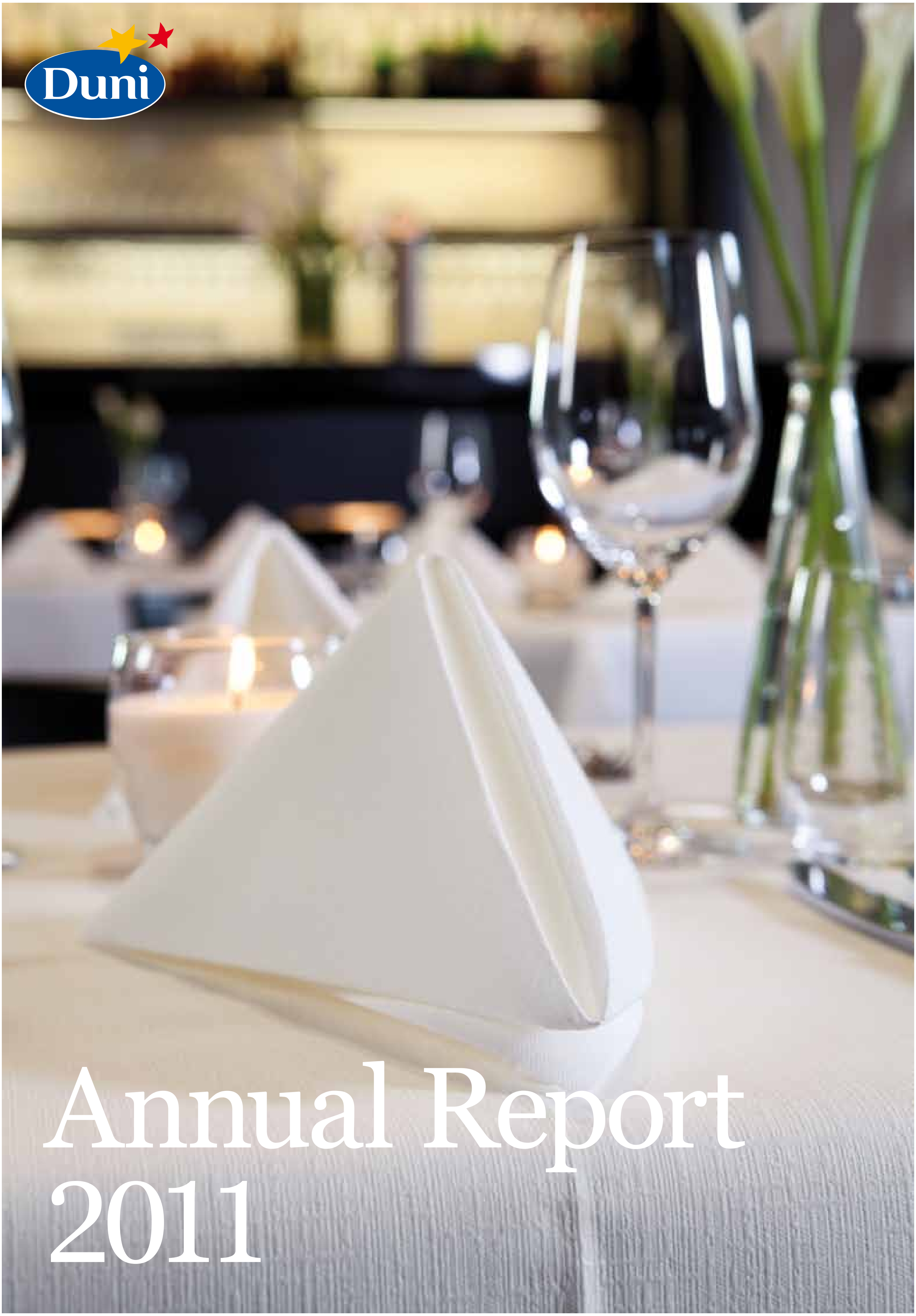


Annual Report 2011

Evolin®

– the evolution of linen

Unique new tablecovering material
At the end of 2011, Duni began the launch of a new, revolutionary tablecovering material – Evolin® – which combines the feel of textile and linen tablecoverings with the advantages of the single-use product. Evolin is aimed at restaurants and catering firms that currently use linen. The product has been developed with the help of some of the leading restaurateurs in Europe and will be rolled out in Europe during 2012, with the support of a number of prominent chefs, such as Pontus Fritihof, Christophe Marguin and Gennaro Cocoza.

Just over 80% of all tablecoverings for restaurant in northern Europe consist of textile and linen. However, many players on the market are seeking alternatives in order to avoid all the work involved in handling textile and linen tablecoverings, combined with other aspects such as high costs, laundering uncertainty, poor flexibility and uneven quality.

Evolin eliminates these disadvantages and, instead, provides advantages such as more time, increased flexibility, less worry, and the fact that tablecoverings are available in the stockroom as and when needed – clean and ready to use and of even quality. Since the appearance and feel of Evolin are otherwise as good as linen, topics such as cost efficiency, flexibility and environmental aspects become fully relevant even for the more conservative section of the restaurant industry.

At the same time, there is a trend against white linen tablecoverings being equated with "fine". Thus, as an alternative to linen, many trendsetters and gourmet restaurants are seeking more innovative materials, such as Evolin.

Significant sums been invested in developing Evolin and the result is an entirely unique patent-pending process and a product which is a hybrid material based on cellulose fibre. Thanks to the new technology, the material is both thicker and softer than previous products and drapes similarly to linen. Evolin is based on renewable materials from responsibly managed forests and is compostable in accordance with European norms (EN 13432).

An environmentally responsible alternative:

– FSC certified fibres and ISO14001 certified production units

– Compostable in accordance with European norms (EN 13432)

– Low carbon footprint as production uses 50% less fossil fuel than the European average

– Based on renewable materials.

Content

This is Duni

Duni is a leader in Europe in the design, production and marketing of high-quality tablecoverings, napkins, candles and other table setting products. Duni also offers packaging and packaging systems to the growing take-away market. Around 70% of Duni's products are paper-based, and these products are almost entirely produced within the Group. Duni engages in intensive environmental work. 90% of the paper-based products are FSC (Forest Stewardship Council) certified and a significant portion of products bear the Svanen Ecolabel, a labelling system for the Scandinavian markets.

Tissue for napkins and tablecoverings is manufactured in Sweden, while Duni's production of finished table setting products takes place in Germany and Poland. Duni's head office is located in Malmö and the company has approximately 2,000 employees in 17 countries.

The largest markets are in Central and Northern Europe, but globally more than 40 markets are covered. The business is divided into three business areas: Professional, covering sales to hotels, restaurants and catering firms; Retail, primarily focusing on the grocery retail trade; and Tissue, producing wet laid and air laid tissue for table setting products and hygiene products.

Business mission

Duni shall enhance atmosphere and bring convenience to any eating and drinking occasion by providing inspiring and innovative products and concepts.

Vision

Duni shall be the leading supplier of premium table top concepts and packaging solutions for take-away with Europe as main market.

Core values

Duni has four core values which permeate the entire Company and its operations:

– Ownership

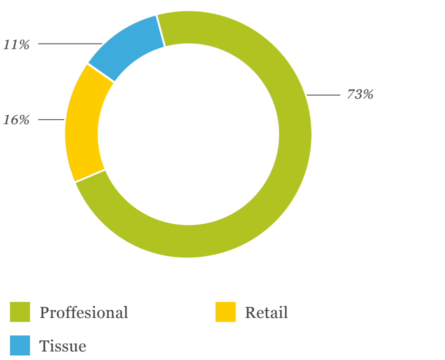
– Open Mind

– Added Value

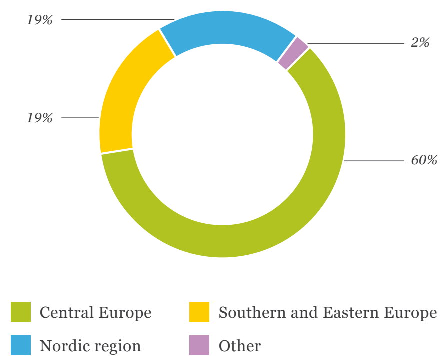
– Will to Win

For more information, see Employees, page 24.

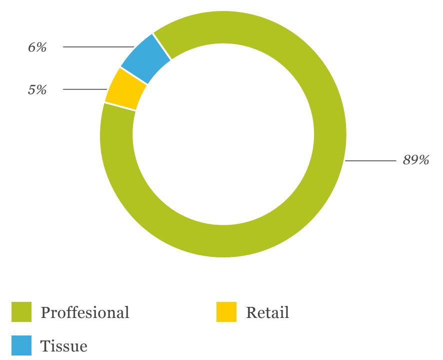
NET SALES PER BUSINESS AREA, %



NET SALES PER GEOGRAPHIC REGION, %



OPERATING INCOME PER BUSINESS AREA, %
(UNDERLYING OPERATING INCOME)



2011

A year characterized by investments for the future

During the period January 1 – December 31, 2011, net sales declined by SEK 164 m compared with the same period last year, to SEK 3,807 (3,971) m. Adjusted for exchange rate movements, net sales declined by 0.8%.

During the year, Professional increased its sales by 3.1%, with the growth markets of Southern and Eastern Europe expanding at a faster than average rate. Retail lost sales in a tough market but retained its market shares within the grocery retail trade. Tissue has been characterized by weak demand and inventory adjustments, but the operating margin strengthened thanks to increased production efficiency.

The gross margin improved from 26.5% to 27.1%. Operating income (EBIT) adjusted for non-recurring items for the period January 1 – December 31, 2011 was SEK 404 (435) m. The Group's underlying operating margin thus fell from 10.9% to 10.6%. Adjusted for exchange rate movements, operating income was SEK 18 m lower than last year. The somewhat lower operating income is largely due to increased selling and marketing costs connected with the investments for growth that were implemented during the year. The reported income after financial items was SEK 358 (418) m, and income after tax was SEK 261 (306) m.

In light of the economic situation in Europe, Duni believes that the market may weaken during 2012. In this perspective, current conditions may result in a fall in prices for input materials compared with prices in 2011. During 2012, Duni will carry out a plan of measures aimed at increasing production and organizational efficiency. In combination with the major investments for growth, this is expected to result in improved profitability.

During 2011, Duni focused on measures for promoting long-term growth. Duni intensified its work on increasing sales on a number of prioritized growth markets in Eastern and Southern Europe. During 2011, an investment in e-commerce resulted in Duni's first e-shop in Sweden, and the channel will be further developed in 2012. Duni's major investment for the development of a unique material which matches linen in terms of both appearance and feel was also finalized in 2011. The product is now being launched in Europe under the name Evolin®.

KEY FIGURES

	2011	2010	2009	2008	2007
Net sales	3,807	3,971	4,220	4,099	3,985
EBIT*	404	435	436	414	395
EBITDA*	510	537	539	511	484
Net income before tax	358	418	444	251	196
Incomplete year (continuing operations)	261	306	336	191	99
Proposed dividend SEK/Share	3.50	3.50	2.50	1.80	1.80
Shareholders' equity	2,082	1,991	1,789	1,544	1,416
Return on equity	12.54%	15.37%	18.78%	12.37%	6.99%
Number of employees	1,888	1,914	1,906	1,952	2,001

* EBIT and EBITDA are adjusted for non-recurring items

NET SALES (UNDERLYING OPERATING INCOME)

Increased investments for long-term growth

Although 2011 was somewhat weaker for Duni than the previous year in terms of sales, our main area, Professional, increased its sales measured at fixed exchange rates. At the same time, major investments were carried out to create conditions for future profitable growth.

Net sales amounted to SEK 3,807 m and the operating profit was SEK 404 m. Adjusted for exchange rate movements, net sales fell marginally by 0.8%, and income by 4.1%. The development reflects continued growth within the Professional business area, while the Retail and Tissue business areas lost sales during the year. However, profitability was maintained at satisfactory levels within all business areas thanks to continuous efficiency improvement work as well as price increases to compensate for higher costs for input materials.

Continued success within Professional

Within the Professional business area, the investments that have been made are beginning to yield results. Central Europe – Duni's largest market – enjoyed stable growth, as did northern Europe. Duni also demonstrated strong growth in Eastern Europe, particularly Russia, as well as parts of Southern Europe such as Italy and Spain, albeit from relatively low sales levels. It is also pleasing to report that the work on increasing the share of premium products has been successful, at the same time as packaging for the take-away market continued to enjoy growth during the year on most markets. The strategy of investments in all of these growth areas remains firmly in place.

As far as customers are concerned, we are witnessing structural changes within the restaurant industry, with chains that operate under a common brand growing faster than the market in general. This trend favors Duni's sales of customized concepts and, during the year, projects were initiated with a number of new customers in the sector.

Despite Professional's positive sales trend, operating income weakened to SEK 357 (384) m, mainly due to investments for increased growth. The operating margin reached 12.9% (13.8%).

The Retail business area's sales during the year were negatively affected by the loss of a major private label customer. Otherwise, sales were stable and Duni increased its market shares during the year in the UK and Benelux. Operating income was SEK 21 (32) m, entailing an operating margin of 3.4% (4.6%).

It is important that we increase the availability of our products to the consumer and market our brand in complementary distribution channels. Efforts focused on sales to end users took a step forward in 2011 when Duni opened its own web shop in Sweden, in addition to the web shop in Germany which has been operated by a third party for just over a year. In addition, towards the end of the year Duni commenced cooperation with a company which focuses on home party sales on the Swedish market.

The Tissue business area increased its deliveries internally, whereas external sales at the same time fell due to weaker demand within the hygiene products sector. We have also worked on broadening our external customer base and are now in the final phase of the qualification process for a couple of new customer contracts in which deliveries are expected to begin in 2012.

Successful projects were carried out during the year to increase efficiency and optimize production within Tissue. As a consequence, costs fell in 2011 and the positive effects are expected to carry over into 2012. Tissue's operating income increased thanks to improved efficiency as well as some price increases, and amounted to SEK 25 (18) m, entailing an operating margin of 5.9% (3.7%).

Investments in profitable growth

During 2011, Duni focused on measures to promote long-term profitable growth, and this work will continue to be a key theme going forward. Duni intensified its work on increasing sales on a number of prioritized growth markets in Eastern and Southern Europe. We have built up a new organization in Russia, strengthened our presence in Southern Europe – especially Italy – and have worked on developing sales platforms on new growth markets.

Duni's investment in new channels – as for example e-commerce – is long-term and will be further developed during 2012.

In the shorter term, however, perhaps the greatest potential is to be found on Duni's main markets. On those markets, over 80% of all tablecoverings used by restaurants and catering firms are made of textile. This is a market worth approx. SEK 15 billion, and many players on the market are seeking alternatives. Over the past few years, Duni has invested major resources in developing a new, unique material which matches linen in terms of both appearance and feel. A significant share of our capital expenditures have been devoted to this project, which was finalized end of 2011. The result is a revolutionary new tablecovering material – Evolin® – which combines the experience of the linen tablecovering with the advantages provided by single-use solutions. Evolin, which is Duni's largest launch in 25 years, will appeal to a market on which, until now, we have not been able to offer a truly satisfactory alternative, and which is many times greater than the market we currently cultivate.

Simultaneously with these efforts, we are continuing to further enhance efficiency in the Company through investments in more efficient production equipment, logistics, and systems. Among other things, during 2011 Duni bought back the premises in Germany, which gives us flexibility for further increasing efficiency within logistics. Towards the end of last year, we initiated a project to trim our costs even further. The project involves rationalization in the production in Poland, as well as a general improvement in organizational efficiency. In total, the measures are expected to generate a saving of SEK 25 m, with the full effect achieved during Q4, 2012.

Strong position

Duni is carrying out an activity program to increase growth and improve profitability. The introduction this spring of a more market-oriented organization to enhance focus on and resources for growth in the Company constitutes a step in this direction.

Thanks to these initiatives, combined with stable cash flows and a strong balance sheet, the Company is well-equipped for advancing its market positions, and for meeting a tougher economic climate. Our position as market leader within premium products, and our in-depth knowledge of materials and markets, constitute a stable foundation for Duni's future, and are important success factors for the launching of our revolutionary material, Evolin. We are facing an exciting 2012, with favorable conditions for continued successes to the benefit of our customers, employees, and shareholders.

Malmö, March 2012

Fredrik von Oelreich
President and CEO

Duni's products enhance the atmosphere at meals around the world

Duni's customers consist primarily of restaurants, hotels and catering firms, as well as the grocery retail trade and a number of global manufacturers of hygiene products.

Duni's sales are focused on table top concepts with matching collections of tablecoverings, napkins and candles. Duni also operates within the growing take-away market and offers packaging solutions for that market. The business is focused primarily on three customer markets, which have also influenced the organizational structure of Duni's business areas, namely Professional, Retail and Tissue. In 2011, these markets accounted for 73%, 16%, and 11% respectively of Duni's net sales.

Professional

Duni's end customers are mainly restaurants, hotels and catering firms. It is estimated that there are more than 200,000 end customers in Europe, to whom sales take place through wholesalers and cash-and-carry stores. Direct sales take place to a limited extent.

Restaurants

The restaurant industry is very fragmented, but there are some chains, often with well-defined business concepts. Within the restaurant industry there is a trend towards a clearer segmentation, with strategies focused on quality, lifestyle and price level constituting the basis for the business and dictating its focus. Restaurants on higher quality and price levels account for the overwhelming majority of purchases of Duni's premium products, i.e. higher quality products, often deep dyed or with color print. Take-away is a rapidly expanding segment within the restaurant industry, and one on which Duni develops products in close cooperation with its customers.

Hotels

The hotel industry is less fragmented than the restaurant industry. Hotel operations – usually with integrated restaurant operations – are often conducted in chains with centralized purchasing. Hotels on higher quality and price levels account for the overwhelming majority of purchases of Duni's premium products.

Catering

In addition to catering, the larger firms in the catering industry also offer and operate commercial kitchens within both the private and public sector. Within the areas of contract catering and concession catering, the market is dominated by a small number of large companies with international operations. In addition, there are a very large number of smaller companies.

Retail

Customers are mainly grocery retail chains, but also other channels such as specialty stores.

Grocery retail trade

The European grocery retail trade is concentrated on a small number of large companies in each country, such as Tesco (the UK), Aldi (Germany), Carrefour (France), and ICA (Sweden). The larger companies have centralized purchasing and some have joined forces in international purchasing associations.

Other

Other customers within Retail consist of pharmacies, various specialty stores, gardening outlets and home furnishing stores.

Tissue

Most of Duni's production of air laid tissue, commonly referred to only as airlaid, is sold externally as an input material to manufacturers of hygiene products for the consumer market. Customers within this category are often global companies with their own organizations for product development, manufacturing and distribution. Duni's production of wet laid tissue, commonly referred to as tissue, is mainly used internally and meets Duni's own needs for the manufacture of table top products.

Focus on Russia

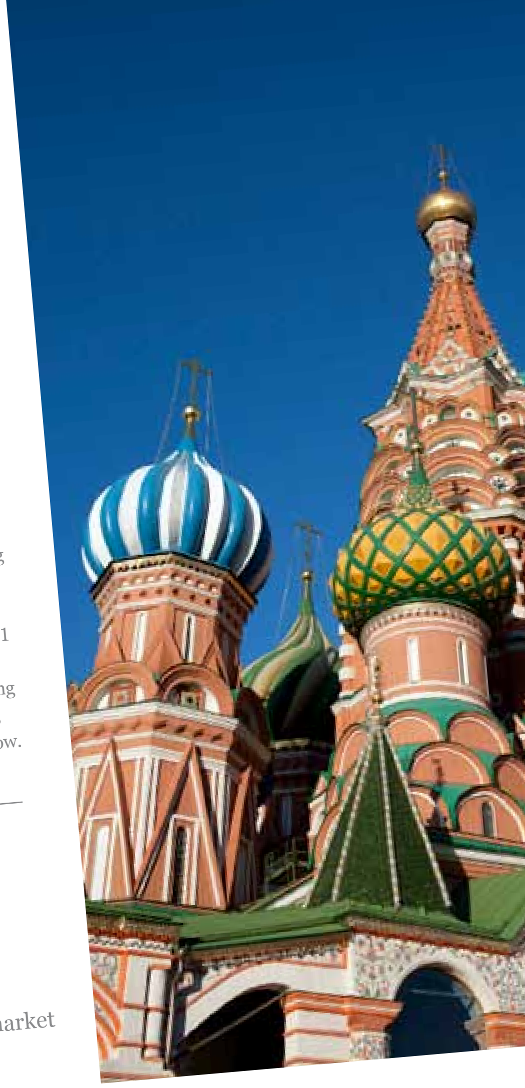
Duni is gradually expanding on new geographic markets, such as Eastern Europe and the Middle East. Russia is one of the most promising markets, and Duni has recently opened a new office in Moscow and is working intensively to expand the sales and distribution network.

As early as 16 years ago, Duni opened a sales office in St. Petersburg with its own sales force and distribution center. In 2010, Duni also opened an office in Russia's commercial center, Moscow, with its population of 18 million, in order to cultivate the growing Russian market. New sales personnel were recruited in addition to the already successful sales force in St. Petersburg. The distribution center and support functions have been relocated to Moscow.

There are approximately 21,000 hotels and restaurants in Russia (excluding fast-food chains), 450 million restaurant meals are served each year, and the average bill is approximately EUR 13 per person – as compared with less than EUR 6 per person in Poland and up to EUR 20 per person in northern Europe. The relatively high willingness to spend money on restaurant meals implies great potential for Duni's tabletop product concepts. The fact that there are 120 five-star hotels, as well as 400 four-star and 880 three-star hotels – many of them belonging to international chains – further enhances the attractiveness of the Moscow market.

The successes achieved with Duni's expansion are inspiring. In 2011, sales rose by 18% in St. Petersburg, by 90% in Moscow, and by 23% for the Russian market as a whole. The plan for 2012 is to achieve at least the same rate of growth as in 2011.

Duni's sales model constitutes a key component for creating growth. A knowledgeable sales force is developing relations with customers on the HoReCa markets in Moscow and St. Petersburg, at the same time as the products are sold through cash-and-carries – in total 41 stores around the country – and through retailers in many locations. Duni is also building the brand by selling the product range to selected stores, including GUM, the fanciest and best-known shopping center in Moscow.



21,000

There are approximately 21,000 hotels and restaurants in Russia (excluding fast-food chains).

23 %

In 2011, sales on the Russian market rose by no less than 23%.

Focus on Italy

Duni began developing its operations in Italy at the end of 2003. Sales efforts were initially focused on northern Italy, but since then have expanded southwards with a focus on premium products, despite the fact that the market is generally price-sensitive. Today, 120 distributors and four local cash-and-carries work together with Duni's sales force to reach out to 95,000 restaurants and 34,000 hotels in Italy.

The Italian market is fragmented and consists largely of small family-owned companies. One half of the restaurants offer meals at price levels that are sufficiently high to make it interesting to offer Duni's concept-based product range. 1.4% of the 34,000 hotels belong to international hotel chains, while 300 hotels have five-stars and the remainder are largely four-star or three-star hotels.

Italy is one of the most linen-oriented markets in Europe. A clear majority of the restaurants use linen tablecoverings. Consequently, the competition does not consist primarily of other paper-based products; instead, the challenge involves changing ingrained habits. The push/pull strategy, which involves customers being visited by both Duni and wholesalers, represents the key to success. Duni's sales force spends a great deal of its time together with restaurant and hotel owners in order to demonstrate how different table setting concepts enhance the atmosphere and thereby increase restaurant turnover.

So far the strategy has been successful, with sales growing at an average rate in excess of 30% annually since 2003. We are witnessing a steady growth in interest in Duni's premium products on one of the most linen-oriented markets in Europe. With its high proportion of linen users, Italy is also an extremely interesting market for Evolin.

129,000

There are approximately 129,000 hotels and restaurants in Italy.

30 %

So far the strategy has been successful, with sales growing at an average rate in excess of 30% annually since 2003.

Duni’s range sets the market trend

Duni primarily operates on three product markets: single-use table top products, meal packaging, and tissue. The rate of renewal is high in response to current trends and to offer seasonal variations.

Single-use table top products

Table top concepts consist of single-use table top products with coordinated designs and colors, such as napkins, tablecoverings, placemats, runners, and candles. These products are complemented by plates, glasses, cups and cutlery. Single-use table top products can be divided into standard products and premium products. Standard products are, for example, white single-ply napkins, while premium products are of a higher quality. The latter are typically made from airlaid and often deep dyed or printed with a color design.

Napkins

Single and multi-ply napkins

Napkins, which are Duni’s largest product group, are produced in one to four plies. Airlaid, air laid tissue, is a premium material and airlaid napkins are always manufactured in a single ply. However, most of Duni napkins are made of tissue, wet laid tissue.

Tablecoverings

Different designs

The tablecovering product category includes tablecoverings in many different sizes and variations, as well as runners, tête-à-têtes and placemats.

Different materials

Several different materials are used in the manufacture of tablecoverings. At the end of 2011, Duni began the launch of a new, revolutionary tablecovering material – Evolin® – which combines the feel of textile and linen tablecoverings with the advantages of single-use products. In addition, Duni sells Dunicel®, a robust material based on tissue which resembles cotton and linen tablecloths in feel, and Dunisilk®, a laminated material based on tissue, which has been developed to protect tables and which can be wiped off after use.

Candles

Candles are often developed and designed together with external suppliers. The range includes antique candles, pillar candles and tea lights, as well as special candles in various colors and sizes.

Duni’s candle collections are matched with the rest of the product range and sold as an integral part of the table setting in order to enhance the atmosphere. Our range of candles allows the customer to achieve a complete design without needing to turn to several suppliers.

Serving products

In order to be able to deliver a complete concept for the serving of food and drink, serving products are purchased primarily from external suppliers. The range includes cutlery, cups, glasses, and plates. The products are made of plastic or recyclable material from the forestry or agricultural industry.

Meal packaging solutions

Duni markets and sells packaging solutions for take-away meals and storage of hot and cold meals. The meal packaging market is growing steadily, driven by an increased need for take-away meals. Customers are also offered customized packaging solutions designed in close co-operation between Duni’s design department and the customer, in order to suit the customer’s brand image. Within the scope of DuniForm®, customers are also offered sealing film, trays, various types of sealing machinery, and machinery service.

Tissue

Tissue is used as a raw material for processing into various tissue-based products. Tissue is produced in two qualities: wet laid tissue (referred to as ‘tissue’) and air laid tissue (referred to as ‘airlaid’). Tissue is used for converting, i.e. the process by which the paper is cut, printed and embossed into various napkins and tablecoverings. The excellent absorption quality of airlaid makes it particularly suitable as an input material for intimate hygiene products, such as sanitary towels and incontinence protection products, but airlaid is also used for converting into higher quality napkins and tablecoverings.

Financial targets and strategy

ORGANIC GROWTH

5 %

Duni's target is an average annual organic growth in sales in excess of 5% per year over a business cycle. In addition, Duni may consider acquisitions in order to reach new growth markets or strengthen its position on existing markets.

OPERATING MARGIN

10 %

Duni's operating margin shall be 10% or more.

DIVIDENDS

40 %

It is the Board's intention that, in the long term, dividends shall amount to at least 40% of income after tax.

Strategy

Market leader and a leading brand

Market leaders are in a position to act as trendsetters and proactively drive developments in the industry. This is a valuable factor in the work of promoting an increased use of single-use products, and constitutes a strength in discussions with customers in the HoReCa area and also within the retail trade, where shelf space is often given only to leading brands. Duni's role as a market leader must, therefore, be defended and further strengthened. Duni's market share in Europe for its main products, napkins and tablecoverings, exceeds 20%. Duni's sales are more than twice those of its nearest competitor in the napkin and single-use tablecovering segments and, in addition, Duni enjoys a unique position within the premium product segment, where prices and margins are higher. By offering unique materials which can compete with textiles in terms of high quality and design, while retaining all of the advantages of single-use products, Duni has created what is by far the best known brand on the market. The brand is particularly strong among the most important customers, namely restaurants and hotels. The breadth and variation in the product range also distinguish Duni from its competitors.

Unique sales model

A large percentage of sales takes place through cash-and-carries as well as distributors and wholesalers. Duni's sales force, which is the largest on the market, devotes a great deal of its time to maintaining a regular dialogue with the end customers concerning the selection and use of Duni's products, with orders being placed with the retailers. The close relationship with customers creates customer loyalty and allows Duni to quickly receive signals regarding, and be able to adapt its range to, new trends and changes in demand. The strong market position and the broad range, combined with a strong brand, also contribute to maintaining high margins. In 2011, Duni launched a web shop in order to further strengthen the relationship with its customers and increase access to its products. Thus, a new direct channel to the end consumer has been opened, with the possibility for greater dialogue, which at the same time increases flexibility and accessibility for potential customers.

Leader in product development, design and materials

Duni's development of the colors, designs and qualities in its product range is an important component of the business model. Duni's product range is regularly evaluated based on sales, profitability, and inventory turnover rate criteria. New and existing products are evaluated using the same criteria. In recent years, Duni has placed great importance on developing product concept work within the Company. A product concept development process has been implemented in which employees, customers and suppliers co-operate in order to create and evaluate product concepts. This increases the likelihood of success and of resources being focused on those products with the greatest potential on the market.

Duni's design department constantly monitors trends by attending various trade fairs and shows on fashion, design and current trends in Europe and the United States, as well as with the assistance of external trend scouts. Market surveys and focus groups also provide information about trends and feedback regarding products. Duni's sales force participates in the development work by passing on customers' wishes and views. The graphic design is carried out largely by Duni's own design department.

High renewal rate in the product range

A high renewal rate creates possibilities to quickly adapt the product range to changing trends, while at the same time giving Duni the edge over its competitors. Duni thus endeavors to have the highest product range renewal rate on the market. Approximately 25% of the collection is renewed every year. Materials development within the table top products category takes place in close co-operation between the marketing department, product developers and production managers.

Control over value chain and logistics

Control over the value chain reduces the price risk, increases delivery certainty, and provides possibilities to plan the renewal of designs and materials. Thus, Duni is an integrated company which controls the entire value chain (apart from raw materials) in respect of its most important products, namely napkins and tablecoverings. Approximately 70% of the products are paper-based and these products are generally produced within the Group; other products are purchased from external suppliers and are regarded as an important complement. The manufacture of tissue and airlaid takes place in Sweden, while converting to finished table top products takes place in Germany and Poland. Duni's paper mills are specialized in the production and deep dyeing of short runs of high-quality tissue and airlaid, and consequently table top products can be offered in many colors and shades, with color matching between different materials.

Specialization in short runs means that Duni can quickly adapt the collections to the customers' wishes. The majority of Duni's production is made for stock. Duni's central warehouses in Germany and a number of distribution centers handle distribution to customers.

Growth areas

Growth will increase by means of structured work involving several initiatives as regards concept expansion, market penetration and platform expansion within the core HoReCa market.

Duni is established on a number of markets which offer good opportunities for organic growth. In Southern and Eastern Europe, Duni's most profitable segment – premium products – accounts for approximately only one third of the total market, as compared with approximately two thirds in Northern Europe. In both Southern Europe (the largest market region) and Eastern Europe, growth in premium products is expected to outstrip the market in general. Total market growth is expected to exceed GDP growth.

The geographic expansion today is taking place primarily in Eastern Europe and the Middle East, where sales networks and distributor networks are being established. Duni is also increasing its efforts to accelerate organic growth in Southern Europe and the UK.

Premium products constitute a growth market, particularly due to the trend whereby table linen is being replaced by single-use high quality products. Duni is driving this trend by continuing to invest in product development and thereby increasing the quality of core products such as napkins, placemats and tablecoverings. Customers appreciate the design, variation and table setting simplicity offered by Duni's products, which is leading many of them to replace fabric-based products with Duni's products.

The launch of Evolin®, which began at the start of this year, represents an important step in this work. Evolin possesses unique characteristics which enable it to match linen; this is important in the work of gaining market shares on the linen market, which accounts for more than 80% of the total tablecovering market in the HoReCa sector. Consequently, with Evolin Duni is able to reach an important market which, in principle, we are unable to reach at present.

The development of take-away packaging solutions is another growth area in which Duni is investing. An increasing number of restaurant chains with clear concepts are springing up in response to the fast food trend whereby consumers are demanding higher quality than previously. The trend has moved away from "fast food" to "good food fast". Duni is focusing on meeting this demand by – in close cooperation with expanding restaurant chains – producing customized, quality take-away and catering packaging which strengthens the customers' brands.

Acquisition opportunities

Duni is the only major European company focusing primarily on the table top concept market. Competitors consist of relatively small, local companies, as well as a number of larger paper and pulp companies. In addition, there are a number of players with similar concepts and product ranges which are focused on the HoReCa market. Accordingly, acquisition opportunities may arise.

GROWTH WITHIN THE CORE HORECA MARKET

	Core geography	*New geography*
New HoReCa-concepts	**Concept expansion**	
Table top	**Market penetration**	**Platform expansion**

Great potential on fragmented market

The European market for single-use table top products is worth approximately EUR 4 billion. Duni is the leader within the premium segment.

The European market for single-use table top products is divided into napkins (30%), tablecoverings (6%), candles (33%), serving products such as plastic cutlery and plastic glasses (10%), and meal packaging solutions (21%). Some two-thirds of the European market for table top products relates to the Professional customer market. However, more than 80% of all tablecoverings for restaurant in Northern Europe still comprise textile and linen covers. Many players are seeking alternatives to linen in order to avoid all of the work which the handling of linen involves.

Underlying growth

During 2012, uncertainty increased concerning global economic trends. GNP forecasts were revised downwards during the second half of the year, both in Europe and globally. Growth prospects for the HoReCa markets and domestic consumption in Europe were also revised downwards in the second half of the year. Despite this, in total demand remained firm on the HoReCa markets in Europe in 2012. Regionally, the highest growth was recorded in Northern and Eastern Europe, including Russia. Duni's important sales area of Central Europe demonstrated stability. Southern Europe was the sales area which most clearly showed signs of a slowdown during the second half of the year.

Premium products

Single-use napkins and tablecoverings can be divided into standard and premium products, with the latter being produced in at least three-ply tissue or airlaid. Standard products account for approximately 45% of the total estimated sales on the European market for napkins and tablecoverings, while premium products account for around 55%. The ratio between standard and premium products varies, however, between different regions in Europe.

Italy is the single largest market in Europe for standard paper napkins and tablecoverings. In addition, Southern Europe (Italy, France, Spain, Portugal and Greece) is the largest market region. The market's size is explained by the large consumer sector, a high percentage of meals eaten outside the home, and tourism in the region, which also generates large volumes within standard products. In Southern Europe, premium products account for approximately one-third of the total market, while simpler, standard paper products are used for the high percentage of breakfasts and lunches eaten outside the home. Thus, as regards the evening meal, it is a challenge for Duni to convert users of linen to its premium products.

In Eastern Europe, too, premium products are estimated to account for approximately one-third of the total market.

In the Nordic region and Central Europe, premium products account for a higher share of the market for napkins and tablecoverings than in Southern and Eastern Europe. Germany, Austria and Switzerland together comprise the second largest market region in Europe for single-use napkins and tablecoverings, with premium products accounting for roughly two-thirds of the market. The premium products' high market share is largely due to the manufacturers' dedicated sales work and historically strong economic growth.

The UK and the Benelux countries together constitute the third largest market region in Europe for paper napkins and tablecoverings. As in Germany, Austria and Switzerland, premium products account for approximately two-thirds of the total market in the Benelux countries, which is also the case in the Nordic region. In the UK, premium products are believed to account for a smaller share of the total market.

Duni is the clear market leader in Central Europe, Northern Europe and the Benelux countries, which are the markets where the premium segment is dominant. Therefore, Duni perceives great growth potential in Southern and Eastern Europe, where simpler paper products dominate.

Major competitors

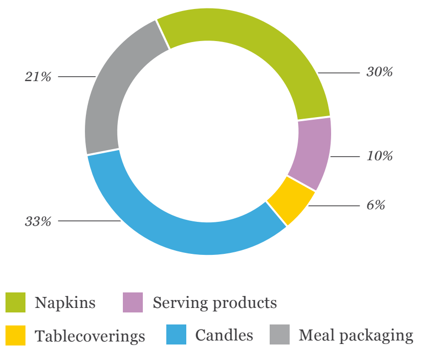
The European market for single-use table top products is very fragmented. Duni is the largest European company on this market. Duni's market share in Europe as regards its main products, napkins and tablecoverings, is just over 20%, while Duni's sales are more than twice those of its competitors in the single-use napkin and tablecovering segment. No major changes occurred in 2011 as regards Duni's major competitors and Duni retained its strong position in Europe, with a focus on the premium segment.

At the end of the year, SCA announced its acquisition of Georgia-Pacific's European tissue business (the Lotus brand). Assuming that the acquisition goes through, SCA will thereby strengthen its leading position within tissue in Europe. Within table top products, Duni estimates that the combined business will have sales of approx. SEK 2 billion, which will make it number two in Europe.

DUNI'S ESTIMATED POSITION ON EACH MARKET

Market (by size, in value)	Premium share of market	Duni's position
Southern Europe	1/3	2
Central Europe	2/3	1
The UK	1/3	2
Northern Europe	2/3	1
Benelux	2/3	1
Eastern Europe	1/3	1

THE EUROPEAN MARKET FOR SINGLE-USE TABLETOP PRODUCTS, %



Growing share of meals consumed outside the home

Demand for Duni's products is affected by various trends, such as people eating an increasing number of meals outside their home and disposable products replacing linen.

As a consequence of a growing trend to eat outside the home, the number of meals served by restaurants is increasing. This trend favors Duni, since the professional market (hotels, restaurants and catering firms) accounts for two-thirds of sales and since demand is also increasing for products which enhance ambience and atmosphere during restaurant visits, such as napkins and tablecoverings.

The trend of an increasing number of meals being consumed outside the home, as well as an increase in self-service and fast food restaurant chains, is expected to continue, among other things based on an expected increase in the proportion of single households, continued urbanization, an increase in the proportion of people in gainful employment, as well as an increase in disposable incomes. During the 2000's, the number of meals consumed in the home declined by approximately 1%, at the same time as the number of meals outside the home increased by around 3%. There are, however, large variations between different countries. In the US, for example, no less than 50% of the total food budget is spent outside the home; in Western Europe, around one-third; and, for example, in Poland and the Czech Republic the figure is only 5%. As prosperity increases in those countries, the percentage is expected to increase.

Substitution of linen napkins and linen tablecoverings

Sales of linen napkins and tablecoverings have stagnated during the 2000's. Premium single-use napkins and tablecoverings are one of the main alternatives to linen. Demand for linen table top products is affected by the fact that the restaurant industry in Europe is increasingly using concepts to attract customers and increase sales. A well thought through concept involves the food and drink offering being matched by an appropriate table setting and decorations, depending on the season and occasion. In practice, this is conditional on the availability of single-use table top products which do not require any investments in inventory and can be varied in terms of design. The declining market for linen napkins and linen tablecoverings can be explained also by the cost and time required for the laundering and handling of linen, and the fact that single-use solutions are more hygienic. The percentage of environmentally-labeled products in Duni's range is also constantly increasing, which provides yet another competitive advantage over linen.

Increased demand for take-away

A clear trend throughout Europe is that demand for both take-away food in general and higher quality take-away food has increased in recent years. An increasing number of restaurant chains with clear concepts and strong brands are springing up in response to the trend for "good food fast". North America is dominant in terms of restaurant chains as a proportion of the total restaurant offering, with a penetration level of 50%. Western and Eastern Europe have a lower proportion of restaurant chains, with a penetration level of just under 20%. Going forward, growth on the American market is expected to level off, and during the period 2010 – 2015 Eastern Europe and Asia are expected to account for the largest percentage growth globally, as prosperity increases in countries in those regions. During the same period, the growth rate in Western Europe is also expected to exceed the rate in the US.

This development is being driven by underlying market trends, such as increasingly mobile lifestyles and the fact that, to an ever-increasing extent, we are eating while on the go. The trend is also influenced in part by the same factors that drive growth in meals consumed outside the home, namely an increase in the proportion of single households, continued urbanization, an increase in the proportion of people in gainful employment, and an increase in disposable incomes.

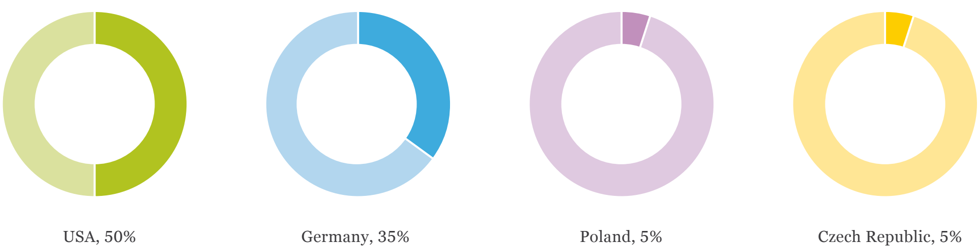
Duni is responding to this growing demand by – in close cooperation with expanding restaurant chains – developing quality take-away packaging solutions which strengthen the customers' brands.

For some time, Duni has conducted cooperation projects with restaurant chains such as Nordsee and Vapiano. During the year, customized packaging agreements were signed with, among others, Cojean in France, Tesco Bistro in Poland, and Sodexo in Holland.

Tabletop branded goods within the grocery retail sector

Since the beginning of the 2000's, grocery retail sales of private label products have increased at the expense of branded goods. In the single-use table top products sector, this has resulted in an increased focus on simpler, low price products. As a consequence of this trend, total retail sales within the table top products sector have stagnated on most European markets. In general terms, it can be said that retail private labels are over-represented in the table top products category, and often account for more than 50% of sales. The benchmark for the grocery retail chains is often that private labels should account for between 20 and 25%. This creates possibilities for a strong brand such as Duni to contribute to increased value growth in the category by means of unique, premium-based product concepts aimed at quality-conscious consumers.

SHARE OF TOTAL FOOD BUDGET SPENT OUTSIDE THE HOME, %



New, innovative products and concepts create growth within our largest business area

Business area Professional offers a wide range of tabletop products, primarily for use within restaurants, hotels and catering. The products are produced as concepts and consist of napkins, tablecoverings and other products in matching colors and designs.

Around 90% of Duni products are sold through wholesalers and cash-and-carries. The number of end customers, comprising restaurants, hotels and catering firms, is estimated at around 200,000. Duni also offers packaging solutions for restaurants, the grocery retail trade, industrial kitchens, the public sector, and catering firms. Both customized and standardized meal packaging solutions are available in different models and sizes for different types of take-away food. Duni also supplies packaging machinery for sealing food boxes within the DuniForm® concept.

Development in 2011

Within Professional, net sales amounted to SEK 2,766 (2,783) m. At fixed exchange rates, this entails an increase of 3.1%. Operating income was SEK 357 (384) m, entailing an operating margin of 12.9% (13.8%). The reduction is largely attributable to the investments for future growth that took place during the year.

During the third quarter, Duni implemented price increases on all markets in order to compensate for higher costs for input materials. Total volumes increased marginally during the year. Growth within the fast-food and take-away segment remained positive on most markets.

Sales during the year were stable on most core markets, at the same time as investments for growth in the Southern and Eastern Europe yielded positive results. In Central Europe, Duni's largest market, a particularly positive trend was seen in Germany and Austria. Sales on the Swiss market remained at the same level as last year, which to a certain extent reflects that country's strong currency.

The ongoing structural change in the restaurant industry, from individual private restaurants to branded restaurants, has continued. The branded chains are growing at a faster rate than the average for individual restaurants, a factor which is contributing to the positive trend within packaging solutions, primarily on the German market. The ongoing and extremely positive growth in sales of the "to-go" and "take-away" range is also contributing to the positive trend in Germany.

Duni also delivered solid sales growth in Sweden and Finland, where strong economic growth was a contributory factor, especially in Sweden. Eastern Europe, including Russia, demonstrated strong growth, as did parts of Southern Europe, such as Italy and Spain. Duni also enjoyed strong growth on certain export markets outside Europe, albeit from low sales levels. Sales growth is primarily attributable to premium napkins, which in turn is due to customers replacing linen napkins with Duni's products.

Table top products accounted in total for 90% of net sales within the business area, and meal packaging solutions for the remaining 10%. Central Europe accounted for SEK 1,640 (1,660) m of net sales, while the Nordic region contributed SEK 635 (645) m. Southern and Eastern Europe accounted for SEK 462 (451) m and other markets for SEK 29 (27) m.

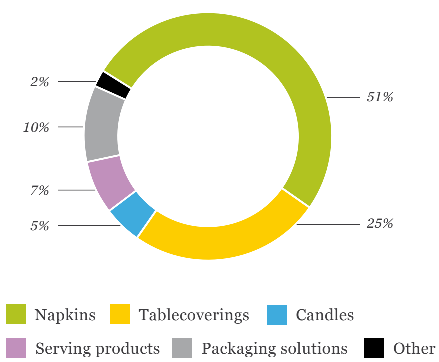
Events in 2011

In Germany, Duni gained new customers such as the Mexican food chain Sausalitos and the Thai food chain Mosch-Mosch. Other important new customers who chose Duni during the year, and for whom Duni is producing customized packaging solutions, include Sodexo in Holland and Cojean in France.

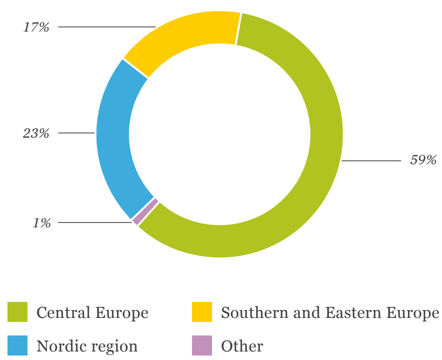
In Russia, a sales force was established which operates from the newly opened sales office in Moscow. Warehousing and support functions were relocated from St Petersburg to Moscow.

NET SALES
(UNDERLYING OPERATING INCOME)

NET SALES PER PRODUCT GROUP, %



NET SALES PER GEOGRAPHIC REGION, %



In Eastern and Southern Europe, work is continuing on developing sales forces and distributor networks. Sales efforts in the region are focused on high margin premium products. In the Middle East, too, Duni strengthened its presence on prioritized markets through agreements with local distributors, combined with the recruitment of its own sales personnel.

Several new products were launched during the year, such as the premium napkin Elegance 48. Towards the end of the year, preparations were also made for Duni's most important launch for many years – that of the unique table covering material Evolin®.

Unique sales model

Within the Professional business area, Duni has developed a sales model which is unique in the industry and specifically adapted to the customer structure and the role Duni's products play for customers within the HoReCa segment.

The model is based on the Company having its own large sales organization, which devotes most of its time to presenting the product range to end users. Professional's sales force makes a substantial number of visits annually, with approximately half the visits taking place to customers at restaurants, hotels and catering firms.

The frequent visits build up a strong relationship, while a great deal of time is devoted to presenting new products, concepts and collections which create value for both customers and end customers. By continuously demonstrating new areas of use and ways of combining the products, they can be used in an optimum manner by each customer, which contributes to the customer's own profitability.

The customers place their orders with wholesalers, either directly at the wholesaler or through Duni's sales personnel. This constitutes the basis for a strong partnership with both wholesalers and end customers. Some 90% of sales take place in this way via wholesalers and cash-and-carry stores.

The visits to end users distinguish Duni from its competitors, whose sales are primarily focused on wholesalers and cash-and-carries.

Parallel with the sales work at end customers, visits also take place to wholesalers and cash-and-carries. Wholesalers are increasing in importance and currently account for some 50% of sales. Duni provides sales personnel at wholesalers with training in the sale of tabletop concepts and how Duni's products can be used to the best effect. The sales personnel thereby become knowledgeable and effective ambassadors for Duni's products. Together with wholesalers, visits are also made to major end users.

Within the cash-and-carry segment, customers are served centrally by key account management.

Push/pull-effect

The sales model involves customers being visited by both Duni and by the wholesaler or cash-and-carry, which creates a push/pull effect. The model was introduced in Germany in the 1980s and has spread to other markets, a factor which has strongly contributed to Duni's position.

The end customers are also registered in a database in which sales personnel can see the purchasing patterns and needs of different customers. This helps them to continuously provide suggestions for new solutions and products, and to conduct sales campaigns.

The strategic focus for growth within business area Professional is, in brief:

– To be the leader within the premium segment.

– Growth through geographic expansion with focus on increased market shares in Southern and Eastern Europe and the UK.

– To take advantage of new trends and concepts on the HoReCa market, such as increased demand within take-away.

New investments yield positive signals on the tough consumer market

Within the Retail business area, Duni offers products to consumers via the grocery retail trade, specialty stores and home furnishings stores.*

The range of table top products within the Retail business area is largely the same as within the Professional business area, but is adapted to the needs of customers and end consumers for various qualities and packaging solutions. The product range creatively combines design and functionality to create pleasant environments for all occasions when enjoying food and drink. It includes everything from napkins, candles and tablecoverings, to plastic products such as glasses, cups, cutlery and plates. Within the Retail business area, Duni also sells hygienic wipes in tissue and gift wrapping paper. To a limited extent, Duni supplies products which are resold under customers' own brands (private labels).

Development in 2011

Overall, the grocery retail trade is a tough market in which sales of specialty goods are continuing to perform weakly. Market data (AC Nielsen) reports downturns in volume of 1–3% for Holland and Germany. The market for our category, as well as several other categories, has generally been weak. The market has to some extent also been affected by fewer campaigns in stores.

Sales in 2011 declined by 11.2%, to SEK 612 (689) m. Operating profit fell to SEK 21 (32) m. The operating margin weakened to 3.4% (4.6%).

The main cause for the downturn was the phasing out of a major private label customer which took place during the year. Otherwise, sales were stable. Thanks to various measures taken such as customer offering optimization and an increased customer focus, market shares were defended or, in the case of the UK and Benelux, increased.

Price increases have largely been carried out to compensate for the high raw materials costs in 2011, but the full impact will not be felt until 2012.

Central Europe – one of Retail's core markets – showed a stable trend. Sales were at same level as last year, while the profit level improved somewhat. The higher profit margin is a result of a continued focus on systematic optimization of the offering and customer profitability.

In the UK, Duni reported approximately 20% growth despite the negative macroeconomic climate. To a certain extent, the weak state of the economy has resulted in more festive meals being eaten at home instead of in restaurants, a factor which benefits sales of Duni's concepts for consumers. However, the underlying factors behind the successes are first and foremost achievements and increased cooperation with major key customers.

In Benelux, Duni enjoyed positive sales growth despite the category as a whole having contracted for the second year in a row. Sales efforts have primarily focused on new customers, resulting in new market shares being gained.

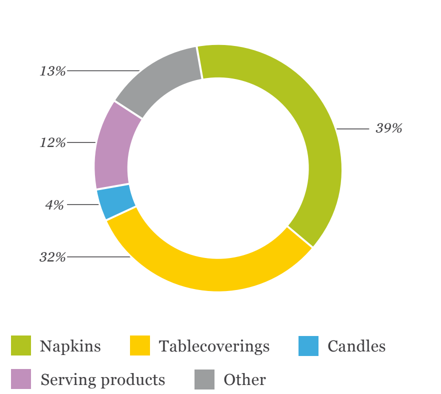
On the Nordic market, however, Retail lost market shares compared to 2010. In Sweden, the largest players are continuing to focus on private labels, which has a negative effect on sales. The trend is more positive in other Nordic countries.

Duni's unique premium concepts are suitable for holidays such as Christmas and Easter. Accordingly, during the year Duni continued to work actively with off-the-shelf campaigns, such as ready packaged solutions on display, and major resources were devoted to successful seasonally-related sales campaigns, particularly for Christmas.

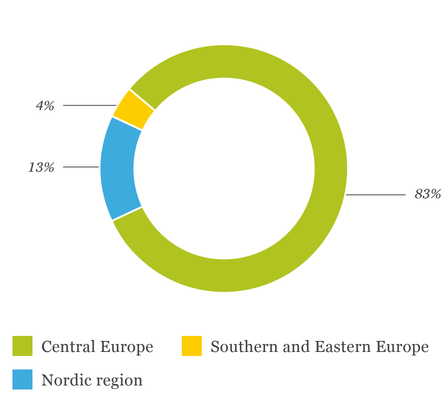
Central Europe accounted for SEK 502 (543) m of net sales within Retail, the Nordic region for SEK 82 (94) m, Southern and Eastern Europe for SEK 26 (52) m, and other markets for SEK 2 (0) m.

NET SALES
(UNDERLYING OPERATING INCOME)

NET SALES PER PRODUCT GROUP, %



NET SALES PER GEOGRAPHIC REGION, %



The strategic focus for growth within business area Retail is, in brief:

– To create increased profitability by focusing on the brand and optimising the category together with the grocery retail trade, based on a customer and consumer perspective.

– To offer the trade's private labels as a profitable complement to Duni's own products.

– To increase consumer access to products by opening up new channels, such as e-commerce.

Events in 2011

In Norway, Duni's products were listed by the Meny and Ultra chains within NorgesGruppen. There, Duni is complementing the existing range with its premium range on the shelf.

Migros, which is the largest retailer in Switzerland, listed Duni's premium concept as well as the Christmas range, in a selection of their larger stores.

In Germany, Duni continued to broaden its distribution to a number of stores in the Rewes hypermarket chain, Toom.

A major private label customer was lost during the year. On the other hand, we have generally defended our market shares within the grocery retail trade.

Duni's web shop for the Swedish market opened during the fourth quarter. The shop makes our products more easily available for the consumers. Duni will thereby be able to create more sales and increase its knowledge of consumers – knowledge which creates insight into which products are preferred, which in turn also creates added value in our cooperation with the traditional retail trade. On the Swedish market, a cooperation project was also initiated with a company specializing in home party sales.

In 2011, work continued on launching Duni's Delta Store concept in selected stores. It comprises freestanding and mobile shelf solution system specifically adapted to Duni's range, allowing for integrated and attractive displays of three different collections each season. During the year, the Delta Stores concept was launched on all markets apart from the Nordic region. At present, Duni has more than 600 Delta Store concepts located in stores.

Marketing, sales and customers

Sales to grocery retail chains and hypermarkets account for by far the largest portion of sales within Retail. A clear majority of sales consist of Duni branded products. Marketing and sales are based on key account management which, among other things, means that particularly important customers – primarily grocery retail chains – have their own customer account manager at Duni. In addition to key account management, there is also a sales force in each region which spends a large part of its time in the field visiting the customers. These customer visits often concern merchandising, the marketing of new product ranges, and the implementation of campaigns and activities. Merchandising is carried out by Duni's personnel and external partners. Sales also take place to pharmacies, chain stores in the home furnishings sector as well as various specialty stores and gardening outlets.

Duni works together with the retail trade to optimize sales in the product category. Individual products are brought together into a concept based on the customers' different needs and uses. Category growth and profitability are created by increasing the presence of Duni's unique premium products.

*As per April 1, 2012 business area Retail is changing its name to business area Consumer in order to better describe the business area's mission.

The strategic focus for growth within business area Tissue is, in brief:

- To focus on new premium qualities, primarily for further development of table top products.
- Improved balance in the customer portfolio through a broader customer base within several applications.

Improved profitability following improvements in production efficiency

The Tissue business area comprises the subsidiary Rexcell Tissue & Airlaid AB, which produces tissue and airlaid. Approximately 40% of production is sold to external customers, primarily for the manufacture of hygiene products, while the remainder is used within Duni.

Tissue and airlaid constitute the basis for Duni's production of table top products, such as napkins and tablecoverings, as well as hygiene products. The term 'airlaid' refers to air laid tissue, while 'tissue' refers to wet laid tissue. Production plants are located in Skåpafors and Dals Långed in Dalsland. These paper mills are relatively small and specialized in the production and deep dyeing of high-quality tissue and airlaid.

Development in 2011

In 2011, net sales within Tissue fell by 14.2%, to SEK 428 (499) m. Operating profit increased to SEK 25 (18) m. The operating margin was 5.9% (3.7%). A major project was carried out during the year aimed at improving efficiency in the production. Savings have been achieved through a more efficient use of raw materials as well as investments in new plant. The work is expected to result in continued cost savings in 2012.

During the year, our capacity utilization within the production of tissue remained high, primarily due to Duni's internal demand. As regards airlaid, which is largely supplied to external customers, sporadic lower order intake resulted in short production stoppages.

At the beginning of the year, certain price increases were carried out to offset the higher cost level established in 2010.

Prices of long and short fibre pulp used in tissue production increased during the first six months of the year, but fell back somewhat during the remainder of the year. Prices of fluff pulp (long fibre pulp prepared for production in dry environments) for airlaid production fell steadily throughout the year.

Events in 2011

In 2011, Duni invested SEK 105 m in the paper mills. Most of this investment related to new production equipment for the new material, Evolin® . In addition, a new tissue production roller was installed to replace an existing one.

During the course of the year, Duni – together with a major customer – began the development of a new generation of products which will reach the market in 2012. In addition, Duni is in the qualification process for a couple of new customer contracts within the hygiene products area, which is expected to result in the start of a cooperation in 2012.

Table top products and hygiene products

Duni's own tissue production meets most of the Group's needs for the manufacture of paper-based table top products. Tissue is produced in various qualities and processed into various materials, such as Dunicel® and Dunisilk® . Dunicel® is a robust material which is suitable for the production of table top products and has a feel which resembles cotton and linen tablecoverings. Dunisilk® is a material which is used for tablecoverings and has been produced to protect the table and can be wiped off after use. Production of airlaid meets Duni's own needs for the production of napkins. The unique premium material, Dunilin® , has incredibly good absorption quality combined with a very soft feel. Since the end of 2011, production is also taking place of Evolin®, a new and revolutionary tablecovering material which is a direct alternative to linen.

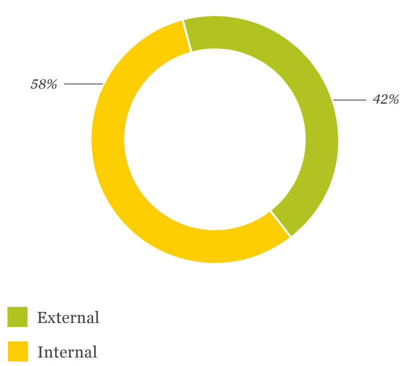
Customers and external sales

The Tissue business area's customers consist mainly of converting companies within table top products and leading companies within the hygiene products industry. More than one-half of the total production value of tissue and airlaid is used for processing within Duni, while the remainder is sold to external customers.

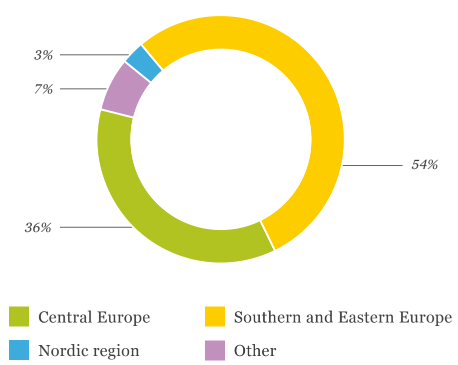
Within the airlaid product category, most of the production is sold externally as an input material, primarily to a small number of manufacturers of hygiene products. Customer relations are long term and based on close cooperation, which also includes product development work

NET SALES (UNDERLYING OPERATING INCOME)

EXTERNAL AND INTERNAL SALES, %



NET SALES PER GEOGRAPHIC REGION, %



Employees

Duni considers it to be self-evident that good working conditions, clear goals and frameworks, combined with continuous support to employees, constitute the foundations for creating growth and profitability. Human Resources (HR) has the task of supporting management, supervisors and employees in order to stimulate employee development, increase involvement, and coordinate work on changes. HR also participates in the work on ensuring a good work environment for all employees.

Core values and operating principles

Duni operates on the basis of four core values which provide guidance in the day-to-day operations and clarify how things are to be done "the Duni way". The core values – Ownership, Added value, Open mind and Will to win – find concrete expression in a number of operating principles and, taken together, are aimed at creating profitable growth, organizational efficiency, and improved customer satisfaction.

Duni's core values and operating principles are:

Ownership

We keep our promises and are committed to delivering results. We dare to try. We create value for our stakeholders while respecting sustainable development.

Added value

We put our customers first. Speed is of the essence and we cross borders to find the solution. Innovation and quality are part of our mindset.

Open mind

We trust and empower our colleagues. We have the courage to change. We listen, learn and share.

Will to win

We are always one step ahead. We seek opportunities and take action. We celebrate success.

The work climate at Duni is characterised by respect for the equal value of each individual, irrespective of gender, ethnic background, nationality, religion, disability or other differences which are unrelated to good work performance.

Skills and management development

Skills and management development are prioritized issues at Duni. Each employee shall have a personal development plan prepared by the employee personally in consultation with his/her supervisor. The personal development plan is adopted at the annual individual planning and performance review.

During 2011, ten potential future managers at Duni, who have previously undergone a "High Potentials Program", participated in a program in which selected mentors within Duni support the continued development and career development of the participants. Regular education and training for managers were also carried out during the year.

Recruitment

Recruitment is a key issue for the Company's future. Duni requires well-qualified and motivated staff to ensure that we achieve our goals. A successful company with a strong brand create opportunities for a qualitative recruitment process and structure that contribute to the recruitment of the very best employees.

Salaries and reward system

Duni applies individual salaries and, in several subsidiaries, salaries are partially linked to performance, based on a combination of financial targets and other measurable business targets.

Facts

On December 31, 2011, Duni had 1,888 employees, equal to 1,831 full-time positions. The geographic and functional breakdown of Duni's employees is shown below.

The blue collar employees work within logistics, manufacturing and maintenance. Most, approximately 81%, of blue collar employees work within manufacturing at the plants in Dals Långed, Skåpafors, Bramsche, and Poznan. Approximately 32% of blue collar employees in Germany work within logistics at the international distribution center in Bramsche. All blue collar employees in the UK work within logistics at the distribution center in Speke. Approximately 56% of white collar staff work within sales. The remaining white collar staff work within business support involving accounts, marketing, planning, purchasing and IT, primarily in Sweden, Germany and Poland. Duni's employees belong to different labor unions depending on their position and country of employment. The employees are organized in a European work council. Duni's relations with the labor unions are in all essential respects positive and Duni considers the personnel turnover for the Group as a whole to be relatively low.

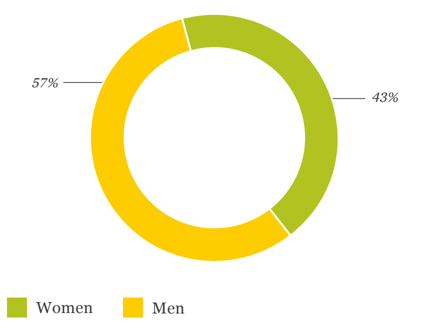
GEOGRAPHIC AND FUNCTIONAL BREAKDOWN

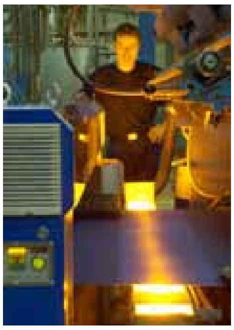
Country	Blue collar employees	White collar staff	Total
Sweden	195	172	367
Germany	537	272	809
Poland	273	103	376
The Netherlands	0	53	53
The UK	17	34	51
Other	1	174	175
Total	**1,023**	**808**	**1,831**

AVERAGE NUMBER OF EMPLOYEES

2007	2,104
2008	2,041
2009	1,953
2010	1,948
2011	**1,928**

GENDER BREAKDOWN, 2011, %





Social responsibility

Duni engages in systematic work in accordance with the principles defined in the international Corporate Social Responsibility (CSR) standard, ISO 26000. Within the area, Duni addresses, among other things, questions concerning social responsibility and the environment.

Corporate social

The supply chain

Duni carries out annual audits of, and follow-up visits to, the production plants of its suppliers in order to ensure compliance with Duni's requirements. One principle guiding Duni's work concerning codes of conduct is to achieve a neutral competition situation by applying uniform requirements to all subcontractors, irrespective of where in the world they operate.

Only suppliers with a positive and responsible attitude towards social issues and work conditions are used. The work of evaluating suppliers is based on agreements with Duni's labor unions. Such agreements exist, for example, with the Swedish labor union, Unionen, and between Duni and the Duni European Work Council (DEWC). Duni also complies with requirements set forth in a number of ILO (International Labor Organization) conventions in the area.

In conjunction with the audits, evaluations are made regarding, among other things, working conditions, safety at the plant, ensuring that child labor does not occur, compliance with minimum wages, and that the number of work hours is in accordance with the legislation of the country where the production takes place. An evaluation is also made of hygiene issues to ensure that rigorous hygiene standards are observed when producing the products. In addition, an evaluation is made as to whether the subcontractor actively works with the ISO 9000 quality system and the ISO 14001 environmental management system or equivalent, or has plans to do so, and whether work is carried out in accordance with environmental legislation.

Products and production

Duni's products are tested to ensure compliance with the stringent limits which, for example, prevent chemicals from plastics or colors from passing into foodstuffs. Duni and Duni's suppliers comply with REACH (the EU's chemicals legislation) regarding control and registration of chemicals. Duni also complies with other relevant requirements, such as the RAL standard for candles, and maintains a constant dialogue with suppliers regarding quality and product safety.

Duni's production is ISO 9001-certified (quality management system certification) and Duni demands that the Group's suppliers engage in systematic quality work. The converting units are certified in accordance with BRC-CP (British Retail Consortium – Consumer Products). BRC-CP imposes a number of criteria to assist companies in ensuring product safety, quality and fulfillment of legal requirements.

Environment

Duni is taking active measures to reduce the impact of the operations on the environment within the areas of production and purchasing, as well as through product development.

responsibility

Duni is taking active measures to reduce the impact of the operations on the environment within the areas of production and purchasing, as well as through product development.

”Our Green Challenge” is the name given to Duni’s program to become the industry leader within the environmental area. Within the scope of Our Green Challenge, among other things Duni has been granted FSC® (Forest Stewardship Council) certification and increased the proportion of renewable energy used in production. Suppliers are trained by Duni within the environmental area, and communication with customers and employees regarding environmental issues is being constantly improved.

Duni has an ambitious target to achieve a 25% reduction in greenhouse gas emissions from our manufacturing between 2008 and 2012. As the graph to the right indicates, we are well on the way to achieving this target by choosing renewable sources of energy and taking active energy efficiency improvement measures. The construction of a biofuel facility at Duni’s paper mill in 2010 represented a milestone in this work.

Most of Duni’s products are made from the renewable raw material, cellulose, which is sourced from responsibly managed forests certified in accordance with FSC. Manufacturing is certified in accordance with ISO 14001 and Duni demands that the Group’s subcontractors engage in systematic work within the environmental area.

Duni’s products and the life

Duni’s overarching ambition is to produce products with a low impact on the environment. Duni’s ranges of premium napkins and tablecoverings are based on a renewable raw material with a low carbon footprint. They are also normally technically recyclable as wet strength paper/laminated paper. Duni’s plastic and metal products are recyclable when broken down into their component parts.

The environmental work has, among other things, resulted in Duni’s ecoecho™ product range. From an environmental perspective, these products have one or more improved characteristics compared with corresponding standard products. Renewable (plant-based) raw materials, waste product raw materials or recyclable material and biologically degradable plastic are examples of such characteristics.

Another example of Duni’s environmental focus is provided by the newly launched product, Evolin®, which is compostable at industrial

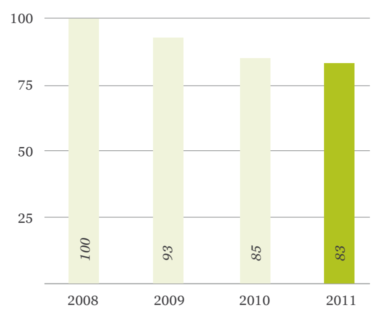
plants in accordance with biodegradability standard EN 13432 and is technically recyclable as wet strength paper/laminated paper.

The material in Evolin is based on natural cellulose fibre and a naturally occurring mineral, thereby resulting in a low carbon footprint. Production takes place at a modern ISO-certified plant with an active agenda for energy efficiency improvements and choosing renewable energy.

In addition, Evolin is based on renewable materials sourced from responsibly managed, FSC-certified forests.

GREENHOUSE GASES (CO_2EQ.)

(Index 100 for 2008. Target for 2012 index 75.)



MANAGEMENT SYSTEMS, CERTIFICATION, AND ENVIRONMENTAL PERMITS

	Paper mills Sweden	Converting Germany	Converting Poland	Logistics Germany
ISO 14001	Yes	Yes	Yes	Yes
FSC®-certificate	Yes	Yes	Yes	Yes
Energy management certification	Yes			
Environmental permits required	Yes	No	No	No

The share

Performance and turnover

Duni has been listed on NASDAQ OMX Stockholm since November 14, 2007, in the Midcap, Consumer Discretionary list with the ticker name ”DUNI” and ISIN-kod SE0000616716. The final price upon listing was SEK 50 per share, entailing a market capitalisation for Duni of SEK 2.35 billion. Since the listing, Duni's share price has increased by 8% up to December 31, 2011, entailing a market capitalisation of SEK 2.54 billion at the end of 2011. During 2011, the closing price varied between a high of SEK 74.25 on January 3 and a low of SEK 48.50 on October 5. Earnings per share for the year were SEK 5.54 for continuing operations. During 2011, 11.3 million Duni shares changed hands, valued at SEK 697 million.

Number of shares and share capital

On December 31, 2011, Duni AB (publ) had 46,999,032 outstanding shares. Each share entitles the holder to one vote and to an equal share in the Company's assets and earnings. The quotient value is SEK 1.25 and the share capital is SEK 58,748,790.

Dividend policy and dividends

It is the intention of the Board of Directors that, in the long term, dividends shall amount to at least 40% of income after tax. However, when deciding whether to propose any dividend, consideration shall be given to Duni's possibilities for expansion, the need to strengthen the balance sheet, liquidity as well as financial position in general. The Board of Directors proposes to the annual general meeting that a dividend be paid of SEK 3.50 per share for the 2011 financial year.

External analyses were published by:

– SEB Enskilda, Daniel Schmidt

– ABG Sundal Collier, Andreas Lundberg

– Handelsbanken Capital Markets, Peter Wallin

Further information about the Duni share is available on www.duni.com

SHAREHOLDER STRUCTURE DEC. 31, 2011

	Number of shareholders	Number of shares	% of shares
1 – 500	2,867	530,227	1.13 %
501 – 1,000	590	474,896	1.01 %
1,001 – 5,000	454	1,070,624	2.28 %
5,001 – 10,000	55	422,282	0.90 %
10,001 – 15,000	12	156,394	0.33 %
15,001 – 20,000	5	84,187	0.18 %
20,001 –	94	44,260,422	94.17 %
Total	**4,077**	**46,999,032**	**100.00** %

DATA PER SHARE

Amount, SEK	**Dec 31, 2011**
Number of shares at end of period (thousands)	46,999
Average number of shares before and after dilution (thousands)	46,999
Price on December 31	54.00
Earnings per share before and after dilution	5.54
Equity per share	44.31
P/E-ratio	9.75

SHAREHOLDERS DEC. 31, 2011

	Number of shares	% of shares
Mellby Gård Investerings AB	14,094,500	29.99 %
Polaris Capital Management, LLC	4,973,177	10.58 %
Lannebo fonder	4,150,000	8.83 %
Swedbank Robur fonder	3,370,441	7.17 %
Odin Fonder	2,340,256	4.98 %
SSB CL Omnibus AC OM05	2,188,900	4.66 %
SSB CL Omnibus AC OM07	1,652,621	3.52 %
Svenskt Näringsliv	1,500,000	3.19 %
Nordea Investment Funds	1,354,507	2.88 %
Mellon US	1,078,313	2.29 %
Total, the 10 largest owners		
–in terms of holdings	36,702,715	78.09 %
Other shareholders	10,296,317	21.91 %
Total	**46,999,032**	**100.00 %**

Share performance 2011, closing price, SEK

Share performance, closing price, SEK

Annual Report
Content

Directors' report

The Group

Duni is one of the leading companies in Europe within attractive, quality table setting products and concepts, as well as packaging for take-away. The Group enjoys a leading position thanks to a combination of high quality products, established customer relations and a well-reputed brand, as well as a strong local presence on most European markets. Operations are conducted within three business areas: Professional, Retail and Tissue.

In the **Professional** business area, Duni offers concepts and products primarily to hotels, restaurants and catering companies. The offering includes table and serving products such as napkins, tablecoverings, placemats, candles, as well as serving products such as glasses, cups and cutlery, produced either in plastic or paper. Duni is a market leader in the Benelux countries, the Nordic region, Germany, Switzerland, France and the UK. The Professional business area also offers customized packaging for take-away meals and catering. As a niche player within this area, Duni enjoys a leading position in the Nordic region. The Professional business area accounts for approximately 73% of Duni's sales.

Within the **Retail** business area, Duni offers consumer products primarily to the retail trade. The range includes napkins, tablecoverings, candles, glasses, cutlery and, to an increasing extent, various product range combinations. The products are marketed primarily under the Duni brand. To a limited extent, Duni also develops and manufactures products for customers which market them under private labels. Duni enjoys a leading position in the Benelux countries, the Nordic region, Germany, Switzerland and the UK. The business area accounts for approximately 16% of Duni's sales.

The **Tissue** business area produces airlaid and tissue based material which is used in products within the other business areas and is a subcontractor to external customers, mainly within the hygiene products industry. Tissue accounts for approximately 11% of Duni's sales.

Product and concept development

Within product development, Duni's work involves new designs and color schemes, as well as new materials and solutions. Duni focuses on product and concept development, and possesses a unique strength within form, design and functionality. Duni's innovation process is characterized by the ability to quickly and flexibly develop new collections, concepts and products which create a clear added value for the various customer categories on the market.

Duni engages in development within the market segments in which the Group enjoys a leading position. At the same time, the Group continues to develop new products and concepts for new segments.

The end of 2011 saw completion of the development of Evolin®, a new and revolutionary tablecovering material which combines the feel and look of textile and linen tablecoverings with the advantages of the single-use product. Significant resources have been invested in the development work, which has resulted in an entirely unique, patent-pending product manufactured from a hybrid material based primarily on a renewable raw material. Evolin is aimed at those restaurants and catering firms that currently use linen.

The advantage is that Duni is thereby entering a market segment which is significantly larger than Duni's current addressable market. The product is being launched in stages during the first quarter of 2012, with an accelerated roll-out thereafter. This represents a very exciting phase in Duni's development, since the Company's successes are largely based on unique premium materials such as Dunilin® and Dunicel®.

Market development

The recovery in demand which was seen in 2010 has leveled off somewhat in 2011 and, especially towards the end of the year, the market was characterized by a degree of uncertainty attributable to the Euro and sovereign debt crisis in Europe. However, the long-term trend points towards more visits to restaurants and an increase in the number of hotel nights, driven primarily by changed consumption patterns and economic growth. New restaurant concepts, such as ready prepared meals in grocery stores, take-away and fast service restaurants, are continuing to grow in number and these concepts are gaining an ever larger market share. On the customer side, we are witnessing continued structural changes within the restaurant industry, with restaurant chains that operate under a common brand growing faster than the market in general. This is a trend which benefits Duni's sales of customized concepts and, during the year, led to the initiation of cooperation projects with several new customers within the segment.

On the other hand, market data (AC Nielsen) indicates stagnating demand within Duni's product categories in the retail sector. One important factor is that several grocery retail chains are focusing increasingly on low price products and private labels. Despite tough competition, apart from the loss of a major private label customer Duni has enjoyed stable growth and, particularly in England and Benelux, also increased its market shares. This is largely due to an increased customer focus with an optimized customer offering and a sharper product range.

A degree of slowdown was noted within the hygiene products sector in the Tissue business area, due in part to inventory reduction at our customers.

Prospects

In the long term, demand is driven primarily by increased purchasing power combined with changed habits, which are leading to an increasing share of meals being eaten outside the home. In addition, demand for Duni's products is positively affected by the fact that an increasing number of restaurants are choosing to replace linen with single-use premium quality solutions. Furthermore, growth within the take-away segment is expected to continue, since the number of single householders is increasing and urbanization is continuing. With the launch of Evolin, a potentially very large new market is opening up for Duni.

As regards the macroeconomic perspective for 2012, a degree of slowdown in the economy is expected in Europe in light of the problems associated with high sovereign debt levels in a number of countries and the attendant Euro crisis. This may affect volume growth to some extent, but may also bring with it lower prices for input materials.

Reporting

The annual report covers the 2011 financial year. "Preceding year" means the 2010 financial year.

The reported operating income includes two non-recurring items: a restructuring cost of SEK 6 (0) m as well as an unrealized valuation effect of electricity and currency derivatives of SEK -10 (1) m. The operating income is commented on in the text below, exclusive of these non-recurring items. For more information about restructuring expenses, see Note 9.

SEK m	2011	2010
Non-recurring items		
Underlying operating income	404	435
Unrealized value changes, derivative instruments	-10	1
Restructuring costs	-6	0
Reported operating income	**388**	**436**

Sales
Duni's net sales amounted to SEK 3,807 (3,971) m. Sales for the year entail a reduction of 4.1%. At unchanged exchange rates compared with the preceding year, net sales would be SEK 131 m higher for the year, corresponding to a reduction in sales of 0.8%. Professional demonstrated stability, while Retail and Tissue experienced a weaker trend.

During 2011, the Professional business area experienced a decline in sales of 0.6%. At fixed exchange rates, this corresponds to an increase in sales of 3.1%. Growth has been strongest in Southern and Eastern Europe – evidence that Duni's market investments in these regions are yielding results.

Sales within the Retail business area fell by 11.2%, corresponding to a reduction of 7.0% at fixed exchange rates. This was due to the phasing out during the year of a major private label customer. Growth was very limited on most markets, but Duni maintained its market shares within the grocery retail trade.

Sales within the Tissue business area fell by 14.1%. 2011 was characterized by weaker demand within the hygiene products sector, due to inventory reductions at customers.

Income
The underlying operating income was SEK 404 (435) m. At unchanged exchange rates from the preceding year, operating income would have been SEK 13 m higher for the year. The operating margin was somewhat lower than last year, namely 10.6% (10.9%). The year was characterized by marketing investments to achieve growth, resulting in somewhat higher selling costs and, consequently, a somewhat lower operating margin.

Financial items amounted to SEK -30 (-18) m. The interest rate level were slightly higher than in the preceding year, but financial items during the year were also affected by negative realized exchange rate results. Income before tax was SEK 358 (418) m.

A tax expense of SEK 98 (112) m is reported for the financial year. During the year, the deferred tax asset relating to loss carry-forwards was reduced by SEK 41 (37) m.

Net income for the year was SEK 261 (306) m.

Investments
The Group's net investments amounted to SEK 377 (236) m.

On December 31, Duni bought back the property in Bramsche, Germany which had previously been leased. The investment included a factory, warehouse and offices valued at approximately SEK 160 m.

Other investments relate primarily to the Group's major production plants in Poland, Germany and Sweden. Depreciation and write-downs amounted to SEK 107 (102) m.

Cash flow and financial position
The Group's operating cash flow was SEK 362 (296) m. During the year, the insurance matter was settled relating to the fire in a machine at one of Duni's production plants in Skåpafors. Duni received an additional SEK 51 m in compensation during 2011.

The Group's total assets as per December 31 amounted to SEK 3,681 (3,487) m.

The Group's interest-bearing net debt was SEK 745 m. On December 31, 2010, the interest-bearing net debt was SEK 582 m. The repurchase of the property in Bramsche has affected net debt by approximately SEK 160 m.

Operational and financial 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 very important in order for Duni to achieve satisfactory 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 economic climate over an extended period of time in Europe could lead to a reduction in the number of restaurant visits, reduced consumption and increased price competition, which can impact on volumes and gross margins.

Duni's finance management and its handling of financial risks are regulated by a finance policy adopted by the Board of Directors. This work is presided over and managed by the Group's Treasury, which is included as a unit within the Parent Company. The Group divides the financial risks into market risks, consisting of currency risks, price risks and interest rate risks, as well as credit risks and liquidity risks. These risks are controlled in an overall risk management policy which focuses on unforeseeability on the financial markets and endeavors to minimize potential adverse effects on the Group's financial results.

As per December 31, 2011, Duni had short-term financing due to the fact that the financing facility from November 2007 expires in November 2012. Duni has commenced a procedure to secure a new credit facility and intends to complete the procedure in due time before the current financing expires. See also Note 3 regarding risk management.

Legal disputes
Upon closing of the accounts, there were a few disputes with customers and suppliers involving small amounts, as well as regarding intellectual property rights. Provisions have been made in the annual accounts which, in the management's opinion, cover any negative outcome of these disputes.

Environment
In accordance with an adopted environmental strategy, Duni works according to policies and goals covering development and information concerning products, efficiency and controlled production, as well as knowledge and communication from an environmental perspective.

Environmental and quality systems in accordance with ISO 14001 and ISO 9001 have been implemented and certified at all of the Group's production units. Suppliers are evaluated in accordance with the Group's Code of Conduct, which covers both environmental and social responsibility.

Duni has also been granted FSC (Forest Stewardship Council) certification regarding the sale, production and distribution of, among other products, napkins, table covers and serving products. This means that Duni's cellulose products are sourced from sustainable forests.

Rexcell Tissue & Airlaid AB conducts two operations which are subject to permit requirements pursuant to the Swedish Environmental Code. The Group holds permits for the production of 45,000 tonnes of wet laid tissue per year and 26,000 tonnes of airlaid tissue per year at the mill in Skåpafors and 10,000 tonnes of airlaid tissue in Dals Långed. The mills hold a permit issued by the Administrative Board in Västra Götaland County regarding emissions of carbon dioxide, CO2. The allocation of emission rights involves 2,779 tonnes per annual in Dals Långed and 14,154 tonnes per annual in Skåpafors.

The Board's work
During the year, the Board of Directors comprised five members. At the Annual General Meeting held on May 5, 2011, Sanna Suvanto-Harsaae declined re-election and Tina Andersson was elected as a new director. The Board also has two employee representatives and one alternate employee representative. During the year, the Board held nine meetings at which minutes were taken. For further information regarding the work of the Board, see the Corporate Governance Report.

Employees
Good working conditions, clear goals and structures combined with regular support to employees constitute the foundations for creating growth and profit. Human Resources (HR) has the task of supporting management, supervisors and employees in order to stimulate employee development, increase involvement, and drive and coordinate work regarding change. HR also assists in the work of ensuring a sound work environment for all employees.

Duni operates based on four core values which provide guidance in the day-to-day work and clarify how things are done "the Duni way". The core values – Ownership, Added value, Open mind, and Will to win – find concrete expression in a number of operational principles which, taken together, are aimed at creating profitable growth, organizational efficiency, and increased customer satisfaction.

On December 31, 2011, there were 1,888 employees. On December 31, 2010, there were 1,914 employees.

Remuneration for the CEO and senior executives
For more information regarding remuneration to the CEO and senior executives and relevant guidelines, see the Corporate Governance Report and Note 13.

Foreign companies and branches
Duni conducts operations under its own management and has employees in 17 European countries.

Important events since December 31, 2011
In order to create a more market-driven and efficient organization with an increased focus on growth, a new organization will be established within Duni on April 1, 2012. The Professional business area will be divided into two separate

organizations with profit responsibilities – one for products for the set table (Product Category Table Top) and one for a range of products for take-away and catering events (Product Category Meal Service). The two product categories will have a common sales force organized under one Director.

In addition, in order to create further focus on geographic expansion, a new department will be established at Group level with responsibility for development of new markets. Furthermore the responsibility for external sales within the Tissue business area will be handled by this department.

In the new organizational structure, all product supply operations (paper mills, converting, logistics) will be brought together under a joint area of responsibility – Production & Supply Chain.

The current Retail business area will change its name to Consumer, in order to better describe the business area's mission. The business area will retain its current structure.

The Parent Company

Sales, income and financial position

The Parent Company, Duni AB, is responsible for the Group's sales and customer support on the Nordic market. The Parent Company also contains Group management and joint Group staff functions such as finance, personnel, purchasing, communication, marketing and IT. Parts of the Group's development resources are located in the Parent Company.

Net sales amounted to SEK 1,159 (1,180) m. Operating income was reported at SEK -70 (-70) m, and net financial items at SEK 268 (342) m. The Parent Company's net income was SEK 160 (242) m. The net financial items include internal dividends received during the year of SEK 153 (257) m and a received Group contribution of SEK 112 (65) m.

The Parent Company's investments in fixed assets amounted to SEK 42 (24) m.

The Parent Company's equity ratio at year-end was 66.2% (68.8%). The Parent Company's cash and equivalents on December 31, 2011 amounted to SEK 43 (65) m.

Operational and financial risks in the Parent Company

The Parent Company's risks correspond in all essential respects to the Group's risks.

Duni's finance management and its management of financial risks are regulated by a finance policy adopted by the Board of Directors. This work is presided over and managed by the Group's Treasury, which is included as a unit within the Parent Company. The Group shares in the financial risks in market risks, comprising currency risk, price risk and interest rate risk, as well as credit risk and liquidity risk.

Ownership and share

Ownership structure on December 31, 2011

Duni is listed on NASDAQ OMX in Stockholm under the ticker name "DUNI". The largest owners on December 31, 2011 were Mellby Gård Investerings AB (29.99%), Polaris Capital Management, LLC (10.58%) and Lannebo fonder (8.83%).

Duni's share

Duni's share capital consists of 46,999,032 outstanding common shares, each carrying 1 vote per share. The quotient value of the shares is SEK 1.25. Duni holds no shares in treasury.

There shall be no fewer than 32,008,000 and no more than 128,032,000 shares. There are no outstanding warrants or convertible debentures. Senior executives together own 0.7% of the shares in Duni.

Further information concerning Duni's share and owners is provided in the Corporate Governance Report.

Allocation of earnings proposed by the Board of Directors and CEO

The Board of Directors proposes to the 2012 Annual General Meeting that a resolution be adopted regarding allocation of earnings entailing that a dividend of SEK 3.50 per share, equal in total to SEK 164,496,612, be paid to shareholders registered on the record date, May 8, 2012, and that the remaining unrestricted shareholders' equity be carried forward.

Provided that the 2012 Annual General Meeting resolves in accordance with the Board's dividend proposal, SEK 1,829 m will be carried forward. After the proposed dividend, there will be full coverage for the Parent Company's restricted equity. The Group's shareholders' equity amounts to SEK 2,082 m.

As a basis for its dividend proposal, pursuant to Chapter 18, section 4 of the Swedish Companies Act (2005:551) the Board has made the assessment that the proposed dividend is defendable in light of the demands imposed by the business as regards the size of the shareholders' equity in the Parent Company and the Group, as well as the needs of the Parent Company and the Group to strengthen the balance sheet, and as regards liquidity and financial position in general and Duni's process for signing a new credit facility. The Board also believes that the dividend provides scope for the Group to perform its obligations and carry out planned investments. Based on Duni's income after tax, the proposed dividend is well in line with the Group's dividend policy.

Even after the dividend, the equity ratio of the Parent Company and the Group is believed to be sound relative to the industry in which the Group operates. The proposed dividend will not affect the ability of the Parent Company and the Group to discharge their payment obligations. The Board considers that the Parent Company and the Group are well prepared to manage changes in liquidity and any contingencies. The Board believes that the Parent Company and the Group possess the conditions to take future commercial risks and also carry any losses.

The Board's assurance and signatures

The Board's assurance

The Board of Directors and CEO hereby affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU and provide a fair and a true view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting principles and provides a fair and true view of the Parent Company's financial position and results.

The Directors' Report for the Group and Parent Company provides a fair and true overview of the development of the operations, financial position and results of the Group and Parent Company and describes significant risks and uncertainty factors facing the Parent Company and the Group, as well as companies in the Group.

The income statements and balance sheets will be presented for adoption at the Annual General Meeting to be held on May 3, 2012.

Malmö, March 21, 2012

Anders Bülow
Chairman of the Board

Fredrik von Oelreich
President and CEO

Tina Andersson

Tomas Gustafsson

Pia Rudengren

Magnus Yngen

Göran Andreasson
Employee representative, SPIAF

Per-Åke Halvordsson
Employee representative, PTK

Our audit report was submitted on March 22, 2012

PricewaterhouseCoopers AB

Eva Carlsvi
Authorised Public Accountant

Allocation of earnings, Parent Company (SEK)

Unrestricted equity in the Parent Company	
Retained earnings	1,833,368,572
Income for the year	159,941,880
Total unrestricted equity in the Parent Company	**1,993,310,452**
The Board and CEO propose:	
A dividend to the shareholders of SEK 3.50 per share	164,496,612
and that the remaining amount be carried forward	1,828,813,840
Total	**1,993,310,452**

Corporate Governance Report for Duni AB (publ)

Duni AB is a Swedish limited public company which has been listed on NASDAQ OMX in Stockholm since November 14, 2007. Governance of Duni takes place through General Meetings, the Board of Directors and the CEO, as well as Duni's group management, in accordance with, among other things, the Swedish Companies Act, the Company's Articles of Association and rules of procedure for the Board of Directors and the CEO. Representatives from Duni's group management also serve as directors on the boards of subsidiaries.

Duni has undertaken to NASDAQ OMX Stockholm to apply the Swedish Corporate Governance Code (the "Code"), which is applied by all Swedish companies whose shares are admitted to trading on a regulated market in Sweden. Duni currently applies all sections of the Code.

Articles of association

The current articles of association were adopted at the Annual General Meeting held on May 6, 2009. They provide, among other things, that the registered office shall be in Malmö, that members of the Board of Directors shall be elected each year for a term of office until the close of the next Annual General Meeting, and that each share shall carry one vote. The complete articles of association are available on Duni's website, www.duni.com.

General meetings

At the General Meeting, the shareholders decide upon key issues. Among other things, the General Meeting adopts the income statements and balance sheets, resolves upon allocation of the Company's earnings, discharge from liability for the directors and the CEO, election of the Board of Directors and auditors, as well as remuneration to the Board of Directors and auditors.

Pursuant to the Swedish Companies Act, notice to attend Duni's Annual General Meeting must be given not earlier than six weeks and not later than four weeks prior to the meeting. Notice shall be given through an announcement in Post and Inrikes Tidningar (The Official Gazette) and on Duni's website. The fact that notice has been given shall be announced in Svenska Dagbladet and in Sydsvenska Dagbladet. In order to participate at the Annual General Meeting, a shareholder must notify the Company thereof not later than the date stated in the notice.

2011 Annual General Meeting

Duni's 2011 Annual General Meeting was held on Thursday, May 5, 2011 in Malmö. 116 shareholders, representing approximately 57% of the voting rights, were present at the Annual General Meeting in person or through proxies. The Chairman of the Board, Anders Bülow, was elected to chair the meeting. With the exception of Pia Rudengren, all directors were present. The minutes are available on Duni's website, www.duni.com. Some of the resolutions adopted at the Annual General Meeting were:

– that a dividend of SEK 3.50 per share be distributed for the 2010 financial year, in accordance with the Board's proposal;
– that the Board shall comprise five directors without alternates;
– that Sanna Suvanto-Harsaae declined re-election to the Board and that Tina Andersson was elected as a new director;
– that all other directors be re-elected in accordance with the Nomination Committee's proposal;
– that Anders Bülow be re-elected as Chairman of the Board;
– that fees be paid in the amount of SEK 500,000 to the Chairman of the Board and SEK 250,000 to each of the other directors, in addition to fees for committee work. Board fees including fees for committee work are unchanged from the preceding year;
– that the Board's proposal for guidelines for compensation to senior executives be adopted;
– procedures regarding the composition and work of the Nomination Committee;
– that the Board be authorized, on one or more occasions until the next annual general meeting, to decide upon an increase in the Company's share capital not exceeding SEK 5,800,000, through the issuance of not more than 4,640,000 shares.

2012 Annual General Meeting

The next Annual General Meeting of shareholders of Duni will be held at 3pm on Thursday, May 3, 2012 at Skånes Dansteater, Östra Varvsgatan 13A in Malmö. More information about the Annual General Meeting, notice of participation, etc. is available on Duni's website.

Nomination Committee

Board Chairman Anders Bülow convened the Nomination Committee in October 2011. The Nomination Committee shall be comprised of representatives of Duni's three largest shareholders as per September 30. The work of the Nomination Committee begins by reviewing the independent evaluation of the current Board, which is carried out each year. The Nomination Committee nominates the persons to be proposed at the Annual General Meeting for election to Duni's Board. Proposals are also produced regarding auditor fees, Board fees for the Chairman of the Board and other directors, as well as compensation for committee work. At the 2011 Annual General Meeting, PwC were re-elected auditors in accordance with the Nomination Committee's proposal, based on an investigation and recommendation by the Audit Committee. All proposals are presented at the Annual General Meeting as well as in the notice to attend and on the website prior to the Annual General Meeting.

The Nomination Committee's composition was presented on October 31, 2011 and comprises the following members:

Name	Represents	Ownership share Dec. 31, 2011
Anders Bülow	Chairman of the Board	
Rune Andersson (Chairman)	Mellby Gård Investerings AB	29.99%
Bernard R. Horn Jr	Polaris Capital Management, LLC	10.58%
Göran Espelund	Lannebo fonder	8.83%
Total		**49.40%**

During the period, the Nomination Committee held two meetings at which minutes were taken.

The Board of Directors

Duni's Board decides on the Company's business focus, strategy, business plans, resources and capital structure, organization, acquisitions, major investments, divestments, the annual report and interim reports, and other overarching issues of a strategic nature. The Board also appoints the CEO, who is responsible for the day-to-day management in accordance with the Board's instructions.

The directors

The directors are elected each year by the Annual General Meeting for a term of office until the close of the next annual general meeting. Pursuant to the Articles of Association, the Board shall comprise no fewer than three and no more than twelve directors, as well as employee representatives. Since the Annual General Meeting held on May 5, 2010, the Board comprises five directors and two employee representatives. Duni's CEO is not a member of the Board but usually participates at board meetings to present matters, as does the CFO.

The Board's work

At the first ordinary board meeting which is held after the Annual General Meeting, Duni's Board adopts written instructions which describe the Board's rules of procedure. The adopted rules of procedure state how the work is to be allocated between the Board's members, and how often the Board shall meet. In addition, the rules of procedure regulate the Board's obligations, quorum, instructions to the CEO, the allocation of responsibility between the Board and the CEO, etc. The Board has also established two committees from among its members: the Audit Committee and the Remuneration Committee.

The Board meets in accordance with a predetermined yearly plan, and additional meetings are arranged as needed. During 2011, the Board held nine meetings at which minutes were taken.

The following items, among others, were on the agenda in 2011:

– Annual accounts, including report from the auditors, proposed allocation of earnings, and Year-End report;
– Annual report and preparations pending the Annual General Meeting;
– Interim reports;
– Rules of procedure for the Board and the CEO;
– Annual review of the policy manual;
– Review of business plan and strategies;
– The Group's logistics and distribution structure;
– Discussion concerning a cost efficiency improvement program within production and logistics;
– Visit to accounting center in Poznan and the production unit in Poznan
– Budget for 2012
– Product development
– Growth issues
– The economy and economic conditions

In addition to the board meetings, the Chairman of the Board and the CEO hold regular discussions concerning the management of the Company.

The CEO, Fredrik von Oelreich, is responsible for implementation of the business plan as well as the regular management of the Company's affairs, and also the day-to-day operations in the Company.

The Board receives monthly written information in the form of a monthly report containing monitoring of the Company's sales, operating income and working capital trend, as well as comments on how the various markets are developing. Prior to board meetings, the Board also reviews the balance sheet and cash flow.

The main owners, the directors and the CEO also conduct each year a detailed evaluation of the Board of Directors based on the adopted rules of procedure. The evaluation covers, among other things, the composition of the Board, individual directors, as well as the Board's work and routines.

The Code contains rules regarding the independence of the directors and imposes the requirement that a majority of the directors must be independent of the Company and company management.

At least two of the directors who are independent of the Company and company management must also be independent in relation to all shareholders who control ten percent or more of the share capital or voting capital of Duni AB. Not more than one member of company management may be a member of the Board.

Remuneration committee

The Remuneration Committee prepares issues concerning remuneration and other benefits for corporate management, while decisions thereon are taken by Duni's Board of Directors. Compensation and benefits for corporate management are evaluated through comparisons with market data provided by external sources. Such data demonstrates that Duni has competitive compensation levels and that the total compensation package is reasonable and not excessively high. Once a year, the Remuneration Committee evaluates the performance of senior executives and also certain second-tier managers in accordance with a systematic procedure.

The Remuneration Committee held three meetings in 2011 and comprises three members: Magnus Yngen (Chairman), Anders Bülow and Tomas Gustafsson. Fredrik von Oelreich participates at meetings of the Remuneration Committee, except when questions concerning remuneration to the CEO are addressed. The HR Director is the appointed secretary at the Remuneration Committee meetings.

Audit Committee

The Audit Committee is responsible for ensuring the quality of the Company's financial and business reporting. The Committee also evaluates Duni's internal control processes and management of financial and operating risks. The Committee meets regularly with the Company's auditors in order to obtain information regarding the focus and scope of the external audit and to evaluate the work of the external auditors. The evaluation also covers the scope of any non-audit-related work performed by the auditors on behalf of Duni. When preparing a proposal regarding the election of auditors and compensation for audit work, the Nomination Committee is assisted by the Audit Committee.

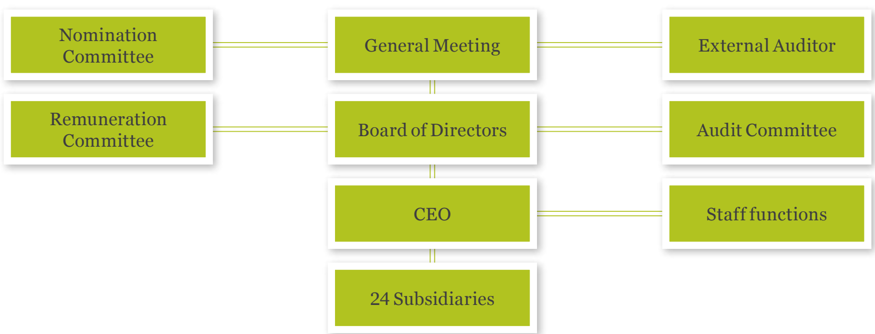
The Audit Committee held four meetings in 2011 and comprises three members: Pia Rudengren (Chairman), Anders Bülow and Tina Andersson. The CFO and the Group Accounting Manager, as well as the auditors, participate at all meetings. The year's meetings have been characterized by the prevailing financial situation in Europe and how Duni is coping with the economic turbulence. Duni has a strong balance sheet to lean on, but needs to be updated and equipped to meet the various risks to which the company is exposed. In addition, the long-term credit facility has been on the agenda several times. As per December 31, 2011, Duni has short-term financing in place due to the fact that the current credit facility dating from November 2007 expires in November 2012. Duni has begun a procedure to secure a new credit facility and intends to have a new facility in place in due time prior to the expiration of the current one.

Remuneration to Board of Directors

Fees and other remuneration to the Board, including the Chairman of the Board, are decided upon by the Annual General Meeting. In accordance with a resolution adopted by the Annual General Meeting on May 5, 2011, the annual fee was set at a total of SEK 1.5 m, of which SEK 0.5 m is payable to the Chairman of the Board. In addition, a resolution was adopted regarding fees for committee work totaling SEK 0.3 m.

The allocation of the remuneration among the members of the Board is shown in the table on the following page.

Corporate governance



Board attendance, 2011:

	Function	Independent [1]	Board meetings	Audit Committee	Remuneration Committee
Anders Bülow	Chairman	[2]	9 of 9	4 of 4	3 of 3
Tina Andersson commenced May 5, 2011	Director	Yes	6 of 9	2 of 4	–
Tomas Gustafsson [4]	Director	Yes	9 of 9	–	3 of 3
Pia Rudengren	Director	Yes	8 of 9	4 of 4	–
Sanna Suvanto-Harsaae resigned May 5, 2011	Director	Yes	3 of 9	2 of 4	–
Magnus Yngen	Director	Yes	7 of 9	–	3 of 3
Per-Åke Halvordsson	Employee representative	[3]	9 of 9	–	–
Göran Andreasson	Employee representative	[3]	9 of 9	–	–
Inge Larsson	Employee representative	[3]	9 of 9	–	–

[1] As defined in the Swedish Corporate Governance Code.

[2] Not independent (in relation to Duni's major shareholders).

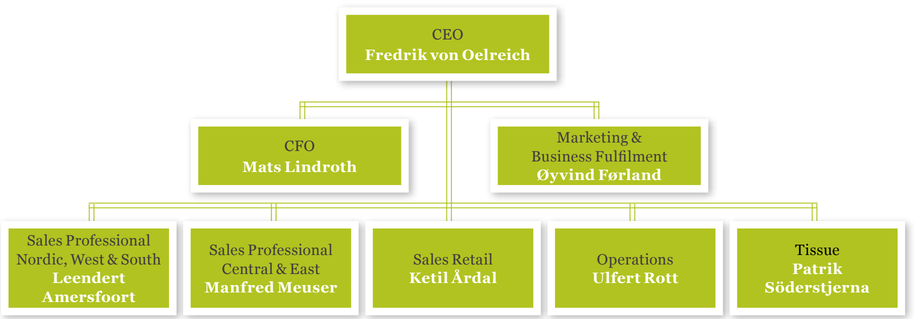
[3] Not independent (in relation to Duni).

[4] As from June 1, 2012, Tomas Gustafsson will no longer be independent in relation to Duni's major shareholders.

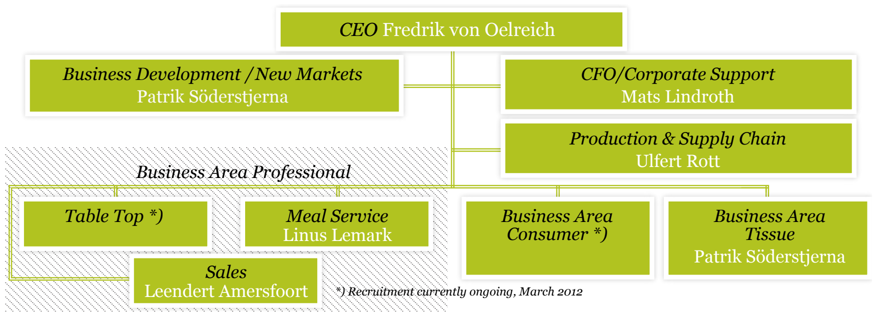
Board remuneration for the period May 2011 – April 2012

SEK	Board meetings	Audit Committee	Remuneration Committee	Total
Anders Bülow	500,000	50,000	25,000	575,000
Tina Andersson	250,000	50,000	–	300,000
Tomas Gustafsson	250,000	–	25,000	275,000
Pia Rudengren	250,000	100,000	–	350,000
Magnus Yngen	250,000	–	50,000	300,000
Total	**1,500,000**	**200,000**	**100,000**	**1,800,000**

Group Management 2011



Group Management 1 April 2012



CEO

Duni's CEO is Fredrik von Oelreich (1961), MBA. The Board has adopted instructions regarding the work and role of the CEO. The CEO is responsible for the day-to-day management of the Company's operations in accordance with guidelines issued by the Board of Directors.

On December 31, 2011, Fredrik von Oelreich held 215,000 shares in Duni AB. No party closely related to the CEO has any significant shareholding in Duni AB. Fredrik von Oelreich has no ownership interests in companies with which Duni has significant commercial relations. Further information regarding the CEO is provided in Note 13 in the Annual Report.

Group management

Fredrik von Oelreich presides over the work of group management and adopts decisions in consultation with other members of group management, consisting of the heads of business areas and heads of staff functions. Group management normally comprises eight persons. Group management held seven meetings in 2011. At each meeting, the following items, among others, are on the agenda:

– Financial review.
– Update from each area.
– Issues of an operational, strategic or market nature of importance for Duni.

Other matters addressed include the business plan, strategic issues and strategic plan, as well as budget for the coming year. Members of group management conduct regular visits to subsidiaries, and at least one such visit is carried out jointly. In 2011, group management held a meeting in Prague. A meeting was also held in Germany in connection with a study visit to a trade fair for the HoReCa industry.

On January 31, 2012, Ketil Årdal's employment terminated at his request since he moved to another position outside Duni. The position as head of the Retail business area is vacant and will be filled as soon as a suitable person has been recruited. Until further notice, Fredrik von Oelreich is functioning as temporary head of the Retail business area. On March 7, 2012, the Company announced the implementation of an organizational change aimed at becoming even more market-driven and to strengthen the focus on growth. The new organization enters into force on April 1, 2012 and involves the formation of separate organizations with profit responsibilities for the two product categories (Table Top and Meal Service) which are included in the Professional business area. The two product categories will have a common sales force organized under one Director. The current Retail business area is changing its name to Consumer in order to better describe the mission of the business area. The business area is retaining its current structure. A new Group level department with responsibility for development of new markets is being created in order to increase the focus on geographic expansion. External sales of tissue (Tissue business area) will also be handled under this organization. In addition, in the new organizational structure all product supply operations (paper mills, converting, logistics) are being brought together under a joint area of responsibility – Production & Supply Chain.

Remuneration to senior executives

According to guidelines regarding remuneration to senior executives adopted by the Annual General Meeting on May 5, 2011, remuneration to the CEO and other members of group management shall be on market terms and comprise fixed and variable salary, other benefits as well as pension. The variable salary shall never exceed the fixed salary.

The table below shows the total gross remuneration paid to group management, including basic salaries, variable remuneration, pension payments and other benefits. Fredrik von Oelreich receives an annual gross salary of CHF 620,000 and has a possibility to achieve a bonus equivalent to not more than 55% of his annual basic salary, based on predetermined targets for the Group. In addition, he is entitled to certain other employment benefits such as a company car. Both Duni and von Oelreich may terminate the agreement upon six months' written notice. In addition, except in the event of termination by the Company due to negligence, von Oelreich is entitled to an amount equal to twelve times his monthly salary. Von Oelreich participates in a contribution-based pension plan to which Duni makes an annual contribution equal to 35% of his annual gross salary and a three-year average of bonus payments, until termination of the agreement. Von Oelreich's retirement age is 62.

Duni has not granted any loans, extended or issued any guarantees or provided any security to the benefit of Duni's directors, senior executives or auditors. None of the directors, senior executives or auditors has entered into

Total gross remuneration paid to group management, including basic salaries, variable remuneration, pension payments and other benefits.

2011, SEK m	Basic salary	Variable remuneration	Other benefits	Pension cost	Total
CEO – Fredrik von Oelreich	4.6	0.0	0.1	2.2	6.9
Other senior executives	9.9	0.5	0.5	2.3	13.1
	14.5	**0.5**	**0.5**	**4.5**	**20.0**

transactions with Duni, whether directly or indirectly through any affiliated company.

Audit

At the Annual General Meeting held on May 5, 2011, PricewaterhouseCoopers AB was elected auditor, with Eva Carlsvi as auditor-in-charge. The auditors review the annual accounts and the Annual Report as well as the Company's ongoing operations and routines in order to express an opinion regarding the accounts and management by the Board of Directors and the CEO. The audit of the annual accounts and Annual Report is conducted in January-February. Thereafter, compliance with the Annual General Meeting's guidelines regarding remuneration for senior executives is audited.

Compensation to accounting firm

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Compensation for audit engagement	3.3	4.1	1.4	1.7
Compensation for auditing work other than audit engagement	0.5	0.6	0.3	0.4
Compensation for tax consultation	2.6	3.0	0.4	0.8
Compensation for other consultations	1.2	1.6	0.1	0.4
Total compensation, accounting firm	**7.6**	**9.3**	**2.1**	**3.3**

The auditors participate at all meetings of the Audit Committee during the year. In October, an interim audit is carried out in combination with a general review of Duni's report for the third quarter. Other than Duni, Eva Carlsvi has no engagements in companies over which Duni's major owners, directors or the CEO have a significant influence. Eva Carlsvi is an authorized public accountant and member of FAR SRS. Apart from the audit engagement, fees to PwC for other engagements during 2011 totaled SEK 4.2 (2010: 5.1) m.

The Board's description of the internal control with respect to the financial reporting for the 2011 financial year

Pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for the internal control. This entails, among other things, monitoring Duni's financial reporting and efficiency in the Company's internal control and risk assessment.

Internal control as regards financial reporting is aimed at providing reasonable certainty regarding the reliability of the external financial reporting in the form of annual reports and interim reports published by Duni each year, and to ensure that the financial reporting is prepared in accordance with law, applicable accounting principles, and other requirements imposed on listed companies.

Duni describes the internal control system with respect to financial reporting based on the areas that constitute the basis for internal control in accordance with the framework issued by COSO, "Internal Control – Integrated Framework", namely the following areas: control environment, risk assessment, control activities, information and communication, as well as monitoring.

Control environment

The rules of procedure of the Board and the instructions issued by the Board regarding the work of the CEO and board committees clearly define the allocation of responsibilities and powers, with the aim of ensuring efficient management of risks in the business operations. An Audit Committee has been established to review the instructions and routines used in the financial reporting process, as well as accounting principles and changes therein. Group management reports each month to the Board in accordance with established routines. Furthermore, in a business ethics policy, group management has formulated its view on how the operations are to be conducted. Internal control instruments for the financial reporting consist primarily of finance policy, communications policy, and the Group's finance handbook, which defines accounting and reporting rules.

Risk assessment and control structure

Material risks for the operations are analyzed by the Board as a part of the financial reporting. In addition, group management provides the Audit Committee with an overall risk analysis of income statements and balance sheets, as well as the factors which impact on them. Risk areas are documented and assessed based on likelihood and impact. Based on this, control processes are structured to ensure high quality in the financial reporting. The risk areas are evaluated by the Audit Committee at least once per year.

The organization structure together with the allocation of responsibilities and payment authorization procedure are clearly described and communicated by means of instructions and policies. The operations are organized into business areas with profit centers. The Audit Committee regularly communicates with the auditors in order to evaluate and improve the internal control. Duni has established a European accounting function which independently provides accounting services to the operations. This function complies with standardized procedures and routines. The head of the accounting function reports to the CFO.

Information and communication

Information, both externally and internally, is governed by Duni's communications and IR policy. A specific section addresses responsibility, routines and rules. The policy is regularly evaluated to ensure that information to the stock market is constantly of a high quality and in accordance with the stock exchange rules. Financial information such as quarterly reports, annual reports and important events are published through press releases and on the Company's website. Meetings with financial analysts are arranged regularly in connection with publication of quarterly reports. The intranet is the main source of information internally in the Company. Accounting handbooks and instructions regarding financial reporting are available on the intranet and these are regularly updated in light of changes to IFRS and other recommendations.

Monitoring

The Board and Audit Committee review all financial reports before they are formally approved by the Board. The Audit Committee receives regular reports from the auditor regarding the internal control and monitors significant issues. Review of monthly financial reports constitutes a standing item on the agenda at all board meetings and each month group management analyses financial trends within the business areas. Regular monitoring compared with budget and plans, and evaluation of key performance indicators, take place generally at all levels in the organization.

Statement regarding internal audit

Duni has found no need for a formal internal audit department. Duni has an accounting center in Poznan, Poland serving as a centralized European accounting function which provides accounting services to all subsidaries in Europe except for Russia. The accounting function is working throughout standardized processes and routines, is independent of the business operations, and reports directly to the CFO. This centralized and independent process for accounting and financial reporting is considered to constitute a platform for sound internal control with respect to the financial reporting. Duni's group accounting department also carries out certain internal audit work, among other things in the form of checks carried out at the accounting center. During the year, a separate internal audit was carried out at the subsidiary in Russia.

Board of Directors

Anders Bülow
Born 1953
– Chairman of the Board since 2009
–Managing Director of Mellby Gård Industri AB
– Mr Bülow holds a BA in Business Economics from the University of Stockholm
– Elected 2008
– Shares in Duni: 0
– Not independent in relation to Duni's largest shareholder

Tina Andersson
Born 1969
– Group Marketing and Innovation Director at Hilding Anders AB
– Member of the Board of Midsona AB
– Ms. Andersson holds a Master of Science in Business and Economics from Lund University
– Elected 2011
– Shares in Duni: 0
– Independent of the company, the company management and Duni's major shareholders.

Tomas Gustafsson
Born 1965
– General Manager of 2E Group (publ) (until 3 Feb 2012)
– Member of the Board of Smarteyes AB, Alectum AB and Atlas Design Group AB (until Jan 2012)
– Diploma in Business Administration
– Elected 2009
– Shares in Duni: 1,400
– Independent of the company and company management
– Not independent of Duni's major shareholders from 1 June 2012

Pia Rudengren
Born 1965
– Member of the Board of Social Initiative AB, Swedbank AB, WeMind Digital Psykologi AB, Metso Oyj, and Tikkurila Oyj
– Ms. Rudengren holds an MSc in Economics and Business Administration from the Stockholm School of Economics
– Elected 2007
– Shares in Duni: 1,200
– Independent of the company, company management and Duni's major shareholders

Magnus Yngen
Born 1958
– President & CEO Husqvarna Group (until August 2011)
– Member of the Board of Husqvarna AB (until August 2011), Teknikarbetsgivarna, and Teknikföretagen
– Mr Yngen holds a Master of Engineering and Licentiate of Technology from the Royal Institute of Technology, Stockholm
– Elected 2008
– Shares in Duni: 0
– Independent of the company, company management and Duni's major shareholders

Göran Andreasson
Born 1947
– Employee Representative for SPIAF (Swedish Paper Workers Union)
– Mr Andréasson is employed as working environment manager at Rexcell Tissue & Airlaid AB
–Employee Representative on the Board of Rexcell Tissue & Airlaid AB
– Chairman of the Board of Bengtforshus AB and Majberget Utveckling AB
– Member of the Board of Bengtsfors Energi Handel AB, Bengtsfors Energi Nät AB, and Bengtsfors Teknik AB
– Elected 2001
– Shares in Duni: 0
– Not independent in relation to the company

Per-Åke Halvordsson
Born 1959
– Employee Representative for PTK (Unionen)
– Mr Halvordsson is employed as Production Manager Airlaid at Rexcell Tissue & Airlaid AB
– Mr Halvordsson has undertaken PTK board training
– Elected 2005
– Shares in Duni: 0
– Not independent in relation to the company

Group management

Fredrik von Oelreich
Born 1961
– Chief Executive Officer
– MSc in Economics and Business Administration
– Engaged since 2005
– Member of the Board of Candy King Holding AB
– Shares in Duni: 215,000

Mats Lindroth
Born 1960
– Chief Financial Officer
– MSc in Economics and Business Administration
– Employed since 1987
– Shares in Duni: 24,000

Øyvind Førland
Born 1962
– Director of Marketing
– Degree in Economics and Business Administration
– Employed since 1987
– Shares in Duni: 22,018

Leendert Amersfoort
Born 1958
– Director of Sales, Professional Nordic, West & South
– Degree in Marketing and Business Administration
– Employed since 1995
– Shares in Duni: 22,018

Patrik Söderstjerna
Born 1964
– President of Rexcell Tissue & Airlaid AB
– MSc in Mechanical Engineering
– Employed since 2007
– Shares in Duni: 10,000

Manfred Meuser
Born 1948
– Director of Sales, Professional Central & East
– Diploma in Industrial Engineering and Management
– Employed since 1971
– Shares in Duni: 3,018

Ketil Årdal
Born 1970
– Director of Sales, Retail (Left Duni in January, 2012)
– Diploma in Business and Marketing
– Employed since 2005
– Shares in Duni: 1,818

Dr Ulfert Rott
Born 1960
– Director of Operations
– PhD in Mechanical Engineering and MSc in Business Administration
– Employed since 2004
– Shares in Duni: 22,018

On March 7, 2012, the Company announced the implementation of an organizational change aimed at becoming even more market-driven and to strengthen the focus on growth. The new organization enters into force on April 1, 2012 and involves the formation of separate organizations functioning as profit centers for the two product categories (Table Top and Meal Service) which are included in the Professional business area. The two product categories will have a common sales force, organized under one Director. The current Retail business area is changing its name to Consumer in order to better describe the mission of the business area. The business area is retaining its current structure. A new Group level department with responsibility for development of new markets is being created in order to increase the focus on geographic expansion. External sales of tissue (Tissue business area) will also be handled under this organization. In addition, in the new organizational structure all product supply operations (paper mills, converting, logistics) are being brought together under a joint area of responsibility - Production & Supply Chain.

See the new Group management team on Duni's website, Duni.com, as from April 2, 2012.

Five-year summary, Consolidated Income Statements

SEK m	2011	2010	2009	2008	2007
Net sales	**3,807**	**3,971**	**4,220**	**4,099**	**3,985**
Costs of goods sold	-2,776	-2,919	-3,054	-3,020	-2,948
Gross profit	**1,031**	**1,052**	**1,166**	**1,079**	**1,037**
Selling expenses	-441	-434	-482	-465	-446
Administrative expenses	-172	-174	-184	-198	-208
Research and development expenses	-30	-25	-29	-23	-13
Other operating incomes	65	134	107	57	57
Other operating expenses	-65	-117	-90	-124	-33
Operating income	**388**	**436**	**488**	**326**	**394**
Financial incomes	3	1	2	8	37
Financial expenses	-33	-19	-45	-83	-235
Net financial items	**-30**	**-18**	**-43**	**-75**	**-198**
Income after financial items	**358**	**418**	**444**	**251**	**196**
Income tax	-98	-112	-108	-60	-97
Net income for the period, continuing operations	**261**	**306**	**336**	**191**	**99**
Net income for the period from discontinued operations	**–**	**–**	**–**	**6**	**472**
Net income for the period	**261**	**306**	**336**	**197**	**571**

Five-year summary, Consolidated Balance Sheets

SEK m	2011	2010	2009	2008	2007
ASSETS					
Goodwill	1,199	1,199	1,199	1,199	1,199
Other intangible fixed assets	57	44	29	25	29
Tangible fixed assets	830	588	510	514	433
Financial fixed assets	243	289	336	369	398
Total fixed assets	**2,329**	**2,120**	**2,074**	**2,107**	**2,059**
Inventories	470	437	382	542	500
Accounts receivable	663	634	640	731	546
Other receivables	134	174	163	182	207
Cash and cash equivalents	85	122	230	249	202
Total current assets	**1,352**	**1,367**	**1,415**	**1,704**	**1,455**
TOTAL ASSETS	**3,681**	**3,487**	**3,489**	**3,811**	**3,514**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	**2,082**	**1,991**	**1,789**	**1,544**	**1,416**
Long-term financial liabilities	26	530	682	1,151	1,092
Other long-term liabilities	212	211	216	229	219
Total long-term liabilities	**238**	**741**	**898**	**1,380**	**1,311**
Accounts payable	302	315	344	358	305
Short-term financial liabilities	633	–	–	–	0
Other short-term liabilities	426	440	458	529	482
Total short-term liabilities	**1,361**	**755**	**802**	**887**	**787**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,681**	**3,487**	**3,489**	**3,811**	**3,514**

Key ratios in brief, Group

	2011	2010	2009	2008	2007
Net sales, SEK m	3,807	3,971	4,220	4,099	3,985
Gross profit, SEK m	1,031	1,052	1,166	1,079	1,037
EBIT*, SEK m	404	435	436	414	395
EBITDA*, SEK m	510	537	539	511	484
Interest-bearing net debt	745	582	631	1,100	1,087
Number of employees	1,888	1,914	1,906	1,952	2,001
Gross margin*	27.1 %	26.5 %	27.6 %	26.8 %	26.0 %
EBIT margin*	10.6 %	10.9 %	10.3 %	10.1 %	9.9 %
EBITDA margin*	13.4 %	13.5 %	12.8 %	12.5 %	12.1 %

*Calculated based on underlying operating income

Consolidated Income Statement

SEK m	Note *1–5, 12–13*	2011	2010
Net sales	*5–6*	3,807	3,971
Costs of goods sold	*6–10*	-2,776	-2,919
Gross profit		**1,031**	**1,052**
Selling expenses	*7–9*	-441	-434
Administrative expenses	*7–9, 11*	-172	-174
Research and development expenses	*7– 8*	-30	-25
Other operating incomes	*14*	65	134
Other operating expenses	*7–8, 15*	-65	-117
Operating income	*5, 16*	**388**	**436**
Income from financial items	*16–17*		
Financial incomes		3	1
Financial expenses		-33	-19
Net financial items		**-30**	**-18**
Income after financial items		**358**	**418**
Income tax	*19*	-98	-112
Net income for the year		**261**	**306**
Income attributable to:			
Equity holders of the Parent Company		261	306
Earnings per share (expressed in SEK per share), calculated on net income for the year attributable to equity holders of the Parent Company during the year:			
- Before and after dilution	*20*	5.54	6.52

Consolidated Statement of Comprehensive Income

SEK m	2011	2010
Net income for the year	**261**	**306**
Other comprehensive income, net after tax		
Exchange rate differences - translation of subsidaries	-6	13
Cash flow hedge	0	–
Other comprehensive income for the year, net after tax	**-6**	**13**
Sum of comprehensive income for the year	**255**	**319**
Comprehensive income for the year attributable to:		
Equity holders of the Parent Company	255	319

Consolidated Balance Sheet

SEK m	Note	2011-12-31	2010-12-31
ASSETS	*1–5*		
Fixed assets			
Intangible fixed assets	*21*		
Goodwill		1,199	1,199
Capitalized development expenses		56	42
Trademarks and licenses		1	2
Total intangible fixed assets		**1,256**	**1,243**
Tangible fixed assets			
Buildings, land and land improvements	*22*	214	63
Machinery and other technical equipment	*23*	396	360
Equipment, tools and installations	*24*	51	52
Construction in progress and advanced payments for tangible fixed assets	*25*	169	113
Total tangible fixed assets		**830**	**588**
Financial fixed assets			
Deferred tax asset	*19*	238	283
Other long-term receivables	*27*	4	6
Total financial fixed assets		**243**	**289**
Total fixed assets		**2,329**	**2,120**
Current assets			
Inventories	*10*		
Raw materials and supplies		108	102
Products in progress		10	11
Finished goods and goods for resale		347	319
Advances to suppliers		5	5
Total inventories		**470**	**437**
Current receivables			
Accounts receivable	*28*	663	634
Derivative instruments	*29*	2	10
Tax assets		16	14
Other receivables	*28*	65	66
Prepaid expenses and accrued incomes	*30*	51	84
Total current receivables		**797**	**808**
Cash and cash equivalents		85	122
Total current assets		**1,352**	**1,367**
TOTAL ASSETS		**3,681**	**3,487**

Consolidated Balance Sheet, cont.

SEK m	Note	2011-12-31	2010-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES	*1–5*		
Shareholders' equity			
Share capital	*20*	59	59
Other injected capital		1,681	1,681
Reserves		56	62
Profit carried forward		286	189
Total shareholders' equity attributable to equity holders of the Parent Company		**2,082**	**1,991**
Long-term liabilities	*31*		
Overdraft facility	*31*	26	19
Bank loans	*31*	–	511
Deferred tax liabilities	*19*	38	31
Pension provisions	*33*	173	180
Total long-term liabilities		**238**	**741**
Short-term liabilities			
Accounts payable		302	315
Tax liabilities		6	14
Bank loans	*31*	635	–
Derivative instruments	*29*	5	–
Other liabilities		47	53
Allocation to restructuring reserve	*9*	11	12
Accrued expenses and deferred incomes	*34*	355	361
Total short-term liabilities		**1,361**	**755**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,681**	**3,487**
Pledged assets	*35*	–	–
Contingent liabilities	*35*	79	74

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Parent Company					
SEK m	Share capital	Other injected capital	Other reserves**	Fair value reserve*	Loss carried forward incl. net income for the year	Total equity
Opening balance, Jan 1, 2010	**59**	**1,681**	**36**	**13**	**0**	**1,789**
Comprehensive income						
Net income for the year	–	–	–	–	306	306
Other comprehensive income						
Translation difference	–	–	13	–	–	13
Sum comprehensive income for the year	**–**	**–**	**13**	**–**	**306**	**319**
Transactions with owners						
Dividends relating to 2009	–	–	–	–	-117	-117
Sum transactions with owners	**–**	**–**	**–**	**–**	**-117**	**-117**
Opening balance, Jan 1, 2011	**59**	**1,681**	**49**	**13**	**189**	**1,991**
Comprehensive income						
Net income for the year	–	–	–	–	261	261
Other comprehensive income						
Translation difference	–	–	-6	–	–	-6
Cash flow hedge	–	–	0	–	–	0
Sum comprehensive income for the year	**–**	**–**	**-6**	**–**	**261**	**255**
Transactions with owners						
Dividends relating to 2010	–	–	–	–	-164	-164
Sum transactions with owners	**–**	**–**	**–**	**–**	**-164**	**-164**
Closing balance, Dec 31, 2011	**59**	**1,681**	**43**	**13**	**286**	**2,082**

* 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.

** Other reserves consist in principle solely of the year's translation differences on translation of foreign subsidiaries. Commencing the 2011 financial year, this also includes cash flow hedging of interest rate swaps corresponding to SEK 0 m.

Consolidated Cash Flow Statement

SEK m	Note	2011	2010
Cash flow from operating activities			
Operating income		388	436
Adjustment for items not included in cash flow	*36*	100	84
Interest received		3	1
Interest paid		-14	-9
Paid income tax		-57	-41
Cash flow from operating activities before changes in working capital		**420**	**471**
Changes in working capital			
Increase (-)/decrease (+) in inventories		-37	-83
Increase (-)/decrease (+) in accounts receivable		-36	-74
Increase (-)/decrease (+) in receivables		30	-22
Increase (+)/decrease (-) in accounts payable		-8	7
Increase (+)/decrease (-) in short-term liabilities		-6	-3
Cash flow from operating activities		**362**	**296**
Cash flow used in investing activities			
Acquisition of tangible fixed assets	*22–25*	-380	-240
Sale of tangible fixed assets		3	3
Change in other long-term receivables		1	6
Cash flow used in investing activities		**-376**	**-231**
Cash flow used in financing activities			
Dividends to shareholders		-164	-117
Net change, overdraft facilities and other financial liabilities		18	23
Repayment of loans		-37	-211
Loans received		161	136
Cash flow used in financing activities		**-22**	**-169**
Cash flow for the year		**-36**	**-104**
Cash and cash equivalents, opening balance		122	230
Exchange rate differences, cash and cash equivalents		-1	-4
Cash and cash equivalents, closing balance		**85**	**122**

Parent Company, Income Statement

SEK m	Not *1–5, 12–13*	2011	2010
Net sales	*5–6*	1,159	1,180
Costs of goods sold	*6, 8–10*	-1,037	-1,055
Gross profit		**122**	**125**
Selling expenses	*8–9*	-108	-110
Administrative expenses	*8–9, 11*	-137	-129
Research and development expenses	*8*	-15	-14
Other operating incomes	*14*	239	258
Other operating expenses	*8, 15*	-171	-200
Operating income	*16*	**-70**	**-70**
Income from financial items	*16–17*		
Income from participations in Group companies	*18*	265	322
Other interest income and similar income		31	22
Interest expenses and similar expenses		-29	-2
Net financial items		**268**	**342**
Income after financial items		**198**	**272**
Tax on income for the year	*19*	-38	-30
Net income for the year		**160**	**242**

Parent Company, Statement of Comprehensive Income

SEK m	2011	2010
Net income for the year	**160**	**242**
Other comprehensive income, net after tax		
Exchange rate differences - translation of subsidiares*	3	1
Cash flow hedge	0	–
Other comprehensive income for the year, net after tax	**3**	**1**
Total comprehensive income for the year	**163**	**243**
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company	163	243

*Relates to a Turkish branch which has no tax effect.

Parent Company, Balance Sheet

SEK m	Note	2011-12-31	2010-12-31
ASSETS	*1–5*		
Fixed assets			
Intangible fixed assets	*21*		
Goodwill		500	599
Capitalized development expenditures		48	36
Trademarks and licences		1	2
Total intangible fixed assets		**548**	**637**
Tangible fixed assets			
Buildings, land and land improvements	*22*	35	39
Machinery and other technical equipment	*23*	6	7
Equipment, tools and installations	*24*	3	4
Construction in progress and advanced payments for tangible fixed assets	*25*	25	13
Total tangible fixed assets		**69**	**63**
Financial fixed assets			
Participations in Group companies	*26, 38*	770	770
Deferred tax assets	*19*	218	256
Other long-term receivables	*27*	4	5
Total financial fixed assets		**992**	**1,031**
Total fixed assets		**1,610**	**1,731**
Current assets	*10*		
Inventories			
Products in progress		1	6
Finished goods and goods for resale		84	93
Advances to suppliers		3	4
Total inventories		**88**	**103**
Current receivables			
Accounts receivable	*28*	96	96
Derivative instruments	*29*	2	1
Receivables from Group companies	*28*	38	43
Tax assets		4	10
Other receivables	*28*	10	15
Prepaid expenses and accrued incomes	*30*	20	24
Total current receivables		**170**	**189**
Current financial receivables, from Group companies	*28*	1,225	933
Cash and bank balances		43	65
Total current assets		**1,526**	**1,290**
TOTAL ASSETS		**3,135**	**3,021**

Parent Company, Balance Sheet, cont.

SEK m	Note	2011-12-31	2010-12-31
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	*20*	59	59
Statutory reserve		11	11
Revaluation reserve		13	13
Total restricted shareholders' equity		**83**	**83**
Unrestricted shareholders' equity			
Retained earnings		1,832	1,752
Net income for the year		160	242
Total unrestricted shareholders' equity		1,992	1,994
Total shareholders' equity		**2,076**	**2,077**
Provisions			
Pension provisions	*33*	114	109
Deferred tax liability	*19*	–	0
Total provisions		**114**	**109**
Long-term liabilities	*31*		
Overdraft facility	*31*	9	0
Bank loans	*31*	–	510
Liabilities to Group companies	*31*	108	102
Total long-term liabilities		**116**	**612**
Short-term liabilities			
Accounts payable		56	52
Liabilities to Group companies		59	61
Bank loans	*31*	635	–
Derivative instruments	*29*	5	–
Other liabilities		4	13
Allocation to restructuring reserve	*9*	5	11
Accrued expenses and deferred incomes	*34*	65	86
Total short-term liabilities		**829**	**223**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**3,135**	**3,021**
Pledged asset	*35*	–	–
Contingent liabilities	*35*	59	55

Parent Company, Changes in Shareholders' Equity

SEK m	Share capital	Statutory reserve	Revaluation reserve	Unrestricted shareholders' equity	Total shareholders' equity
Opening balance, Jan 1, 2010	**59**	**11**	**13**	**1,868**	**1,951**
Comprehensive income					
Net income for the year	–	–	–	242	242
Other comprehensive income					
Translation difference	–	–	–	1	1
Sum comprehensive income for the year	**–**	**–**	**–**	**243**	**243**
Transactions with owners					
Dividends relatig to 2009	–	–	–	-117	-117
Total transactions with owners				**-117**	**-117**
Opening balance, Jan 1, 2011	**59**	**11**	**13**	**1,994**	**2,077**
Comprehensive income					
Net income for the year	–	–	–	160	160
Other comprehensive income					
Translation difference	–	–	–	3	3
Cash flow hedge	–	–	–	0	0
Sum comprehensive income for the year	**–**	**–**	**–**	**163**	**163**
Transactions with owners					
Dividends relating to 2010	–	–	–	-164	-164
Total transactions with owners	**–**	**–**	**–**	**-164**	**-164**
Closing balance, Dec 31, 2011	**59**	**11**	**13**	**1,993**	**2,076**

Accumulated translation differences in the Parent Company which were reported directly against shareholders'equity were SEK 29 m (2010: SEK 26 m).

Parent Company, Cash Flow Statement

SEK m	Note	2011	2010
Cash flow from operating activities			
Operating income		-70	-70
Adjustments for items not included in cash flow	*36*	94	131
Interest received		28	20
Dividends received		153	257
Interest paid		-15	-16
Paid income tax		0	0
Cash flow from operating activities before changes in working capital		**190**	**322**
Changes in working capital			
Increase (-)/decrease (+) in inventories		12	-16
Increase (-)/decrease (+) in accounts receivable		2	7
Increase (-)/decrease (+) in receivables		12	-6
Increase (+)/decrease (-) in accounts payable		4	-14
Increase (+)/decrease (-) in short-term liabilities		-7	0
Cash flow from operating activities		**213**	**293**
Cash flow used in investing activities			
Acquisition of intangible fixed assets	*21*	-25	-19
Acquisition of tangible fixed assets	*22–25*	-19	-2
Sale of tangible fixed assets		11	0
Change in net lending to Group companies		-172	-173
Change in non-interest-bearing receivables		0	-1
Change in interest-bearing receivables		1	6
Cash flow used in investing activities		**-204**	**-189**
Cash flow used in financing activities			
Dividends to shareholders		-164	-117
Net change, overdraft facilities and other financial liabilities		9	2
Repayment of loans		-37	-211
Loans received		161	108
Cash flow used in financing activities		**-31**	**-218**
Cash flow for the year		-22	-114
Cash and cash equivalents, opening balance		65	179
Cash and cash equivalents, closing balance		**43**	**65**

Notes

NOTE 1 – GENERAL INFORMATION

Duni AB and its subsidiaries operate internationally and are leaders within attractive, quality table setting products and concepts as well as packaging for take-aways. The Group develops, manufactures and sells functional and attractive concepts and products for serving and packaging of meals. The Group enjoys a leading position thanks to a combination of high-quality, established customer relations, a well-reputed brand, and strong local presence in Europe.

The Parent Company is a registered limited company with its registered office in Malmö. The address of the head office is Box 237, 201 22 Malmö. The website is www.duni.com. Duni is listed on NASDAQ OMX in Stockholm under the ticker name "DUNI".

This annual report was approved for publication by the Board of Directors on March 21, 2012. The annual report may be changed by the Company's owners after approval by the Board.

Unless otherwise specifically stated, all amounts are reported in million kronor (SEK m) and relate to the period January 1 - December 31 with respect to income statement items and cash flow items, and December 31 with respect to balance sheet items. Information in brackets relates to the preceding financial year, viz. January 1, 2010 – December 31, 2010.

NOTE 2 – SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

This Note sets forth the most important accounting principles applied in the preparation of the annual report. Subject to the exceptions stated below, these principles have been applied consistently for all presented years.

2.1 Bases for preparation of the financial statements

The consolidated financial statements for the Duni Group have been prepared in accordance with the Swedish Annual Reports Act, RFR 1 "Supplementary Accounting Rules for Groups", and International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The consolidated financial statements have been prepared in accordance with the purchase method, other than with respect to valuation of buildings, land and ground as well as financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in compliance with IFRS requires the use of a number of important estimations for accounting purposes. Furthermore, when applying the Group's accounting principles, management must make certain assessments. The areas which involve a high degree of assessment, which are complex, or such areas in which assumptions and estimations are of material significance for the consolidated financial statements, are set forth in Note 4.

The Parent Company applies the Swedish Annual Accounts Act and RFR 2, Reporting for Legal Entities. In those cases where the Parent Company applies different accounting principles than the Group, such fact is stated separately in section 2.22, Parent Company's accounting principles.

2.1.1 Implementation of new accounting standards

Duni applies the new and amended standards and interpretations from IASB and statements from IFRIC as adopted by the EU and which are mandatory commencing January 1, 2011. No standards or interpretations have been applied prematurely. At present, with the exception of IAS 1 these new and amended standards are not relevant to Duni. They may, however, affect the reporting of future transactions and business events. The amendment of IAS 1, "Presentation of Financial Statements", entails a clarification that a company must present an analysis regarding each item in Other comprehensive income in respect of each component of shareholders' equity, either in the Statement of Changes in Shareholders' Equity or in the notes to the Annual Report.

The following new, amended and improved standards are applied but at present are not considered relevant to Duni:

- IAS 24, "Related Party Disclosures" (revised 2009)
- IAS 27, "Consolidated and Separate Financial Statements"
- IAS 32, (amendment), "Financial Instruments: Presentation – classification of subscription rights"
- IAS 34, "Interim Financial Reporting"
- IFRS 1, (amendment), "First-time Adoption of IFRS"
- IFRS 3, "Business Combinations"
- IFRS 7, "Financial Instruments: Disclosures"
- IFRIC 13, "Customer Loyalty Programmes"
- IFRIC 14, (amendment), "IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

The following new standards, amendments and interpretations of existing standards have not yet entered into force and will not be applied prematurely by Duni.

The amendment to IAS 19, Employee Benefits, entails that the corridors method has been removed and that financial expenses are to be calculated based on the net surplus or net deficit in the plan. Duni has not yet evaluated the full effect, but among other things it means that the unreported actuarial net losses will increase the pension liability by a corresponding amount.

Duni has not evaluated the full effect of the standards and interpretations stated below, which are applicable to financial years commencing July 1, 2011 or later, but the assessment is that they will have a marginal effect on the financial statements.

- IAS 1, "Presentation of Financial Statements" (amendment),
- IAS 12, "Income Taxes" (amendment),
- IAS 27, (revised 2011), "Separate financial statements"
- IAS 28, (revised 2011), "Associates and joint ventures"
- IFRS 7, "Financial Instruments: Disclosures"
- IFRS 9, "Financial instruments"
- IFRS 10, "Consolidated financial statements"
- IFRS 12, "Disclosures of interests in other entities"
- IFRS 13, "Fair value measurement"

2.2 Consolidated reporting

2.2.1 Subsidiaries

Subsidiaries are all companies (including companies for specific purposes) in which the Group is entitled to formulate financial and operational strategies in a manner which normally is a concomitant of a shareholding in excess of 50% of the voting rights of shares or participating interests or where the Group, through agreements, exercises a sole controlling influence. Subsidiaries are included in the consolidated financial statements commencing the day on which the controlling influence is transferred to the Group. They are removed from the consolidated financial statements as of the day on which the controlling influence ceases.

The purchase method is used for reporting the Group's acquisitions of subsidiaries. The purchase price for the acquisition of a subsidiary consists of fair value of transferred assets, debts and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities which are a consequence of an agreement regarding a conditional purchase price. Acquisition-related costs are booked when incurred. Identifiable acquired assets and assumed liabilities in a business acquisition are initially valued at fair value on the acquisition date. For each acquisition, the Group determines whether all holdings without a controlling interest in the acquired company shall be reported at fair value, or proportionately to the share in the net assets of the acquired company represented by the holding.

The amount by which purchase price, any holding without controlling interest, as well as the value on the acquisition date of earlier shareholdings exceeds the fair value of the Group's share of identifiable acquired net assets, is reported as goodwill. If the amount is less than fair value for the assets of the acquired subsidiary, in the event of a "bargain purchase", the difference is reported directly in the Consolidated statement of comprehensive income.

Intra-group transactions and balance sheet items, as well as unrealized profits on transactions between group companies, are eliminated. Unrealized losses are also eliminated, but any losses are regarded as an indication of possible impairment. Where appropriate, the accounting principles for subsidiaries have been changed to ensure consistent application of the Group's principles.

2.2.2 Transactions with holders of non-controlling interests

The Group applies the principle of reporting transactions holders of non-controlling interests as transactions with the Group's equity holders. Upon acquisitions from holders of non-controlling interests, the difference between the purchase price paid and the actual acquired portion of the reported value of the subsidiary's net assets is reported in shareholders' equity. Profits or losses upon divestments to holders of non-controlling interests are also reported in shareholders' equity. Duni has no holdings which are without a controlling interest.

2.2.3 Affiliated companies

Affiliated companies are all companies in which the Group has a significant, but not controlling, influence, which generally is the case with stakes of between 20% and 50% of the voting capital. Holdings in affiliated companies are reported in accordance with the equity method and initially valued at the acquisition value. At present, the Group has no affiliated companies.

2.3 Segment reporting

Operating segments are reported in a manner which is consistent with the internal reporting provided to the highest executive decision-maker. The highest executive decision-maker is the function which is responsible for allocation of resources and assessment of the income of the operating segment. In Duni, this function has been identified as the group management which takes strategic decisions. Duni's segment reporting covers the reporting of three business areas, based on underlying operating income following allocation of shared expenses to each business area. For a detailed description, see Note 5.

2.4 Translation of foreign currency

2.4.1 Functional currency and reporting currency

Items included in the financial statements for the various units in the Group are valued in the currency which is used in the economic environment in which the relevant company primarily operates (functional currency). In the consolidated financial statements, Swedish kronor (SEK) are used; this is the Parent Company's functional currency and reporting currency.

2.4.2 Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency in accordance with the exchange rates applicable on the transaction date. Currency gains and losses which arise in conjunction with payments of such transactions and in conjunction with translation of monetary assets and liabilities in foreign currency at the closing day rate are reported in the income statement. Exchange rate differences on lending and borrowing are reported in the net financial items, while other exchange rate differences are included in the operating income.

2.4.3 Group companies

The results and financial position of all group companies (of which none has a high inflation currency as functional currency) which have a functional currency other than the reporting currency are translated to the Group's reporting currency in accordance with the following:

a) assets and liabilities for each of the balance sheets are translated at the closing day rate;

b) income and expenses for each of the income statements are translated at the average exchange rate;

c) all exchange rate differences which arise are reported in the Consolidated statement of comprehensive income.

Upon consolidation, exchange rate differences which arise as a consequence of translation of net investments in foreign operations are transferred to the Consolidated statement of comprehensive income. Upon the full or partial divestment of a foreign business, the exchange rate differences which are reported in the Consolidated statement of comprehensive income are transferred to the income statement and reported as a part of capital gains/losses.

Goodwill and adjustments of fair value which arise upon the acquisition of a foreign business are treated as assets and liabilities of such business and translated at the closing day rate.

2.5 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. The reported cash flow covers only transactions which result in payments being received or made. Cash and cash equivalents in the cash flow statement accord with the definition of cash and cash equivalents in the balance sheet, see 2.13.

2.6 Revenue

2.6.1 Revenue recognition

Revenue includes the fair value of what has been, or is to be, received for sold goods in the Group's current operations. Revenue is reported exclusive of value added tax, returns and discounts and after elimination of intra-group sales.

Duni reports revenue when the amount thereof can be measured in a reliable manner and it is likely that future economic benefits will accrue to the Company. The amount of revenue is not deemed measurable in a reliable manner until all obligations associated with the sale have been fulfilled or have lapsed. Duni bases its assessments on historic results and thereupon takes into consideration the type of customer, type of transaction and special circumstances in each individual case.

Sales of goods are reported as revenue when a group company has delivered products to customers and when responsibility for the products has passed to the customer. The responsibility is governed by the delivery terms and conditions. The customer's acceptance consists of delivery approval, conditions for approval having expired, or the fact that the Group has objective evidence that all criteria for approval are fulfilled. Delivery does not occur before the products have been dispatched to a designed place and the risks and possibilities associated with the products (obsolescence, result upon future sale) have passed to the customer.

2.6.2 Dividend income

Dividend income is reported when the right to receive the payment has been established.

2.7 Intangible assets

2.7.1 Goodwill

Goodwill comprises the amount by which the acquisition value exceeds the fair value of the Group's share of the identifiable net assets of acquired subsidiaries at the time of acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets.

Goodwill is reviewed annually to identify any impairment and reported at acquisition value less accumulated impairment. Impairment of goodwill is not reversed. Profits or losses upon the divestment of a unit include remaining reported value on the goodwill which relates to the divested unit.

Detailed information regarding Duni's definition of cash-generating units upon the allocation of goodwill is provided in Note 21.

2.7.2 Trademarks and licenses
Acquired trademarks and licenses are reported at acquisition value. Trademarks and licenses have a determinable useful life and are reported at acquisition value less accumulated amortization. Amortization takes place on a straight-line basis in order to allocate the cost for trademarks and licenses over their assessed useful life (3–10 years).

2.7.3 Research and development
Capitalized research expenditures relate primarily to expenditures for the implementation of the SAP business system.

Research expenditures are booked when incurred.

Expenditures incurred in development projects (relating to design and testing of new or improved products) are reported as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to finish the intangible asset so that it can be used or sold;

(b) management intends to finish the intangible asset and use or sell it;

(c) conditions exist to use or sell the intangible asset;

(d) the way in which the intangible asset will generate probable future economic benefits can be demonstrated;

(e) adequate technical, financial and other resources exist to complete the development and to use or sell the intangible asset; and

(f) the expenditures which relate to the intangible asset during its development can be calculated in a reliable manner.

Other development expenditures which do not fulfill these conditions are reported as expenses when incurred. Development expenditures previously reported as an expense are not reported as an asset in a subsequent period. Capitalized development expenditures are reported as intangible assets and amortization takes place from the time when the asset is finished for use, on a straight-line basis over the assessed useful life (3-10) years.

2.8 Tangible fixed assets
Buildings and land include primarily plants and offices. All tangible fixed assets are reported at acquisition value less depreciation. The acquisition value includes expenditures directly related to the acquisition of the asset, as well as interest expenses in conjunction with the construction of qualifying assets.

Additional expenditures are added to the reported value of the asset or reported as a separate asset only where it is likely that the future economic benefits associated with the asset will vest in the Group and the asset's acquisition value can be measured in a reliable manner. Reported value for the replaced part is removed from the balance sheet. All other forms of repairs and maintenance are reported as expenses in the income statement during the period in which they are incurred.

No depreciation takes place for land. Depreciation on other assets, in order to allocate their acquisition value down to the estimated residual value over the estimated useful life, takes place on a straight-line basis in accordance with the following:

Type of asset	Useful life
Buildings	20–40 year
Paper machinery	17 year
Other machinery	10 year
Vehicles	5 year
Equipment, tools, and installations	3–8 year

The residual value and useful life of the assets are assessed on each balance sheet date and adjusted as required.

Profits or losses from divestments are established through a comparison between the sales revenue and the reported value, and are reported in other operating income or other operating expenses in the income statement.

2.9 Impairment of non-financial assets
With respect to goodwill and other assets with an undetermined useful life, an annual assessment is conducted to ascertain that the recovery value, i.e. the net realizable value or the use value, whichever is higher, exceeds the reported value. With respect to other non-financial assets, a similar assessment is carried out as soon as there are indications that the reported value is too high. The asset's value is written down to the recovery value as soon as it is shown that it is lower than the reported value.

2.10 Leasing
Fixed assets which are used via leasing are classified in accordance with the financial terms of the leasing agreement. Leasing of fixed assets, where the Group in all essential respects holds the financial risks and benefits associated with ownership, is classified as financial leasing. Financial leasing is reported at the beginning of the leasing period at the fair value of the leasing object or the present value of the minimum leasing fees, whichever is the lower. Other leasing agreements are classified as operational leasing. Payments made during the leasing term (less deductions for any incentives from the lessor) are reported as an expense in the income statement on a straight-line basis over the leasing term.

2.11 Financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of the financial assets on the first reporting occasion and reviews this decision on each subsequent reporting occasion.

2.11.1 General principles
Purchase and sales of financial assets are reported on the transaction day – the date on which the Group undertakes to purchase or sell the asset. Financial instruments are initially reported at fair value plus transaction expenses, which applies to all financial assets which are not reported at fair value through profit or loss. Financial assets valued at fair value through profit or loss are reported initially at fair value, while related transaction expenses are reported in the income statement. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or has been transferred and the Group has largely transferred all risks and benefits associated with the ownership. Financial assets valued at fair value through profit or loss are reported after the acquisition date at fair value. Loans and receivables are reported at accrued acquisition value applying the effective annual interest rate method.

Fair value of listed financial assets corresponds to the listed bid price on the balance sheet date. Fair value of unlisted financial assets is determined by using valuation techniques, for example recently completed transactions, the price of similar instruments or discounted cash flows. Fair value of currency forwards is determined based on the applicable forward rate on the balance sheet date, while interest rate swaps are valued based on future discounted cash flows.

The Group assesses on each balance sheet date whether there is any objective evidence of impairment of a financial asset or a group of financial assets, such as the discontinuation of an active market or that it is unlikely that the debtor will be to meet its obligations. The impairment is calculated as the difference between the reported value of the asset and the present value of estimated future cash flows, discounted to the financial asset's original effective rate of interest. The reported value of the asset is written down and the impairment charge is reported in the consolidated income statement. If a loan or an investment which is held to maturity carries valuable interest, the relevant effect rate of interest established in accordance with the agreement is used as the discount rate when establishing impairment. As an expediency, the Group can establish impairment on the basis of the fair value of the instrument applying an observable market price. Impairment of accounts receivable is described below in the section on loans and receivables.

2.11.2 Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss consist of financial assets that are held for trading. A financial asset is classified in this category if it is acquired primarily in order to be sold within a short time. Derivative instruments are classified as held for trading if they are not identified as hedge instruments. Duni holds derivative instruments in the form of currency forward contracts, interest rate swaps on long-term lending as well as financial contracts in the form of energy derivatives.

Duni applies hedge accounting in accordance with IAS 39 on the interest rate swap entered for hedge payments of variable interest. Changes in value of derivatives designated for hedge accounting are reported in Other comprehensive income.

Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as fixed assets.

2.11.3 Hedge accounting
The effective part of changes in fair value on a derivative instrument which is identified as cash flow hedging and which satisfies the conditions for hedge accounting is reported in Other comprehensive income. The profit or loss attributable to the ineffective part is reported immediately in the income statement under Other net profits/losses. The profit or loss attributable to the effective part of an interest rate swap which hedges borrowing at a variable rate is reported in the income statement in Financial expenses.

2.11.4 Loan receivables and accounts receivable
Loan receivables and accounts receivable are financial assets which are not derivative instruments. They have determined or determinable payments and are not listed on an active market. They are included in current assets, with the exception of items payable more than 12 months after the balance sheet date, which are classified as fixed assets. Impairment of accounts receivable is reported in the income statement in the sales function and impairment of loan receivables is reported as a financial item. Cash and cash equivalents in the balance sheet are also included in this classification.

Accounts receivable and loans receivables are initially reported at fair value and thereafter at accrued acquisition value applying the effective annual interest rate method, less any provisions for depreciation. Provision is made for impairment of accounts receivable when there is objective evidence that the Group will be unable to receive all amounts which are due and payable according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will go into bankruptcy or undergo financial restructuring, and non-payment or delayed payment (payment overdue by more than 30 days) are regarded as indications that impairment may exist. The size of the provision is determined by the difference between the reported value of the asset and the present value of assessed future cash flows.

2.12 Inventories
Inventories are reported at the acquisition value or the net realizable value, whichever is lower. The acquisition value is determined using the first in, first out method (FIFO). The acquisition value of finished goods and work in progress consists of design expenses, raw materials, direct salaries, other direct expenses and associated indirect manufacturing expenses (based on normal production capacity). Loan expenses are not included. The net realizable value is the estimated sales price in the current operations, less applicable variable selling expenses.

2.13 Cash and cash equivalents
In both the balance sheet and the cash flow statement, cash and cash equivalents include cash, bank balances and other short-term investments which mature within three months of the date of acquisition.

2.14 Financial liabilities
The Group classifies its financial liabilities in the following categories: financial liabilities valued at fair value through profit or loss and financial liabilities valued at accrued acquisition value. The classification depends on the purpose for which the financial liability was acquired. Management determines the specification of the financial liabilities on the first reporting occasion and reviews this decision on each subsequent reporting occasion.

2.14.1 Financial liabilities at fair value through profit or loss
Derivative instruments with a negative fair value which do not meet the criteria for hedge accounting are valued at fair value through profit or loss. For a description of the derivative instruments held by Duni and for further information regarding reporting, see section 2.11 “Financial assets at fair value through profit or loss.“

Derivative instruments which satisfy the rules for hedge accounting, including the interest rate swap taken out by Duni, are reported at fair value via Other comprehensive income. For a more detailed description of the reporting of derivative instruments designated for hedging, see 2.11.3.

Liabilities in this category are classified as short-term liabilities if they are expected to be settled within 12 months; otherwise they are classified as long-term liabilities.

2.14.2 Financial liabilities at amortized cost
Borrowing and other financial liabilities, e.g. accounts payable, are included in this category. Accounts payable are obligations to pay for goods or services which have been acquired from suppliers in the course of day-to-day operations. Accounts payable are classified as short-term liabilities if they fall due within one year or earlier (or during a normal business cycle, if that is longer). If not, they are reported as long-term liabilities.

Financial liabilities are valued initially at fair value, net after transaction expenses. Financial liabilities are thereafter valued at accrued acquisition value, and any difference between the received amount (net after transaction expenses) and the repayment amount is reported in the income statement, allocated over the period of the loan, applying the effective annual interest rate method. The prepayment fee upon premature redemption of loans is reported in the income statement at the time of redemption. Loan expenses affect the result for the period to which they relate. Issued dividends are reported as loans after the Annual General Meeting has approved the dividend.

Borrowing and other financial liabilities are classified as short-term liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

2.15 Income taxes
Reported income taxes includes tax which is to be paid or received regarding the current year, adjustments regarding the relevant tax for previous years, and changes in deferred taxes.

All tax liabilities/tax assets are valued at the nominal amount in accordance with the tax rules and tax rates decided upon or announced and which in all likelihood will be adopted.

With respect to items reported in the income statement, the associated tax consequences are also reported in the income statement. The tax consequences of items reported in the Consolidated statement of comprehensive income are reported in the Consolidated statement of comprehensive income.

Deferred tax is calculated in accordance with the balance sheet method on all temporary liabilities which arise between reported and tax values of assets and liabilities.

Deferred tax assets with respect to loss carry-forwards and other future taxable deductions are reported to the extent it is likely that the deduction may be set off against surpluses in conjunction with future payments. Deferred tax liabilities relating to temporary differences attributable to investments in subsidiaries and branches are not reported in the consolidated financial statements since the Parent Company can, in all cases, determine the date for reversal of the temporary differences and it is not deemed likely that a reversal will take within the foreseeable future.

2.16 Compensation to employees
2.16.1 Pensions
Duni has various pension plans. The pension plans are normally financed through payments to insurance companies or manager-

administered funds, where the payments are determined based on periodic actuarial calculations. Duni has both defined benefit and defined contribution pension plans. A defined contribution pension plan is a pension plan pursuant to which Duni pays fixed fees to a separate legal entity. Duni has no legal or informal obligations to pay additional fees if the legal entity has insufficient assets to pay all compensation to employees relating to the employee's service during a current or earlier period. A defined benefit plan is a pension plan which is not a defined contribution plan. The distinguishing feature of defined benefit plans is that they state an amount for the pension benefit an employee will receive after retirement, normally based on one or more factors such as age, period of employment and salary.

The liability reported in the balance sheet with respect to defined benefit plans is the present value of the defined benefit obligation on the balance sheet date, less the fair value of the managed assets and adjusted for non-reported actuarial profits and losses, as well as unreported expenses relating to employment during previous periods. The defined benefit pension obligation is calculated annually by independent actuaries applying the projected union credit method. The present value of a defined benefit obligation is determined by discounting the estimated future pension payments using the rate of interest on first class corporate bonds issued in the same currency as the currency in which payments are to be made, with terms to maturity comparable to the relevant pension liability. Approximately one half of pension obligations relate to Sweden, where there is no functioning market for corporate bonds. Here, the market yield on mortgage bonds with a comparable term to maturity is used instead.

Actuarial profits and losses arising from experienced-based adjustments and changes in actuarial assumptions in excess of 10% to the value of the managed assets, and 10% of the defined benefit obligation, are booked as expenses or revenue over the estimated average remaining period of employment of the employees.

Expenses relating to employment in earlier periods are reported directly in the income statement unless changes in the pension plan are conditional on the employees remaining in service during a stated period (the vesting period). In such cases, the expenses regarding employment during earlier periods are allocated on a straight-line basis over the vesting period.

In respect of defined contribution plans, Duni pays fees to publicly or privately administered pension insurance plans pursuant to contractual obligations or on a voluntary basis. The Group has no further payment obligations when the contributions are paid. The contributions are reported as personnel expenses when they fall due for payment. Prepaid contributions are reported as an asset to the extent the Company may benefit from cash repayments or a reduction in future payments.

2.16.2 Compensation upon termination of employment

Compensation upon termination of employment is paid when an employee's employment is terminated by Duni prior to the normal retirement date or when an employee accepts voluntary severance in exchange for certain compensation. Duni reports severance compensation when the Group is demonstrably obliged either to terminate an employee pursuant to a detailed formal plan without the possibility of recall, or to provide compensation upon termination as a result of an offer made to encourage voluntary retirement. Benefits payable more than 12 months after the balance sheet date are discounted to present value.

2.17 Provisions

Provisions for, primarily, environmental restoration measures, restructuring expenses and any legal claims are reported when the Group has a legal or informal obligation as a consequence of earlier events, it is likely that an outflow of resources will be required to settle the obligation, and the amount can be calculated in a reliable manner. Duni reports allocations for restructuring expenses, see Note 9. No provisions are made for future operating losses.

2.18 Fixed assets held for sale and discontinued operations

Fixed assets which are held for sale (or divestment groups) are classified as fixed assets held for sale if their reported value will primarily be recovered through a sales transaction, not through ongoing use. Fixed assets (or divestment groups) classified as fixed assets which are held for sale are reported at the reported value or the fair value less selling expenses, whichever is the lower. Such assets may constitute a part of a company, a divestment group or an individual fixed asset. As regards the reported financial year, Duni has no assets which meet the criteria for reporting as fixed assets held for sale.

2.19 Emission rights

Duni participates in the EU's emission rights trading system. Received emission rights are initially valued at the acquisition value, i.e. SEK 0. Revaluations do not take place. A provision is made if an emission rights deficit is identified between owned rights and the rights which will need to be delivered due to emissions made. The value of any surplus emission rights is reported only when realized upon an external sale.

2.20 The Parent Company's accounting principles

The Parent Company prepares its annual report pursuant to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, Reporting for Legal Entities. RFR 2 entails that the Parent Company's annual report for the legal entity shall apply all IFRS and statements approved by the EU, insofar as possible within the scope of the Swedish Annual Accounts Act and taking into consideration the connection between reporting and taxation. The Recommendation states which exceptions and supplements are to be made compared with reporting pursuant to IFRS.

The accounting principle the reporting of received group contributions has been changed during the year. The income statement of the Parent Company has been recalculated with respect to received group contributions. In other respects, the principles regarding the Parent Company are unchanged compared with the preceding year.

2.20.1 Differences between the Group's and the Parent Company's accounting principles

Differences between the Group's and Parent Company's accounting principles are set forth below. The accounting principles stated below have been applied consistently to all periods presented in the Parent Company's financial statements.

Subsidiaries

Participating interests in subsidiaries are reported in the Parent Company pursuant to the purchase method. Received dividends and group contributions are reported as financial incomes.

Intangible fixed assets

Intangible fixed assets in the Parent Company are reported at acquisition value less deduction for accumulated amortization and any impairment. Reported goodwill in the parent company relates to acquisition goodwill; the useful life is thus assessed by company management at not more than 20 years. Amortization of goodwill takes place on a straight-line basis over an assessed useful life of 20 years.

Tangible fixed assets

Tangible fixed assets in the Parent Company are reported at acquisition value less deduction for accumulated depreciation and any impairment in the same manner as for the Group, but with a supplement for any revaluations.

Leased assets

All leasing agreements are reported in the Parent Company pursuant to the rules for operational leasing.

Pension provisions

The Parent Company reports pension liabilities based on a calculation pursuant to the Swedish Pension Obligations (Security) Act.

Income tax

Due to the connection between reporting and taxation, in the Parent Company the deferred tax liability on untaxed reserves is reported as a part of the untaxed reserves.

Presentation of income statement and balance sheet

The Parent Company complies with the form for presentation of income statements and balance sheets as set forth in the Swedish Annual Reports Act. This entails, among other things, a different presentation as regards shareholders' equity and that provisions are reported as a separate main heading in the balance sheet.

NOTE 3 – FINANCIAL RISKS

3.1 Financial risk factors

Duni is exposed through its operations to a large number of different risk factors: market risks (including currency risks, price risks regarding energy consumption and pulp purchases by the subsidiary, Rexcell Tissue & Airlaid AB, interest rate risks in the cash flow, as well as interest rate risks in fair value), credit risks and liquidity risks. Duni's overall risk management policy focuses on contingencies on the financial markets.

Risk management is handled by a central finance department (Treasury) in accordance with policies adopted by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operational units. The Board prepares specific policies regarding the overall risk management and for specific areas, such as currency risks, interest rate risks, use of derivative and non-derivative financial instruments, as well as investments of surplus liquidity. The financial hedge relations established by Duni as an element in its risk management do not qualify for hedge accounting pursuant to the rules in IAS 39. However, there is one exception: in 2011 Duni designated an interest rate swap as a hedge instrument. The interest rate swap is reported in accordance with the rules governing cash flow hedging.

3.1.1 Market risks

Currency risks

Duni operates internationally and is exposed to currency risks which arise from various currency exposures. The Group's exposure to changes in exchange rates may be described as translation exposure and transaction exposure.

Duni manages its translation exposure and transaction exposure by concentrating the exposure to a small number of Group companies and through a finance policy adopted by the Board of Directors.

Translation exposure

Items included in each individual subsidiary's annual report are calculated based on the currency of the country in which the subsidiary has its primary financial and/or legal domicile (functional currency). The Parent Company's annual report is presented in Swedish kronor (SEK), which is the Group's presentation currency. Translation from each company's functional currency to SEK does not give rise to any significant cash flow and thus this exposure is not hedged. Translation exposure arises when the income statements of subsidiaries are translated to SEK. At unchanged exchange rates compared with 2010, net sales would have been SEK 131 m higher and the underlying operating income would have been SEK 13 m higher.

Duni is also exposed to another type of translation exposure which occurs in the balance sheets of the individual group companies due to the fact that such balance sheets may include items in a currency other than such group company's functional currency. Revaluation of these items to the closing day rate is included in the Group's result. This type of translation exposure is addressed in the section below.

The financial borrowing and lending in the individual subsidiaries is primarily internal through the Parent Company and in the respective subsidiary's functional currency. In this manner, currency exposure regarding these items has been centralized on the Parent Company. In the Parent Company, 100% of the financial borrowing and lending is hedged in accordance with the Group's policy, and thus a change in exchange rates has no effect on the result. The Parent Company's external borrowing is matched to approximately 65% by internal net lending with the same currency breakdown. The remaining 35% is hedged on the currency futures market in accordance with Duni's policy. Note 29 presents the value and nominal amounts regarding currency forward contracts entered into regarding financial borrowing and lending in the Parent Company.

As described in greater detail below in the section addressing transaction exposure, Duni manages its currency risks primarily by concentrating commercial transactions to take place essentially in the functional currencies of the subsidiaries. Thus, as regards the consolidated Group, the translation exposure in the working capital of the individual subsidiaries is assessed as minor.

Had all currencies been 5% higher/lower, due to exposure in the individual subsidiaries and the consolidated balance sheet items, the Group's income would have been approximately +/- SEK 1 m (2010: +/- SEK 3 m). Corresponding figures for the Parent Company are +/- SEK 1 m (2010: +/- SEK 2 m).

Transaction exposure

The transaction exposure is minimized primarily through external commercial transactions essentially being carried out in the functional currency of the subsidiaries. Purchases by subsidiaries, primarily internal, may however take place in currencies other than the company's own functional currency, and thus these purchases are exposed to a currency risk. By also directing the internal flows as far as possible to the functional currency of the recipient subsidiary, the currency risk is concentrated to a small number of subsidiaries. The Group's external flows are primarily in SEK as well as PLN, while external inward flows are primarily in DKK, NOK, CHF and GBP.

Duni does not have a policy to hedge interest payments, whether internal or external.

Duni has an indirect currency risk in USD through the subsidiary, Rexcell Tissue & Airlaid AB. Internationally, pulp is priced in USD; a strengthening/weakening of USD results in higher or lower purchasing costs for the Group. However, this risk is neutralized to a certain extent since the pulp price becomes lower or higher in the event of a strengthening/weakening of USD.

Price risks

Energy price risks

During 2011, the subsidiary Rexcell Tissue & Airlaid AB purchased approximately 73,000 MWh electricity at a cost of approximately SEK 36 m; 5,000 tonnes of LPG for approximately SEK 35 m; and oil was consumed for approximately SEK 0 m. In addition, wood chips for the biofuel boiler were bought for approximately SEK 20 m (2010: 94,000 MWh electricity for SEK 53 m; 5,000 tonne LPG for SEK 31 m; oil for SEK 6 m; and wood chips for SEK 0 m).

Due to its energy-intensive operations, Rexcell Tissue & Airlaid AB is exposed to risks associated with changes in the price of energy, particularly gas and electricity. In those cases where the energy price is not hedged, price changes on the energy market have a direct impact on the company's income. An electricity price change of +/- 5% for the energy used by Rexcell Tissue & Airlaid AB affects the net income by approx. -/+ SEK 2 m (2010: -/+ SEK 3 m). Following a decision by the Board, the electricity price was not hedged in 2011; however, outstanding contracts at the beginning of the year have been allowed to remain in force until the expiry of the relevant contract. During 2011, previously signed contracts for a total of 35 MWH expired, and the last contracts for a total of 5 MWH will expire in 2012.

Rexcell Tissue and Airlaid AB has been allocated emission rights for the period 2008 to 2012, namely 2,779 tonnes per year for Dals Långed and 14,154 tonnes per year for Skåpafors. Excess emission rights are carried over to the following year, while support purchases are made if the emission rights are insufficient. In the event support purchases are made in 2012, the assessment is that they will not amount to any significant sum. On December 31, 2011, Rexcell Tissue & Airlaid AB had 2,430 (0) unused emission rights with a market value of SEK 0 (0) m.

Pulp price risks

OTC trading in financial contracts takes place with respect to certain paper and pulp products, i.e. there is a possibility to reduce the risk of fluctuations in the paper and pulp price. Purchases of paper and pulp are carried out by the subsidiary, Rexcell Tissue &

Airlaid AB. Duni currently has not signed any such contracts. A change in the price of pulp during 2011 of +/- 1% per tonne affects income by -/+ SEK 3 m (2010: -/+ SEK 3 m).

Interest rate risks with respect to cash flows and fair value

Duni is exposed to interest rate risks, primarily in EURIBOR, since all external borrowing is at variable interest rates (see Note 31 for more details). The Parent Company's internal lending and borrowing also take place at variable rates. Part of the interest rate risk has been hedged at a fixed rate through 12-month interest rate swaps.

Duni has no significant interest-bearing assets, with the exception of a loan of SEK 3 m to an external party at a variable interest rate which is adjusted each quarter. The Group's revenue and cash flows from the ongoing operations are, in all essential respects, independent of changes in market interest rates.

The Group's interest rate risk with respect to cash flows arises through external long-term borrowing at a variable rate of interest. Outstanding loans are entirely in EUR.

Had interest rates on the Group's borrowing as per December 31, 2011 been 100 points higher/lower with all other variables being constant, the Duni's net income for 2011 would have been SEK 4 m lower/higher (2010: SEK 5 m).

3.1.2 Credit risks

Credit risks are managed on a Group level. Credit risks arise through cash or cash equivalents, derivative instruments and balances held with banks and financial institutions as well as credit exposures vis-à-vis the Group's customers, including outstanding receivables and agreed transactions.

Only banks and financial institutions with a long-term credit rating from an independent rating agency of at least "A- (minus)" are accepted. The total amount deposited or invested in a bank or a single finance company may not exceed SEK 150 m.

All new customers are subject to a credit rating assessment by an independent rating agency. In those cases where there is no independent credit rating, a risk assessment is made regarding the customer's creditworthiness with consideration being given to the customer's financial position, previous experience and other factors. Individual risk limits are established based on internal or external credit assessments in accordance with the limits established by the Board. The use of credit limits is monitored regularly.

The maximum credit risk consists of the book value of the exposed assets including derivatives with positive market values.

Receivables overdue by more than 180 days accounted for 0.4% of total accounts receivable (2010: 0%). For the Parent Company, the corresponding portion is 0.4% (2010: 0%).

3.1.3 Liquidity risks

Duni's liquidity risks consist of the Group lacking cash or cash equivalents for payment of its obligations. The risk is managed by within Duni by Treasury ensuring that sufficient cash and cash equivalents are available, that financing is available through agreed credit facilities (these are described in greater detail in Note 31) and the possibility to close market positions.

As per December 31, 2011 Duni had cash and cash equivalents of SEK 85 m (2010: SEK 122 m) as well as a non-utilized credit facility of SEK 1,432 m (2010: SEK 1,423 m). Payments for coming periods relating to financial liabilities are shown in tables below.

Duni's credit facility is subject to covenants which consist of a key financial ratio as well as a number of non-financial conditions. The financial key ratio comprises financial net debt in relation to underlying EBITDA. The interest margin is calculated based on the same key ratio and adjusted based on given levels each quarter.

Current financing consists of a multicurrency facility of EUR 220 m which has not been fully utilized. In addition to this financing, there is an overdraft facility totaling SEK 125 m. Since 2007, Duni's long-term financing has been secured through a financing facility which expires in November 2012. Consequently, Duni's borrowing as per 31 December 2011 is reported as short-term. Duni has commenced a procurement process and intends to have a new long-term facility in place in ample time prior to expiration of the current facility. The table below shows the Group's contracted outstanding undiscounted interest payments and repayment of principal on the financial liabilities, as well as assets and liabilities regarding derivative instruments:

		Within one year		Later than one year but within five years		Later than five years	
SEK m	Book value	Interest	Repayment	Interest	Repayment	Interest	Repayment
Bank loans	-635	-9	-635		–	–	–
Overdraft facility	-26	-1	-26	–	–	–	–
Accounts payable and other liabilities	-349	–	-349	–	–	–	–
– Currency forward contracts*	1	–	0	–	–	–	–
– Interest rate swaps	4	4	–	–	–	–	–
– Energy derivatives	0	–	0		–	–	–
Derivative instruments – Liabilities	**5**	**4**	**0**	**0**	**0**	**0**	**0**
– Currency forward contracts*	1	–	0	0	0	–	–
– Interest rate swaps	0	0	–	–	–	–	–
– Energy derivatives	0	–	0	–	–	–	–
Derivative instruments - Assets	**2**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**-1,003**	**-6**	**-1,010**	**0**	**0**	**0**	**0**

* Gross flows are shown in the table below.

The market value of derivative instruments above regarding liabilities is broken down as follows:

SEK m	2011	2010
Currency forward contracts	0	1
Interest rate swaps	-3	–
Energy derivatives	0	9
Total	**-3**	**10**

The Group's electricity derivatives are settled net. Amounts booked as liabilities relate to individual contracts with a negative fair value, while currency forward contracts are settled gross. The table below shows these currency forward contracts broken down by the time which, on the balance sheet date, remains until the contractual expiration date. The amounts stated below are the contractual non-discounted amounts.

SEK m	2011	2010
Currency forward contracts		
– Inflow regarding contracts for financial assets and liabilities	307	329
– Outflow regarding contracts for financial assets and liabilities	-306	-328

All flows are due and payable within one year. Financial currency forward contracts relate to both internal and external liabilities and receivables.

The above presentation includes all financial liabilities and derivative instruments with negative and positive values. Amounts in foreign currency and amounts paid based on a variable rate of interest have been estimated through the use of the prevailing exchange rates on the balance sheet date and the most recent interest rate adjustments. Total repayment does not always correspond to the book value. This is due to the fact that the Group's transaction costs in connection with the arrangement of loans are booked against the loans.

3.2 Management of capital risk

Duni's objective with respect to the capital structure is to ensure the Group's ability to continue its operations. The Group assesses capital on the basis of the net/debt equity ratio. This key ratio is calculated as net debt divided by total capital. The net debt is calculated as total borrowing less cash and cash equivalents. Total capital is calculated as shareholders' equity in the consolidated balance sheet plus net debt.

The net debt/equity ratio is as follows:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Total borrowing	**662**	**530**	**643**	**510**
Other long-term receivables	-5	-6	-4	-5
Pension provisions	173	180	114	109
Group loans / receivables	–	–	-1,117	-831
Less: cash and cash equivalents	-85	-122	-43	-65
Net debt*	745	582	-407	-282
Total shareholders' equity	**2,082**	**1,991**	**2,076**	**2,077**
Total capital	**2,827**	**2,573**	**1,728**	**1,795**
Net debt/equity ratio	26%	23%	-24%	-16%

* Calculation of debt debt is exclusive of derivative instruments.

The increase in the net debt/equity ratio is due to increased lending to subsidiaries, of which Germany's repurchase of real estate largely accounts for the total difference.

3.3 Calculation of fair value

The fair value of derivatives traded on an active market is based on the listed market prices on the balance sheet date. The relevant ask price constitutes the listed market price which is used for the Group's financial assets.

Fair value of financial instruments which are not traded on an active market (e.g. OTC derivatives) is determined through the use of valuation techniques. The Group uses a number of different methods and makes assumptions based on the market conditions prevailing on the balance sheet date. Listed market prices or broker listings for similar instruments are used with respect to long-term liabilities. Other techniques, such as calculation of discounted cash flows, are used to establish fair value for remaining financial instruments. Fair value for interest rate swaps is calculated as the present value of assessed future cash flows. Fair value for currency forward contracts is established through the use of listed prices for currency forward contracts on the balance sheet date.

Reported value for accounts receivable and accounts payable, less any impairment, is assumed to correspond to fair value since these items are short-term in nature. For information purposes, fair value of financial liabilities is calculated by discounting the future contracted cash flow to the current market interest rate which is available to the Group for similar financial instruments.

Commencing January 1, 2009, Duni applies the amended IFRS 7 as regards financial instruments which are valued at fair value in the balance sheet. Disclosure is thereupon required regarding valuation at fair value per level in the following fair value hierarchy:

Level 1 – Listed prices (unadjusted) on active markets for identical assets or liabilities.

Level 2 – Other observable data for assets or liabilities comprises listed prices included in level 1, either directly (as price) or indirectly (derived from price).

Level 3 – Data for assets or liabilities which is not based on observable market data.

As stated in Note 32, Duni only has derivative instruments valued at fair value; all derivative instruments are classified in level 2.

NOTE 4 – IMPORTANT ESTIMATIONS AND ASSESSMENTS FOR ACCOUNTING PURPOSES

Estimations and assessments are evaluated regularly based on historical experience and other factors, including expectations of future events which may be deemed reasonable under prevailing circumstances.

4.1 Important estimations and assumptions for accounting

The Group makes estimations and assumptions regarding the future. From a definition perspective, the estimations for accounting purposes which follow therefrom rarely correspond to the actual outcome. The estimations and assumptions which entail a significant risk of material adjustments in reported values for assets and liabilities during the following accounting period are outlined below.

4.1.1 Useful life, intangible and tangible fixed assets

Group management determines assessed useful life and thereby associated amortization/depreciation on the Group's intangible and tangible fixed assets. These estimations are based on historical knowledge of the useful life of corresponding assets. Useful life and assessed residual values are reviewed on each balance sheet date and adjusted as required.

Regarding reported values for each balance sheet date for intangible and tangible fixed assets, see Notes 21-25.

4.1.2 Test of impairment of goodwill

Each year, the Group assesses whether there is any impairment of goodwill, in accordance with the accounting principle described in Note 2 under section 2.9, "Impairment of non-financial assets". The recovery value of cash-generating units has been determined by calculating the use value. For these calculations, certain estimations must be made; see Note 21.

Reported values as per the balance sheet date for goodwill are allocated per cash-generating unit; see Note 21.

Even if the estimated rate of growth which is applied to discounted cash flows after the forecast 5-year period had been 0% instead of the management's assessment of 1%, there would be no impairment of goodwill.

Even if the estimated discount rate before tax which is applied to discounted cash flows had been 12.4% instead of the management's assessment of 11.4%, there would be no impairment of goodwill.

4.1.3 Valuation of loss carry-forwards

Each year, the Group assesses whether there is any impairment of deferred tax assets regarding loss carry-forwards for tax purposes. In addition, the Group assesses the possibility to capitalize new deferred tax assets with respect to the year's loss carry-forwards for tax purposes, where appropriate. Deferred tax assets are reported only in those cases where it is likely that, in the future, from a tax perspective there will be surpluses against which the temporary difference may be utilized.

Reported values for deferred tax assets for each balance sheet date are set forth in Note 19 "Income taxes". As set forth in Note 19, non-appraised loss carry-forwards as per December 31, 2011 amount to SEK 0 m(2010: SEK 0 m).

4.1.4 Pensions

Expenses and the value of pension obligations with respect to defined benefit plans are based on actuarial calculations based on assumptions regarding the discount rate, anticipated return on managed assets, future salary increases, inflation and demographic conditions. Assumptions regarding the discount rate are based on high quality investments at fixed interest with a term to maturity corresponding to the Group's existing pension obligations.

The largest pension plan (approximately one half of pension obligations) is in Sweden, where no corporate bonds are issued and thus the discount rate for the Swedish pension liability is based on mortgage bonds with a term to maturity corresponding to the pension plan.

Reported values for pension liabilities for each balance sheet date are set forth in Note 33, "Pension provisions".

4.2 Important assessments upon application of the Company's accounting principles

4.2.1 Allocation of fixed assets per operating segment and goodwill to cash-generating units

The operating segments utilize common fixed assets. When reporting the common fixed assets per operating segment, these have been allocated based on the business volume of each operating segment; this is deemed to constitute a reasonable basis for allocation since the utilization of the asset by each operating segment is proven. Corresponding allocations have also taken place when allocating common group expenses. Acquisition goodwill has been allocated to the cash-generating units and operating segments based on an assessment of which units will benefit from the synergies, etc. created by the business combination. When carrying out the allocation, management has considered the estimated business volumes of the units and made an assessment of market growth for each unit.

NOTE 5 – OPERATING SEGMENTS

Company management has established operating segments based on the information which is addressed by the strategic decision-making group and which is used to take strategic decisions.

The strategic decision-making group assesses and evaluates the operations based on lines of business which are exposed to the same risks and opportunities. Duni regards the Professional, Retail and Tissue lines of business as operating segments, which internally within Duni are designated as business areas.

Professional covers sales within the business-to-business sector, mainly restaurants, hotels and catering. **Retail** covers sales within the business-to-consumer sector; the grocery retail trade as well as grocery stores and hypermarkets. **Tissue** is responsible for sales of tissue and airlaid material to Duni and to other customers. At arm's length pricing is applied between the Group's various business areas.

The Professional and Retail business areas largely have 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 extent by both business areas.

Shared costs have been allocated based on estimated utilization of the resources, which normally corresponds to the business volumes.

The strategic decision-making body in Duni is group management, which decides on the allocation of resources within Duni and evaluates the results of the operations. Duni's group management monitors the operations, divided into the three business areas, which are evaluated and controlled based on the underlying operating income, i.e. reported operating income excluding non-recurring items, after shared costs have been allocated to each business area. Interest income and interest expenses are not allocated per segment since they are affected by measures taken by the central treasury function, which manages the Group's cash liquidity.

Operating segments

2011, SEK m	Professional	Retail	Tissue	Non-allocated	TOTAL
Total net sales	2,766	612	1,011	–	4,390
Net sales from other segments	–	–	583	–	583
Net sales from external customers	**2,766**	**612**	**428**	**0**	**3,807**
Underlying operating income	357	21	25	–	404
Non-recurring items	-12	-3	-1	–	-16
Reported operating income	**345**	**18**	**24**	**0**	**388**
Financial incomes					3
Financial expenses					-33
Income tax					-98
Net income for the year					**261**
Total assets	2,700	332	649	–	3,681
Total liabilities	589	130	219	661	1,599
Investments	223	49	105	–	377
Depreciation	-59	-13	-35	–	-107

Operating segments

2010, SEK m	Professional	Retail	Tissue	Non-allocated	TOTAL
Total net sales	2,783	689	1,078	–	4,550
Net sales from other segments	–	–	579	–	579
Net sales from external customers	**2,783**	**689**	**499**	**0**	**3,971**
Underlying operating income	384	32	18	–	435
Non-recurring items	1	0	0	–	1
Reported operating income	**385**	**32**	**19**	**0**	**436**
Financial incomes					1
Financial expenses					-19
Income tax					-112
Net income for the year					**306**
Total assets	2,578	341	568	–	3,487
Total liabilities	593	147	226	529	1,495
Investments	92	22	123	–	237
Depreciation	-59	-14	-29	–	-102

Presented below is a specification of what Duni considers to be non-recurring items and the difference on the underlying and reported operating income.

SEK m	2011	2010
Non-recurring items		
Underlying operating income	404	435
Unrealized valuation effects of derivative instruments	-10	1
Restructuring expenses	-6	0
Reported operating income	**388**	**436**

The assets and liabilities included in each business area include all operating capital which is used, primarily inventories, accounts receivable and accounts payable. In addition, certain assets which are shared (primarily fixed assets) have been allocated. Duni has chosen not to allocate financial liabilities, with the exception of accounts payable and derivative instruments. See also the table on non-allocated liabilities below and Note 4.2.

SEK m	2011	2010
Non-allocated liabilities		
Overdraft facility	26	19
Bank loans	635	511
Total non-allocated liabilities	**661**	**530**

Total net sales from external customers broken down by product groups:

SEK m	2011	2010
Product groups		
Napkins	1,657	1,710
Table covers	906	936
Candles	174	171
Serving products	284	281
Packaging solutions	276	287
Other	510	586
Net sales from external customers	**3,807**	**3,971**

Total net sales from external customers broken down by geographic areas:

SEK m	2011	2010
Net sales		
Sweden	301	312
Rest of Nordic region	429	448
Germany	1,306	1,409
Rest of Central Europe	990	980
Southern and Eastern Europe	718	767
Rest of the world	63	55
Net sales from external customers	**3,807**	**3,971**

Total intangible and tangible fixed assets broken down by geographic areas:

SEK m	2011	2010
Intangible and tangible assets		
Sweden	1,596	1,507
Germany	394	214
Rest of Central Europe	4	6
Southern and Eastern Europe	92	104
Total tangible and intangible assets	**2,086**	**1,831**

Parent Company's breakdown of net sales per operating segment and geographic areas:

Parent Company, SEK m	2011	2010
Operating segment		
Professional	995	995
Retail	161	181
Tissue	4	4
Total net sales	**1,159**	**1,180**

Parent Company, SEK m	2011	2010
Geographic areas		
Nordic region	717	733
Central Europe	364	326
Southern and Eastern Europe	79	121
Total net sales	**1,159**	**1,180**

NOTE 6 – INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to SEK 2,489 m (2010: SEK 2,507 m). The Parent Company sold goods to its own subsidiaries for SEK 423 m (2010: SEK 432 m) and purchased goods from subsidiaries at a value of SEK 537 m (2010: SEK 594 m). At arm's length pricing has been applied in conjunction with intra-group purchases and sales.

NOTE 7 – EXPENSES BY NATURE

In the consolidated income statement, expenses are grouped by function. Presented below is information regarding significant types of expenses.

		Group	
SEK m	Note	2011	2010
Changes in inventories of finished products and products in progress		630	624
Raw materials and consumables		910	993
Expenses for compensation to employees	*13*	853	855
Depreciation and impairment	*8*	107	102
Other expenses		984	1,095
Total operating expenses		**3,484**	**3,669**

”Other expenses” means expenses for real estate, rents, logistics expenses, marketing, travel expenses, etc.

NOTE 8 – DEPRECIATION/AMORTIZATION

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Goodwill	–	–	100	100
Capitalized development expenditures	14	10	13	10
Trademarks and licenses	1	2	1	1
Buildings and land improvements	4	4	3	3
Plant and equipment	88	86	6	7
Total depreciation/amortization	**107**	**102**	**123**	**121**

Depreciation/amortization are included in the cost for each function as follows:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Costs of goods sold	86	83	7	7
Selling expenses	1	–	–	–
Administrative expenses	20	19	17	14
Other operating expenses	–	–	100	100
Total depreciation/amortization	**107**	**102**	**123**	**121**

Depreciation/amortization reported under the heading ”Other operating expenses” for the Parent Company in the table above relates in its entirety to amortization of goodwill.

NOTE 9 – RESTRUCTURING EXPENSES/ALLOCATION TO RESTRUCTURING RESERVE

During the fourth quarter of 2011, structuring expenses of SEK 6 m were incurred in order to adjust, and achieve efficiency gains in, production in Poland. It is estimated that an additional approximate SEK 15 m in restructuring expenses will be incurred in 2012 in order to achieve increased efficiency within the organisation and production. All in all, this will result in annual cost savings estimated at SEK 25 m as from the fourth quarter of 2012.

Restructuring expenses are included in each function as follows:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Costs of goods sold	2	0	–	–
Selling expenses	–	1	–	–
Administrative expenses	2	–	–	–
Other operating expenses	2	-1	-2	-1
Total restructuring expenses	**6**	**0**	**-2**	**-1**

Allocation to restructuring reserve:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Opening balance, restructuring reserve	12	15	11	10
Utilized reserve	-5	-3	-4	–
Reversal of reserve	-2	-1	-2	–
Allocations for the year	6	1	–	1
Closing balance, restructuring reserve	**11**	**12**	**5**	**11**
Of which short-term	11	12	5	11

NOTE 10 – INVENTORIES

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Raw materials and consumables	108	102	–	–
Work in progress	10	11	1	6
Finished goods and goods for resale	347	319	84	93
Advance payments to suppliers	5	5	3	4
Total	**470**	**437**	**88**	**103**

The change in the inventories is reported under the item “Costs of goods sold” and, for the Group, amounts to SEK 2,450 m (2010: SEK 2,412 m). The corresponding item for the Parent Company amounts to SEK 770 m (2010: SEK 800 m).

The Group’s impairment write-down of inventory to the net realizable value amounts to SEK 5 m (2010: SEK 5 m). The Parent Company’s reported impairment write-down of inventory amounts to SEK 4 m (2010: SEK 3 m). No reversal of write-downs has taken place in 2011 or 2010.

NOTE 11 – COMPENSATION TO AUDITORS

	Group		Parent Company	
SEK m	2011	2010	2011	2010
PwC				
– Audit engagement	3.2	4.0	1.4	1.7
– Auditing work other than audit engagement	0.5	0.6	0.3	0.4
– Tax advice	2.6	3.0	0.4	0.8
– Other services	1.1	1.5	0.1	0.4
Total	**7.4**	**9.1**	**2.1**	**3.3**

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Other auditors				
– Audit engagement	0.1	0.1	–	–
– Auditing work other than audit engagement	–	–	–	–
– Tax advice	–	0.0	–	–
– Other services	0.1	0.1	–	–
Total	**0.2**	**0.2**	**0**	**0**
Total compensation to auditors	**7.6**	**9.3**	**2.1**	**3.3**

“Audit engagement” means compensation for the statutory audit, i.e. work essential for the issuance of an Audit Report, as well as so-called audit consulting which is performed in connection with the audit engagement.

NOTE 12 – PERSONNEL (AVERAGE NUMBER)

The average number of employees has been calculated as the number of hours worked divided by normal annual work time.

	2011			2010		
	Men	Women	Total	Men	Women	Total
Parent Company						
Sweden	63	62	125	72	61	133
Total Parent Company	**63**	**62**	**125**	**72**	**61**	**133**
Subsidiaries						
Austria	5	4	9	7	4	11
Belgium	7	5	12	7	5	12
Czech Republic	4	6	10	4	5	9
Denmark	11	4	15	11	5	16
Finland	8	11	19	8	11	19
France	13	29	42	12	28	40
Germany	502	344	846	486	388	874
Hungary	1	0	1	2	0	2
Italy	5	5	10	3	2	5
Netherlands	28	23	51	30	20	50
Norway	12	8	20	12	8	20
Poland	154	223	377	159	218	377
Russia	6	13	19	6	12	18
Spain	9	5	14	9	4	13
Sweden	222	63	285	217	60	277
Switzerland	13	7	20	13	8	21
United Kingdom	34	19	53	31	20	51
Total subsidiaries	**1,034**	**769**	**1,803**	**1,017**	**798**	**1,815**
Total	**1,097**	**831**	**1,928**	**1,089**	**859**	**1,948**

NOTE 13 – SALARIES AND OTHER REMUNERATION

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Salaries and other remuneration	656	666	70	69
Social security expenses	150	152	22	23
Pension expenses – contribution-based plans	33	20	11	10
Pension expenses – defined benefit plans	14	17	12	5
Total	**853**	**855**	**115**	**107**

Salaries and other remuneration to senior executives and other employees:

	2011		2010	
SEK m	Salaries and other remunera-tion (of which bonuses)	Pension expenses	Salaries and other remunera-tion (of which bonuses)	Pension expenses
Board, CEO, VPs, and other senior executives	20 (2)	5	21 (4)	5
Other employees	636	42	644	32
Group, total	**656**	**47**	**666**	**37**

Board fees as well as employment and termination terms and conditions for senior executives:

The Group's Board comprises 5 (2010: 5) persons, of whom 60% are men (2010: 60%).

Other senior executives comprise 8 (2010: 8) persons, including the CEO, of whom 100% are men (2010: 100%). As from February 1, 2012, when the position of Head of Business Area Retail becomes vacant, the management team will temporarily comprise seven persons. A recruitment process has commenced and the position will be filled as soon as a suitable candidate is found.

Principles

Fees and other remuneration to the Board of Directors, including Duni's Board Chairman, are decided upon by the Annual General Meeting (AGM). Pursuant to guidelines adopted by the AGM on May 5, 2011, remuneration to the CEO and other senior executives shall be on market terms and consist of basic salary, other benefits (including car benefit), other remuneration (including bonus, mileage compensation and vacation pay) and pension. At present, there are no long-term share-related incentive programs. "Other senior executives" are those persons who, together with the CEO, constitute group management. Pension benefits and other remuneration to the CEO and other senior executives are payable as part of the total remuneration.

In accordance with a resolution adopted by the AGM on May 5, 2011, the annual fee for the current Chairman of the Board was set at SEK 500,000, while the annual fee for other directors amounted to SEK 250,000 per director. In addition, fees shall be paid for committee work in the amount of SEK 50,000 to the Chairman of the Remuneration Committee and SEK 25,000 each to the other members of the Remuneration Committee, as well as SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 each to other members of the Audit Committee.

The Chairman of the Board received no remuneration other than fees for board work and committee work.

The tables below specify the amounts by which the decided fees stated above were incurred in the 2011 and 2010 financial years.

Remuneration and other benefits during the year

2011, SEK '000	Basic salary / board fee	Pensions expense*	Other benefits	Variable remuneration**	Total
Chairman of the Board- Anders Bülow	575	–	–	–	575
Director - Tina Andersson, commenced May 5, 2011	200	–	–	–	200
Director - Tomas Gustavsson	275	–	–	–	275
Director - Pia Rudengren	350	–	–	–	350
Director - Sanna Suvanto-Harsaae, resigned May 5, 2011	100	–	–	–	100
Director - Magnus Yngen	300	–	–	–	300
CEO - Fredrik von Oelreich	4,598	2,235	82	–	6,915
Other senior executives	9,869	2,269	467	452	13,057
Total	**16,267**	**4,504**	**549**	**452**	**21,772**

* Of the Group's pension expenses above, SEK 1 m relate to the Parent Company.

** Variable remuneration relates to bonuses booked as expenses for the 2011 financial year, which are paid out in 2012.

2010, SEK '000	Basic salary / board fee	Pensions expense*	Other benefits	Variable remuneration**	Total
Chairman of the Board – Anders Bülow	575	–	–	–	575
Director - Tomas Gustavsson	275	–	–	–	275
Director – Pia Rudengren	350	–	–	–	350
Director – Sanna Suvanto-Harsaae	300	–	–	–	300
Director – Magnus Yngen	300	–	–	–	300
CEO – Fredrik von Oelreich	4,221	2,017	80	1,249	7,567
Other senior executives	9,804	2,501	411	2,175	14,891
Total	**15,825**	**4,518**	**491**	**3,424**	**24,258**

* Of the Group's pension expenses above, SEK 1 m relate to the Parent Company.

** Variable remuneration relates to bonuses booked as expenses for the 2010 financial year, which were paid out in 2011.

Bonuses

The CEO and all senior executives are included in a bonus system which is based on profitability and capital tie-up targets, primarily with respect to their individual operational area but also Group targets. For the CEO and CFO, the variable remuneration is capped at 55% of basic salary. For other senior executives, the variable remuneration is capped at 45% of basic salary. The bonus system covers only one year each time following a decision by the Board of Directors. For the 2011 financial year, a bonus of SEK 0 m (2010: SEK 1.2 m) was paid to the CEO.

Pensions

CEO

The CEO has an agreed retirement age of 62. The pension expense corresponds to the costs for a defined contribution plan. Until the agreed retirement age, Duni shall allocate each month an amount equal to 35% of the CEO's monthly salary and a three-year average of the bonus, paid into a designated occupational pension insurance scheme. The allocated occupational pension provision is fully tax-deductible for Duni. There are no other outstanding pension obligations to the CEO.

Other senior executives

Five other senior executives have defined contribution plans, while two have defined benefit plans. "Pension entitlement salary" means fixed annual salary plus holiday pay, as well as an average of bonus payments received for the past three years. In addition, there are commitments regarding sickness pension and survivor's pension. Each month, Duni pays a cash pension contribution in accordance with each senior executive's individual pension plan. Pension is earned on a straight-line basis during the employment period, i.e. from the date of employment until retirement age. There are no outstanding pension obligations to other senior executives.

Severance compensation

CEO

The CEO has a separate agreement regarding severance compensation. The severance compensation comprises payment for twelve months following a termination period of six months. Only the Company is entitled to trigger the agreement.

The CEO is entitled to terminate his employment on six months' notice. There is no entitlement to severance compensation in the event of termination by the CEO.

Other senior executives

Severance compensation amounts to between six and twelve months' salary following a termination period of three to twelve months, with only the Company being entitled to trigger agreements.

Preparation and decision-making process

The Remuneration Committee prepares issues relating to remuneration for Duni's senior executives based on the guidelines adopted by the AGM regarding remuneration for senior executives, and negotiates with the CEO regarding the latter's salary.

The Remuneration Committee and its Chairman are appointed each year at the constituent Board meeting following election. The Committee comprises at least three of Duni's directors, one of whom shall be the Chairman of the Board. Pursuant to Duni's rules of procedure, the other members of the Remuneration Committee shall be independent in relation to the Company and company management. The Remuneration Committee shall meet at least three times per year. Duni's CEO shall participate at meetings of the Remuneration Committee, except when questions are addressed which relate to the CEO's remuneration.

The Remuneration Committee is responsible for preparing issues concerning remuneration and other benefits for company management. Decisions are thereafter taken by Duni's Board. The Remuneration Committee also participates in the preparation of proposals regarding the adoption of any share-related incentive programs within Duni. In 2011, the Remuneration Committee held three meetings at which minutes were taken.

NOTE 14 – OTHER OPERATING INCOME

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Rental income	0	0	–	–
Exchange rate gains	49	52	28	23
Change in fair value – energy derivatives	–	7	–	–
Change in fair value – currency derivatives	–	1	–	1
Capital gains, machinery and equipment	0	11	–	–
Administrative services	–	–	211	225
Other items	16	63	0	9
Total other operating income	**65**	**134**	**239**	**258**

"Other items" last year includes compensation received from insurance companies.

NOTE 15 – OTHER OPERATING EXPENSES

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Change in fair value – energy derivatives	10	–	–	–
Change in fair value – currency derivatives	0	6	0	6
Exchange rate losses	47	52	25	32
Depreciation/amortization	–	–	100	100
Administrative services	–	–	51	58
Rental expenses	–	2	–	2
Other items	8	57	-5	2
Total other operating expenses	**65**	**117**	**117**	**200**

"Other items" last year include expenses incurred in connection with fire damage.

NOTE 16 – NET EXCHANGE RATE DIFFERENCES

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Operating income				
Change in fair value – currency derivatives	0	-6	0	-6
Other exchange rate differences in operating income	2	-1	3	-8
Total exchange rate differences in operating income	**2**	**-7**	**3**	**-14**
Financial items				
Change in fair value – currency derivatives	–	1	–	1
Exchange rate differences in financial items	-6	4	-5	13
Total exchange rate differences in financial items	**-6**	**5**	**-5**	**14**
Total net exchange rate differences in income statement	**-4**	**-2**	**-2**	**0**

NOTE 17 – INCOME FROM FINANCIAL ITEMS

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Financial income				
interest income, external investments	3	1	2	1
Interest income, Group companies	–	0	29	21
Total financial income	**3**	**1**	**31**	**22**
Financial expenses				
Interest expenses, external loans	-14	-9	-12	-8
Interest expenses, pensions	-10	-11	-5	-5
Interest expenses, Group companies	–	–	0	0
Interest expenses, interest rate swaps	0	0	0	0
Change in fair value, currency forwards	1	1	1	14
Other financial expenses	-9	1	-12	-3
Total financial expenses	**-33**	**-19**	**-29**	**-2**

The interest portion in the year's pension expenses is reported among interest expenses. The rate of interest used in the Parent Company is 4.5% set by PRI (2010: 5.0%), calculated on the average of opening and closing balances on the item "Pension provisions".

Other financial income and expenses include reported bank charges as well as exchange rate effects on financial loans and investments. Since Duni is primarily a borrower, the entire effect is reported among interest expenses.

NOTE 18 – INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

During the year, the Parent Company received dividends from subsidiaries amounting to SEK 153 m (2010: SEK 257 m).

NOTE 19 – INCOME TAX

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Current tax for the year	-42	-66	0	0
Current tax attributable to previous years	-5	-3	–	–
Deferred tax	-51	-43	-38	-30
Tax on net income for the year	**-98**	**-112**	**-38**	**-30**

Deferred tax in the income statement consists of the following items:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Deferred tax, internal profit on inventories	0	2	–	–
Deferred tax, untaxed reserves	-8	-7	–	–
Deferred tax, appraised loss carry-forwards	-40	-35	-38	-32
Deferred tax, financial instruments	3	0	0	2
Deferred tax, other	-6	-3	–	–
Total deferred tax	**-51**	**-43**	**-38**	**-30**

Income tax on the Group's income before tax differs from the theoretical amount which would have arisen upon use of a weighted average tax rate for the income in the consolidated companies in accordance with the following:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Reported income before tax	358	418	198	272
Tax according to applicable tax rate	-94	-110	-52	-71
Tax effect of non-deductible expenses	-1	-4	-27	-28
Tax effect of non-taxable income	4	6	41	69
Effect of foreign tax rates	-1	0	0	0
Tax income/expenses due to changed tax rate	-1	-1	–	–
Current tax attributable to previous years	-5	-3	0	–
Tax on income for the year according to the income statement	**-98**	**-112**	**-38**	**-30**

Tax rate

The Parent Company's applicable tax rate for income tax is 26.3% (2010: 26.3%).

Temporary differences

Temporary differences exist in those cases where the reported values and tax values of assets or liabilities differ. Changes are in deferred tax assets and liabilities during the year, without consideration being given to set-offs made under the same tax law.

Deferred tax assets

SEK m, Group	Loss carry-forwards	Internal profit	Financial instruments	Other*	Total
Per December 31, 2009	**307**	**1**	**0**	**16**	**324**
Reported in income statement	-35	2	0	-5	-38
Exchange rate differences	-2	0	–	0	-2
Per December 31, 2010	**270**	**3**	**0**	**11**	**284**
Reported in income statement	-40	0	0	-4	-44
Reported in other comprehensive income	–	–	0	–	0
Exchange rate differences	-1	0	–	-1	–2
Per December 31, 2011	**229**	**3**	**0**	**6**	**238**

* "Other" relates, among other things, to deferred tax on bad debts and provisions for restructuring expenses.

Loss carry-forwards relate essentially to completed restructuring. As regards the valuation of loss carry-forwards, see Note 4.1. It is currently the management's assessment that the implemented restructuring measures in the future will lead to taxable surpluses against which loss carry-forwards might be utilized.

Deferred tax liabilities

SEK m, Group	Untaxed reserves	Financial instruments	Other	Total
Per December 31, 2009	**15**	**3**	**8**	**26**
Reported in income statement	7	0	-2	5
Exchange rate differences	–	–	0	0
Per December 31, 2010	**22**	**3**	**6**	**31**
Reported in income statement	8	-3	2	7
Exchange rate differences	–	–	0	0
Per December 31, 2011	**30**	**0**	**8**	**38**

The deferred tax is valued in accordance with the applicable tax rate in each country.

	Deferred tax assets			Deferred tax liabilities
SEK m, Parent Company	Loss carry-forwards*	Financial instruments	Total	Financial instruments
Per December 31, 2009	**289**	**0**	**289**	**2**
Reported in income statement	-32	0	-32	-2
Exchange rate differences	0	–	0	–
Per December 31, 2010	**257**	**0**	**257**	**0**
Reported in income statement	-38	0	-38	0
Reported in other comprehensive income	–	0	0	–
Exchange rate differences	-1	0	-1	–
Per December 31, 2011	**218**	**0**	**218**	**0**

*All loss carry-forwards in the Parent Company are perpetual.

Deferred tax assets and liabilities are set-off when there is a legal right of set-off for the relevant tax assets and liabilities and when deferred taxes relate to the same tax authority. No set-off has taken place.

Reporting of expiration dates:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Deferred tax assets				
Utilized after more than 12 months	186	228	177	215
Utilized within 12 months	52	56	41	42
Total	**238**	**284**	**218**	**257**
Deferred tax liabilities				
Utilized after more than 12 months	31	22	–	–
Utilized within 12 months	7	9	–	–
Total	**38**	**31**	**0**	**0**

The net change regarding deferred taxes is as follows:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Opening balance	**253**	**298**	**257**	**287**
Reported in income statement	-51	-43	-38	-30
Reported in other comprehensive income	0	–	0	–
Exchange rate differences	-2	-2	-1	0
Closing balance	**200**	**253**	**218**	**257**

Tax regarding items reported directly against shareholders' equity

Deferred taxes reported in shareholders' equity during the year amount to SEK 0 m (2010: SEK 0 m) in both the Parent Company and the Group.

NOTE 20 – SHARE CAPITAL AND EARNINGS PER SHARE

On December 31, 2011 the share capital consisted of 46,999,032 (2010: 46,999,032) shares of common stock. Each share carries an entitlement to one vote. All shares registered on the balance sheet date are fully paid up. On December 31, 2011 the quotient value of the shares was SEK 1.25 per share.

A specification of changes in shareholders' equity is provided in the Consolidated Statement of Changes in Equity, which is presented immediately after the balance sheet.

Since Duni has had no outstanding convertible debentures or warrants, there has been no dilution of Duni's shares in the 2011 and 2010 financial years.

Earnings per share, before and after dilution

Earnings per share before and after dilution are calculated based on the following income and number of shares:

	2011	2010
Income attributable to the equity holders of the Parent Company (SEK m)	261	306
Weighted average number of outstanding shares of common stock (thousands)	46,999	46,999
Earnings per share, before and after dilution (SEK per share)	**5.54**	**6.52**

NOTE 21 – INTANGIBLE ASSETS

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Goodwill				
Acquisition values				
Opening acquisition values	1,199	1,199	2,053	2,053
Investments	–	–	–	–
Sales and disposals	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated acquisition values	**1,199**	**1,199**	**2,053**	**2,053**
Amortization				
Opening accumulated amortization	–	–	-1,454	-1,354
Amortization for the year	–	–	-100	–100
Sales and disposals	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated amortization	**0**	**0**	**-1,553**	**–1,454**
Impairment				
Opening accumulated impairment	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated impairment	**0**	**0**	**0**	**0**
Closing book value	**1,199**	**1,199**	**500**	**599**

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Trademarks and licenses				
Acquisition values				
Opening acquisition values	66	66	64	64
Investments	0	0	–	–
Sales and disposals	0	–	0	–
Reclassifications	–	0	–	0
Translation differences	0	0	–	–
Closing accumulated acquisition values	**66**	**66**	**64**	**64**
Amortization				
Opening accumulated amortization	-64	-63	-62	-61
Amortization for the year	-1	-1	-1	-1
Sales and disposals	0	–	0	–
Reclassifications	–	–	–	–
Translation differences	0	0	–	–
Closing accumulated amortization	**-65**	**-64**	**-63**	**-62**
Closing book value	**1**	**2**	**1**	**2**

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Capitalized development expenditures				
Acquisition values				
Opening acquisition values	89	64	71	52
Investments	2	7	–	–
Sales and disposals	–	-1	–	–
Reclassifications	25	21	25	19
Translation differences	0	-2	–	–
Closing accumulated acquisition values	**116**	**89**	**96**	**71**
Amortization				
Opening accumulated amortization	-47	-38	-35	-26
Amortization for the year	-14	-10	-13	-9
Sales and disposals	–	1	–	–
Reclassifications	–	-1	–	–
Translation differences	0	-1	–	–
Closing accumulated amortization	**-60**	**-47**	**-48**	**-35**
Closing book value	**56**	**42**	**48**	**36**
Total intangible assets	**1,256**	**1,243**	**548**	**637**

In 2005, the EU introduced an emission rights system as a method for restricting carbon dioxide emissions. For the period 2008 up to and including 2012, Rexcell Tissue and Airlaid AB has been allocated 84,665 tonnes per year, Dals Långed 2,779 tonnes per year, and Skåpafors 14,154 tonnes per year. In total, 15,563 tonnes were consumed in 2011 and 18,497 tonnes in 2010. Received emission rights are reported as intangible assets booked at an acquisition value of zero.

Tests for impairment of goodwill

Tests for impairment of goodwill were carried out at the end of the financial year on December 31, 2011 and December 31, 2010. With the implementation of IFRS, allocation of the Group's goodwill items has taken place through the use of allocation ratios; see Note 4.2.

Goodwill is allocated on the Group's cash-generating units identified per business area as follows:

SEK m	2011	2010
Professional	**1,199**	**1,199**

Tests for impairment of goodwill take place annually and where there are indications of impairment. Recoverable amounts for cash-generating units are determined based on estimated use values. The calculations are based on estimated future cash flows before tax, based on financial forecasts approved by company management and which cover the current year as well as a five-year period. Cash flows beyond this period are extrapolated using an assessed growth rate. The growth rate does not exceed the long-term growth rate for the industry as a whole. During the period covered by the forecast, the growth rate for the Professional business area is estimated at an average of 2.2% (2010: 4.0%) per year and at 1.0% (2010: 1.0%) as a weighted average rate of growth beyond the period covered by the forecast.

Important assumptions which are used for calculations of use values are primarily profit margin, growth rate and a nominal discount rate of 11.4% (2010: 11.4%). The discount rate before tax is used in conjunction with present value calculation of estimated future cash flows.

Company management has established profit margin and growth rate based on previous results and its expectations as regards market growth. The discount rates used are stated before tax and reflect specific risks in the business area.

Company management believes that reasonable possible changes in the significant assumptions used in the calculations would not have such a major impact as to reduce per se the recovery value to a value which is below the reported value.

NOTE 22 – BUILDINGS, LAND AND LAND IMPROVEMENTS

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Buildings				
Acquisition values				
Opening acquisition values	134	128	120	120
Investments	149	–	–	–
Sales and disposals	–	0	–	–
Reclassifications	0	7	–	–
Translation differences	-2	-1	–	–
Closing accumulated acquisition values	**281**	**134**	**120**	**120**
Depreciation				
Opening accumulated depreciation	-99	-95	-95	-92
Depreciation for the year	-4	-4	-3	-3
Sales and disposals	–	0	–	–
Reclassifications	–	–	–	–
Translation differences	0	0	–	–
Closing accumulated depreciation	**-102**	**-99**	**-98**	**-95**
Closing book value	**179**	**35**	**21**	**25**

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Land and improvements				
Acquisition values				
Opening acquisition values	28	15	2	2
Investments	8	–	–	–
Sales and disposals	–	–	–	–
Reclassifications	-1	13	–	–
Translation differences	0	0	–	–
Closing accumulated acquisition values	**35**	**28**	**2**	**2**
Depreciation				
Opening accumulated depreciation	0	0	0	0
Depreciation for the year	–	–	–	–
Sales and disposals	–	–	–	–
Reclassifications	–	–	–	–
Translation differences	–	–	–	–
Closing accumulated depreciation	**0**	**0**	**0**	**0**
Write-ups				
Opening accumulated write-ups	–	–	12	12
Closing accumulated write-ups	**–**	**–**	**12**	**12**
Closing book value	**35**	**28**	**14**	**14**
Buildings, land and land improvements	**214**	**63**	**35**	**39**

Duni has no buildings under financial lease.

NOTE 23 – MACHINERY AND OTHER TECHNICAL EQUIPMENT

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Acquisition values				
Opening acquisition values	1,244	1,251	37	36
Investments	21	14	0	0
Sales and disposals	-23	-25	-3	–
Reclassifications	97	97	1	1
Translation differences	-31	-93	–	–
Closing accumulated acquisition values	**1,308**	**1,244**	**35**	**37**
Depreciation				
Opening accumulated depreciation	-881	-909	-30	-29
Depreciation for the year	-71	-69	-3	-3
Sales and disposals	25	27	4	–
Reclassifications	-4	5	–	2
Translation differences	22	65	–	–
Closing accumulated depreciation	**-909**	**-881**	**-29**	**-30**
Impairment				
Opening accumulated impairment	-3	-3	–	–
Impairment for the year	–	–	–	–
Sales and disposals	–	–	–	–
Translation differences	0	0	–	–
Closing accumulated impairment	**-3**	**-3**	**0**	**0**
Closing book value	**396**	**360**	**6**	**7**

Machinery and other technical equipment under financial leasing are included in the above table for the Group in the amount of SEK 4 m (2010: SEK 4 m) in acquisition value and SEK 2 m (2010: SEK 2 m) in accumulated depreciation.

The Parent Company has no machinery and other technical equipment under financial lease.

NOTE 24 – EQUIPMENT, TOOLS AND INSTALLATIONS

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Acquisition values				
Opening acquisition values	246	287	34	33
Investments	13	9	–	–
Sales and disposals	-6	-25	-5	-1
Reclassifications	4	5	1	2
Translation differences	-4	-30	–	–
Closing accumulated acquisition values	**253**	**246**	**30**	**34**
Depreciation				
Opening accumulated depreciation	-194	-225	-30	-27
Depreciation for the year	-16	-18	-3	-4
Sales and disposals	6	25	5	1
Reclassifications	–	1	–	–
Translation differences	2	23	–	–
Closing accumulated depreciation	**-202**	**-194**	**-28**	**-30**
Closing book value	**51**	**52**	**3**	**4**

NOTE 25 – CONSTRUCTION IN PROGRESS AND ADVANCED PAYMENTS FOR TANGIBLE ASSETS

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Acquisition values				
Opening acquisition values	113	61	13	12
Investments	180	205	41	24
Sales	-1	–	-1	–
Reclassifications	-125	-147	-28	-23
Translation differences	2	-6	–	–
Closing accumulated acquisition values	**169**	**113**	**25**	**13**
Closing book value	**169**	**113**	**25**	**13**

NOTE 26 – PARTICIPATIONS IN GROUP COMPANIES

	Registration number	Registered office	Number of shares and participations	Equity, %	Book value, SEK '000
Swedish subsidiaries					
Rexcell Tissue & Airlaid AB	556193-9769	Bengtsfors	12,000	100	81,440
Finess Borrby AB	556262-2604	Malmö	1,000	100	0
					81,440
Foreign subsidiaries					
Duni Holding BV	23068767	Breda, NL	260,731	100	597,856
- Duni Verwaltungs GmbH	Osnabrück HRB 19689	Bramsche, DE		(100)	(€ 20,467)
- Duni Holding S.A.S	3493 0993 00031	Pontcharra, FR		(100)	(€ 2,871)
- Duni Benelux B.V.	23052488	Breda, NL		(100)	(€ 7,250)
- Duni Ltd.	897172	Runcorn, GB		(100)	(€ 8,395)
- Duni A/S	10 99 98 98	Copenhagen, DK		(100)	(€ 1,377)
- Duni AS	962346057	Oslo, NO		(100)	(€ 370)
- Duni OY	0864585-8	Helsinki, FI		(100)	(€ 1,578)
Duni Iberica S.L.	B60689692	Barcelona, ES	200,000	100	23,176
Duni Poland Sp. z o.o.	KRS no. 40401	Poznan, PL	15,300	100	48,133
Duni Sales Poland Sp. z o.o.	KRS no. 254481	Poznan, PL	1,000	100	1,190
Duni EFF Sp. z o.o.	KRS no. 249084	Poznan, PL	1,000	100	1,130
Duni (CZ) s.r.o.	65410106	Kladno, CZ	1	100	6,740
Duni AG	212544	Rotkreutz, CH	400	100	578
Duni ZAO	7816110025	Moscow, RU	1	100	11
Duni Beteiligungsgesellschaft mbH	Osnabrück HR B20099	Bramsche, DE	1	100	3,076
Duni OY	–	Helsinki, FI			6,443
					688,333
Participations in Group Companies					**769,773**

	Parent Company	
SEK '000	2011	2010
Opening value, participations in Group companies	769,773	769,773
Investments for the year	–	–
Shareholders' contributions	–	–
Divestments for the year	–	–
Impairment for the year	–	–
Closing value, participations in Group companies	**769,773**	**769,773**

NOTE 27 – OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Loan claims	4	6	4	5
Total other long-term receivables	**4**	**6**	**4**	**5**

Loan claims are valued at accrued acquisition value. Loan claims mainly carry variable interest and thus the fair value is assessed as corresponding to the book value.

NOTE 28 – ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Accounts receivable	663	634	96	96
Receivables from Group companies	–	–	38	43
Other receivables	65	66	10	15
Current financial receivables, internal	–	–	1,225	933
Total accounts receivable and other receivables	**728**	**700**	**1,369**	**1,087**

Regarding credit risks and exposures, see Note 3.1.2.

Other receivables above relate to:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Receivables from suppliers	6	7	–	–
VAT claims	42	42	10	15
Factoring	3	4	–	–
Other receivables	14	13	0	0
Total other receivables	**65**	**66**	**10**	**15**

Credit exposure:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Accounts receivable not due or impaired	594	559	94	94
Accounts receivable due but not impaired	68	74	2	2
Accounts receivable, impaired	9	9	2	2
Provision for bad debts	-8	-9	-2	-2
Total accounts receivable	**663**	**634**	**96**	**96**

The credit risk associated with accounts receivable that are neither due nor impaired is not deemed to be so great. 52% of total accounts receivable which are not due or impaired, amounting to SEK 594 m, have a rating of AA or higher. Due to the geographical spread, the history Duni possesses regarding its customers and the improbability of all customers encountering payment difficulties at the same time, Duni sees no reason for impairment of this category. No individual debt exceeds 5.0% (2010: 7.1%) of the total accounts receivable that are neither due nor impaired.

Aging of accounts receivable overdue but not impaired:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Less than 1 month	60	64	2	2
1–3 months	8	9	0	0
3–6 months	0	1	0	0
Total	**68**	**74**	**2**	**2**

On December 31, 2011, the provisions for bad debts amounted to SEK 8 m (2010: SEK 9 m). The individually assessed receivables in respect of which the need for impairment is deemed to exist relate primarily to wholesalers who have unexpectedly encountered financial difficulties. The assessment has been made that some of the claims are expected to be recoverable.

Aging of impaired accounts receivable:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Less than 3 months	1	2	0	0
3–6 months	1	2	0	0
More than 6 months	7	5	2	2
Total	**9**	**9**	**2**	**2**

Specification of bad debts provision:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Opening balance	9	10	2	2
Provision for bad debts	3	3	–	1
Claims written-off during the year	-2	-4	0	-1
Reversed non-utilized amount	-2	0	0	0
Closing balance	**8**	**9**	**2**	**2**

Provisions for the respective reversal of reserves for bad debts are included in the item “Selling expenses” in the income statement.

In other categories within accounts receivable and other receivables, no assets are included for which a need for write-down exists.

The maximum exposure for credit risks as per the balance sheet date is the fair value for each category of receivables mentioned above. The Group holds no assets pledged as security.

Reported amounts, per currency, for the Group’s accounts receivable:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
SEK	64	61	34	35
EUR	431	412	14	12
GBP	70	62	0	0
DKK	30	29	29	29
NOK	19	20	19	20
PLN	10	19	0	0
Other currencies*	39	31	0	0
Total	**663**	**634**	**96**	**96**

* ”Other currencies” refers to CHF, CZK, RUB, USD, etc.

NOTE 29 – DERIVATIVE INSTRUMENTS

	2011		2010	
SEK m	Asset	Liability	Asset	Liability
Interest rate swaps – cash flow hedge	0	4	–	–
Currency forwards	1	1	1	0
Energy derivatives	–	0	9	0
Total	**2**	**5**	**10**	**0**

The above table, with the exception of energy derivatives, applies also to the Parent Company.

Duni uses interest rate swaps, currency forward contracts and energy derivatives to manage its cash flow risks in borrowing, production, purchases and sales. Currency forward contracts are used in order to reduce the currency exposure in both internal and external lending and borrowing. All derivative instruments are valued at market value and changes in value are reported in the income statement, whereas changes in the value of interest rate swaps are reported in other comprehensive income. Following a decision by the Board, Rexcell Tissue & Airlaid AB ceased to hedge its electricity consumption as from January 2011. It was decided that existing contracts would remain in force until the expiration date of each contract; the last one expires in June 2012.

The maximum exposure to credit risks on the balance sheet date is the fair value of the derivative instruments reported as assets in the balance sheet.

Interest rate swaps

The finance policy prescribes that the average interest term shall be six months for the total loan portfolio, with the possibility of a variation of +/- 6 months.

Duni has chosen to hedge part of outstanding loans through interest rate swaps, variable against fixed interest rates. Reporting of interest rate swaps is classified as cash flow hedging and handled as hedge accounting in accordance with IAS 39.

Outstanding nominal amounts on December 31, 2011 are EUR 30 m. Profits and losses on interest rate swaps as per December 31, 2011, which are reported in the hedging reserve in shareholders’ equity, “Consolidated Statement of Changes in Equity “, will be regularly transferred to financial expenses in the income statement until such time as the swap has expired.

Currency forward contracts

Currency forward contracts are entered into with the aim of protecting the Group against changes in exchange rates through the contract determining the rate at which an asset or liability in foreign currency will be realized. An increase or decrease in the amount required to settle the asset/liability is offset by a corresponding change in value of the currency forward contract.

Weighted average terms to expiration for the Group's currency forward contracts broken down by purpose are shown in the table below:

	Average term in months	
	2011	2010
Currency forward contracts for financial assets and liabilities	1	1

At the end of the period, the market value of these forward contracts amounts to SEK 0 m (2010: SEK 0 m).

Energy derivatives

Energy derivatives contracts are entered into with the aim of protecting the Group against changes in electricity prices. These derivatives are valued at market value at the end of each accounting period. Outstanding energy derivatives are presented in the table below.

	2011			2010		
	Nominal value, GWh	Weighted hedged price SEK/MWh	Fair value, SEK m	Nominal value, GWh	Weighted hedged price SEK/MWh	Fair value, SEK m
0–1 year	5	399.47	0	35	382.68	8
1–2 years	–	–	–	5	402.03	1
	5		**0**	**40**		**9**

NOTE 30 – PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Prepaid rent	4	3	1	1
Prepaid insurance	4	6	0	0
Prepaid pensions	6	5	3	3
Prepaid catalogue expenses	8	6	5	6
Other items	28	64	11	14
Total prepaid expenses and accrued income	**51**	**84**	**20**	**24**

"Other items" last year includes compensation from insurance companies.

NOTE 31 – BORROWING

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Long-term				
Bank loans	–	511	–	510
Liabilities to Group companies	–	–	108	102
Overdraft facility	26	19	9	–
Total long-term borrowing	**26**	**530**	**117**	**612**

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Short-term				
Bank loans	635	–	635	–
Liabilities to Group companies	–	–	–	–
Overdraft facility	–	–	–	–
Total short-term borrowing	**635**	**0**	**635**	**0**
Total borrowing	**661**	**530**	**751**	**612**

Since the outstanding loan facility expires in November 2012, the facility is classified as short-term. However, periodic maturity/rolling of drawn loans takes place regularly. The average rate of interest on bank loans was 1.66% per year (2010:0.9% per year). A procedure has commenced to negotiate a new loan facility and the intention is to have a new long-term facility in place in due time prior to the expiration of the old one.

With respect to borrowing, Duni's exposure on the balance sheet date to changes in interest rates and contractual dates for interest renegotiation was as follows:

SEK m	2011	2010
6 months or less	661	530
Total	**661**	**530**

Duni's borrowing is valued at the accrued acquisition value applying the effective annual interest rate method. The difference between the values reported in the balance sheets for Dec 31, 2011 and the nominal values consists of transaction costs.

Duni's accrued interest is reported as accrued expenses. Shown below are the nominal values excluding accrued interest and reported values for Duni's borrowing.

Fair values

Current financing

Duni's long-term bank loans and overdraft facility, amounting to SEK 661 m (2010: SEK 530 m) carry variable interest which is determined in conjunction with each loan period; the discount effect for such a relatively short period of time is insignificant and thus the fair value corresponds to the nominal value plus accrued interest.

	2011		2010	
SEK m	Reported value	Nominal value	Reported value	Nominal value
Bank loans	635	637	511	513
Overdraft facility	26	26	19	19
Total	**661**	**663**	**530**	**532**

Reported amounts, per currency, for the Group's borrowing are as follows:

SEK m	2011	2010
EUR	635	511
Other currencies	26	19
Total	**661**	**530**

Bank loans

Duni has a multicurrency credit facility of a nominal EUR 220 m, which entitles Duni to borrow in the currency of its choice. This facility extends until November 2012. The interest rate is variable and is set as EURIBOR, STIBOR or another IBOR for the period until the next rolling, plus a margin.

Overdraft facility

On behalf of the Group, the Parent Company has taken out an overdraft facility in a nominal amount of SEK 125 m. As per December 31, 2011, the sum utilized was SEK 26 m.

NOTE 32 – CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Assets				
Non-financial assets				
Tangible and intangible fixed assets	2,086	1,831	617	700
Deferred tax asset	238	283	218	256
Other financial fixed assets	–	–	770	770
Inventories	470	437	88	103
Prepaid expenses and accrued income	51	84	20	24
Total non-financial assets	**2,845**	**2,635**	**1,713**	**1,853**
Loans and receivables				
Other long-term receivables	4	6	4	5
Accounts receivable	663	634	96	96
Tax assets	16	14	4	10
Other receivables	65	66	10	15
Receivables from Group companies	–	–	1,263	976
Cash and cash equivalents/Cash and bank balances	85	122	43	65
Total loans and receivables	**833**	**842**	**1,420**	**1,167**
Assets at fair value through profit or loss				
Derivative instruments	2	10	2	1
Total assets and fair value through profit or loss	**2**	**10**	**2**	**1**
Total assets	**3,681**	**3,487**	**3,135**	**3,021**

Duni has no assets which are classified as "Derivatives used for hedging" and "Held for trading".

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Liabilities				
Non-financial liabilities				
Deferred tax liability	38	31	–	0
Pension provisions	173	180	114	109
Allocation to restructuring reserve	11	12	5	11
Total non-financial liabilities	**222**	**223**	**119**	**120**
Liabilities at amortized cost				
Overdraft facility	26	19	9	0
Bank loans	635	511	634	510
Accounts payable	302	315	56	52
Tax liabilities	6	14	–	–
Other liabilities	47	53	5	13
Liabilities to Group companies	–	–	167	163
Accrued expenses and deferred income	355	361	65	86
Total liabilities at amortized cost	**1,371**	**1,273**	**936**	**824**
Derivative instruments used for hedging purposes				
Derivative instruments	4	–	4	–
Total derivative instruments used for hedging purposes	4	0	4	0
Liabilities valued at fair value through profit or loss				
Derivative instruments	1	–	1	–
Total liabilities at fair value through profit or loss	**1**	**0**	**1**	**0**
Total liabilities	**1,599**	**1,496**	**1,060**	**944**

NOTE 33 – PENSION PROVISIONS

Compensation for pensions and other compensation after employment is mainly paid through contribution-based plans in which regular payments are made to authorities and insurance companies. These independent bodies thereby assume the obligations vis-à-vis the employees. Within the Group there are also a number of benefit-based plans under which the employees are guaranteed a pension corresponding to a percentage of salary.

Provisions for pensions and similar obligations

	Group	
SEK m	2011	2010
Defined benefit plans	173	180

Defined benefit plans

Within the Group, there are a number of defined benefit plans where, after completion of employment, the employees are entitled to compensation based on final salary and period in employment. The largest plans relate to Sweden (representing one-half of the total pension plan), Germany, Belgium, the Netherlands and the UK.

Pension insurance with Alecta

Obligations regarding retirement pensions and family pensions for white collar staff in Sweden are secured through insurance with the independent insurance company, Alecta. According to a statement issued by the Emergency Issues Task Force of the Swedish Financial Reporting Board, URF 3, this is a defined benefit plan which covers several employers. Duni does not have access to such information as makes it possible to report this plan as a defined benefit plan. The pension plan according to ITP, which is secured through insurance with Alecta, is thus reported as a defined contribution plan. The year's charges for pension policies taken out with Alecta amount to SEK 3 m (2010: SEK 3 m). Alecta's surplus may be divided among the policy holders and/or the insured. As per December 31, 2011, Alecta's surplus in the form of the collective funding level amounted to 113% (2010: 146%). The collective funding level constitutes the market value of Alecta's assets as a percentage of the insurance obligations, calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

The amounts reported in the consolidated balance sheet consist of:

	Defined benefit plans	
SEK m	2011	2010
Present value of funded obligations	144	141
Fair value of plan assets	-104	-101
Present value of unfunded obligations	172	185
Unreported actuarial net losses	-39	-45
Net debt in the balance sheet	**173**	**180**

Total pension expenses reported in the consolidated income statement are as follows:

SEK m	2011	2010
Costs relating to employment during the current year	-4	-4
Interest expenses	-14	-15
Expected return on plan assets	4	4
Actuarial net profits reported for the year	0	-2
Pension expenses for the year regarding defined benefit plans	**-14**	**-17**
Pension expenses for the year regarding defined contribution plans	**-33**	**-20**
Total pension expenses for the year, included in personnel expenses (Note 13)	**-47**	**-37**

The expenses regarding defined benefit plans are allocated in the consolidated income statement on the following items:

	Defined benefit plans	
SEK m	2011	2010
Operating income	-4	-6
Financial expenses	-10	-11
Total expenses from defined benefit plans in the income statement	**-14**	**-17**

The change in the defined benefit obligation during the year is as follows:

	Defined benefit plans	
SEK m	2011	2010
At beginning of year	326	347
Employment expenses during current year	4	4
Interest expenses	14	15
Actuarial losses (+)/gains (-)	-14	3
Exchange rate differences	0	-21
Disbursed benefits	-14	-14
Settlements	0	-8
At year-end	**316**	**326**

The change in fair value of plan assets during the year is as follows:

SEK m	2011	2010
At beginning of year	-101	-105
Expected return on plan assets	-4	-4
Actuarial losses (+)/gains (-)	9	-4
Exchange rate differences	-1	11
Employer's contributions	-9	-6
Employees' contributions	-1	-1
Disbursed benefits	3	2
Settlements	0	6
At year-end	**-104**	**-101**
Actual return on plan assets	**5**	**8**

The plan assets are located primarily in Holland and UK. Funding of defined benefit plans in Duni consists primarily of insurance contracts which provide a guaranteed annual return with the possibility of a bonus decided on annually by the insurance company. Most of the insurance contracts are invested in equity instruments. The assumed return on plan assets is stated as the guaranteed return plus the anticipated bonus.

Contributions to defined benefit plans are expected to amount to SEK 8.8 m in 2012.

Principal actuarial assumptions on the balance sheet date

	2011	2010
Discount rate	4.4%	4.4%
Expected return on plan assets	2.9%	2.8%
Future annual salary increases	1.3%	1.3%
Future annual pension increases	0.8%	0.8%
Personnel turnover	0.0%	0.0%

The assumptions regarding future lifespan are based on public statistics and experiences from mortality studies in each country, and are established in consultation with actuarial experts.

Multi-year summary

	2011	2010	2009	2008	2007
Present value of defined benefit obligations	316	326	347	334	304
Fair value of plan assets	-104	-101	-105	-85	-83
Deficit, year-end	**212**	**225**	**242**	**249**	**221**

Provisions in accordance with the Swedish Pension Obligations (Security) Act

	Parent Company	
SEK m	2011	2010
FPG/PRI-pensions	114	109
Liability in the balance sheet	**114**	**109**

The following amounts are reported in the Parent Company's income statement:

SEK m	2011	2010
Earned during the year	-7	0
Interest expenses	-5	-5
Pension expenses for the year	**-12**	**-5**

During the year, PRI Pensionstjänst has changed its life expectancy assumptions when calculating the PRI pension liability. This has affected the Parent Company's pension liability and pension expenses for the year in the amount of SEK 7 m. This has no effect in the Group since its life expectancy assumptions in conjunction with actuarial calculations pursuant to IAS 19 have been used since 2006.

The change in the defined benefit during the year is as follows:

SEK m	2011	2010
At beginning of year	109	111
Net expense reported in the income statement	12	5
Disbursed benefits	-7	-6
Settlements	0	-1
At year-end	**114**	**109**

The liability in the Parent Company relates to pension obligations at PRI.

NOTE 34 – ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Accrued personnel expenses	104	110	22	25
Accrued interest expenses	1	1	1	1
Accrued expenses, invoices	44	47	14	21
Accrued expenses, freight	7	22	2	12
Accrued liabilities to customers	172	157	21	18
Other items	27	24	6	9
Total accrued liabilities and deferred income	**355**	**361**	**65**	**86**

NOTE 35 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets

The Group and the Parent Company had no pledged assets in 2011 or 2010.

Contingent liabilities

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Guarantees	76	71	57	53
FPG/PRI	3	3	2	2
Total contingent liabilities	**79**	**74**	**59**	**55**

Of the guarantees in the Parent Company, SEK 44 m (2010: SEK 43 m) are pledged to the benefit of group companies. Guarantees in the Parent Company relate primarily to local customs and excise of SEK 12 m (2010: SEK 10 m). Duni has an environmental policy and has implemented control systems which assist Duni in ensuring compliance with environmental legislation. Duni considers the existing operations and production plants to fulfill in all essential respects requirements stipulated in environmental legislation and provisions which extend to Duni. However, Duni cannot guarantee that currently unknown obligations, for example cleanup or restoration of property owned or previously owned by Duni, cannot arise in the future. Through an amalgamated company which is no longer owned by the Group, Duni has become a party to a preliminary investigation concerning suspected soil contamination. Duni has assessed that, as of the balance sheet date, it is not possible to calculate the amount of any possible costs if, and in such case, when, Duni possibly becomes liable to make payment. No significant liabilities are expected to rise as a consequence of any of the above types of contingencies.

NOTE 36 – ADJUSTMENTS FOR ITEMS NOT INCLUDED IN THE CASH FLOW

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Depreciation/amortization	107	102	123	122
Restructuring	-1	-3	-6	4
Pension provisions	-16	-15	11	4
Change in value, derivatives	10	-1	0	6
Other	0	1	-34	-5
Total	**100**	**84**	**94**	**131**

NOTE 37 – OBLIGATIONS

Operational leasing agreements

Duni rents a number of offices and warehouses as well as passenger cars, primarily for the sales organization. In addition, certain machinery is leased in the production operations. "Agreements" means non-terminable operational leasing agreements. Leasing agreements have varying terms, index clauses and rights of extension. The terms are market terms as regards prices and length of the agreements.

The nominal value of future minimum leasing charges, with respect to non-terminable leasing agreements, is broken down as follows:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Payable within one year	54	60	8	12
Payable later than one but within five years	82	111	3	8
Payable later than five years	11	28	–	–
Total	**147**	**199**	**12**	**20**
Of which leasing agreements signed during the year	25	31	4	7

Total expenses relating to operational leasing agreements during the year amount to SEK 93 m (2010: SEK 83 m) in the Group and SEK 14 m (2010: SEK 20 m) in the Parent Company.

Financial leasing agreements

The nominal value of future minimum leasing charges, with respect to non-terminable leasing agreements, is broken down as follows:

	Group		Parent Company	
SEK m	2011	2010	2011	2010
Payable within one year	0	0	–	–
Payable later than one but within five years	1	1	–	–
Total	**1**	**1**	**0**	**0**
Present value of future leasing charges	0	0	0	0

NOTE 38 – ACQUISITIONS

No acquisitions have taken place during the financial year Jan 1, 2011-Dec 31, 2011 and the financial year Jan 1, 2010-Dec 31, 2010.

NOTE 39 – RELATED-PARTY TRANSACTIONS

No transactions with related parties have taken place during the 2011 financial year or during the 2010 financial year.

Other than the information above and information in Note 13 regarding Remuneration to senior executives and in Note 6 regarding Intra-group purchases and sales, there are no transactions with closely related companies.

NOTE 40 – EVENTS AFTER THE BALANCE SHEET DATE

A new organization was implemented within Duni on April 1, 2012, in order to create a more market-driven and efficient organization with increased focus on growth. The Professional business area has been divided into two organizations with their own profit centers – one for products for the set table (Product Category Table Top) and one for a range of take-away product solutions (Product Category Meal Service). The two product categories will have a common sales force organized under one Director.

A new Group level department with responsibility for development of new markets has been established in order to further strengthen the focus on geographic expansion. External sales of tissue (Tissue business area) will also be handled under this organization.

In the new organizational structure, all product supply operations (paper mills, converting, logistics) are being brought together under a joint area of responsibility - Production & Supply Chain.

The current Retail business area has also changed its name to Consumer in order to better describe the remit of the business area. The business area is retaining its current structure.

Auditor's Report

To the annual meeting of the shareholders of Duni AB (publ), corporate identity number 556536-7488

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Duni AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 31–82.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Duni AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Malmö, March 22, 2012.

PricewaterhouseCoopers AB

Eva Carlsvi
Authorized Public Accountant

Key Ratio Definitions

Capital employed

Non-interest-bearing fixed assets and current assets less non-interest-bearing liabilities.

Costs of goods sold

Costs of goods sold, including production and logistics expenses.

Currency adjusted

Figures adjusted for the effects of exchange rate differences. Figures for 2010 are calculated applying exchange rates for 2009.

Earnings per share

Profit for the period divided by the average number of shares outstanding.

EBIT

Operating income.

EBIT margin

EBIT as a percentage of sales.

EBITA

Operating income adjusted for amortization of intangible fixed assets and impairment of goodwill.

EBITA margin

EBITA as a percentage of sales.

EBITDA

Operating income adjusted for total amortization, depreciation and impairment.

EBITDA margin

EBITDA as a percentage of sales.

Gross margin

Gross profit as a percentage of sales.

Interest-bearing net debt

Interest-bearing liabilities and pension provisions minus interest-bearing assets and cash and cash equivalents.

Net debt/equity ratio

Net debt relative to total capital, where the net debt is the total borrowing less cash and cash equivalents and the total capital is shareholders' equity and the net debt.

Number of employees

The number of employees at end of period.

P/E ratio

Current share price relative to earnings per share.

Return on capital employed

Operating income as a percentage of capital employed.

Return on equity

Income for the period as a percentage of shareholders' equity.

Glossary

Airlaid
A material known for its wetness allocation, absorption capability and softness. The process is based on using air in order to divide the fibers in the material, instead of water as in traditional tissue production. Airlaid is used for table covers, placemats, napkins as well as an input material for various types of intimate hygiene products.

Amuse-bouche
Amuse-bouche are a series of transparent miniature dishes that are perfect for appetizers and desserts.

BRC
BRC is a management system for hygene and food safety. The units in Bramsche and Poznan are BRC-certified.

CAGR
Annual growth.

Cash-and-carries
Hypermarkets at which commercial customers personally collect their goods.

Concession catering
Operation of a restaurant or café on behalf of another organization in a fixed sales area.

Contract catering
Operation of restaurant, café, catering on behalf of another organization.

Converting
The manufacturing phase in which tissue and airlaid in large rolls are cut, printed, embossed and folded into prepared napkins and table coverings.

Customization
To tailor make solutions for specific customers so they reinforce the customer's own concept and brand.

Duni ecoecho™
Duni ecoecho™ is a range for serving and meal solutions with sound environmental characteristics. The best available materials have been used in this range, with the aim of limiting the use of non-renewable resources in order to reduce our carbon footprint. The products have been developed giving consideration to the environment and have been selected on the ground that they possess one or more environmentally improved characteristics.

Dunicel®
Dunicel is a table cover based on a unique material with a fall similar to cloth. Thanks to a special patented production method, the feel is entirely different from ordinary paper table covers.

DuniForm®
DuniForm is a system for food distribution and covers everything from packaging machines to heat maintenance bags.

Duniletto®
Premium napkin and cutlery bag in one.

Dunilin®
Dunilin feels and folds like linen and is used for the most luxurious napkins. A unique material with a woven effect to look like linen, but is based on paper pulp. Dunilin combines strength with high absorption capability and is perfect for napkin folding.

Dunisilk®
Dunisilk is a wipeable material and can also be used outdoors. Is available as slipcover and ordinary table cover.

Elegance
Duni Elegance® is a linen-like exclusive napkin produced with a new patented production process. It is twice as heavy as a high quality paper napkin, has an appealing structure, linen-like embossment and high absorption capability.

Evolin®
Evolin is a new, revolutionary tablecovering material which combines the feel and look of textile and linen tablecoverings with the advantages of the single-use product. It is a hybrid material based on cellulose fibre.

Focus groups
A research method in which questions regarding a product or idea are put to a group of persons. The group is led by a moderator and the method is a tool for obtaining feedback regarding, e.g., new products prior to launching.

FSC®
Short for Forest Stewardship Council, an independent membership organization which certifies forest management regarding social responsibility, environmental sustainability and economic viability.

HoReCa
Is an acronym for Hotel, Restaurant and Catering.

ISO 14001
ISO 14001 is the only international standard for environmental management systems and has been chosen as a standard within Duni. Units in Bramsche, Poznan, Dals Långed and Skåpafors are ISO 14001-certified.

ISO 26000
ISO 26000 is an international standard which defines corporate social responsibility.

ISO 9001
ISO 9001 is an international standard for quality management. The units in Bramsche, Poznan, Dals Långed and Skåpafors are ISO 9001-certified.

Key account management
Key account management ensures long-term and profitable relations with the most important customers.

Life cycle management
New and existing products are evaluated based on criteria for stock-keeping, turnover, and profitability

Merchandising
Duni assists store owners fill the shelves, build displays and deals with sales campaigns and offers.

Private label
Products marketed under customer's own label.

Professional
One of Duni's three business areas – sales to hotels, restaurants, catering firms and wholesalers.

REACH
REACH is an acronym for Registration Evaluation Authorization and Restriction of Chemicals. It constitutes new chemicals legislation throughout the European Union (EEA countries) and entered into force in June 2007.

Retail
One of Duni's three business areas – sales primarily to the retail trade.

Sacchetto
Paper cutlery pocket with space for a napkin.

Sensia®
Sensia® table runners fall beautifully over the table, soften the edges and, thanks to their embossed structure, create a 3D-effect.

Tête-à-tête
Table cover roll, 40 cm in width, with perforation; can be used as table runner, placemat or placed across the table.

Tissue
One of Duni's three business areas – produces tissue. The material, tissue, is used for table covers, placemats, and napkins. Different qualities are produced by combining 1 to 4 plies of tissue.

Calendar

Annual General Meeting 2012

The Annual General Meeting will be held at Skånes Dansteater, Östra Varvsgatan 13 A, Malmö at 3.00pm on May 3, 2012. Registration commences at 2.15pm.

Applications

Shareholders who wish to participate must be entered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) not later than April 26, 2012 and must give notice of their participation not later than the same date in any of the following ways:

– by telephone +46 40 10 62 00
– by letter to Duni AB, Bolagsstämma, Box 237, 201 22 Malmö
– by email bolagsstamma@duni.com
– by fax +46 40 39 66 30

In the notice, the shareholder shall state:

– name
– personal ID no./registration no.
– address and telephone number
– number of shares

A shareholder whose shares are nominee-registered must, in order to vote at the AGM, request that the bank or nominee managing the shares effects temporary ownership registration a couple of business days prior to April 26, 2012.

Dividend

The Board of Directors proposes a dividend of SEK 3.50 per share, equal to SEK 164 m. May 8, 2012 is proposed as the record date for the right to receive dividends. In the event the AGM resolves in accordance with the proposal, dividends will be disbursed on May 11.

Duni AB's Nomination Committee

Duni AB's Nomination Committee is composed as follows:

Anders Bülow, Chairman of the Board of Duni AB

Rune Andersson, Mellby Gård Investerings AB, Chairman of the Nomination Committee

Bernard R. Horn, Jr., Polaris Capital Management, LLC

Göran Espelund, Lannebo Fonder

The Nomination Committee has the task of submitting proposals to the AGM regarding the election of the Board, auditors and alternate auditors, and the fees therefor.

Complete information regarding the AGM is available on the Company's website.

Timetable for financial information:

Publication dates

Interim report, January – March 2012, April 27, 2012

Interim report, January – June 2012, July 13, 2012

Interim report, January – September 2012, October 24, 2012.

Closing accounts and interim reports are published in Swedish and English and can be downloaded from Duni's website, www.duni.com. The reports can also be ordered from Duni AB.

The Annual Report is produced in Swedish and English. In the event of any discrepancy between the versions, reference is made to the Swedish text.

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