14 July 2017

Q2 Presentation 2017

Duni

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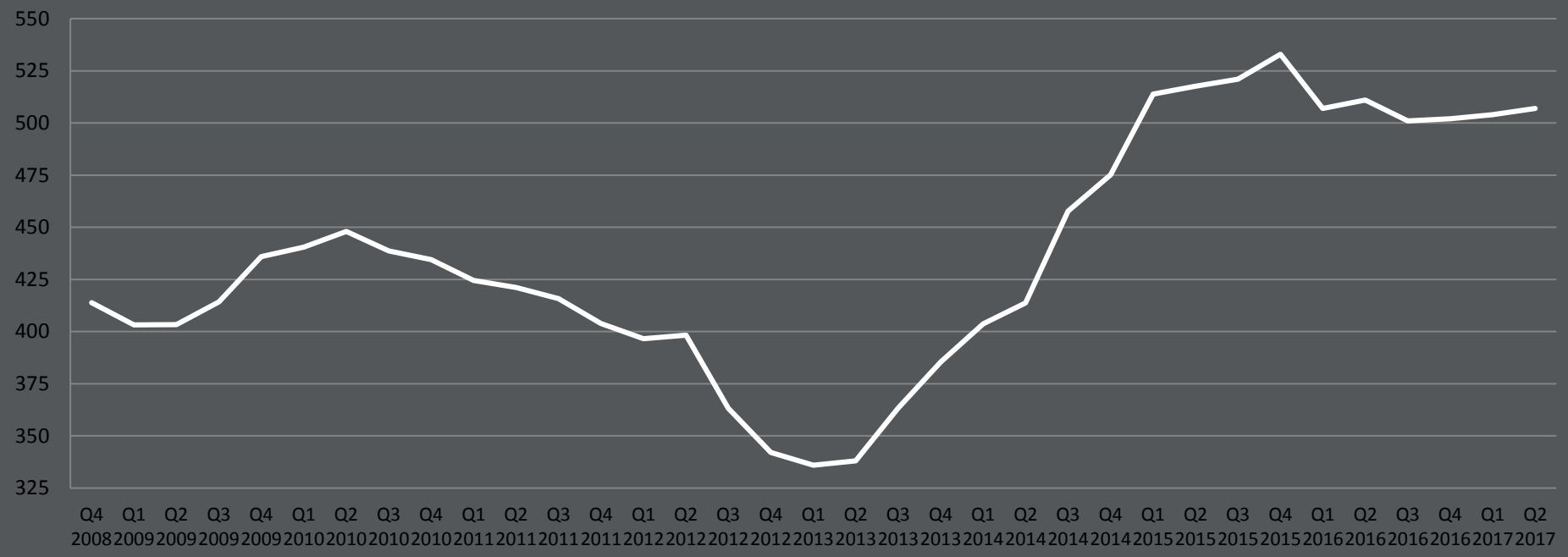
2017 Q2 Highlights

- Quarter 2 continued the momentum from the end of first quarter; second quarter with historically high operating income.
- Duni strengthening its presence in Asia & Oceania region through acquisition of Sharp Serviettes in New Zealand.
- Improvement particularly in Table Top, including Germany.
- Growth in premium napkins and take-away solutions like boxes.
- Although continuously increasing raw material cost, operating income improved vs. previous year.
- Price increases started to take effect in second quarter and will be completed with few exceptions in quarter 3.

- Net sales SEK 1 101 m (1 013)
- Operating income SEK 110 m (108)
- Operating margin 10.0% (10.6%)

LTM operating income development



Includes discontinued operations

Market Outlook

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Market Outlook

- HoReCa market long-term growing in line with or slightly above GDP.
  - Duni LTM sales on almost 2% growth which is close to the forecasted average weighted real GDP growth for Europe 2017.
  - Consumer confidence on highest level since August 2007. This together with low interest rates are important fundamentals for improved purchase power and HoReCa development.
  - Germany restaurant sector (Gastronomie) still on low growth levels, but with signs of improvement.
- Improvement in FX rates from previous quarters, but GBP still burdens.
  - Improvement due to stronger EUR vs. other currencies including USD. British Pound still weak, but at present levels close to levels of second half of 2016.
  - Plastic prices continue to put pressure on gross margin.
  - Pulp price with increasing trend during last 12 months.

Business Areas

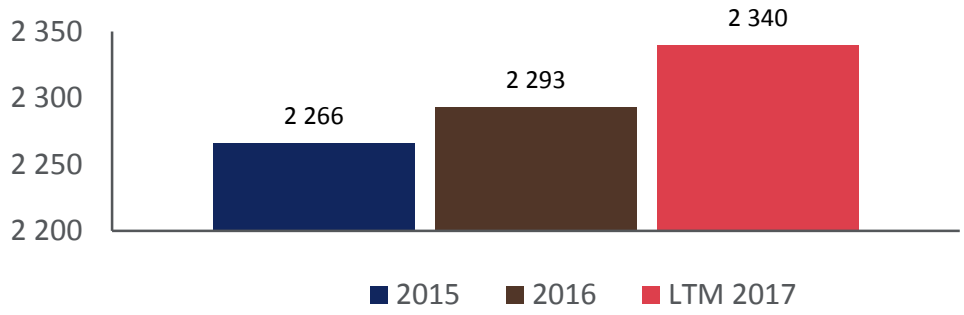
Table Top

Profit strengthened due to improved volumes

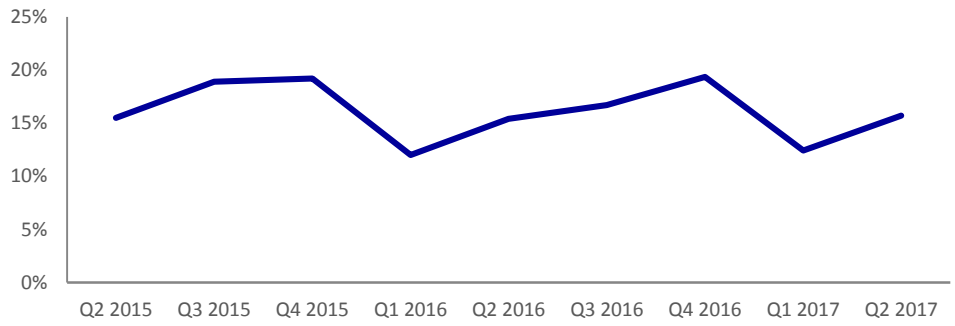
Table Top

SALES & OPERATING MARGIN [1)]

NET SALES, SEK m



OPERATING MARGIN, %



[1)] Operating margin adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.

Q2, 2017

- Solid growth in Table Top; almost all markets with positive trend.
- Growth from more successful campaigns, particularly in Germany.
- Profile printed premium napkins with strong growth momentum. Premium candles had a relatively strong performance.
- Improved market situation with positive absorption effects explaining the positive result vs. previous year.
- Logistics cost flattening out, while increased pulp cost remains a challenge on margins.

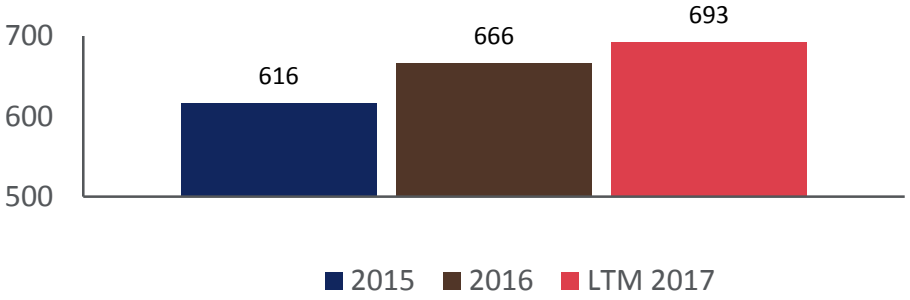
Meal Service

Remains as growth driver for the Group

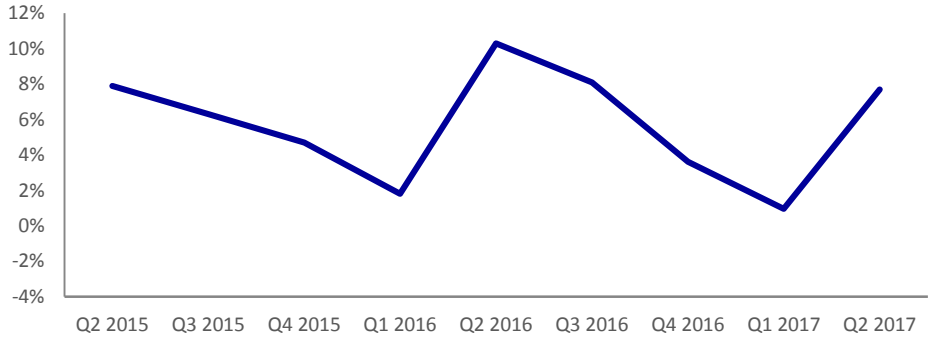
Meal Service

SALES & OPERATING MARGIN [1)]

NET SALES, SEK m



OPERATING MARGIN, %



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Q2, 2017

- Environmentally adapted solutions continue to increase its share of sales and with acceleration in growth.
- Commodities are under harsh price pressure and volumes down in the quarter.
- Quarter 2 negatively influenced by historically high plastic prices.
- Price increases will be completed in third quarter and only marginally offsetting higher costs in second quarter.

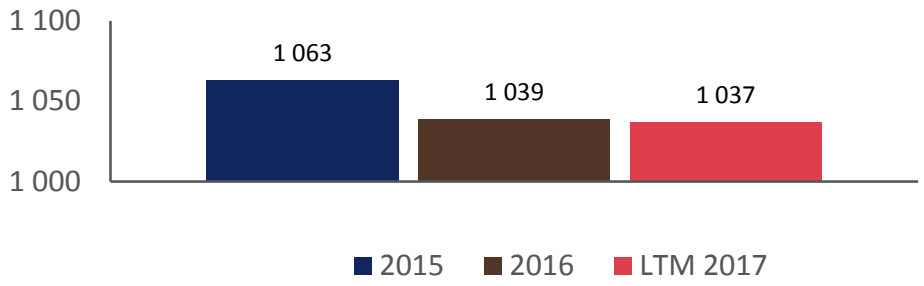
Consumer

Mixed outcome in seasonally weak quarter

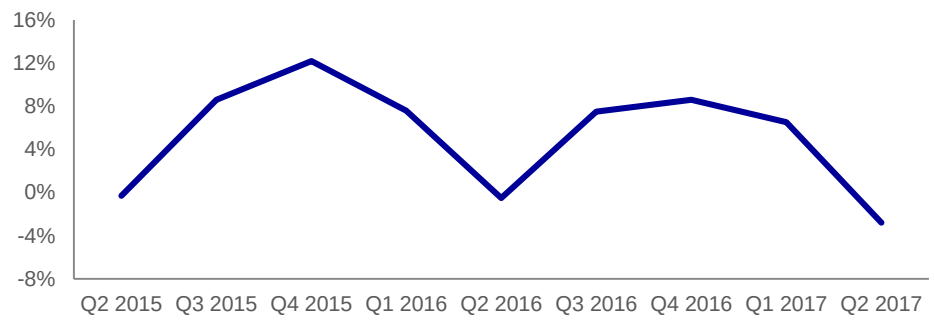
Consumer

SALES & OPERATING MARGIN [1)]

NET SALES, SEK m



OPERATING MARGIN, %



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Q2, 2017

- Summer collection received well, but generally lower activity levels on campaigns.
- Higher raw material costs and headwind on FX rates puts pressure on result.
- Focus to reduce complexity and increase competiveness going forward.

New Markets

Acquisition of Sharp Serviettes in New Zealand

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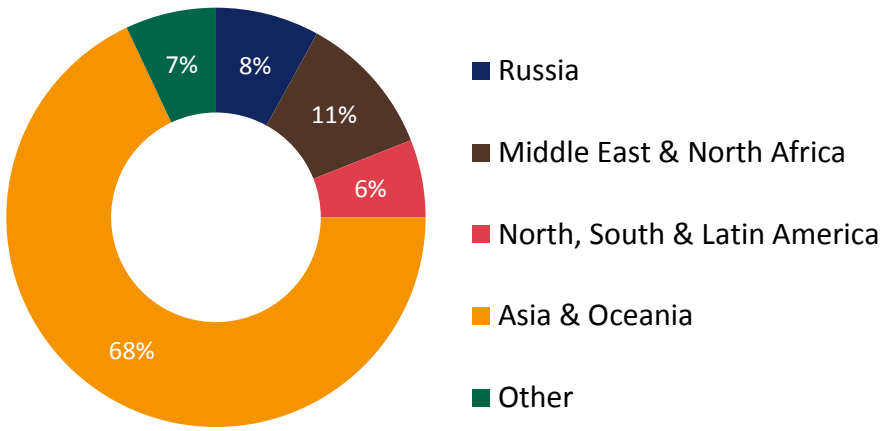
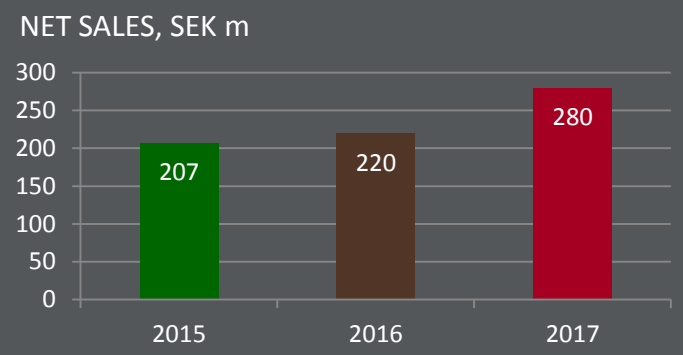
New Markets

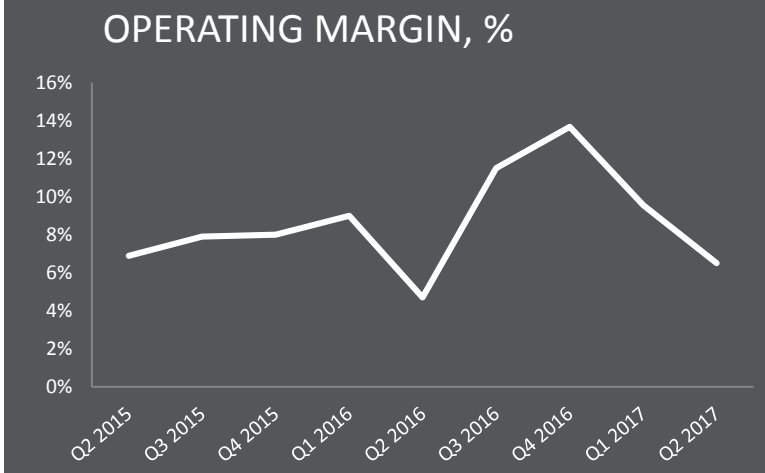
- Growth in all regions with exception for Middle East.
- Strengthened presence in Asia & Oceania region through acquisition of leading napkins manufacturer in New Zealand.
- Investment in New Markets with temporary higher costs.



Net sales, geographical split

SALES & OPERATING MARGIN [1)]





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Financials

Improved operating income

SEK m	Q2 2017	Q2 2016	YTD 2017	YTD 2016	LTM 2016/ 2017	FY 2016
Net sales	1 101	1 013	2 106	1 973	4 404	4 271
Gross profit	302	285	587	558	1 261	1 231
Gross margin	27.4%	28.2%	27.9%	28.3%	28.7%	28.8%
Selling expenses	-128	-115	-258	-241	-499	-483
Administrative expenses	-66	-61	-127	-118	-254	-245
R & D expenses	-2	-2	-4	-4	-8	-8
Other operating net	-4	-6	-15	-14	-34	-33
EBIT	**102**	**101**	**183**	**181**	**466**	**463**
Adjustments	-8	-7	-16	-13	-41	-38
Operating income [1)]	**110**	**108**	**199**	**194**	**507**	**502**
Operating margin	10.0%	10.6%	9.4%	9.8%	11.5%	11.8%
Financial net	-4	-7	-7	-14	-15	-22
Taxes	-25	-21	-45	-41	-111	-107
Net income	73	72	132	127	339	334
Earnings per share	1.54	1.54	2.75	2.69	7.12	7.06

[1)] Operating income adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.

Strong quarter in Table Top

SEK m		Q2 2017	Q2 2016	YTD 2017	YTD 2016	LTM 2016/ 2017	FY 2016
Table Top	Net Sales	605	566	1 116	1 069	2 340	2 293
	Operating income [1)]	95	87	158	148	380	369
	Operating margin	15.7%	15.4%	14.1%	13.8%	16.2%	16.1%
Meal Service	Net Sales	194	180	356	328	693	666
	Operating income [1)]	15	19	16	21	36	41
	Operating margin	7.7%	10.3%	4.6%	6.5%	5.2%	6.1%
Consumer	Net Sales	211	213	458	461	1 037	1 039
	Operating income [1)]	-6	-1	11	18	57	65
	Operating margin	-2.8%	-0.5%	2.4%	3.9%	5.5%	6.2%
New Markets	Net Sales	78	42	148	88	280	220
	Operating income [1)]	5	2	12	6	29	23
	Operating margin	6.5%	4.7%	7.9%	7.0%	10.2%	10.4%
Other	Net Sales	14	13	28	26	54	52
	Operating income [1)]	1	1	2	1	5	4
Duni total	**Net Sales**	**1 101**	**1 013**	**2 106**	**1 973**	**4 404**	**4 271**
	Operating income [1)]	**110**	**108**	**199**	**194**	**507**	**502**
	Operating margin	**10.0%**	**10.6%**	**9.4%**	**9.8%**	**11.5%**	**11.8%**

[1)] Operating income adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.

Improved cash flow in Q2

SEK m	Q2 2017	Q2 2016	YTD 2017	YTD 2016	LTM 2016/ 2017	FY 2016
EBITDA[1)]	**145**	**139**	**268**	**257**	**643**	**632**
Capital expenditure	**-34**	**-51**	**-122**	**-84**	**-217**	**-176**
Change in; Inventory	18	14	-56	-20	-54	-18
Accounts receivable	-54	-61	-27	-11	-58	-42
Accounts payable	21	-14	-27	-67	48	9
Other operating working capital	24	14	-4	-18	34	20
Change in working capital	**8**	**-47**	**-114**	**-116**	**-30**	**-32**
Operating cash flow	**119**	**41**	**32**	**57**	**396**	**424**

[1)] Operating income adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.

Strong balance sheet

SEK m	June 2017	December 2016	June 2016
Goodwill	1 613	1 577	1 466
Tangible and intangible fixed assets	1 333	1 255	1 161
Net financial assets [1]	-72	-72	-32
Inventories	619	548	531
Accounts receivable	767	730	680
Accounts payable	-348	-373	-290
Other operating assets and liabilities [3]	-423	-422	-386
Net assets	**3 490**	**3 243**	**3 128**
Net debt	1 109	757	920
Equity	2 381	2 486	2 280
Equity and net debt	**3 490**	**3 243**	**3 128**
ROCE [2]	15%	16%	17%
ROCE [2] w/o Goodwill	28%	31%	32%
Net debt / Equity	47%	31%	42%
Net debt / EBITDA [2]	1.73	1.20	1.44

[1] Deferred tax assets and liabilities + Income tax receivables and payables.
[2] Operating income adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs. Calculated based on the last twelve months.
[3] Including restructuring provision and derivatives.

Sales growth

> 5%

Organic growth of 5% over a business cycle

Consider acquisitions to reach new markets or to strengthen current market positions

LTM

1.7%

at fixed exchange rates, excluding hygiene business[1)]

Operating margin

> 10%

Top line growth – premium focus

Improvements in manufacturing, sourcing and logistics

LTM

11.5%

Dividend payout ratio

40+%

Target at least 40% of net profit

2016

5.00 SEK per share

Thank you!