9 February 2018

Q4 Presentation 2017

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2017 Q4 Highlights

- **Operating income on par** with previous year despite record high pulp prices.
- **Financial position continues to be strong**, though net debt higher than previous year driven by acquisitions and capacity investments.
- We have initiated **price compensation** activities that will gradually have effect during second quarter 2018.
- After a weak third quarter**, Meal Service is now back to growth** levels seen in the beginning of the year.
- **Consumer strengthens the operating income** explained by cost reductions and efficiency improvements in production.
- **New Markets experienced solid growth**, but profit burdened by market investments and strengthening of the organization.

- Net sales SEK 1 254 m (1 234)
- Operating income SEK 169 m (171)
- Operating margin 13.5% (13.9%)

Market Outlook

- **HoReCa market long-term growing** in line with or slightly above GDP.
- **Consumer confidence continue to increase** and reach all time high levels, driven by strong improvement in unemployment expectations.
- **Improvement in FX rates** from previous quarters, but CHF and GBP still burdens.
- **Raw material increase.** Some key materials like pulp and bagasse (environmentally conscious material) have increased sharply during fourth quarter.

Business Areas

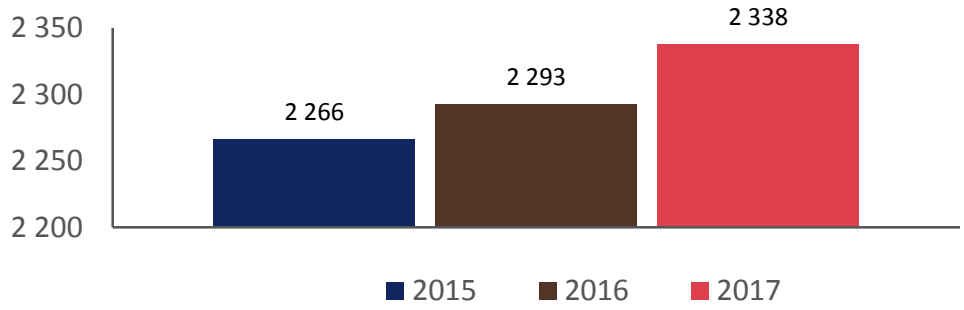
Table Top

Gross margin affected by record high pulp prices.

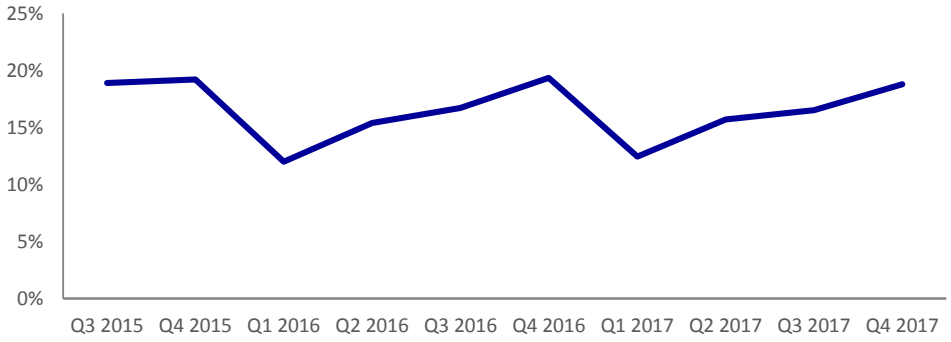
Table Top

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.

Q4, 2017

- Stable development for the majority of the markets.
- Airlaid napkins (premium) continue to drive growth as well as some candles and accessories.
- Benelux and Nordic with positive development while parts of Central Europe fell behind.
- Logistic capacity and increased customer demands resulted in higher share of logistic costs.
- Additional price increases planned for 2018 in order to mitigate effects from higher pulp prices.

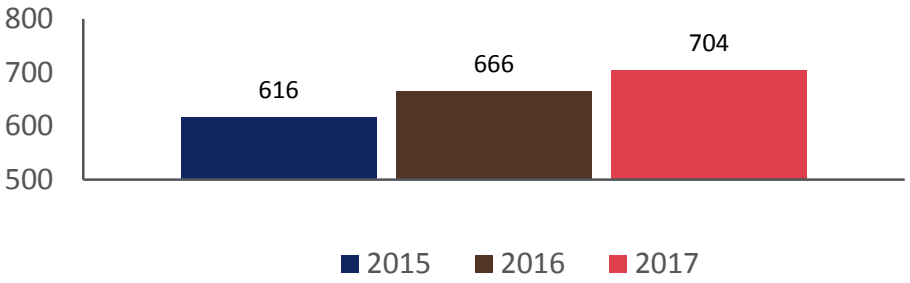
Meal Service

Regained momentum after weak quarter 3.

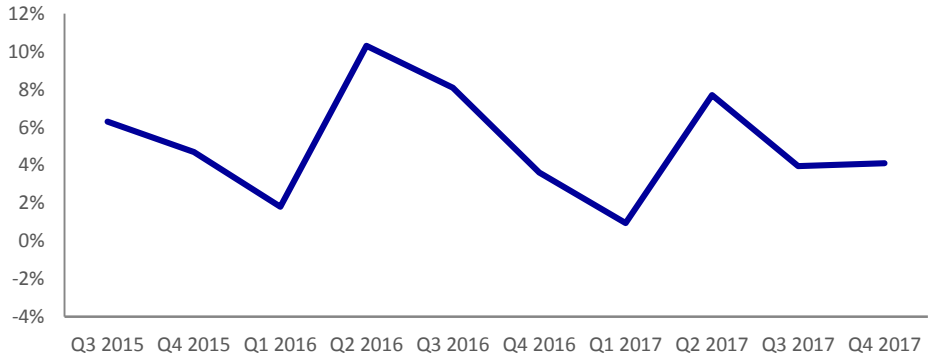
Meal Service

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.

Q4, 2017

- Meal Service with growth levels seen in the beginning of the year (~5%).
- Gross margin recovered from previous quarter.
- Plastic prices remains on high levels although down from peak levels in the first half year.
- Prices for bagasse, which is a key sustainable material, have increased by 30% in fourth quarter due to capacity constraints in Asia.

Duni acquires Biopac UK Ltd

biopac®
packaging with principles

- Acquisition for **growth**.
- Leading supplier of **sustainable disposable packaging** for food and beverages in the UK.
- Specialized in customized food take-away packaging and service products created with sustainable materials.
- Consolidated into Business Area Meal Service.
- Annual turnover of SEK 55 m with an operating margin well in line with the Meal Service business area.

Duni

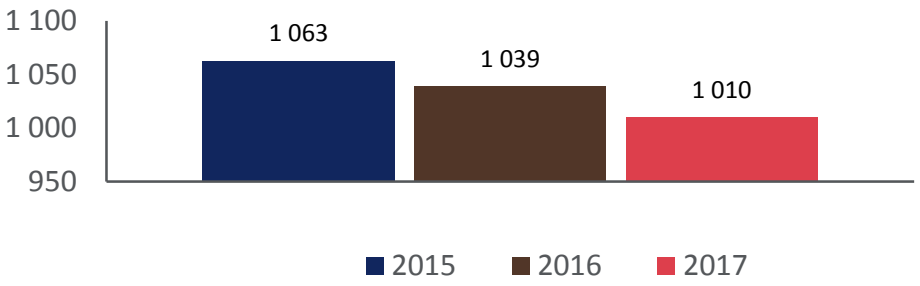
Consumer

Strengthened result although sales decline.

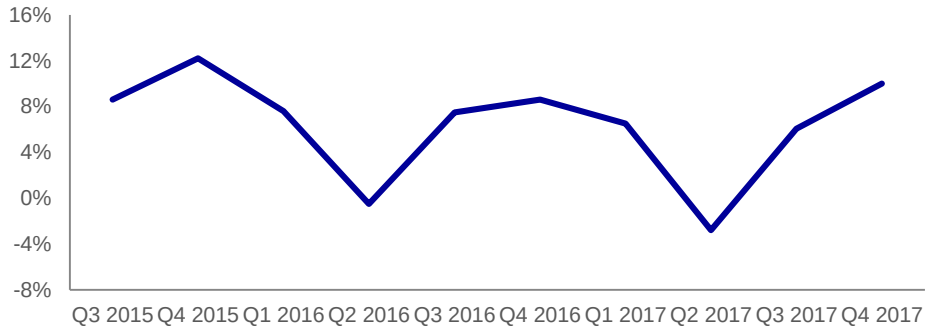
Consumer

SALES & OPERATING MARGIN [1)]

NET SALES, SEK m



OPERATING MARGIN, %



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Q4, 2017

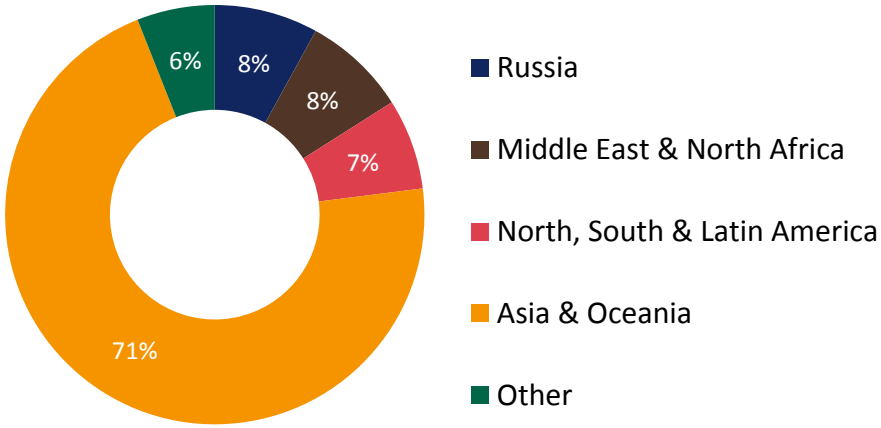
- Sales down in the quarter, but mainly derived from a few customers.
- Positive mix effects, both as regards products and market development, resulted in improved gross margin.
- Low indirect cost and high efficiency in production plants explain improved result.
- Christmas assortment well received in almost all markets.

New Markets

Asia and Oceania region increases its share.

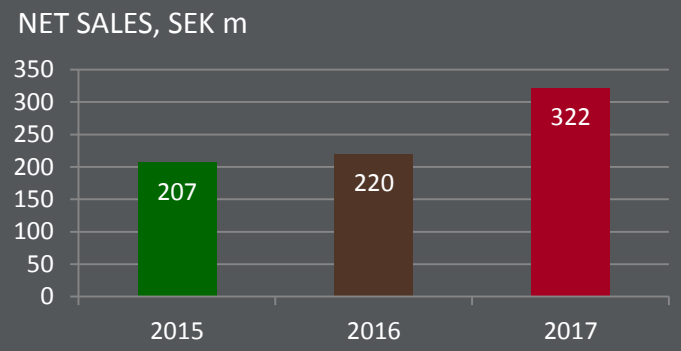
New Markets

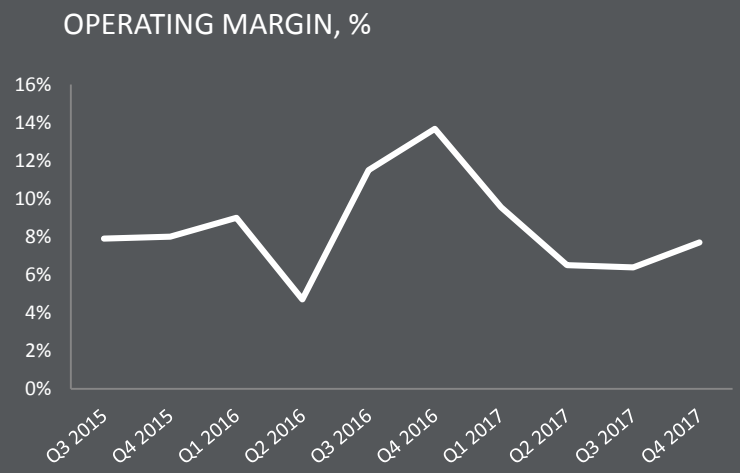
- In general positive development in all regions outside Europe, but Asia/Pacific and South America main explanation for growth.
- Continuous market investment and focus on strengthening organization in order to accelerate growth of Duni premium products and consolidate customer offering.



Net sales, geographical split

SALES & OPERATING MARGIN [1)]





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

Financials

Record Q4 Net income

SEK m	Q4 2017	Q4 2016	FY 2017	FY 2016
Net sales	1 254	1 234	4 441	4 271
Gross profit	373	360	1 264	1 231
Gross margin	29.8%	29.2%	28.5%	28.8%
Selling expenses	-129	-129	-505	-483
Administrative expenses	-72	-67	-261	-245
R & D expenses	-2	-2	-8	-8
Other operating net	-10	-9	-35	-33
EBIT	**159**	**153**	**456**	**463**
Adjustments	-10	-18	-35	-38
Operating income [1)]	**169**	**171**	**491**	**502**
Operating margin	13.5%	13.9%	11.1%	11.8%
Financial net	-5	-5	-17	-22
Taxes	-33	-34	-106	-107
Net income	121	113	334	334
Earnings per share	2.55	2.41	6.99	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 improvement in Consumer

SEK m		Q4 2017	Q4 2016	FY 2017	FY 2016
Table Top	Net Sales	641	645	2 338	2 293
	Operating income [1)]	121	125	375	369
	Operating margin	18.8%	19.4%	16.0%	16.1%
Meal Service	Net Sales	179	171	704	666
	Operating income [1)]	7	6	31	41
	Operating margin	4.1%	3.6%	4.4%	6.1%
Consumer	Net Sales	317	331	1 010	1 039
	Operating income [1)]	32	28	57	65
	Operating margin	10.0%	8.6%	5.6%	6.2%
New Markets	Net Sales	96	73	322	220
	Operating income [1)]	7	10	24	23
	Operating margin	7.7%	13.7%	7.4%	10.4%
Other	Net Sales	21	14	67	52
	Operating income [1)]	2	1	5	4
Duni total	**Net Sales**	**1 254**	**1 234**	**4 441**	**4 271**
	Operating income [1)]	**169**	**171**	**491**	**502**
	Operating margin	**13.5%**	**13.9%**	**11.1%**	**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.

High capex

SEK m	Q4 2017	Q4 2016	FY 2017	FY 2016
EBITDA[1)]	**205**	**206**	**630**	**632**
Capital expenditure	**-66**	**-63**	**-234**	**-176**
Change in; Inventory	37	51	-57	-18
Accounts receivable	-8	-11	-49	-42
Accounts payable	81	49	56	9
Other operating working capital	-21	-16	2	20
Change in working capital	**89**	**73**	**-48**	**-32**
Operating cash flow	**228**	**216**	**348**	**424**

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

Financial position

SEK m	December 2017	December 2016
Goodwill	1 617	1 577
Tangible and intangible fixed assets	1 374	1 255
Net financial assets [1]	-107	-72
Inventories	627	548
Accounts receivable	798	730
Accounts payable	-428	-373
Other operating assets and liabilities [3]	-433	-422
Net assets	**3 449**	**3 243**
Net debt	855	757
Equity	2 294	2 486
Equity and net debt	**3 449**	**3 243**
ROCE [2]	14%	16%
ROCE [2] w/o Goodwill	28%	31%
Net debt / Equity	33%	31%
Net debt / EBITDA [2]	1.36	1.20

[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

2017

0.9%

at fixed exchange rates, excluding hygiene business

Operating margin

> 10%

Top line growth – premium focus

Improvements in manufacturing, sourcing and logistics

2017

11.1%

Dividend payout ratio

40+%

Target at least 40% of net profit

2017

5.00 SEK per share

Proposal AGM 2018


Thank you!
Duni