

# Q4 2009 Presentation



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- Market overview
- Business areas
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- Summary



# 2009 Q4 Highlights

- Net sales increased with 1.0% to SEK 1,157 m
- Underlying operating income<sup>1</sup> amounted to SEK 167 m (145)
- Underlying operating margin<sup>1</sup> amounted to 14.4% (12.7%)
- Strong cash flow and net debt reduction to SEK 631 m
- Strong quarter with increased operating income in Professional
  - Modestly positive volume development, driven by the Central region
  - Lower cost of goods sold, cost savings and product mix supporting margins
- Volumes declined 3% in Retail, but operating margin continues to improve
  - Better customer and product mix coupled with lower costs
- Positive volume trend in Tissue vs H1 continuing in Q4. Pulp and energy prices rising.



<sup>1</sup> Excluding market valuation of derivatives SEK 6 m (-39) and restructuring costs 0 m (-41)  
Excluding translation effect: net sales SEK 1.147 m, underlying operating income SEK 159 m  
with underlying operating income 13.9%

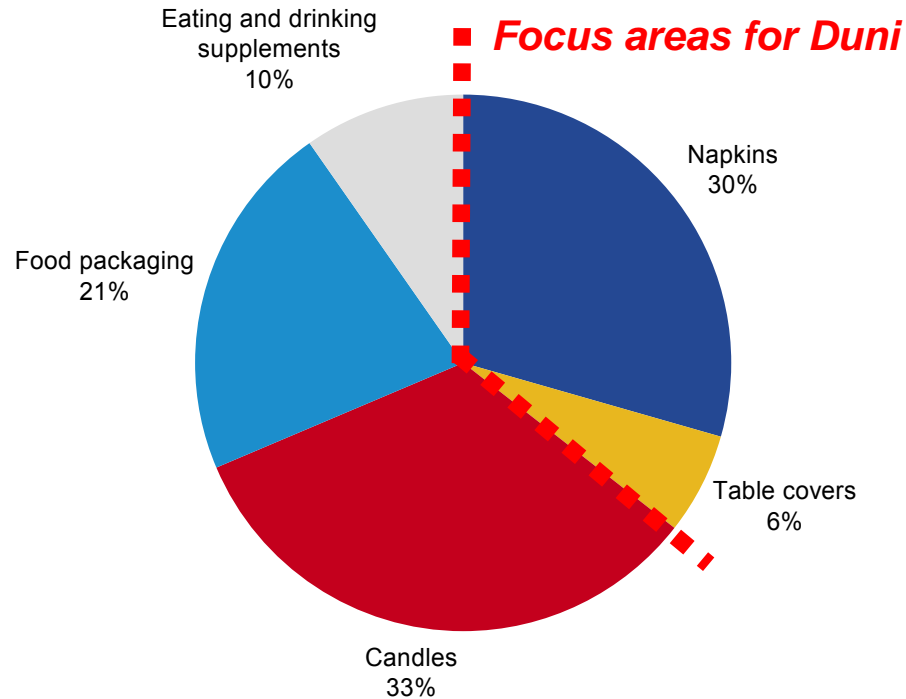
# Duni in Brief



(MSEK)	Professional	Retail	Tissue	Group full year 2009
<b>Sales</b>	2 885	792	543	<b>4 220</b>
<b>Sales share</b>	68%	19%	13%	<b>100%</b>
<b>EBIT (underlying)</b>	402	18	16	<b>436</b>
<b>EBIT share</b>	92%	4%	4%	<b>100%</b>
<b>EBIT Margin</b>	13.9%	2.2%	3.0%	<b>10.3%</b>

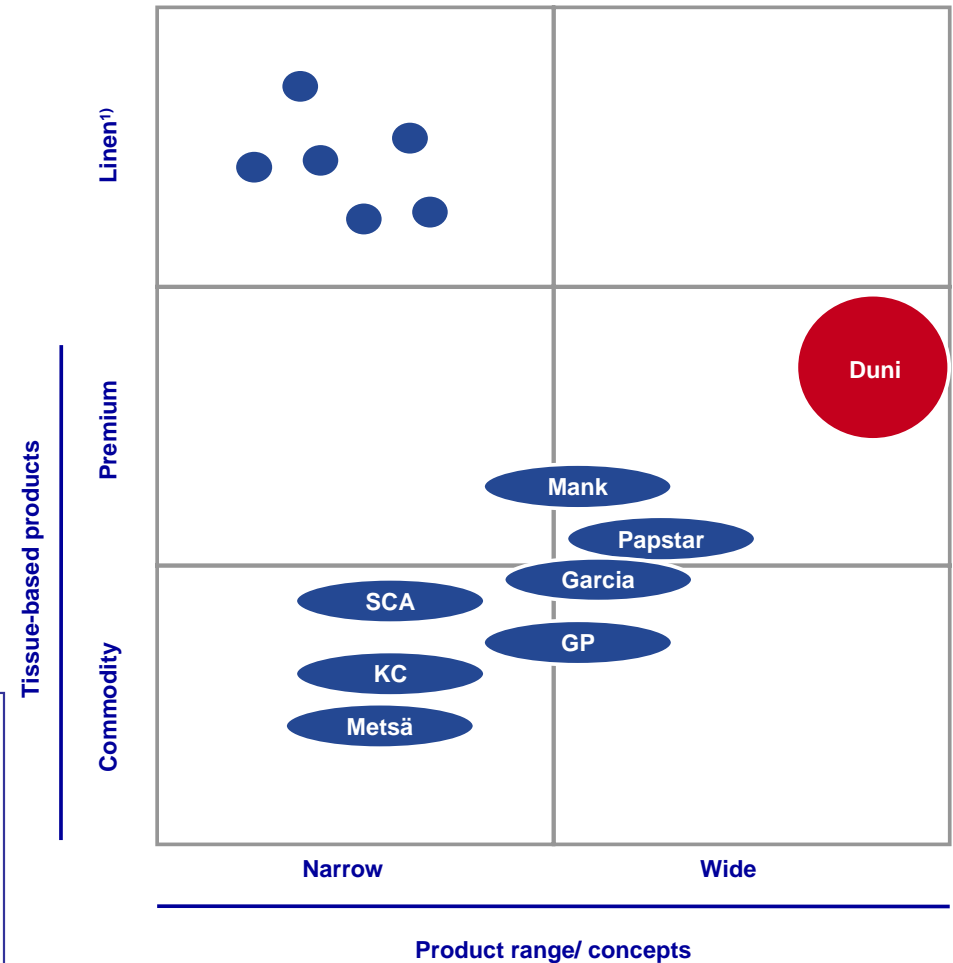
# European Market Leader in Table Top

## European Disposable Table Top Market



- Addressable market of EUR 4 bn
- ~2/3 of market is in the professional customer segment
- Market leader with 20 % share (tissue products)

## Premium Positioning



# Strong Market Position

Market (by size in value)	Premium Share of Market	Duni Position
1) Southern Europe	1/3	3
2) Central Europe	2/3	1
3) The UK	1/3	2
4) Northern Europe	2/3	1
5) Benelux	2/3	1
6) Eastern Europe	1/3	3



# Market Outlook - Slow Recovery

HORECA market long term growing in line or slightly above GDP

- Positive eating out trend
- Continued strong growth in take-away sector

Retail growth in line with GDP

- Private label over-represented in our category
- Discount stores and private label more in focus in a weaker economy

Stabilized, but continued weak macro economic environment

- European countries coming out of recession but demand remains low
- Slow recovery expected

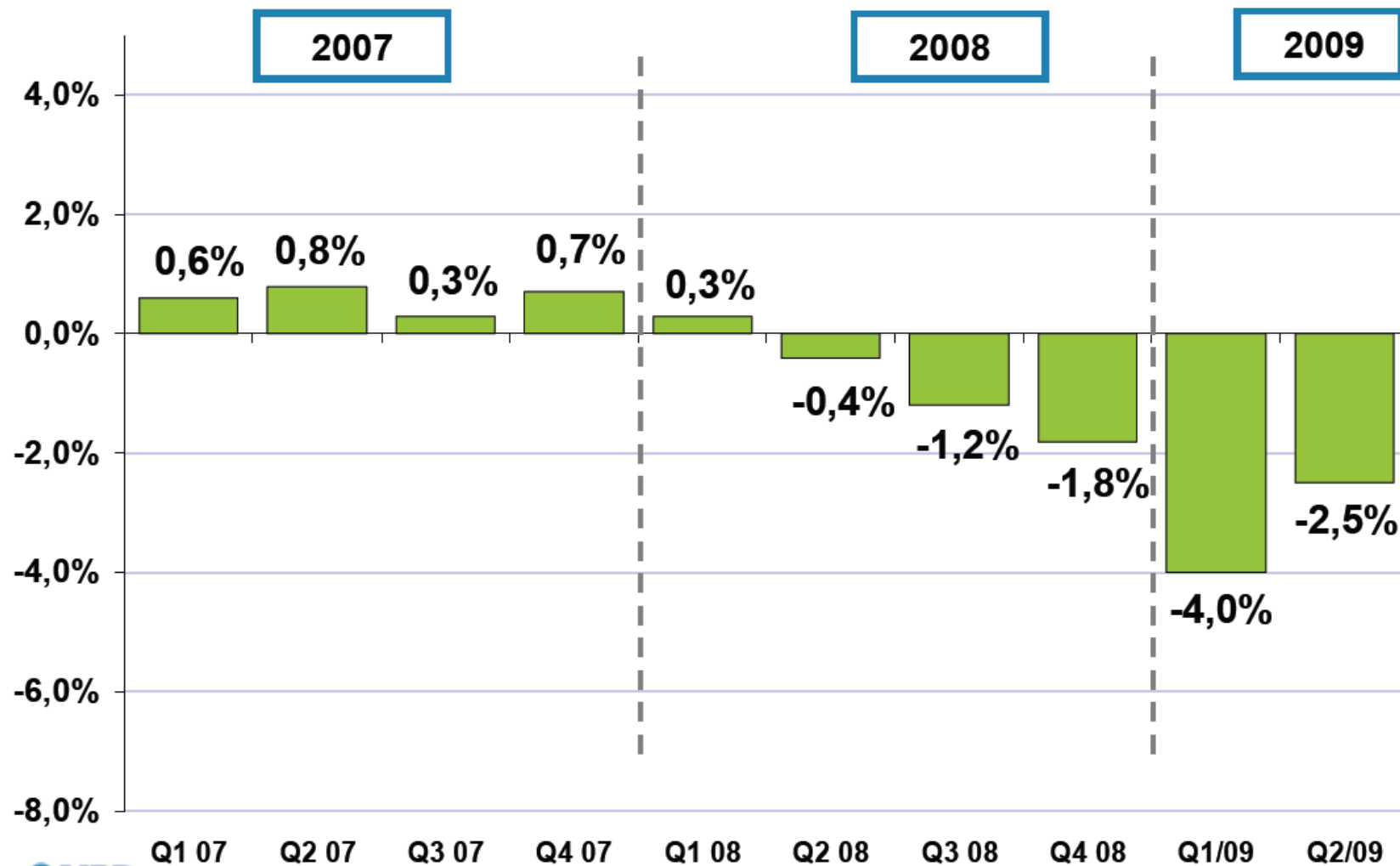
Trend for raw material prices and costs of certain traded is upwards since several months increasing pressure on margins



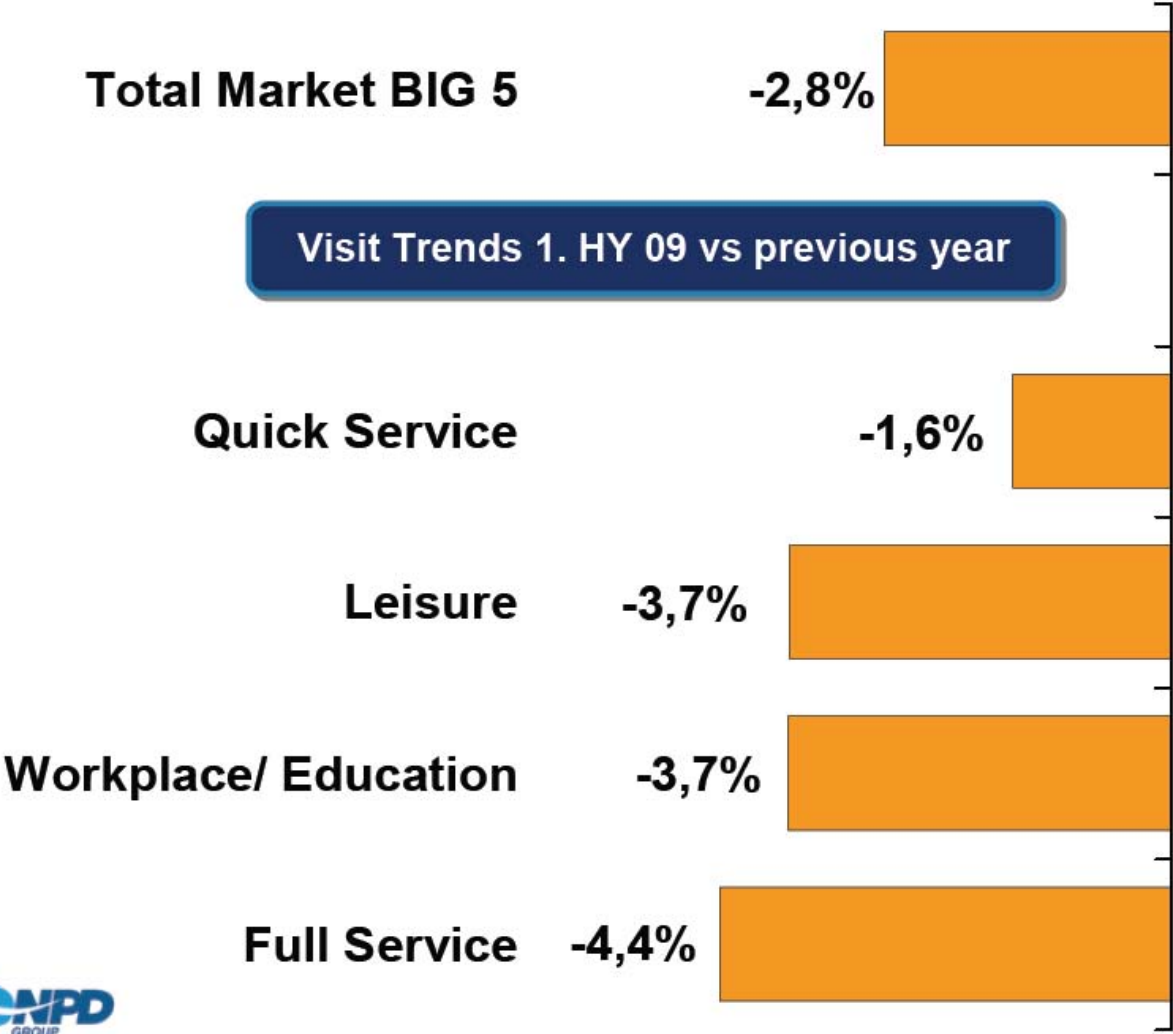
*Changing eating habits*



# Traffic has been the Victim of the Credit Crunch



# Full Service Restaurants Lost Faster than the Total Market while Quick Service Concepts were more Stable



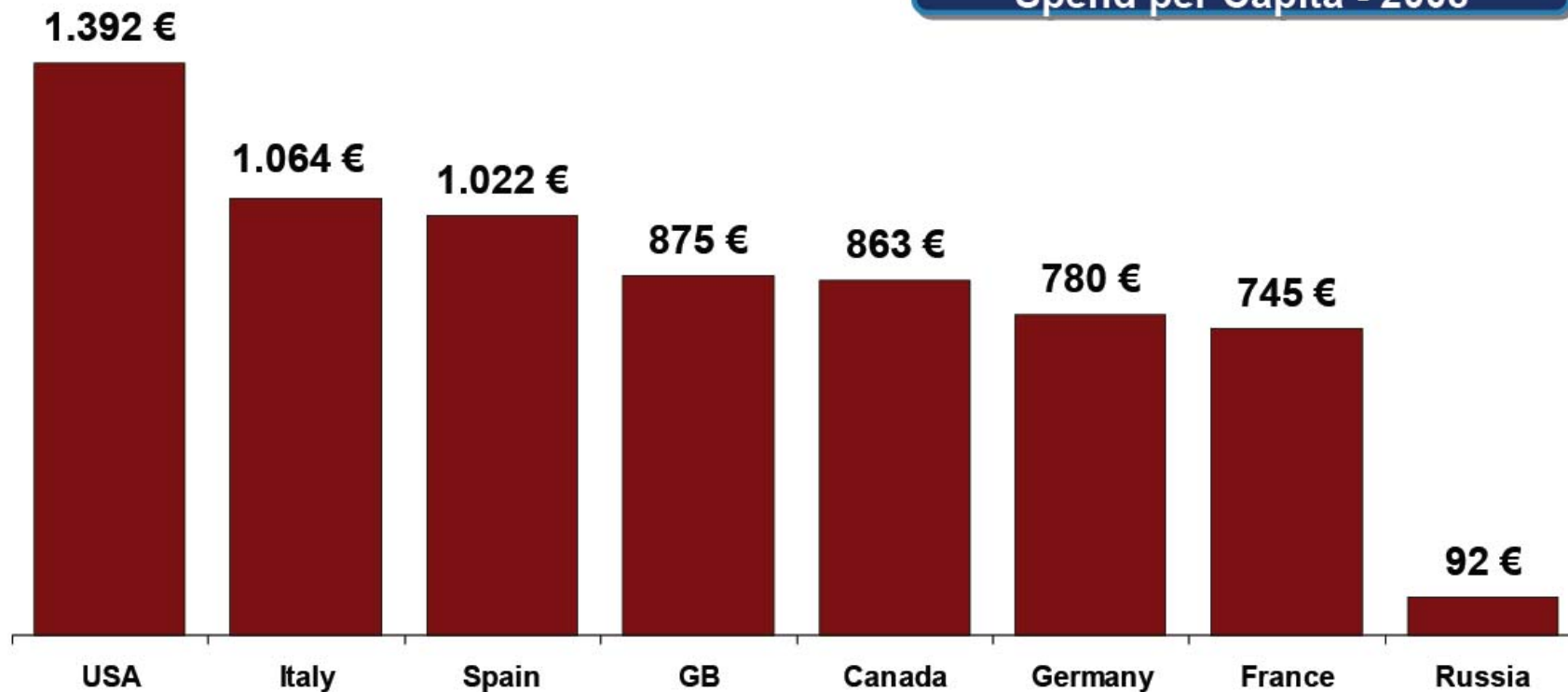
Visit Trends 1. HY 09 vs previous year



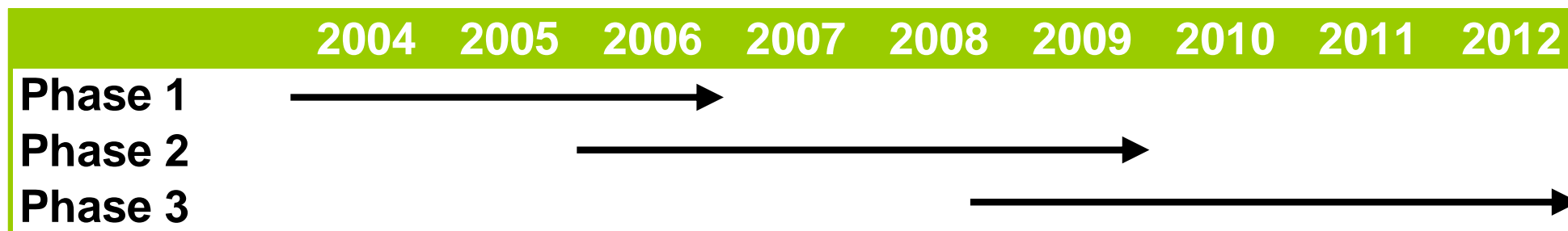
# Russians Spend Less than a Tenth of the Western Europeans into Foodservice



Total Away from Home Spend per Capita - 2008



# Increased Focus on Growth



## **Phase 1: "Restructuring"**

- Establishing efficient operating platforms
- Focus on cost and efficiency rather than growth

## **Phase 2: "Consolidation & Growth"**

- Consolidate lean operating model
- Profitable growth
- Accelerate new product development

## **Phase 3: "Platform Extension & Enhancement"**

- Establish platforms in new geographies
- Position Duni for growth within growing market segments

# Exploring different Growth Paths



*New Horeca concepts*



*Table top*

*Core geography*

*New geography*

Concept expansion

Market Penetration

Platform expansion

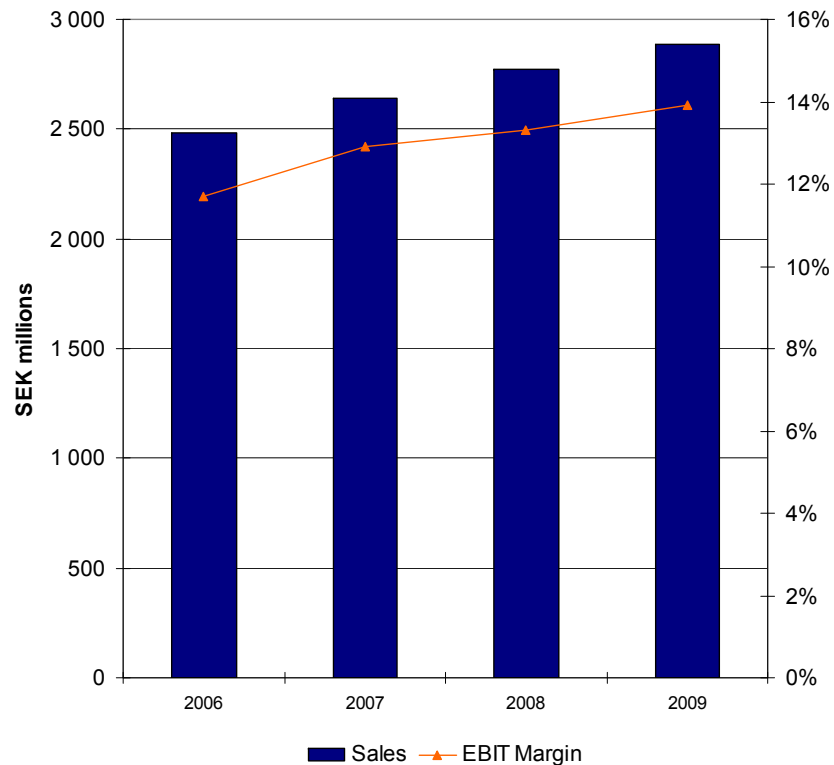


# Business Areas



# Professional – Solid Development

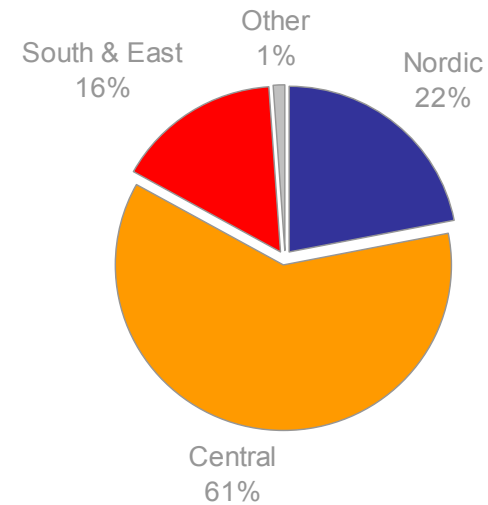
## Sales and EBIT <sup>1</sup>



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

2) Translation effect on sales in 2009 is SEK 192

## Geographical split – sales 2009 <sup>2)</sup>



Stable sales growth over time

Solid EBIT margin, further improving

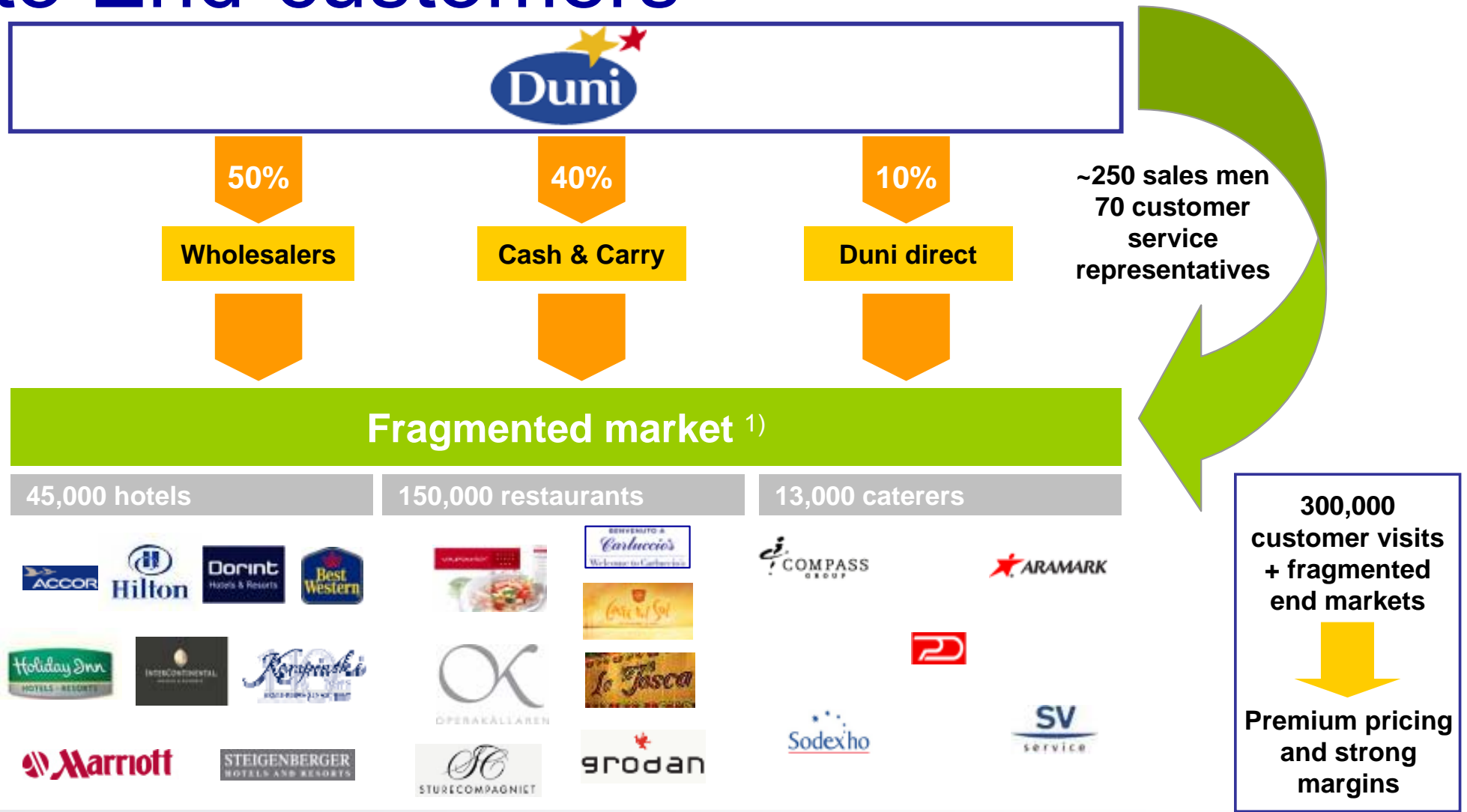
# Key Success Factors

- #1 brand – premium focus
- Unique sales model
- Concept selling
- Product development





# Duni's Unique Direct Approach to End-customers



1) Estimated number of customers using Duni's products



# New Premium Products

Sensia®



*Elegance®*  
*Lily*



# New Concepts



Duni Amuse-bouche®



Duni ecoecho®

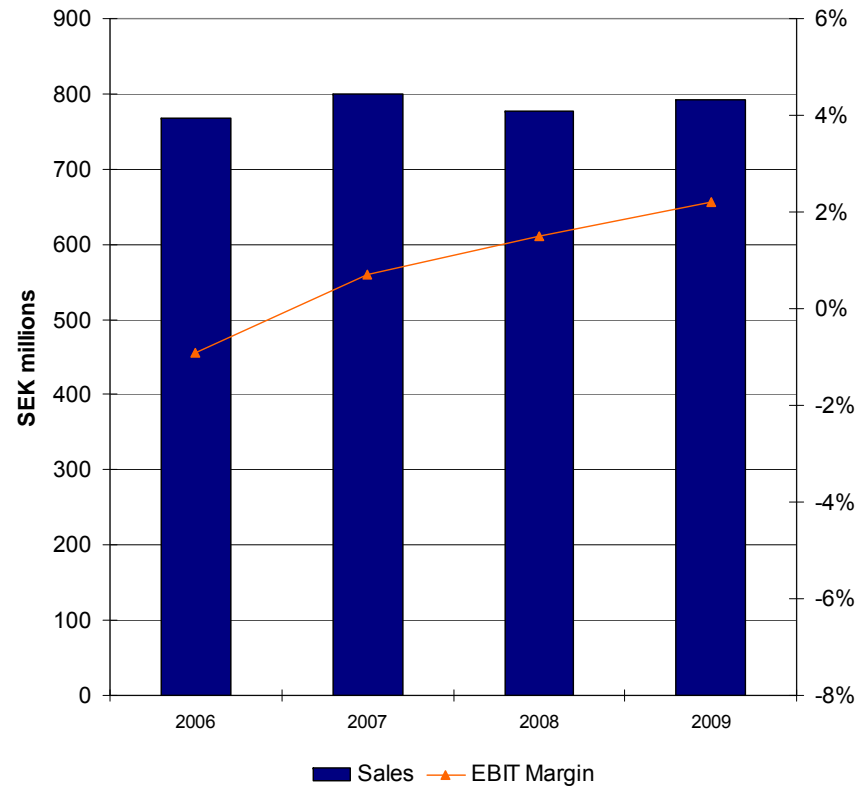


# Customized Solutions



# Retail – Turnaround

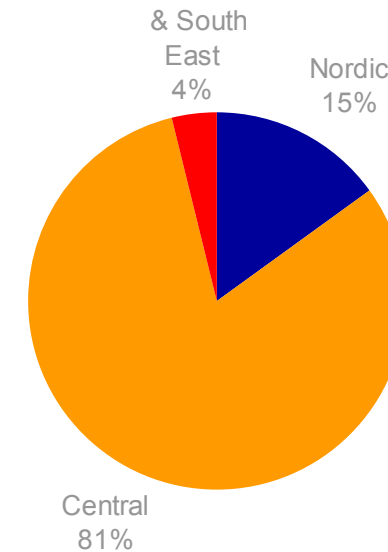
## Sales and EBIT <sup>1</sup>



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

2) Translation effect on sales in 2009 is SEK 38

## Geographical split – sales 2009 <sup>2</sup>



Improved profitability prioritized over sales growth

Duni brand & premium in focus

# Retail towards Sustainable Profitability

## Duni opportunity

- Brands are being re-introduced in retail stores
- Non-food category is a key growth driver for retailers
- Table top is a high margin category
- Leverage on Duni's brand recognition
- Private label development stagnating in Sweden: 17,1% value and 23,8% volume (Source:GfK 2007)

## Duni Focus Areas

- Customer profitability: Play in the right field
- Assortment optimization and sales solutions
- Sales and merchandising coverage: cost to serve
- Category captain

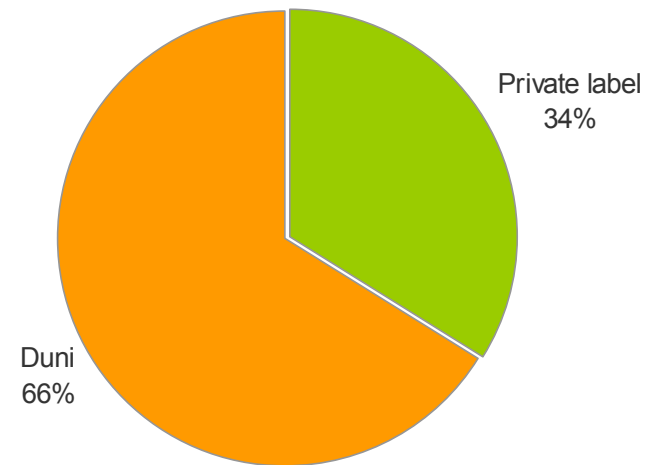


# Duni – the Leading Brand

**Duni branded market share, napkins (value share, Nielsen, 2009)**

- Germany, 12.4 %  
(54.0 % private label)
- Sweden 15.7 %  
(50.9 % private label)
- The Netherlands, 25.1 %  
(30.6 % private label)

**Share Duni branded vs. private label**



# In-store Solutions



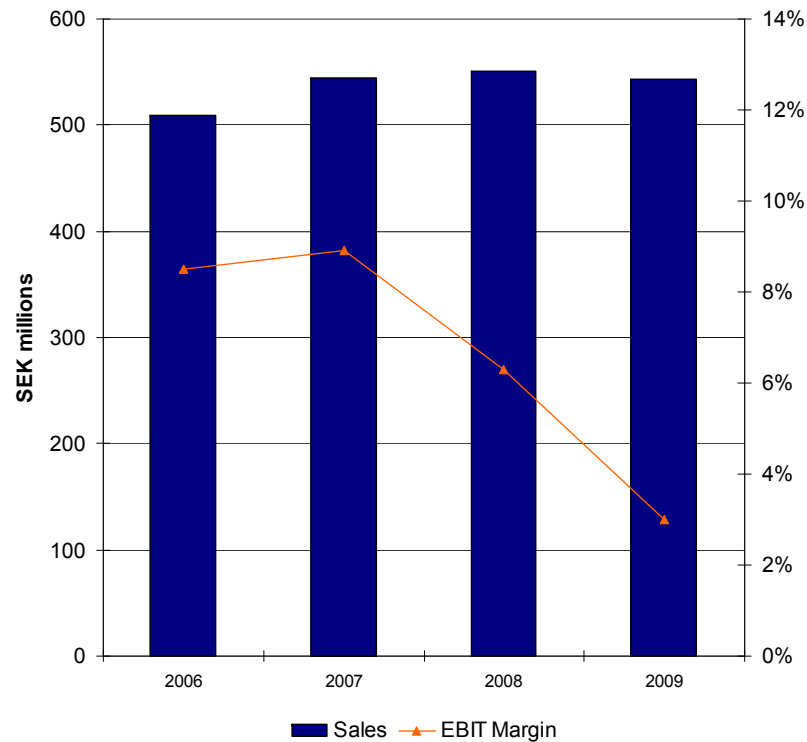


# Sales Concepts



# Tissue – Volumes Stabilizing

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



## Sales mix 2009



Tissue in-house provides competitive advantage

2009 impacted by lower volumes.



# Financials

# Income Statement

SEK millions	2006	2007	2008	2009	Q4 2008	Q4 2009
Net sales	3 762	3 985	4 099	4 220	1 145	1 157
Gross profit	950	1 037	1 079	1 166	297	357
Gross margin	25,3%	26,0%	26,3% <sup>2)</sup>	27,6%	25,9% <sup>3)</sup>	30,9%
Selling expenses	-459	-446	-465	-482	-119	-128
Administrative expenses	-219	-208	-198	-184	-51	-43
R&D expenses	-6	-13	-23	-29	-6	-10
Other operating net	11	24	-67	17	-55	-3
<b>Operating income (reported)</b>	<b>277</b>	<b>394</b>	<b>326</b>	<b>488</b>	<b>66</b>	<b>173</b>
Non-recurring items <sup>1)</sup>	-50	-1	-89	52	-80	6
<b>Operating income (underlying)</b>	<b>328</b>	<b>395</b>	<b>414</b>	<b>436</b>	<b>145</b>	<b>167</b>
Operating margin	8,7%	9,9%	10,1%	10,3%	12,7%	14,4%
Financial net			-75	-43	-27	-7
Taxes			-60	-108	-3	-35
Net income, continuing operations			191	336	36	131
Earnings per share, continuing operations			4,06	7,15	0,76	2,79

1) Restructuring costs and market valuation of derivatives

2) Excluding restructuring costs, 26.8%

3) Excluding restructuring costs, 27.8%

# Improved Profitability in All Segments vs Q4 2008

SEK millions	2006	2007	2008	2009	Q4 2008	Q4 2009
<b>Professional</b>						
Net sales	2 485	2 641	2 771	2 885	753	766
Operating income	291	342	368	402	122	137
Operating margin	11,7%	12,9%	13,3%	13,9%	16,2%	17,8%
<b>Retail</b>						
Net sales	768	800	777	792	261	257
Operating income	-7	5	11	18	21	26
Operating margin	-0,9%	0,6%	1,5%	2,2%	8,1%	10,1%
<b>Tissue</b>						
Net sales	509	544	551	543	131	134
Operating income	43	48	35	16	2	4
Operating margin	8,5%	8,9%	6,3%	3,0%	1,3%	3,1%
<b>Duni</b>						
Net sales	3 762	3 985	4 099	4 220	1 145	1 157
Operating income	328	395	414	436	145	167
Operating margin	8,7%	9,9%	10,1%	10,3%	12,7%	14,4%

Operating income and margin exclude non-recurring costs and market valuation of derivatives

# Continued Strong Cash Flow

## Simplified Cash Flow Profile

SEK millions	2006 <sup>2)</sup>	2007 <sup>2)</sup>	2008	2009	Q4 2008	Q4 2009
EBITDA <sup>1)</sup>	409	485	511	539	168	193
Capital expenditures	-130	-132	-139	-121	-57	-40
Change in;						
Inventory	26	-24	-3	146	106	70
Accounts Receivable	8	14	-114 <sup>3)</sup>	58	18	39
Accounts Payable	-66	30	15	3	50	52
Other operating working capital	-74	-48	27	56	-32	-29
<b>Change in working capital</b>	<b>-106</b>	<b>-28</b>	<b>-75</b>	<b>263</b>	<b>142</b>	<b>132</b>
<b>Operating Cash flow</b>	<b>173</b>	<b>322</b>	<b>297</b>	<b>681</b>	<b>253</b>	<b>285</b>

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

2) Excluding discontinued operations

3) Cancellation of factoring contracts amounting to SEK 135 m

# Solid Financial Position

SEK millions	2007	2008	2009
Goodwill	1 199	1 199	1 199
Tangible & Intangible Fixed Assets	462	539	540
Net Financial Assets <sup>1)</sup>	339	366	327
Inventories	500	542	382
Accounts Receivable	546	731	640
Accounts Payable	-305	-358	-344
Other operating assets and liabilities <sup>3)</sup>	-238	-375	-324
<b>Net Assets</b>	<b>2 503</b>	<b>2 644</b>	<b>2 420</b>
Net Debt	1 087	1 100	631
Equity	1 416	1 544	1 789
<b>Equity &amp; Net Debt</b>	<b>2 503</b>	<b>2 644</b>	<b>2 420</b>
ROCE <sup>2)</sup>	19%	18%	21%
ROCE <sup>2)</sup> w/o Goodwill	44%	39%	49%
Net Debt/Equity	77%	71%	35%
Net Debt/EBITDA <sup>2)</sup>	2,2	2,2	1,2

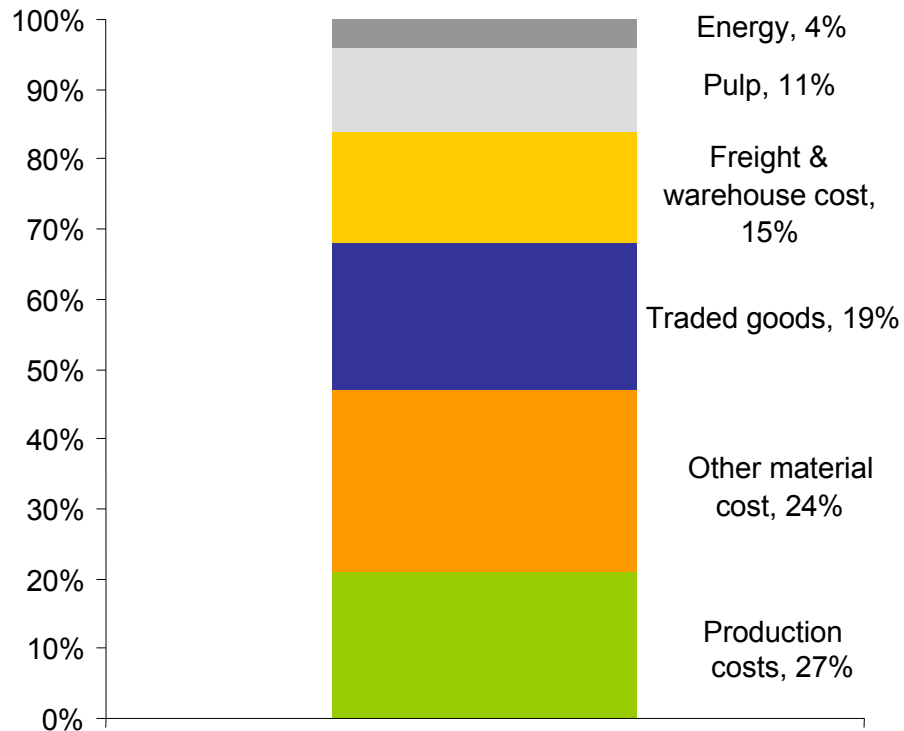
1) Deferred tax assets and liabilities + Income tax receivables and payables

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

3) Including restructuring provision and derivatives

# Some Sensitivity to Major Input Materials

## COGS breakdown (approximate)



## Sensitivity analysis

	$\Delta$	<u>EBIT impact</u>
• Energy	1%	SEK 1 million
• Pulp	1%	SEK 4 million
• Freight	1%	SEK 2 million
• Price	1%	SEK 40 million

- Unique business model in Professional enables price leadership to mitigate swings in cost base



# Financial Targets

2009-12

**Sales growth > 5%**

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

3.0%

**EBIT margin > 10%**

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

10.3%

**Dividend payout ratio 40+%**

- Board target at least 40% of net profit

2.50 kr per share  
(proposal)