# Q3 Presentation 2013

23 October, 2013

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# 2013 Q3 Highlights

- Professional – growth mainly explained by acquisition of Song Seng.
  - Weak development in Southern Europe, Benelux and UK. Stability in mature markets.
  - Product area Meal Service continue to show growth; stability in the traditional restaurant sector.
- Consumer – Clear growth and profit improvement.
  - New customer contracts driving sales development.
- Tissue – Profit improvement from temporary higher demand.
  - Quarter significantly influenced by higher capacity utilization as a consequence of the planned closure of the hygiene business.
- Strong Cash flow with low net debt.

- Net sales SEK 936 m (849)
- Underlying operating income SEK 88 m (63)
- Underlying operating margin 9.4% (7.4%)

# Market Outlook

- HORECA market long-term growing in line or slightly above GDP.
  - Minor improvement to be seen in the latest macro indicators, but still weak HoReCa statistics.
  - Higher growth in take-away, catering and fast food restaurants.
- Improvement to be seen at the horizon, but development still fragile.
  - Retail area more volatile than HoReCa which is also influencing the business climate for Business Areas Consumer and Professional.
  - Retail sector; a negative trend since 2008 due to volume- and price pressure. Recent stabilization in some markets but still to early to constitute a better market pace.
- Polystyrene peaked in September on all time high levels with cost pressure on traded goods.
- Stable levels in pulp explained by weak USD against EUR.
- Relative stability in currencies with insignificant transaction effects.

# HoReCa Sales Development

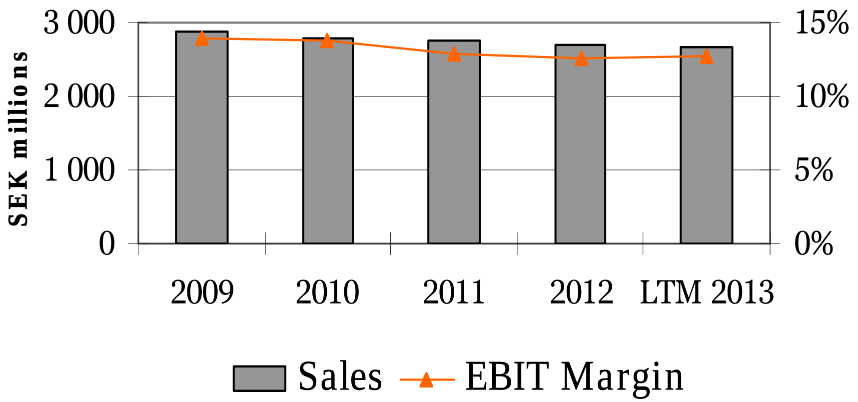
- Professional Northern Europe:
  - Stable to Positive development in Nordics. Sweden still utilize on VAT reduction in restaurant sector which mainly generated growth in café and bakery sector.
- Professional Central Europe:
  - Stability or small decrease throughout 2013. Signs of recent stabilization and in some cases improvements.
- Professional South/East Europe:
  - South negative influenced by the financial debt crisis resulting in a long term downward trend. However, latest statistics indicate a positive tourist season for parts of the Mediterranean area, in particular Spain.
  - Eating out a relatively new tradition with low share of disposable income. Long term trend improving from low levels.

# Business Areas

# Professional

## –Strong SEK continue to weight on the quarter

### *Sales and EBIT 1)*




### *Geographical split – sales Q3 2013*

| Net sales Professional | Q3 2013 | Q3 2012 | Growth | Growth at fixed exchange rates |
|---|---|---|---|---|
| Nordic | 145 | 140 | 3.6% | 3.6% |
| Central Europe | 370 | 375 | -1.3% | -2.9% |
| South & East Europe | 123 | 111 | 10.8% | 9.9% |
| Rest of the World | 33 | 9 | 266.70% | 266.70% |
| **TOTAL** | **671** | **635** | **5.7%** | **4.4%** |

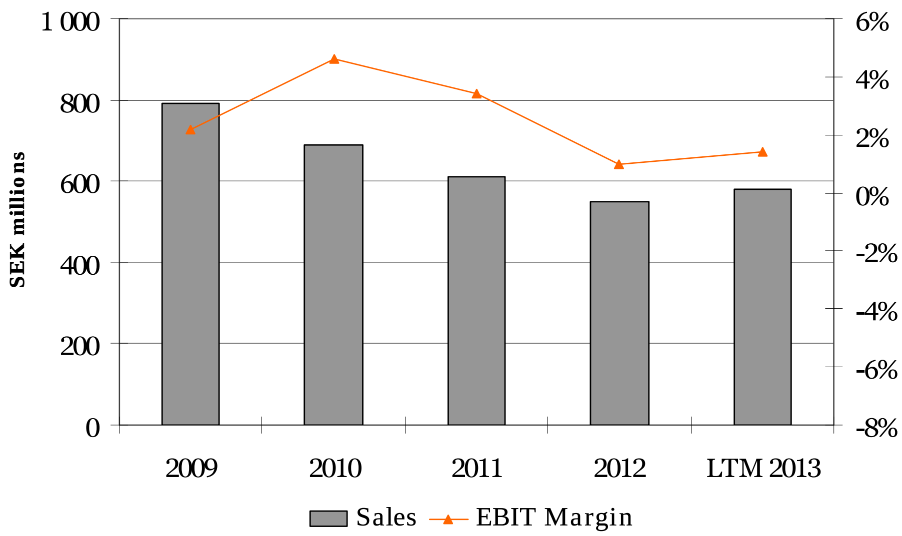
- Warehouse management system implemented during the quarter with some temporary effects on delivery performance.

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

# Consumer

## – Growth within all major regions

### *Sales and EBIT 1)*




### *Geographical split - sales Q3 2013*

| Net sales Consumer | Q3 2013 | Q3 2012 | Growth | Growth at fixed exchange rates |
|---|---|---|---|---|
| Nordic | 22 | 15 | 46.7% | 46.7% |
| Central Europe | 97 | 84 | 15.5% | 14.3% |
| South & East Europe | 3 | 2 | 50% | 50% |
| Rest of the World | 0 | 0 | 0.0% | 0.0% |
| **TOTAL** | **123** | **101** | **21.8%** | **20.8%** |

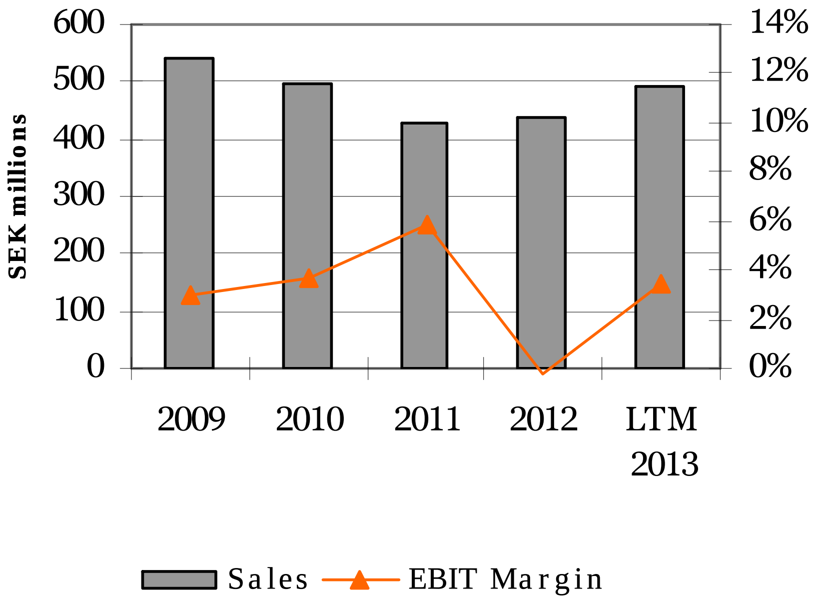
- Positive growth trend throughout 2013 with significant EBIT improvement in the third quarter.
- Designs for Duni[R] continue to be a vital part in offering a unique and attractive assortment.

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

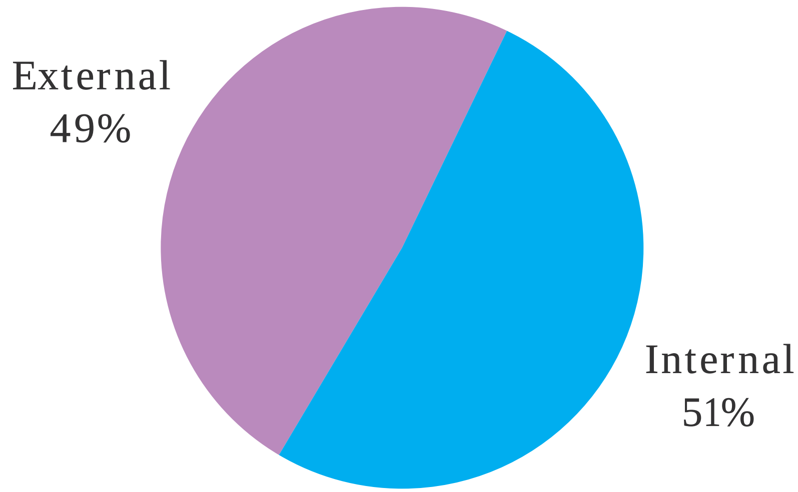
# Tissue

## – Temporary increase in production output

### *Sales and EBIT*




### *Sales mix Q3 2013*




- Higher capacity utilization as a result of a temporary increase in demand.
- Product mix optimized during transition phase with improved productivity development.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# Substantial improvement vs. weak Q3 2012

| *SEKm* | Q3 2013 | Q3 2012 | YTD 2013 | YTD 2012 | LTM 2013 | FY 2012 |
|---|---|---|---|---|---|---|
| Net sales | 936 | 849 | 2 701 | 2 638 | 3 733 | 3 669 |
| Gross profit | 239 | 207 | 697 | 678 | 964 | 945 |
| Gross margin | 25.5% | 24.3% | 25.8% | 25.7% | 25.8% | 25.8% |
| Selling expenses | -103 | -97 | -320 | -327 | -431 | -438 |
| Administrative expenses | -45 | -39 | -125 | -122 | -179 | -176 |
| R&D expenses | -4 | -5 | -15 | -20 | -20 | -26 |
| Other operating net | -3 | -4 | -8 | -3 | -82 | -77 |
| **Operating income (reported)** | **83** | **62** | **228** | **207** | **251** | **229** |
| Non-recurring items[1)] | -5 | -1 | -5 | -5 | -112 | -113 |
| **Operating income (underlying)** | **88** | **63** | **234** | **212** | **363** | **342** |
| Operating margin (underlying) | 9.4% | 7.4% | 8.6% | 8.1% | 9.7% | 9.3% |
| Financial net | -7 | -3 | -16 | -20 | -21 | -25 |
| Taxes | -17 | -11 | -51 | -46 | -83 | -79 |
| Net income | 59 | 47 | 161 | 140 | 147 | 126 |
| Earnings per share | 1.25 | 1.01 | 3.43 | 2.98 | 3.12 | 2.67 |

1) Restructuring costs and market valuation of derivatives

Comparison figures for 2012 recalculated in accordance with IAS19R

# Improvement in all segments

| *SEKm* | | Q3 2013 | Q3 2012 | YTD 2013 | YTD 2012 | LTM 2013 | FY 2012 |
|---|---|---|---|---|---|---|---|
| *Professional* | Net sales | 671 | 635 | 1 938 | 1 959 | 2 660 | 2 682 |
| | Operating income[1)] | 82 | 77 | 229 | 228 | 338 | 337 |
| | Operating margin | 12.2% | 12.1% | 11.8% | 11.6% | 12.7% | 12.6% |
| *Consumer* | Net sales | 123 | 101 | 383 | 354 | 580 | 551 |
| | Operating income[1)] | -3 | -12 | -11 | -13 | 8 | 6 |
| | Operating margin | -2.6% | -11.8% | -2.9% | -3.8% | 1.4% | 1.0% |
| *Tissue* | Net sales | 141 | 112 | 381 | 325 | 493 | 436 |
| | Operating income[1)] | 9 | -2 | 15 | -2 | 17 | -1 |
| | Operating margin | 6.4% | -2.2% | 4.0% | -0.8% | 3.4% | -0.2% |
| ***Duni*** | **Net sales** | **936** | **849** | **2 701** | **2 638** | **3 733** | **3 669** |
| | **Operating income[1)]** | **88** | **63** | **234** | **212** | **363** | **342** |
| | **Operating margin** | **9.4%** | **7.4%** | **8.6%** | **8.1%** | **9.7%** | **9.3%** |

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

Comparison figures for 2012 recalculated in accordance with IAS19R

# Cash flow improved vs. strong 2012

| *SEKm* | Q3 2013 | Q3 2012 | YTD 2013 | YTD 2012 | LTM 2013 | FY 2012 |
|---|---|---|---|---|---|---|
| **EBITDA[1)]** | **118** | **90** | **322** | **296** | **480** | **454** |
| **Capital expenditure** | **-14** | **-21** | **-43** | **-87** | **-69** | **-113** |
| *Change in;* | | | | | | |
| Inventory | -36 | -20 | -96 | -24 | -6 | 66 |
| Accounts receivable | 43 | 11 | 2 | 29 | -7 | 20 |
| Accounts payable | 16 | -3 | -23 | -19 | 3 | 7 |
| Other operating working capital | 40 | 27 | 79 | -1 | 60 | -20 |
| **Change in working capital** | **63** | **15** | **-38** | **-15** | **50** | **73** |
| **Operating cash flow** | **167** | **84** | **241** | **194** | **461** | **414** |

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

Comparison figures for 2012 recalculated in accordance with IAS19R

# Net debt seasonally low

| *SEKm* | September 2013 | December 2012 | September 2012 |
|---|---|---|---|
| Goodwill | 1 270 | 1 199 | 1 199 |
| Tangible and intangible fixed assets | 750 | 795 | 870 |
| Net financial assets[1)] | 192 | 205 | 231 |
| Inventories | 488 | 387 | 481 |
| Accounts receivable | 632 | 624 | 604 |
| Accounts payable | -285 | -301 | -288 |
| Other operating assets and liabilities[3)] | -376 | -286 | -284 |
| **Net assets** | **2 671** | **2 623** | **2 827** |
| Net debt | 673 | 638 | 819 |
| Equity | 1 998 | 1 985 | 2 008 |
| **Equity and net debt** | **2 671** | **2 623** | **2 827** |
| ROCE[2)] | 15% | 14% | 14% |
| ROCE[2)] w/o Goodwill | 30% | 28% | 26% |
| Net debt / Equity | 34% | 32% | 41% |
| Net debt / EBITDA[2)] | 1.4 | 1.4 | 1.7 |

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

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

3) Including restructuring provision and derivatives

Comparison figures for 2012 recalculated in accordance with IAS19R

# Financial Targets

| Target | | Q3 LTM 2013 |
|---|---|---|
| Sales growth > 5% | • Organic growth of 5% over a business cycle<br>• Consider acquisitions to reach new markets or to strengthen current market positions | 2.2%<br>Organic growth<br>**(at fixed exchange rates)** |
| EBIT margin > 10%<br>*Underlying* | • Top line growth – premium focus<br>• Improvements in manufacturing, sourcing and logistics | 9.7% |
| Dividend payout ratio 40+% | • Target at least 40% of net profit | 3.50 SEK per share<br>(2012) |


Thank you!
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