



BILLERUDKORSNÄS

We challenge  
conventional  
packaging  
for a sustainable  
future

## ANNUAL REPORT 2014





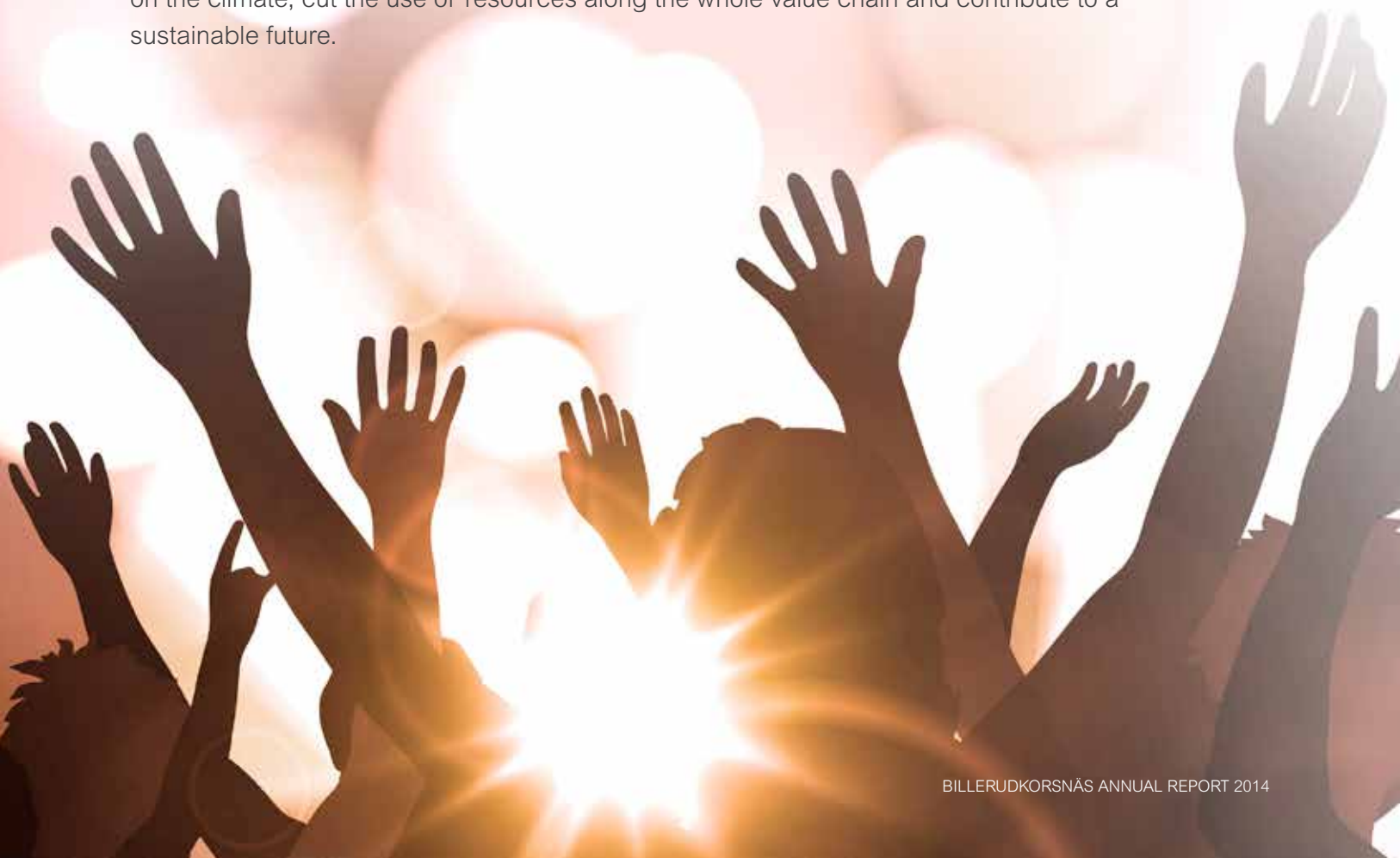
# This is **BillerudKorsnäs**

BillerudKorsnäs is one of **the world's leading suppliers of high-quality, packaging materials** based on renewable raw material. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units.

Our customers are packaging manufacturers, brand owners and large retail and supermarket chains. Through close collaboration with customers and partners all over the world, we are able to offer a customised and broad product portfolio that features a high degree of innovation.

Demand is driven by global megatrends, particularly rising urbanisation, a greater focus on sustainability and changing consumption patterns. Consumer segments, primarily food and beverages, account for 75% of sales. While Europe is the core market. BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

Smart packaging solutions using paper or board from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.



# We focus on **sustainability, innovation and service** in three business areas

## Packaging Paper

The Packaging Paper business area offers premium quality kraft and sack paper, coupled with smart solutions for customers in the industrial, medical and consumer segments.

## Consumer Board

The Consumer Board business area delivers packaging solutions in high-quality cartonboard for beverages, food products and various other consumer goods.

## Containerboard

Strong, light materials from the Containerboard business area are used in corrugated packaging for fragile goods and demanding distribution systems. Solutions for packaging optimisation are a key component of the offer.

NET SALES  
**20.9**  
SEK BILLION

OPERATING PROFIT  
**1.9**  
SEK BILLION

NUMBER OF EMPLOYEES

**4 300**

NET SALES BY REGION

**Europe 73%** (74%)

**Asia 16%** (14%)

**Africa 5%** (5%)

**Middle East 3%** (3%)

**South America 2%** (2%)

**Other 1%** (2%)

NET SALES BY BUSINESS AREA



NET SALES BY MARKET SEGMENT



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# We are building a world-leading company

## CEO's statement

It is not every day that I have cause to be truly proud, happy and satisfied. But looking back on 2014, that is just how I feel.

We did exactly what we said we would – we delivered to our shareholders, customers and partners.

I also have no doubt that this is how most people in the company feel, pride and pleasure in what we have created over the year, and in what we are building together over the longer term.

Our sales were up 6%, from SEK 19.7 billion to SEK 20.9 billion, and growth was 6%, which is above our growth target of 3–4% per year. The operating profit rose by 67% from SEK 1 137 million to SEK 1 901 million, spread evenly across the quarters. Capital efficiency also grew, while working capital fell by almost SEK 500 million, and ROCE improved from 6% to 11%. This represents a good, stable trend.

### PROFITABLE GROWTH

We are building a world-leading company with an offer that adds value for customers, partners and society as a whole. Following the merger and acquisitions, we said that the focus for 2013 and 2014 would primarily be on consolidation, i.e. realising synergies and reducing debt.

We have now done that. We aimed to reach SEK 330 million in synergies by the end of 2015, but this was changed in 2013 to SEK 530 million. However, looking back, that also proved to be a conservative assessment. We reached SEK 530 million in the third quarter of 2014. This just goes to show the strength and commitment that exists within the company.

A strong operating cash flow of SEK 1 739 million, compared with SEK 529 million in 2013, has enabled us to reduce the indebtedness of the company. The debt-equity ratio is now down at 0.67 and we once again have a strong balance sheet.

We now have the tools for new investment and potentially also for new acquisitions. We have said that we will grow by 15–20% up until 2018, and we are well on the way. Our growth in 2014 reached 6%.

During the year, we decided on a number of investments in production capacity and efficiency, we opened sales offices in Singapore, New Delhi and Miami, we invested heavily in training and we made the company better prepared for increased internationalisation.

We are also actively on the lookout for acquisition opportunities, but they have to fit in with and complement our structure in terms of products, geography and the value chain. And we have high standards.

### SUSTAINABLE AND SPECIALISED OFFER

The long-term strength of BillerudKorsnäs lies in our product portfolio and our customer offer. We are currently the only major company globally to offer packaging materials based purely on primary fibre, with no assets in writing and printing paper, no dependence on converting and no major capital tied up in forest ownership.

Our overriding ambition is to challenge conventional packaging – for a sustainable future.

Our packaging materials are part of the solution for the future. Renewable raw materials and recyclable packaging preserve the planet's resources. We work on continuous product development and intensive innovation in order to develop better materials and smarter solutions, never being satisfied and always challenging existing ways of thinking and collaborating.

I have no doubt that this is vital. For too long now, our industry has been driven by an ideal of efficiency and economies of scale. Of course these are both fundamentally important, but without innovation, new approaches and real customer benefit, we will not be capable of adding value moving forward. We will simply be one of the crowd. And that is not what we want, it is simply not in our DNA.

Innovation is a long-term, systematic task that requires resources. Since the merger of Billerud and Korsnäs in late 2012, we have practically doubled the resources that we put into R&D, and in 2014 we began a consolidation of our innovation work under our Innovation Agenda. The aim is to build brand new technology, service and business platforms that will drive development in

line with our established targets and market positions. This is a very exciting process and I look forward to seeing the results, perhaps as soon as 2015.

### THREE GLOBAL BUSINESS AREAS

Our three business areas have strong product portfolios and market positions in almost all the segments in which we operate. And all three are showing growth and good profitability.

### PACKAGING PAPER

Packaging Paper is our biggest and most diversified business area. It covers several different segments and product areas, with varying growth of 0 to 4% per year. The strategy is to grow selectively in certain segments, regions and product areas, and to gradually reduce dependence on others. Our sights are set on growth outside Europe as a means of exploiting exciting opportunities in South-East Asia, the Middle East and North Africa, and North and South America. Our new sales offices in the USA and Asia, combined with an interesting and evolving portfolio of brand new system offers, will contribute to continued profitable growth in the business area.

### CONSUMER BOARD

Consumer Board is enjoying stable and unequivocal global growth of 4–5% per year. Here again, the growth is greatest outside Europe. Advanced products, a good understanding of customers and access to strong Nordic fibre allow us to compete globally with products manufactured in Sweden. The strategy up until 2018 is therefore to achieve organic growth in volumes. Over the year, we took several major decisions that will substantially increase capacity in Gävle and Frövi. This will enable us to defend or increase our market share in several strategically important markets.

### CONTAINERBOARD

Containerboard is our smallest business area, and the area that has improved its profitability most over the past few years through a consistent focus on value-based sales. We will be sticking to this strategy in order to continue growing the business area.

- **Net sales** amounted to SEK 20 853 million (19 689), an increase of 6%
- **Operating profit** amounted to SEK 1 901 million (1 137), an increase of 67%
- **Return on capital employed** was 11% (6%)
- **The net debt/equity ratio** was 0.67 (0.85)
- **A dividend** of SEK 3.15 (2.25) per share is the Board's proposal to the Annual General Meeting 2015

The subsidiary Paccess, with its focus on brand owners, packaging solutions and South-East Asia, is one of the keys to this strategy. 2014 saw a certain amount of internal restructuring for Paccess and the company is now ready to make a strong contribution to the business area's growth in 2015 and beyond. The business model for Paccess means that we are able to quickly deliver solutions to customers practically anywhere in the world, providing a prime example of how we can drive innovative business development. To further reinforce our position as market and quality leader, in spring we decided on a major investment in PM6 in Gruvön.

#### **GREAT FUTURE OPPORTUNITIES**

I think BillerudKorsnäs is a company with fantastic opportunities. Our business is sustainable in every sense. Smart primary fibre-based packaging solutions offer major benefits to packaging manufacturers, brand owners and retail chains in both existing and new markets. Another way of putting it, is that we are future-proofed. Our ambition is to continue building value for customers, shareholders and partners. 4 300 employees in our markets around the world are working together to achieve our targets and contribute to a sustainable future.

You are more than welcome to join us on the journey!

Solna, March 2015



Per Lindberg,  
*President and CEO*



Our packaging materials  
are part of the  
**solution** for the future.

Renewable raw materials and  
recyclable packaging  
preserve the planet's resources.



# Directors' Report

The Board and CEO of BillerudKorsnäs AB (publ), corporate identity number 556025-5001, herewith submit the annual report and the consolidated annual accounts for the 2014 financial year.

BillerudKorsnäs' operating profit improved in 2014 to SEK 1 901 million. This was SEK 764 million, or 67%, higher than in 2013. The increase was largely attributable to realised synergies and a weaker SEK.

BillerudKorsnäs' Corporate Governance Report appears on pages 54–57.

## MARKET

BillerudKorsnäs offers the global packaging market innovative and sustainable products and services. The Group has a leading position in primary fibre-based packaging paper and cartonboard. The trend for the packaging market remains positive in the long term, primarily due to increased globalisation, greater prosperity and changes in consumption patterns. In addition to packaging materials, BillerudKorsnäs sells long-fibre pulp, Northern Bleached Softwood Kraft (NBSK), which is not used in its own production. BillerudKorsnäs' customers are primarily in Europe, although more and more deliveries are going to other parts of the world.

During 2014 operations were divided into the three business areas: Packaging Paper, Consumer Board and Containerboard.

Packaging Paper offers premium-quality kraft and sack paper, as well as functional solutions for many applications, including packaging for food, industrial purposes, medical applications and carrier bags, for customers with demanding requirements. This business area also sells any surplus of pulp that BillerudKorsnäs does not use in its own production.

Consumer Board develops and markets high-quality cartonboard used in packaging for beverages, yoghurt, refrigerated and frozen food products and other consumer goods.

Containerboard offers corrugated board raw material that provides light but strong packaging for demanding transportation uses and primary packaging. An important part of the offering consists of advisory services for packaging optimisation and efficient logistical flows.

Order levels remained stable for all business areas. Packaging Paper experienced seasonally lower demand in the fourth quarter and the Containerboard business area faced continued challenges within the Liner area due to growing competition. However, the Liner business constitutes a limited proportion of the Group's total sales.

Prices in local currency were generally stable compared to the previous year, but were negatively affected by a change in the business mix. However, an improvement in the currency situation meant a significant increase in prices in SEK. For further market information, see the relevant business area section.

In 2014, BillerudKorsnäs' total sales volume amounted to 2 699 ktonnes, an increase of 4% compared to the previous year. The increase relates mainly to Packaging Paper and Consumer Board. The decline in Containerboard is attributable to Liner.

## SALES VOLUMES BY BUSINESS AREA

ktonnes	2014	2013
Packaging Paper	1 167	1 080
Consumer Board	1 004	959
Containerboard	528	552
<b>Total</b>	<b>2 699</b>	<b>2 591</b>

## NET SALES BY BUSINESS AREA

SEKm	2014	2013
Packaging Paper	8 101	7 279
Consumer Board	7 436	6 964
Containerboard	3 148	3 073
Other units	2 197	2 297
Currency hedging, etc.	–29	76
Group staff and eliminations	–	–
<b>Total</b>	<b>20 853</b>	<b>19 689</b>

## NET SALES BY REGION

SEKm	2014	2013
Sweden	2 733	2 666
Germany	2 596	2 685
Italy	1 896	2 052
United Kingdom	1 305	1 023
France	1 185	1 221
Spain	892	805
Rest of Europe	4 650	4 241
Rest of the world	5 596	4 996
<b>Total</b>	<b>20 853</b>	<b>19 689</b>

## Sales and earnings

Net sales amounted to SEK 20 853 million, an increase of 6%, as a result of higher volumes and more favourable currency exchange rates.

Operating profit rose to SEK 1 901 million, primarily as a result of realised synergies and a weakened SEK. The gross margin was 16% (13) and the operating margin was 9% (6).

Financial net income totalled SEK –248 million (–309). Profit before tax was SEK 1 653 million (828) and estimated tax SEK –352 million (–142). Net profit totalled SEK 1 301 million (686).

Figures for the previous year are stated in brackets, 2014 (2013).

## SUMMARY INCOME STATEMENT

	2014	2013
Net sales, SEKm	20 853	19 689
Operating profit before depreciation/amortisation, SEKm	3 279	2 576
Gross margin, %	16	13
Operating profit/loss, SEKm	1 901	1 137
Operating margin, %	9	6
Return on capital employed, %	11	6
Profit/Loss before tax, SEKm	1 653	828
Net profit/loss, SEKm	1 301	686
Earnings per share, SEK	6.18	3.24

Return on equity for the period was 13% (7) and return on capital employed was 11% (6). A dividend of SEK 3.15 per share is proposed (2.25).

## OPERATING PROFIT/MARGIN PER BUSINESS AREA

	2014		2013	
	SEKm	%	SEKm	%
Packaging Paper	701	9	284	4
Consumer Board	915	12	557	8
Containerboard	416	13	318	10
Other units	166		136	
Currency hedging, etc.	-29		76	
Group staff and eliminations	-268		-234	
<b>Total</b>	<b>1 901</b>	<b>9</b>	<b>1 137</b>	<b>6</b>

For quarterly data, see page 66.

## Earnings per operating segment

BillerudKorsnäs' operating segments in accordance with IFRS 8 have been identified and reflect its three business areas: Packaging Paper, Consumer Board and Containerboard. See 'Accounting policies' on page 28.

### Packaging Paper

Packaging Paper offers premium-quality kraft and sack paper, as well as functional solutions for many applications, including packaging for food, industrial purposes, medical applications and carrier bags, for customers with exacting requirements.

The business area also sells any surplus of pulp that Billerud-Korsnäs does not use in its own production. The business area's largest markets are Europe and Asia.

Packaging Paper	2014	2013
<b>SEKm</b>		
Net sales	8 101	7 279
Operating expenses, net	-6 928	-6 527
<b>Operating profit before depreciation/amortisation</b>	<b>1 173</b>	<b>752</b>
Depreciation, amortisation and impairment losses	-472	-468
<b>Operating profit/loss</b>	<b>701</b>	<b>284</b>
Gross margin	14%	10%
Operating margin	9%	4%
<b>Sales volumes, ktonnes</b>	<b>1 167</b>	<b>1 080</b>
<b>of which packaging paper</b>	<b>776</b>	<b>750</b>

Operating profit increased by SEK 417 million to SEK 701 million compared with 2013. The increase was primarily due to significant increases in volumes and improvements in exchange rates. The price of packaging paper in local currency was stable during the year.

### Market Development

Order levels for both sack and kraft paper were normal in 2014. Prices in local currency were stable during the year. In the final quarter of the year, orders declined for products of a seasonal nature, such as sack paper, and production was adjusted in Q4 as a result.

The market for NBSK pulp improved steadily throughout the year. Prices in Europe rose to approximately USD 930 per tonne at year-end, compared with approximately USD 910 per tonne at the beginning of the year.

### Consumer Board

The Consumer Board business area develops and markets high-quality cartonboard used in packaging for beverages, yoghurt, refrigerated and frozen food products and other consumer goods. Smart solutions in terms of function, design and material selection create added value for customers. Europe is the largest market.

Consumer Board	2014	2013
<b>SEKm</b>		
Net sales	7 436	6 964
Operating expenses, net	-5 852	-5 709
<b>Operating profit before depreciation/amortisation</b>	<b>1 584</b>	<b>1 255</b>
Depreciation, amortisation and impairment losses	-669	-698
<b>Operating profit/loss</b>	<b>915</b>	<b>557</b>
Gross margin	21%	18%
Operating margin	12%	8%
<b>Sales volumes, ktonnes</b>	<b>1 004</b>	<b>959</b>

Operating profit increased by SEK 358 million compared with 2013. The change is largely due to higher sales volumes, more favourable exchange rates and higher prices in local currency. 2013 was also affected by reduced surplus value in acquired finished goods inventories of SEK 48 million.

### Market Development

Orders received for liquid and packaging board were stable and satisfactory during the year with normal seasonal variations. Prices in local currency saw a slight rise compared with the previous year.

### Containerboard

Containerboard offers corrugated board raw material that provides light but strong packaging for demanding transportation uses and primary packaging. An important part of the offering consists of advisory services for packaging optimisation and efficient logistical flows. This business area includes Paccess, which strengthens Billerud-Korsnäs' position in offering smarter packaging solutions to brand owners and is the next step in challenging conventional packaging. Europe is the largest market.

Containerboard SEKm	2014	2013
Net sales	3 148	3 073
Operating expenses, net	-2 560	-2 560
<b>Operating profit before depreciation/amortisation</b>	<b>588</b>	<b>513</b>
Depreciation, amortisation and impairment losses	-172	-195
<b>Operating profit/loss</b>	<b>416</b>	<b>318</b>
Gross margin	19%	17%
Operating margin	13%	10%
<b>Sales volumes, ktonnes</b>	<b>528</b>	<b>552</b>

Operating profit rose by SEK 98 million compared with the previous year, corresponding to an increase of 31%. The improvement is chiefly a result of a more favourable exchange rate and lower manufacturing costs.

#### Market Development

The market position and order situation remained strong during the year for fluting. Liner experienced a gradual deterioration in price in local currency and in terms of orders in 2014, primarily owing to new production capacity on the market. During the year, Paccess increased its focus both within and outside Europe.

#### Investments and capital employed

Gross investments in 2014 amounted to SEK 1 384 million (1 337). During the year, the Board of Directors approved major investments totalling approximately SEK 1 790 million, which will be implemented in the coming years in line with the Group's ambitious plans for growth. The approved investments support the business areas' growth strategies and encompass the following decisions: Investment totalling approximately SEK 180 million in paper machine PM6 in Gruvön, which will improve quality and increase capacity of fluting production by 40 000 tonnes within the Containerboard business area. Investment of approximately SEK 900 million in the Frövi and Rockhammar production units to increase board production by 100 000 tonnes within the Consumer Board business area. Investment totalling approximately SEK 260 million in the sack paper machine at Skärblacka production unit to raise capacity by 20 000 tonnes. In addition to investments to improve capacity and quality, the Board of Directors also approved an investment of approximately SEK 450 million for environmental improvement measures at the production unit in Gävle.

BillerudKorsnäs' capital employed at 31 December 2014 totalled SEK 17 828 million (18 306). Return on capital employed, calculated over the past 12-month period, amounted to 11% (6). Excluding the effects of currency hedging, return on capital employed was 12% (6). Return on equity after tax was 13% (7).

Working capital in the fourth quarter totalled 12% (14) in relation to net sales. During the year, extensive work was initiated to reduce the level of working capital to a long-term sustainable level of 10% in relation to net sales. To achieve this goal, continued efforts will be made in 2015 within areas such as accounts receivable, finished goods inventory and accounts payable.

## Cash Flow and Financial Position

### STATEMENT OF CASH FLOWS, SUMMARY

SEKm (positive figure indicates reduction in debt)	2014	2013
Operating surplus, etc.	3 248	2 656
Change in working capital, etc.	236	-452
Net financial items, taxes, etc.	-369	-425
<b>Cash flow from operating activities</b>	<b>3 115</b>	<b>1 779</b>
Current net investments	-1 376	-1 250
<b>Operating cash flow</b>	<b>1 739</b>	<b>529</b>

Cash flow from operating activities in 2014 amounted to SEK 3 115 million (1 779) and operating cash flow was SEK 1 739 million (529). The increase is primarily attributable to improved operating profit and reduced working capital.

Net interest-bearing debt at 31 December 2014 was SEK 7 124 million (8 389). The Group's net debt/equity ratio at the end of the period was 0.67 (0.85). BillerudKorsnäs' financial target for its net debt/equity ratio is that it should be less than 0.90.

#### Financing

At 31 December 2014 interest-bearing loans amounted to SEK 7 089 million (7 532). Of this amount, utilisation of the syndicated credit facility (maximum: SEK 5 500 million) accounted for SEK 128 million (813), bond loans for SEK 2 350 million (1 644), utilisation of BillerudKorsnäs' commercial paper programme (maximum: SEK 3 000 million) for SEK 1 481 million (2 457) and other interest-bearing liabilities for SEK 3 130 million (2 618). Of the bond loans SEK 550 million is due in 2016, SEK 300 million in 2017 and SEK 1 500 in 2018.

The Group refinanced the syndicated credit facility in 2014. It has the same amount as before (SEK 5 500 million) and now runs until June 2019. In 2014, the company also raised a new bilateral loan of SEK 400 million of which SEK 200 million is due in 2020 and SEK 200 million in 2021. In addition, the company has raised a new short-term loan of SEK 800 million and issued three bonds totalling SEK 700 million within the MTN programme. During the year the company prepaid a long-term loan of SEK 800 million.

### SUMMARY CAPITAL STRUCTURE

	31 Dec 2014	31 Dec 2013
Capital employed, SEKm	17 828	18 306
Financing:		
Interest-bearing net debt, SEKm	7 124	8 389
Shareholders' equity, SEKm	10 704	9 917
Net debt/equity ratio, multiple	0.67	0.85



## Currency hedging

During 2014, net flows were hedged at EUR/SEK 8.93 (8.68), USD/SEK 6.63 (6.65) and GBP/SEK 10.66 (10.32). Currency hedging had an overall earnings impact of SEK –253 million (12) for 2014 (compared with if no hedging had taken place).

BillerudKorsnäs' outstanding forward foreign exchange contracts at 31 December 2014 had a market value of SEK –174 million. Of this amount, SEK –65 million had an impact on the valuation of accounts receivable. Other contracts had a market value of SEK –109 million.

BillerudKorsnäs amended its currency hedging policy in December. The new policy allows the company to hedge 0–80% of net flows over the next 15 months. Any deviations from the policy must be approved by the Board of Directors. The hedged amount of currency flows and the SEK exchange rates for EUR, USD and GBP at 31 December 2014 are shown in the table below.

### HEDGED PROPORTIONS OF CURRENCY FLOWS FOR EUR, USD AND GBP AND EXCHANGE RATES AGAINST SEK

Currency		Q1 -15	Q2 -15	Q3 -15	Q4 -15	Q1 -16	Total 15 months
EUR	Proportion of net flow	87%	78%	79%	77%	–	64%
	Exchange rate	9.15	9.29	9.41	9.49	–	9.33
USD	Proportion of net flow	83%	57%	32%	12%	–	37%
	Exchange rate	6.91	6.99	7.21	7.40	–	7.02
GBP	Proportion of net flow	82%	55%	31%	11%	–	36%
	Exchange rate	11.25	11.45	11.63	11.67	–	11.40
<b>Market value of currency contracts<sup>1</sup></b>		<b>–90</b>	<b>–53</b>	<b>–24</b>	<b>–7</b>	<b>–</b>	<b>–174</b>

<sup>1</sup> The table shows the situation on 31 December 2014.

## Taxes

The Group's effective tax rate is estimated at about 21–23% normally. Effective 1 January 2013, Sweden's statutory tax rate was reduced from 26.3% to 22.0%. The tax rate in Finland was lowered from 24.5% to 20% as of 1 January 2014. The tax expense for 2014 is estimated at SEK 352 million, equivalent to a tax rate of 21.3%. The tax expense for 2013 was SEK 142 million, corresponding to 17.1%. The low tax rate in 2013 is due primarily to the additional impact of the tax reduction in Sweden as of 1 January 2013 (SEK –17,1 million), and the reversal of a previous tax provision (SEK –13 million).

## Environment and permit issues

BillerudKorsnäs has six production units in Sweden, two in Finland and one in the UK that require permits under environmental legislation. These permits apply to the production of pulp and paper. BillerudKorsnäs has all official permits necessary to conduct operations at the volumes produced in 2014. The environmental impact of operations is mainly in the form of emissions to air and water and the creation of waste and noise.

BillerudKorsnäs' Swedish production units have been awarded emission rights for carbon dioxide within the EU. The allocation for the eight-year period that began in 2013 exceeds total projected emissions.

## Product and process development

The costs of product and process development, to the extent attributable to research activities, are charged to profit in the year that they arise. In the past year, such costs accounted for approximately 0.3% of BillerudKorsnäs' operating costs.

## Seasonal factors

BillerudKorsnäs' business is to a relatively limited extent subject to seasonal fluctuations. Periodical maintenance shutdowns have the largest impact, as each production unit stops production for around one week. The loss of production results in somewhat lower deliveries over an extended period before, during and after the shutdown. BillerudKorsnäs' costs are relatively stable throughout the year. Fixed costs are slightly lower in the summer, however, due to fewer maintenance projects and vacation takeout. Energy costs are slightly higher in the winter because of higher energy consumption and normally higher energy prices, especially for electricity.

## Maintenance shutdowns

In addition to ongoing maintenance during production, BillerudKorsnäs' production units normally also require more extensive maintenance at some point during the year. In order to carry out maintenance, production of pulp and paper is stopped in what are known as maintenance shutdowns. The principal items of cost in a maintenance shutdown are loss of volume arising from the shutdown and fixed costs, mainly costs of maintenance and overtime work, as well as a certain portion of variable costs including higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the extent of measures carried out, their nature and the actual length of the shutdown. The estimated cost of shutdown is an assessment of the impact on earnings of a normal shutdown, compared to a quarter during which no periodic maintenance shutdown takes place.

Production unit	Estimated shutdown cost SEKm	Estimated distribution of shutdown cost by business area			Planned times for maintenance shutdowns		
		Packaging Paper	Consumer Board	Container-board	2016	2015	2014
Gävle	~ 130	~ 5%	~ 80%	~ 15%	Q3	Q3	Q4
Gruvön	~ 120	~ 40%	~ 5%	~ 55%	Q2	Q2	Q2
Frövi	~ 70	–	100%	–	Q4	Q4	Q3
Skärblacka	~ 75	~ 85%	–	~ 15%	Q2	Q4	Q3
Karlsborg	~ 55	100%	–	–	Q3	Q3	Q3
Pietarsaari	~ 15	100%	–	–	–	Q4	Q2

Maintenance shutdowns at Beetham, Rockhammar and Tervasaari do not have a significant effect on BillerudKorsnäs' total earnings.



### Other seasonal effects

A considerable share of volumes for BillerudKorsnäs Flute® are used for packaging for exporting fruit from the Mediterranean area. Demand by this group of customers varies with the fruit export season and is usually highest in September–March.

A considerable share of BillerudKorsnäs' sack paper and Quick-Fill® sack paper goes to packaging for cement and building materials. The demand for building materials in Europe is generally higher in May–October.

### Financial targets

In November 2012 BillerudKorsnäs' Board of Directors established the following long-term financial targets:

- Over an economic cycle, the operating margin shall exceed 10%.
- Over an economic cycle, the return on capital employed should exceed 13%.
- The net debt/equity ratio should be less than 0.9.
- Over an economic cycle, the dividend should average 50% of net profit.

The targets focus on long-term growth. The operating margin target creates greater transparency in governance and a better link between internal operational financial targets and those communicated externally.

### Share structure

On 31 December 2014, share capital totalled SEK 1 537 642 793, represented by 208 219 834 shares. The number of shares on the market totalled 206 788 161.

No shares have been repurchased since year-end 2004.

### ALLOCATION OF SHARES

	<b>31 Dec 2014</b>
Registered number of shares at start of year	208 219 834
Repurchased shares in Company treasury	-1 431 673
<b>Shares on the market</b>	<b>206 788 161</b>

### Shareholder information

The share capital of BillerudKorsnäs AB is represented by 208 219 834 ordinary shares, of which 1 431 673 are owned by BillerudKorsnäs AB. Each share carries an entitlement to one vote at the AGM. Transfer of shares is not restricted by law or by the Company's articles of association. The 2014 AGM authorised the Board to determine the transfer of treasury shares to cover costs attributable to established incentive programmes.

The largest shareholder, Frapag Beteiligungsholding AG, owned 31 300 000 shares, corresponding to 15.1% of shares in the market. No other shareholder owned 10% or more of the total number of shares at 31 December 2014. The Company knows of no agreements between shareholders that may restrict the right to transfer shares. The appointment and dismissal of Board members, and changes to the articles of association, are subject to approval by the AGM. Agreements exist between the Company, other Group companies and senior executives that entail compensation if they were to resign, be dismissed without reasonable grounds or if their employment were to end due to a public bid to acquire shares in the Company. These agreements are described in note 24. Agreements between the Company and other employees that regulate their own resignation or dismissal by the Company conform with normal labour market practice.

### Parent company

The parent company BillerudKorsnäs AB includes the Gruvön production unit, the sales organisation for the Nordic market and markets outside Europe, and the head office functions.

On 31 December 2014, Gruvön's assets and liabilities were sold to the subsidiary BillerudKorsnäs Sweden AB, resulting in a capital loss of SEK -1 584 million. The capital loss is eliminated at Group level and has no impact on consolidated profit/loss or the balance sheet.

Net sales for 2014 amounted to SEK 3 784 million (3 816). Operating profit before the above-mentioned capital loss amounted to SEK 238 million (205).

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. This result amounted to SEK -253 million (12) in 2014.

In 2014, investments in property, plant and equipment and intangible assets excluding shares totalled SEK 296 million (136). The average number of employees was 914 (948). Cash and bank balances and short-term investments amounted to SEK 499 million (291).

### **Risk management in parent company**

For a description of the Group's risk management, see the 'Risk management and sensitivity analysis' section. The description applies, where appropriate, to both the Group and parent company. Specific differences concerning the parent company are commented on under this heading.

For an understanding of the risk exposure in the parent company, the following should be taken into account.

#### ***Customer credit***

The parent company's accounts receivable represent more than 80% of the Group's accounts receivable, because a large share of the production units' accounts receivable are taken over by the parent company after invoicing and the collection by the parent company. However, the risk of any bad debt losses remains with the invoicing company. Of total provision within the Group for doubtful accounts receivable in 2014, SEK 0 million (3) was attributable to the parent company.

#### ***Exchange rate exposure***

All forward foreign exchange contracts for the Swedish operations are taken out by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish production units. Exposure for the parent company is thus lower than that of the forward contracts signed. This applies up to the invoicing date, because the parent company takes over the accounts receivable for the Swedish production units. At year-end 2014, foreign exchange contracts not yet recognised in profit/loss for the parent company totalled a nominal SEK 3 124 million (3 721) and all foreign exchange contracts will be recognised in profit/loss in 2015.

#### ***Interest rate risk***

The Group's borrowing is conducted primarily via the parent company and accounted for 90% of the Group's total borrowing at 31 December 2014. As a result, the parent company has largely the same exposure to changes in interest rates as the Group. All interest derivatives are attributable to the parent company.

### **Proposed allocation of profit**

As shown on page 52 of this annual report, non-restricted equity in the parent company, BillerudKorsnäs AB, amounted to SEK 4 443 million at 31 December 2014.

According to BillerudKorsnäs' financial targets, the dividend should equal 50% of net earnings per share over a business cycle and the net debt/equity ratio should be less than 0.90. At the end of 2014, the Company's net debt/equity ratio was 0.67 (0.85). BillerudKorsnäs' Board of Directors proposes that, of the earnings per share of SEK 6.18, SEK 3.15 per share be paid to shareholders and that the remaining amount be carried forward.

### **Events after the close of the financial year**

No events that materially affect the company's financial position have occurred after the close of the financial year.

### **Outlook**

Demand and the order situation are expected to improve seasonally in the first quarter of 2015, compared with the fourth quarter of 2014.

Average prices in local currency are expected to remain generally stable. There are some uncertainties within Packaging Paper regarding price and volume in some kraft paper segments. Prices and volumes for liner are under continued pressure. Wood prices in the first quarter of 2015 are expected to remain at current levels. It is anticipated that investments in 2015 will amount to approximately SEK 1 700 million.

## Remuneration at BillerudKorsnäs 2014

BillerudKorsnäs endeavours to attract, retain and develop talent through competitive remuneration. The Group's short- and long-term incentive plans are closely linked to the company's strategic and financial targets and are designed to deliver sustainable value for shareholders and support the achievement of the company's strategy.

BillerudKorsnäs has a clear approach to remuneration. It is based on principles of competitive national and regional wage levels that help attract, retain and develop the brightest talent. This is intended to support the business and its managers in realising the company's vision and operating targets.

Long-term incentive programmes and remuneration guidelines are intended to support the company by motivating all senior managers and staff to focus on achieving the strategic agenda. The remuneration committee aims for remuneration to not be set in an overly automated way and for decisions to not be perceived as arbitrary or unfair.

### REMUNERATION COMPONENTS WITHIN BILLERUDKORSNÄS

#### Fixed salary

Fixed salaries are set according to skills, area of responsibility and performance, based on market considerations.

#### Bonus

Variable remuneration is paid depending on actual results compared to explicit targets, up to a set maximum percentage of a fixed annual salary according to skills, area of responsibility and performance. The

company uses a general bonus for all staff to highlight the link between individual performance the Company's earnings. However, a bonus is only paid if the Company makes an operating profit.

An extra bonus was paid for 2014 due to the synergy goals set when Billerud och Korsnäs merged were met more rapidly and surpassed in terms of size, thanks to the excellent work of all Group employees.

#### Long-term share-based incentive programme (LTIP)

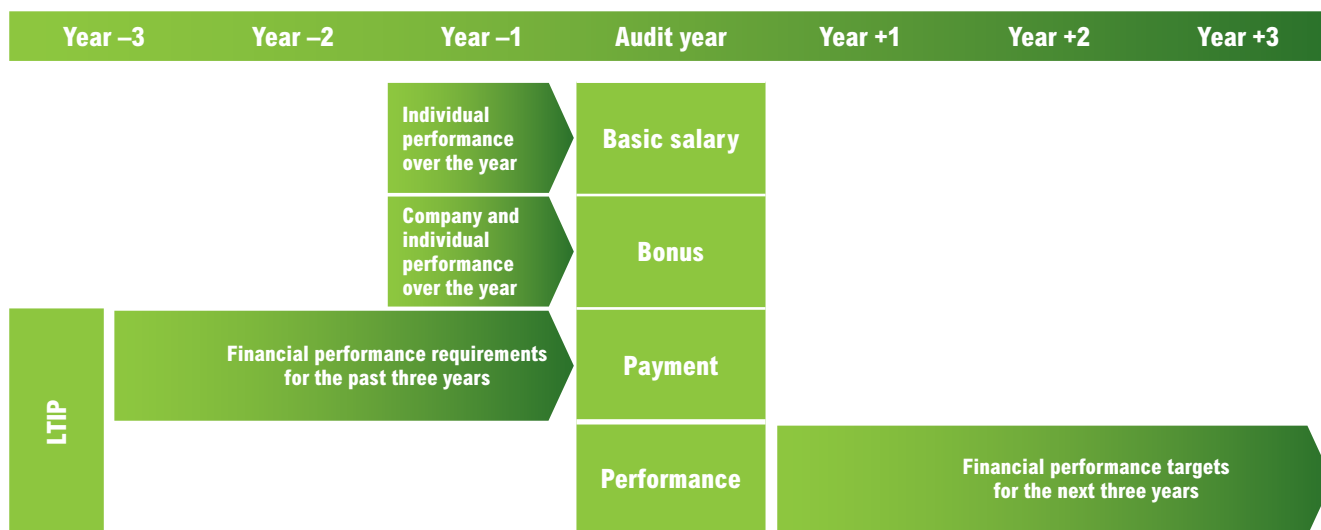
The purpose of LTIP is partly to increase BillerudKorsnäs' ability to retain its most talented employees for key leadership positions, and partly to encourage increased efforts among participants by linking their financial interests and viewpoints with those of the shareholders. To participate in the programme, participants must invest in BillerudKorsnäs shares. The LTIP runs over three years and the outcome depends on the achievement of various financial and share price-linked performance requirements.

#### Pension

Pension benefits must be chiefly defined contribution plans and will normally provide entitlement from the age of 65.

#### Other benefits

These are set according to skills and area of responsibility, and mainly take the form of a car allowance.



### LONG-TERM INCENTIVE PROGRAMME (LTIP)

The 2010–2014 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2014) for BillerudKorsnäs and, in conjunction with this, a transfer of its own holding of treasury shares. The purpose of the LTIPs is partly to increase BillerudKorsnäs' ability to retain its most talented employees for key leadership positions, and partly to encourage those participating by linking their interests and viewpoints with those of the shareholders. The programme extends to senior executives and other key individuals within the BillerudKorsnäs Group. LTIP has a term of three years and the outcome depends on meeting different financial and share price performance requirements that are deemed to be of considerable significance in terms of the future development of the Group. To participate in LTIPs, a person must own BillerudKorsnäs shares referred to as 'Savings shares'. The general rule for the LTIP is that for each Savings share that participants invest in, participants will be allocated, at no charge, one Matching share right and three Performance share rights. For LTIP 2013 and 2014, however, the CEO has been allocated one Matching share right and five Performance share rights for each Savings share, and the Executive Vice President and CFO have been allocated one Matching share right and four Performance share rights for each Savings share they allocate to both programmes.

Provided that the terms of the respective programme are met, the rights entitle holders to receive BillerudKorsnäs shares as follows: The allocation of BillerudKorsnäs shares takes place free of charge after the end of the three-year vesting period for the respective programme. For both rights, participants must remain an employee of the BillerudKorsnäs Group throughout the vesting period and

must not sell their Saving shares. The rights are assigned to an individual and cannot be transferred or pledged. They do not grant shareholder rights and no adjustment for dividend is made. For half (50 percent) of the Matching share rights allocated to participants under LTIP 2014, the total share return on BillerudKorsnäs shares (TSR) for the 2014–2016 financial years must exceed 0 percent in order for them to entitle holders to be allocated BillerudKorsnäs shares.

Performance shares (for all outstanding programmes) also require additional financial performance requirements to be met. The requirements are based on:

- (a) BillerudKorsnäs' average operating margin in absolute terms,
- (b) BillerudKorsnäs' operating margin in relation to the operating margin for a comparative group of specially selected publicly listed Nordic companies for the same period,
- (c) BillerudKorsnäs' total return compared with the total return for a comparative group consisting of publicly listed Nordic companies.

The performance requirements (a) and (c) grant shares on a straight-line basis between minimum and maximum levels, while performance requirement (b) either results in full allocation or no allocation.

### LONG-TERM INCENTIVE PROGRAMME (LTIP)

Programme	Number of participants	Savings shares	Max. number BillerudKorsnäs shares	Shares to cover costs <sup>1</sup>	Percent of total number of shares/votes	SEKm		
						Estimated cost (of which social sec. costs)	Maximum cost (of which social sec. costs)	Operating profit for 2014 is charged with
2012	16	44 214	217 320	57 000	0.1%	11 (7)	22 (15)	5
2013	24	65 935	293 708	76 000	0.2%	11 (6)	33 (21)	3
2014	68	71 616	311 448	90 000	0.2%	24 (10)	56 (34)	5

<sup>1</sup> Shares that may be transferred by BillerudKorsnäs to cover certain payments, mainly social security costs.



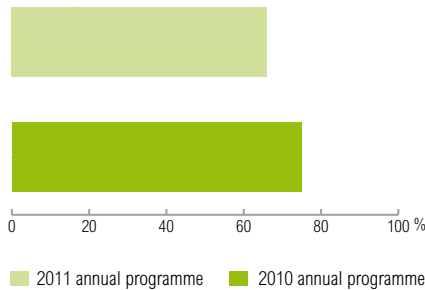
**COMPLETED LONG-TERM INCENTIVE PROGRAMMES (LTIP 2010 AND LTIP 2011)**

The AGMs of 2010 and 2011 resolved to introduce a long-term incentive programme (LTIP 2010, LTIP 2011) for BillerudKorsnäs for 2010–2012 and 2011–2013, and 218 802 and 68 472 share rights, respectively, were allocated under the programmes. 75% and 66%, respectively, of the performance targets for the programme were met. Dilution of outstanding shares was less than 0.1% per programme. The total cost of the programmes was expensed on an ongoing basis in 2010–2014.

**HISTORICAL DATA, COMPLETED LONG-TERM INCENTIVE PROGRAMMES**

**OUTCOME**

Percentage of performance criteria set



**GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES 2015**

The Board proposes that the 2015 AGM approve the following guidelines for remuneration to senior executives. Senior management includes the CEO and other members of the Senior Management Team.

BillerudKorsnäs should apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a management team that has the high level of competence and capacity to achieve set goals. Forms of remuneration should motivate the Senior Management Team to do its utmost in the best interests of the Company’s shareholders. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary should be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results compared to explicit targets, up to a set maximum percentage of a fixed annual salary that may vary between 30% and 70%. However, variable remuneration shall be paid only if the Company makes an operating profit. Long-term incentive programmes at the Company shall primarily be linked to certain predetermined financial and share price performance requirements. The programmes should ensure long-term commitment to the development of the Company and should be implemented on commercial terms. Long-term incentive programmes should have a term of at least three years. For further information about the existing long-term incentive programmes, please refer to the company’s website.

Pension benefits should either be defined-benefit or defined-contribution plans and will normally provide pension entitlement after the age of 65. In certain cases, the age may be reduced but never lower than 62. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay shall be a maximum of 12 months’ salary.

Remuneration and other employment terms for the CEO are prepared by the remuneration committee and determined by the Board. Remuneration and other employment terms for members of the Senior Management Team are determined by the CEO following approval by the remuneration committee.

The Board of Directors of BillerudKorsnäs is entitled to deviate from these guidelines if there is good reason in individual cases.

See note 24 for the 2014 guidelines.

# Consolidated income statement

SEKm	Note	2014	2013 <sup>1</sup>
	1		
Net sales	2	20 853	19 689
Other operating income	3	118	130
<b>Total operating income</b>		<b>20 971</b>	<b>19 819</b>
<b>Operating expenses</b>			
Change in inventories		63	-43
Raw materials and consumables		-10 490	-10 236
Other external costs	4	-4 245	-4 006
Employee benefits expense	5	-3 020	-2 958
Depreciation, amortisation and impairment of non-current assets	10, 11	-1 378	-1 439
Share of profit/loss of associates	14	-	-
<b>Total operating expenses</b>		<b>-19 070</b>	<b>-18 682</b>
<b>Operating profit/loss</b>	2	<b>1 901</b>	<b>1 137</b>
<b>Financial items</b>	6		
Financial income		11	19
Financial expenses		-259	-328
<b>Net financial items</b>		<b>-248</b>	<b>-309</b>
<b>Profit/loss before tax</b>		<b>1 653</b>	<b>828</b>
Taxes	8	-352	-142
<b>Profit/loss for the period</b>		<b>1 301</b>	<b>686</b>
<b>Profit/loss attributable to:</b>			
Parent company shareholders		1 277	671
Non-controlling interests		24	15
<b>Profit/loss for the period</b>		<b>1 301</b>	<b>686</b>
<b>Earnings per share, SEK</b>	9	6.18	3.24
<b>Diluted earnings per share, SEK</b>	9	6.16	3.24

Dividend per share is shown in note 17.

<sup>1</sup> As of 2014, Bomhus Energi AB is recognised as a joint arrangement in accordance with IFRS 11, and BillerudKorsnäs reports its share of Bomhus Energi AB's revenue, expenses, assets and liabilities. Values for 2013 have been restated, see note 32.

# Consolidated statement of comprehensive income

SEKm	2014	2013 <sup>1</sup>
<b>Profit/loss for the period</b>	<b>1 301</b>	<b>686</b>
<b>Items that cannot be transferred to profit/loss for the period</b>		
Revaluation of defined-benefit pensions	-67	89
Tax that can be attributed to items that cannot be transferred to profit/loss for the period	15	-20
<b>Total items that cannot be transferred to profit/loss for the period</b>	<b>-52</b>	<b>69</b>
<b>Items that have been or can be transferred to profit/loss for the period</b>		
Translation differences for the period arising from translation of foreign operations	136	67
Changes in fair value of available-for-sale financial assets during the period	29	51
Changes in fair value of available-for-sale financial assets during the period transferred to profit/loss for the year	-7	-7
Changes in fair value of cash flow hedges	-457	-35
Changes in fair value of cash flow hedges transferred to profit/loss for the year	253	12
Tax attributable to items that have been or can be transferred to profit/loss for the period	45	5
<b>Total items that have been or can be transferred to profit/loss for the period</b>	<b>-1</b>	<b>93</b>
<b>Total comprehensive income for the period</b>	<b>1 248</b>	<b>848</b>
<b>Attributable to:</b>		
Parent company shareholders	1 220	831
Non-controlling interests	28	17
<b>Total comprehensive income for the period</b>	<b>1 248</b>	<b>848</b>



# Consolidated balance sheet

SEKm	Note	31 Dec 2014	31 Dec 2013 <sup>1</sup>	1 Jan 2013 <sup>1</sup>
<b>ASSETS</b>	1, 23			
<b>Non-current assets</b>				
Intangible non-current assets	10	2 580	2 658	2 691
Property, plant and equipment	11	14 873	14 714	14 749
Participations in associates and joint ventures	14	15	13	38
Other holdings	15	806	781	737
Deferred tax assets	8	18	1	1
Non-current receivables from associates		–	–	–
Non-current receivables		9	3	2
<b>Total non-current assets</b>		<b>18 301</b>	<b>18 170</b>	<b>18 218</b>
<b>Current assets</b>				
Inventories	16	3 145	3 029	3 150
Tax receivables		313	205	78
Accounts receivable		2 601	2 394	2 244
Receivables from associates		6	6	12
Prepayments		177	223	246
Other receivables		429	416	619
Cash and cash equivalents	25	737	497	775
<b>Total current assets</b>		<b>7 408</b>	<b>6 770</b>	<b>7 124</b>
<b>Total assets</b>		<b>25 709</b>	<b>24 940</b>	<b>25 342</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1, 23			
<b>Shareholders' equity</b>	17			
Share capital		1 537	1 537	1 029
Other contributed capital		4 484	4 484	4 950
Reserves		28	33	–58
Retained earnings incl. profit/loss for the year		4 566	3 802	3 470
<b>Total equity attributable to owners of the parent company</b>		<b>10 615</b>	<b>9 856</b>	<b>9 391</b>
Non-controlling interests		89	61	44
<b>Total shareholders' equity</b>		<b>10 704</b>	<b>9 917</b>	<b>9 435</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	20	4 672	5 197	6 007
Provisions for taxes	18	772	732	832
Other provisions	19	36	42	83
Deferred tax liabilities	8	2 986	2 691	2 561
<b>Total non-current liabilities</b>		<b>8 466</b>	<b>8 662</b>	<b>9 483</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	20	2 417	2 958	2 700
Accounts payable		2 502	1 742	2 553
Liabilities to associates		12	3	3
Tax liabilities		19	18	27
Accrued expenses and deferred income	22	1 096	1 395	948
Other liabilities		462	179	192
Provisions	19	31	66	1
<b>Total current liabilities</b>		<b>6 539</b>	<b>6 361</b>	<b>6 424</b>
<b>Total liabilities</b>		<b>15 005</b>	<b>15 023</b>	<b>15 907</b>
<b>Total shareholders' equity and liabilities</b>		<b>25 709</b>	<b>24 940</b>	<b>25 342</b>

For information about the Group's pledged assets and contingent liabilities, see note 29.

<sup>1</sup> The opening and closing balances for 2013 has been amended. From 2014 Bomhus Energi AB is recognised as a joint arrangement in accordance with IFRS 11, and BillerudKorsnäs reports its share of Bomhus Energi AB's revenue, expenses, assets and liabilities. See note 32.



# Consolidated statement of changes in equity

SEKm	Note	Equity attributable to owners of the parent company						Total	Non-controlling interests	Total shareholders' equity
		Share capital	Other contributed capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings and profit/loss for the year			
<b>Opening balance, 1 Jan 2014</b>	17	<b>1 537</b>	<b>4 484</b>	<b>-7</b>	<b>52</b>	<b>-12</b>	<b>3 802</b>	<b>9 856</b>	<b>61</b>	<b>9 917</b>
Total comprehensive income for the year				132	22	-159	1 225	1 220	28	1 248
Dividends paid							-465	-465		-465
Share-based payments to be settled in equity instruments, IFRS 2							4	4		4
<b>Closing balance, 31 Dec 2014</b>		<b>1 537</b>	<b>4 484</b>	<b>125</b>	<b>74</b>	<b>-171</b>	<b>4 566</b>	<b>10 615</b>	<b>89</b>	<b>10 704</b>

SEKm	Note	Equity attributable to owners of the parent company						Total	Non-controlling interests	Total shareholders' equity
		Share capital	Other contributed capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings and profit/loss for the year			
<b>Opening balance, 1 Jan 2013</b>	17	<b>1 029</b>	<b>4 950</b>	<b>-72</b>	<b>8</b>	<b>6</b>	<b>3 470</b>	<b>9 391</b>	<b>44</b>	<b>9 435</b>
Total comprehensive income for the year				65	44	-18	740	831	17	848
Dividends paid							-413	-413		-413
Share-based payments to be settled in equity instruments, IFRS 2							5	5		5
New share issue		508	-466					42		42
<b>Closing balance, 31 Dec 2013</b>		<b>1 537</b>	<b>4 484</b>	<b>-7</b>	<b>52</b>	<b>-12</b>	<b>3 802</b>	<b>9 856</b>	<b>61</b>	<b>9 917</b>



# Consolidated statement of cash flows

SEKm	Note	2014	2013
	25		
<b>Operating activities</b>			
Profit/loss after financial items		1 653	828
Adjustments for items not included in cash flow		1 348	1 609
Tax paid		-124	-160
<b>Cash flow from operating activities before changes in working capital</b>		<b>2 877</b>	<b>2 277</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventories		-78	30
Increase (-)/decrease (+) in operating receivables		-208	67
Increase (+)/decrease (-) in operating liabilities		524	-595
<b>Cash flow from operating activities</b>		<b>3 115</b>	<b>1 779</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		-1 382	-1 334
Sale of property, plant and equipment		8	87
Acquisition of subsidiaries, net effect on cash and cash equivalents		-	9
Acquisition of non-current financial assets		-2	-3
<b>Cash flow from investing activities</b>		<b>-1 376</b>	<b>-1 241</b>
<b>Cash flow after investing activities</b>		<b>1 739</b>	<b>538</b>
<b>Financing activities</b>			
Changes in interest-bearing receivables		-3	1
Borrowings		1 005	3 396
Debt repayment		-2 087	-3 862
Dividend		-465	-413
New share issue		-	42
<b>Cash flow from financing activities</b>		<b>-1 550</b>	<b>-836</b>
<b>Cash flow for the year</b>		<b>189</b>	<b>-298</b>
<b>Cash and cash equivalents at start of year</b>		<b>497</b>	<b>774</b>
<b>Translation difference in cash and cash equivalents</b>		<b>51</b>	<b>21</b>
<b>Cash and cash equivalents at year-end</b>		<b>737</b>	<b>497</b>

# Parent company income statement

SEKm	Note	2014	2013
	1		
Net sales	2	3 784	3 816
Other operating income	3	22	41
<b>Total operating income</b>		<b>3 806</b>	<b>3 857</b>
<b>Operating expenses</b>			
Change in inventories		28	-16
Raw materials and consumables		-1 519	-1 652
Other external costs <sup>1</sup>	4	-2 673	-1 000
Employee benefits expense	5	-734	-712
Depreciation, amortisation and impairment of non-current assets	10, 11	-254	-272
<b>Total operating expenses</b>		<b>-5 152</b>	<b>-3 652</b>
<b>Operating profit/loss<sup>1</sup></b>		<b>-1 346</b>	<b>205</b>
<b>Financial items</b>	6		
Profit/loss from investments in Group companies		30	5
Profit/loss from other participations		-	1
Interest income and similar profit/loss items		5	12
Interest expense and similar profit/loss items		-198	-209
<b>Total financial items</b>		<b>-163</b>	<b>-191</b>
<b>Profit/loss after financial items</b>		<b>-1 509</b>	<b>14</b>
Appropriations	7	950	-1 231
<b>Profit/loss before tax</b>		<b>-559</b>	<b>-1 217</b>
Taxes	8	133	272
<b>Profit/loss for the period</b>		<b>-426</b>	<b>-945</b>

# Parent company statement of comprehensive income

SEKm	2014	2013
<b>Profit/loss for the period</b>	<b>-426</b>	<b>-945</b>
<b>Other comprehensive income</b>		
Other comprehensive income for the period	-	-
<b>Total comprehensive income</b>	<b>-426</b>	<b>-945</b>

<sup>1</sup> Operating profit/loss for the year is charged with SEK -1 584 million for a capital loss from the sale of Gruvön's assets and liabilities to the subsidiary BillerudKorsnäs Sweden AB.



# Parent company balance sheet

SEKm	Note	31 Dec 2014	31 Dec 2013
	1, 23		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible non-current assets	10	–	4
Property, plant and equipment	11	9	2 330
Investments in Group companies	12	10 665	10 637
Participations in associates and joint ventures	14	6	4
Other holdings	15	35	26
Non-current receivables from Group companies		41	96
Other non-current receivables		11	12
<b>Total non-current assets</b>		<b>10 767</b>	<b>13 109</b>
<b>Current assets</b>			
Inventories	16	–	322
Accounts receivable		2 114	2 047
Receivables from Group companies		2 129	1 897
Receivables from associates		–	2
Prepayments		32	54
Other receivables		246	238
Cash and bank balances	25	499	291
<b>Total current assets</b>		<b>5 020</b>	<b>4 851</b>
<b>Total assets</b>		<b>15 787</b>	<b>17 960</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1, 23		
<b>Shareholders' equity</b>	17		
<b>Restricted equity</b>			
Share capital (244 220 818 ordinary shares)		1 537	1 537
Statutory reserve		149	149
<b>Total restricted equity</b>		<b>1 686</b>	<b>1 686</b>
<b>Non-restricted equity</b>			
Share premium reserve		4 408	4 408
Retained earnings		461	1 871
Profit/Loss for the year		–426	–945
<b>Total non-restricted equity</b>		<b>4 443</b>	<b>5 334</b>
<b>Total shareholders' equity</b>		<b>6 129</b>	<b>7 020</b>
<b>Untaxed reserves</b>	26	<b>355</b>	<b>2 135</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	18	201	207
Provisions for pensions	8	137	266
Other provisions	19	–	14
<b>Total provisions</b>		<b>338</b>	<b>487</b>
<b>Non-current liabilities</b>			
Syndicated loan	21	128	813
Bond loans	21	2 350	1 644
Other interest-bearing non-current liabilities	21	1 600	800
Liabilities to Group companies		848	1 110
<b>Total non-current liabilities</b>		<b>4 926</b>	<b>4 367</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	21	2 281	2 957
Accounts payable		32	199
Liabilities to Group companies		1 635	463
Accrued expenses and deferred income	22	75	321
Other liabilities		16	11
<b>Total current liabilities</b>		<b>4 039</b>	<b>3 951</b>
<b>Total shareholders' equity and liabilities</b>		<b>15 787</b>	<b>17 960</b>
<b>Parent company pledged assets and contingent liabilities</b>			
Pledged assets	29	11	12
Contingent liabilities	29	257	45

# Parent company statement of changes in equity

SEKm	Note	Restricted equity			Non-restricted equity			Total share-holders' equity
		Share capital	New share issue in progress	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
<b>Opening balance, 1 Jan 2014</b>	17	<b>1 537</b>	–	<b>149</b>	<b>4 408</b>	<b>1 871</b>	<b>–945</b>	<b>7 020</b>
Previous year's profit/loss brought forward						–945	945	–
Profit/Loss for the year							–426	–426
Dividends paid						–465		–465
<b>Closing balance, 31 Dec 2014</b>		<b>1 537</b>	–	<b>149</b>	<b>4 408</b>	<b>461</b>	<b>–426</b>	<b>6 129</b>

SEKm	Note	Restricted equity			Non-restricted equity			Total share-holders' equity
		Share capital	New share issue in progress	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
<b>Opening balance, 1 Jan 2013</b>	17	<b>1 029</b>	<b>508</b>	<b>149</b>	<b>4 408</b>	<b>979</b>	<b>1 305</b>	<b>8 378</b>
Previous year's profit/loss brought forward						1 305	–1 305	–
Profit/Loss for the year							–945	–945
New share issue		508	–508					–
Dividends paid						–413		–413
<b>Closing balance, 31 Dec 2013</b>		<b>1 537</b>	–	<b>149</b>	<b>4 408</b>	<b>1 871</b>	<b>–945</b>	<b>7 020</b>



# Parent company cash flow statement

SEKm	Note	2014	2013
	25		
<b>Operating activities</b>			
Profit/loss after financial items		-1 509	14
Adjustments for items not included in cash flow		1 808	315
Tax paid		-8	-120
<b>Cash flow from operating activities before changes in working capital</b>		<b>291</b>	<b>209</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventories		322	20
Increase (-)/decrease (+) in operating receivables		-829	-767
Increase (+)/decrease (-) in operating liabilities		-44	64
<b>Cash flow from operating activities</b>		<b>-260</b>	<b>-474</b>
<b>Investing activities</b>			
Sale of non-current intangible assets		3	-
Acquisition of property, plant and equipment		-296	-136
Sale of property, plant and equipment		780	-
Acquisition of shares in subsidiaries		-40	-40
Disposal of shares in subsidiaries		-	1
Acquisition of non-current financial assets		-11	-3
Change in financial receivables		56	1 404
<b>Cash flow from investing activities</b>		<b>492</b>	<b>1 226</b>
<b>Cash flow after investing activities</b>		<b>232</b>	<b>752</b>
<b>Financing activities</b>			
Borrowings		2 206	4 110
Repayment of borrowings		-2 323	-4 325
Dividend		-465	-413
New share issue		-	42
Settled Group contributions		558	-428
<b>Cash flow from financing activities</b>		<b>-24</b>	<b>-1 014</b>
<b>Cash flow for the year</b>		<b>208</b>	<b>-262</b>
<b>Cash and cash equivalents at start of year</b>		<b>291</b>	<b>553</b>
<b>Cash and cash equivalents at year-end</b>		<b>499</b>	<b>291</b>

# Risk management and sensitivity analysis

BillerudKorsnäs is affected by the general economic climate, changes in exchange rates and other external factors specific to the company. This section describes the most important risks that influence BillerudKorsnäs' ability to achieve the goals set for the Group, and the way each risk is managed.

BillerudKorsnäs seeks actively to minimise risk through preventive measures. Where preventive measures are not possible, the risk can be hedged or insured against. Many of the risks discussed below can influence BillerudKorsnäs both positively and negatively. Risk management is governed at overall level by the Board of Directors and audit committee, and at operational level by the CEO, Senior Management Team and other staff. Risk management pays special attention to ensure that a balance is struck between control activities and the development of an effective control environment with individual accountability throughout the organisation.

## OPERATIONAL RISKS

### Variations in market prices and volumes for BillerudKorsnäs products

#### DESCRIPTION OF RISKS

BillerudKorsnäs' products are generally dependent on the business cycle, in terms of both price development and sales volumes. BillerudKorsnäs' operations, financial position and earnings are affected by the economy in general in Europe, the US and the rest of the world. Negative changes in the economy in Europe, the US and the rest of the world may have a negative impact on BillerudKorsnäs' sales, financial position and earnings.

#### RISK MANAGEMENT

The customer base is constantly subject to change. A high proportion of BillerudKorsnäs' customer agreements are informal and principally contain indicative volumes and agree-

ments in respect of payment and stock terms and conditions, which is common practice in the industry. Customer agreements that contain detailed provisions in respect of agreement term and termination rarely occur. In many cases, customer agreements are renegotiated regularly on a six-month or annual basis. However, the majority of customer agreements in respect of Liquid Packaging Board, which constituted a significant proportion of BillerudKorsnäs' sales in 2014, do not adhere to this rule. Many agreements in this sector run for several years, usually specifying agreed volumes, prices and payment terms. The Group's single biggest customer, a customer for Liquid Packaging Board, accounted for a substantial share of the Group's sales. The agreement with this customer runs for a limited period.

BillerudKorsnäs focuses continually on process efficiency to adapt its costs in order to

counteract the negative influence that lower market prices have on BillerudKorsnäs' operating profit. The Group also works continuously to develop product differentiation based on customers' needs and to boost the proportion of sales to consumer-related industries in order to reduce cyclical fluctuations.

#### COMMENTS ON 2014

In 2014, Group sales volumes increased by just over 4% to 2 699 ktonnes (2 591). Sales increased to SEK 20 853 million (19 689). Order levels remained stable for all business areas. Prices in local currency were generally stable compared to the previous year, but were negatively affected by a change in the business mix. However, an improvement in the currency situation meant a significant increase in prices in SEK.

### Customer dependence and customer credit risk

#### DESCRIPTION OF RISKS

BillerudKorsnäs has approximately 2 000 customers and packaging partners in more than 100 countries; the Company's five largest customers account for approximately one-third of the Group's sales. If BillerudKorsnäs cannot meet the demands made by its largest customers, and if customers do not fulfil their payment obligations, BillerudKorsnäs may be adversely affected.

#### RISK MANAGEMENT

Customers mainly consist of packaging producers, and the relationship with the customer is usually long-lasting. BillerudKorsnäs is increasingly offering packaging solutions directly to end-customers and brand owners. By expanding its customer base, BillerudKorsnäs can reduce its dependence on a small number of customers.

The granting of credit to customers varies, depending on the market and the product. The Group has developed guidelines to control customer credit, in which the basic policy is to insure all customer credit that can be insured. Exemptions are made for certain major long-

standing customers and buyers of raw timber. In certain markets, where it is not possible to insure customer credit, letters of credit, advance payments or bank guarantees are used to guarantee payments.

#### COMMENTS ON 2014

At year-end 2014, accounts receivable totalled SEK 2 601 million (2 394), representing an average customer credit period of about 47 days (45). As at December 31 2014, approximately 83% (80) of outstanding accounts receivable was insured via credit insurance. Bad debt losses totalled SEK 5 million (7) in 2014.

## PROVISION FOR DOUBTFUL DEBTS

Group, SEKm	2014	2013
Provision at start of year	37	41
Provision for anticipated bad debt losses	12	3
Confirmed bad debt losses	-5	-7
<b>Provision at year-end</b>	<b>44</b>	<b>37</b>

## BREAKDOWN OF ACCOUNTS RECEIVABLE BY AGE

Group, SEKm	2014			2013		
	Gross	Impairment	Net	Gross	Impairment	Net
Accounts receivable not due	2 181	-	2 181	1 988	-	1 988
Accounts receivable overdue 0-30 days	344	-8	336	360	-1	359
Accounts receivable overdue >30-90 days	57	-1	56	42	-1	41
Accounts receivable overdue >90-180 days	30	-9	21	11	-3	8
Accounts receivable overdue >180-360 days	-2	-	-2	16	-15	1
Accounts receivable overdue >360 days	35	-26	9	14	-17	-3
<b>Total</b>	<b>2 645</b>	<b>-44</b>	<b>2 601</b>	<b>2 431</b>	<b>-37</b>	<b>2 394</b>



## OPERATIONAL RISKS (cont.)

### Risks related to facilities

#### DESCRIPTION OF RISKS

BillerudKorsnäs has production facilities for paper, cardboard and pulp production in nine sites in three countries. Sudden and unforeseen disruptions may affect each facility's capacity to produce as planned, which may affect customer relationships and the company's long-term competitiveness.

#### RISK MANAGEMENT

Preventive work to avoid sudden and unforeseen disruptions in production is given top priority and undertaken through internal planning and inspection carried out by an independent inspection body, and in collaboration with insurance companies. Investments are constantly being made to improve the status of facilities.

BillerudKorsnäs insures its facilities to the full value with regard to property and breakdown.

#### COMMENTS ON 2014

Since 2013, BillerudKorsnäs has signed a number of long-term insurance policies for property and breakdown protection for all paper, board and pulp production. Other facilities have individual insurance solutions.

### Supplies of wood raw materials

#### DESCRIPTION OF RISKS

Supplies of fresh fibre are vital to the Group's production of paper and board. BillerudKorsnäs owns forest indirectly via its stake in Bergvik Skog, but buys all its wood raw material from the timber market.

#### RISK MANAGEMENT

Purchases are made from a small number of major suppliers, as well as from a large number of private landowners. Approximately 25% (23) of the Company's timber requirements are imported, mainly from the Baltic countries, Finland and Norway. The company has signed supply agreements on a commercial basis regarding timber purchases from companies

and organisations including Bergvik Skog, Holmen, Stora Enso, Sveaskog and forest owner federations. BillerudKorsnäs' assessment is that its cooperation with these major suppliers will continue for the foreseeable future.

#### COMMENTS ON 2014

The availability of wood fibre raw material was good during 2014.

### Wood price risk

#### DESCRIPTION OF RISKS

Market prices for wood vary over time, which can affect BillerudKorsnäs' earnings. The price trend for raw wood has been declining over the past three years. Prices are influenced by demand from the pulp industry, indicating that changes in output for the pulp industry as a whole in the Nordic countries may lead to long-term changes in the cost of wood raw

materials. Increased use of, for example, sawn timber and wood as a combustion material, especially in connection with the use of biofuel for electricity and heat generation, may also indirectly affect the price of pulp wood. Changes in customs duties may also impact on the price of imported timber.

create problems with deliveries to BillerudKorsnäs if the parties cannot reach agreement on the market price that is to apply.

#### COMMENTS ON 2014

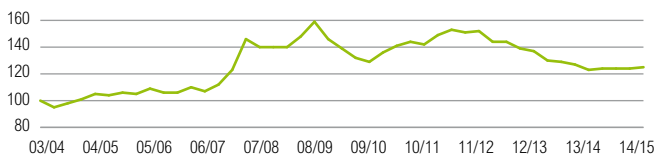
The cost of wood to BillerudKorsnäs has fallen over the past three years thanks to reduced demand from the pulp industry, which has resulted in good stocks of coniferous and deciduous wood. Market prices are expected to be stable in 2015.

#### RISK MANAGEMENT

In general, prices in contracts with major suppliers are set on a periodic basis. This may

#### WOOD PRICE INDEX

Source: BillerudKorsnäs.



### Energy price risk

#### DESCRIPTION OF RISKS

Energy costs represent a substantial proportion of the Group's manufacturing costs. The majority of the Group's production takes place in Sweden. BillerudKorsnäs consumes electricity, biofuel, oil and LPG. Higher energy prices result in higher operating expenses and have an adverse impact on operating profit.

The biggest factor affecting energy costs is the price of electricity in the STO (SE3) electricity area in Sweden. Areas LUL (SE1), Sweden, and HEL (Fi), Finland, also have production units that pose a certain electricity price risk. In total, BillerudKorsnäs consumes around 3.1 TWh/year, 1.4 TWh/year of which is production from the company's own back pressure facilities, and 1.7 TWh/year is bought in.

#### RISK MANAGEMENT

BillerudKorsnäs has an electricity self-sufficiency rate of approximately 45%. In principle, all in-company electricity generation is biofuel-based and the cost of in-company generation generally follows the price curve for biofuel.

In May 2007, BillerudKorsnäs signed a 10-year fixed price electricity supply agreement with Vattenfall. The agreement covers basic power requirements of around 0.4 TWh per year for the period 2008–2017. In 2014, the company started hedging the cost of electricity through financial electricity trading. All such trading takes place on the NASDAQ via standard contracts. The company's trading strategy is to purchase financial contracts corresponding to the majority of the physical volume exposed to the spot price. The rate of trading is linear and is intended to start three years before delivery.

The company is also taking active measures to increase energy efficiency.

#### COMMENTS ON 2014

In 2014, total electricity consumption was about 3.15 TWh (3.14), of which approximately 45.1% (44.4) was generated in-company, approximately 13.9% (13.9) was basic power purchased at fixed prices and approximately 41.0% (41.6) was purchased on the spot market. At year-end, financial hedges amounted to 49.2% (0.0) of those electricity purchases exposed to the spot price.

Electricity certificates impacted operating profit by SEK 76 million (68) in 2014.



## OPERATIONAL RISKS (cont.)

### Cost of inputs

#### DESCRIPTION OF RISKS

The market price of the inputs in the production varies over time, which can affect earnings.

BillerudKorsnäs purchase large quantities of different inputs from several suppliers. A few of these goods are occasionally limited on the market, which can sometimes mean a supply risk.

The market is becoming increasingly consolidated, with increasingly larger and fewer companies.

#### RISK MANAGEMENT

BillerudKorsnäs establishes agreements with a large number of suppliers over varying contract periods, and monitor closely developments in access to, and the market price of, strategic inputs and take action where necessary.

The company work continually according to clear objectives and activities in order to approve both new suppliers and products.

These measures help reduce risk exposure in terms of both input supply and in terms of possibilities of increased competition and favourable contracts and prices.

Consolidation among suppliers are monitored closely. Where the company assesses that consolidation could lead to

reduced competition, the company view actively and objectively is expressed on the matter to the relevant authorities.

#### COMMENTS ON 2014

In 2014, numerous suppliers and products were approved, further securing supply amid increased competition.

Every month market prices and indices are compiled and the company endeavour to optimise prices and contract periods.

This work is an integral part of the company's strategic procurement and cross-functional category measures.

### Costs of procured services

#### DESCRIPTION OF RISKS

BillerudKorsnäs procures services such as customer shipping and maintenance services. Market prices for these services vary over time, which can affect BillerudKorsnäs' earnings.

In 2012, the EU Council of Ministers approved an amendment of Directive 1999/32/EC in respect of the sulphur content of marine fuels. According to the amendment, the sulphur content of marine fuels in the Sulphur Emission Control Area (SECA; comprising the Baltic Sea, North Sea and English Channel) is to be limited to 0.10% effective from January 2015. The direct effects

of this are that the cost of marine transport in the SECA area will increase due to the higher price of low-sulphur fuel. Indirect effects are that the price of diesel used in trucks will probably increase as, to all intents and purposes, it is the same fuel that will be used by ships. This will result in an increase in the cost of road haulage.

#### RISK MANAGEMENT

Shipping costs are fixed annually via agreements. Fluctuations in shipping costs are affected by competition between shipping companies, changes in energy prices, environmental regulations and wage costs. Continuous oversight of and changes to selected transport

solutions are implemented as a means of reducing costs.

Other procured services consist primarily of maintenance services, partly in connection with the annual maintenance shutdowns, and partly in connection with regular maintenance cycles. The prices of services are primarily affected by salary trends in Sweden.

#### COMMENTS ON 2014

In 2014, customer shipping accounted for 9% (10) of BillerudKorsnäs' total operating costs. The breakdown of logistics costs was as follows: Rail 36% (33), Marine 25% (35), Road 25% (26) and Terminal Services 14%.

### Risks related to employees

#### DESCRIPTION OF RISKS

Access to skilled and motivated employees and managers is a prerequisite for achieving the goals that BillerudKorsnäs has set.

Personnel costs constitute the second-largest expense item.

#### RISK MANAGEMENT

BillerudKorsnäs works continually to manage skills transfer and succession planning. To ensure the supply of the right skills, the Company needs to attract high-quality employees. In order to avoid a skills gap in the years ahead, BillerudKorsnäs has taken the decision to strengthen its brand as an employer.

Wage costs are principally determined by collective bargaining agreements, payroll taxes and other related laws and regulations.

#### COMMENTS ON 2014

During 2014, the company instituted a new trainee programme with the aim of ensuring good long-term workforce planning. BillerudKorsnäs also focuses on employer branding, which aims to showcase the company as an employer.

Wage costs have risen by around 3% a year over the past three years as a result of agreements.



## OPERATIONAL RISKS (cont.)

### Environmental impact and renewal of licenses

#### DESCRIPTION OF RISKS

BillerudKorsnäs' production of paper, cardboard and pulp results in emissions into water and air. Production also creates noise and significant volumes of waste.

The Group's operations are governed by extensive environmental legislation and are subject to licenses being granted. The licenses entitle production units to produce a certain volume of pulp, paper and/or board, but also impose statutory conditions in respect of, for example, emissions into water and air, noise, and waste and chemicals processing.

In Sweden, licenses in accordance with the Swedish Environmental Code are required. Similar regulations apply in the rest of the EU. Operating licences in Sweden are issued by Land and Environment Courts following a comprehensive legal review during which the government's interests are safeguarded by the Swedish Environmental Protection Agency and the relevant county administrative board. The ruling issues specifies what investments are required to protect human health and the environment in order to obtain the license applied for.

Production units must apply for new licences if the scale of production is to be increased or major investments are to be carried out. Minor investments/modifications are dealt with via a simple notification procedure. The authorities may, at their own initiative, call for operating licences to be reviewed. However, this rarely occurs.

Any breaches of licence limits or conditions may result in criminal liability, such as in the form of monetary environmental sanctions. Serious breaches, including breaches of certain licence conditions, are referred to the public prosecutor. A conviction may lead to personal criminal liability on the part of the staff concerned or corporate penalties amounting to substantial sums.

In Sweden, supervision is exercised in the form of experts appointed by the county administrative boards, who continually verify compliance with licences, conditions and all generally applicable environmental legislation.

The EU's Industrial Emissions Directive, which was implemented in Swedish legislation during 2013, has introduced industry-wide emissions limits throughout the EU. The emission limits are set on the basis of what is considered achievable with the best available

technology. Local conditions are not taken into account. In 2014, a sector-specific reference document (BREF) under Industry Emissions Directive (IED). The reference document contains pan-European values for emission limits (BAT-AELs), which will be legally binding from October 2018. BillerudKorsnäs' investment planning takes account of these requirements.

Environmental legislation also requires that any operator causing environmental damage shall bear strict and joint liability to rectify the damage caused. The issue most affecting BillerudKorsnäs' Swedish production units is land pollution.

The units have, to varying extents, been ordered to investigate areas affected where operations are being or have been conducted. Depending on the results of investigations carried out, remedial environmental measures may be required. Any land pollution discovered must be notified to the county administrative board, which will then determine the remedial measures required.

In the event of the closure of an activity or part of an activity, the area must be restored, at which point costs for remedial measures will arise. BillerudKorsnäs may also be ordered to investigate or undertake clean-ups of land contamination for properties that the Company no longer owns or in which it no longer conducts operations.

Finally, the Group is impacted by various economic instruments relating to the environmental, including energy taxes, greenhouse gas trading, nitric oxide taxes and waste management taxes, which may give rise to both income and expenses. Future rule changes may affect BillerudKorsnäs' sales and earnings.

#### RISK MANAGEMENT

The environmental standard at BillerudKorsnäs' production units is high, as a result of ongoing initiatives over many years. All production units have certified management systems for the environment, quality and energy. The units have environment functions that are responsible for contact with supervisory authorities. Environmental responsibility in the different production units lies with line management.

The production units work together in an environmental network. Employees at BillerudKorsnäs have undergone training in basic environmental knowledge, and this also forms part of the induction training for new employees. Key staff are given more in-depth environmental

training to enable them to continually address environmental issues. If necessary, potential environmental investments are incorporated into the Group's investment plan.

BillerudKorsnäs takes active measures to cut its climate impact by reducing its use of fossil fuels, reducing its greenhouse gas emissions not only in production and in transportation, but also through greater energy efficiency.

#### COMMENTS ON 2014

Environmental work was successfully carried out during 2014. Consumption of fossil-based oil decreased further year-on-year owing, in part, the investments in recent years in a new biofuel boiler in Gävle and a new evaporation facility in Skärblacka.

In 2014, the decision was taken to make a new investment in Gävle amounting to approximately SEK 450 million, comprising:

- a new preliminary sedimentation facility, which separates fibre and other particles from water,
- investments in fibre line 1 and 2 to increase the sealing of the system and reduce emissions and
- comprehensive measures at mills to reduce water consumption and emissions.

These will be commissioned in the fourth quarter of 2015 and the project is expected to also lead to lower energy consumption and improve product quality.

At Frövi, the existing water purification system was supplemented by a biological initial phase. The aim is to biologically reduce 'complexing agents' and oxygen-consuming substances in filtrate surplus from the bleaching plant. Previously, the filtrate was mainly sent to the evaporation plants for drying, followed by incineration and energy extraction in the recovery boiler. The results so far have been very positive, with a more than 90% reduction in complexing agents and more than 80% reduction in oxygen-consuming substances. At the same time, it is estimated that energy consumption for drying residues will fall sharply.

For more information, see our Sustainability Report, [www.billerudkorsnas.com](http://www.billerudkorsnas.com).

## FINANCIAL RISKS

The following section describes BillerudKorsnäs' financial risk management policies, which correspond to the policies adopted before and during 2014.

### Currency risk – transaction exposure

#### DESCRIPTION OF RISKS

Transaction exposure is the risk of changes in exchange rates for export revenues and import expenses negatively affecting BillerudKorsnäs' operating profit and the cost of its fixed assets. The Group has a significant net currency exposure, principally divided between USD, EUR and GBP. However, the majority of operating expenses are in SEK. The main exceptions are production costs in Finland, the UK and the Baltic States, shipping costs and the costs of imported wood raw materials and chemicals, which are primarily affected by EUR and USD exchange rates.

#### RISK MANAGEMENT

To reduce the consequences of currency exposure, the Group continuously hedges forecast net flows in foreign currencies. The financial policy adopted by the Board states

guidelines for currency hedging, which means that between 0% and 80% of net flows over the coming 15-month period can be hedged. Hedging beyond this must be determined by the Board.

The main target for each business area is the operating margin, which is measured excluding the earnings effects of hedging currency flows. Since 2007, the earnings effects of exchange rate changes in operating capital have been managed centrally and are matched against earnings for currency hedging.

#### COMMENTS ON 2014

At year-end 2014, foreign exchange contracts not yet recognised in profit/loss totalled a nominal SEK 3 124 million (3 721), of which foreign exchange contracts representing SEK 3 124 million (3 721) will be recognised in profit/loss in 2015. The corresponding net currency flows for the Group in 2015 are estimated at around SEK 6 400 million (5 900).

Of forecast net flows over the coming 15-month period in EUR, USD and GBP, 64%, 37% and 36%, respectively, were hedged at year-end.

As per 31 December 2014, the market value of BillerudKorsnäs' outstanding foreign exchange contracts was SEK –174 million (–16).

#### Nominal amount of foreign exchange derivatives

	2014	2013
EUR million	294	388
USD million	128	130
GBP million	23	31

#### Market value of foreign exchange derivatives, SEKm

Forward foreign exchange contracts	–174	–16
------------------------------------	------	-----

### Currency risk – translation exposure

#### DESCRIPTION OF RISKS

Translation exposure is the risk to which BillerudKorsnäs is exposed when foreign subsidiaries' income statements and balance sheets are translated into SEK.

SEKm	Capital employed	Net borrowings	Net assets
GBP	152	–7	159
EUR	1 436	–443	1 879
USD	–25	–50	25
Other currencies	–4	–12	8
<b>Total</b>	<b>1 559</b>	<b>–512</b>	<b>2 071</b>

#### RISK MANAGEMENT

BillerudKorsnäs has assets in foreign currency, mainly through owning assets in Finland, the UK, Latvia and the US. Net assets in GBP are partly hedged by loans in the same currency.

#### COMMENTS ON 2014

As per 31 December 2014, total capital employed in foreign currency was SEK 1 559 million (1 555), of which SEK 2 071 million (1 923) was financed by shareholders' equity. Of the net assets in GBP, SEK 159 million (138), 43% (44) was hedged through loans raised by the parent company. No hedging was arranged for net assets in other currencies. Earnings are affected when the earnings of subsidiaries are translated at an exchange rate that differs from the one at the balance sheet date. This reduced earnings in 2014 by SEK 5 million (5).

### Financing risk

#### DESCRIPTION OF RISKS

The financing risk is the risk of failure to obtain financing, or of obtaining financing only at sharply increased costs. Access to further financing will be affected by a number of factors, including market conditions, the general availability of credit and BillerudKorsnäs' creditworthiness and credit capacity. In addition, access to further financing depends on customers, suppliers or lenders not being affected by negative perceptions about BillerudKorsnäs' long and short-term financial prospects. Disruptions and uncertainty on the capital and credit markets may also limit access to the capital required to run the business.

#### RISK MANAGEMENT

In order to ensure that the Group always has access to external financing, the finance department must ensure access to short and long-term credit facilities. The company aims to achieve maximum cost-efficiency within established limits.

The lender base must also be reasonably diversified to avoid excessive dependence on individual sources of financing. The repayment structure for the Group's loans must be arranged so that loan maturity is evenly spread over time. The company also aims for access to liquidity over the next 12 months to exceed utilisation by a minimum of 1.2x.

#### COMMENTS ON 2014

The Group had very good access to financing in 2014. Strong demand for debt on the capital market has pushed interest rate margins down and resulted in healthy liquidity on both commercial paper and bond markets.

However, the low interest rate environment has reduced demand slightly for maturities of less than six months, which is why the company issued shorter bond loans (2–3 years) totalling SEK 700 million. In order to ensure liquidity over the next few years, the company renegotiated its syndicated credit facility in 2014. The new credit facility, which is for the same amount as the previous facility of SEK 5 500 million, matures in June 2019. SEK 128 million of the facility had been used by the end of the year. As per 31 December 2014, the company's outstanding bond loans totalled SEK 2 350 million and commercial paper SEK 1 481 million. In addition to the above, the Group has short-term loans totalling SEK 936 million and long-term loans amount to SEK 2 194 million.

As per 31 December 2014, BillerudKorsnäs' net interest-bearing debt amounted to SEK 7 124 million (8 389).

Financial assets and liabilities are recognised in note 23.



## FINANCIAL RISKS (cont.)

### Interest rate risk

#### DESCRIPTION OF RISKS

Interest rate risk is the possible effect that a change in interest rates may have on earnings. The speed with which a change in the interest rate trend affects earnings depends on the fixed interest term on loans and investments.

#### RISK MANAGEMENT

The Group may use derivatives to manage interest rate risk. The average remaining term to maturity for the entire loan portfolio should be between 1 and 36 months. The Board may, however, determine a longer fixed interest term. The fixed interest term for an individual loan or interest rate swap may not exceed 10 years. To achieve this norm, interest rate derivatives, preferably interest rate swaps and fixed interest loans, are used. Price risk is

defined as the effect on earnings that may be caused by changes in the price of outstanding capital instruments. Investments are made with minimal fixed interest terms, which limits interest rate risk in investments.

#### COMMENTS ON 2014

If the Group's entire borrowing portfolio had a variable interest rate, the effect on earnings for one year from a 1 percentage point change in interest rates would be SEK 71 million (76), based on liabilities of SEK 7 089 million at year-end.

The Group's average fixed interest term was around 15 months (15) at year-end.

A 1 percentage point change in interest rates would have an annualised effect of SEK 43 million (52) on earnings, given the current fixed interest term.

Nominal value of interest rate derivatives, SEKm	2014	2013
Interest rate swaps:		
Maturity of less than 1 year	–	–
Maturity of 1–2 years	150	–
Maturity of more than 2 years	2 100	1 850
<b>Total</b>	<b>2 250</b>	<b>1 850</b>

#### Market value of interest derivatives, SEKm

Interest rate swaps	–88	–13
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#### Nominal amount, fixed interest loans

Maturity of more than 2 years	500	500
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### Financial credit risk

#### DESCRIPTION OF RISKS

Credit risk refers to situations such as when a counterparty in a financial transaction cannot meet its undertakings. If measures taken by BillerudKorsnäs to minimise credit risk are inadequate, this may have an adverse effect on BillerudKorsnäs' financial position and earnings.

#### RISK MANAGEMENT

To avoid this, BillerudKorsnäs' financial policy defines clearly how any excess liquidity may be invested.

When calculating credit risks, the positive effects on earnings of derivative contracts with counterparties are also taken into account. BillerudKorsnäs' maximum credit risk exposure is equal to the fair value of financial assets, disclosed in note 23.

#### COMMENTS ON 2014

At year-end, the total credit exposure was SEK 588 million (767).

## SENSITIVITY ANALYSIS

### Impact on profit/loss before tax

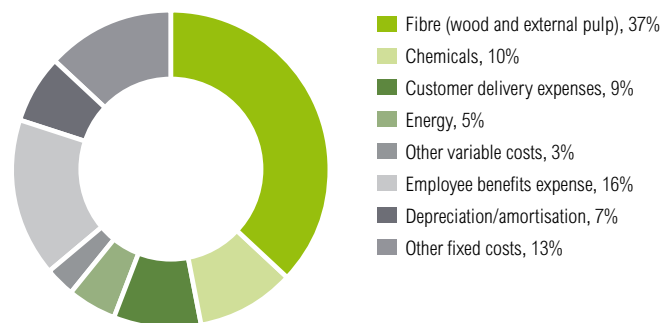
Variable	Change	SEKm
Sales volume	+/- 10%	+/-850
Exchange rates, SEK <sup>1</sup>	+/- 10%	+/-640
Fibre price	+/- 10%	-/+700
Price of electricity <sup>2</sup>	+/- 10%	-/+40
Interest rate on loans <sup>3</sup>	+/- 1 percentage point	+/-43

<sup>1</sup> Excluding effects of currency hedging.

<sup>2</sup> Excluding effects of electricity price hedging.

<sup>3</sup> Excluding effects of interest hedging.

### BREAKDOWN OF OPERATING COSTS



# Notes and accounting policies

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# Notes and accounting policies

(Amount in SEKm unless stated otherwise)

## 1 SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations made by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 concerning supplementary accounting rules for Groups has been applied.

The parent company applies the same accounting policies as the Group except in the cases indicated under "Parent company's accounting policies".

### Basis of measurement in preparing the financial reports

Assets and liabilities are stated at historical cost, except for certain financial assets and liabilities that are measured at fair value or amortised cost. Financial assets and liabilities measured at fair value consist of derivatives as well as financial assets classified either as financial assets recognised at fair value through profit and loss or as available for sale.

### Functional and presentation currencies

The functional currency of the parent company is SEK, which is also the presentation currency used for the accounts of both the parent company and the Group. Thus financial reports are presented in SEK. All amounts, unless stated otherwise, are rounded to the nearest million.

### Use of estimates and judgments in the financial reports

Preparing financial reports in accordance with IFRS requires company management to make judgments and estimates as well as assumptions that affect the application of accounting policies and the amounts disclosed for assets, liabilities, income and expenses. The actual outcome can differ from the assumptions and estimates.

Assumptions and estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period the change occurs if the change only affects that period, or in the period the change occurs and in future periods if the change affects both current and future periods.

Judgements made by the Company's management when applying IFRS that have a significant impact on financial reports and estimates made that may involve significant adjustments to subsequent financial reports are described in more detail in note 33.

### Accounting policies applied in the reports

The accounting policies specified below, excepting those described in greater detail, have been applied consistently when reporting and consolidating the parent company and subsidiaries as well as when incorporating associated companies and joint ventures in the consolidated accounts.

### Changes in accounting policies

The following new and amended standards and interpretations are applicable from 2014.

- **IFRS 10 Consolidated financial statements and amendment to IAS 27 separate financial statements**  
IFRS 10 supersedes the section in IAS 27 dealing with the preparation of consolidated financial statements. What remains in IAS 27 concerns the management of subsidiaries, joint ventures and associated companies in separate financial statements.  
The rules concerning the preparation of consolidated financial statements remain unchanged. Rather, the amendment concerns how a company is to go about deciding whether it has a controlling interest and thus whether a company is to be consolidated. This standard has not had any impact on BillerudKorsnäs' reporting.
- **IFRS 11 Joint Arrangements and amendment to IAS 28 Associates and Joint Ventures**  
IFRS 11 addresses reporting for joint arrangements, defined as an agreement in which two or more parties have joint control. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Contribution of Non-monetary Assets by Venturers. As of 2014, ownership in Bomhus Energi AB has been reported as a joint operation in accordance with IFRS 11, whereby BillerudKorsnäs recognises its share of Bomhus Energi's revenue, expenses, assets and liabilities. A corresponding change has been made for the comparative year 2013.
- **IFRS 12 Disclosure of Interests in Other Entities**  
This standard includes expanded disclosure requirements for interests in subsidiaries, associates, joint arrangements and structured entities and involves some expansion of BillerudKorsnäs' disclosures.

- **IAS 32 Financial instruments:**

- **Classification – amendment**

- The amendment to IAS 32 inserts a clarification in the "Application Guidance" regarding offsetting of financial assets and financial liabilities. The amendment clarifies what is meant by a "legal right to offset" and what is meant by "settling on a net basis" in different situations. This standard has not had any impact on BillerudKorsnäs' reporting.

- **IFRIC 21 Fees**

- The interpretation clarifies when to report a liability for "levies". "Levies" are fees/taxes that government or equivalent bodies impose on entities in compliance with laws/regulations, with the exception of income taxes, penalties and fines. The interpretation states that a liability should be recognised when the entity has an obligation to pay the levy as a result of a past event. A liability is recognised progressively if the obligating event occurs over a period of time. If a certain minimum threshold is to be achieved for the obligation to arise, the liability is only recognised when this level is reached. This standard has not had any impact on BillerudKorsnäs' reporting.

### New IFRS and interpretations coming into effect in the next few years

- **IFRS 9 Financial Instruments**  
This standard will replace IAS 39 Financial Instruments: Recognition and Measurement. This contains rules on classification and valuation of financial assets and liabilities, the impairment of financial assets and hedge accounting. This standard will be applied from 2018 but has not yet been approved by the EU. BillerudKorsnäs has not yet evaluated the new standard but its preliminary assessment is that it will have a limited impact on BillerudKorsnäs' reporting.
- **IFRS 15 Revenue from Contracts with Customers**  
This standard addresses the reporting of revenues from contracts and from the sale of certain non-financial assets. It will be replaced by IAS 11 Construction Contracts and IAS 18 Revenue and Related Interpretations. This standard will be applied from 2017 but has not yet been approved by the EU. BillerudKorsnäs has not yet evaluated the new standard but its preliminary assessment is that it will not have any extensive impact on BillerudKorsnäs' reporting.

### **Classifications etc.**

Non-current assets and liabilities in the parent company and the Group consist largely only of amounts that are expected to be recovered or paid more than 12 months after the end of the reporting period. Current assets and liabilities in the parent company and the Group consist largely only of amounts that are expected to be recovered or paid within 12 months of the end of the reporting period.

### **Operating segments**

BillerudKorsnäs' operations are divided into operating segments based on which parts of the operations the Company's ultimate executive decision makers monitor, that is, according to the "management approach". The Group's operations are organised so that the Senior Management Team monitors the profit or loss and the operating margin generated by the Group's various goods and services. Each operating segment has a manager responsible for the operations who periodically reports to the Senior Management Team the outcome of the operating segment's efforts and its resource requirements. The Senior Management Team monitors the operation's profit or loss and determines resource allocations based on the goods and services the Group manufactures and sells, so these constitute the Group's operating segments. BillerudKorsnäs has identified its operating segments in accordance with IFRS 8, and they consist of Packaging Paper, Consumer Board and Containerboard.

### **Basis of consolidation**

#### **Subsidiaries**

Subsidiaries are companies in which BillerudKorsnäs AB has a controlling influence. Controlling influence means that BillerudKorsnäs is exposed to returns from a subsidiary and can have an influence on returns through its control. This usually means that BillerudKorsnäs controls more than 50% of the voting rights. In determining whether one company has a control influence over another, all the facts and circumstances, such as potential shares with voting rights, must be taken into account.

Subsidiaries are recognised using the purchase method. By this method, the acquisition of a subsidiary is considered a transaction in which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities.

The acquisition cost upon consolidation is determined using a purchase price allocation analysis in connection with the acquisition. This analysis establishes the acquisition cost for the participation or business and the fair value at the acquisition date of the acquired identifiable assets as well as assumed liabilities and any contingent liabilities. The acquisition cost of the subsidiary company's shares and the business consists of the total of the fair values at the acquisition date for assets provided, liabilities arising or assumed, and equity instruments on

issue that are provided as consideration in exchange for the net assets acquired.

Transaction costs directly attributable to the acquisition are recognised as an expense in the Group. If the acquisition cost exceeds the fair value of assets acquired, assumed liabilities and contingent liabilities recognised separately, the difference is recognised as goodwill.

When the difference is negative, it is charged directly to profit and loss.

Financial statements of subsidiaries are included in the consolidated accounts from the date of acquisition up to the date when control ceases.

### **Associates and Joint Arrangements**

Associates are companies in which the Group has a significant influence, but not control, over operating and financial strategies, usually via a shareholding corresponding to 20–50% of voting rights. From the time when the Group gains its significant influence, participations in the associated company are recognised in accordance with the equity method.

By the equity method, the carrying amount of participations in associated companies recognised in the consolidated accounts corresponds to the Group's participation in the associated companies' equity, any consolidated goodwill and any other remaining consolidated fair value adjustments. In the consolidated profit and loss accounts, "Profit/Loss from participations in associated companies" includes the Group's participation in the earnings of associated companies net after tax attributable to the parent company shareholders and after adjustment for any depreciation, amortisation, impairment losses or reversals of fair value adjustments.

Such profit or loss, less dividends received from the associated companies, accounts for most of the change in the carrying amount of the participations.

Any differences at the time of acquisition between the acquisition cost of the holding and the owner's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognised according to the same policies as for the acquisition of a subsidiary.

When the Group's share of losses recognised in an associated company exceeds the fair value of its participations in the associate, the value of the participations is reduced to zero. Losses may also be settled against long-term financial dealings without security which in economic terms represent a part of the owner's net investment in the associate. Additional losses are not recognised unless the Group has made guarantees to cover losses incurred by the associated company. The equity method is applied up to the date when the significant influence ceases.

Joint arrangements are entities in which BillerudKorsnäs and one or more other owners have joint control. As of 2014, investments

which under the rules of IFRS 11 are deemed to be joint arrangements will be recognised as a joint operation, whereby BillerudKorsnäs recognises its share of the joint operation's revenue, expenses, assets and liabilities.

### **Transactions eliminated on consolidation**

Intra-Group balances, income and expenses, and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains from transactions with associated companies are eliminated to the extent that they correspond to the Group's interest in the entity. Unrealised losses are similarly eliminated, but only insofar as there is no impairment requirement.

### **Foreign currency**

#### **Foreign currency transactions**

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency of the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currency are translated to the functional currency using the exchange rate prevailing at the end of the reporting period. Exchange rate differences arising from translation are recognised in the profit and loss accounts. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the time of the transaction. Non-monetary assets and liabilities reported at fair values are translated into the functional currency at the exchange rate prevailing on the date the fair value was determined.

#### **Financial statements of foreign operations**

Assets and liabilities of foreign operations, including goodwill and other consolidated fair value adjustments, are translated from foreign operations' functional currency to the Group's reporting currency, SEK, using the exchange rate prevailing at the end of the reporting period. Revenue and expenses of foreign operations are translated to SEK using an average rate approximating the rates on each transaction date. Translation differences that arise when translating the financial statements of foreign operations are recognised directly in other comprehensive income as a translation reserve. When a foreign operation is sold, the accumulated translation differences attributable to the operation are recognised in the consolidated profit and loss accounts.

**Hedging of net investments in foreign operations**

The Group has business in several countries. In the consolidated balance sheet, investments in foreign operations are recognised as net assets in subsidiaries (including monetary items that constitute a part of the net investments in the companies). To some extent, measures have been taken to reduce currency risk associated with these investments, by raising loans in the same currency as the net investments (hedging instruments). At the close of accounts, these loans are recognised translated at the rate at the end of the period. The effective part of the period's changes in exchange rates relating to hedge instruments is recognised directly in other comprehensive income in the translation reserve to meet and partly or wholly match the translation differences that are recognised for net assets in the foreign operations that have been hedged. Translation differences from net investments and hedge instruments are reversed and recognised in profit and loss when the foreign operation is sold. If hedging is not effective, the ineffective portion is recognised directly in profit and loss.

**Revenue****Sale of goods and performance of services**

BillerudKorsnäs' revenue is generated mostly from the sale of manufactured products. Revenue from the sale of goods is recognised in the statement of comprehensive income provided that all significant risks and rewards related to owning the goods have been transferred to the buyer. Revenue from services is recognised in net profit/loss for the year based on the degree of completion at the end of the reporting period. Income is not recognised if it is probable that the economic benefits will not accrue to the Group. If there is significant uncertainty concerning payment, associated costs or risk of return, and if the seller retains an interest in the ongoing management normally associated with ownership, no revenue is recognised. Revenue is recognised at fair value of what is received, or is expected to be received, less agreed discounts.

**Government support**

Government grants are recognised in the balance sheet as deferred income when there is reason to assume that the conditions connected with receiving a grant will be fulfilled and that the grant will be paid out. Grants are distributed systematically in the profit and loss accounts in the same way and over the same periods as the costs that the grants are intended to compensate. Government grants related to assets are recognised in the balance sheet as deferred income and are distributed as other operating income over the useful life of the asset.

**Leasing****Operating leases**

Expenses for operating leases are recognised in profit and loss over the leasing period on a straight-line basis. Incentives received in connection with the signing of a lease are recognised in the profit and loss accounts as a reduction in the lease payments over the period of the lease on a straight-line basis. Variable expenses are recognised in the periods when they arise.

**Finance leases**

The minimum lease payments are divided between interest costs and repayment of the outstanding liability.

Interest costs are distributed over the period of the lease so that each accounting period includes an amount corresponding to a fixed interest rate for the liability recognised in each period. Variable payments are recognised in the periods when they arise.

**Financial income and expenses**

Financial income consists of interest income on invested funds, dividend income, gains on changes in the value of financial assets measured at fair value through profit and loss, and gains on hedge instruments recognised in the profit and loss accounts.

Interest income from financial instruments is recognised using the effective interest method (see below). Dividend income is recognised when the right to the received payment is established. Gains on the disposal of financial instruments are recognised when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer controls the instrument.

Financial expenses comprise interest costs for loans, the effects of reversals of present value estimates for provisions, losses on the change in value of financial assets measured at fair value through profit and loss, impairment of financial assets, and losses on hedge instruments that are recognised in the profit and loss accounts. All borrowing costs are recognised in profit/loss with the application of the effective interest rate method regardless of how the borrowed funds have been used. Borrowing costs are not recognised in profit/loss in the proportion that they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for intended use or sale. In these cases, they are included in the assets' acquisition costs.

Exchange rate gains and losses are recognised net. Effective interest is the rate used to discount estimated future receipts and disbursements during the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by contracted parties that are part of the effective interest, transaction costs and all other fair value adjustments.

**Taxes**

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the profit and loss accounts except when the underlying transaction is recognised in other comprehensive income or directly in equity whereupon the associated tax effect is also recognised in other comprehensive income or equity, respectively.

Current tax is tax to be paid or recovered for the current year using the tax rates already enacted or substantially enacted at the end of the reporting period; adjustments of current tax attributable to earlier periods is included.

Deferred tax is calculated using the balance sheet method starting with the temporary differences between the recognised and taxable values of assets and liabilities. Temporary differences are not considered when the temporary differences arise from the initial recognition of goodwill nor when temporary differences arise from initial recognition of assets and liabilities in a transaction which is not a business combination and, at the time of the transaction, affects neither recognised nor taxable earnings. In addition, temporary differences are not recognised when attributable to participations in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Measurement of deferred tax is based on how the carrying amount of underlying assets and liabilities is expected to be recovered or settled. Deferred tax is calculated using the tax rates and regulations enacted or substantially enacted at the end of the reporting period.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are recognised only to the extent it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer probable that they can be utilised.

Any additional income tax relating to the dividend is recognised at the same time as the dividend is recognised as a liability.

**Financial instruments**

Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, accounts receivable, financial investments and derivatives. The liabilities side has accounts payable, borrowings and derivatives.

**Recognition on, and removal from, the balance sheet**

A financial asset or liability is recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has performed and there is a contractual liability to pay, even if the invoice has not yet been received. Accounts payable are recognised when the invoice is received.



A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire or the company loses control over them. The same applies for portions of a financial asset.

A financial liability is removed from the balance sheet when the obligation in the agreement is discharged or otherwise expires. The same applies for portions of a financial liability.

A financial asset and a financial liability are offset against each other and recognised as a net sum on the balance sheet only when there exists a legal right to offset the amounts and an intention to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Acquisitions and sales of financial assets are recognised at the trade date, which is the date when the company commits to acquire or sell the asset.

#### **Classification and measurement**

Financial instruments that are not derivatives are initially recognised at the acquisition cost, corresponding to the instrument's fair value including direct transaction costs for all financial instruments except those belonging to the category financial assets measured at fair value through profit and loss, which are recognised at fair value excluding transaction costs. A financial instrument is classified upon initial recognition based on the purpose of the acquisition of the instrument. The classification of a financial instrument determines how it is measured after initial recognition as follows.

Derivative instruments are initially reported at fair value, meaning that transaction costs are charged to profit/loss for the period. After the initial recognition, derivative instruments are recognised as follows. If the derivative is used for hedge accounting, then to the extent that it is effective the change in value of the derivative is recognised on the same line in the profit and loss accounts as the hedged item. Even if hedge accounting is not used, increases and decreases in the value of the derivative are recognised as income or expense in operating profit/loss or in financial income and expenses based on what the derivative is used for and to what extent the use is related to an operating item or financial item. If hedge accounting is used, the ineffective portion is recognised in the same way as value changes in a derivative not used for hedge accounting. If hedge accounting is not used for interest swaps, then the interest coupon is recognised as interest, and other changes in value of the interest swap are recognised as other financial income or other financial expenses.

The fair value amounts are based on directly observed market prices or derived from market prices.

Cash and cash equivalents comprise cash and funds immediately available at banks and similar institutions as well as current invest-

ments with terms of less than three months at the acquisition date and which are exposed to an insignificant risk for changes in value.

#### **Financial assets measured at fair value through the profit and loss accounts**

This category consists of two subcategories: financial assets held for trading and other financial assets that the Company initially chooses to put in this category. A financial asset is classified as held for trading if it is acquired with the aim of being sold in the short term. Derivatives that are independent, as well as embedded derivatives, are classified as held for trading. Assets in this category are measured continually at fair value, and the changes in value are recognised in the profit and loss accounts, except for derivatives that are identified as effective hedge instruments.

#### **Loan receivables and accounts receivable**

Loan receivables and accounts receivable are non-derivative financial assets with payments that are fixed or can be determined and that are not listed on an active market. These assets are measured at amortised cost. The amortised cost is determined based on the effective rate of interest estimated at the time of acquisition. Receivables shorter than three months are recognised at acquisition cost. Accounts receivable are recognised at the amounts expected to be received, that is, after deductions for doubtful receivables.

#### **Held-to-maturity investments**

Held-to-maturity investments are financial assets and include interest-bearing securities with fixed or determinable payments and a fixed term that the company has clearly stated it intends to hold to maturity and has the capability to do so. Assets in this category are measured at the amortised cost.

#### **Available-for-sale financial assets**

The category of available-for-sale financial assets includes financial assets not included in any other category or financial assets that the company initially chooses to put in this category. Holdings of shares and participations not reported as subsidiaries or associated companies are recognised here. Assets in this category are measured continually at fair value with value changes recognised in equity, though not those changes relating to impairment (see accounting policies for impairment), nor interest on receivables instruments or dividend income, nor exchange rate differences for monetary items recognised in profit and loss. Shares and participations of insignificant value are recognised at acquisition cost. When the investment is sold, accumulated gains or losses previously recognised in equity are transferred to the profit and loss accounts.

#### **Other financial liabilities**

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortised cost. Liabilities shorter than three months are recognised at acquisition cost.

The categories to which the Group's financial assets and liabilities belong are explained in note 23, Financial assets and liabilities.

#### **Derivatives and hedge accounting**

The Group's derivative instruments have been acquired to hedge the interest and currency risk exposure of the Group. Embedded derivatives are recognised separately unless they are closely related to the host contract.

To meet the requirements of hedge accounting in accordance with IAS 39 there must be a clear connection to the hedged item. Furthermore, the hedging must protect the hedged item efficiently, hedging documents must be prepared and the efficiency must be measurable. Gains and losses on hedging are recognised in the profit and loss accounts at the same time that profit and loss are recognised for the items being hedged.

#### **Receivables and liabilities denominated in foreign currencies**

Forward contracts are used to hedge receivables and liabilities against foreign exchange risk. Hedge accounting is not used to protect against currency risks, because a financial hedge is reflected in the accounts by recognising the underlying receivable or liability and its hedge instrument at the rate at the end of the reporting period and by recognising changes arising from exchange rate fluctuations in the profit and loss accounts.

#### **Hedging of foreign currency – cash flow hedging**

Foreign exchange contracts used to hedge future cash flows and forecast sales, and purchases in foreign currency are recognised at fair value on the balance sheet. Changes in value are recognised in other comprehensive income and accumulate in the hedge reserve in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction.

When the hedged future cash flow refers to a transaction capitalised on the balance sheet, the hedge reserve is reversed when the hedged item is recognised on the balance sheet. If the hedged item is a financial asset or liability, the hedge reserve is reversed gradually in the profit and loss accounts at the same rate as the hedged item affects profit/loss.

When a hedging instrument expires, is sold, terminated or exercised, or the company revokes the designation of the hedge relationship before the hedged transaction occurs and



the forecast transaction is still expected to occur, the accumulated profit/loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated gains or losses on the hedge instrument are reversed immediately into the profit and loss accounts in accordance with the principles described above for derivatives.

**Hedging of fixed interest – cash flow hedging**

Interest rate swaps are used to hedge against the uncertainty of future interest flows related to loans carrying variable rates of interest. Swaps are measured at fair value on the balance sheet. The interest coupon is recognised in the profit and loss accounts continually as interest income or expense. Other value changes in swaps are recognised directly in the hedge reserve in equity until the hedged item affects the profit and loss accounts and as long as the criteria for hedge accounting and efficiency are fulfilled.

The gain or loss attributable to the ineffective portion is recognised in the profit and loss accounts.

**Hedging of fair value**

When a hedging instrument is used to hedge fair value, the derivative is recognised at fair value on the balance sheet and the hedged asset/liability is also recognised at fair value with regard to the risk being hedged. Changes in the value of the derivative are recognised in the profit and loss accounts together with changes in the value of the hedged item.

Hedging of fair values is used to hedge the value of assets and liabilities on the balance sheet that are not recognised at fair value and of contracted flows.

**Hedging of fixed interest – fair value hedging**

Interest swaps are used as instruments to hedge against the risk of changes in the fair value of borrowings with fixed interest rates. Thus fair value hedges are used in the accounts, the hedged item is translated into fair value regarding the hedged risk (risk-free interest), and the change in value is recognised in the profit and loss accounts in the same way as the hedge instrument is.

**Hedging of net investments**

See the description above for foreign currencies.

**Electricity derivatives**

BillerudKorsnäs buys electricity from external suppliers. To continually hedge the electricity price, BillerudKorsnäs enters into derivative contracts for electricity. Electricity derivatives that protect the forecast outward flow of electricity expenses are recognised in the balance sheet at fair value. Changes in value are

recognised in other comprehensive income and accumulate in the hedge reserve in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction.

The gains or losses realised on these contracts are recognised continuously in operating profit/loss as a correction of electricity costs.

**Property, plant and equipment Owned assets**

The Group recognises property, plant and equipment at cost less deductions for accumulated depreciation and any impairment losses. Acquisition cost includes the purchase price and costs directly attributable to the asset in order to bring it into place in the right condition to be used as intended. Examples of directly attributable costs are costs for delivery and handling, installation, title registration, consulting services and legal services. Borrowing costs directly attributable to the purchase, construction or production of assets that take considerable time to complete for intended use or sale are capitalised.

The acquisition cost of internally produced non-current assets includes costs for materials, employee benefits, other production overheads directly attributable to the assets and estimated outlays for dismantling and removing the assets and restoring the site or area where they are located. Property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is removed from the balance sheet upon scrapping or disposal or when no future economic benefit is expected from its use, scrapping or disposal. Any gain or loss arising from the scrapping or disposal of an asset is the difference between the sale proceeds and the asset's carrying amount less deductions for direct selling costs.

Gains and losses are recognised as other operating income or expense.

The accounting policies for impairment are explained below.

**Leased assets**

Leases are classified in the consolidated accounts either as finance leases or operating leases. A finance lease substantially transfers the economic risks and rewards associated with ownership to the lessee; any other case is an operating lease.

Assets leased under finance leases are recognised as assets on the balance sheet and are initially measured at the lease object's fair value or the present value of minimum leasing payments at the start of the agreement, whichever is less. The obligation to pay future lease payments is recognised as current and non-

current liabilities. The leased assets are depreciated over the period of use of each asset, while leasing payments are recognised as interest and repayment of liabilities.

Assets hired in accordance with operating leases are not normally recognised as assets on the balance sheet. Operating leases do not result in a liability either.

**Subsequent costs**

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

A subsequent cost is added to the acquisition cost if the expenditure relates to the replacement of identified components or parts thereof. Even if new components are created, the expenditure is added to the cost of the asset. Any remaining carrying amount for replaced components, or parts of them, is scrapped and expensed in connection with the replacement. Repairs are expensed as incurred.

Maintenance stops are performed at the production units at regular intervals. The larger maintenance measures that recur on these occasions have been judged through 2012 as a separate component and depreciation has been recognised periodically until the next maintenance stop, normally after 12–18 months. As of 1 January 2013 all costs associated with maintenance stops are expensed when they arise.

**Depreciation policies**

Assets are depreciated on a straight-line basis over the estimated useful life of the asset, though land is not depreciated. The Group applies component depreciation, which means that each component's estimated useful life forms the basis for depreciation.

**The following depreciation periods are applied:**

Industrial buildings	20–33 years
Residential and office buildings	30–50 years
Land improvements	20–25 years
Machinery used for pulp and paper	20–25 years
Other machinery	10 years
Vehicles, equipment and components	1–5 years
The residual value and useful life of each asset is assessed annually.	

**Intangible assets Goodwill**

Goodwill is measured at acquisition cost less any accumulated impairment. Goodwill is distributed among cash-generating units and tested for impairment at least once a year (see

the accounting policies for Impairment of property, plant and equipment and intangible assets as well as participations in subsidiaries and associated companies). Goodwill arising upon the acquisition of associated companies is included in the carrying amount of the participations.

### Research and development

BillerudKorsnäs' product and process development focuses primarily on meeting customer requirements on product characteristics and adaptations. Activities are divided into a research phase and a development phase. Examples of expenditure included in the research phase are costs related to acquiring new knowledge and costs for the evaluation of and search for alternative grades and processes. Costs for the research phase are expensed continually in the profit and loss accounts as per IAS 38.

Costs for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognised as an asset on the balance sheet, if the product or process is technically and commercially feasible and the company has sufficient resources to complete the development and then use or sell the intangible asset. The carrying amount includes costs for materials, direct costs for salaries and indirect costs that can be attributed to the asset in a reasonable and consistent manner. Other development costs are expensed in profit or loss as they arise.

### Other intangible assets

Other intangible assets include customer contracts and brands relating to corporate acquisitions and software. Costs for the development and maintenance of software are expensed as incurred. Costs that are directly linked with the development of identifiable and unique software products controlled by the Group and likely to have economic benefits for more than one year that exceed the costs, are recognised as intangible assets.

### Electricity certificates

Electricity certificates are awarded for production of renewable electricity. Electricity certificates are valued at the estimated market value and recognised as a current intangible asset included in other receivables in the balance sheet. Production entitled to electricity certificates but which had not yet been awarded certificates at the end of the reporting period is recognised as accrued income and initially measured at the estimated market price. Corresponding income is recognised in operating profit/loss as a correction of electricity costs.

### Emission rights

BillerudKorsnäs' Swedish mills have been allocated emission rights for carbon dioxide within the EU. When emission rights are

received, they are recognised at market value as a current intangible asset under other receivables in the balance sheet, and treated as a liability and recognised as a grant received.

The allocation was gradually taken up as revenue over the year, while emissions generated were expensed.

### Subsequent costs

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

### Depreciation policies

Amortisation is recognised in the profit and loss accounts on a straight-line basis throughout the estimated useful life of an intangible asset unless this period is indeterminable. Useful life is tested at least once a year. Goodwill and other intangible assets with an indeterminable useful life or intangible assets not yet ready for use are tested for impairment annually and are also tested as soon as there is an indication that the value of the asset has decreased. An intangible asset with a determinable useful life is depreciated from the time it is available for use.

### The expected useful life is:

Customer contracts	8 years
Brands	8 years
Capitalised development expenditure and software	3–7 years

The residual value and useful life of each asset is assessed annually.

### Inventories

Inventories are stated at the lower of cost and net realisable value. The FIFO (first in, first out) method is used to calculate the cost of inventories. This includes costs arising upon the acquisition of the assets and transport to the current site in their current condition. For manufactured goods and work in progress, the cost includes a reasonable portion of indirect costs based on normal capacity.

The net realisable value is the expected selling price in the ordinary course of business less expected costs for completion and selling.

### Impairment losses

The carrying amounts of Group assets are tested at the end of each reporting period to determine whether there is any indication of impairment. IAS 36 is applied to test if an impairment loss shall be recognised for assets other than financial assets, which are recognised in accordance with IAS 39, assets for sale, inventories and deferred tax assets. For the excluded assets above, the carrying amount is assessed in accordance with the relevant standard.

### Impairment of property, plant and equipment and intangible assets as well as participations in subsidiaries

If there is an indication that an asset is impaired, the recoverable amount of the asset is calculated (see below). For goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually or as soon as the need is indicated. If it is not possible to establish significantly independent cash flows for an individual asset, and if its fair value less selling costs cannot be used, the assets are grouped to test impairment at the lowest level at which it is possible to identify significantly independent cash flows (a cash-generating entity).

An impairment loss is recognised when the carrying amount of an asset, cash-generating entity or group of entities exceeds the recoverable amount. Impairment is recognised as an expense in the profit and loss accounts. Impairment identified for a cash-generating unit (group of units) is applied first of all to goodwill and then proportionately to other assets of the unit (group of units).

The recoverable amount is the higher of the fair value less selling costs and value in use. When calculating the value in use, future cash flows are discounted using a discount factor taking into account risk-free interest and the risk associated with the specific asset.

### Impairment of financial assets

At the end of each accounting period, the Company assesses whether there is any objective evidence of impairment of a financial asset or group of assets. Objective evidence may consist of observable events that have occurred and that have a negative impact on the feasibility of recovering the acquisition cost, or may consist of a significant or prolonged reduction in the fair value of a financial investment classified as a financial asset available for sale.

The value reduction recognised in profit and loss is the difference between the acquisition cost and the current fair value, less deductions for any previously recognised impairment.

The recoverable amount of assets belonging to the categories held-to-maturity, loan receivables and accounts receivable that are recognised at amortised cost is calculated as the present value of future cash flows discounted by the effective interest rate applied when the asset was initially recognised. Assets of short maturity are not discounted. Impairment is recognised as an expense in the profit and loss accounts.

### Reversal of impairment losses

Impairment of assets covered by IAS 36 is reversed if there is an indication that impairment no longer exists and there has also been a change in the assumptions on which the estimate of recoverable value was based. However, impairment recognised on goodwill is never reversed. A reversal is only performed to the



extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, minus appropriate depreciation, if no impairment loss had been recognised.

Recognised impairments of held-to-maturity investments or loan receivables and accounts receivable carried at amortised cost are reversed if a later increase in the recovery value can be objectively attributed to an event that occurred after the impairment was recognised.

Impairment of equity instruments classified as available-for-sale financial assets, which were previously recognised in the profit and loss accounts, are not reversed through profit and loss.

The impaired value is the value upon which subsequent revaluations are based, which are recognised directly in equity.

Impairment of interest-bearing instruments classified as financial assets available-for-sale are reversed in the profit and loss accounts if their fair value increases and the increase can be objectively attributed to an event that occurred after the impairment was charged.

## Capital payments to shareholders

### Buy-back of own shares

Acquisition of the Company's own shares is recognised as a deduction from equity. Consideration received from the sale of such equity instruments is recognised as an increase in equity. Any transaction costs are recognised directly in equity.

## Dividends

Dividends are recognised as a liability after the AGM has approved the dividend.

## Earnings per share

Calculation of earnings per share is based on the consolidated profit/loss attributable to parent company shareholders and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, profit/loss and the average number of shares are adjusted to take account of the effects of diluted potential ordinary shares, which during the reporting period are linked to employee share options. Dilution resulting from share options affects the total number of shares and arises only when the subscription price is lower than the market price and increases as the difference between subscription price and market price increases. The subscription price is adjusted by adding the value of future services connected to the equity-regulated employee share options scheme, which is recognised as a share-based payment in accordance with IFRS 2.

## Employee benefits

### Defined-contribution plans

Pension plans in which the company's commitments are restricted to the fees the company has undertaken to pay are classified as defined-contribution pension plans. In

those cases, the size of an employee's pension depends on the fees the company pays into the pension plan or to an insurance company and the capital return on those fees. Consequently it is the employee who bears the actuarial risk (that the benefit is less than expected) and the investment risk (that the invested assets will be insufficient to support the expected benefit). The company's commitments concerning fees paid to defined-contribution pension plans are recognised as a cost in the profit and loss accounts at the rate at which they are earned through the employee performing services for the company during a period.

### Defined-benefit plans

The Group's net commitments for defined-benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the current period and previous periods; this benefit is discounted to its present value. The discount rate is the interest rate at the end of the reporting period for a first class corporate bond, including mortgage bonds, with a duration corresponding to the Group's pension commitments. When there is no active market for such corporate bonds, the market rate for government bonds of corresponding duration is used instead. The calculation is made by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets is calculated at the report date.

In the determination of the present value of the commitment, actuarial gains or losses may arise. They arise either because the fair value deviates from earlier assumptions or because the assumptions change. From 2013 BillerudKorsnäs applies the EU-approved amendment to IAS 19 Employee Benefits. This amendment eliminates the "corridor method". Beginning in 2013 actuarial gains and losses are recognised in other comprehensive income.

In the balance sheet the carrying amount of pensions and similar commitments represents the present value of commitments at the end of the period. Interest on pension liabilities is recognised in financial items. No new earnings occur in the plans. Correction of previous years' earnings as well as gains and losses due to changes in pension plans are recognised in operating income.

The commitments for retirement and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. This is a multiemployer defined-benefit plan. BillerudKorsnäs has not had access to information for the 2014 financial year to enable it to disclose this plan as a defined-benefit plan. ITP pension plans secured via insurance with Alecta are therefore disclosed as defined-contribution plans.

### Other long-term employee benefits

The Group's net commitment for other long-term employee benefits, aside from pensions, constitutes the value of future benefits that the

employee has earned through employment both in the current period and previous periods. This benefit is discounted to its present value, and the fair value of any plan assets is deducted. The discount rate is determined on the same basis as for defined-benefit pension plans, and the calculations are performed using the projected unit credit method. Any actuarial gains or losses are recognised in the profit and loss accounts for the period when they arise.

### Termination benefits

A provision is recognised in connection with termination of staff only if the company is clearly committed, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time.

When a termination benefit is offered to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

### Short-term benefits

Short-term benefits to employees are calculated without discounting and are recognised as a cost when the related services are received.

### Share-based payments

The share incentive programmes introduced between 2010 and 2014 are recognised as share-based payments settled with equity instruments in accordance with IFRS 2. This means that their fair value is calculated based on forecast achievement of targets set for the measurement period. The value is distributed over the vesting period. Once the fair value has been determined, it is not revalued, except for changes in the number of shares resulting from the condition on continued employment during the vesting period no longer being fulfilled.

Social fees attributable to share-based payments are recognised as per the Swedish Financial Reporting Board's statement UFR 7, which states that the cost shall be distributed among the periods when services are performed. The resulting provision is revalued at the end of each period to correspond to the estimated fees that will be paid at the end of the vesting period.

### Provisions

Provisions are different from other liabilities, because the time of payment or the size of the payment are uncertain. A provision is posted on the balance sheet when the Group has an existing legal or informal commitment as the result of a past event and it is probable that an outlay of resources will be required to settle the commitment and so that a reliable estimate of the amount can be made.

A provision is made based on the best estimate of what will be required to settle the existing commitment at the end of the reporting period. In cases where the effect of when in time the payment is made is material, the amount of the provision is calculated by

discounting forecast cash flows using a pre-tax interest rate that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

#### **Warranties**

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historic data on warranties and a weighing of possible outcomes in relation to the probability of these outcomes occurring.

#### **Restructuring**

A provision for restructuring is recognised when the Group has established a detailed and formal restructuring plan, and the restructuring has either started or been publicly announced. No provisions are made for future operating expenses.

#### **Recovery of contaminated land**

In accordance with the Group's publicised environmental principles and appropriate legal requirements, a provision is recognised for recovery of land when it becomes contaminated.

#### **Contingent liabilities**

A contingent liability is recognised whenever there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or there is an obligation not reported as a liability or provision because it is not probable that resources will have to be used to settle the obligation or the obligation cannot be calculated sufficiently reliably.

#### **Parent Company's accounting policies**

The parent company prepares its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's standard RFR 2 Reporting by legal entities. Statements on listed companies published by the Swedish Financial Reporting Board are also followed. Under RFR 2, the parent company in its annual report for the legal entity shall apply all IFRS and interpretations endorsed by the EU as far as possible within the limitations of the Annual Accounts Act, the Swedish law safeguarding pension commitments and with consideration for the connection between accounting and taxation.

#### **Differences between the Group's accounting policies and those of the parent company**

The differences between the Group's accounting policies and those of the parent company are set out below. The accounting policies of the parent company described below have been applied consistently in all periods presented in the parent company's financial statements.

#### **Classification and measurement**

The parent company's profit and loss accounts and balance sheet are presented based on the schedule in the Swedish Annual Accounts Act. The differences from IAS 1 Presentation of Financial Statements, which is applied when structuring the consolidated accounts, mainly concern reporting of financial income and expenses, non-current assets, equity and the use of provisions as a separate heading in the balance sheet.

#### **Subsidiaries and associated companies**

Participations in subsidiaries and associated companies are recognised in the parent company in accordance with the cost method. All dividends from subsidiaries and associated companies are recognised in the profit and loss accounts for the parent company.

Under special circumstances, such as dividends can serve as an indication that the shares have declined in value and thus a test for impairment should be performed.

#### **Financial instruments and hedge accounting**

Because of the connection between accounting and taxation, the rules in IAS 39 concerning financial instruments and hedge accounting are not applied by the parent company as a legal entity.

The parent company measures noncurrent financial assets at acquisition cost less any impairment losses and current financial assets at the lesser of cost or market.

The cost of interest-bearing instruments is adjusted for the accrued difference between the amount originally paid, after deducting transaction costs, and the amount paid on the due date (at a discount or premium).

Forward contracts used to hedge changes in foreign exchange rates for receivables and liabilities in foreign currency are measured at the spot rate on the date the contract is made for measurement of the underlying receivable or liability. The difference between the forward rate and the rate prevailing when the contract is entered into (forward premium) is allocated across the period of the forward contract and is included in the net financial income/expense item.

Interest swaps that effectively hedge cash flow risks in interest payments for liabilities are measured at the net of accrued receivables at variable interest and accrued liabilities with regard to fixed interest, and the difference is recognised as either interest income or expense. Hedging is effective if the economic outcome of hedging and the liability is the same as if the liability had instead been reported at a fixed market interest rate when the hedge was made.

Any premium paid for a swap agreement is allocated across the contract period as interest.

Derivatives not used for hedging are measured in the parent company according to

the lower of cost or market. Recognition of derivatives used for hedging is governed by the hedged item. This means that the derivative is treated as an off-balance-sheet item as long as the hedged item is not on the balance sheet or recognised on the balance sheet at cost.

#### **Anticipated dividends**

Anticipated dividends from subsidiaries are recognised if the parent company has the sole right to determine the size of the dividend and has determined the size of the dividend before publishing its financial statements.

#### **Intangible assets – Goodwill etc.**

Goodwill and other intangible assets with an indeterminate useful life that are not normally subject to amortisation in the Group are amortised in the parent company in accordance with the Annual Accounts Act. This normally means an amortisation period of five years, but the period can be longer in special cases.

#### **Employee benefits – Defined-benefit plans**

The parent company uses different assumptions than those set out in IAS 19 when calculating defined-benefit pension plans. The parent company follows the Swedish law on safeguarding pension commitments and the Swedish Financial Supervisory Authority's rules, because they are a condition for tax deductions. The most material differences compared to the IAS 19 rules are how the discount rate is determined, that the calculation of the defined benefit commitment is based on current salary levels with no consideration of future increases and that all actuarial gains and losses are recognised in the profit and loss accounts as they occur.

#### **Taxes**

In the parent company, untaxed reserves are recognised on the balance sheet without dividing them into equity and deferred tax liabilities, unlike in the consolidated accounts. Correspondingly, the parent company does not recognise in its profit and loss accounts deferred tax expense as a part of appropriations.

#### **Shareholder contributions**

Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in shares and participations for the contributor, as far as no impairment is determined.

#### **Group contributions paid**

BillerudKorsnäs has elected to apply the alternative rule in accordance with RFR 2, which means that all group contributions are recognised in appropriations.



## 2 OPERATING PROFIT/LOSS BY SEGMENT AND NET SALES BY MARKET

The Group's business is managed and reported in three business areas: Packaging Paper, Consumer Board and Containerboard. Non-current assets and capital investments cannot be broken down by business area since the business areas are highly integrated in terms of production. The main target for each business area is the operating margin.

Currency hedging etc. includes results from hedging of the Group's net currency flows and revaluation of accounts receivable and payments from customers. The part of the currency exposure that relates to changes in invoicing rates is included in the business area's profit/loss.

Other units include wood supply, sales organisations, Nine AB, Billerud Inc., Diacell AB, Bomhus Energi AB, Latgran, white kraft and sack paper at the Gävle production unit (PM2) and dormant companies. Group staff and eliminations comprise Group-wide functions and Group eliminations. Group eliminations also include shares in profits/losses in associates.

Profit/loss by operating segment SEKm	Packaging Paper		Consumer Board		Containerboard		Currency hedging, etc.		Other units		Group staff and eliminations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Group</b>														
Net sales	8 101	7 279	7 436	6 964	3 148	3 073	-29	76	2 197	2 297	-	-	20 853	19 689
Other income	5	15	6	59	10	15			95	41	2	-	118	130
Operating expenses, other	-6 933	-6 542	-5 858	-5 768	-2 570	-2 575			-2 055	-2 118	-276	-240	-17 692	-17 243
Depreciation, amortisation and impairment losses	-472	-468	-669	-698	-172	-195			-71	-84	6	6	-1 378	-1 439
<b>Operating profit/loss</b>	<b>701</b>	<b>284</b>	<b>915</b>	<b>557</b>	<b>416</b>	<b>318</b>	<b>-29</b>	<b>76</b>	<b>166</b>	<b>136</b>	<b>-268</b>	<b>-234</b>	<b>1 901</b>	<b>1 137</b>
Operating margin	9%	4%	12%	8%	13%	10%			8%	6%			9%	6%
Financial items													-248	-309
Taxes													-352	-142
<b>Profit/loss for the period</b>													<b>1 301</b>	<b>686</b>

Of net sales of SEK 20 853 million (19 689), SEK 26 million (17) was sales of services.

The Group has one customer in the Consumer Board segment which accounts for more than 10 percent of the Group's sales. Operating profit/loss has been reallocated after the year-end report. This affects Other units and Group staff and eliminations.

### Parent company

Net sales	1 446	1 375	391	264	2 002	2 127	-55	50	-	-	-	-	3 784	3 816
<b>Operating profit/loss<sup>1</sup></b>	<b>172</b>	<b>86</b>	<b>49</b>	<b>-1</b>	<b>334</b>	<b>301</b>	<b>-55</b>	<b>50</b>	<b>-1 846</b>	<b>-231</b>	<b>-</b>	<b>-</b>	<b>-1 346</b>	<b>205</b>
Financial items													-163	-191
Appropriations													950	-1 231
Taxes													133	272
<b>Profit/loss for the period</b>													<b>-426</b>	<b>-945</b>

<sup>1</sup> Operating profit/loss for the year is charged with SEK -1 584 million for a capital loss from the sale of Gruvön's assets and liabilities to the subsidiary BillerudKorsnäs Sweden AB.

Of net sales of SEK 3 784 million (3 816), SEK 0 million (0) was sales of services.

Net sales by market segment SEKm	Group		Parent company		Non-current assets by country SEKm	Group	
	2014	2013	2014	2013		2014	2013
Sweden	2 733	2 666	181	269	Sweden	16 041	16 046
Other EU countries	11 052	10 819	2 114	2 312	Finland	762	757
Rest of Europe	1 472	1 208	268	224	Latvia	535	463
Other markets	5 596	4 996	1 221	1 011	United Kingdom	68	59
<b>Total</b>	<b>20 853</b>	<b>19 689</b>	<b>3 784</b>	<b>3 816</b>	Other	47	47
						<b>17 453</b>	<b>17 372</b>

Non-current assets include intangible assets and property, plant and equipment.

## 3 OTHER OPERATING INCOME

SEKm	2014	2013
<b>Group</b>		
Services sold	34	34
Other	84	96
<b>Group total</b>	<b>118</b>	<b>130</b>
<b>Parent company</b>		
Services sold	2	7
Commissions	17	30
Other	3	4
<b>Parent company total</b>	<b>22</b>	<b>41</b>

#### 4 FEES AND REMUNERATION TO AUDITORS

SEKm	Group		Parent company	
	2014	2013	2014	2013
<b>Ernst &amp; Young</b>				
Auditing assignments <sup>1</sup>	3	3	1	1
Auditing activities besides audit assignments	1	1	–	–
Tax consultancy	–	–	–	–
Other services	–	7	–	7
<b>Total</b>	<b>4</b>	<b>11</b>	<b>1</b>	<b>8</b>
<b>Other auditors</b>				
Auditing assignments <sup>1</sup>	1	1	–	–
Tax consultancy	2	1	2	–
Other services	1	–	–	–
<b>Total</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>–</b>

<sup>1</sup> Audit assignments refer to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's administration of the Company, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during audits or the performance of such tasks. Other assignments refers chiefly to remuneration for advisory services in relation to accounting matters.

#### 5 EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

Average number of employees	2014	Of which	2013	Of which
		men, %		men, %
<b>Parent company</b>				
Sweden	908	79	943	80
Other countries	6	100	5	100
<b>Parent company total</b>	<b>914</b>	<b>80</b>	<b>948</b>	<b>80</b>
<b>Subsidiary</b>				
Sweden	2 539	82	2 638	85
Finland	178	87	185	86
Germany	28	46	28	46
Netherlands	2	100	2	100
France	16	44	15	47
Italy	11	33	11	45
Spain	12	42	10	40
United Kingdom	153	90	155	90
Switzerland	1	100	1	100
China	80	38	34	41
USA	23	61	7	57
Lithuania	6	17	6	17
Latvia	229	82	231	81
Estonia	2	50	1	100
<b>Subsidiaries total</b>	<b>3 280</b>	<b>81</b>	<b>3 324</b>	<b>83</b>
<b>Group total</b>	<b>4 194</b>	<b>81</b>	<b>4 272</b>	<b>83</b>

SEKm	Group		Parent company	
	2014	2013	2014	2013
<b>Employee benefits expense</b>				
Wages, salaries and other remuneration				
Board, CEO and management teams <sup>1</sup>	57	48	57	48
of which bonuses	15	7	15	7
Other employees	2 100	2 028	463	446
of which bonuses	113	63	27	16
<b>Total salaries and other remuneration</b>	<b>2 157</b>	<b>2 076</b>	<b>520</b>	<b>494</b>

#### NOTE 5 (CONT.)

SEKm	Group		Parent company	
	2014	2013	2014	2013
<b>Social security costs</b>				
Contractual pensions for the CEO and management team <sup>1</sup>				
Defined-benefit pensions	–	–	–	–
Defined-contribution pensions	8	8	8	8
Contractual pensions, other				
Defined-benefit pensions	–9	–3	–	–1
Defined-contribution pensions	180	201	30	40
Other social security costs	684	676	176	171
<b>Total social security costs</b>	<b>863</b>	<b>882</b>	<b>214</b>	<b>218</b>
<b>Total employee benefits expense</b>	<b>3 020</b>	<b>2 958</b>	<b>734</b>	<b>712</b>

<sup>1</sup> CEO and management teams refers to those of both the parent company and the Group, the Group CEO and the Senior Management Team. Board refers to the Board of BillerudKorsnäs AB.

Number of women in management positions, % <i>Group and parent company management</i>	2014	2013
	Board	27
CEO and management team	20	20

For information about the benefits of senior managers in accordance with the Annual Accounts Act, see note 24.

#### 6 NET FINANCIAL ITEMS

SEKm	Group		Parent company	
	2014	2013	2014	2013
<b>Financial income</b>				
Dividends from Group companies	–	–	42	18
Capital gain/loss from sale of subsidiaries	–	–	–	1
Impairment losses, subsidiaries	–	–	–12	–14
Dividends from other participations	7	9	–	1
Interest income, Group companies	–	–	2	9
Interest income, other	4	10	3	3
<b>Financial income</b>	<b>11</b>	<b>19</b>	<b>35</b>	<b>18</b>
<b>Financial expenses</b>				
Interest expense for financial liabilities measured at amortised cost	–212	–286	–183	–211
Interest expense for pension provision	–25	–25	–11	–8
Net interest income on derivatives in hedge accounting	–	–	25	26
Net change in exchange rates	3	1	–4	–1
Other financial expenses	–25	–18	–25	–15
<b>Financial expenses</b>	<b>–259</b>	<b>–328</b>	<b>–198</b>	<b>–209</b>
<b>Net financial items</b>	<b>–248</b>	<b>–309</b>	<b>–163</b>	<b>–191</b>

#### 7 APPROPRIATIONS

SEKm	Parent company	
	2014	2013
Group contributions received	–	560
Group contributions paid	–830	–2
Tax allocation reserve	–	–9
Difference between recognised and scheduled depreciation/amortisation		
Plant and equipment	1 780	–1 780
<b>Parent company total</b>	<b>950</b>	<b>–1 231</b>



8 TAX

SEKm	Group		Parent company	
	2014	2013	2014	2013
<b>Profit/loss before tax</b>				
Sweden, Group companies	1 515	636	-559	-1 217
Rest of world, Group companies	138	192	-	-
<b>Total profit/loss before tax</b>	<b>1 653</b>	<b>828</b>	<b>-559</b>	<b>-1 217</b>
<b>Tax expense</b>				
<b>Current tax</b>				
Tax expense for the period	-20	-28	-	-10
Tax attributable to previous period	3	-	4	-
<b>Total current tax</b>	<b>-17</b>	<b>-28</b>	<b>4</b>	<b>-10</b>
<b>Deferred tax</b>				
Deferred tax income/expense related to temporary differences	-335	-114	129	282
<b>Total tax expense</b>	<b>-352</b>	<b>-142</b>	<b>133</b>	<b>272</b>
<b>%</b>				
<b>Reconciliation, effective tax rate</b>				
Swedish income tax rate	22.0	22.0	22.0	22.0
Effect of other tax rates for foreign subsidiaries	-0.5	-0.6	-	-
Tax-exempt dividends	-0.1	-0.2	1.7	0.3
Tax income attributable to previous period	-0.2	-	0.7	-
Impairment of shares	-	-	-0.5	-0.3
Tax effect of non-deductible expenses	0.2	0.1	-0.4	-0.1
Tax effect of tax-exempt income	-	-	0.1	0.1
Reversal of previous tax provision	-	-1.5	-	-
Tax deficit not recognised	-	0.5	-	-
Tax on share of profit/loss in associates	-	-0.3	-	-
Tax on activities subject to commissions	-	0.4	-0.1	-
Deductions for allocation of shares in incentive programmes	-0.1	-0.4	0.3	0.2
Tax effects due to new tax rates in Sweden, Finland and the UK	-	-2.8	-	-
<b>Tax rate according to income statement</b>	<b>21.3</b>	<b>17.2</b>	<b>23.8</b>	<b>22.2</b>

Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance	Recognised in profit and loss	Recognised directly in equity	Closing balance,
	1 Jan 2014			31 Dec 2014
<b>Group</b>				
<b>Deferred tax liability</b>				
Other non-current assets	2 629	540	-	3 169
Tax allocation reserve	135	-	-	135
Hedging reserve	-3	-	-45	-48
<b>Total deferred tax liability</b>	<b>2 761</b>	<b>540</b>	<b>-45</b>	<b>3 256</b>
<b>Deferred tax asset</b>				
Buildings and land	28	-18	-	10
Inventories	1	3	-	4
Accounts receivable	10	-2	-	8
Provisions	21	15	12	48
Loss	11	207	-	218
<b>Total deferred tax asset</b>	<b>71</b>	<b>205</b>	<b>12</b>	<b>288</b>
<b>Total net deferred tax liability</b>	<b>2 690</b>	<b>335</b>	<b>-57</b>	<b>2 968</b>
Portion recognised as deferred tax asset	1	-	-	18
Portion recognised as deferred tax liability	2 691	-	-	2 986

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 4 million. The assessment was made based on uncertainty about whether this tax asset can be recovered.

Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance	Recognised in profit and loss	Recognised directly in equity	Closing balance,
	1 Jan 2013			31 Dec 2013
<b>Group</b>				
<b>Deferred tax liability</b>				
Other non-current assets	2 566	58	5	2 629
Tax allocation reserve	76	59	-	135
Hedging reserve	2	-	-5	-3
<b>Total deferred tax liability</b>	<b>2 644</b>	<b>117</b>	<b>-</b>	<b>2 761</b>
<b>Deferred tax asset</b>				
Buildings and land	30	-2	-	28
Inventories	-2	3	-	1
Accounts receivable	7	3	-	10
Provisions	33	-12	-	21
Loss	0	11	-	11
<b>Total deferred tax asset</b>	<b>68</b>	<b>3</b>	<b>-</b>	<b>71</b>
<b>Total net deferred tax liability</b>	<b>2 576</b>	<b>114</b>	<b>-</b>	<b>2 690</b>
Portion recognised as deferred tax asset	1	-	-	1
Portion recognised as deferred tax liability	2 577	-	-	2 691

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 4 million. The assessment was made based on uncertainty about whether this tax asset can be recovered.

Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance	Recognised in profit and loss	Closing balance,
	1 Jan 2014		31 Dec 2014
<b>Parent company</b>			
<b>Deferred tax liability</b>			
Other non-current assets	277	-136	141
<b>Total deferred tax liability</b>	<b>277</b>	<b>-136</b>	<b>141</b>
<b>Deferred tax asset</b>			
Buildings and land	5	-5	-
Accounts receivable	1	-	1
Provisions	5	-2	3
Loss	-	-	-
<b>Total deferred tax asset</b>	<b>11</b>	<b>-7</b>	<b>4</b>
<b>Total net deferred tax liability</b>	<b>266</b>	<b>-129</b>	<b>137</b>

There are no significant temporary differences in participations in subsidiaries.

SEKm	Opening balance	Recognised in profit and loss	Closing balance,
	1 Jan 2013		31 Dec 2013
<b>Parent company</b>			
<b>Deferred tax liability</b>			
Other non-current assets	559	-282	277
<b>Total deferred tax liability</b>	<b>559</b>	<b>-282</b>	<b>277</b>
<b>Deferred tax asset</b>			
Buildings and land	5	-	5
Accounts receivable	1	-	1
Provisions	4	1	5
Loss	-	-	-
<b>Total deferred tax asset</b>	<b>10</b>	<b>1</b>	<b>11</b>
<b>Total net deferred tax liability</b>	<b>549</b>	<b>-283</b>	<b>266</b>

There are no significant temporary differences in participations in subsidiaries.



## 9 EARNINGS PER SHARE

	2014	2013		2014	2013
<b>Basic earnings per share</b>			<b>Diluted earnings per share</b>		
Profit/loss for the period, SEKm	1 277	671	Profit/loss for the period, SEKm	1 277	671
Weighted number of outstanding ordinary shares	206 761 898	206 631 569	Adjusted profit/loss, SEKm	1 277	671
<b>Basic earnings per share, SEK</b>	<b>6.18</b>	<b>3.24</b>	Weighted number of outstanding ordinary shares	206 761 898	206 631 569
			Adjustment for assumed dilution through incentive programme	536 092	419 555
			No. of shares included in calculation of earnings per share	207 297 990	207 051 124
			<b>Diluted earnings per share, SEK</b>	<b>6.16</b>	<b>3.24</b>

## 10 INTANGIBLE ASSETS

SEKm	Acquired intangible assets									
	Goodwill		Customer contract		Brand		Other intangible assets		Total	
Group	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Acquisition value</b>										
Carrying amount at start of year	2 127	2 072	567	567	66	66	101	99	2 861	2 804
Investments							3		3	0
Investment through business combinations		55						1	–	56
Amended accounting policy, Bomhus								1	–	1
Reclassification	–39				39				–	–
Translation differences					8		1		9	–
<b>Carrying amount at year-end</b>	<b>2 088</b>	<b>2 127</b>	<b>567</b>	<b>567</b>	<b>113</b>	<b>66</b>	<b>105</b>	<b>101</b>	<b>2 873</b>	<b>2 861</b>
<b>Accumulated amortisation</b>										
Carrying amount at start of year			–76	–5	–9	–1	–87	–77	–172	–83
Amortisation			–71	–71	–16	–8	–2	–10	–89	–89
Translation differences							–1		–1	0
<b>Carrying amount at year-end</b>	<b>–</b>	<b>–</b>	<b>–147</b>	<b>–76</b>	<b>–25</b>	<b>–9</b>	<b>–90</b>	<b>–87</b>	<b>–262</b>	<b>–172</b>
<b>Accumulated impairment losses</b>										
Carrying amount at start of year	–31	–30							–31	–30
Impairment losses		–1							0	–1
<b>Carrying amount at year-end</b>	<b>–31</b>	<b>–31</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–31</b>	<b>–31</b>
<b>Carrying amounts according to balance sheet</b>	<b>2 057</b>	<b>2 096</b>	<b>420</b>	<b>491</b>	<b>88</b>	<b>57</b>	<b>15</b>	<b>14</b>	<b>2 580</b>	<b>2 658</b>
<b>Parent company</b>										
<b>Acquisition value</b>										
Carrying amount at start of year							29	28	29	28
Reclassification								1	–	1
Disposals							–29		–29	–
<b>Carrying amount at year-end</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>29</b>	<b>–</b>	<b>29</b>
<b>Accumulated amortisation</b>										
Carrying amount at start of year							–25	–22	–25	–22
Amortisation							–1	–3	–1	–3
Disposals							26		26	–
<b>Carrying amount at year-end</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–25</b>	<b>–</b>	<b>–25</b>
<b>Carrying amounts according to balance sheet</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>4</b>

The goodwill of SEK 39 million, which, based on a preliminary acquisition analysis, was last year attributed to the acquisition of Paccess, has been reclassified to brands.

The Group's remaining goodwill of SEK 2 057 million arose from the acquisition of Korsnäs in 2012.

The previous allocation of goodwill was adjusted in 2014. Of the total SEK 2 057 million attributable to the Korsnäs acquisition, SEK 108 million has been allocated to SIA Latgran, which belongs to the cash-generating unit Other Units, and the remaining SEK 1 949 million has been allocated to the cash-generating business area Consumer Board. The need for impairment with regard to all goodwill from the Korsnäs acquisition in respect of the Consumer Board business area was tested in

2013. The adjustment of the allocation has not affected the need for impairment.

The recoverable amount has been calculated using the discounted present value of future cash flows. The calculations use cash flow based on the multi-year plan approved by the Company's management for the period 2015–2019. An annual growth rate of 2% (2) was used to extrapolate cash flows beyond 2019. The discount rate before tax that was used is 10% (10). An impairment test was performed and no need for impairment was identified.

The Company's management believes that no reasonable changes in any of the major assumptions would result in any impairment.



11 PROPERTY, PLANT AND EQUIPMENT

SEKm	Buildings and land <sup>1</sup>		Plant and equipment <sup>2</sup>		Leased non-current assets		Construction in progress		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Group</b>										
<b>Acquisition value</b>										
Carrying amount at start of year	3 911	3 793	30 310	28 606	14	14	832	1 057	35 067	33 470
Investments	17	30	207	520			1 155	724	1 379	1 274
Investment through business combinations				1						1
Amended accounting policy, Bomhus		87		867						954
Reclassification	81	86	1 134	855	4		-1 219	-949		-8
Disposals	-11	-89	-65	-584				-3	-76	-676
Translation differences	10	4	131	45			9	3	150	52
<b>Carrying amount at year-end</b>	<b>4 008</b>	<b>3 911</b>	<b>31 717</b>	<b>30 310</b>	<b>18</b>	<b>14</b>	<b>777</b>	<b>832</b>	<b>36 520</b>	<b>35 067</b>
<b>Accumulated depreciation</b>										
Carrying amount at start of year	-2 331	-2 303	-16 098	-15 390	-8	-7			-18 437	-17 700
Depreciation	-113	-111	-1 176	-1 200	-1	-1			-1 290	-1 312
Amended accounting policy, Bomhus		-3		-34						-37
Disposals	3	87	62	532					65	619
Translation differences	-4	-1	-65	-6					-69	-7
<b>Carrying amount at year-end</b>	<b>-2 445</b>	<b>-2 331</b>	<b>-17 277</b>	<b>-16 098</b>	<b>-9</b>	<b>-8</b>	<b>-</b>	<b>-</b>	<b>-19 731</b>	<b>-18 437</b>
<b>Accumulated impairment losses</b>										
Carrying amount at start of year	-111	-111	-1 805	-1 805					-1 916	-1 916
<b>Carrying amount at year-end</b>	<b>-111</b>	<b>-111</b>	<b>-1 805</b>	<b>-1 805</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1 916</b>	<b>-1 916</b>
<b>Carrying amounts according to balance sheet</b>	<b>1 452</b>	<b>1 469</b>	<b>12 635</b>	<b>12 407</b>	<b>9</b>	<b>6</b>	<b>777</b>	<b>832</b>	<b>14 873</b>	<b>14 714</b>
<b>Parent company</b>										
<b>Acquisition value</b>										
Carrying amount at start of year	815	810	7 399	7 348			83	21	8 297	8 179
Investments	16	4	185	53			95	79	296	136
Reclassification	5	1	67	15			-72	-17		-1
Disposals <sup>3</sup>	-829		-7 647	-17			-106		-8 582	-17
<b>Carrying amount at year-end</b>	<b>7</b>	<b>815</b>	<b>4</b>	<b>7 399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83</b>	<b>11</b>	<b>8 297</b>
<b>Accumulated depreciation</b>										
Carrying amount at start of year	-559	-533	-4 510	-4 284					-5 069	-4 817
Depreciation	-26	-26	-227	-243					-253	-269
Disposals <sup>3</sup>	585		4 735	17					5 320	17
<b>Carrying amount at year-end</b>	<b>-</b>	<b>-559</b>	<b>-2</b>	<b>-4 510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-5 069</b>
<b>Accumulated impairment losses</b>										
Carrying amount at start of year			-898	-898					-898	-898
Disposals <sup>3</sup>			898						898	
<b>Carrying amount at year-end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-898</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-898</b>
<b>Carrying amounts according to balance sheet</b>	<b>7</b>	<b>256</b>	<b>2</b>	<b>1 991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83</b>	<b>9</b>	<b>2 330</b>

1 Of which land is SEK 75 million (73) in the Group and SEK 6 (15) million in the parent company.

2 Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.

3 Refers to sale of Gruvön's non-current assets to the subsidiary BillerudKorsnäs Sweden AB.

**Leases**

Future contractual lease commitments for the Group totalled SEK 395 million, SEK 89 million of which is payable within one year and SEK 263 million within two to five years. The corresponding figure for the parent company amounted to SEK 16 million, SEK 6 million of which is payable within one year and SEK 10 million within two to five years. Leasing costs in the Group in 2014 amounted to SEK 88 million. For the parent company, the total corresponding costs were SEK 22 million.

## 12 INVESTMENTS IN GROUP COMPANIES

SEKm	2014	2013
<b>Cost</b>		
Opening balance at start of year	10 789	10 757
Investments <sup>1</sup>	40	40
Sales		-1
Liquidations		-7
<b>Closing balance at year-end</b>	<b>10 829</b>	<b>10 789</b>
<b>Accumulated impairment losses</b>		
Opening balance at start of year	-152	-145
Impairment losses <sup>2</sup>	-12	-7
<b>Closing balance at year-end</b>	<b>-164</b>	<b>-152</b>
<b>Carrying amount on the balance sheet</b>	<b>10 665</b>	<b>10 637</b>

1 Investment 2014 relates to an owner's contribution of SEK 14 million to Nine AB and an owner's contribution of SEK 26 million to Billerud Inc.

2 Impairment loss 2014 relates to the impairment of the investment in Nine AB.

### Specification of parent company's investments in Group companies

Subsidiary/Registered office/Corp. ID no.	Number of shares	Holding in % <sup>1</sup>	Carrying amount
Paccess AB, Stockholm 556459-7572	1 000	100	-
BillerudKorsnäs Sweden AB, Stockholm 556876-2974	2 000	100	1 040
Nine AB, Stockholm 556724-5658	904	90.4	2
BillerudKorsnäs Asia Holding Ltd, Hong Kong	-	100	-
Billerud Tenova Bioplastics AB, Stockholm 556639-6197	2 500	100	17
BillerudKorsnäs Beetham Ltd, Cumbria	3 500 000	100	81
Billerud Benelux B.V., Amsterdam	200	100	3
BillerudKorsnäs France S.A.S., Paris	25 401	100	-
BillerudKorsnäs Germany GmbH, Hamburg	-	100	1
BillerudKorsnäs Spain S.L, Barcelona	-	100	1
BillerudKorsnäs Italy S.r.l, Milano	-	100	-
Billerud Trading Co Ltd, Shanghai	-	100	4
BillerudKorsnäs Lithuania UAB, Klaipeda	200	100	14
BillerudKorsnäs Estonia OÜ, Pärnu	1	100	0
BillerudKorsnäs Latvia SIA, Jaunjelgava	5 620	100	43
Billerud Incorporated, Delaware	100	100	52
BillerudKorsnäs Finland OY, Helsinki	2 500	100	1 167
BillerudKorsnäs Skog & Industri AB, Gävle 556023-8338	53 613 270	100	8 240
			<b>10 665</b>

In addition to participations directly owned by the parent company, the following companies are part of the Group

Subsidiary/Registered office/Corp. ID no.	Holding in % <sup>1</sup>
BillerudKorsnäs Rockhammar AB, Lindsberg 556761-2436	100
Diacell AB, Gävle 556155-2786	100
Korsnäs Sägverks AB, Gävle 556024-8477	100
Korsnäs Advanced Systems AB, Gävle 556560-8627	100
AB Stjersunds Bruk, Gävle 556028-6881	100
Trävaru AB Dalarne, Gävle 556044-3920	100
BillerudKorsnäs UK Ltd, Stowe	100
BillerudKorsnäs Switzerland AG, Brugg	100
Latgran Biofuels AB, Gävle 556811-4184	75
SIA Latgran, Jekabpils	75
Sia Freja, Riga	100
BillerudKorsnäs USA LLC, Delaware	100
Paccess Packaging LLC, Delaware	100
Paccess International Trading, Shenzhen	100
Korsnäs Shanghai Trading Ltd, Shanghai	100
Bomhus Energi AB, Gävle 556793-5217 (joint arrangement)	50

<sup>1</sup> Participating interest in capital, which is the same as the proportion of votes in the total number of shares.

## 13 RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES, INTEREST-BEARING

SEKm	2014	2013
<b>Parent company</b>		
<b>Receivables from Group companies</b>		
Carrying amount at start of year	96	1 545
Change for the year	-55	-1 449
<b>Carrying amount at year-end</b>	<b>41</b>	<b>96</b>
<b>Liabilities to Group companies</b>		
Carrying amount at start of year	443	492
Change for the year	-411	-49
<b>Carrying amount at year-end</b>	<b>32</b>	<b>443</b>

Interest-bearing receivables and liabilities relate to the Group account with an internal rate of return and interest-bearing fixed-term loans and investments.



## 14 PARTICIPATION IN ASSOCIATED COMPANIES

SEKm	2014	2013
<b>Group</b>		
Carrying amount at start of year	13	265
Acquisitions of associated companies	–	3
Capital contribution to associated companies <sup>1</sup>	2	–
Reclassification as subsidiary	–	–28
Amended accounting policy, Bomhus Energi AB <sup>2</sup>	–	–240
Participations in associated companies profit/loss after tax	–	13
<b>Carrying amount at year-end</b>	<b>15</b>	<b>13</b>

### Associated companies

SEKm	Country	Revenue	Profit/loss	Assets	Liabilities	Equity	Proportion owned, %	Carrying amount
<b>2014</b>								
FibreForm Packaging AB	Sweden	–	–	1	–	1	35	5
ScandFibre Logistics AB	Sweden	967	–	118	107	11	40	2
Trätåg AB	Sweden	177	–	34	34	–	50	–
Fastighetsbolaget Marma Skog 31	Sweden	–	–1	6	–	6	50	8
<b>Total</b>		<b>1 144</b>	<b>–1</b>	<b>159</b>	<b>141</b>	<b>18</b>		<b>15</b>
<b>2013</b>								
FibreForm Packaging AB	Sweden	–	–2	1	–	1	35	3
ScandFibre Logistics AB	Sweden	964	–	126	115	11	40	2
Trätåg AB	Sweden	185	–	33	33	–	50	–
Industriskog AB	Sweden	–	–	–	–	–	33	–
Fastighetsbolaget Marma Skog 31	Sweden	–	–	7	–	7	50	8
<b>Total</b>		<b>1 149</b>	<b>–2</b>	<b>167</b>	<b>148</b>	<b>19</b>		<b>13</b>

SEKm	2014	2013
<b>Parent company</b>		
<b>Cost</b>		
At start of year	4	1
Capital contribution to FibreForm Packaging AB	2	3
<b>Closing balance</b>	<b>6</b>	<b>4</b>

### Specification of participations in associated companies directly owned by the parent company

Company, CIN and reg. office	Votes and capital, %		Carrying amount	
	2014	2013	2014	2013
<b>Associated companies</b>				
FibreForm Packaging AB, 556928-2873 Norrköping	35	35	5	3
ScandFibre Logistics AB, 556253-1474 Örebro	20	20	1	1
<b>Parent company total</b>			<b>6</b>	<b>4</b>

<sup>1</sup> Capital contributions of SEK 2 million have been made to FibreForm Packaging AB.

<sup>2</sup> As of 2014, ownership in Bomhus Energi AB is reported as a joint arrangement in accordance with IFRS 11, and BillerudKorsnäs reports its share of BomhusEnergi AB's revenue, expenses, assets and liabilities.

Figures and key ratios for 2013 have been restated.

## 15 OTHER HOLDINGS

SEKm, 31 Dec Name / Corp. ID no.	Number of shares	Holding in %	Carrying amount	
			2014	2013
<b>Group</b>				
Two tenant-owner properties			2	2
Innventia AB, 556023-1109	12	11	–	–
BasEl i Sverige AB, 556672-5858	100	10	1	1
VindIn AB, 556713-5172	200	10	32	29
Kalix Vindkraft AB, 556686-1729	20 000	10	5	5
BioBag International AS, 966 534 281	360	10	9	9
Bergvik Skog AB, 556610-2959	353	5	757	735
Gävle-Sandviken Flygfält AB, 556160-1625	20	3	–	–
Radio Skog AB, 556137-8506	400	10	–	–
RK Returkartong AB, 56483-8828	28	4	–	–
Associated company Nya Norrköping AB, 556364-0480	10	7	–	–
Marknadsbolaget i fjärde storstadsregionen, 556757-7647	115	5	–	–
<b>Total</b>			<b>806</b>	<b>781</b>
<b>Parent company</b>				
One tenant-owner property			2	2
Innventia AB, 556023-1109	12	11	–	–
BioBag International AS, 966 534 281 <sup>1</sup>	360	10	9	–
BasEl i Sverige AB, 556672-5858	50	5	–	–
VindIn AB, 556713-5172	100	9	24	24
<b>Total</b>			<b>35</b>	<b>26</b>

<sup>1</sup> The parent purchased the interest in BioBag International AB from subsidiary BillerudKorsnäs Sweden AB.

## 16 INVENTORIES

31 December SEKm	Group		Parent company	
	2014	2013	2014	2013
Raw materials and consumables	1 142	892		92
Finished goods	1 773	1 962		230
Work in progress	88	–		–
Advances to suppliers	142	175		–
<b>Total</b>	<b>3 145</b>	<b>3 029</b>	<b>–</b>	<b>322</b>

Operating costs include SEK 21 million (18) for impairment of inventories.

Of the inventory of finished goods, SEK 32 million (60) has been measured at net realisable value.



**17 SHAREHOLDERS' EQUITY**

**Share capital**

Owners of ordinary shares are entitled to a dividend approved at a later date, and the shareholding entitles the owner to vote at the AGM, with one vote per share. All shares have the same rights to BillerudKorsnäs' remaining net assets. Regarding shares in the Company's treasury (see below), all rights are suspended until the shares are re-issued.

**Other contributed capital**

The shares represent equity paid in by the owners. This includes part of share premium reserves transferred to the statutory reserve at 31 December 2005. Allocations to the share premium reserve from 1 January 2006 onward are also recognised as paid-in capital.

**Reserves**

**Translation reserve**

The translation reserve comprises all exchange rate differences arising from the translation of financial statements of foreign operations that have prepared their financial statements in a currency other than the currency that is the Group's functional currency. The parent company and Group present their financial statements in SEK. In addition, the translation reserve consists of exchange rate differences arising from the revaluation of debts raised to hedge net investments in foreign operations.

**Fair value reserve**

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets until the asset is derecognised from the balance sheet.

**Hedging reserve**

The hedging reserve comprises the effective portion of accumulated net changes in the fair value of a cash flow hedge instrument attributable to hedge transactions that have not yet occurred.

**Retained earnings**

Retained earnings including profit/loss for the year includes profit earned by the parent company and its subsidiaries and associates. Previous allocations to the statutory reserve, excluding transferred share premium reserves, are included in this capital item.

**Repurchased shares**

Repurchased shares includes the acquisition cost of the Company's treasury shares held by the parent company. At 31 December 2014, the Group's holdings of treasury shares totalled 1 431 673 (1 500 145).

**Dividend**

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 3.15 per ordinary share, totalling SEK 651 million. This proposal will be voted on at the AGM on 5 May 2015.

	2014	2013
Dividend, SEKm	651	465
Recognised dividend per ordinary share, SEK	3.15	2.25

**Parent company**

**Restricted reserves**

Restricted reserves may not be reduced by the distribution of profits.

**Share capital**

The share capital at year-end consists of 208 219 834 (208 219 834) ordinary shares with a quotient value of SEK 7.38 (7.38) and entitling holders to one vote per share.

**Statutory reserve**

The purpose of the statutory reserve is to save a part of net earnings that is not needed to cover retained losses.

**Non-restricted equity**

**Share premium reserve**

When shares are issued at a premium, that is, at a price that is greater than the shares' quotient value, an amount corresponding to the amount received in excess of the quotient value of the shares must be transferred to the share premium reserve.

**Retained earnings**

These consist of the preceding year's non-restricted equity after payment of dividends, if any. Together with profit/loss for the year and any fair value reserve, this constitutes total non-restricted equity, that is, the amount available for distribution as a dividend to shareholders.

## 18 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

BillerudKorsnäs has defined-benefit pension plans for office-based staff in Sweden (ITP plan).

BillerudKorsnäs also has defined-contribution pension plans. The defined-benefit pensions relate to the ITP2 plan for office-based staff in Sweden. In addition to this, there are defined-benefit pensions secured through endowment insurance, along with a provision for non-vested pensions of MSEK 28 (33) in the BillerudKorsnäs Skog & Industri AB subsidiary.

Some pension commitments in Sweden are secured through provisions on the balance sheet in accordance with the FPG/PRI system. All newly earned pension contributions within the ITP2 plan are secured through pension insurance with Alecta.

The ITP plan secured with Alecta is a multi-employer defined-benefit plan. The company has not had access to information for the financial year that enables it to recognise this plan as a defined-benefit plan, which means it is recognised as a defined-contribution plan in accordance with UFR 10. Alecta's collective consolidation ratio amounted to 143% (148) at year-end. The collective consolidation ratio consists of the market value of Alecta's assets in relation to the insurance undertakings calculated as per Alecta's actuarial assumptions, which do not correspond with IAS 19. BillerudKorsnäs' pension undertakings secured with Alecta constitute a marginal proportion of total undertakings secured with Alecta.

This means that no pension cost for newly earned defined-benefit pension is recognised; instead, the pension cost relates to previous periods. The fee for pension insurance with Alecta totalled SEK 67 million (59) for the year.

Pension costs, SEKm	2014	2013
<b>Group</b>		
<b>Pension costs in profit/loss for the year</b>		
Employee benefits expense		
Defined-contribution plans	188	209
Defined-benefit plans	-9	-3
Special payroll tax	46	50
Financial expenses	25	25
<b>Total</b>	<b>250</b>	<b>281</b>
<b>Pension costs in other comprehensive income</b>		
Actuarial changes	67	-88
<b>Provisions for pensions in balance sheet</b>		
Provisions at start of year	732	832
Pension costs	-9	-3
Financial expenses	25	25
IFRS adjustment		14
Actuarial changes		
Change in financial assumptions	82	-88
Experience-based adjustments	-15	-
Payments	-43	-48
<b>Provisions at end of year</b>	<b>772</b>	<b>732</b>
of which covered by credit insurance with FPG/PRI	740	689

Of the provision, SEK 44 million (48) is expected to be paid within 12 months. As collateral for pension commitments, the Group has pledged endowment insurance amounting to SEK 17 million (18).

31 December	2014	2013
<b>Actuarial assumptions</b>		
The following material actuarial assumptions have been applied in the calculation of commitments (weighted average).		
Discount rate	3.0%	3.75%
Future increases in pensions	2.0%	2.0%
Lifetime	FFFS 2007:31	FFFS 2007:31

### Sensitivity analysis actuarial assumptions

Parameter	Change	Impact on pension liability
Discount rate	+0.5%	-56
Discount rate	-0.5%	63
Inflation	+0.5%	64
Inflation	-0.5%	-57
Lifetime	+1 year	37
Lifetime	-1 year	-37

The sensitivity analysis is based on a change in an individual actuarial assumption while other assumptions remain unchanged. This method shows the sensitivity of the undertaking to a single assumption. This is a simplified method as the actuarial assumptions are usually correlated. The average maturity of pension undertakings is around 14 years.

Pension costs, SEKm	2014	2013
<b>Parent company</b>		
Employee benefits expense	47	63
Financial expenses	11	8
<b>Total cost of direct pensions</b>	<b>58</b>	<b>71</b>

### Provisions for pensions on balance sheet, SEKm

Present value of pension commitments related to retirement under the management of the Company at start of year	187	189
Pension costs	-	-1
Financial expenses	11	8
Pensions paid	-10	-9

### Present value of pension commitments related to retirement under the management of the Company at year-end

	188	187
Commitments paid to pension insurance held by BillerudKorsnäs	11	12
Other provisions	2	8
<b>Provisions for pensions in balance sheet</b>	<b>201</b>	<b>207</b>
of which covered by credit insurance with FPG/PRI	188	187

Of the provision, SEK 15 million (19) is expected to be paid within 12 months. As collateral for pension commitments, the parent company has pledged endowment insurance amounting to SEK 11 million (12).

**19 PROVISIONS**

SEKm	Group		Parent company	
	2014	2013	2014	2013
Severance pay, redundancy pay	30	72	–	13
Costs of restructuring measures	1	1	–	1
Costs of environmental measures	36	35	–	–
<b>Group total</b>	<b>67</b>	<b>108</b>	<b>–</b>	<b>14</b>
of which current portion of provisions	31	66	–	14
<b>Change for the year</b>				
Carrying amount at start of year	108	83	14	–
Provisions made during the year	13	61	–	15
Unutilised amount reversed during the year	–3	–3	–3	–
Amount utilised during the year	–51	–33	–11	–1
<b>Carrying amount at year-end</b>	<b>67</b>	<b>108</b>	<b>–</b>	<b>14</b>

**20 INTEREST-BEARING LIABILITIES**

SEKm	31 Dec 2014		31 Dec 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Group</b>				
<b>Non-current liabilities</b>				
Syndicated loans	128	128	813	813
Bilateral loans	1 600	1 600	2 000	2 000
Bond loans	2 350	2 413	1 644	1 613
Other interest-bearing liabilities	594	594	740	740
<b>Carrying amount at year-end</b>	<b>4 672</b>	<b>4 735</b>	<b>5 197</b>	<b>5 166</b>
<b>Current liabilities</b>				
Syndicated loans	95	95	–	–
Commercial paper	1 481	1 481	2 457	2 457
Bilateral loans	800	800	500	500
Other interest-bearing liabilities	41	41	1	1
<b>Carrying amount at year-end</b>	<b>2 417</b>	<b>2 417</b>	<b>2 958</b>	<b>2 958</b>

**Repayment periods and future interest payments on loans contracted**

(number of years from 31 Dec 2014)	0–1	1–2	2–	Total
Syndicated loans	95	–	128	223
Bilateral loans	800	–	1 600	2 400
Bond loans	–	550	1 800	2 350
Commercial paper	1 481	–	–	1 481
Other interest-bearing liabilities	41	36	558	635
<b>Group total</b>	<b>2 417</b>	<b>586</b>	<b>4 086</b>	<b>7 089</b>
<b>Future interest payments</b>	<b>100</b>	<b>88</b>	<b>115</b>	<b>303</b>

The majority of the liabilities are due for payment within 5 years of the end of the reporting period.

The difference between carrying amount and fair value is due to the liabilities not being marked to market in the balance sheet and instead being recognised at amortised cost. The Group has no loans recognised at fair value through profit or loss. The fair value of interest-bearing liabilities is established according to value hierarchy Level 2. For a definition of value hierarchy please see note 23.

**NOTE 20 (CONT.)****Terms and repayment periods**

The agreements for the syndicated loans and bilateral loans contain financial covenants which must be met for the loans to be available. These covenants relate to the net debt/equity ratio and interest coverage ratio. All covenants were met throughout 2014. The syndicated loans, which are a revolving credit facility of SEK 5 500 million, of which SEK 128 million was utilised as of 31 December 2014, fall due in June 2019. The long-term bilateral loans fall due in 2017. The syndicated loans and bilateral loans have variable interest rates.

BillerudKorsnäs has six bond loans, five of which totalling SEK 2 200 million, including SEK 1 700 million at a variable rate and SEK 500 million at a fixed rate, were issued under the MTN program established in 2013. Of the outstanding SEK 2 200 million, SEK 400 million matures in 2016, SEK 300 million in 2017 and SEK 1 500 million in 2018. A bond of SEK 150 million, which has a variable interest rate, was issued in 2006 and matures in 2016.

Commercial paper is issued under the program originally established in 2003. The commercial paper programme has a framework amount of SEK 3 000 million. Commercial paper has a minimum maturity of one day and a maximum maturity of one year. As of 31 Dec 2014, commercial paper to SEK 1 481 million (nominally 1 490) was issued.

**21 LIABILITIES TO CREDIT INSTITUTIONS**

SEKm	31 Dec 2014	31 Dec 2013		
<b>Parent company</b>				
<b>Non-current liabilities</b>				
Syndicated loans	128	813		
Bilateral loans	1 600	800		
Bond loans	2 350	1 644		
<b>Carrying amount at year-end</b>	<b>4 078</b>	<b>3 257</b>		
<b>Current liabilities</b>				
Commercial paper	1 481	2 457		
Other interest-bearing liabilities	800	500		
<b>Carrying amount at year-end</b>	<b>2 281</b>	<b>2 957</b>		
<b>Repayment periods</b>				
<b>(number of years from 31 Dec 2014)</b>	<b>0–1</b>	<b>1–2</b>	<b>2–</b>	<b>Total</b>
Syndicated loans	–	–	128	128
Bilateral loans	800	–	1 600	2 400
Bond loans	–	550	1 800	2 350
Commercial paper	1 481	–	–	1 481
<b>Total</b>	<b>2 281</b>	<b>550</b>	<b>3 528</b>	<b>6 359</b>

All liabilities are due for payment within 6 years of the end of the reporting period.



## 22 ACCRUED EXPENSES AND DEFERRED INCOME

SEKm	Group		Parent company	
	2014	2013	2014	2013
Employee benefit expenses, including social security costs	673	511	50	170
Excise duties	2	6	–	1
Delivery expenses	154	143	–	71
Wood expenses	63	434	–	–
Energy expenses	28	53	–	–
Other	176	248	25	79
<b>Total</b>	<b>1 096</b>	<b>1 395</b>	<b>75</b>	<b>321</b>

## 23 FINANCIAL ASSETS AND LIABILITIES

SEKm	Interest rate swaps for hedging purposes	Derivatives in hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities valued at amortised cost	Total carrying amount	Fair value
Valuation classification	Level 2	Level 2		Level 3			
<b>Group 2014</b>							
Other shares and participations				806		806	806
Non-current receivables			9			9	9
Accounts receivable			2 601			2 601	2 601
Other receivables			407			407	407
Cash and cash equivalents <sup>1</sup>			737			737	737
<b>Total</b>			<b>3 754</b>	<b>806</b>		<b>4 560</b>	<b>4 560</b>
Non-current interest-bearing liabilities					4 672	4 672	4 735
Current interest-bearing liabilities					2 417	2 417	2 417
Accounts payable					2 502	2 502	2 502
Other liabilities	88	130			242	460	460
<b>Total</b>	<b>88</b>	<b>130</b>			<b>9 833</b>	<b>10 051</b>	<b>10 114</b>
<b>Parent Company 2014</b>							
Other shares and participations				35		35	35
Other non-current receivables			11			11	11
Accounts receivable			2 114			2 114	2 114
Other receivables			73			73	73
Cash and bank balances <sup>2</sup>			499			499	499
<b>Total</b>			<b>2 697</b>	<b>35</b>		<b>2 732</b>	<b>2 732</b>
Debenture and syndicated loan					2 478	2 478	2 541
Other interest-bearing non-current liabilities					1 600	1 600	1 600
Liabilities to credit institutions					2 281	2 281	2 281
Accounts payable					32	32	32
Other liabilities					16	16	234
<b>Total</b>					<b>6 407</b>	<b>6 407</b>	<b>6 688</b>

1 Short-term investments are classified as 'Cash and cash equivalents' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

2 Short-term investments are classified as 'Cash and bank balances' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.



NOTE 23 (CONT.)

SEKm	Interest rate swaps for hedging purposes	Derivatives in hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities valued at amortised cost	Total carrying amount	Fair value
Valuation classification	Level 2	Level 2		Level 3			
<b>Group 2013</b>							
Other shares and participations				781		781	781
Non-current receivables			92			92	92
Accounts receivable			2 400			2 400	2 400
Other receivables	3	24	323			350	350
Cash and cash equivalents <sup>1</sup>			497			497	497
<b>Total</b>	<b>3</b>	<b>24</b>	<b>3 312</b>	<b>781</b>		<b>4 120</b>	<b>4 120</b>
Non-current interest-bearing liabilities					5 197	5 197	5 166
Current interest-bearing liabilities					2 958	2 958	2 958
Accounts payable					1 745	1 745	1 745
Other liabilities	15	26			138	179	179
<b>Total</b>	<b>15</b>	<b>26</b>			<b>10 038</b>	<b>10 079</b>	<b>10 048</b>

**Parent Company 2013**

Other shares and participations				26		26	26
Other non-current receivables			12			12	12
Accounts receivable			2 049			2 049	2 049
Other receivables			65			65	92
Cash and bank balances <sup>2</sup>			291			291	291
<b>Total</b>			<b>2 417</b>	<b>26</b>		<b>2 443</b>	<b>2 470</b>
Debenture and syndicated loan					2 457	2 457	2 426
Other interest-bearing non-current liabilities					800	800	800
Liabilities to credit institutions					2 957	2 957	2 957
Accounts payable					199	199	199
Other liabilities					11	11	52
<b>Total</b>					<b>6 424</b>	<b>6 424</b>	<b>6 434</b>

1 Short-term investments are classified as 'Cash and cash equivalents' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

2 Short-term investments are classified as 'Cash and bank balances' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

Net changes in the value of cash flow hedges recognised in operating profit/loss totalled SEK 253 million (12) in 2014, of which SEK 253 million (12) was recognised in 'Net sales'. Management of the Group's financial risks is described on pages 25–26.

**Fair value hierarchy**

- Level 1. Valuation based on fully observable data, unadjusted listed prices on an active market for identical assets and liabilities that the company has access to at the valuation date.
- Level 2. Valuation based on data other than listed prices in level 1 that are directly or indirectly observable.
- Level 3. Valuation is based essentially on non-observable data for the asset or liability.

**Reconciliation of Level 3 fair values**

Group	2014	2013
Carrying amount at start of year	781	737
Change in valuation of VindIn	3	
Change in fair value recognised in other comprehensive income	29	51
Fair value transferred to profit/loss for the year	–7	–7
	<b>806</b>	<b>781</b>

Valuation of other shares and participations is based primarily on the proportion of the company's equity. This item includes a SEK 757 million (735) holding in Bergvik Skog AB, valued at BillerudKorsnäs' interest in the company's equity. Bergvik Skog AB's equity includes a valuation of biological assets performed by an external party based on generally accepted valuation methods.

## 24 REMUNERATION TO SENIOR MANAGEMENT

### Remuneration to the Board of Directors

The Chairman and members of the Board receive remuneration in accordance with resolutions by the annual general meeting. Additional fees are paid for work on committees. The Chairman of the Board

received SEK 1 100 thousand in 2014, as well as SEK 75 thousand for committee work. Total remuneration to other Board members was SEK 3 025 thousand, of which SEK 475 thousand was for committee work.

#### Board fees

SEK thousand Name	Fee for year 2013–2014	Fee for year 2014–2015	Fee for audit committee 2013–2014	Fee for audit committee 2014–2015	Fee for remuneration committee 2013–2014	Fee for remuneration committee 2014–2015	Fee for investment committee 2013–2014	Fee for investment committee 2014–2015	Fee paid 2013	Fee paid 2014
Michael M.F. Kaufmann	400	750			25	25			425	658
Gunilla Jönsson	400	450						50	400	467
Hannu Ryöppönen	1 000				50		50		1 100	367
Lennart Holm	400	1 100	75			25	50	50	525	1 175
Jan Homan	400	450	75	75					475	508
Wilhelm Klingspor	400								400	133
Mikael Larsson	400		150						550	183
Mia Brunell Livfors	400				25				425	141
Bengt Hammar	400	450						50		333
Mikael Hellberg	400	450		75		50				383
Kristina Schauman		450		150						400

### Remuneration to the CEO and senior management

The 2014 Annual General Meeting approved the following guidelines for remuneration to senior managers. Senior management includes the CEO and other members of the Senior Management Team.

BillerudKorsnäs should apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a management team that has the high level of competence and capacity to achieve set goals. Forms of remuneration should motivate the Senior Management Team to do its utmost in the best interests of the Company's shareholders. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary should be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results compared to explicit targets, up to a set maximum percentage of a fixed annual salary that may vary between 30% and 70%. However, variable remuneration should be paid only if the Company makes an operating profit. Long-term incentive programmes at the Company shall primarily be linked to certain predetermined financial and share price performance requirements. The programmes should ensure long-term commitment to the development of the Company and should be implemented on commercial terms. Long-term incentive programmes should have a term of at least three years. For further details of the existing long-term incentive programmes adopted by the 2012, 2013 and 2014 AGMs, see the Company's website and the sections 'Long-term incentive programme (LTIP 2012)', 'Long-term incentive programme (LTIP 2013)' and 'Long-term incentive programme (LTIP 2014)'.

Pension benefits should either be defined-benefit or defined-contribution plans and will normally provide pension entitlement after the age of 65. In certain cases, the age may be reduced but never lower than 62. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay shall be a maximum of 12 months' salary.

Remuneration and other employment terms for the CEO are prepared by the remuneration committee and determined by the Board. Remuneration and other employment terms for members of the Senior Management Team are determined by the CEO following approval by the remuneration committee.

The Board of Directors of BillerudKorsnäs is entitled to deviate from these guidelines if there is good reason in individual cases.

An extra bonus was paid for 2014 due to the synergy goals set when Billerud och Korsnäs merged being met more rapidly and surpassed in terms of size, thanks to the excellent work of all Group employees.

### Remuneration and benefits to the CEO

SEK thousand Year	Gross salary	Bonus	LTIP	Other benefits	Pension costs	Total
2014	8 279 <sup>1</sup>	5 161	2 471 <sup>2</sup>	179	2 351	18 441
2013	7 561 <sup>3</sup>	2 365	2 285 <sup>4</sup>	234	2 112	14 557

1 This amount includes paid vacation days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 176 thousand in addition to fixed salary.

2 This amount refers to the benefit value of the outcome of the long-term incentive programme (LTIP) in 2011.

3 This amount includes paid vacation days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 349 thousand in addition to fixed salary.

4 This amount refers to the benefit value of the outcome of the long-term incentive programme (LTIP) in 2010.

### Remuneration and benefits to rest of Senior Management Team

SEK thousand Year	Gross salary	Bonus	LTIP	Other benefits	Pension costs	Total
2014	22 883	9 862	2 227 <sup>5</sup>	776	5 802	41 550
2013 <sup>6</sup>	23 878	4 799	2 146 <sup>7</sup>	492	5 875	37 190

5 This amount refers to the benefit value of the outcome of the long-term incentive programme (LTIP) in 2011.

6 These amounts include remuneration and other benefits for four people who left the Senior Management Team in 2013 as well as two new members of the team. The opening amounts refer to the period for which the persons were members of the Senior Management Team.

7 This amount refers to the benefit value of the outcome of the long-term incentive programme (LTIP) in 2010.

### Comments

- The variable remuneration for 2014 refers to amounts to be paid out in 2015 but charged to 2014. The variable remuneration for 2013 refers to remuneration paid out in 2014 but charged to 2013. The actual amounts are based on financial and individual targets linked to the development of the business and based on profit for 2013 and 2014.
- Other benefits include car allowance, accommodation allowance and other taxable benefits.
- Pension plans are both defined-benefit and defined-contribution plans. Pension costs refers to the costs charged to profit/loss for the year.
- In BillerudKorsnäs' long-term incentive programmes (LTIP 2010, 2011, 2012, 2013 and 2014) participants are allocated a certain number of BillerudKorsnäs shares free of charge after a three-year vesting period, provided certain criteria are met. The CEO and management team have taken part in all programmes. The CEO participates in LTIP 2014 with 8 923 BillerudKorsnäs shares, referred to as 'Savings shares'. Other members of the Senior Management Team participate with 21 437 Savings shares.

**25 ADDITIONAL INFORMATION FOR THE CASH FLOW STATEMENT**

SEKm	Group		Parent company	
	2014	2013	2014	2013
<b>Interest paid and received and dividend</b>				
Interest and dividends received	19	19	47	31
Interest paid	-252	-284	-222	-183
<b>Total</b>	<b>-233</b>	<b>-265</b>	<b>-175</b>	<b>-152</b>
<b>Adjustments for items not included in cash flow, etc.</b>				
Depreciation, amortisation and impairment of assets	1 378	1 439	254	272
Interest adjustment	12	44	-22	25
Impairment of shares in subsidiaries			12	14
Pensions and other provisions	-92	-10	-20	3
Unrealised earnings, electricity certificates and emissions rights	43	79		
Realised surplus value in inventory	-	48		
Share-based payments	4	5		
Capital gains/losses	3	4	1 584	1
<b>Total</b>	<b>1 348</b>	<b>1 609</b>	<b>1 808</b>	<b>315</b>
Cash and cash equivalents <sup>1</sup>				
The following are included in cash and cash equivalents:				
Short-term investments	3	2	-	-
Cash and bank balances	734	495	499	291
<b>Total</b>	<b>737</b>	<b>497</b>	<b>499</b>	<b>291</b>

<sup>1</sup> Short-term investments are classified as 'Cash and cash equivalents' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

**26 UNTAXED RESERVES**

SEKm	2014	2013
<b>Parent company</b>		
<b>Tax allocation reserve</b>		
Carrying amount at start of year	355	346
Change for the year	-	9
<b>Carrying amount at year-end</b>	<b>355</b>	<b>355</b>
<b>Accumulated depreciation/amortisation in excess of plan</b>		
Plant and equipment		
Carrying amount at start of year	1 780	-
Change for the year	-1 780	1 780
<b>Carrying amount at year-end</b>	<b>-</b>	<b>1 780</b>
<b>Total untaxed reserves</b>	<b>355</b>	<b>2 135</b>

**27 EVENTS AFTER THE END OF THE PERIOD**

No events that materially affect the company's financial position have occurred after the end of the financial year.

**28 INVESTMENT COMMITMENTS****Group**

In 2014, the Group signed agreements on the future acquisition of property, plant and equipment for SEK 1 002 million (351). Of these undertakings, it is expected that SEK 1 002 million (351) will be settled in 2015.

**Parent company**

In 2014, the parent company signed no agreements on future acquisitions of property, plant and equipment. In 2013, the parent company signed agreements on the future acquisition of property, plant and equipment for SEK 141 million, all of which was settled in 2014.

**29 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

SEKm	Group		Parent company	
	2014	2013	2014	2013
<b>Pledged assets for own liabilities and provisions</b>				
Pledged endowment insurance	17	18	11	12
Pledged shares, joint arrangements	253	240	-	-
<b>Total pledged assets</b>	<b>270</b>	<b>258</b>	<b>11</b>	<b>12</b>
<b>Contingent liabilities</b>				
Guarantee commitment, FPG/PRI	12	12	4	4
Other guarantees	83	27	50	12
Guarantees for associates	5	5	-	-
Guarantees for Group companies	-	-	203	29
<b>Total contingent liabilities</b>	<b>100</b>	<b>44</b>	<b>257</b>	<b>45</b>

**30 RELATED PARTIES****Relationships**

The parent company has related-party relationships with its subsidiaries, see note 12. In 2013 and for part of 2014 the company had a related-party relationship with Investment AB Kinnevik. No significant financial transactions have occurred between the companies.

**Summary of related-party transactions**

SEKm	Year	Sales of goods and services to related parties	Procurement of goods and services from related parties	Liabilities to related parties	Receivables from related parties
<b>Group</b>					
<b>Relationship</b>					
Associates and joint ventures	2014	-	632	12	6
Associates and joint ventures	2013	4	615	3	6
<b>Parent company</b>					
<b>Relationship</b>					
Subsidiary	2014	59	1 115	2 483	2 170
Subsidiary	2013	16	1 157	1 573	1 993
Associates and joint ventures	2014	-	133	-	-
Associates and joint ventures	2013	4	140	6	2

**Transactions with key individuals in executive positions**

Salaries, remuneration and other benefits are accounted for in notes 5 and 24.

**31 BUSINESS COMBINATIONS****2014**

The preliminary acquisition balance sheet for the acquisition of Paccess Packaging LLC in 2013 has been further examined and goodwill arising of SEK 39 million has been reallocated to brands and is amortised.

The ownership interest in Nine AB increased to 90.4% from 76.6%; see also note 12.

**2013**

The preliminary acquisition balance sheet for the acquisition of Korsnäs AB that formed the basis of the 2012 annual accounts was adjusted in 2013 after the sale of PM2, which was required as a condition by the European Commission and entailed a loss of SEK -32 million, in addition to the final settlement of the Korsnäs acquisition which entailed a reduction of the purchase price by SEK 1 million.

### NOTE 31 (CONT.)

On 20 August 2013, subsidiary Billerud Inc. acquired the remaining 70% of former associate company Paccess Packaging LLC. The purchase price totalled USD 3.7 million. Indirect acquisition costs of USD 0.3 million were also incurred. The preliminary acquisition balance sheet resulted in goodwill of SEK 39 million.

Paccess has about 80 employees and sales of around USD 40 million with strong underlying growth.

Paccess is active mainly in China and the US.

Paccess' core skills are in the development of packaging for production and delivery in Asia. This investment represents yet another step in the endeavour to contribute to a sustainable future by challenging conventional packaging and to achieve innovative leadership in the packaging industry. With BillerudKorsnäs expertise in renewable materials and Paccess' customer base and knowledge within packaging development, a strong platform is created for continued growth, which justifies the goodwill that arose in the preliminary acquisition balance sheet.

### 32 RESTATEMENT OF 2013 INCOME STATEMENT AND BALANCE SHEET DUE TO AMENDED ACCOUNTING POLICY

From 2014 Bomhus Energi AB is recognised as a joint arrangement in accordance with IFRS 11, and BillerudKorsnäs reports its share of Bomhus Energi AB's revenue, expenses, assets and liabilities. The income statement and balance sheet for 2013 have been restated as detailed below.

2013 SEKm	In accordance with previous accounting policies	Bomhus Energi AB	Revised
<b>INCOME STATEMENT</b>			
Net sales	19 533	156	19 689
Other income	129	1	130
<b>Operating income</b>	<b>19 662</b>	<b>157</b>	<b>19 819</b>
Change in inventories	-43	-	-43
Raw materials and consumables	-10 181	-55	-10 236
Other external costs	-3 980	-26	-4 006
Employee benefits expense	-2 956	-2	-2 958
Depreciation, amortisation and impairment of non-current assets	-1 402	-37	-1 439
Share of profit/loss of associates	13	-13	-
<b>Operating expenses</b>	<b>-18 549</b>	<b>-133</b>	<b>-18 682</b>
<b>Operating profit/loss</b>	<b>1 113</b>	<b>24</b>	<b>1 137</b>
Financial items	-285	-24	-309
<b>Profit/loss before tax</b>	<b>828</b>	<b>-</b>	<b>828</b>
Taxes	-142	-	-142
<b>Profit/loss for the period</b>	<b>686</b>	<b>-</b>	<b>686</b>

31 December, 2013 SEKm	In accordance with previous accounting policies	Bomhus Energi AB	Revised
<b>BALANCE SHEET</b>			
Intangible non-current assets	2 657	1	2 658
Property, plant and equipment	13 797	917	14 714
Other non-current assets	1 127	-329	798
Inventories	3 010	19	3 029
Accounts receivable	2 380	20	2 400
Other current assets	830	14	844
Cash and cash equivalents	484	13	497
<b>Total assets</b>	<b>24 285</b>	<b>655</b>	<b>24 940</b>
Equity attributable to owners of the parent company	9 856	-	9 856
Non-controlling interests	61	-	61
<b>Equity</b>	<b>9 917</b>	<b>-</b>	<b>9 917</b>

### NOTE 32 (CONT.)

31 December, 2013 SEKm	In accordance with previous accounting policies	Bomhus Energi AB	Revised
Interest-bearing liabilities	4 574	623	5 197
Provisions for pensions	732	-	732
Other provisions	42	-	42
Deferred tax liabilities	2 691	-	2 691
<b>Total non-current liabilities</b>	<b>8 039</b>	<b>623</b>	<b>8 662</b>
Interest-bearing liabilities	2 958	-	2 958
Accounts payable	1 726	19	1 745
Other liabilities and provisions	1 645	13	1 658
<b>Total current liabilities</b>	<b>6 329</b>	<b>32</b>	<b>6 361</b>
<b>Total shareholders' equity and liabilities</b>	<b>24 285</b>	<b>655</b>	<b>24 940</b>

### 33 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The audit committee has discussed the application of the Group's accounting policies and made assessments and estimates in connection with the application of these policies. The following critical accounting estimates and judgements should be noted.

#### Pension liabilities

The discount rate used to calculate commitments for BillerudKorsnäs' defined-benefit plans has been reduced from 3.75% in 2013 to 3.0% in 2014 as a result of the reduction in mortgage bond interest rates. For other actuarial assumptions, see note 18.

#### Valuation of other holdings

Bergvik Skog AB has been reported at BillerudKorsnäs' proportion of equity, that is, SEK 757 million (737). Bergvik Skog AB's equity includes the valuation of biological assets performed by an external party based on generally accepted valuation methods. Changes in the valuation of Bergvik Skog are reported in other comprehensive income.

#### Property, plant and equipment

The value of non-current assets includes identified surplus value for non-current assets at the acquisition of Korsnäs. This surplus value was tested for impairment together with goodwill. No need for impairment was identified.

Following a review, no impairment was identified for the Group's property, plant and equipment.

#### Goodwill

Impairment testing was conducted with respect to goodwill. No need for impairment was identified; see also Note 10.

### 34 INFORMATION ABOUT THE PARENT COMPANY

BillerudKorsnäs AB is a Swedish limited liability company with its registered office in Stockholm. The shares of the parent company are listed on Nasdaq Stockholm. The address of the head office is Box 703, SE-169 27 Solna, Sweden. The consolidated accounts for 2014 are for the parent company, its subsidiaries and 50% of joint arrangements regarding Bomhus Energi AB, which together form the Group. The Group also includes owned participations in associates.



# Proposed allocation of profit

**Non-restricted equity in the parent company consists of:**

**SEK**

Unrestricted retained earnings from previous year	5 334 234 444
Dividend for 2013	-465 119 300
Profit/loss for the year	-426 086 004
<b>Total</b>	<b>4 443 029 140</b>

The Board proposes that:

**SEK**

A dividend of 3.15 per share be paid to shareholders and that the remaining amount be retained	651 382 707
<b>Total</b>	<b>3 791 646 433</b>

The undersigned affirm that the consolidated accounts and the annual accounts, respectively, have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices and give a true and fair view of the financial position and results for the Group and parent company, respectively.

The directors' report for the Group and parent company, respectively, provides a true and fair view of the Group's and parent

company's operations, financial position and performance, and describes material risks and uncertainties faced by the parent company and Group companies.

The annual accounts and consolidated accounts were approved for publication by the Board on 24 March 2015.

The consolidated statement of comprehensive income and consolidated balance sheet as well as the parent company's statement of comprehensive income and balance sheet will be subject to adoption by the Annual General Meeting of Shareholders on 5 May 2015.

Solna, 24 March 2015

Lennart Holm  
Chairman

Bengt Hammar  
Member

Mikael Hellberg  
Member

Jan Homan  
Member

Gunilla Jönsson  
Member

Michael M. F. Kaufmann  
Member

Kristina Schauman  
Member

Helén Gustafsson  
Member

Kjell Olsson  
Member

Per Lindberg  
CEO

Our audit report was issued on 24 March 2015  
Ernst & Young AB

Martin Brenner  
Authorised Public Accountant

# Auditor's report

To the annual meeting of the shareholders of BillerudKorsnäs AB (publ), corporate identity number 556025-5001.

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of BillerudKorsnäs AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4–52.

### 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 in accordance with the Annual Accounts Act and of the 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 opinions.

### 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 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. 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 2014 and of their financial performance and cash flows for the year

then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is 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 also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of BillerudKorsnäs AB (publ) for the year 2014.

### 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 opinions.

### 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.

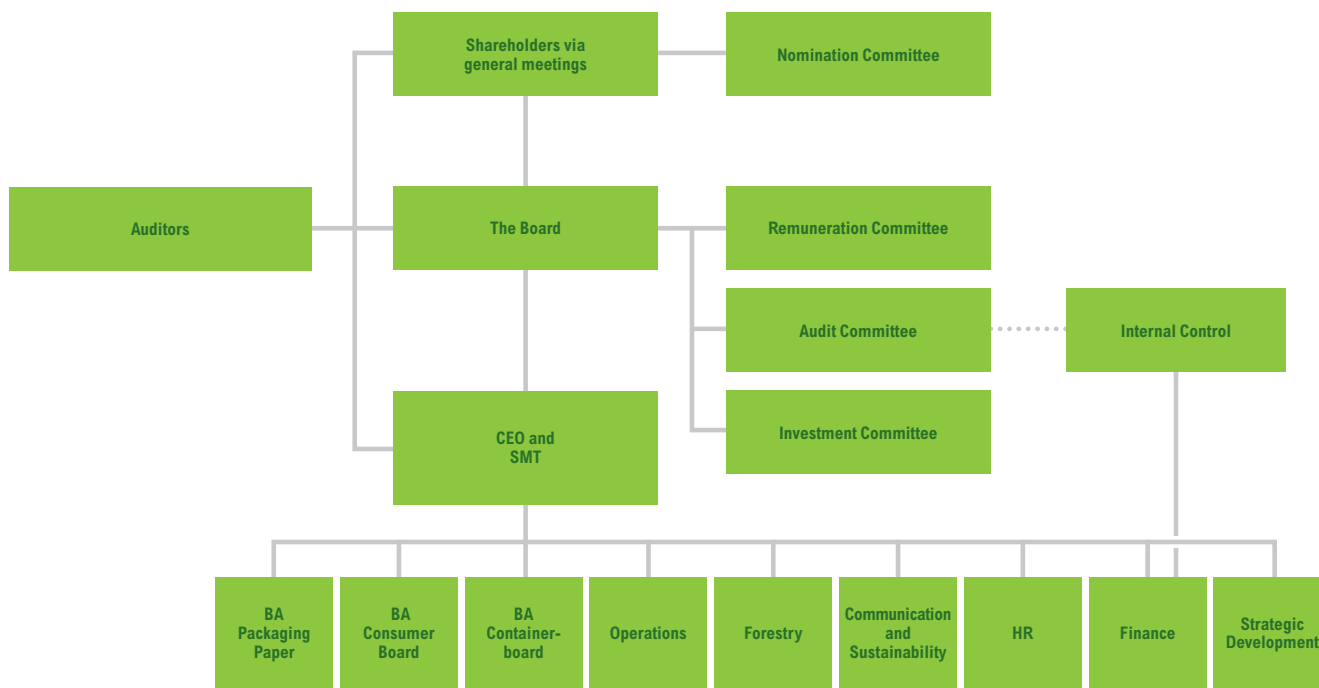
Stockholm, March 24, 2015

Ernst & Young AB

Martin Brenner  
Authorized Public Accountant

# Corporate governance in BillerudKorsnäs in 2014

This report on the BillerudKorsnäs Group's corporate governance in 2014 has been prepared in accordance with the rules in the Annual Accounts Act and the Swedish Code of Corporate Governance. The report has been drawn up by the Company's Board of Directors and been reviewed by the Company's auditors.



## Corporate governance in BillerudKorsnäs

Primary external regulations affecting BillerudKorsnäs' governance:

- The Swedish Companies Act
- Nasdaq Stockholm AB's Rulebook for Issuers
- The Swedish Code of Corporate Governance

Corporate governance in BillerudKorsnäs is based on applicable law, the Company's articles of association, Nasdaq Stockholm's Rulebook for Issuers, the Swedish Code of Corporate Governance ("the Code"), other relevant laws and regulations, and internal policies and guidelines. The Code is based on the principle of "comply or explain". This means that a company that applies the Code may deviate from particular rules but will then have to provide an explanation giving the reasons for the deviation. In 2014, BillerudKorsnäs applied the Code in all respects, except for the following deviation. Prior to the Annual General Meeting (AGM), Board member Michael M.F. Kaufmann was appointed Chairman of the Nomination Committee. This deviates from the rule in the Code that no Board member shall act as chairman of the Nomination Committee. The deviation is in accordance with the resolutions passed by the AGM in

2014 regarding rules on the composition of the Nomination Committee. According to these resolutions, the chairman of the Nomination Committee shall be the Board member representing the largest shareholder. This decision is in the interests of the Company and all the shareholders and is a natural consequence of Michael M.F. Kaufmann's association with the Company's largest shareholder.

No breach of the relevant stock exchange rules or of good stock market practice has been reported by Nasdaq Stockholm's Disciplinary Committee or the Swedish Securities Council.

### OWNERSHIP STRUCTURE AND SHARES

BillerudKorsnäs' shares are listed on Nasdaq Stockholm. At year-end 2014, the total number of shareholders was 98 533, compared with 102 315 at the previous

year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 34.8% (29.4) of the number of shares in the market. Other groups of shareholders consisted of private individuals' holdings in Sweden, at 21.6% (23.6), and legal entities in Sweden, at 43.5% (47). Further details of the Company's shares, shareholders and related information are presented in the 2014 Annual Report, under BillerudKorsnäs Shareholder Information, and on the Company's website.

### GENERAL MEETING OF SHAREHOLDERS

#### Rules for shareholders' meetings

Under the Swedish Companies Act, the shareholders' meeting is the Company's highest decision-making body. Shareholders exercise their voting rights at shareholder meetings. All shareholders entered in the share register at the record date who have



notified the Company in time are entitled to participate in the meeting and vote according to their total holdings of shares. Shareholders attending the AGM also have the opportunity to ask questions about the Group's activities. Notice of shareholders' meetings is posted on the Company's website and published as an advertisement in Post och Inrikes Tidningar. An announcement that the notice has been issued is published simultaneously in Svenska Dagbladet. The AGM shall be held in Stockholm within six months of the end of the financial year. Normally, the AGM is held in April or May. The AGM decides on matters such as the adoption of the Company's annual accounts, appropriation of the Company's profits and the discharge of Board members and the CEO from liability for the year. The AGM also elects members of the Board and auditors and votes on the establishment of a Nomination Committee, fees for the Board of Directors and auditors and guidelines for determining the salaries and other remuneration for the CEO and Senior Management Team. Resolutions are usually passed at a shareholders' meeting by simple majority except in those cases when the Companies Act stipulates a higher proportion of shares represented and votes cast at the meeting. Resolutions passed at a shareholders' meeting are disclosed after the meeting in a press release, and the minutes of the meeting are published on the Company's website. The AGM is held in Swedish and simultaneously translated into English.

#### 2014 Annual General Meeting

The 2014 AGM took place on 6 May 2014 at Hotel Rival in Stockholm, and addressed matters customarily dealt with at the AGM. The AGM voted to re-elect Jan Homan, Lennart Holm, Gunilla Jönson and Michael M.F. Kaufmann to the Board, to elect Bengt Hammar, Mikael Hellberg and Kristina Schauman as new Board members and to elect Lennart Holm as the new Chairman of the Board and Michael M.F. Kaufmann as new Deputy Chairman of the Board. The AGM also resolved to introduce a long-term incentive programme (LTIP 2014) and to authorise the Board to take a decision on the transfer of treasury shares. The minutes from the AGM are available on the Company's website.

#### 2015 Annual General Meeting

The 2015 AGM will take place at 2 p.m. on 5 May 2015 at Hotel Rival, Mariatorget 3, Stockholm. A full text of the notice of the 2015 AGM, including details of how to register for attendance at the meeting, is posted on the Company's website.

#### NOMINATION COMMITTEE

According to the Code, the Company is required to have a Nomination Committee, the main task of which is to prepare the AGM's decisions on elections and fees. The Company's AGM resolves on procedures determining how the members of the Nomination Committee are appointed and guidelines for the committee's work on drafting proposals to be considered at the next AGM. Under the guidelines, the Nomination Committee for the 2015 AGM consists of four people appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2015 AGM.

One task of the Nomination Committee is to produce proposals for Board members and auditors, as well as for fees for such persons, and a proposal for a chairman for the AGM, prior to the 2015 AGM. Before the 2015 AGM, the Nomination Committee held meetings in person and kept in contact by phone and e-mail. Shareholders have been welcome to submit proposals and express their views to the Nomination Committee by e-mail or post. On the Company's website, a separate section entitled "Nomination Committee" in the corporate governance section provides information to shareholders regarding how they can submit proposals to the committee. No separate remuneration was paid to the chairman or any other members of the Nomination Committee.

#### BOARD OF DIRECTORS

##### Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs shall consist of no less than six members and no more than ten members, with no more than six deputies. Board members are appointed for one year at a time. The 2014 AGM established that the Board of Directors should consist of seven members elected by the meeting, without deputies, to serve until the end of the next AGM. For the period until the next AGM, the Board consists of Lennart Holm (Chairman), Bengt Hammar, Mikael Hellberg, Jan Homan, Gunilla Jönson, Michael M.F. Kaufmann and Kristina Schauman. In addition, the employee organisations have appointed two employee

representatives to serve on the Board. These are Helen Gustafsson and Kjell Olsson with deputies Kurt Lindvall and Tobias Söderholm. Other than the employee representatives and their deputies, none of the Board members are employed by the Group. The composition of the Board meets the Code's requirements as to independence in relation to the Company, the Company's management and the Company's major shareholders. For more information on the independence of the Board members, their duties outside the Group and their holdings of shares in BillerudKorsnäs, see the section "Board of Directors" on pages 60–61. The Board of Directors has appointed the Group's Legal Counsel Andreas Mattsson as Board secretary.

#### Organisation of the work of the Board

The Board of Directors is the Company's highest administrative body below the AGM. The Board of Directors is charged with the organisation of the Company and management of the Company's affairs, ensuring that the Company's organisation is structured such that accounting, asset management and the Company's financial affairs otherwise are supervised in a satisfactory manner and with assessing the Company's financial situation on an ongoing basis. The Board shall in the first instance focus its attention on general, long-term issues, as well as issues that are of an exceptional nature or of major importance to the Group and the Company.

The work of the Board follows written rules of procedure to ensure that the Board obtains information on all issues, and that all aspects of the Company's activities relating to the Board are addressed. The Board has also established a number of general policies for the Company's activities. They include the Company's code of conduct, which summarises the Company's responsibilities, guidelines, procedures, values and goals. Other key policy documents are the Company's operational policy, finance policy, credit policy, and communication policy.

The Board's work follows an annual cycle in order for it to optimally accomplish its tasks. At the beginning of the year, the

#### COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATION COMMITTEE

Representative	Shareholder	Share of voting power, % <sup>1</sup>
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	15.1
Peder Hasslev	AMF Insurance and Funds	9.7
Lennart Francke	Swedbank Robur funds	5.3
Mats Hellström	Nordea Funds	5.0

<sup>1</sup> As of 30 December 2014.



Board deals with the year-end and annual reports, as well as the issues to be submitted to the AGM. At the end of the year, the Board considers the budget for the year ahead. Every quarter, the Board reviews the Group's earnings, and interim reports are approved for publication. A constitutive Board meeting is held in connection with the AGM at which members of the Board's committees are appointed and the Board decides on matters such as the right to sign on behalf of the Company. Once a year, the Board has a meeting primarily dedicated to strategy issues.

## Work of the Board in 2014

The Board of Directors met eleven times in 2014. All Board members elected by the general meeting attended all Board meetings, with the exception of Board member Michael M.F. Kaufmann, who was absent from one meeting.

The Board addressed, on an ongoing basis, strategic issues relating to the Company's operations and focus, follow-up of previous acquisitions, investments above a certain level, and other matters.

Important issues that were addressed in particular by the BillerudKorsnäs Board in 2014 included issues regarding strategic growth, sustainability, innovation and follow-up of integration work relating to the merger with Korsnäs.

All meetings followed an approved agenda, which was distributed to all Board members about a week before the meeting, along with documentation on the particular agenda item. Minutes are taken at all Board meetings and distributed to Board members in accordance with the rules stated in the Code.

## Assessment

BillerudKorsnäs has procedures for assessing the work of the Chairman and members of the Board each year. The assessment serves as input for an action plan for improvements and as background to the Nomination Committee's work as they assemble a Board. In 2014, an extensive independent assessment of the Board's work was carried out by an external consultant. The Board also continuously evaluates the work of the CEO. Once a year, an assessment is made of the CEO without the CEO being present.

## BOARD COMMITTEES

The Board currently has three committees: a remuneration committee, an audit committee and an investment committee. The Board appoints the members to serve on these committees.

## AUDIT COMMITTEE

To support the Board in its role in supervising auditing issues, the Board has appointed a separate audit committee. The audit committee's main role is to contribute to a good standard of financial reporting and ensure that the Company is audited in an expert, efficient and independent way. Without having an impact on the Board's other responsibilities and tasks, the audit committee is charged with addressing all important accounting issues that affect the quality of the Company's financial reporting. With regard to financial reporting, particular attention is to be paid to the effectiveness of the Company's internal control and risk management. The audit committee is required to keep informed about the audit of the annual accounts and the consolidated accounts and to scrutinise and supervise the impartiality and independence of the auditor. Particular attention is to be paid to whether the auditors provide the Company with services other than auditing. The audit committee is also charged with assisting in the preparation of proposals for decisions by general meetings on the election and remuneration of auditors.

To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, the Company auditor reports directly to committees and the Board on certain occasions. The committee continuously reports the results of its work, in the form of observations, recommendations and proposed resolutions and action to the Board, which makes any decisions that result from the committee's work. The audit committee consists of Board members Kristina Schauman (Chairman), Mikael Hellberg, Jan Homan and Tobias Söderholm.

## Work in 2014

The committee held six meetings in 2014. All Board members elected by the general meeting attended all of the committee's meetings, with the exception of Board member Jan Homan, who was absent from one meeting. During the year the committee addressed various auditing issues, the audit plans for 2014, auditors' proposals, risk analysis, internal controls and tax issues. The committee met prior to each interim report and the year-end report. These meetings addressed accounting and reporting issues related to the reports. The chairman of the audit committee reported regularly to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal control and risk management for financial reporting in 2014".

## REMUNERATION COMMITTEE

The principal function of the remuneration committee is to prepare the Board's decisions on issues relating to remuneration principles, remuneration amounts and other employment terms for members of the Senior Management Team, to monitor and evaluate programmes for variable compensation to the Senior Management Team that were both ongoing and completed during the year, and to monitor and evaluate the implementation of guidelines and remuneration to senior executives, remuneration structures and remuneration levels. More specifically, the committee's tasks include proposing a general policy on salaries, remuneration and other employment terms generally within BillerudKorsnäs, and to approve the CEO's proposal for salaries and remuneration for the Senior Management Team within the framework of this policy. The committee also makes proposals to the Board, which decides on the salary and other remuneration for the CEO. The remuneration committee consists of Board members Mikael Hellberg (Chairman), Michael M.F. Kaufmann and Lennart Holm.

## Work in 2014

The committee held six meetings in 2014, three of which were by correspondence. All committee members attended these meetings, with the exception of Mia Brunell (Board member until the 2014 AGM). In 2014, the committee considered matters relating to bonus payments for 2013, an extraordinary synergy bonus in 2014 and salary reviews for the Senior Management Team in 2014. The committee also addressed the evaluation of the LTIP 2014 incentive programme and the structure of the LTIP 2015 incentive programme. The principles for remuneration to the CEO and other senior executives, as well as the actual figures, are contained in note 24 of the 2014 Annual Report.

## INVESTMENT COMMITTEE (former Integration and transformation committee)

The Board may also form temporary committees to address specific issues, and, due to the merger between Billerud and Korsnäs, established a special integration and transformation committee. The main task of the integration and transformation committee has been to monitor and assess work relating to integration between former Billerud and former Korsnäs. As previously communicated, this integration work has been highly successful and synergy targets have been achieved sooner than estimated. As the integration work has gradually been completed the committee's focus has shifted to other issues, in particular to examine and prepare certain matters for the Board



regarding the company's research and development agenda and investments, and to assisting management with these issues.

The committee consists of Board members Lennart Holm (Chairman), Bengt Hammar and Gunilla Jönsson.

#### Work in 2014

The committee held three meetings in 2014. All committee members were present at these meetings. In 2014, the committee addressed matters regarding integration between former Billerud and former Korsnäs, and reviewed the company's current work regarding research and development, energy supply and investments in order to examine these issues together with management before they are addressed by the Board.

#### Work to continue in 2015

BillerudKorsnäs' Board intends to allow the committee to continue to operate in 2015 but under the name of the 'investment committee' in order to address issues regarding investments and development issues before they are addressed by the Board.

#### AUDITORS

The Company's auditors are appointed by the general meeting. At the 2014 AGM, audit firm Ernst & Young AB, with principal auditor Lars Träff, was elected as the Company's auditor for the period until the end of the 2014 AGM. During the year, Martin Brenner replaced Lars Träff as the principal auditor. Martin Brenner is an authorised public accountant and has experience of auditing other listed companies. Martin Brenner is currently also auditor of Softronic, Cycleurope and Aditro.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing interim reports and the year-end accounts in order to assess their accuracy and comprehensiveness and compliance of the accounts with generally accepted accounting practices and relevant accounting policies. Duties also include informing the Board about services provided over and above auditing services, the compensation

for such services, and other circumstances affecting the independence of the auditors. To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, BillerudKorsnäs' auditors met with the audit committee on three occasions and with the Board without presence of the senior management on one occasion in 2014.

#### CEO AND SENIOR MANAGEMENT TEAM

The Company's chief executive officer (CEO) is appointed by the Board of Directors. Per Lindberg is the CEO of the Company and Christer Simrén is the Executive Vice President of the Company. The CEO is responsible for the ongoing management of the Company's and Group's business operations in accordance with instructions and regulations established by the Board. These instructions include responsibility for financial reporting, preparation of information and input for decisions, and ensuring that agreements and other measures do not conflict with applicable legislation or regulations.

The CEO and the Senior Management Team (SMT) are jointly responsible for daily operations. The SMT consists of the CEO and Executive Vice President (and COO), as well as the heads of the three business areas (Packaging Paper, Consumer Board and Containerboard) and the heads of the group functions Forestry, Communication and Sustainability, HR, Finance and Technology & Strategic Development. The role of the SMT is to establish Group-wide values and a long-term vision, as well as strategies and policies for the Group based on the objectives set by the Board. The SMT sets targets for operational activities, allocates resources and monitors the business' earnings. The SMT is also responsible for investment planning and follow-up, acquisitions and divestments, and for preparations for Board meetings.

The CEO chairs SMT meetings and makes decisions in consultation with the other senior executives. The SMT usually meets monthly to review the financial

performance of the preceding month, update forecasts and plans, as well as to discuss strategic issues. In addition, the SMT meets once a week for short teleconferences, and as necessary.

See page 58–59 for further information about the SMT's members.

#### INTERNAL CONTROL

BillerudKorsnäs' internal control function is responsible for implementing processes and regulations that ensure the internal control and quality of financial reporting. This function reports to the CFO and is also responsible for preparation and presentation of matters regarding internal control at meetings of the audit committee.

#### PRINCIPLES FOR REMUNERATION OF SENIOR MANAGEMENT

The 2014 AGM adopted guidelines on the remuneration of senior management in the Group. The guidelines state, for example, that BillerudKorsnäs shall apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a Senior Management Team with a high level of competence and capacity to achieve set goals. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results measured against detailed targets, up to a set maximum percentage of a fixed annual salary. The maximum percentage is between 30 and 70 percent. However, variable remuneration shall be paid only if the Company makes an operating profit. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay shall be a maximum of 12 months' salary.

For the complete resolution on principles for remuneration, see note 24 of the 2014 Annual Report. The Board's proposal for guidelines in 2015 is presented in the Directors' Report.



# Senior Management Team



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Top row, from left: Christer Simrén, Lennart Eberleh, Susanne Lithander, Johan Nellbeck, Ulf Eliasson.  
Bottom row, from left: Magnus Wikström, Karin Hågfeldt, Per Lindberg, Uno Brinnen and Henrik Essén.

## PER LINDBERG

### President and CEO

**Education:** MSc and PhD, Chalmers University of Technology, Gothenburg.

**Year employed:** 2005

**Year born:** 1959

**Other assignments:** Board member of Nordstjernan AB, SP Technical Research Institute of Sweden, Bergvik Skog AB and Middlepoint AB. Chairman of the Swedish Forest Industries Federation and member of IVA Royal Swedish Academy of Engineering Sciences Division VIII – Forest Technology. **Background:** Managing Director, Korsnäs AB. Vice President, Investment AB Kinnevik. Management and strategy consultant, Applied Value Corporation, US. **Shareholding<sup>1</sup>:** 86 547

## CHRISTER SIMRÉN

### Executive Vice President, COO

**Education:** MSc and PhD, Chalmers University of Technology, Gothenburg. MSc in Economics and Business, School of Business, Economics and Law, Gothenburg University.

**Year employed:** 2012

**Year born:** 1961

**Other assignments:** –

**Background:** CEO of Korsnäs AB and Wermland Paper AB. Member of the management team of Kinnevik. Chairman of the Board of Grycksbo Paper Holding AB. **Shareholding<sup>1</sup>:** 25 200

## UNO BRINNEN

### Senior Vice President Forestry

**Education:** MSc in Forestry, Sweden's Agricultural University, Umeå. Licentiate Degree in Forestry, Swedish University of Agricultural Sciences, Garpenberg.

**Year employed:** 2012

**Year born:** 1956

**Other assignments:** Board member of Svenska FSC and Skogforsk. Member of KSLA.

**Background:** Director of Forestry, Korsnäs AB.

**Shareholding<sup>1</sup>:** 6 700

## LENNART EBERLEH

### Senior Vice President Containerboard

**Education:** MSc in Engineering, Technische Universität Carolo Wilhelmina Braunschweig, Germany. Executive MBA, Mgruppen.

**Year employed:** 2001

**Year born:** 1969

**Other assignments:** –

**Background:** Sales Manager, Stora Enso Gruvön. Stora Support Team, Stora Kopparberg Bergslags AB. Product Manager, Stora Gruvön.

**Shareholding<sup>1</sup>:** 18 125

## ULF ELIASSON

### Senior Vice President Consumer Board

**Education:** MSc in Engineering, Chalmers University of Technology, Gothenburg.

**Year employed:** 2012

**Year born:** 1962

**Other assignments:** Board member of Bomhus Energi Aktiebolag, Board member of SPCI (Swedish Society of Paper and Cellulose Engineers), Board member of ACE (Alliance for Beverage Cartons and the Environment).

**Background:** Mill Director Korsnäs AB, Vice President & Site Manager Rolls-Royce AB, Senior Vice President & CEO Stora Enso Skoghall AB.

**Shareholding<sup>1</sup>:** 6 500

## HENRIK ESSÉN

### Senior Vice President Communication and Sustainability

**Education:** MSc in Engineering, Royal Institute of Technology, Stockholm.

**Year employed:** 2011

**Year born:** 1974

**Other assignments:** –

**Background:** Senior consultant at ÅF AB and Pöyry Forest Industry Consulting AB.

**Shareholding<sup>1</sup>:** 2 800

## KARIN HÅGFELDT

### Senior Vice President Corporate Human Resources

**Education:** Human Resource Management programme, Umeå University. Executive MBA, Stockholm School of Economics.

**Year employed:** 2011

**Year born:** 1970

**Other assignments:** –

**Background:** HR Lead Global Supply Chain & Strategy, AstraZeneca. Head of HR Sweden Operations, AstraZeneca. HR Manager, Ericsson.

**Shareholding<sup>1</sup>:** 5 875

## SUSANNE LITHANDER

### CFO

**Education:** MSc in Economics and Business, School of Business, Economics and Law, Gothenburg University.

**Year employed:** 2011

**Year born:** 1961

**Other assignments:** Board member of Acando AB and Eltel AB.

**Background:** CEO, Mercuri International Group. Executive Vice President & Head of Advisory Services, BU Global Services, Ericsson AB. Executive Vice President Finance & Operational Development, BU Global Services, Ericsson AB. Executive Vice President & Head of Business Operations, Ericsson Inc., TX, USA. **Shareholding<sup>1</sup>:** 975

## JOHAN NELLBECK

### Senior Vice President Packaging Paper

**Education:** MSc in Economics and Business, Uppsala University. Executive MBA, Mgruppen.

**Year employed:** 2006

**Year born:** 1964

**Other assignments:** Board member of CEPI Eurokraft.

**Background:** Regional Sales Director, Tele2 Stockholm. Managing Director, AssiDomän Kraft Products Nordic Sales AB. Sales Manager, AssiDomän Scandinavia.

**Shareholding<sup>1</sup>:** 16 000

## MAGNUS WIKSTRÖM

### Senior Vice President Technology & Strategic Development

**Education:** MSc and PhD in Engineering, Royal Institute of Technology, Stockholm. Executive MBA, Mgruppen.

**Year employed:** 2006

**Year born:** 1963

**Other assignments:** Board member of Innventia AB, Board member of Awapatent AB.

**Background:** R & D Director Korsnäs AB, Research Manager Korsnäs Development, Project Area Manager STFI.

**Shareholding<sup>1</sup>:** 16 719

<sup>1</sup> Own and closely related persons' shareholdings as of 6 March 2015.

# Board of Directors



## 1. LENNART HOLM

Chairman of the Board since 2014, Board member since 2012, chairman of the investment committee, member of the remuneration committee

**Education:** MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg. Degree in Finance, University of Gothenburg.

**Year born:** 1960

**Other assignments:** Chairman of the Board of Vida AB, Nexam Chemical Holding AB, Chamber Tech AB, Brunkeberg Systems AB, Vigmed Holding AB and Hamnkrogen i Helsingborg Holding AB. Board member of BMC Management AB, Chamber Bygg Sweden AB, Dermazip AB, Hempel A/S, Lennart Holm Development AB, Neco Norden AB, Preventic Försäkrings AB and SOS Barnbyar Sverige.

**Background:** Chairman of the Board and CEO of the Perstorp Group, active at Stora Enso and partner in PAI Partners SAS.

**Shareholding<sup>1</sup>:** 3 000

**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

## 2. BENGT HAMMAR

Board member since 2014 and member of the investment committee

**Education:** BA and MA in International Economy and Politics, Princeton University, New Jersey, United States

**Year born:** 1951

**Other assignments:** Director and senior adviser, Pöyry Capital Ltd.

**Background:** Managing Director, Head of Global Forest Products & Packaging, Barclays De Zoete Wedd Ltd. Executive Director, Head of European Forest Products & Packaging, Morgan Stanley & Co. Int.

**Shareholding<sup>1</sup>:** 1 100

**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

## 3. MIKAEL HELLBERG

Board member since 2014, chairman of the remuneration committee, member of the audit committee

**Education:** BSc in Economics, University of Minnesota, United States. Studies at Stockholm School of Economics.

**Year born:** 1954

**Other assignments:** Chairman of the Board of Delicato Bakverk AB, Berntson Brands AB and Wallvision AB. Board member of Cederroth International AB, Lomond Industrier AB and Fresk Försäljning AB.

**Background:** CEO of Wasabröd AB, Pripps Bryggerier/Carlsberg Sverige AB, Alcro-Beckers AB and Nordic Head of Procter & Gamble HABC. Chairman of the Board of several companies, including AB Annas Pepparkakor, Björnkläder AB, NCS Colour AB, Mobeon AB and Anticimex AB.

**Shareholding<sup>1</sup>:** 20 000

**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

## 4. JAN HOMAN

Board member since 2012 and member of the audit committee

**Education:** Business studies, University of Commerce, Vienna, Austria.

**Year born:** 1947

**Other assignments:** Chairman of the Board of Frapag Beteiligungsholding AG. Board member of Constantia Flexibles Group, Allianz Elementar Versicherungs AG, Erste Group Bank AG and Slovenska Sportelna. Head of European Aluminium Foil Association and Flexible Packaging Europe.

**Background:** CEO of Constantia Flexibles Group and CEO of Constantia Teich Group.

**Shareholding<sup>1</sup>:** –

**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

## 5. GUNILLA JÖNSON

Board member since 2003 and member of the investment committee

**Education:** MSc and PhD in Mechanical Engineering, Chalmers University of Technology, Gothenburg.

**Year born:** 1943

**Other assignments:** Senior Professor in Packaging Logistics, Engineering Faculty LTH, and senior advisor to the Vice Chancellor of Lund University. Chairman of International Institute for Industrial Environmental Economics (IIIEE). Board member of SIK, Invest in Skåne AB and Chalmers Industrietechnik. Member of IVA Royal Swedish Academy of Engineering Sciences, Division VIII – Forest Technology.

**Background:** Dean of Faculty of Engineering, Lund University.

Various executive and other positions at SCA Packaging. Research Director, Swedish Packaging Research Institute.

**Shareholding<sup>1</sup>:** 3 528

**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.



#### 6. MICHAEL M.F. KAUFMANN

Board member since 2005, member of the remuneration committee  
**Education:** MBA, Universities of Stuttgart and Erlangen-Nürnberg.  
**Year born:** 1948  
**Other assignments:** CEO, Frapag Beteiligungsholding AG. CEO, HKW Privatstiftung.  
**Background:** Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.  
**Shareholding<sup>1</sup>:** 9 500  
**Independent/Not independent:** Independent of the Company and management, not independent of the Company's major shareholders.

#### 7. KRISTINA SCHAUMAN

Board member since 2014, chairman of the audit committee  
**Education:** MSc in Economics and Business, Stockholm School of Economics  
**Year born:** 1965  
**Other assignments:** Board member of ÅF AB, Livförsäkringsbolaget Skandia, Orexo AB and Apoteket AB. Member of Save the Children's advisory board in Sweden.  
**Background:** Various financial managerial positions in Stora Enso, ABB and Investor and top executive positions in OMX AB, Carnegie Investment bank and Apoteket AB.  
**Shareholding<sup>1</sup>:** –  
**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

#### 8. KJELL OLSSON

Board member since 2012, employee representative Pappers  
**Year born:** 1959  
**Other assignments:** Chairman of Pappers Avd 3 trade union in Gävle.  
**Background:** –  
**Shareholding<sup>1</sup>:** 45  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

#### 9. KURT LINDVALL

Deputy Board member since 2001, employee representative Pappers  
**Year born:** 1951  
**Other assignments:** Operator at BillerudKorsnäs.  
**Background:** –  
**Shareholding<sup>1</sup>:** –  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

#### 10. HELÉN GUSTAFSSON

Board member since 2010, employee representative PTK  
**Education:** Degree in Chemical Engineering, Institute of Technology, Linköping University.  
**Year born:** 1971  
**Other assignments:** Production Technician/Personnel Supervisor at BillerudKorsnäs.  
**Background:** –  
**Shareholding<sup>1</sup>:** 517  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

#### 11. TOBIAS SÖDERHOLM

Deputy Board member since 2012, member of the audit committee, employee representative PTK  
**Education:** MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg.  
**Year born:** 1975  
**Other assignments:** Project Manager, R & D, at BillerudKorsnäs.  
**Background:** –  
**Shareholding<sup>1</sup>:** –  
**Independent/Not independent:** Independent of management and the Company's major shareholders, not independent of the Company (employed).

<sup>1</sup> Own and closely related persons' shareholdings as of 6 March 2015.



# Internal control and risk management for the financial reporting 2014

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. A report on internal control and risk management in respect of financial reporting for the 2014 financial year has been drawn up and published by the Board in accordance with Chapter 6, Paragraph 6 of the Annual Accounts Act and Section 7.4 of the Swedish Code of Corporate Governance. The report describes how internal control related to financial reporting is organised. This year's report is presented below.

## PRIORITY AREAS IN 2014

The 2014 financial year was characterised by continued integration work and efforts to create joint processes. BillerudKorsnäs has a shared service centre that ensures efficient and uniform handling of financial processes. The service centre manages reporting, accounts payable, accounts receivable, payroll and other financial procedures. In the first half of the year, the procedures of the final unit, Karlsborg, were transferred to the service centre. This completed the transition to a shared service centre. The service centre now covers all Swedish and Finnish units.

There has also been a focus on continuing to implement Group-wide IT environments. In 2014, a shared system for calculating and analysing product profitability was implemented. In addition, work also started on implementing a shared ordering, inventory and invoicing system. Implementation of this system is expected to be completed in the 2016 financial year. During 2014, existing purchasing and maintenance systems have been upgraded and a Group-wide supplier register has been rolled out. Furthermore, a Group-wide tool for consolidating and analysing purchasing volumes and a shared contract database were fully implemented in 2014.

During the first six months of 2014, an internal control function was introduced with responsibility for implementing processes and frameworks that ensure the internal control and the quality of the financial reporting.

## EXTERNAL FINANCIAL REPORTING

The following report has been prepared in accordance with the Swedish Code of Corporate Governance and current instructions to the Code and constitutes the Board's report on internal control for the financial reporting. The purpose of internal control for the financial reporting is to provide suitable safeguards as to the reliability of external financial reports in the form of

interim reports, year-end reports and annual reports and to ensure that external financial reports are prepared in compliance with all laws, applicable accounting standards and other requirements of listed companies. The Board has overall responsibility for ensuring that BillerudKorsnäs has effective internal control. The CEO is responsible for ensuring that a process and organisational structure are in place to ensure the internal control and quality of financial reporting. BillerudKorsnäs' internal control work is based on the internal control principles developed by the Committee of Sponsoring Organizations of the Tradeway Commission (COSO). These principles consist of the following five components:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

For more information about BillerudKorsnäs' corporate governance work, please see the section Corporate Governance in BillerudKorsnäs in 2014.

### 1. Control Environment

Solid internal control is fundamental to the proper functioning of the Board. The rules of procedure for the Board and Board committees, as well as the instructions for the CEO, are intended to establish a clear division of roles and responsibilities that will facilitate the efficient management of risks identified in operations. The Board has also established a series of fundamental policies significant to internal control activities, such as accounting and reporting instructions, a finance policy and financial targets, and has adopted a suitable structural organisation, including the Company's Senior Management Team.

The Senior Management Team reports regularly to the Board based on predetermined procedures. The audit committee also reports

to the Board. The Senior Management Team is responsible for ensuring that essential internal controls are implemented as necessary to manage significant risks in day-to-day activities. This includes Group-wide policies and guidelines for how the individual employee shall understand his or her role in the work to maintain adequate internal control. These include an operating policy, code of conduct, finance policy, authorization instruction, accounting and reporting instructions and credit guidelines. BillerudKorsnäs' shared service centre ensures effective and uniform management of financial processes through the development of uniform procedures and control systems.

### 2-3. Risk Assessment and Control Activities

The Company uses a model for assessing the risk of errors in financial reporting. It continually monitors items where there is an increased risk of material error, and ensures that adequate control activities are in place.

For information regarding financial risk and important items subject to appraisal and assessment, please see the Risk Management and Sensitivity Analysis section and note 32 in the 2014 annual report.

### 4. Information and Communication

Material policies, guidelines and manuals that are of significance to financial reporting are available on BillerudKorsnäs' intranet. Relevant employees are regularly informed of amendments and updates to these. Both formal and informal information channels carry important information from staff to the Senior Management Team and the Board. For example, BillerudKorsnäs has a whistleblower function that enables employees to report suspected irregularities. Guidelines for external communication and a Communication Policy ensure that the Company meets the strict requirements on accurate information for financial markets.



## 5. Monitoring

The audit committee carries out preparatory work prior to the Board's assessment of the information submitted by the Senior Management Team and the Company's auditors. The audit committee's tasks also include ensuring, on behalf of the Board, that actions are taken concerning the deficiencies and proposed actions identified in the external audit and by the internal control

function. See the Corporate Governance section in BillerudKorsnäs 2014 for further information about the audit committee and its work.

### INTERNAL AUDIT

In accordance with paragraph 7.4 of the Swedish Code of Corporate Governance, the Board has evaluated the need for a separate review function. In view of the

structural organisation of internal control and the monitoring performed by the internal control function and by the financial management and controller organisation, the Board has decided that a separate internal audit or review function is not necessary at present. The issue of a separate internal audit function is reviewed annually.

# Auditor's report on the Corporate Governance Statement

It is the board of directors who is responsible for the corporate governance statement for the year 2014 on pages 54–63 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate

governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 24, 2015  
Ernst & Young AB

Martin Brenner  
Authorized Public Accountant



# Five-year summary

From 2014 Bomhus Energi AB is recognised as a joint arrangement and BillerudKorsnäs reports its share of Bomhus Energi AB's revenue, expenses, assets and liabilities. Figures and key ratios for comparative years have been restated.

## SUMMARY INCOME STATEMENT

SEKm	2014	2013	2012	2011	2010
Net sales	20 853	19 689	10 427	9 343	8 828
Other income	118	130	27	18	85
Operating income	20 971	19 819	10 454	9 361	8 913
Operating expenses	-17 692	-17 243	-9 256	-7 769	-7 266
Depreciation/amortisation	-1 378	-1 439	-709	-614	-610
Operating profit/loss	1 901	1 137	489	978	1 037
Net financial items	-248	-309	-87	-45	-77
Profit/loss before tax	1 653	828	402	933	960
Taxes	-352	-142	275	-250	-255
<b>Net profit/loss</b>	<b>1 301</b>	<b>686</b>	<b>677</b>	<b>683</b>	<b>705</b>

## CAPITAL EMPLOYED, SUMMARY

SEKm, 31 Dec	2014	2013	2012	2011	2010
Non-current assets, excluding interest-bearing receivables	18 301	18 170	18 218	5 166	5 271
Inventories	3 145	3 029	3 150	1 135	1 070
Accounts receivable	2 601	2 394	2 244	1 391	1 412
Other current assets	925	849	955	372	447
<b>Total operating assets</b>	<b>24 972</b>	<b>24 442</b>	<b>24 567</b>	<b>8 064</b>	<b>8 200</b>
Less:					
Deferred tax liabilities	2 986	2 691	2 561	1 467	1 434
Non-interest-bearing provisions	67	108	84	36	27
Accounts payable	2 502	1 742	2 553	1 227	1 157
Other non-interest-bearing liabilities	1 589	1 595	1 170	695	790
<b>Capital employed</b>	<b>17 828</b>	<b>18 306</b>	<b>18 199</b>	<b>4 639</b>	<b>4 792</b>

## SUMMARY STATEMENT OF CASH FLOWS

SEKm	2014	2013	2012	2011	2010
Operating surplus	3 234	2 656	1 282	1 604	1 625
Change in working capital	238	-452	132	-113	-147
Net financial income/expenses	-233	-265	-59	-39	-73
Tax paid	-124	-160	-353	-180	-12
<b>Cash flow from operating activities</b>	<b>3 115</b>	<b>1 779</b>	<b>1 002</b>	<b>1 272</b>	<b>1 393</b>
Cash flow from investing activities	-1 376	-1 250	-7 194	-591	-592
<b>Cash flow after investing activities</b>	<b>1 739</b>	<b>529</b>	<b>-6 192</b>	<b>681</b>	<b>801</b>

## KEY FINANCIAL RATIOS

	2014	2013	2012	2011	2010
<b>Margins</b>					
Gross margin, %	16	13	11	17	19
Operating margin, %	9	6	5	10	12
<b>Return (rolling 12 months)</b>					
Return on capital employed, %	11	6	8	20	21
Return on shareholders' equity, %	13	7	13	14	17
<b>Capital structure at end of period</b>					
Capital employed, SEKm	17 828	18 306	18 199	4 639	4 792
Working capital, SEKm	2 286	2 748	2 473	1 131	986
Shareholders' equity, SEKm	10 704	9 917	9 435	4 872	4 637
Interest-bearing net debt, SEKm	7 124	8 389	8 764	-233	155
Net debt/equity ratio, multiple	0.67	0.85	0.93	-0.05	0.03
Interest-bearing net debt/operating profit before depreciation/amortisation, multiple	2.2	3.3	7.3	-0.1	0.1
<b>Investments</b>					
Investments in non-current assets, SEKm	1 384	1 337	965	512	334
Acquisitions, SEKm	-	-9	8 948	-	-
<b>Other key ratios</b>					
Capital turnover, multiple	1.2	1.1	1.4	2.0	1.8
Working capital as a percentage of sales	12	14	14	11	11
<b>Personnel</b>					
Average number of employees	4 194	4 272	2 548	2 277	2 240





# Quarterly data

BillerudKorsnäs' net sales and operating profit/loss by business area are presented below. The results of the business areas are reported excluding the effects of currency hedging and excluding the effect on profit/loss of the translation of trade receivables in foreign currency and currency

effects in connection with payments. These effects are reported separately under 'Currency hedging, etc.' The portion of the currency exposure that relates to changes in invoicing rates is included in the business area's profit/loss.

## Quarterly net sales per business area and for the Group

SEKm	2014					2013				
	Full year	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Full year	Q4 -13	Q3 -13	Q2 -13	Q1 -13
Packaging Paper	8 101	1 959	2 058	2 016	2 068	7 279	1 758	1 820	1 846	1 855
Consumer Board	7 436	1 768	1 897	1 822	1 949	6 964	1 659	1 716	1 784	1 805
Containerboard	3 148	816	773	767	792	3 073	763	755	758	797
Other units	2 197	609	487	512	589	2 297	549	470	579	699
Currency hedging, etc.	-29	-28	-24	11	12	76	26	-13	38	25
Group staff and eliminations	-	-	-	-	-	-	-	-	-	-
<b>Total Group</b>	<b>20 853</b>	<b>5 124</b>	<b>5 191</b>	<b>5 128</b>	<b>5 410</b>	<b>19 689</b>	<b>4 755</b>	<b>4 748</b>	<b>5 005</b>	<b>5 181</b>

## Quarterly operating profit/loss (excl. depreciation/amortisation) per business area and for the Group

SEKm	2014					2013				
	Full year	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Full year	Q4 -13	Q3 -13	Q2 -13	Q1 -13
Packaging Paper	1 173	303	277	288	305	752	200	118	197	237
Consumer Board	1 584	354	409	419	402	1 255	207	420	297	331
Containerboard	588	162	161	103	162	513	143	138	117	115
Other units	237	49	62	51	75	220	36	57	44	83
Currency hedging, etc.	-29	-28	-24	11	12	76	26	-13	38	25
Group staff and eliminations	-274	-31	-93	-79	-71	-240	-63	-48	-65	-64
<b>Total Group</b>	<b>3 279</b>	<b>809</b>	<b>792</b>	<b>793</b>	<b>885</b>	<b>2 576</b>	<b>549</b>	<b>672</b>	<b>628</b>	<b>727</b>

## Quarterly gross margin per business area and for the Group

%	2014					2013				
	Full year	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Full year	Q4 -13	Q3 -13	Q2 -13	Q1 -13
Packaging Paper	14	15	13	14	15	10	11	6	11	13
Consumer Board	21	20	22	23	21	18	12	24	17	18
Containerboard	19	20	21	13	20	17	19	18	15	14
<b>Total Group</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>13</b>	<b>12</b>	<b>14</b>	<b>13</b>	<b>14</b>

## Quarterly operating profit/loss per business area and for the Group

SEKm	2014					2013				
	Full year	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Full year	Q4 -13	Q3 -13	Q2 -13	Q1 -13
Packaging Paper	701	183	158	169	191	284	91	-1	76	118
Consumer Board	915	186	243	253	233	557	29	244	126	158
Containerboard	416	120	120	59	117	318	98	89	66	65
Other units	166	28	45	35	58	136	21	36	20	59
Currency hedging, etc.	-29	-28	-24	11	12	76	26	-13	38	25
Group staff and eliminations	-268	-29	-92	-77	-70	-234	-62	-46	-64	-62
<b>Total Group</b>	<b>1 901</b>	<b>460</b>	<b>450</b>	<b>450</b>	<b>541</b>	<b>1 137</b>	<b>203</b>	<b>309</b>	<b>262</b>	<b>363</b>

## Quarterly operating margin per business area and for the Group

%	2014					2013				
	Full year	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Full year	Q4 -13	Q3 -13	Q2 -13	Q1 -13
Packaging Paper	9	9	8	8	9	4	5	-	4	6
Consumer Board	12	11	13	14	12	8	2	14	7	9
Containerboard	13	15	16	8	15	10	13	12	9	8
<b>Total Group</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>5</b>	<b>7</b>

## Quarterly sales volumes per business area and for the Group

ktonnes	2014					2013				
	Full year	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Full year	Q4 -13	Q3 -13	Q2 -13	Q1 -13
Packaging Paper	1 167	275	288	294	310	1 080	263	269	273	275
Consumer Board	1 004	235	252	249	268	959	231	236	242	250
Containerboard	528	134	127	128	139	552	126	134	142	150
<b>Total Group</b>	<b>2 699</b>	<b>644</b>	<b>667</b>	<b>671</b>	<b>717</b>	<b>2 591</b>	<b>620</b>	<b>639</b>	<b>657</b>	<b>675</b>

# The BillerudKorsnäs share

## THE SHARE

The BillerudKorsnäs share has been publicly listed since 20 November 2001 and is traded on the Large Cap list of Nasdaq Stockholm. The share ticker symbol are BILL.

On 30 December 2014, the share capital totalled SEK 1 537 642 793, represented by 208 219 834 shares.

The number of shares on the market totalled 206 788 161. Each share on the market entitles its holder to an equal right in the Company's earnings and capital.

## SHARE PRICE PERFORMANCE

The BillerudKorsnäs share closed at SEK 112.50 on 30 December 2014, corresponding to a market capitalisation of around SEK 23.3 billion. BillerudKorsnäs' share price rose by 38% during 2014. Over the same period, the Nasdaq Stockholm forestry and paper products index (OMX Stockholm Forestry & Paper PI) rose by 22%, while the Nasdaq Stockholm All Share Index (OMX Stockholm PI) rose by 12%.

In 2014, the shares recorded their highest closing price, SEK 112.70, on 29 December, and their lowest closing price, SEK 77.45, on 4 February.

## TRADING

During 2014, 92.5 million BillerudKorsnäs shares were traded on Nasdaq Stockholm, corresponding to a value of approximately SEK 9 billion. The average number of shares traded each trading day was about 372 000, corresponding to a value of SEK

36 million. On average, about 967 trades were made each trading day.

## DIVIDEND

The goal is for the dividend to average 50% of net profit over a business cycle. The dividend paid to shareholders will depend,

for example, on BillerudKorsnäs' level of profits, its financial position and its future development opportunities. BillerudKorsnäs' Board of Directors proposes a dividend of SEK 3.15 per share for 2014. The proposed dividend corresponds to around 51% of net profit for 2014.

## DISTRIBUTION OF SHARES AT 30 DECEMBER 2014

Registered number of shares	208 219 834
Repurchased shares in Company treasury	-1 431 673
<b>Shares on the market</b>	<b>206 788 161</b>

## NUMBER OF SHARES ON THE MARKET

	2014	2013	2012	2011
Average	206 761 898	206 631 569	131 852 149	127 860 805
Average after dilution	207 297 990	207 051 124	132 157 203	128 222 784
Closing date	206 788 161	206 719 689	206 500 887 <sup>1</sup>	127 860 805
Closing date after dilution	207 324 253	207 139 244	206 805 941 <sup>1</sup>	128 222 784

<sup>1</sup> Corresponds to the number of shares on the market following completion of rights issue.

## 10 LARGEST SHAREHOLDERS

Shareholder	No. of shares, millions	Share of votes, %
Frapag Beteiligungsholding AG	31.3	15.1
AMF Insurance and Funds	20.1	9.7
Swedbank Robur funds	10.9	5.2
Nordea Funds	10.3	4.9
Lannebo funds	7.9	3.8
Fourth AP Fund	7.4	3.6
Alecta	5.4	2.6
SHB Funds	5.3	2.5
Norges Bank Investment Management	5.2	2.5
DFA funds (USA)	4.4	2.2
<b>Total 10 largest shareholders</b>	<b>108.2</b>	<b>52.1</b>

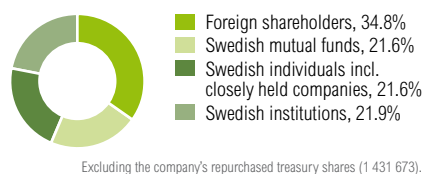
## OWNERSHIP STRUCTURE<sup>1</sup>

Shareholding	No. of shares	%	No. of owners	%
1–100	1 369 445	0,7	23 589	24,0
101–500	15 757 773	7,5	61 390	62,3
501–10 000	21 114 257	10,1	12 920	13,1
10 001–50 000	8 433 680	4,1	408	0,4
50 001–	161 544 679	77,6	226	0,2
<b>Total</b>	<b>208 219 834</b>	<b>100,0</b>	<b>98 533</b>	<b>100,0</b>

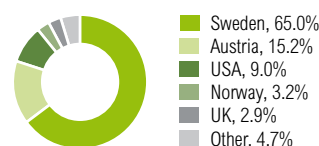
<sup>1</sup> Including BillerudKorsnäs' treasury shares.

Source: SIS Ägarservice, 30 December 2014.

## SHAREHOLDER CATEGORIES, VOTES



## GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS, VOTES



## SHARE PRICE PERFORMANCE 2004–2014



## SHARE PRICE PERFORMANCE 2014



## FINANCIAL DATA PER SHARE

SEK per share, unless stated otherwise <sup>1</sup>	2014	2013	2012	2011	2010
Earnings	6.18	3.24	5.14	5.34	5.52
Diluted earnings	6.16	3.24	5.12	5.33	5.51
Dividend (for each financial year), actual	3.15	2.25	2.00	3.50	3.50
Dividend (for each financial year), adjusted for effect of new share issue	3.15	2.25	2.00	2.82	2.82
Dividend as % of					
– share price (dividend yield)	2.8	2.8	3.3	6.0	6.0
– profit	51.0	69.4	61.0	52.8	51.1
– equity (closing balance)	6.1	4.7	4.4	7.4	7.8
Cash flow from operating activities	15.07	8.61	7.60	9.94	10.9
Operating cash flow	8.41	2.56	0.38	5.96	8.31
Equity	51.34	47.68	45.47	38.10	36.27
Diluted equity	51.20	47.58	45.41	37.99	36.19
Share price/closing balance of equity, %	219	170	134	124	130
P/E ratio, multiple	18.2	25.1	11.9	8.8	8.5
EV/EBITDA, multiple	9.3	9.8	17.3	3.7	3.7
Share price (closing price, last trading day)	112.50	81.25	61.25	47.08	46.88

<sup>1</sup> All figures are historically adjusted for the effect of the new share issues in 2012, unless otherwise indicated.

<sup>2</sup> Board's proposal.

## ANALYSTS COVERING BILLERUDKORSNÄS

Company	Financial analysts	Phone	Company	Financial analysts	Phone
ABG	Martin Melbye	+47 220 161 37	Kepler Cheuvreux	Mikael Jäfs	+46 8 723 51 71
Carnegie	Fredrik Villard	+46 8 588 687 47	Nordea	Harri Taittonen	+358 9 1655 9924
Danske Bank	Oskar Lindström	+46 8 568 806 12	SEB Enskilda	Linus Larsson	+46 8 522 297 01
DNB	Johan Sjöberg	+46 8 473 48 31	Swedbank Markets	Ola Södermark	+46 8 585 902 40
Handelsbanken Capital Markets	Mikael Doepel	+358 10 444 2450			



# Key figure definitions

## Margins

### Gross margin

Operating profit before depreciation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales.

### Operating margin

Operating profit as a percentage of net sales

## Return

### Diluted return on equity

Profit/loss for the year, attributable to parent company shareholders, as a percentage of average equity, attributable to parent company shareholders, plus the effect of estimated participation in the incentive programme.

### Return on capital employed

Operating profit as a percentage of average capital employed.

### Return on equity

Profit/loss for the year, attributable to parent company shareholders, as a percentage of average equity, attributable to parent company shareholders.

## Capital structure

### Asset turnover rate

Net sales divided by average capital employed.

### Capital employed

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets.

### Diluted equity

Equity at the end of the period plus the effect of estimated participation in the incentive programme.

### Equity

Equity at the end of the period.

### Interest-bearing net indebtedness

Interest-bearing provisions and liabilities less interest-bearing assets.

### Interest coverage ratio

Operating profit plus financial income divided by financial expenses.

### Net debt/equity ratio

Interest-bearing net debt divided by equity.

### Working capital

Inventories, accounts receivable and other current operating assets less accounts payable and other operating current liabilities.

### Working capital as a percentage of net sales.

Average working capital divided by annualised net sales (sales for the quarter multiplied by four).

## Per-share data <sup>1</sup>

### Cash flow from operating activities per share

Cash flow from operating activities divided by the average number of shares on the market during the period.

### Earnings per share

Profit/loss for the year, attributable to parent company shareholders, divided by the average number of shares on the market.

### Earnings per share after dilution

Profit/loss for the year, attributable to parent company shareholders, divided by the average number of shares on the market after estimated participation in the incentive programme.

### Equity per share

Equity at the end of the period, attributable to owners of the parent company, divided by the number of shares on the market at the end of the period.

### Equity per share, diluted/full conversion

Equity at the end of the period, attributable to parent company shareholders, plus the effect of estimated participation in the incentive programme, divided by the number of shares on the market at the end of the period plus the effect of estimated participation in the incentive programme.

### EV/EBITDA

Market capitalisation plus interest-bearing net debt, divided by operating profit before depreciation, amortisation and impairment losses (EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation).

### Operating cash flow per share

Cash flow after investing activities adjusted for acquisition/divestment of financial assets divided by the average number of shares on the market during the period.

### P/E ratio

Share price at year-end divided by earnings per share.

<sup>1</sup> Number of shares – see the 'Shareholder information' section.

# Glossary

## Biofuels

Renewable fuels originating from the plant kingdom, for example from wood, including black liquor and bark.

## Corrugated board

Corrugated board is manufactured by gluing together two flat layers of paper (liner) with a rippled layer (fluting) in the middle.

## Fossil fuels

Fuel based on organic carbon and hydrogen compounds from sediment or sedimented bedrock – primarily coal, oil and natural gas.

## Fluting

The wavy middle layer of corrugated board. Produced from primary or recycled fibre.

## Liquid packaging board

Liquid packaging board is used to manufacture packaging for beverages and other liquid foods.

## Pulpwood

In Sweden this is primarily softwood (spruce and pine) and birch used to make paper.

## Sack paper

Paper with high strength properties and used for the production of sacks. Made from softwood sulphate pulp.

## Sulphate pulp

Chemical pulp produced by cooking wood under high pressure and at a high temperature in cooking liquor, known as white liquor (sodium hydroxide and sodium sulphide). Sulphate pulp is also known as kraft pulp.



# Shareholder information and key dates

## ANNUAL GENERAL MEETING

BillerudKorsnäs AB's Annual General Meeting will be held at 2:00 p.m. on Tuesday 5 May 2015 at Hotel Rival, Mariatorget 3, Stockholm, Sweden.

Notice of the 2015 Annual General Meeting is posted on the Company's website at [www.billerudkorsnas.com](http://www.billerudkorsnas.com).

## NOTIFICATION OF ATTENDANCE

Shareholders wishing to take part in the AGM must be registered in the shareholders' register maintained by Euroclear by no later than Tuesday 28 April 2015 and must notify the Company by no later than 4:00 p.m. on Tuesday 28 April 2015, preferably before 4:00 p.m.

Notification of attendance can be done by telephone on +46 (0)8-402 90 62, at [www.billerudkorsnas.se/anmalan](http://www.billerudkorsnas.se/anmalan) or by post to BillerudKorsnäs AB, Årsstämman, Box 7841, 103 98 Stockholm, Sweden.

To be able to participate at the meeting, shareholders whose shares are registered in the name of a nominee must request that their own names are temporarily registered in the shareholders' register kept by Euroclear. This procedure, referred to as voting right registration, must be completed by Tuesday 28 April 2015, which means that shareholders must inform the nominee well before this date.

## DIVIDEND

BillerudKorsnäs' Board of Directors proposes a dividend of SEK 3.15 per share for the 2014 financial year. The proposed dividend corresponds to approximately 51% of net profit for 2014.

## FINANCIAL INFORMATION

All financial information is available in both Swedish and English and is published on BillerudKorsnäs' website at [www.billerudkorsnas.com](http://www.billerudkorsnas.com). The annual review is

distributed to shareholders and other interested parties who have registered their interest, either through the Company's website or via the form received by each new shareholder. The annual report and other financial reports are available on the website. There is also an HTML version, including Excel files that can be downloaded.

## OTHER INFORMATION

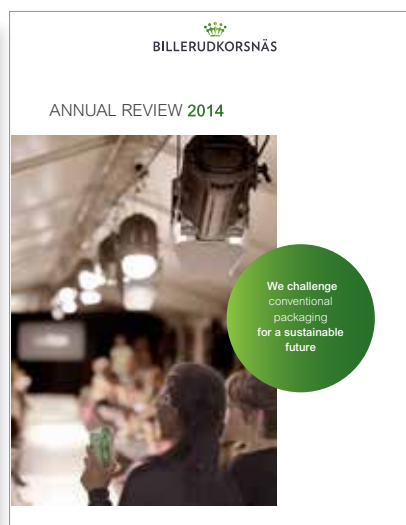
ISIN code SE0000862997

The share's ticker symbol is BILL.

## INTERIM REPORTS 2015

January–March 2015	21 April
January–June 2015	20 July
January–September 2015	21 October

BillerudKorsnäs' Annual Report, together with its Annual Review and Sustainability Report, form the Group's comprehensive reporting for 2014.





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[www.billerudkorsnas.com](http://www.billerudkorsnas.com)



BillerudKorsnäs' annual report 2014 has been produced  
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Printing: Ätta.45, 2015.



# BillerudKorsnäs' commitments **for a sustainable future**

For BillerudKorsnäs, a sustainable future means operations and value chains built entirely on responsible business practices, focused on products that create value for many people, sustainable production, safe and attractive workplaces, and social wellbeing.

We take a long-term perspective, and our current investments in sustainable business are investments in the future. Nine commitments will guide us in the drive to realise our objective of a sustainable future.

## ECONOMIC

### Responsible business for products that add value in many ways

1. Drive development for responsible value chains
2. Develop innovative and safe packaging solutions
3. Deliver profitability that creates added value

## ENVIRONMENTAL

### Renewable and sustainably produced materials in a good environment

1. Manage forestry and wood supply sustainably
2. Environmentally adapt and develop resource-efficient production
3. Environmentally adapt transport

## SOCIAL

### Safe, attractive workplaces and social wellbeing

1. Promote commitment, safety and social standards for attractive workplaces
2. Support development initiatives for young people and society
3. Work for ethical responsibility and human rights





# BILLERUDKORSNÄS

The image belongs to Primus, photographer David Eriksson



The packaging has to stand up to long periods in transit and still look good in the store. Primus chose **BillerudKorsnäs Liner** and, using the liner's unbleached inside face, created a look all of its own.

The subsidiary Paccess develops and offers global packaging solutions that strengthen the brands and reduce costs along the whole distribution chain



## Sustainable quality that stands out from the crowd

Strong brands stand out even more with innovative retail packaging. Primus, one of the world's biggest brands in outdoor cooking, with stoves, saucepans, mugs and other accessories for everyone who loves the great outdoors, chose Paccess as a partner to implement new packaging design, quality assure it and deliver it to manufacturers in China.

The intensive collaboration involved Primus, the Paccess design lab, customer services, technology and project management at Paccess in Shenzhen and Paccess' production partner in China.

Now all the packaging maintains consistently high quality through Paccess delivering directly to the manufacturers. This has made things easier and more reliable for Primus, with just the one contact point:

**"We now have a partner that ensures the same high quality throughout the chain, from manufacturer to store. And the new packaging is guaranteed to stand out on the shelf,"** says Johan Sollenberg of Primus.