



# Q3 Presentation 2011

26 October, 2011



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# 2011 Q3 Highlights

- Net sales declined by 2,8% to SEK 917 m (943) <sup>1)</sup>
- Underlying operating income amounted to SEK 98 m (103) <sup>1) 2)</sup>
- Underlying operating margin amounted to 10.7% (11,0%) <sup>1) 2)</sup>
- **Stable development within Professional**
  - South & East growing parallel with stability in mature markets.
  - Price increases to compensate for high raw material costs gradually implemented.
- **Seasonally weak quarter for Retail**
  - Fully impact from the phase out of a major private label customer.
  - Maintaining or improving market shares in weak grocery retail environment.
- **Strong third quarter for Tissue, mainly derived from improved productivity and capacity utilization**

<sup>1)</sup> Excluding translation effect: net sales SEK 928 m, underlying operating income SEK 97 m with underlying operating margin 10,4%

<sup>2)</sup> Excluding market valuation of derivatives SEK 0 m (-1) and restructuring costs of SEK 0 m (0)





# Market Outlook

- HORECA market long-term growing in line or slightly above GDP
  - Positive eating out trend.
  - Higher growth in take-away sector.
- Retail growth in line with GDP over time
  - Continuous weak retail markets in Western Europe, albeit improving compared to last year.
  - Even though private-label over-represented in category, competitive pressure remains fierce.
- Shift in economic growth perspectives and consumer confidence due to debt and Euro crisis
  - Consumer's confidence starts to weaken.
  - HORECA market statistics still positive but distributors somewhat more cautious.
- Production input material as well as traded goods remain on historical high levels
  - Some signs that peak have been reached.
  - Price increases to customers gradually implemented with full effect in fourth quarter.



# HORECA Sales Development, Germany (Q2 2011)



ZAHLENSPIEGEL  
II/2011

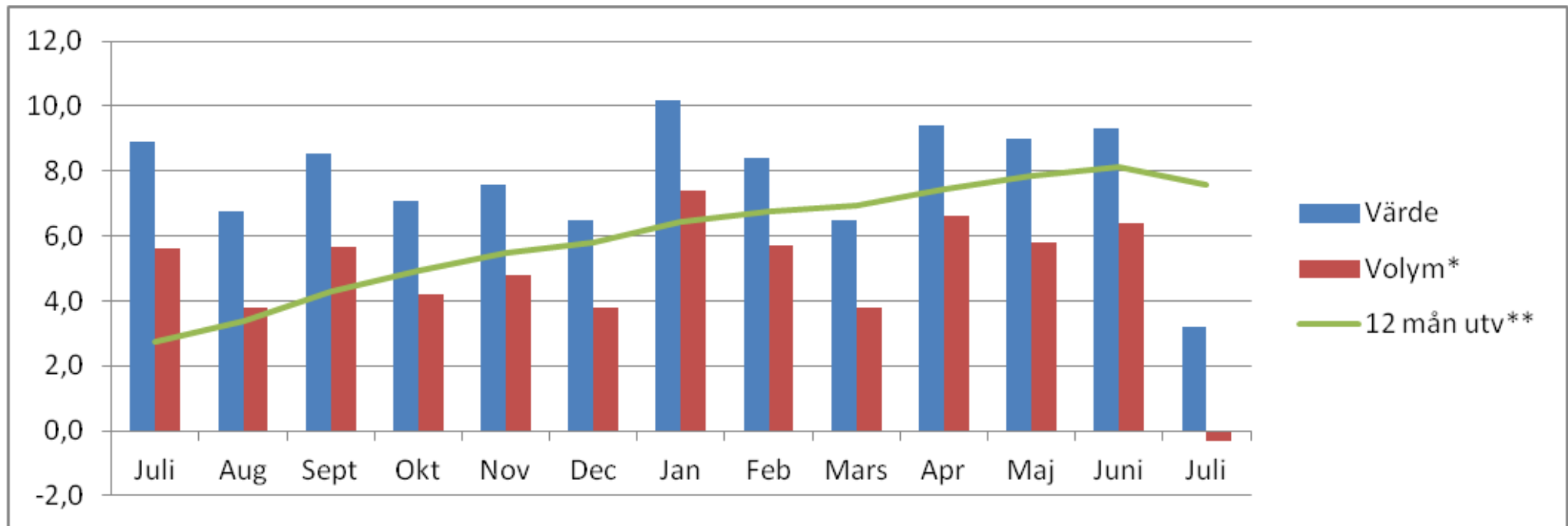
DEUTSCHER HOTEL- UND GASTSTÄTTENVERBAND (DEHOGA BUNDESVERBAND)

## Umsatzentwicklung im Gastgewerbe 2. Quartal 2011 und 1. Halbjahr 2011 (Veränderungen gegenüber Vorjahreszeitraum)

Betriebsart	2. Quartal 2011		1. Halbjahr 2011	
	nominal	real	nominal	real
Hotellerie (Hotels, Hotels garnis, Gasthöfe, Pensionen)	4,7%	4,0%	4,8%	4,2%
<b>Beherbergungsgewerbe insgesamt</b>	<b>4,4%</b>	<b>3,7%</b>	<b>4,5%</b>	<b>3,7%</b>
Speisengeprägte Gastronomie	4,0%	2,6%	4,2%	2,8%
Getränkegeprägte Gastronomie	1,1%	0,3%	1,9%	1,0%
<b>Gaststättengewerbe insgesamt</b>	<b>3,7%</b>	<b>2,2%</b>	<b>4,0%</b>	<b>2,6%</b>
Event-Caterer	0,1%	k.A.	2,0%	k.A.
Erbringung sonstiger Verpflegungsdienstleistungen	2,8%	k.A.	2,7%	k.A.
<b>Caterer und sonstige Verpflegungsdienstleistungen</b>	<b>2,5%</b>	<b>1,1%</b>	<b>2,7%</b>	<b>1,2%</b>
<b>Gastgewerbe insgesamt</b>	<b>3,8%</b>	<b>2,6%</b>	<b>4,0%</b>	<b>2,9%</b>

HoReCa total →

# Restaurant Sales Development, Sweden (July 2010 – July 2011)



□ -0,3% in volume in July and +3,2% in value.

□ +4,8% in volume YTD and +7,8% in value



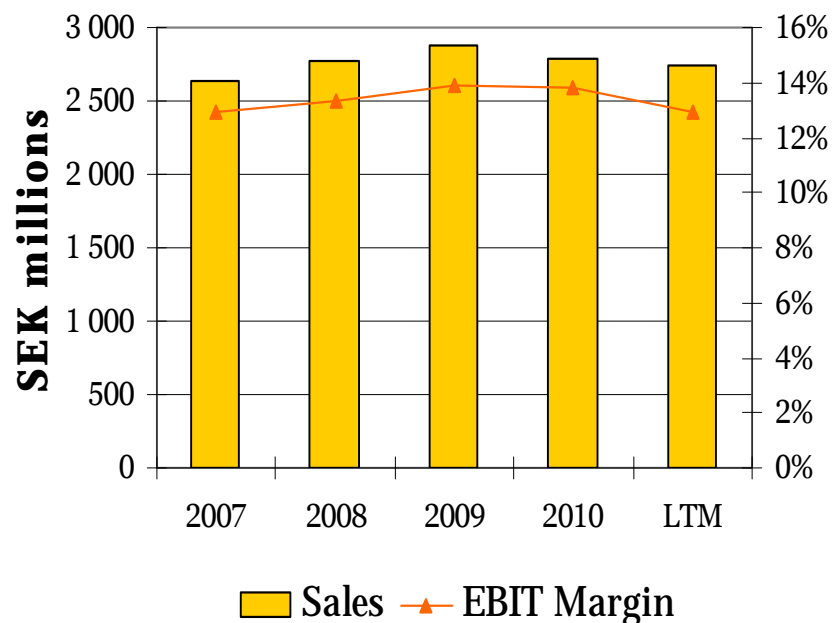


# Business Areas



# Professional – Stability

*Sales and EBIT<sup>1</sup>*



*Geographical split – sales Q3 2011*

Net sales Professional	Q3 2011	Q3 2010	Growth	Growth at fixed exchange rates
Nordic	152	152	0.0%	0.0%
Central Europe	417	412	1.2%	2.9%
South & East Europe	119	111	7.2%	9.9%
Rest of the World	8	6	33.3%	33.3%
<b>TOTAL</b>	<b>696</b>	<b>681</b>	<b>2.2%</b>	<b>3.7%</b>

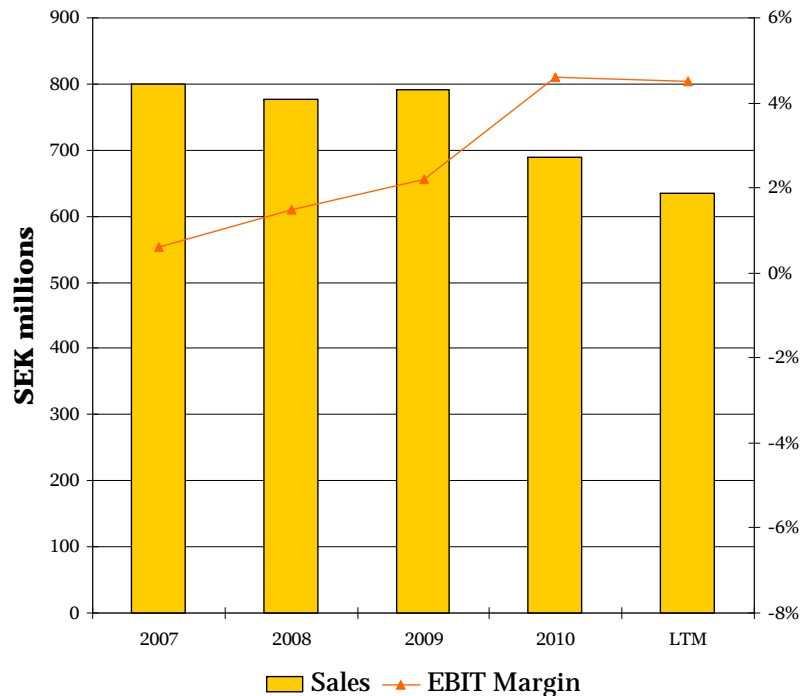
- EBIT margin burdened by sales and marketing investments.
- Price increases implemented with full effect from Q4.

1) Excluding non-recurring costs and market valuation of derivatives



# Retail – Seasonally weak quarter

*Sales and EBIT<sup>1</sup>*



*Geographical split – sales Q3 2011*

Net sales Retail	Q3 2011	Q3 2010	Growth	Growth at fixed exchange rates
Nordic	16	18	-11.1%	-11.1%
Central Europe	90	108	-16.7%	-15.7%
South & East Europe	4	12	-66.7%	-66.7%
Rest of the World	0	0	0.0%	0.0%
<b>TOTAL</b>	<b>110</b>	<b>138</b>	<b>-20.3%</b>	<b>-19.6%</b>

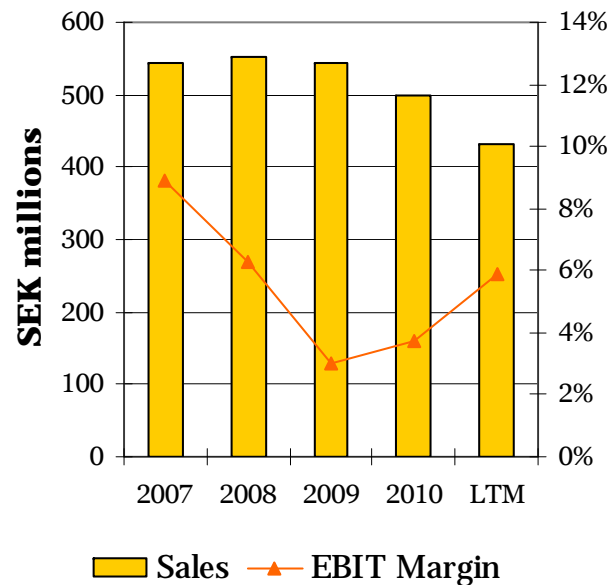
- Full impact from phase out of major private label customer across most regions.

1) Excluding non-recurring costs and market valuation of derivatives

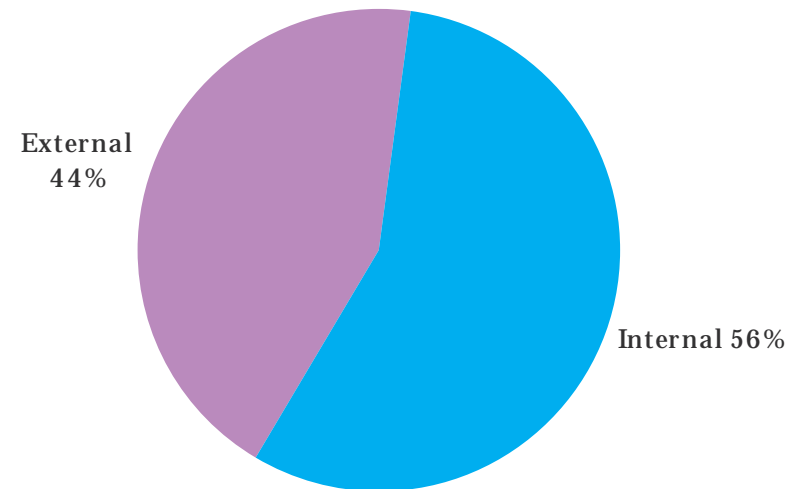


# Tissue – Improved production efficiency

*Sales and EBIT*



*Sales mix Q3 2011*



- Balance between internal and external volumes enables more stable capacity utilization.
- Successful work with continues improvement.



# Financials





# Income Statement

<i>SEKm</i>	Q3 2011	Q3 2010	YTD 2011	YTD 2010	LTM	FY 2010
Net sales	917	943	2 744	2 873	3 842	3 971
Gross profit	248	245	716	739	1 028	1 052
Gross margin	27.1%	26.0%	26.1%	25.7%	26.8%	26.5%
Selling expenses	-105	-99	-332	-328	-439	-434
Administrative expenses	-43	-43	-128	-129	-173	-174
R&D expenses	-7	-5	-21	-16	-29	-25
Other operating net	4	4	9	0	26	17
<b>Operating income (reported)</b>	<b>98</b>	<b>102</b>	<b>244</b>	<b>267</b>	<b>413</b>	<b>436</b>
Non-recurring items <sup>1)</sup>	0	-1	-9	-5	-2	1
<b>Operating income (underlying)</b>	<b>98</b>	<b>103</b>	<b>253</b>	<b>272</b>	<b>416</b>	<b>435</b>
Operating margin (underlying)	10.7%	11.0%	9.2%	9.5%	10.8%	10.9%
Financial net	-8	-3	-20	-12	-26	-18
Taxes	-26	-27	-61	-66	-107	-112
Net income	63	72	163	189	280	306
Earnings per share	1.34	1.54	3.46	4.02	5.96	6.52

1) Restructuring costs and market valuation of derivatives



# Improved Efficiency in Tissue

<i>SEKm</i>		Q3 2011	Q3 2010	YTD 2011	YTD 2010	LTM	FY 2010
<i>Professional</i>	Net sales	696	681	2 016	2 025	2 774	2 783
	Operating income <sup>1)</sup>	93	97	237	260	361	384
	Operating margin	13.3%	14.3%	11.7%	12.8%	13.0%	13.8%
<i>Retail</i>	Net sales	110	138	403	458	634	689
	Operating income <sup>1)</sup>	-5	-1	-3	-1	29	32
	Operating margin	-4.4%	-1.0%	-0.8%	-0.2%	4.6%	4.6%
<i>Tissue</i>	Net sales	111	124	324	390	433	499
	Operating income <sup>1)</sup>	10	7	20	13	26	18
	Operating margin	9.2%	5.8%	6.1%	3.2%	5.9%	3.7%
<b><i>Duni</i></b>	<b>Net sales</b>	<b>917</b>	<b>943</b>	<b>2 744</b>	<b>2 873</b>	<b>3 842</b>	<b>3 971</b>
	<b>Operating income<sup>1)</sup></b>	<b>98</b>	<b>103</b>	<b>253</b>	<b>272</b>	<b>416</b>	<b>435</b>
	<b>Operating margin</b>	<b>10.7%</b>	<b>11.0%</b>	<b>9.2%</b>	<b>9.5%</b>	<b>10.8%</b>	<b>10.9%</b>

1) Excluding non-recurring cost and market valuation of derivatives



# Improved Cash Flow driven by Working Capital Reduction

<i>SEKm</i>	Q3 2011	Q3 2010	YTD 2011	YTD 2010	LTM	FY 2010
<b>EBITDA<sup>1)</sup></b>	<b>125</b>	<b>130</b>	<b>333</b>	<b>351</b>	<b>520</b>	<b>537</b>
<b>Capital expenditure</b>	<b>-58</b>	<b>-45</b>	<b>-177</b>	<b>-178</b>	<b>-236</b>	<b>-236</b>
<i>Change in;</i>						
Inventory	-66	-66	-92	-150	-25	-83
Accounts receivable	38	17	-23	-41	-57	-74
Accounts payable	4	-1	-4	-41	45	7
Other operating working capital	26	-24	46	-20	40	-26
<b>Change in working capital</b>	<b>3</b>	<b>-74</b>	<b>-74</b>	<b>-252</b>	<b>3</b>	<b>-175</b>
<b>Operating cash flow</b>	<b>70</b>	<b>11</b>	<b>83</b>	<b>-79</b>	<b>287</b>	<b>126</b>

1) Excluding non-recurring costs and market valuation of derivatives





# Financial Position Remains Solid

<i>SEKm</i>	Q3 2011	Q3 2010	FY 2010
Goodwill	1 199	1 199	1 199
Tangible and intangible fixed assets	728	603	632
Net financial assets <sup>1)</sup>	241	290	253
Inventories	534	506	437
Accounts receivable	670	610	634
Accounts payable	-315	-270	-315
Other operating assets and liabilities <sup>3)</sup>	-323	-278	-266
<b>Net assets</b>	<b>2 734</b>	<b>2 658</b>	<b>2 573</b>
Net debt	755	785	582
Equity	1 979	1 872	1 991
<b>Equity and net debt</b>	<b>2 734</b>	<b>2 658</b>	<b>2 573</b>
ROCE <sup>2)</sup>	17%	19%	19%
ROCE <sup>2)</sup> w/o Goodwill	32%	38%	40%
Net debt / Equity	38%	42%	29%
Net debt / EBITDA <sup>2)</sup>	1.5	1.4	1.1

1) Deferred tax assets and liabilities + Income tax receivables and payables

2) Excluding non-recurring costs and market valuation of derivatives

3) Including restructuring provision and derivatives

# Financial Targets

**2011-09  
LTM**

Sales growth > 5%

- Organic growth of 5% over a business cycle
- Consider acquisitions to reach new markets or to strengthen current market positions

0%  
(at fixed  
exchange rates)

EBIT margin > 10%

- Top line growth – premium focus
- Improvements in manufacturing, sourcing and logistics

10.8%

Dividend payout  
ratio 40+%

- Target at least 40% of net profit

3:50 SEK  
per share  
(2010)

