206</b>	<b>494</b>	<b>-2</b>	<b>-10</b>

## Parent Company Balance Sheets in Brief

SEK m	30 September 2010	31 December 2009	30 September 2009
<b>ASSETS</b>			
Goodwill	624	699	724
Other intangible fixed assets	41	29	32
<b>Total intangible fixed assets</b>	<b>665</b>	<b>728</b>	<b>756</b>
Tangible fixed assets	57	67	60
Financial fixed assets	1 041	1 070	1 082
<b>Total fixed assets</b>	<b>1 763</b>	<b>1 865</b>	<b>1 898</b>
Inventories	123	86	111
Accounts receivable	104	104	120
Other operating receivables	1 126	843	1 005
Cash and bank	31	179	111
<b>Total current assets</b>	<b>1 384</b>	<b>1 212</b>	<b>1 347</b>
<b>TOTAL ASSETS</b>	<b>3 147</b>	<b>3 077</b>	<b>3 245</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Total restricted shareholders equity	83	83	83
Total unrestricted shareholders equity	1 990	1 868	1 861
<b>Shareholders' equity<sup>1)</sup></b>	<b>2 073</b>	<b>1 951</b>	<b>1 944</b>
<b>Provisions</b>	<b>110</b>	<b>113</b>	<b>114</b>
Long-term financial liabilities	628	668	813
<b>Total long-term liabilities</b>	<b>628</b>	<b>668</b>	<b>813</b>
Accounts payable	41	73	52
Other short-term liabilities	295	272	322
<b>Total short-term liabilities</b>	<b>336</b>	<b>345</b>	<b>374</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>3 147</b>	<b>3 077</b>	<b>3 245</b>

<sup>1)</sup> Shareholders' equity also includes Group contributions received from Rexcell Tissue & Airlaid AB.

## Definitions

**Cost of goods sold:** Cost of goods sold including production and logistic costs.

**Gross margin:** Gross profit as a percentage of net sales.

**EBIT:** Operating income.

**EBIT margin:** EBIT as a percentage of net sales.

**EBITA:** Operating income adjusted for impairment of fixed assets.

**EBITA margin:** EBITA as a percentage of net sales.

**EBITDA:** Operating income before depreciation and impairment of fixed assets.

**EBITDA margin:** EBITDA as a percentage of net sales.

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

**Return on capital employed:** Operating income as a percentage of capital employed.

**Return on shareholders' equity:** Net income as a percentage of shareholders' equity.

**Number of employees:** The number of employees at end of period.

**Currency adjusted:** Figures adjusted for changes in exchange rates. Figures for 2010 are calculated at exchange rates for 2009.

**Earnings per share:** Net income divided by the average number of shares.

**Net Interest-bearing debt:** Interest-bearing liabilities and pensions less cash and cash equivalents and interest-bearing receivables.

**HoReCa:** Abbreviation for hotels, restaurants and catering.

**Private label:** Products marketed under customer's own label.

## Notes

### *Note 1 • Accounting and valuation principles*

Since January 1, 2005, Duni applies International Financial Reporting Standards (IFRS) as adopted by the European Union. For transition effects see notes 45 and 46 in the Annual Report of 30 June 2007.

This interim report has been prepared in accordance with IAS 34, Interim Reporting. The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and with the related reference to Chapter 9 of the Annual Accounts Act. The parent company's financial statements are prepared in accordance with RFR 2.3, Reporting for Legal Entities, and the Annual Accounts Act. The accounting principles are the same as in the Annual Report as per 31 December 2009.

### *Note 2 • Divested business*

The American businesses, Duni Corporation and Duni Supply Corporation, were sold in August 2006. Final capital gains from the sale were adjusted by SEK 6 m in December 2008 and amounted in total to SEK 131 m.

### *Note 3 • Segment reporting, SEK m*

January - September

<b>2010-01-01 – 2010-09-30</b>	<b>Professional</b>	<b>Retail</b>	<b>Tissue</b>	<b>Group's Total</b>
Total net sales	2 025	458	787	<b>3 270</b>
Net sales from other segments	-	-	397	<b>397</b>
<b>Net sales from external customers</b>	<b>2 025</b>	<b>458</b>	<b>390</b>	<b>2 873</b>
<b>Underlying operating income</b>	<b>260</b>	<b>-1</b>	<b>13</b>	<b>272</b>
Non-recurring items	-	-	-	<b>-5</b>
<b>Operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>267</b>
Net financial items	-	-	-	<b>-12</b>
Income after financial items	-	-	-	<b>255</b>

<b>2009-01-01 – 2009-09-30</b>	<b>Professional</b>	<b>Retail</b>	<b>Tissue</b>	<b>Group's Total</b>
Total net sales	2 119	535	782	<b>3 436</b>
Net sales from other segments	-	-	373	<b>373</b>
<b>Net sales from external customers</b>	<b>2 119</b>	<b>535</b>	<b>409</b>	<b>3 063</b>
<b>Underlying operating income</b>	<b>265</b>	<b>-8</b>	<b>12</b>	<b>269</b>
Non-recurring items	-	-	-	<b>46</b>
<b>Operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>315</b>
Net financial items	-	-	-	<b>-36</b>
Income after financial items	-	-	-	<b>279</b>

## July - September

<b>2010-07-01 – 2010-09-30</b>	<b>Professional</b>	<b>Retail</b>	<b>Tissue</b>	<b>Group's Total</b>
Total net sales	681	138	264	<b>1 083</b>
Net sales from other segments	-	-	140	<b>140</b>
<b>Net sales from external customers</b>	<b>681</b>	<b>138</b>	<b>124</b>	<b>943</b>
<b>Underlying operating income</b>	<b>97</b>	<b>-1</b>	<b>7</b>	<b>103</b>
Non-recurring items	-	-	-	<b>-1</b>
<b>Operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102</b>
Net financial items	-	-	-	<b>-3</b>
Income after financial items	-	-	-	<b>99</b>

<b>2009-07-01 – 2009-09-30</b>	<b>Professional</b>	<b>Retail</b>	<b>Tissue</b>	<b>Group's Total</b>
Total net sales	708	161	288	<b>1 158</b>
Net sales from other segments	-	-	136	<b>136</b>
<b>Net sales from external customers</b>	<b>708</b>	<b>161</b>	<b>151</b>	<b>1 021</b>
<b>Underlying operating income</b>	<b>104</b>	<b>0</b>	<b>9</b>	<b>113</b>
Non-recurring items	-	-	-	<b>24</b>
<b>Operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137</b>
Net financial items	-	-	-	<b>-3</b>
Income after financial items	-	-	-	<b>134</b>

The increase in investments compared with the preceding year relates primarily to the Tissue business area. In other respects, no significant changes have taken place in the assets of the segments compared with the annual report as per 31 December 2009.



## Note 4 • Non-recurring items

Duni considers restructuring cost and unrealized valuation effects on derivative instruments, due to non-application of hedge accounting, as non-recurring items. Presented below is a specification of the lines on which these items are included in the consolidated income statement.

Derivative instruments SEK m	9 months January- September 2010	9 months January- September 2009	3 months July - September 2010	3 months July - September 2009	12 months October - September 09/10	12 months January - December 2009
Other operating income	1	48	-1	20	10	57
Other operating expenses	-6	0	0	6	-9	-3
<b>Total</b>	<b>-5</b>	<b>48</b>	<b>-1</b>	<b>25</b>	<b>1</b>	<b>54</b>

Restructuring cost SEK m	9 months January- September 2010	9 months January- September 2009	3 months July - September 2010	3 months July - September 2009	12 months October - September 09/10	12 months January- December 2009
Cost of goods sold	0	-2	0	-1	1	-1
Selling expenses	-	-	-	-	-1	-1
<b>Total</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>-2</b>