



BILLERUDKORSNÄS

# ANNUAL REPORT 2015

**WE CHALLENGE  
CONVENTIONAL  
PACKAGING  
FOR A SUSTAINABLE  
FUTURE**



# CONTENTS

	Page		
<b>CEO'S STATEMENT</b>	2	Consolidated statement of cash flows	34
<b>DIRECTORS' REPORT</b>	4	Parent company income statement	35
<b>CORPORATE GOVERNANCE IN BILLERUDKORSNÄS IN 2015</b>	11	Parent company statement of comprehensive income	35
Remuneration at BillerudKorsnäs 2015	16	Parent company balance sheet	36
Internal control and risk management for financial reporting 2015	18	Parent company statement of changes in equity	37
Senior Management Team	20	Parent company cash flow statement	38
Board	22	<b>Notes and accounting policies</b>	<b>39</b>
<b>RISK MANAGEMENT AND SENSITIVITY ANALYSIS</b>	24	Proposed allocation of profit	62
<b>FINANCIAL REPORTS</b>		Auditors' report	63
Consolidated income statement	31	Five-year summary	64
Consolidated statement of comprehensive income	31	Quarterly data	66
Consolidated balance sheet	32	Shareholder information	68
Consolidated statement of changes in equity	33	Key figure definitions / Glossary	70
		Shareholder information and key dates	71
		Addresses	72



**BillerudKorsnäs' renewable packaging material is a climate-friendly alternative capable of replacing plastic, glass and metal.** We are constantly working to minimise our total emissions of greenhouse gases throughout the value chain – from influencing suppliers, investing in energy-efficient technology, developing smarter working methods and phasing out fossil energy to develop strong and light packaging solutions that enable efficient logistics and protect goods all the way to the consumer. **We are part of the solution.**

# BILLERUDKORSNÄS

## – SPECIALISED AND FOCUSED COMPANY

BillerudKorsnäs offers the global packaging market **world-leading paper and board material and smart solutions for optimal and sustainable packaging.**

### Leading position in growth markets

The company has leading global and regional positions in growing product segments. Our 2 000 customers are packaging manufacturers, brand owners and large retail and supermarket chains in more than 100 countries.

### Innovation a priority area

We challenge conventional packaging by leading industry development and bringing new products and solutions to market. In so doing, we are constantly pushing the boundary of what paper-based products can be used for.

### Clear growth strategy

BillerudKorsnäs will grow faster than the market for packaging paper and board. We will achieve this by shifting our position geographically and in the value chain, developing new products, making our production more efficient and offering sustainable alternatives.

### Sustainability drives the business

BillerudKorsnäs is driven by sustainability as a natural and integral part of the whole business and value chain. The raw material comes from sustainably managed forests and manufacturing takes place in resource-efficient production units that are constantly improved to minimise their environmental impact. Our products and solutions often assist in solving many of the challenges that the world currently faces.

### Focus on long-term value for shareholders

The Group's current financial strength allows for investment in its own structure as well as strategic acquisitions. BillerudKorsnäs' target is to generate a 13% return on capital employed and distribute 50% of net profit to shareholders as dividends.

#### CUSTOMERS

Packaging manufacturers, brand owners and large retail and supermarket chains.

#### BUSINESS AREAS<sup>1</sup>

Packaging Paper, 39%  
Consumer Board, 37%  
Corrugated Solutions, 15%

#### SALES OFFICES

China, France, Germany, India, Indonesia, Italy, Singapore, South Africa, Spain, Sweden, Thailand, Turkey, United Arab Emirates, United Kingdom and the USA.

#### PRODUCTION

Sweden, Finland and the UK.

#### NUMBER OF EMPLOYEES

4 200

#### NET SALES

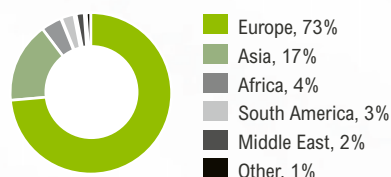
SEK 21.8 billion

#### OPERATING PROFIT

SEK 2.6 billion

1 Share of Group net sales

#### NET SALES BY REGION



#### NET SALES BY MARKET SEGMENT





## CEO'S STATEMENT

2015 was a year that once again clearly showed BillerudKorsnäs' capacity to build value for customers, shareholders and partners. Despite some disruptions to production in the fourth quarter, the year has been successful overall. We were true to our word: we achieved our profit targets, continued the integration work, made advances in the market and saw good results in the development portfolio.

**The company is strong and the mood across the organisation is good.**

### TARGETS EXCEEDED, NEW ONES SET

All the financial targets were achieved – operating margin, return on capital employed and net debt/equity ratio – plus the dividend target and our new target for long-term growth of 3–4% per year. The weakness of the Swedish krona naturally aided the situation, but I am nonetheless very happy with the performance.

Over the year we have established new financial targets that will apply from 2016. The new targets have been set on the basis of growing stability in the underlying results that BillerudKorsnäs has posted in recent years and should be seen as the baseline that is to be achieved regardless of the economic cycle.

### INNOVATION TOOK OFF

Over the year, we continued our focus on innovation aimed at adding value for the customer, generating strategic competitive advantages for us and contributing to a lower environmental impact in society. Since 2013, we have increased the number of projects fivefold, doubled the number of employees in research and development and increased investments by 180%.

We have an ambitious target that 20% of our turnover will be generated by new products by the year 2020. Although our current percentage is close to that target, it will take major development initiatives to maintain that high level in the future.

### BREAKTHROUGH FOR SYSTEMS

Alongside our traditional product development, which has further contributed to profitable growth, we are also focusing on the development of new service concepts and business models. Over the year, we have worked further on integrating the business model for “Managed packaging” into the

Containerboard business area, which is now changing its name to Corrugated Solutions. Other concrete examples include investment in value-adding systems, which made their breakthrough during the year: two systems for FreeForm Packaging and two systems for Axello Zap were brought to market in 2015. This is a brand new way of advancing up the value chain, which involves BillerudKorsnäs working with machine suppliers to develop optimal packages for the customer's needs, based on our materials and solutions. A total solution for our customers.

### CONTINUED EXPANSION

In parallel with the expansion in the value chain, we strengthened our local presence in growth markets, particularly in Asia but also in Africa. New sales offices were opened in Istanbul and Durban.

### SUSTAINABILITY INTEGRAL

Our sustainability work was recognised on many fronts over the year, not least by Carbon Disclosure Project (CDP) which put us in the top category of companies demonstrating global leadership in climate improvement measures. When it comes to our role as an attractive employer, we are also coming higher and higher in various rankings.

Since our products – paper and board for packaging – are based on raw material from growing forests, BillerudKorsnäs is part of the solution to many of the world's major challenges in the area of sustainability. Packing goods in paper instead of fossil plastics or metals saves finite resources. We also drive sustainability issues throughout our value chain, together with customers, suppliers and partners. We aim to maximise our positive contribution to a sustainable future and minimise the negative impact of our business.

### DISRUPTIONS TO PRODUCTION

The company's substantial programme of investment in production to increase capacity, quality and sustainability continued over the year. However, these rebuilds and expansions have also created their own problems. Following complex rebuilds, it has taken time to get back to normal production, sometimes longer than planned. This was unfortunately particularly evident during Q4 in Frövi.

As a consequence of this, in 2016 we will be limiting the number of major investments, in order to allow those already implemented to reach planned capacity and performance levels. Another lesson is that we must be even more meticulous in our investment planning and develop the partnership with our contractors.

### MAJOR NEW INVESTMENTS

During the year, we took the decision to close the non-integrated production in Tervasaari, Finland. This was a tough decision, not least because the local team has worked particularly hard to improve profitability. Unfortunately, this was not enough to resolve the issue. We are instead now investigating the possibility of moving the machine to Skärblacka, in order to secure that production unit's position as one of the most efficient in the world in white MG paper. In the long term, the closure and the potential move will improve the structure and margins of the Packaging Paper business area.

We are now conducting a feasibility study into adding a new board machine in Gruvön, to increase long-term capacity in the Consumer Board business area. This would improve the production structure and profitability across the Group and make it possible to grow in line with the strategy for Consumer Board.





We want to improve on every front: **sustainability, innovation, market position and efficiency.** TO MAKE EVERYTHING BETTER

And this is realised through our employees, through diversity and cooperation.



#### PAVED WAY FOR ACQUISITIONS

The company's low and steadily falling levels of debt provide a strong foundation for future opportunities, in terms of both organic growth and acquisitions. What could be of interest would be acquisitions of businesses in the same part of the value chain as BillerudKorsnäs. The long-term priority is to find businesses outside Sweden, in order to reduce currency exposure. However, the weak Swedish krona, combined with high valuations, means that acquisitions outside Sweden are hard to justify at this moment in time. Right now, we are therefore looking at smaller, complementary acquisitions, which I believe could hold great potential.

#### MAKE A CONCRETE DIFFERENCE

It is naturally a real challenge to keep the whole company on track with all the developments that are now occurring on many levels in parallel with regular operations. We want to improve on every front: sustainability, innovation, market position and efficiency. To make everything better. And this is realised through our employees, through diversity and cooperation.

The guiding light for everything BillerudKorsnäs does is to challenge. We challenge conventional packaging, we challenge existing business models and we challenge ourselves. Many companies talk about innovation, sustainability and development, us included, our results show that we can make a real difference. And in so doing, we continue to

create added value for customers, owners, partners and society.

I would like to extend my thanks to our customers, owners and partners for their trust and loyalty, and to our employees for their great work during the year.

Solna, March 2016

Per Lindberg  
President and CEO

# 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 2015 financial year. Figures for the previous year are stated in brackets, 2015 (2014). This English version is a translation of the Swedish original.

BillerudKorsnäs' operating profit improved in 2015 to SEK 2 586 million. This was SEK 685 million, or 36%, higher than in 2014. The increase was mainly due to the sale of the pellet business in Latvia (SIA Latgran) and a weaker Swedish krona. The decision was taken to close the non-integrated Finnish production at Tervasaari, and to examine the possibility of moving the machine to Skärblacka.

## 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 packaging market is showing continued positive long-term development, primarily as a result of greater globalisation through increased world trade, urbanisation, digitisation and greater awareness of sustainability. In addition to packaging materials, BillerudKorsnäs sells surplus long-fibre pulp, Northern Bleached Softwood Kraft (NBSK), which is not used in its own production. BillerudKorsnäs' base is in Europe, but we are continuing to become established in other markets, including in Asia.

During 2015 operations were divided into the three business areas: Packaging Paper, Consumer Board and Containerboard. On 1 January 2016, the Containerboard business area changed its name to Corrugated Solutions, which is the name used in this annual report.

Packaging Paper offers kraft and sack paper of premium quality plus smart solutions for customers with exacting demands in the industrial, medical equipment and consumer sectors. The business area also sells any surplus of pulp that BillerudKorsnäs does not use in its own production.

Consumer Board delivers packaging materials in high-quality board made from primary fibre for beverages, food products and various other consumer goods.

Corrugated Solutions supplies materials to corrugated board manufacturers and packaging solutions to brand owners. Strong and light materials, fluting and liner, are used in corrugated boxes for fragile goods and demanding distribution systems. Supply chain solutions for packaging optimisation are a key component of the offering.

Overall, order levels remained stable for all business areas during the year. There was seasonally lower demand in Packaging Paper for white and brown sack paper in the fourth quarter. Corrugated Solutions saw strong demand for fluting and stable demand for liner during the year. Demand for Consumer Board's products was satisfactory during the year, with normal seasonal variations.

Prices in local currency were largely unchanged compared with the previous year, with the exception of pulp prices, which fell in 2015. An improvement in the currency situation meant a significant increase in prices in Swedish kronor. For further market information, see the relevant business area section.

In 2015, BillerudKorsnäs' total sales volume amounted to 2 734 ktonnes, an increase of 1% compared with the previous year. The increase is mainly attributable to higher sales volumes of paperboard from the Consumer Board business area, while both Corrugated Solutions and Packaging Paper had lower sales volumes compared with the previous year. The decrease in Packaging Paper was due to lower sales volumes of brown sack paper at the end of the year.

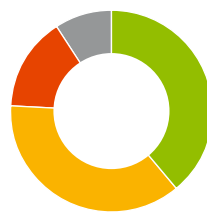
The decrease in Corrugated Solutions was mainly attributable to the production problems at PM6 at Gruvön during the year.

## SALES VOLUMES BY BUSINESS AREA

ktonnes	2015	2014
Packaging Paper	1 163	1 167
Consumer Board	1 065	1 004
Corrugated Solutions	506	528
<b>Total</b>	<b>2 734</b>	<b>2 699</b>

## NET SALES BY BUSINESS AREA

SEKm	2015	2014
Packaging Paper	8 552	8 101
Consumer Board	8 006	7 436
Corrugated Solutions	3 329	3 148
Other units	2 012	2 197
Currency hedging, etc.	- 85	- 29
Group staff and eliminations	-	-
<b>Total</b>	<b>21 814</b>	<b>20 853</b>



- Packaging Paper, 39%
- Consumer Board, 37%
- Corrugated Solutions, 15%
- Other, 9%

## NET SALES BY REGION

SEKm	2015	2014
Sweden	2 477	2 733
Germany	2 866	2 596
Italy	1 931	1 896
United Kingdom	1 431	1 305
Spain	1 118	892
France	1 113	1 185
Rest of Europe	5 017	4 650
Rest of the world	5 861	5 596
<b>Total</b>	<b>21 814</b>	<b>20 853</b>



- Sweden, 11%
- Germany, 13%
- Italy, 9%
- UK, 7%
- Spain, 5%
- France, 5%
- Rest of Europe, 23%
- Rest of the world, 27%

## Financial targets

To support BillerudKorsnäs' target for profitable growth and shareholder dividends, the following financial targets have been introduced for 2016 onwards.

- Long-term target for organic growth of 3–4% per year.
- The EBITDA margin should exceed 17%. This target replaces previous operating margin targets.
- Return on capital employed (ROCE) should exceed 13%.
- Interest-bearing net debt in relation to EBITDA should be less than a multiple of 2.5. This target replaces previous targets for the net debt/equity ratio.
- The dividend policy is unchanged – the dividend should amount to 50% of net profit.

In recent years, BillerudKorsnäs has shown stable underlying earnings, despite market conditions varying between business areas. As a result of this, the aim is to achieve the financial targets irrespective of the economic cycle.

BillerudKorsnäs' long-term financial targets through December 2015 were:

- Over an economic cycle, the operating margin should 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.

## Sales and earnings

Net sales amounted to SEK 21 814 million, an increase of 5%, mainly as a result of more favourable exchange rates.

Operating profit rose to SEK 2 586 million, mainly as a result of the sale of the pellet business in Latvia and a weaker Swedish krona. The gross margin was 18% (16) and the operating margin was 12% (9).

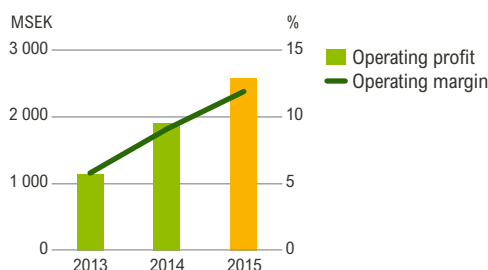
Net financial items totalled SEK –175 million (–248).

Profit before tax was SEK 2 411 million (1 653) and estimated tax SEK –443 million (–352). Net profit totalled SEK 1 968 million (1 301).

Return on equity for the period was 16% (13) and return on capital employed was 15% (11). A dividend of SEK 4.25 per share is proposed (3.15).

## SUMMARY INCOME STATEMENT

	2015	2014
Net sales, SEKm	21 814	20 853
Operating profit before depreciation/ amortisation, SEKm	4 003	3 279
Gross margin, %	18	16
Operating profit/loss, SEKm	2 586	1 901
Operating margin, %	12	9
Return on capital employed, %	15	11
Profit/Loss before tax, SEKm	2 411	1 653
Net profit/loss, SEKm	1 968	1 301
Earnings per share, SEK	8.75	6.18



## OPERATING PROFIT/MARGIN PER BUSINESS AREA

	2015		2014	
	SEKm	%	SEKm	%
Packaging Paper	971	11	701	9
Consumer Board	954	12	915	12
Corrugated Solutions	551	17	416	13
Other units	484		166	
Currency hedging, etc.	–85		–29	
Group staff and eliminations	–289		–268	
<b>Total</b>	<b>2 586</b>	<b>12</b>	<b>1 901</b>	<b>9</b>

For quarterly data, see page 66.

### Earnings per operating segment

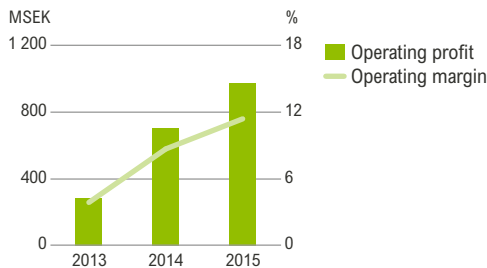
BillerudKorsnäs' operating segments in accordance with IFRS 8 have been identified and reflect its three business areas: Packaging Paper, Consumer Board and Corrugated Solutions. See 'Accounting policies' on page 40.

#### Packaging Paper

Packaging Paper offers kraft and sack paper of premium quality plus smart solutions for customers with exacting demands in the industrial, medical equipment and consumer sectors. The business area also sells any surplus of pulp that BillerudKorsnäs does not use in its own production. The business area's largest markets are in Europe and Asia.

#### Packaging Paper

SEKm	2015	2014
Net sales	8 552	8 101
Operating expenses, net	-7 096	-6 928
<b>Operating profit before depreciation/ amortisation</b>	<b>1 456</b>	<b>1 173</b>
Depreciation, amortisation and impairment losses	-485	-472
<b>Operating profit/loss</b>	<b>971</b>	<b>701</b>
Gross margin	17%	14%
Operating margin	11%	9%
<b>Sales volumes, ktonnes</b>	<b>1 163</b>	<b>1 167</b>
<i>of which packaging paper</i>	<i>733</i>	<i>776</i>



Operating profit increased by SEK 270 million to SEK 971 million compared with 2014. The increase was principally due to a more favourable exchange rate and product mix. Sales volumes were at the same level as the previous year. Higher sales volumes for market pulp compensated for temporary lower sales volumes of sack paper at the end of the year. Prices of packaging paper in local currency were stable during the year, while prices in local currency for market pulp decreased in the year.

#### Market Development

Order levels for both sack and kraft paper were normal for most of 2015. In the final quarter of the year, however, orders decreased for seasonal products such as sack paper.

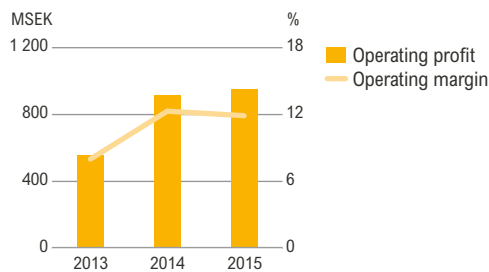
The market for NBSK pulp deteriorated steadily throughout the year. Prices in Europe dropped to approximately USD 800 per tonne at year-end, compared with approximately USD 930 per tonne at the beginning of the year.

### Consumer Board

Consumer Board supplies packaging materials consisting of high-quality liquid board and packaging board made from primary fibre for beverages, food products and various 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

SEKm	2015	2014
Net sales	8 006	7 436
Operating expenses, net	-6 349	-5 852
<b>Operating profit before depreciation/ amortisation</b>	<b>1 657</b>	<b>1 584</b>
Depreciation, amortisation and impairment losses	-703	-669
<b>Operating profit/loss</b>	<b>954</b>	<b>915</b>
Gross margin	21%	21%
Operating margin	12%	12%
<b>Sales volumes, ktonnes</b>	<b>1 065</b>	<b>1 004</b>



Operating profit increased by SEK 39 million compared with the previous year. Increased sales volumes were partly offset by higher variable costs as a result of the stronger Swedish krona. The rebuilding of the KM5 paperboard machine in Frövi in the fourth quarter led to production losses and higher maintenance costs in this business area, which had a negative impact on the business area's operating profit.

#### Market Development

Orders received for liquid and packaging board were stable and satisfactory during the year with normal seasonal variations. The business area experienced delivery pressure from its largest markets in the second half of the year. Prices in local currency were in level with the previous year.



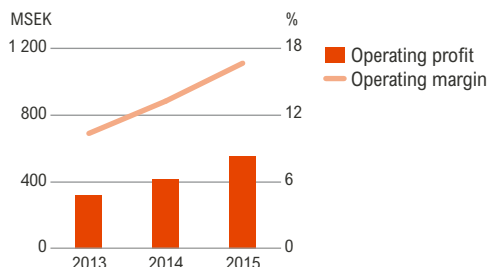
### Corrugated Solutions

Corrugated Solutions supplies materials to corrugated board manufacturers and packaging solutions to brand owners. Strong and light materials, fluting and liner, are used in corrugated boxes for fragile goods and demanding distribution systems. Supply chain solutions for packaging optimisation are a key component of the offering.

The name change as of 1 January 2016 from Containerboard to Corrugated Solutions reflects the organisational and strategic changes being made in this business area in order to fully integrate the solutions sales business model and to increase the proportion of sales to brand owners internationally.

### Corrugated Solutions

SEKm	2015	2014
Net sales	3 329	3 148
Operating expenses, net	-2 605	-2 560
<b>Operating profit before depreciation/amortisation</b>	<b>724</b>	<b>588</b>
Depreciation, amortisation and impairment losses	-173	-172
<b>Operating profit/loss</b>	<b>551</b>	<b>416</b>
Gross margin	22%	19%
Operating margin	17%	13%
<b>Sales volumes, ktonnes</b>	<b>506</b>	<b>528</b>



Operating profit rose by SEK 135 million compared with the previous year, corresponding to an increase of 32%. The improvement was chiefly the result of a more favourable exchange rate and an increased contribution from Paccess.

### Market Development

Market position and orders for fluting were strong during the year. For liner, orders were stable with slightly lower prices in local currency than the previous year. Paccess continued to grow and generate new business during the year.

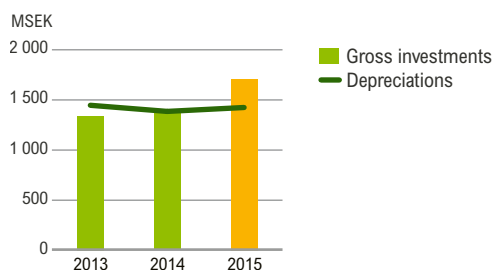
### Investments and capital employed

Gross investments in 2015 amounted to SEK 1 710 million (1 384). In line with the Group's ambitious growth plans, the following major planned rebuilding work took place during the year: An investment of around SEK 180 million in PM6 at Gruvön to increase fluting quality and capacity. This investment will enable production capacity to be increased gradually over the next two years by 40 000 tonnes a year. An investment was made of approximately SEK 260 million in PM9 at Skärblacka to increase brown sack paper quality and capacity. It will be possible to increase production capacity by 20 000 tonnes a year from 2016. Investments in the Frövi and Rockhammar production units of around SEK 430 million for increased capacity of paperboard. The investments made at these production units will enable paperboard capacity to be increased from 450 000 tonnes a year in 2014 to 525 000 tonnes a year by 2018. In addition to investments to improve capacity and quality, investments totalling approximately SEK 450 million in environmental improvement measures at the production unit in Gävle were made over the year.

In 2016, investments are expected to amount to approximately SEK 1 300 million excluding the restructuring projects at Gruvön and Skärblacka.

BillerudKorsnäs' capital employed at 31 December 2015 totalled SEK 17 397 million (17 828). Return on capital employed, calculated over the past 12-month period, amounted to 15% (11). Return on equity was 16% (13).

Working capital in the fourth quarter totalled 10% (11) in relation to net sales. During the year, extensive work was undertaken to reduce the level of working capital to a long-term sustainable level of 10% in relation to net sales.



## Cash Flow and Financial Position

### STATEMENT OF CASH FLOWS, SUMMARY

SEKm	2015	2014
Operating surplus, etc.	3 622	3 248
Change in working capital, etc.	120	236
Net financial items, taxes, etc.	-84	-369
<b>Cash flow from operating activities</b>	<b>3 658</b>	<b>3 115</b>
Current net investments	-1 701	-1 376
<b>Operating cash flow</b>	<b>1 957</b>	<b>1 739</b>

Cash flow from operating activities in 2015 amounted to SEK 3 658 million (3 115) and operating cash flow was SEK 1 957 million (1 739). The increase was chiefly due to improved operating profit, reduced working capital and the repayment of preliminary tax of approximately SEK 300 million.

Interest-bearing net debt at 31 December 2015 was SEK 4 979 million (7 124). The Group's net debt/equity ratio at the end of the period was 0.40 (0.67). BillerudKorsnäs' financial target for its net debt/equity ratio was that it should be less than 0.90.

### Financing

At 31 December 2015 interest-bearing loans amounted to SEK 4 395 million (7 089). Of the interest-bearing loans, bond loans accounted for SEK 2 200 million (2 350), commercial paper programmes utilised by BillerudKorsnäs (with a maximum limit of SEK 3 000 million) for SEK 349 million (1 481) and other interest-bearing debt accounted for SEK 1 846 million (3 130). Of the bond loans, SEK 400 million is due in 2016, SEK 300 million in 2017 and SEK 1 500 million in 2018.

The syndicated credit facility with a maximum limit of SEK 5 500 million, due in 2019, was unused at year-end. At the end of 2014, SEK 128 million was utilized.

### CAPITAL STRUCTURE, SUMMARY

31 December	2015	2014
Capital employed, SEKm	17 397	17 828
Financing:		
Interest-bearing net debt, SEKm	4 979	7 124
Equity, SEKm	12 418	10 704
Net debt/equity ratio, multiple	0.40	0.67

### Currency hedging

The currency hedging policy is 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.

Currency hedging had an overall earnings impact of SEK -125 million (-253) for 2015 (compared with if no hedging had taken place).

BillerudKorsnäs' outstanding foreign exchange forward contracts at 31 December 2015 had a market value of SEK 117 million.

Of this amount, SEK 24 million had an impact on the valuation of accounts receivable. Remaining contracts had a market value of SEK 93 million.

The hedged amount of currency flows and the SEK exchange rates for EUR, USD and GBP at 31 December 2015 are shown in the table below.

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

Currency		Q1 -16	Q2 -16	Q3 -16	Q4 -16	Q1 -17	Total 15 months
EUR	Proportion of net flow	79%	78%	74%	22%	-	51%
	Exchange rate	9.51	9.49	9.51	9.57		9.51
USD	Proportion of net flow	75%	68%	56%	12%	-	43%
	Exchange rate	8.48	8.49	8.54	8.63		8.51
GBP	Proportion of net flow	30%	-	-	-	-	6%
	Exchange rate	13.04					13.04
Market value of currency contracts <sup>1</sup>		36	34	35	12	-	117

<sup>1</sup> The table shows the situation at 31 December 2015.

### Taxes

BillerudKorsnäs' effective tax rate is estimated at about 21–23% normally. The tax expense for 2015 is estimated at SEK 443 million, equivalent to a tax rate of 18.4%. The tax expense for 2014 was SEK 352 million, corresponding to 21.3%. The low tax rate for 2015 was mainly due to a non-taxable capital gain from the sale of SIA Latgran.

### 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 2015. 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 0.5% (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 halts 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, due to fewer maintenance projects and vacation. 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 shut-

down 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 with a quarter during which no periodic maintenance shutdown takes place.

### 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 ordinarily 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.

## MAINTENANCE SHUTDOWNS

Production unit	Estimated shutdown cost SEKm	Estimated distribution of shutdown costs by business area			Planned times for maintenance shutdowns		
		Packaging Paper	Consumer Board	Corrugated Solutions	2016	2015	2014
Gävle	~ 140	~ 5%	~ 80%	~ 15%	Q3	Q3	Q4
Gruvön	~ 130	~ 40%	~ 5%	~ 55%	Q2	Q2	Q2
Frövi	~ 90	–	100%	–	Q4	Q4	Q3
Skärblacka	~ 90	~ 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.

### Share structure

At 31 December 2015, share capital totalled SEK 1 537 642 793, represented by 208 219 834 shares. The number of shares on the market totalled 206 951 152.

No shares have been repurchased since year-end 2004.

## ALLOCATION OF SHARES

31 December	2015
Registered number of shares at start of year	208 219 834
Repurchased shares in Company treasury	–1 268 682
<b>Shares on the market</b>	<b>206 951 152</b>

### Shareholder information

The share capital of BillerudKorsnäs AB is represented by 208 219 834 ordinary shares, of which 1 268 682 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 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 2015. The Company knows of no agreements between shareholders that may restrict the right to transfer shares. 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**

From 2015, the parent company BillerudKorsnäs AB includes 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 was eliminated at Group level and had no impact on consolidated profit/loss or the balance sheet.

Operating income for 2015 was SEK -185 million, compared with SEK -400 million for 2014, excluding operating profit for the Gruvön production unit and excluding the above mentioned capital loss. The increase was mainly due to amended policies on the allocation of the parent company's costs to subsidiaries and positive effects of hedging contracts and revaluations of accounts receivable.

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 -125 million (-253) in 2015.

The parent company is responsible for the Group's financing issues and most of the Group's external interest-bearing debt is raised by the parent company.

For 2016, the parent company has hedged prices for around one-third of the net surplus of NBSK pulp.

The average number of employees was 96 (91).

Cash and bank balances and short-term investments amounted to SEK 10 million (499).

### **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 monies collected 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 2015, SEK 0 million (0) was attributable to the parent company.

### **Exchange rate exposure**

All foreign exchange forward contracts for the Swedish operations are held by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish and Finnish 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 and Finnish production units. At year-end 2015, foreign exchange contracts not yet recognised in profit/loss for the parent company nominally totalled SEK 2 672 million (3 124) and all foreign exchange contracts will be recognised in profit/loss in 2016.

### **Interest rate risk**

The Group's borrowing is conducted primarily via the parent company and accounted for 87% of the Group's total borrowing at 31 December 2015. As a result, the parent company has largely the same exposure to changes in interest rates as the Group. Interest rate derivatives are used to change fixed interest periods in the debt portfolio. The majority of interest rate derivatives are attributable to the parent company.

### **Proposed allocation of profit**

As shown on page 62 of this annual report, non-restricted equity in the parent company, BillerudKorsnäs AB, amounted to SEK 5 577 million at 31 December 2015.

According to BillerudKorsnäs' financial targets that apply until year-end 2015, the dividend should equal 50% of net profit per share over a business cycle and the net debt/equity ratio should be less than 0.90. At the end of 2015, the Group's net debt/equity ratio was 0.40 (0.67). BillerudKorsnäs' Board of Directors proposes that, of the earnings per share of SEK 8.75, SEK 4.25 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 2016, compared with the fourth quarter of 2015.

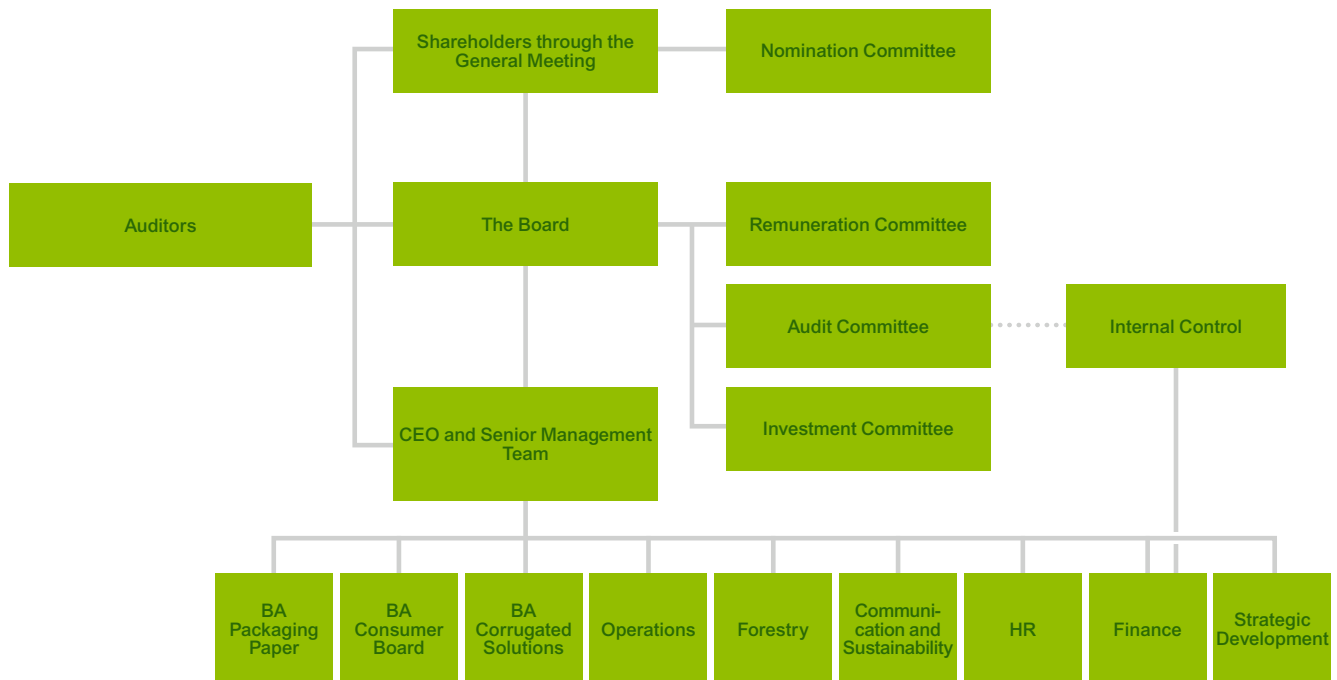
Average prices in local currency are expected to remain generally stable.

Investments are estimated to amount to around SEK 1 300 million in 2016, excluding possible future restructuring projects at Gruvön and Skärblacka.



# Corporate governance at BillerudKorsnäs in 2015

Corporate governance relates to decision-making systems by which the shareholders, directly or indirectly, control the company. The following section provides details about corporate governance within BillerudKorsnäs. This report on BillerudKorsnäs' corporate governance in 2015 has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance and provides details of BillerudKorsnäs' corporate governance in 2015. The report has been reviewed by BillerudKorsnäs' auditor, see page 63.



#### Examples of external regulations affecting BillerudKorsnäs' governance:

- The Swedish Companies Act
- Accounting legislation, including the Swedish Annual Accounts Act and IFRS
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Code of Corporate Governance

#### Examples of internal regulations affecting BillerudKorsnäs' governance:

- Articles of association
- Board of Directors' instructions and rules of procedure
- BillerudKorsnäs' Code of Conduct
- Policies including operating, financial, credit and communication policies
- Process descriptions for each business area and for each Group function

As a publicly quoted Swedish company listed on Nasdaq Stockholm, BillerudKorsnäs applies the Swedish Code of Corporate Governance ('the Code'). The Code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se), where a description of the Swedish model for corporate governance is also provided.

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 2015, as in previous years, BillerudKorsnäs deviated from the Code's rules that a Board member should not also be the chairman of the Nomination Committee. This deviation from the Code is explained in more detail in the Nomina-

tion Committee section below. No other deviation from the Code occurred. During the year, BillerudKorsnäs complied with Nasdaq Stockholm's Rulebook for Issuers and good stock market practice.

#### OWNERSHIP STRUCTURE AND SHARES

BillerudKorsnäs' shares are listed on Nasdaq Stockholm. At year-end 2015, the total number of shareholders was 97 568, compared with 98 533 at the previous year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 44.5% (34.8) of the number of shares in the market. Other groups of shareholders consisted of private individuals' holdings in Sweden, at 19.4% (21.6), and legal entities

in Sweden, at 36.1% (43.5). 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 number of shares at the end of 2015. Further details about the company's shares, shareholders, and the like are presented in the 2015 Annual Report, under "BillerudKorsnäs shares", and on the Company's website: [www.billerudkorsnas.se](http://www.billerudkorsnas.se).

#### GENERAL MEETING OF SHAREHOLDERS

A shareholder meeting is the company's highest decision-making body. Shareholders exercise their voting rights at shareholder meetings. 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.

Normally, the Annual General Meeting (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. Shareholders attending the AGM also have the opportunity to ask questions about the Group's activities. 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.

#### 2015 Annual General Meeting

The 2015 AGM took place on 5 May 2015 at Hotel Rival in Stockholm, and addressed matters customarily dealt with at the AGM. The AGM voted to re-elect Bengt Hammar, Mikael Hellberg, Jan Homan, Lennart Holm, Gunilla Jönson, Michael M.F. Kaufmann and Kristina Schauman to the Board, to elect Andrea Gisle Joosen as a new Board member and to elect Lennart Holm as Chairman of the Board and Michael M.F. Kaufmann as Deputy Chairman of the Board. The AGM also voted to introduce a long-term incentive programme (LTIP 2015). The minutes from the AGM are available on the Company's website.

#### 2016 Annual General Meeting

BillerudKorsnäs' 2016 AGM will take place at 3 p.m. on 10 May 2016 at Hotel Rival, Mariatorget 3, Stockholm. Shareholders who wish to add an item to the agenda of the AGM may, in accordance with the instructions on the company's website have been able to submit proposals up to 22 March 2016.

In addition to the legal requirements regarding shareholders' rights to participate in shareholder meetings, under BillerudKorsnäs' articles of association shareholders must register for shareholder meetings at

least five working days before the shareholder meeting, and, where applicable, must also provide notification if a shareholder intends to be accompanied.

A full text of the notice of the 2016 AGM, including details of how to register for attendance at the meeting, is available on the Company's website.

#### NOMINATION COMMITTEE

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 AGM. The current Nomination Committee instructions require BillerudKorsnäs to have a Nomination Committee consisting of four persons appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2016 AGM. The composition of the Nomination Committee is based on ownership statistics at 30 September 2015. For further information about the Nomination Committee instructions, see [www.billerudkorsnas.se](http://www.billerudkorsnas.se).

Before the 2016 AGM there were three Nomination Committee minuted meetings, and also held contact in between meetings by telephone and email. As per the instructions on the Company's website, shareholders have been welcome to submit proposals and express views to the Nomination Committee by email or by post. The Company's website [www.billerudkorsnas.se](http://www.billerudkorsnas.se) has a Nomination Committee section with further information about the Nomination Committee.

Board member Michael M.F. Kaufmann was appointed chairman of the Nomination Committee ahead of the 2016 AGM. This is a deviation from the stipulation by the Code that a Board member may not be chairman of the Nomination Committee, but in the interests of the Company and all

shareholders it is natural that the Board member appointed by the Company's major shareholder be chairman of the Nomination Committee. Under the Nomination Committee guidelines determined by the 2015 AGM, the chairman of the Nomination Committee should be the Board member appointed by the major shareholder. Michael M.F. Kaufmann has led the work of the Nomination Committee in recent years.

#### 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 10 members, with no more than six deputies. The 2015 AGM established that the Board of Directors should consist of eight members elected by the meeting, without deputies, namely; Lennart Holm (Chairman), Andrea Gisle Joosen, Bengt Hammar, Mikael Hellberg, Jan Homan, Gunilla Jönson, Michael M.F. Kaufmann and Kristina Schauman. In addition, the employee organisations appointed two employee representatives to serve on the Board. These are Helén Gustafsson and Kjell Olsson with deputies Stewe Cato and Tobias Söderholm. Other than the employee representatives and their deputies, none of the Board members are employed by the Group. Of the Board members elected by the AGM, three are women and five are men.

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 further details about the Board of Directors and 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 22–23.

#### 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	6.6
Lennart Francke	Swedbank Robur funds	4.2
Pia Axelsson	Fourth AP Fund	3.0

<sup>1</sup> as of 30 December 2015.



### 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 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 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 guidelines, 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 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 2015

The Board of Directors met 13 times in 2015. All Board members attended all Board meetings, with the exception of Board members Jan Homan, Helén Gustafsson and Kjell Olsson, each of whom was absent from one meeting. General counsel Andreas Mattsson acted as secretary to the Board meetings. Before each meeting, Board members received an approved meeting agenda and written material concerning issues to be addressed at the 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. An important aspect of the Board's work are the financial reports that are presented at each ordinary Board meeting. The Board also received regular reports on the Company's financial position. At ordinary meetings, reports are submitted about ongoing work relating to business areas and Group functions.

Important issues addressed in particular by the BillerudKorsnäs Board in 2015 included matters regarding the divestment of the Baltic pellet business SIA Latgran, investment plans for Gruvön, the closure of the production facility at Tervasaari and an investigation of a transfer of the Tervasaari machine to Skärblacka. The Company's sustainability work, innovation initiatives and work on improving health and safety were also recurring issues at Board meetings,

as well as matters regarding strategic growth opportunities.

Presentations were made by the heads of BillerudKorsnäs' business areas and the Board visited the Company's Gruvön production facility. In addition to participating in the audit committee meetings, the Company's auditor also participated in a Board meeting at which Board members had the opportunity to ask the auditor questions without representatives of the Company's management being present.

### Assessment of the Board and the CEO

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. For 2014, an extensive independent assessment of the Board's work was carried out by an external consultant. For 2015, an internal assessment of the Board's work was carried out. Each Board member completed an extensive questionnaire about issues such as how well the Board fulfils the duties with which it is tasked, the composition and capabilities of the Board, the Board's work methods, the effectiveness and efficiency of the Board's work and assessment of individual performance. The purpose of the assessment is to gain an understanding of Board members' views about how the Board's work is conducted and what measures could be taken to make the work of the Board more effective. It also aims to gain an understanding of what type of issues the Board believes should be accorded more



scope and what areas may require additional capabilities within the Board. The results of the assessment were discussed by the Board and presented to the Nomination Committee. 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 Board committees as part of efforts to streamline and strengthen the work of the Board on certain issues; a remuneration committee, an audit committee and an investment committee. The committee members are appointed for one year at a time at the constitutive Board meeting and the work and authority of the committees are regulated by the committee instructions, which are established annually.

The committees have a preparatory and administrative role. Issues addressed at committee meetings are minuted and reported at the following Board meeting.

#### **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 also charged with assisting in the preparation of proposals for decisions by

shareholder 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 and Jan Homan. Employee representative Tobias Söderholm attends the meetings of the audit committee.

#### **Work in 2015**

In 2015 the committee had six meetings. All members elected by the AGM attended all of the committee's meetings. During the year the committee addressed various auditing issues, the audit plans for 2015, risk analysis, internal controls, financing issues, currency hedging issues 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 2015".

#### **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 for 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, guidelines on remuneration to senior executives and to approve the CEO's proposal for salaries and remuneration for the Senior Management Team. 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 2015**

The committee held five meetings in 2015, one of which was by correspondence. All committee members were present at these meetings. In 2015, the committee considered bonus payments in 2014, and salary reviews for the Senior Management Team in 2015. The committee also addressed the evaluation of the LTIP 2015 incentive programme and the structure of the LTIP 2016 incentive programme. The guidelines on remuneration to the CEO and other senior executives, as well as the actual figures, are contained in note 24 of the 2015 Annual Report.



## INVESTMENT COMMITTEE

The Board may also form temporary committees to address specific issues. The Board has established a special investment committee whose main task is, on behalf of the Board, to examine and prepare certain issues relating to the Company's agenda regarding investments, corporate acquisitions and research and development, as well as assisting management with these issues.

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

## Work in 2015

The committee held four meetings in 2015. All committee members were present at these meetings. In 2015, the committee mainly addressed issues concerning the two major investment planning projects that were initiated in the year, one of which relates to investing in a new paperboard machine at the Gruvön production facility and the other which relates to the enhancement and further development of the structure of production within the area of packaging paper. The committee also address issues concerning other strategic growth opportunities such as corporate acquisitions.

## AUDITORS

The Company's auditors are appointed by the general meeting. At the 2015 AGM, audit firm KPMG AB, with principal auditor Ingrid Hornberg Román, was elected as the Company's auditor for the period until the end of the 2016 AGM. Ingrid Hornberg Román is currently also auditor at Apoteket AB, BAE Systems Bofors AB, BAE Systems Hägglunds AB, EQT Partners AB and Linas Matkasse.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing selected interim report 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 five occasions and with the Board without presence of the senior management on one occasion in 2015.

## 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 Simren 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 CEO appointed an SMT that is responsible for different parts of the business. 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 Corrugated Solutions) and the heads of the group functions Forestry, Communication and Sustainability, HR, Finance and Technology & Strategic Development. For further information about the members of the SMT, see pages 20–21.

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 SMT is taking active measures to involve employees in developing the corporate culture and to fulfil its values.

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.

## INTERNAL CONTROL

The Board is responsible for ensuring that BillerudKorsnäs has good 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 the preparation and presentation of matters regarding internal control at meetings of the audit committee. For further information about internal control, please see the section "Internal control and risk management for financial reporting in 2015" on pages 18–19.

## GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The 2015 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 2015 Annual Report. The Board's proposed guidelines for 2016 are set out in the section "Remuneration at BillerudKorsnäs in 2015" on page 17.

# REMUNERATION AT BILLERUDKORSNÄS 2015

BillerudKorsnäs endeavours to attract, retain and develop talent by means of 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.

### Variable remuneration

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

### 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 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

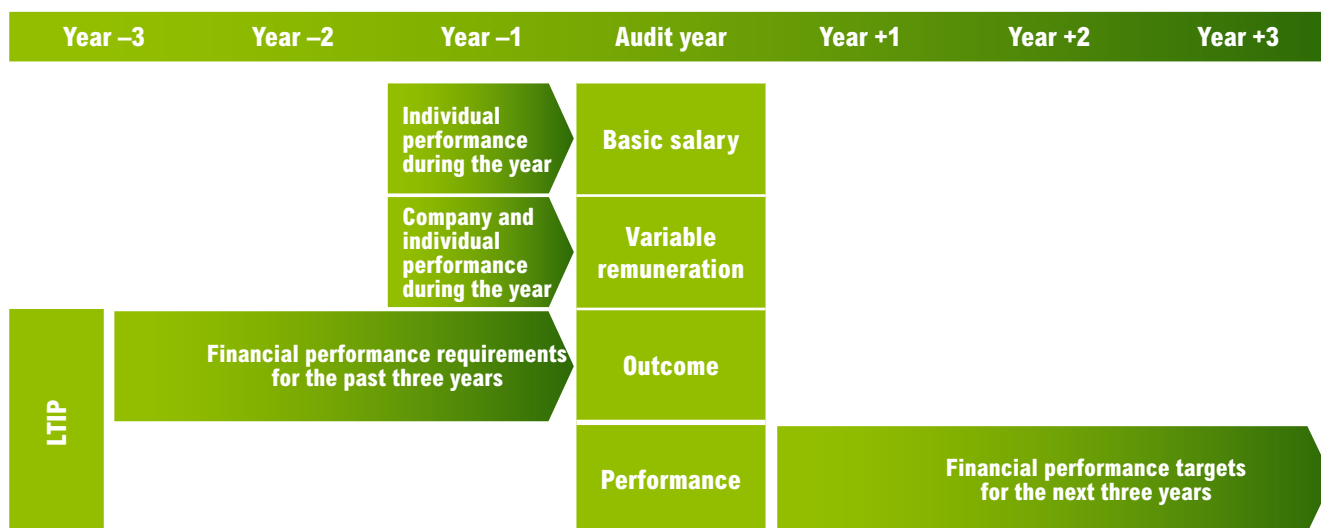
Pension benefits must be chiefly defined contribution plans and will normally provide entitlement from the age of 65.

### 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 2010–2015 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2015) for BillerudKorsnäs and, in conjunction with this, a transfer of its own holding of treasury shares. 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 2013–2015, 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 share 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 savings 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%) of the matching share rights allocated to participants under LTIP 2014 and LTIP 2015, the total share return on BillerudKorsnäs shares (TSR) for the 2014–2016 financial years must exceed 0% 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:

- BillerudKorsnäs' average operating margin in absolute terms,
- BillerudKorsnäs' operating margin for LTIP 2013 and the gross margin for LTIP 2014 and 2015 in relation to the operating margin for a comparative group of specially selected publicly listed Nordic companies for the same period,
- 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)

Program	No. of participants	Saving shares	Max. allocation BillerudKorsnäs shares	Shares for cost recovery <sup>1</sup>	Percentage of total number of shares/votes	SEKm		
						Estimated cost (of which social security costs)	Maximum cost (of which social security costs)	Operating profit for 2015 is charged with
2013	23	65 935	293 708	76 000	0.1%	12 (7)	33 (21)	6
2014	67	71 116	309 448	90 000	0.1%	20 (9)	52 (29)	6
2015	69	62 569	271 178	N/A	0.1%	25 (10)	60 (34)	5

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

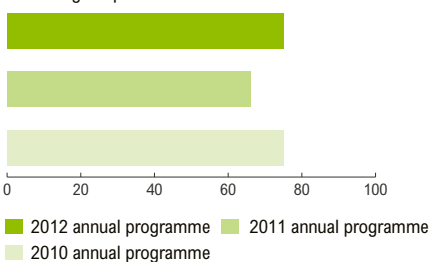
## COMPLETED LONG-TERM INCENTIVE PROGRAMMES (LTIP 2010, LTIP 2011 AND LTIP 2012)

The AGMs for 2010, 2011 and 2012 resolved to introduce a long-term incentive programme (LTIP 2010, LTIP 2011 and LTIP 2012) for BillerudKorsnäs for 2010–2012, 2011–2013 and 2012–2014, and 218 802, 68 472 and 162 991 share rights, respectively, were allocated under the programmes. 75%, 66% and 75%, 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 2010–2015.

## HISTORICAL DATA, COMPLETED LONG-TERM INCENTIVE PROGRAMMES

### OUTCOME

Percentage of performance criteria set



## GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES FOR 2016

The Board proposes that the 2016 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 shall 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 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.

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

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 2015 guidelines.



# INTERNAL CONTROL AND RISK MANAGEMENT FOR FINANCIAL REPORTING IN 2015

BillerudKorsnäs' internal control and risk management for financial reporting is designed to manage risks and ensure a high level of reliability in the processes relating to the preparation of financial reports and to ensure that applicable accounting requirements and other requirements of BillerudKorsnäs as a publicly listed company are fulfilled.

This year's report is presented below.

## EXTERNAL FINANCIAL REPORTING

The Board is ultimately responsible for the internal control of financial reporting. Responsibility for maintaining an effective control environment is delegated to the CEO, who is responsible for ensuring that a process and organisational structure are in place to ensure the internal control and quality of financial reporting. Specifically for financial reporting, the Board has established an audit committee that assists the Board in regard to relevant guidelines and policies and significant reporting principles.

BillerudKorsnäs' internal control work is based on the internal control principles developed by the Committee of Sponsoring Organizations of the Treadway 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 at BillerudKorsnäs in 2015 on page 11.

### 1. Control Environment

The control environment encompasses matters such as how targets are set, how valuations are monitored and how risks are managed. An effective control environment is based on an organisational structure with clear decision-making paths and a corporate culture with shared values and an awareness among individuals of their role in maintaining good internal control.

For the Board of Directors, the CEO and all BillerudKorsnäs business areas and

Group functions, the Company has policies, instructions and guidelines aimed at ensuring the clear division of roles and responsibilities to aid the effective and efficient management of risks identified within the business. The audit committee's main role is to contribute to an adequate standard of financial reporting and ensure that the Company is audited in a professional, efficient and independent way. The work of the audit committee is described in more detail on page 14.

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, authorisation instruction, accounting and reporting instructions and credit management. BillerudKorsnäs' shared service centre ensures effective and uniform management of financial processes through the development of uniform procedures and control systems. These documents are updated annually or as necessary to reflect applicable laws and regulations and the changes to processes that have been implemented.

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

Risk assessment involves identifying risks that may arise if the core requirements of financial reporting in the Company are not met and occur continually in BillerudKorsnäs' day-to-day processes. The company 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 33 in the 2015 annual report.

Control activities aim to prevent, detect and correct errors and deviations in financial reporting at each time of reporting. The Company's control activities are part of these accounting and financial reporting processes and include authorisation procedures, bank and account reconciliation, earnings analysis, automated and manual controls and the division of administrative and executing units.

The Company has an internal control function whose purpose is to ensure effective internal control and quality in financial reporting. The function implements processes and framework that ensure the internal control and quality of financial reporting. This internal control function works to ensure that policies, instructions, guidelines and process descriptions are complied with, which is the basis for effective control activities within the main financial reporting processes. The result of this work is reported to the audit committee, which in turn reports to the Board of Directors. The internal control function therefore constitutes an important tool in the Board's monitoring of internal controls relating to financial reporting.

### 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. Follow-up

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 section "Corporate Governance at BillerudKorsnäs 2015" for further information about the audit committee and its work.

#### INTERNAL AUDIT

In accordance with paragraph 7.3 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.

#### PRIORITY AREAS IN 2015

In 2015, the business prioritised the creation of Group-wide financial processes through harmonisation. 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. The service centre covers all Swedish and Finnish units.

During the 2015 financial year, the Company's Code of Conduct was revised and employees also underwent an online training course to ensure that they had both read and understood the content of the Code of Conduct. Specific work was also

carried out to streamline the Group's capital and the Group has now achieved its published target of 10% in working capital as a percentage of net sales.

There was also a focus on continuing to implement Group-wide IT environments. Work also continued on implementing a shared ordering, inventory and invoicing system. In addition, a Group-wide tool was developed to collect and analyse purchasing volumes using a shared contract database for purchasing agreements, and this has now been fully implemented. In the 2015 financial year, a price database was also developed in order to monitor contractual prices in comparison with indexed prices. And a new Group-wide system was implemented to screen agreement counterparties against applicable sanction regulations. Focused work was also carried out on creating a Group-wide management system. This work is expected to be completed in 2016.

In the first half of 2015, a Group Risk Management function was also introduced with responsibility for Enterprise Risk Management, loss prevention and Group-wide insurance programmes.



## SENIOR MANAGEMENT TEAM



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

**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, 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>:** 116 547

**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 Wernland 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, Swedish University of Agricultural Sciences (SLU), Umeå. Licentiate Degree in Forestry, SLU, 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>:** 6 500

**LENNART EBERLEH**

**Senior Vice President Corrugated Solutions**

**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>:** 20 000

**ULF ELIASSON**

**Senior Vice President Consumer Board**

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

**Year employed:** 2012

**Year born:** 1962

**Other assignments:** Chairman of SPCI (Svenska Pappers- och Cellulosa Ingenjörssällskapet – Swedish Society of Paper and Cellulose Engineers).

**Background:** Mill Director Korsnäs AB, Vice President & Site Manager Rolls-Royce AB, Senior Vice President & CEO Stora Enso Skoghäll 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:** Other assignments: Board member of ACE (Alliance for Beverage Cartons and Environment).

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

**Shareholding<sup>1</sup>:** 4 000

**KARIN HAGFELDT**

**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>:** 11 500

**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 Svensk Exportkredit 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>:** 3 413

**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, FreeForm Packaging AB and NINE AB.

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

**Shareholding<sup>1</sup>:** 10 000

**MAGNUS WIKSTRÖM**

**CTO**

**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 and EcoXpac A/S.

**Background:** R & D Director Korsnäs AB, Research manager Korsnäs Development, Project area manager STFI.

**Shareholding<sup>1</sup>:** 8 219

<sup>1</sup> Own and closely related persons' shares as of 7 March 2016.





## BOARD

**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.

**Year born:** 1960

**Other assignments:** Chairman of Vida AB, Nexam Chemical Holding AB, Tuve Holding AB, Brunkeberg Systems AB, Vigmed Holding AB, Polygiene AB, Chamber Tech AB, Axolot Solutions AB and Hamnkrogen i Helsingborg Holding AB. Board member of Dermazip AB, Holm och Gross Holding AB and Preventic Försäkrings AB.

**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. 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.

**3. ANDREA GISLE JOOSEN**

Board member since 2015

**Education:** MSc International Business, Copenhagen Business School.

**Year born:** 1964

**Other assignments:** Chairman of Teknikmagasinet AB. Board member of Dixons Carphone PLC, ICA Gruppen AB, James Hardie Industries PLC and Mr Green & Co AB.

**Background:** CEO of Boxer TV Access AB, Managing Director of Panasonic's business in the Nordics, Chantelle and Twentieth Century Fox Home Entertainment. Previously held management positions at Johnson & Johnson and Procter & Gamble.

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

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

**4. 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, USA.

**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>:** 2 000

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

**5. 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 Delicato Bakverk AB, Berntson Brands AB, Fresk Group AB, Wallvision AB and the Einar Belvén Foundation. Board member of companies including Segeltorp Holding AB.

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

<sup>1</sup> Own and closely related persons' shares as of 7 March 2016.



**6. 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 Frapag Beteiligungs-holding AG. Board member of Constantia Flexibles Group, Erste Group Bank AG and Slovenska Sportitlna. 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, not independent of the Company's major shareholders.

**7. 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, Lund University. Member of the steering group at LUFO (Lund University Food Studies). Member of Invest in Skåne AB, chairman/member of various scientific programme committees and assessment groups, and member of the Royal Swedish Academy of Engineering Sciences (IVA).  
**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>:** 3 728  
**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

**8. 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 ömsesidigt, Orexo AB, Apoteket AB, Coor Service Management AB and Ellos Group Holding AB.  
**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>:** 1 000  
**Independent/Not independent:** Independent of the Company and management, independent of the Company's major shareholders.

**9. STEWE CATO**

Deputy Board member since 2015, employee representative Pappers  
**Year born:** 1953  
**Other assignments:** –  
**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. KJELL OLSSON**

Board member since 2012, employee representative Pappers  
**Year born:** 1959  
**Other assignments:** Chairman of Pappers Dept. 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).

**12. TOBIAS SÖDERHOLM**

Deputy Board member since 2012, employee representative PTK  
**Education:** MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg.  
**Year born:** 1975  
**Other assignments:** Project Manager, R & D, at Billerud-Korsnäs.  
**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' shares as of 7 March 2016.





# 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. A Group Risk Manager was appointed in 2015 with the task of coordinating, developing and leading risk-related work. Work to implement a management system for handling risk is ongoing based on the principles and guidelines in the international standard ISO 31000. Risk management pays special attention to ensure that there is a balance 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 agreements 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 2015, 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, e.g. in order to reduce cyclical fluctuations.

#### COMMENTS ON 2015

In 2015, Group sales volumes increased by just over 1% to 2 734 ktonnes (2 699). Sales increased to SEK 21 814 million (20 853). Order levels remained stable for all business areas. Prices in local currency were largely stable compared with the previous year, but were negatively affected by a decrease in the price of pulp. However, an improvement in the currency situation meant a significant increase in prices in SEK.

## OPERATIONAL RISKS (cont.)

### 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 risk, 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 2015

At 31 December 2015, accounts receivable totalled SEK 2 512 million (2 601), representing an average customer credit period of about 44 days (47). Bad debt losses totalled SEK -1 million (-5) in 2015.

### PROVISION FOR DOUBTFUL DEBTS

Group, SEKm	2015	2014
Provision at start of year	44	37
Provision for anticipated bad debt losses	7	12
Confirmed bad debt losses	-1	-5
<b>Provision at year-end</b>	<b>50</b>	<b>44</b>

### BREAKDOWN OF ACCOUNTS RECEIVABLE BY AGE

Group, SEKm	2015			2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Accounts receivable not due	2 094	-	2 094	2 181	-	2 181
Accounts receivable overdue 0-30 days	357	-2	355	344	-8	336
Accounts receivable overdue >30-90 days	25	-1	24	57	-1	56
Accounts receivable overdue >90-180 days	9	-5	4	30	-9	21
Accounts receivable overdue >180-360 days	11	-7	4	-2	-	-2
Accounts receivable overdue >360 days	66	-35	31	35	-26	9
<b>Total</b>	<b>2 562</b>	<b>-50</b>	<b>2 512</b>	<b>2 645</b>	<b>-44</b>	<b>2 601</b>

### 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 risk quality of facilities.

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

#### COMMENTS ON 2015

In connection to an extensive rebuild of KM5 in Frövi there were unpredictable technical disturbances which led to uneven production volume and major production losses.

A more structured method of analysing the potential consequences of production related risks has been evaluated with positive reviews. The results of this exercise is considered when prioritising measures.

### 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% (25) 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 2015

The availability of wood fibre raw material was good in 2015.



## OPERATIONAL RISKS (cont.)

### 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 four 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.

#### RISK MANAGEMENT

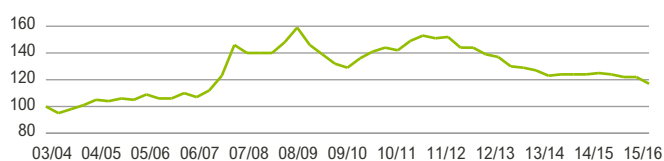
In general, prices in contracts with major suppliers are set on a periodic basis. This may create problems with deliveries to BillerudKorsnäs if the parties cannot reach agreement on the market price that is to apply.

#### COMMENTS ON 2015

The cost of BillerudKorsnäs' wood in 2015 continued to decrease, primarily as a result of reduced demand from the pulp industry, which led to good availability of softwood and deciduous wood and as a result of more efficient work flow management. Market prices are expected to be stable in 2016.

WOOD PRICE INDEX

Source: BillerudKorsnäs.



### Pulp price risk

#### DESCRIPTION OF RISKS

Different grades of pulp are traded as commodities. The price, which is influenced by a range of factors, is set on the global market and fluctuates over time. BillerudKorsnäs has a net surplus of around 150 000 tonnes of pulp a year and is consequently exposed to changes in price, which can affect BillerudKorsnäs' earnings.

#### RISK MANAGEMENT

BillerudKorsnäs continually sells pulp at market prices and is also able to enter into financial hedges with banks to hedge the price of future sales.

#### COMMENTS ON 2015

Prices for NBSK pulp fell in USD terms in 2015, in part as a result of generally declining prices of commodities. For 2016, BillerudKorsnäs has hedged prices for around one-third of the net surplus of NBSK pulp.

### Energy price risk

#### DESCRIPTION OF RISKS

BillerudKorsnäs uses electricity, biofuel, oil and LPG and these energy products account for a significant percentage of the Group's manufacturing costs. 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 follows the price curve for biofuel.

In May 2007, the Company 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 addition to this, the cost of electricity is hedged through financial electricity trading in standard contracts on NASDAQ. 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 starts three years before delivery.

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

#### COMMENTS ON 2015

In 2015, total electricity consumption was about 3.14 TWh (3.15), of which approximately 43.5% (45.1) was generated in-company, approximately 14.0% (13.9) was basic power purchased at fixed prices and approximately 41.7% (40.1) was purchased on the spot market.

At year-end, financial hedges for electricity purchases exposed to the spot price amounted to:

Year 2016	74.1%
Year 2017	44.3%
Year 2018	2.2%

Electricity certificates impacted operating profit by SEK 32 million (76) in 2015.

## OPERATIONAL RISKS (cont.)

### Cost of other 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 fewer and larger companies.

#### RISK MANAGEMENT

BillerudKorsnäs establishes agreements with 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 Group works 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 is monitored closely. Where the Company assesses that consolidation could lead to reduced competition,

the Company view on the matter is actively and objectively expressed to the relevant authorities.

#### COMMENTS ON 2015

A number of suppliers and products were approved in 2015. This resulted in greater security of supply and competition also increased.

Every month market prices and indexes were compiled and the Company endeavours to optimise prices and contract periods.

This work is an integral part of our Group-wide purchasing function, which focuses in particular on strategic purchases and cross-functional work.

### Costs of procured transport services

#### DESCRIPTION OF RISKS

Market prices for transport services vary over time, which can affect BillerudKorsnäs' earnings.

Political decisions and economic instruments affect the cost of all types of transportation. In 2015, this included the requirement for low-sulphur marine bunker oil and an increase in the maximum permitted gross vehicle weight for trucks to 64 tonnes in Sweden. Distance-based taxes (mileage tax or congestion charges) on road haulage have been introduced in a number of EU countries and Sweden is currently evaluating the possibility of introducing the same. Track access charges for rail transport are another political instrument to influence the cost of rail transport.

Global trends and macroeconomic developments also have an effect on transport costs.

The balance between imports and exports is key to the development of shipping costs. In 2015, shipping costs from our Finnish production facilities were affected by the trade embargo with Russia. In the long term, the greatest risks are that China's import of goods increases and Chinese exports decrease. This will increase the costs of container shipping from Europe to China.

#### 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 regula-

tions and wage costs. Continuous oversight of and changes to selected transport solutions are implemented as a means of reducing costs.

BillerudKorsnäs uses long-term strategic collaboration for all three transport methods; water, road and rail. Train haulage is provided by associated company ScandFibre Logistics AB. Such collaboration ensures good control of the development of shipping costs.

#### COMMENTS ON 2015

In 2015, customer shipping accounted for 9% (9) of BillerudKorsnäs' total operating costs. The breakdown of logistics costs was as follows: Rail 34% (36), Marine 25% (25), Road 27% (25) and Terminal Services 14% (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 it has the right skills mix. 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 2015

Staffing plans are continually ongoing. In 2015, in addition to ordinary recruitment activities to replace staff who leave or move within the organisation, a number of professional introductory and trainee programmes were designed and initiated to ensure succession planning. Planning is also underway for an updated trainee programme in 2016. BillerudKorsnäs also focuses on employer branding and internships, which are intended to showcase the Company as an attractive employer.



## OPERATIONAL RISKS (cont.)

### Environmental impact and renewal of licenses

#### DESCRIPTION OF RISKS

BillerudKorsnäs' production of paper, board 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 environment, including energy taxes, greenhouse gas emissions trading, carbon dioxide taxes and waste management taxes, which may generate both income and expense. 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 environment and quality, and, in Sweden, for 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 works actively within the value chain to reduce its greenhouse gas emissions. It does this by reducing its use of fossil fuels in production, using more efficient transport and energy sources and by manufacturing products that are based on renewable materials and can replace materials that generate greater emissions.

#### COMMENTS ON 2015

Environmental work was successfully carried out during 2015. Fossil carbon dioxide emissions from production decreased by 9% compared with the previous year, largely as a result of previous investment in energy efficiency measures at Skärblacka. BillerudKorsnäs was included in CDP's A list, confirmation that the Company's improvement efforts to reduce greenhouse gas emissions were among the 5% of companies achieving the best results globally.

In 2015, an investment of approximately SEK 450 million was made and taken into operation at Gävle to improve the use and treatment of water. This investment included a new sedimentation facility, which separates fibre and other particles from water, as well as measures in fibre lines 1 and 2 to ensure greater closure of the system. The project is expected to also lead to lower energy consumption and improve product quality.

The Gruvön unit reduced its energy use as a result of a new screening plant, which presses more water out of the pulp, reducing the need for steam and energy during drying. This is also a positive step in continuing to phase out fossil fuels-based energy.

For more information, see our Sustainability Report at [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 2015.

### 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 and the UK, 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. The earnings effects of changes in exchange rates in operating capital are managed at Group level and matched against corresponding earnings for currency hedging.

#### COMMENTS ON 2015

At the end of 2015, foreign exchange contracts not yet recognised in profit/loss nominally amounted to SEK 2 672 million (3 124). These will be recognised in profit/loss in 2016. The corresponding net currency flows for the Group in 2016 are estimated at around SEK 6 400 million (6 400).

Of forecast net flows over the coming 15-month period in EUR, USD and GBP, 51%, 43% and 6%, respectively, were hedged at year-end.

As per 31 December 2015, the market value of BillerudKorsnäs' outstanding foreign exchange contracts was SEK 117 million (–174).

Nominal amount of foreign exchange derivatives	2015	2014
EUR million	229	294
USD million	141	128
GBP million	4	23

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

Forward foreign exchange contracts	117	–174
------------------------------------	-----	------

### 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.

#### RISK MANAGEMENT

BillerudKorsnäs has assets in foreign currency, mainly through owning assets in Finland, the UK and the US.

#### COMMENTS ON 2015

Net assets in foreign currency amounted to SEK 1 430 million (2 071) at 31 December 2015. No net assets are currently hedged through the raising of loans in a corresponding currency.

SEKm	Capital employed	Net borrowings	Net assets
GBP	140	1	139
EUR	670	–564	1 234
USD	–23	–82	59
Other currencies	–	–2	2
<b>Total</b>	<b>787</b>	<b>–647</b>	<b>1 430</b>

### Financing risk

#### DESCRIPTION OF RISKS

The financing risk is the risk of failure to obtain financing, or of obtaining financing only at a sharply increased cost. Access to further financing will be affected by a number of factors, 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 Treasury department must ensure access to short- and

long-term credit facilities. The Company aims to achieve cost-efficiency within established limits. The actions of the Treasury department are regulated by the Treasury policy, which is reviewed annually.

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 2015

Financing opportunities for the Group remained very good in 2015, with good liquidity on both the commercial paper and bond markets.

BillerudKorsnäs has a syndicated credit facility of SEK 5 500 million, which falls due

in June 2019. The credit facility was unused at year-end. As per 31 December 2015, BillerudKorsnäs' net interest-bearing debt amounted to SEK 4 979 million (7 124). In 2015, some net borrowings were repaid in part or in full, which was due to healthy cash flow and the sale of SIA Latgran. Of interest-bearing net borrowings, SEK 1 368 million was short-term, which was a reduction of SEK 1 049 during the year. At year-end, bilateral loans totalling SEK 2 000 million had been repaid compared with the start of the year and new long-term debt of SEK 300 million had been raised. Long-term interest-bearing net borrowings amount to SEK 3 027 million, of which SEK 2 690 million falls due in 2018 or later.

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 uses derivatives to manage interest rate risk. The average duration for the entire loan portfolio should be between 1 and 36 months. The fixed interest term for an individual loan or interest rate swap may not exceed 10 years. The Board may, however, determine a longer fixed interest term. 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. Financial investments are made at short fixed interest terms, which limits interest rate risk in investments.

Nominal value of interest rate derivatives, SEKm	2015	2014
Interest rate swaps:		
Maturity of less than 1 year	–	–
Maturity of 1–2 years	1 400	150
Maturity of more than 2 years	1 261	2 100
<b>Total</b>	<b>2 661</b>	<b>2 250</b>

Market value of interest derivatives, SEKm	2015	2014
Interest rate swaps	–66	–88

Nominal amount, fixed interest loans	2015	2014
Maturity of more than 2 years	500	500

#### COMMENTS ON 2015

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 44 million (71), based on a liability of SEK 4 395 million at year-end.

The Group's average fixed interest term was 32 months (15) at year-end. The increase in the fixed interest term was mainly due to debt with short fixed interest terms being repaid. A 1 percentage point change in interest rates would have an annualised effect of SEK 25 million (43) on earnings, given the current fixed interest term.

### 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 and counterparty risk are inadequate, this may have an adverse effect on BillerudKorsnäs' financial position and earnings.

#### RISK MANAGEMENT

In order to reduce credit and counterparty risk, BillerudKorsnäs' Treasury policy has defined the size of the counterparty risk that is accepted based, for example, on a counterparty's credit rating. BillerudKorsnäs also has ISDA agreements with relevant banks.

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 2015

At year-end, the total net credit exposure was SEK 210 million (588).

## SENSITIVITY ANALYSIS

### Impact on profit/loss before tax

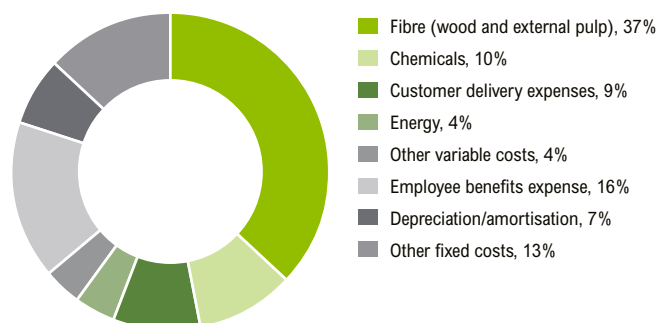
Variable	Change	SEKm
Sales volume	+/- 10%	+/-900
Exchange rates, SEK <sup>1</sup>	+/- 10%	-/+640
Fibre price	+/- 10%	-/+700
Price of electricity <sup>2</sup>	+/- 10%	-/+30
Interest rate on loans <sup>3</sup>	+/- 1 percentage point	-/+25

1 Excluding effects of currency hedging.

2 Excluding effects of electricity price hedging.

3 Excluding effects of interest hedging.

### BREAKDOWN OF OPERATING COSTS



# Financial statements

## CONSOLIDATED INCOME STATEMENT

SEKm	Note	2015	2014
	1		
Net sales	2	21 814	20 853
Other operating income	3	594	118
<b>Total operating income</b>		<b>22 408</b>	<b>20 971</b>
<b>Operating expenses</b>			
Change in inventories		-214	63
Raw materials and consumables		-10 597	-10 490
Other external costs	4	-4 421	-4 245
Employee benefits expense	5	-3 167	-3 020
Depreciation, amortisation and impairment of non-current assets	10, 11	-1 417	-1 378
Share of profit/loss of associates	14	-6	-
<b>Total operating expenses</b>		<b>-19 822</b>	<b>-19 070</b>
<b>Operating profit/loss</b>	2	<b>2 586</b>	<b>1 901</b>
<b>Financial items</b>	6		
Finance income		24	11
Finance costs		-199	-259
<b>Net finance income/costs</b>		<b>-175</b>	<b>-248</b>
<b>Profit/loss before tax</b>		<b>2 411</b>	<b>1 653</b>
Tax	8	-443	-352
<b>Profit/loss for the year</b>		<b>1 968</b>	<b>1 301</b>
<b>Profit/loss attributable to:</b>			
Owners of the parent company		1 811	1 277
Non-controlling interests		157	24
<b>Profit/loss for the year</b>		<b>1 968</b>	<b>1 301</b>
<b>Earnings per share, SEK</b>	9	8.75	6.18
<b>Diluted earnings per share, SEK</b>	9	8.73	6.16

Dividend per share is shown in note 17.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2015	2014
<b>Profit/loss for the year</b>	<b>1 968</b>	<b>1 301</b>
<b>Items that cannot be transferred to profit/loss for the period</b>		
Revaluation of defined-benefit pensions	-28	-67
Tax attributable to items that cannot be transferred to profit/loss for the period	6	15
<b>Total items that cannot be transferred to profit/loss for the period</b>	<b>-22</b>	<b>-52</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	-67	136
Translation differences for the period transferred to profit/loss for the year	-15	-
Changes in fair value of available-for-sale financial assets during the period	477	29
Changes in fair value of available-for-sale financial assets during the period transferred to profit/loss for the year	-21	-7
Changes in fair value of cash flow hedges during the period	-65	-457
Changes in fair value of cash flow hedges transferred to profit/loss for the year	206	253
Tax attributable to items that have been or can be transferred to profit/loss for the period	-31	45
<b>Total items that have been or can be transferred to profit/loss for the period</b>	<b>484</b>	<b>-1</b>
<b>Total comprehensive income for the year</b>	<b>2 430</b>	<b>1 248</b>
<b>Attributable to:</b>		
Owners of the parent company	2 278	1 220
Non-controlling interests	152	28
<b>Total comprehensive income for the year</b>	<b>2 430</b>	<b>1 248</b>



## CONSOLIDATED BALANCE SHEET

SEKm	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>	1, 23		
<b>Non-current assets</b>			
Intangible non-current assets	10	2 384	2 580
Property, plant and equipment	11	14 812	14 873
Participations in associates and joint ventures	14	13	15
Other holdings	15	1 289	806
Deferred tax assets	8	21	18
Non-current receivables from associates	13	11	–
Non-current receivables		7	9
<b>Total non-current assets</b>		<b>18 537</b>	<b>18 301</b>
<b>Current assets</b>			
Inventories	16	2 842	3 145
Tax receivables		15	313
Accounts receivable		2 512	2 601
Receivables from associates		6	6
Prepaid expenses and accrued income		215	177
Other receivables		768	429
Cash and cash equivalents	25	188	737
<b>Total current assets</b>		<b>6 546</b>	<b>7 408</b>
<b>Total assets</b>		<b>25 083</b>	<b>25 709</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1, 23		
<b>Equity</b>	17		
Share capital		1 537	1 537
Other contributed capital		4 484	4 484
Reserves		517	28
Retained earnings incl. profit/loss for the year		5 715	4 566
<b>Total equity attributable to owners of the parent company</b>		<b>12 253</b>	<b>10 615</b>
Non-controlling interests		165	89
<b>Total shareholders' equity</b>		<b>12 418</b>	<b>10 704</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	20	3 027	4 672
Provisions for taxes	18	783	772
Other provisions	19	45	36
Deferred tax liabilities	8	3 186	2 986
<b>Total non-current liabilities</b>		<b>7 041</b>	<b>8 466</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	20	1 368	2 417
Accounts payable		2 679	2 502
Liabilities to associates		24	12
Tax liabilities		41	19
Accrued expenses and deferred income	22	982	1 096
Other liabilities		416	462
Provisions	19	114	31
<b>Total current liabilities</b>		<b>5 624</b>	<b>6 539</b>
<b>Total liabilities</b>		<b>12 665</b>	<b>15 005</b>
<b>Total shareholders' equity and liabilities</b>		<b>25 083</b>	<b>25 709</b>

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

# 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	Hedge reserve	Retained earnings and profit/loss for the year			
<b>Opening balance, 1 Jan 2015</b>	17	1 537	4 484	125	74	-171	4 566	10 615	89	10 704
Total comprehensive income for the year				-77	456	110	1 789	2 278	152	2 430
Dividend to owners of the parent company							-651	-651		-651
Dividend to non-controlling interests									-76	-76
Share-based payments to be settled in equity instruments, IFRS 2							11	11		11
<b>Closing balance, 31 Dec 2015</b>		1 537	4 484	48	530	-61	5 715	12 253	165	12 418

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	Hedge reserve	Retained earnings and profit/loss for the year			
<b>Opening balance, 1 Jan 2014</b>	17	1 537	4 484	-7	52	-12	3 802	9 856	61	9 917
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>		1 537	4 484	125	74	-171	4 566	10 615	89	10 704





## CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	Note	2015	2014
<b>Operating activities</b>	25		
Profit/loss after financial items		2 411	1 653
Adjustments for items not included in cash flow		1 043	1 348
Tax paid		84	-124
<b>Cash flow from operating activities before changes in working capital</b>		<b>3 538</b>	<b>2 877</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventories		206	-78
Increase (-)/decrease (+) in operating receivables		-229	-208
Increase (+)/decrease (-) in operating liabilities		143	524
<b>Cash flow from operating activities</b>		<b>3 658</b>	<b>3 115</b>
<b>Investing activities</b>			
Acquisition of non-current intangible assets		-	-
Acquisition of property, plant and equipment		-1 672	-1 382
Sale of property, plant and equipment		9	8
Sale of subsidiaries	32	941	-
Acquisition of non-current financial assets		-38	-2
<b>Cash flow from investing activities</b>		<b>-760</b>	<b>-1 376</b>
<b>Cash flow after investing activities</b>		<b>2 898</b>	<b>1 739</b>
<b>Financing activities</b>			
Changes in interest-bearing receivables		-	-3
Borrowings		580	1 005
Debt repayment		-3 267	-2 087
Dividend		-651	-465
Dividend to non-controlling interests		-76	-
<b>Cash flow from financing activities</b>		<b>-3 414</b>	<b>-1 550</b>
<b>Cash flow for the period</b>		<b>-516</b>	<b>189</b>
<b>Cash and cash equivalents at start of year</b>		<b>737</b>	<b>497</b>
<b>Translation difference in cash and cash equivalents</b>		<b>-33</b>	<b>51</b>
<b>Cash and cash equivalents at year-end</b>		<b>188</b>	<b>737</b>

# PARENT COMPANY INCOME STATEMENT

SEKm	Note	2015	2014
	1		
Net sales	2	221	3 784
Other operating income	3	35	22
<b>Total operating income</b>		<b>256</b>	<b>3 806</b>
<b>Operating expenses</b>			
Change in inventories		–	28
Raw materials and consumables		–	–1 519
Other external costs <sup>1</sup>	4	–234	–2 673
Employee benefits expense	5	–206	–734
Depreciation, amortisation and impairment of non-current assets	10, 11	–1	–254
<b>Total operating expenses</b>		<b>–441</b>	<b>–5 152</b>
<b>Operating profit/loss <sup>1</sup></b>		<b>–185</b>	<b>–1 346</b>
<b>Financial items</b>	6		
Profit/loss from investments in Group companies		1 522	30
Profit/loss from other participations		–9	–
Interest income and similar profit/loss items		3	5
Interest expense and similar profit/loss items		–198	–198
<b>Total financial items</b>		<b>1 318</b>	<b>–163</b>
<b>Profit/loss after financial items</b>		<b>1 133</b>	<b>–1 509</b>
Appropriations	7	707	950
<b>Profit/loss before tax</b>		<b>1 840</b>	<b>–559</b>
Tax	8	–69	133
<b>Profit/loss for the year</b>		<b>1 771</b>	<b>–426</b>

# PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKm	2015	2014
<b>Profit/loss for the year</b>	<b>1 771</b>	<b>–426</b>
<b>Other comprehensive income</b>		
Other comprehensive income for the year	–	–
<b>Total comprehensive income</b>	<b>1 771</b>	<b>–426</b>

<sup>1</sup> 2014 includes the Gruvön production unit and a charge of SEK –1 584 million relating to a capital loss, recognised under "Other external costs", from the sale of Gruvön's assets and liabilities to the subsidiary BillerudKorsnäs Sweden AB.



## PARENT COMPANY BALANCE SHEET

SEKm	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>	1, 23		
<b>Non-current assets</b>			
Intangible non-current assets	10	–	–
Property, plant and equipment	11	9	9
Investments in Group companies	12	10 672	10 665
Participations in associates and joint ventures	14	1	6
Other holdings	15	60	35
Non-current receivables from Group companies	13	–	41
Non-current receivables from associates	13	11	–
Other non-current receivables		11	11
<b>Total non-current assets</b>		<b>10 764</b>	<b>10 767</b>
<b>Current assets</b>			
Accounts receivable		2 161	2 114
Receivables from Group companies	13	4 607	2 129
Prepaid expenses and accrued income		31	32
Other receivables		6	246
Cash and bank balances	25	10	499
<b>Total current assets</b>		<b>6 815</b>	<b>5 020</b>
<b>Total assets</b>		<b>17 579</b>	<b>15 787</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1, 23		
<b>Equity</b>	17		
<b>Restricted equity</b>			
Share capital (208 219 834 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		-602	461
Profit/Loss for the year		1 771	-426
<b>Total non-restricted equity</b>		<b>5 577</b>	<b>4 443</b>
<b>Total shareholders' equity</b>		<b>7 263</b>	<b>6 129</b>
<b>Untaxed reserves</b>	26	<b>660</b>	<b>355</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	18	199	201
Provisions for taxes	8	2	137
<b>Total provisions</b>		<b>201</b>	<b>338</b>
<b>Non-current liabilities</b>			
Syndicated loan	21	–	128
Bond loans	21	1 800	2 350
Other interest-bearing non-current liabilities	21	700	1 600
Liabilities to Group companies		3 580	848
<b>Total non-current liabilities</b>		<b>6 080</b>	<b>4 926</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	21	1 330	2 281
Accounts payable		39	32
Liabilities to Group companies	13	1 873	1 635
Tax liabilities		4	–
Accrued expenses and deferred income	22	76	75
Other liabilities		53	16
<b>Total current liabilities</b>		<b>3 375</b>	<b>4 039</b>
<b>Total shareholders' equity and liabilities</b>		<b>17 579</b>	<b>15 787</b>
<b>Parent company pledged assets and contingent liabilities</b>			
Pledged assets	29	11	11
Contingent liabilities	29	221	257

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKm	Note	Restricted equity		Non-restricted equity			Total share- holders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
<b>Opening balance, 1 Jan 2015</b>	17	<b>1 537</b>	<b>149</b>	<b>4 408</b>	<b>461</b>	<b>-426</b>	<b>6 129</b>
Previous year's profit/loss brought forward					-426	426	-
Profit/Loss for the year						1 771	1 771
Dividends paid					-651		-651
Share-based payments to be settled in equity instruments					14		14
<b>Closing balance, 31 Dec 2015</b>		<b>1 537</b>	<b>149</b>	<b>4 408</b>	<b>-602</b>	<b>1 771</b>	<b>7 263</b>

SEKm	Note	Restricted equity		Non-restricted equity			Total share- holders' equity
		Share capital	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>



## PARENT COMPANY CASH FLOW STATEMENT

SEKm	Note	2015	2014
<b>Operating activities</b>	25		
Profit/loss after financial items		1 133	-1 509
Adjustments for items not included in cash flow		24	1 808
Tax paid		-27	-8
<b>Cash flow from operating activities before changes in working capital</b>		<b>1 130</b>	<b>291</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventories		-	322
Increase (-)/decrease (+) in operating receivables		2	-829
Increase (+)/decrease (-) in operating liabilities		287	-44
<b>Cash flow from operating activities</b>		<b>1 419</b>	<b>-260</b>
<b>Investing activities</b>			
Sale of non-current intangible assets		-	3
Acquisition of property, plant and equipment		-1	-296
Sale of property, plant and equipment		-	780
Acquisition of shares in subsidiaries		-9	-40
Acquisition of shares in associates		-3	
Acquisition of non-current financial assets		-25	-11
Change in financial receivables		29	56
<b>Cash flow from investing activities</b>		<b>-9</b>	<b>492</b>
<b>Cash flow after investing activities</b>		<b>1 410</b>	<b>232</b>
<b>Financing activities</b>			
Borrowings		580	2 206
Repayment of borrowings		-998	-2 323
Dividend		-651	-465
Settled Group contributions		-830	558
<b>Cash flow from financing activities</b>		<b>-1 899</b>	<b>-24</b>
<b>Cash flow for the year</b>		<b>-489</b>	<b>208</b>
<b>Cash and cash equivalents at start of year</b>		<b>499</b>	<b>291</b>
<b>Cash and cash equivalents at year-end</b>		<b>10</b>	<b>499</b>



# NOTES AND ACCOUNTING POLICIES

Note	Page
1 Significant accounting policies	40
2 Operating profit/loss by segment and net sales by market	47
3 Other operating income	47
4 Fees and remuneration to auditors	48
5 Employees and employee benefits expense	48
6 Financial items	48
7 Appropriations	49
8 Taxes	49
9 Earnings per share	50
10 Intangible assets	50
11 Property, plant and equipment	51
12 Investments in group companies	52
13 Receivables from and liabilities to group companies, interest-bearing	53
14 Participations in associates	53
15 Other holdings	54
16 Inventories	54
17 Equity	55
18 Provisions for pensions and similar commitments	55
19 Provisions	56
20 Interest-bearing liabilities	57
21 Liabilities to credit institutions	57
22 Accrued expenses and deferred income	57
23 Financial assets and liabilities	58
24 Remuneration to senior management	59
25 Additional information for the cash flow statement	60
26 Untaxed reserves	60
27 Events after the end of the period	60
28 Investment commitments	60
29 Pledged assets and contingent liabilities	60
30 Related parties	60
31 Business combinations	61
32 Divestment of subsidiaries	61
33 Critical accounting estimates and judgements	61
34 Information about the parent company	61





(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 new and amended standards and interpretations that are applicable from 2015 have not had any effect on BillerudKorsnäs' accounting. No amended standards or interpretations due to be implemented in the next few years have been applied in advance.

### 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 standard will be applied from 2018. This amends the rules on the classification and valuation of financial assets and liabilities, the impairment of financial assets and hedge accounting. BillerudKorsnäs' preliminary assessment is that the amendments to classification and valuation will not affect the Group's reporting; that the impairment of financial assets concerns the recognition of bad debt losses, but since bad debt losses have been and are expected to be very small the potential effect is expected to be immaterial; and that the new rules on hedge accounting are not expected to have any material effect on recognition currently carried out in the primary financial statements.

- **IFRS 15 Revenue from Contracts with Customers**

This standard addresses the recognition of revenues from contracts and from the sale of certain non-financial assets. It will replace IAS 11 Construction Contracts and IAS 18 Revenue and Related Interpretations. This standard will be applied from 2018. BillerudKorsnäs' preliminary assessment is that this will not have any material effects on BillerudKorsnäs' reporting as the Group's sales mainly comprise the sale of goods with recognition at a particular point in time (which is preliminarily not expected to change), while variable revenues and other changes with a possible effect only occur to a negligible extent.

- **IFRS 16 Leases**

This standard will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, with application and related rules from 2019. For lessees this means that all contracts that meet the definition in this standard of a lease must be recognised as an asset and liability in the balance sheet, with recognition of amortisation and interest expense in profit and loss. Agreements regarding the rental of premises, machinery and similar which currently operating leases (see Note 11) are not recognised in the balance sheet as an asset

and liability, besides those interim items that arise at period-end. The amounts that the effects of capitalising these contracts may have are yet to be calculated.

No other issued new or amended standards and interpretations with future application are expected to impact BillerudKorsnäs' reporting. None of the above-mentioned amendments are planned to be applied in advance.

### 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 Corrugated Solutions.

### 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.

Joint arrangements are entities in which BillerudKorsnäs and one or more other owners have joint control. 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**

Net investments have been hedged to some extent by raising loans in the same currency as the net investments. 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. This type of hedge was not used in the second half of the year.

#### **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.

##### **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 investments 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.

### **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 changes in value recognised in other comprehensive income and accumulated in the fair value reserve in equity. However, this does not apply to those changes relating to impairment (see accounting policies for impairment), nor to interest on receivables instruments or dividend income, nor to exchange rate differences for monetary items, which are 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 primarily been acquired to hedge the interest rate and currency risk exposure of the Group.

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.

If the hedged future cash flow relates to a non-financial asset or liability that is capitalised in the balance sheet, the hedge reserve is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is first set. 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 interest rate swaps are recognised in other comprehensive income and accumulated 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 in-effective portion is recognised in the profit and loss accounts.

### **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.

### **Pulp derivatives**

BillerudKorsnäs sells pulp to external customers. In order to continually hedge pulp prices, BillerudKorsnäs may enter into pulp derivative contracts. Pulp derivatives that protect the forecast revenues from the sale of pulp 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 pulp

contracts are recognised continuously in operating profit/loss as a correction of operating income.

### **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.

**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. 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.

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.

#### **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 in the reported periods originate from share-based remuneration settled through equity instruments.

#### **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. 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 2015 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.

##### **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 program is 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. Revaluation once the fair value has been set is only done for performance terms.

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 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.

#### **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 Corrugated Solutions. 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 comprise wood supply, sales organisations, Nine AB, Bomhus Energi AB, the Latgran Group, costs relating to the closure of the paper machine in Tervasaari and dormant companies. Group staff and eliminations comprise Group-wide functions and Group eliminations. Group eliminations also include shares in profits/losses in associates. From 1 January 2016 other units consists of earnings from wood supply, Nine AB, leasing rental and dormant companies. Earnings from sales organisations and Bomhus Energi AB will be allocated to the business areas.

Profit/loss by operating segment SEKm	Packaging Paper		Consumer Board		Corrugated Solutions		Currency hedging, etc.		Other units		Group staff and eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Group</b>														
Net sales	8 552	8 101	8 006	7 436	3 329	3 148	-85	-29	2 012	2 197	-	-	21 814	20 853
Other income and operating expenses	-7 096	-6 928	-6 348	-5 852	-2 605	-2 560			-1 467	-1 960	-295	-274	-17 811	-17 574
Depreciation, amortisation and impairment losses	-485	-472	-704	-669	-173	-172			-61	-71	6	6	-1 417	-1 378
<b>Operating profit/loss</b>	<b>971</b>	<b>701</b>	<b>954</b>	<b>915</b>	<b>551</b>	<b>416</b>	<b>-85</b>	<b>-29</b>	<b>484</b>	<b>166</b>	<b>-289</b>	<b>-268</b>	<b>2 586</b>	<b>1 901</b>
Operating margin	11%	9%	12%	12%	17%	13%			24%	8%			12%	9%
Financial items													-175	-248
Taxes													-443	-352
<b>Profit/loss for the period</b>													<b>1 968</b>	<b>1 301</b>

Of net sales of SEK 21 814 million (20 853), SEK 31 million (26) 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.

### Parent company

Net sales <sup>1</sup>		1 446		391		2 002		-85		-55		306		221	3 784
<b>Operating profit/loss<sup>2</sup></b>		<b>172</b>		<b>49</b>		<b>334</b>		<b>-85</b>		<b>-55</b>		<b>-1 584</b>		<b>-100</b>	<b>-262</b>
Financial items														1 318	-163
Appropriations														707	950
Taxes														-69	133
<b>Profit/loss for the period</b>														<b>1 771</b>	<b>-426</b>

<sup>1</sup> As of 2015, Gruvön's production unit is included in the subsidiary BillerudKorsnäs Sweden AB's business, which is why there are no net sales in the parent company besides results from hedging and intra-Group services.

<sup>2</sup> Operating profit/loss for 2014 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 221 million (3 784), SEK 306 million (0) was sales of services.

Net sales by market segment SEKm	Group		Parent company	
	2015	2014	2015	2014
Sweden	2 477	2 733	221	181
Other EU countries	11 907	11 052		2 114
Rest of Europe	1 569	1 472		268
Other markets	5 861	5 596		1 221
<b>Total</b>	<b>21 814</b>	<b>20 853</b>	<b>221</b>	<b>3 784</b>

Non-current assets by country SEKm	Group	
	2015	2014
Sweden	16 363	16 041
Finland	688	762
Latvia	35	535
United Kingdom	67	68
Other	43	47
	<b>17 196</b>	<b>17 453</b>

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

## 3 OTHER OPERATING INCOME

SEKm	2015		2014	
	2015	2014	2015	2014
<b>Group</b>				
Services sold		32		34
Divestment of SIA Latgran <sup>1</sup>		440		-
Other		122		84
<b>Group total</b>		<b>594</b>		<b>118</b>

<sup>1</sup> See note 32 regarding the capital gain from the divestment of SIA Latgran.

### Parent company

Services sold		-		2
Commissions		21		17
Other		14		3
<b>Parent company total</b>		<b>35</b>		<b>22</b>



#### 4 FEES AND REMUNERATION TO AUDITORS

SEKm	Group		Parent company	
	2015	2014	2015	2014
<b>KPMG</b>				
Auditing assignments	2	–	–	–
Auditing activities besides audit assignments	1	–	–	–
Tax consultancy	1	–	1	–
Other services	–	–	–	–
<b>Total</b>	<b>4</b>	<b>–</b>	<b>1</b>	<b>–</b>
<b>Ernst &amp; Young</b>				
Auditing assignments	–	3	–	1
Auditing activities besides audit assignments	–	1	–	–
Tax consultancy	–	–	–	–
Other services	–	–	–	–
<b>Total</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>1</b>
<b>Other auditors</b>				
Auditing assignments	1	1	–	–
Tax consultancy	–	2	–	2
Other services	–	1	–	–
<b>Total</b>	<b>1</b>	<b>4</b>	<b>–</b>	<b>2</b>

Audit assignments refers to the inspection 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. Auditing activities besides audit assignments relate to reviews of attestations, interim reports, etc. that resulted in reports from the auditor. Tax consultancy relates to assignments performed in regard to taxes and other charges. Other services relate to all other assignments not included in the above.

The AGM on 5 May, 2015, resolved that KPMG AB would be appointed as auditor for the period extending up until the end of the 2016 AGM. Auditor fees for Ernst & Young AB relate to the period 1 January 2015 until 4 May 2015 and auditor fees for KPMG AB relate to the period 5 May 2015 until 31 December 2015.

#### 5 EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

Average number of employees	2015	Of which		2014	Of which	
		men, %			men, %	
<b>Parent company</b>						
Sweden	89	58		908	79	
Other countries	7	100		6	100	
<b>Parent company total</b>	<b>96</b>	<b>61</b>		<b>914</b>	<b>80</b>	
<b>Subsidiaries</b>						
Sweden	3 432	83		2 539	82	
Finland	181	85		178	87	
Latvia	154	81		229	82	
United Kingdom	151	89		153	90	
China	87	37		80	38	
Germany	30	47		28	46	
USA	29	62		23	61	
France	14	43		16	44	
Italy	12	42		11	33	
Spain	11	36		12	42	
Other countries	26	63		11	54	
<b>Subsidiaries total</b>	<b>4 127</b>	<b>81</b>		<b>3 280</b>	<b>81</b>	
<b>Group total</b>	<b>4 223</b>	<b>81</b>		<b>4 194</b>	<b>81</b>	

#### NOTE 5 CONTD.

SEKm	Group		Parent company	
	2015	2014	2015	2014
<b>Employee benefits expense</b>				
Wages, salaries and other remuneration				
Board, CEO and management teams <sup>1</sup>	61	57	61	57
of which variable remuneration	9	15	9	15
Other employees	2 186	2 100	67	463
of which variable remuneration	76	113	13	27
<b>Total salaries and other remuneration</b>	<b>2 247</b>	<b>2 157</b>	<b>128</b>	<b>520</b>
<b>Social security costs</b>				
Contractual pension for CEO and Senior Management Team <sup>1</sup>				
Defined-benefit pensions	–	–	–	–
Defined-contribution pensions	9	8	9	8
Contractual pensions, other				
Defined-benefit pensions	2	–9	–	–
Defined-contribution pensions	210	180	15	30
Other social security costs	699	684	54	176
<b>Total social security costs</b>	<b>920</b>	<b>863</b>	<b>78</b>	<b>214</b>
<b>Total employee benefits expense</b>	<b>3 167</b>	<b>3 020</b>	<b>206</b>	<b>734</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, %	2015	2014
<b>Group and parent company management</b>		
Board	40	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 FINANCIAL ITEMS

SEKm	Group		Parent company	
	2015	2014	2015	2014
<b>Finance income</b>				
Dividends from Group companies	–	–	1 524	42
Impairment losses, subsidiaries	–	–	–2	–12
Impairment losses, associates	–	–	–9	–
Dividends from other participations	21	7	–	–
Interest income, Group companies	–	–	1	2
Interest income, other	3	4	2	3
<b>Finance income</b>	<b>24</b>	<b>11</b>	<b>1 516</b>	<b>35</b>
<b>Finance costs</b>				
Interest expense for financial liabilities measured at amortised cost	–151	–237	–146	–183
Interest expense for pension provision	–21	–25	–7	–11
Net interest income on derivatives in hedge accounting	–	25	–	25
Net change in exchange rates	–2	3	–20	–4
Other financial expenses	–25	–25	–25	–25
<b>Finance costs</b>	<b>–199</b>	<b>–259</b>	<b>–198</b>	<b>–198</b>
<b>Net finance income/costs</b>	<b>–175</b>	<b>–248</b>	<b>1 318</b>	<b>–163</b>



## 7 APPROPRIATIONS

SEKm	Parent company	
	2015	2014
Group contributions received	1 837	–
Group contributions paid	–825	–830
Tax allocation reserve	–305	–
Difference between recognised and scheduled depreciation/amortisation		
Plant and equipment	–	1 780
<b>Parent company total</b>	<b>707</b>	<b>950</b>

## 8 TAXES

SEKm	Group		Parent company	
	2015	2014	2015	2014
<b>Profit/loss before tax</b>				
Sweden, Group companies	1 990	1 515	1 840	–559
Rest of world, Group companies	421	138	–	–
<b>Total profit/loss before tax</b>	<b>2 411</b>	<b>1 653</b>	<b>1 840</b>	<b>–559</b>
<b>Tax expense</b>				
<b>Current tax</b>				
Tax expense for the period	–241	–20	–204	–
Tax attributable to previous period	1	3	–	4
<b>Total current tax</b>	<b>–240</b>	<b>–17</b>	<b>–204</b>	<b>4</b>

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

SEKm	Opening balance, 1 January		Recognised in profit and loss		Recognised directly in equity		Closing balance, 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Group</b>								
<b>Deferred tax liability</b>								
Non-current assets	3 159	2 601	–18	558	–38	–	3 103	3 159
Tax allocation reserve	135	135	67	–	–	–	202	135
Hedging reserve	–48	–3	–	–	31	–45	–17	–48
<b>Total deferred tax liability</b>	<b>3 246</b>	<b>2 733</b>	<b>49</b>	<b>558</b>	<b>–7</b>	<b>–45</b>	<b>3 288</b>	<b>3 246</b>
<b>Deferred tax asset</b>								
Inventories	4	1	2	3	1	–	7	4
Accounts receivable	8	10	1	–2	1	–	9	8
Provisions	48	21	–3	15	–	12	45	48
Loss	218	11	–154	207	–2	–	62	218
<b>Total deferred tax asset</b>	<b>278</b>	<b>43</b>	<b>–154</b>	<b>223</b>	<b>–1</b>	<b>12</b>	<b>123</b>	<b>278</b>
<b>Total net deferred tax liability</b>	<b>2 968</b>	<b>2 690</b>	<b>203</b>	<b>335</b>	<b>–6</b>	<b>–57</b>	<b>3 165</b>	<b>2 968</b>
Portion recognised as deferred tax asset	18	1					21	18
Portion recognised as deferred tax liability	2 986	2 691					3 186	2 986

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 46 million (4). The assessment was made based on uncertainty about whether this tax asset can be recovered.

### Parent company

<b>Deferred tax liability</b>								
Other non-current assets	141	277	–136	–136			5	141
<b>Total deferred tax liability</b>	<b>141</b>	<b>277</b>	<b>–136</b>	<b>–136</b>			<b>5</b>	<b>141</b>
<b>Deferred tax asset</b>								
Buildings and land	–	5	–	–5			–	–
Accounts receivable	1	1	–1	–			–	–
Provisions	3	5	–	–2			3	3
Loss	–	–	–	–			–	–
<b>Total deferred tax asset</b>	<b>4</b>	<b>11</b>	<b>–1</b>	<b>–7</b>			<b>3</b>	<b>4</b>
<b>Total net deferred tax liability</b>	<b>137</b>	<b>266</b>	<b>–135</b>	<b>–129</b>			<b>2</b>	<b>137</b>

There are no significant temporary differences in participations in subsidiaries.

## NOTE 8 CONTD.

SEKm	Group		Parent company	
	2015	2014	2015	2014
<b>Deferred tax</b>				
Deferred tax income/expense related to temporary differences	–203	–335	135	129
<b>Total tax expense</b>	<b>–443</b>	<b>–352</b>	<b>–69</b>	<b>133</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	0.3	–0.5	–	–
Tax-exempt dividends	–0.2	–0.1	–18.2	1.7
Tax income attributable to previous period	–	–0.2	–	0.7
Impairment of shares	0.1	–	0.1	–0.5
Tax effect of non-deductible expenses	0.2	0.2	–	–0.4
Tax effect of tax-exempt income	–4.1	–	–	0.1
Tax deficit not recognised	0.3	–	–	–
Tax on activities subject to commissions	–	–	–	–0.1
Deductions for allocation of shares in incentive programmes	–0.2	–0.1	–0.2	0.3
<b>Tax rate according to income statement</b>	<b>18.4</b>	<b>21.3</b>	<b>3.7</b>	<b>23.8</b>



## 9 EARNINGS PER SHARE

	2015	2014
<b>Basic earnings per share</b>		
Profit/loss for the period, SEKm	1 811	1 277
Weighted number of outstanding ordinary shares	206 888 635	206 761 898
<b>Basic earnings per share, SEK</b>	<b>8.75</b>	<b>6.18</b>
<b>Diluted earnings per share</b>		
Profit/loss for the period, SEKm	1 811	1 277
Weighted number of outstanding ordinary shares	206 888 635	206 761 898
Adjustment for assumed dilution through incentive programme	520 021	536 092
No. of shares included in calculation of earnings per share	207 408 656	207 297 990
<b>Diluted earnings per share, SEK</b>	<b>8.73</b>	<b>6.16</b>

## 10 INTANGIBLE ASSETS

SEKm	Acquired intangible assets								Total	
	Goodwill		Customer contract		Brand		Other intangible assets		2015	2014
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Group</b>										
<b>Acquisition value</b>										
Carrying amount at start of year	2 088	2 127	567	567	113	66	105	101	2 873	2 861
Investments							1	3	–	3
Disposals	–108								–108	–
Reclassification		–39				39			–	–
Translation differences					3	8		1	3	9
<b>Carrying amount at year-end</b>	<b>1 980</b>	<b>2 088</b>	<b>567</b>	<b>567</b>	<b>116</b>	<b>113</b>	<b>106</b>	<b>105</b>	<b>2 768</b>	<b>2 873</b>
<b>Accumulated amortisation</b>										
Carrying amount at start of year			–147	–76	–25	–9	–90	–87	–262	–172
Depreciation/amortisation			–71	–71	–17	–16	–2	–2	–90	–89
Translation differences					–1			–1	–1	–1
<b>Carrying amount at year-end</b>	<b>–</b>	<b>–</b>	<b>–218</b>	<b>–147</b>	<b>–43</b>	<b>–25</b>	<b>–92</b>	<b>–90</b>	<b>–353</b>	<b>–262</b>
<b>Accumulated impairment losses</b>										
Carrying amount at start of year	–31	–31							–31	–31
<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>1 949</b>	<b>2 057</b>	<b>349</b>	<b>420</b>	<b>73</b>	<b>88</b>	<b>14</b>	<b>15</b>	<b>2 384</b>	<b>2 580</b>
<b>Parent company</b>										
<b>Acquisition value</b>										
Carrying amount at start of year								29	–	29
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>–</b>	<b>–</b>	<b>–</b>
<b>Accumulated amortisation</b>										
Carrying amount at start of year								–25	–	–25
Depreciation/amortisation								–1	–	–1
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>–</b>	<b>–</b>	<b>–</b>
<b>Carrying amounts according to balance sheet</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Divested goodwill of SEK 108 million is attributable to the divestment of SIA Latgran.

The Group's remaining goodwill of SEK 1 949 million arose in connection with the Korsnäs acquisition in 2012 and has been allocated to the Consumer Board business area, which is a cash-generating unit in line with the BillerudKorsnäs organisational structure.

The recoverable amount has been calculated as the value in use. The calculations use cash flow based on the multi-year plan approved by the Company's management for the period 2016–2020. The assumptions

in the multi-year plan are based on historical experience and forecasts regarding market performance and other factors. The main assumptions relate to volume growth, EBITDA margin, operating capital and investment needs. An annual growth rate of 2% (2) was used to extrapolate cash flows beyond 2020. 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Group</b>										
<b>Acquisition value</b>										
Carrying amount at start of year	4 008	3 911	31 717	30 310	18	14	777	832	36 520	35 067
Investments	15	17	252	207	3		1 402	1 155	1 672	1 379
Reclassification	166	81	1 323	1 134		4	-1 490	-1 219	-	0
Disposals	-10	-11	-39	-65					-49	-76
Disposals via divestment of business <sup>3</sup>	-115		-372		-11		-2		-500	
Translation differences	-5	10	-43	131	-1			9	-49	150
<b>Carrying amount at year-end</b>	<b>4 059</b>	<b>4 008</b>	<b>32 838</b>	<b>31 717</b>	<b>9</b>	<b>18</b>	<b>687</b>	<b>777</b>	<b>37 594</b>	<b>36 520</b>
<b>Accumulated amortisation</b>										
Carrying amount at start of year	-2 445	-2 331	-17 277	-16 098	-9	-8			-19 731	-18 437
Depreciation/amortisation	-112	-113	-1 214	-1 176	-1	-1			-1 327	-1 290
Disposals	9	3	38	62					47	65
Disposals via divestment of business <sup>3</sup>	26		109		3				138	
Translation differences	2	-4	5	-65					7	-69
<b>Carrying amount at year-end</b>	<b>-2 520</b>	<b>-2 445</b>	<b>-18 339</b>	<b>-17 277</b>	<b>-7</b>	<b>-9</b>	<b>-</b>	<b>-</b>	<b>-20 866</b>	<b>-19 731</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>1 428</b>	<b>1 452</b>	<b>12 694</b>	<b>12 635</b>	<b>2</b>	<b>9</b>	<b>687</b>	<b>777</b>	<b>14 812</b>	<b>14 873</b>
<b>Parent company</b>										
<b>Acquisition value</b>										
Carrying amount at start of year	7	815	4	7 399				83	11	8 297
Investments		16		185			1	95	1	296
Reclassification		5		67				-72	-	-
Disposals		-829		-7 647				-106	-	-8 582
<b>Carrying amount at year-end</b>	<b>7</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>12</b>	<b>11</b>
<b>Accumulated amortisation</b>										
Carrying amount at start of year		-559	-2	-4 510					-2	-5 069
Depreciation/amortisation		-26	-1	-227					-1	-253
Disposals		585		4 735					-	5 320
<b>Carrying amount at year-end</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>-2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>-2</b>
<b>Accumulated impairment losses</b>										
Carrying amount at start of year				-898					-	-898
Disposals				898					-	898
<b>Carrying amount at year-end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts according to balance sheet</b>	<b>7</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>9</b>	<b>9</b>

1 Of which land is SEK 69 million (75) in the Group and SEK 6 (6) 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 Relates to the divestment of SIA Latgran.

### Leases

Future contractual lease commitments for the Group totalled SEK 251 million, SEK 94 million of which is payable within one year and SEK 135 million within two to five years. The corresponding figure for the parent company amounted to SEK 20 million, SEK 8 million of which is payable within one year and SEK 12 million within 2–5 years. Leasing costs in the Group in 2015 amounted to SEK 96 million. For the parent company, the total corresponding costs were SEK 7 million.



## 12 INVESTMENTS IN GROUP COMPANIES

SEKm	2015	2014
<b>Acquisition value</b>		
Opening balance at start of year	10 829	10 789
Investments <sup>1</sup>	9	40
<b>Closing balance at year-end</b>	<b>10 838</b>	<b>10 829</b>
<b>Accumulated impairment losses</b>		
Opening balance at start of year	-164	-152
Impairment losses <sup>2</sup>	-2	-12
<b>Closing balance at year-end</b>	<b>-166</b>	<b>-164</b>
<b>Carrying amount on the balance sheet</b>	<b>10 672</b>	<b>10 665</b>

<sup>1</sup> Investments relate to an owner's contribution of SEK 3 million to Nine AB, the formation of the companies BillerudKorsnäs Packaging India of SEK 2 million, BillerudKorsnäs Singapore SEK 3 million and the Indian company NimblePacc of SEK 1 million.

<sup>2</sup> Impairment loss 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	3
BillerudKorsnäs Asia Holding, Hong Kong	10 000	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	2	100	1
BillerudKorsnäs Spain S.L, Barcelona	–	100	1
BillerudKorsnäs Italy S.r.l, Milan	–	100	–
BillerudKorsnäs China Limited, Shanghai	–	100	4
BillerudKorsnäs Lithuania UAB, Klaipeda	200	100	14
BillerudKorsnäs Estonia OÜ, Pärnu	1	100	–
BillerudKorsnäs Latvia SIA, Juanjalgava	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
BillerudKorsnäs Packaging India Private Ltd, New Delhi	8 750	100	2
NimblePacc Packaging Private Ltd, New Delhi	6 000	100	1
BillerudKorsnäs Singapore Private Ltd, Singapore	500 000	100	3
			<b>10 672</b>

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

Subsidiaries and joint arrangements/Registered office/Corp. ID no.	Holding in % <sup>1</sup>
BillerudKorsnäs Rockhammar AB, Lindesberg 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 Stjernsunds 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 Freja, Riga	100
BillerudKorsnäs USA LLC, Delaware	100
Paccess LLC, Delaware	100
Paccess International Trading, Shenzhen	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	2015	2014	SEKm	2015	2014
<b>Group and parent company</b>			<b>Current receivables from Group companies</b>		
<b>Non-current receivables from associates</b>			Carrying amount at start of year		
Change for the year	11	–	Change for the year	–24	–22
<b>Carrying amount at year-end</b>	<b>11</b>	<b>–</b>	<b>Carrying amount at year-end</b>	<b>50</b>	<b>74</b>
<b>Parent company</b>			<b>Liabilities to Group companies</b>		
<b>Non-current receivables from Group companies</b>			Carrying amount at start of year		
Carrying amount at start of year	41	–	Change for the year	33	61
Change for the year	–41	41	<b>Carrying amount at year-end</b>	<b>537</b>	<b>504</b>
<b>Carrying amount at year-end</b>	<b>0</b>	<b>41</b>	Interest-bearing receivables and liabilities relate to the Group cash pool account with an internal rate of return and interest-bearing fixed-term loans and investments.		

### 14 PARTICIPATIONS IN ASSOCIATES

SEKm	2015	2014
<b>Group</b>		
Carrying amount at start of year	15	13
Capital contribution to associates <sup>1</sup>	4	2
Participations in associates' profit/loss after tax	–6	–
<b>Carrying amount at year-end</b>	<b>13</b>	<b>15</b>

#### Associates

SEKm	Country	Revenue	Earnings	Assets	Liabilities	Equity	Proportion owned, %	Carrying amount
<b>2015</b>								
FreeForm Packaging AB <sup>2</sup>	Sweden		–3	13	11	2	35	1
ScandFibre Logistics AB	Sweden	956	–	119	109	10	40	4
Trätåg AB	Sweden	189	–	33	33	–	50	–
Fastighetsbolaget Marma Skog 31 <sup>3</sup>	Sweden	3	2	9	1	8	50	8
SSG Standard Solutions Group AB	Sweden	–	–	–	–	–	28	–
<b>Total</b>								<b>13</b>
<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 <sup>3</sup>	Sweden	–	–1	6	–	6	50	8
SSG Standard Solutions Group AB	Sweden	–	–	–	–	–	28	–
<b>Total</b>								<b>15</b>

SEKm	2015	2014
<b>Parent company</b>		
<b>Acquisition value</b>		
At start of year	6	4
Capital contribution to associates <sup>1</sup>	4	2
Impairment losses, associates <sup>4</sup>	–9	–
<b>Closing balance</b>	<b>1</b>	<b>6</b>

#### Specification of participations in associates directly owned by the parent company

Company/Corp. ID no., 31 December	Votes and capital, %		Carrying amount	
	2015	2014	2015	2014
<b>Associates</b>				
FreeForm Packaging AB <sup>1</sup> , 556928-2873 Norrköping	35	35	–	5
ScandFibre Logistics AB, 556253-1474 Örebro	20	20	1	1
<b>Parent company total</b>			<b>1</b>	<b>6</b>

<sup>1</sup> Capital contributions of SEK 4 million have been made to FreeForm Packaging AB.

<sup>2</sup> FibreForm Packaging AB has changed its name to FreeForm Packaging AB.

<sup>3</sup> The value of biological assets has been taken into account when calculating the share of equity, in accordance with IAS 41.

<sup>4</sup> Impairment loss in 2015 relates to the impairment of the investment in FreeForm Packaging AB.





## 15 OTHER HOLDINGS

SEKm, 31 December			Carrying amount	
Name/Corp. ID no.	Number of shares	Holding in %	2015	2014
<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	34	32
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	1 213	757
Gävle-Sandviken Flygfält AB, 556160-1625	20	3	–	–
Radio Skog AB, 556137-8506	400	10	–	–
RK Returkartong AB, 56483-8828	28	4	–	–
EcoXPac A/S, Denmark <sup>1</sup>	584 454	10	25	–
<b>Total</b>			<b>1 289</b>	<b>806</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	9
BasEl i Sverige AB, 556672-5858	50	5	–	–
VindIn AB, 556713-5172	100	9	24	24
SSG Standard Solutions Group AB, 556403-1523	7 000	14	–	–
EcoXPac A/S, Denmark <sup>1</sup>	584 454	10	25	–
<b>Total</b>			<b>60</b>	<b>35</b>

<sup>1</sup> The parent company purchased 10% of the shares in EcoXPac A/S during the year.

## 16 INVENTORIES

SEKm, 31 December	2015	2014
<b>Group</b>		
Raw materials and consumables	1 153	1 142
Finished goods	1 461	1 773
Work in progress	81	88
Advances to suppliers	147	142
<b>Total</b>	<b>2 842</b>	<b>3 145</b>

Of the inventory of finished goods, SEK 4 million (32) has been measured at net realisable value.

## 17 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 Swedish kronor. 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 2015, the Group's holdings of treasury shares totalled 1 268 682 (1 431 673).

### Dividend

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 4.25 per ordinary share, totalling SEK 880 million. This proposal will be voted on at the AGM on 10 May 2016.

	2015	2014
Dividend, SEKm	880	651
Recognised dividend per ordinary share, SEK	4.25	3.15

### Financial position

BillerudKorsnäs' financial target for its financial position from 2016 is for the ratio of net interest-bearing debt to EBITDA to be less than 2.5. This target replaces the previous target of a net debt/equity ratio of less than 0.90. At the end of 2015, the Group's net debt/equity ratio was 0.40 (0.67).

### 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.

In addition to this, there are defined-benefit pensions secured through endowment insurance, along with a provision for non-vested pensions of MSEK 28 (28) in the BillerudKorsnäs Skog & Industri AB subsidiary.

Parts of the ITP plan's pension commitments are secured through provisions on the balance sheet in accordance with the FPG/PRI system.

All newly earned pension contributions within the ITP 2 plan are secured through pension insurance with Alecta. Alecta cannot provide sufficient information to recognise the ITP plan as a defined-benefit plan, so the plan is recognised as a defined-contribution plan in accordance with UFR 10.

The ITP plan secured with Alecta is a multi-employer defined-benefit plan. Alecta's collective consolidation ratio amounted to 153% (143) 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 costs for newly earned defined-benefit pension are recognised as defined-benefit. The recognised defined-benefit pension costs are attributable to previous periods.

The fee for pension insurance with Alecta totalled SEK 80 million (67) for the year.

CONTINUED ON NEXT PAGE



NOTE 18 CONTD.

Pension costs, SEKm	2015	2014
<b>Group</b>		
<b>Pension costs in profit/loss for the year</b>		
Employee benefits expense		
<i>Defined-contribution plans</i>	219	188
<i>Defined-benefit plans</i>	2	-9
<i>Special payroll tax</i>	53	46
Finance costs	22	25
<b>Total</b>	<b>296</b>	<b>250</b>
<b>Pension costs in other comprehensive income</b>		
Actuarial changes	28	67
<b>Provisions for pensions in balance sheet</b>		
Provisions at start of year	772	732
Pension costs	3	-9
Finance costs	22	25
IFRS adjustment		
Actuarial changes		
Change in financial assumptions	-1	82
Change in demographic assumptions	38	
Experience-based adjustments	-9	-15
Payments	-42	-43
<b>Provisions at end of year</b>	<b>783</b>	<b>772</b>
of which covered by credit insurance with FPG/PRI	749	740

Of the provision, SEK 42 million (44) is expected to be paid within 12 months.

As collateral for pension commitments, the Group has pledged endowment insurance amounting to SEK 16 million (17).

31 December	2015	2014
<b>Actuarial assumptions</b>		
The following material actuarial assumptions have been applied in the calculation of commitments (weighted average)		
Discount rate	2.5%	3.0%
Future increases in pensions	1.5%	2.0%
Lifetime	DUS 14	FFFS 2007:31

**Sensitivity analysis actuarial assumptions**

Parameter	Change	Impact on pension liability
Discount rate	+0.5%	-57
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	2015	2014
<b>Parent company</b>		
Employee benefits expense	24	47
Finance costs	7	11
<b>Total cost of direct pensions</b>	<b>31</b>	<b>58</b>
<b>Provisions for pensions on balance sheet, SEKm</b>		
Present value of pension commitments related to retirement under the management of the Company at start of year		
	188	187
Pension costs	-	-
Finance costs	7	11
Pensions paid	-10	-10
<b>Present value of pension commitments related to retirement under the management of the Company at year-end</b>		
	<b>185</b>	<b>188</b>
Commitments paid to pension insurance held by BillerudKorsnäs		
	11	11
Other provisions	3	2
<b>Provisions for pensions in balance sheet</b>	<b>199</b>	<b>201</b>
of which covered by credit insurance with FPG/PRI	185	188

Of the provision, SEK 13 million (15) 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 (11).

**19 PROVISIONS**

SEKm	Group		Parent company	
	2015	2014	2015	2014
Severance pay, redundancy pay	27	30		
Costs of restructuring measures	94	1		
Costs of environmental measures	38	36		
<b>Group total</b>	<b>159</b>	<b>67</b>	-	-
of which current portion of provisions	114	31	-	-
<b>Change for the year</b>				
Carrying amount at start of year	67	108		14
Provisions made during the year	118	13		-
Unutilised amount reversed during the year	-3	-3		-3
Amount utilised during the year	-23	-51		-11
<b>Carrying amount at year-end</b>	<b>159</b>	<b>67</b>	-	-

## 20 INTEREST-BEARING LIABILITIES

SEKm, 31 December	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Group</b>				
<b>Non-current liabilities</b>				
Syndicated loans	–	–	128	128
Bilateral loans	700	700	1 600	1 600
Bond loans	1 800	1 854	2 350	2 413
Other interest-bearing liabilities	527	527	594	594
<b>Carrying amount at year-end</b>	<b>3 027</b>	<b>3 081</b>	<b>4 672</b>	<b>4 735</b>
<b>Current liabilities</b>				
Syndicated loans	–	–	95	95
Bond loans	400	400	–	–
Commercial paper	349	349	1 481	1 481
Bilateral loans	400	400	800	800
Other interest-bearing liabilities	219	219	41	41
<b>Carrying amount at year-end</b>	<b>1 368</b>	<b>1 368</b>	<b>2 417</b>	<b>2 417</b>
<b>Repayment periods and future interest payments on loans contracted (number of years from 31 Dec 2015)</b>				
	<b>0–1</b>	<b>1–2</b>	<b>2–</b>	<b>Total</b>
Bilateral loans	400	–	700	1 100
Bond loans	400	300	1 500	2 200
Commercial paper	349	–	–	349
Other interest-bearing liabilities	219	40	487	746
<b>Group total</b>	<b>1 368</b>	<b>340</b>	<b>2 687</b>	<b>4 395</b>
<b>Future interest payments</b>	<b>67</b>	<b>64</b>	<b>94</b>	<b>225</b>

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

The difference between carrying amount and fair value is due to the liabilities not being market valued 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.

### Terms and repayment periods

The agreements for the syndicated loans and bilateral loans contain financial covenants which must be met for them to be available. These covenants primarily relate to the net debt/equity ratio and interest coverage ratio. All covenants were met throughout 2015. The syndicated loans, which are a revolving credit facility of SEK 5 500 million, were unutilised as of 31 December 2015. The credit facility falls due in June 2019. The long-term bilateral loans fall due from 2019 onwards. The syndicated loans and bilateral loans carry variable interest rates.

BillerudKorsnäs has five bond loans totalling SEK 2 200 million, of which SEK 1 700 million carries a variable interest rate and SEK 500 million carries a fixed rate. The bonds were issued under the MTN programme, which was 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 loan of SEK 150 million was repaid in 2015.

Commercial paper is issued under the programme 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 December 2015, commercial paper equivalent to SEK 349 million (nominally SEK 350 million) was issued.

## 21 LIABILITIES TO CREDIT INSTITUTIONS

SEKm, 31 December	2015	2014		
<b>Parent company</b>				
<b>Non-current liabilities</b>				
Syndicated loans	–	128		
Bilateral loans	700	1 600		
Bond loans	1 800	2 350		
<b>Carrying amount at year-end</b>	<b>2 500</b>	<b>4 078</b>		
<b>Current liabilities</b>				
Bilateral loans	400	800		
Bond loans	400	–		
Commercial paper	349	1 481		
Other interest-bearing liabilities	181	–		
<b>Carrying amount at year-end</b>	<b>1 330</b>	<b>2 281</b>		
<b>Repayment periods (number of years from 31 Dec 2015)</b>				
	<b>0–1</b>	<b>1–2</b>	<b>2–</b>	<b>Total</b>
Bilateral loans	400	–	700	1 100
Bond loans	400	300	1 500	2 200
Commercial paper	349	–	–	349
Other interest-bearing liabilities	181	–	–	181
<b>Total</b>	<b>1 330</b>	<b>300</b>	<b>2 200</b>	<b>3 830</b>

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

## 22 ACCRUED EXPENSES AND DEFERRED INCOME

SEKm	Group		Parent company	
	2015	2014	2015	2014
Employee benefit expenses, including social security costs	605	673	47	50
Excise duties	3	2	–	–
Delivery expenses	138	154	–	–
Wood expenses	48	63	–	–
Energy expenses	34	28	–	–
Other	154	176	29	25
<b>Total</b>	<b>982</b>	<b>1 096</b>	<b>76</b>	<b>75</b>



23 FINANCIAL ASSETS AND LIABILITIES

SEKm	Interest rate swaps in hedge accounting		Derivatives in hedge accounting		Loans and receivables		Financial assets available for sale		Financial liabilities valued at accrued cost		Total carrying amount		Fair value	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Valuation classification	Level 2				Level 3									
<b>Group</b>														
Other shares and participations							1 289	806			1 289	806	1 289	806
Non-current receivables					18	9					18	9	18	9
Accounts receivable					2 512	2 601					2 512	2 601	2 512	2 601
Other receivables	2		95		637	407					734	407	734	407
Cash and cash equivalents <sup>1</sup>					188	737					188	737	188	737
<b>Total</b>	<b>2</b>	<b>–</b>	<b>95</b>	<b>–</b>	<b>3 355</b>	<b>3 754</b>	<b>1 289</b>	<b>806</b>			<b>4 741</b>	<b>4 560</b>	<b>4 741</b>	<b>4 560</b>
Non-current interest-bearing liabilities									3 027	4 672	3 027	4 672	3 081	4 735
Current interest-bearing liabilities									1 368	2 417	1 368	2 417	1 368	2 417
Accounts payable									2 679	2 502	2 679	2 502	2 679	2 502
Other liabilities	68	88	106	130					264	242	438	460	438	460
<b>Total</b>	<b>68</b>	<b>88</b>	<b>106</b>	<b>130</b>					<b>7 338</b>	<b>9 833</b>	<b>7 512</b>	<b>10 051</b>	<b>7 566</b>	<b>10 114</b>
<b>Parent company</b>														
Other shares and participations							60	35			60	35	60	35
Other non-current receivables					11	11					11	11	11	11
Accounts receivable					2 161	2 114					2 161	2 114	2 161	2 114
Other receivables					6	73					6	73	103	73
Cash and bank balances <sup>2</sup>					10	499					10	499	10	499
<b>Total</b>					<b>2 188</b>	<b>2 697</b>	<b>60</b>	<b>35</b>			<b>2 248</b>	<b>2 732</b>	<b>2 245</b>	<b>2 732</b>
Debenture and syndicated loan									1 800	2 478	1 800	2 478	1 854	2 541
Other interest-bearing non-current liabilities									700	1 600	700	1 600	700	1 600
Liabilities to credit institutions									1 330	2 281	1 330	2 281	1 330	2 281
Accounts payable									39	32	39	32	39	32
Other liabilities									53	16	53	16	125	234
<b>Total</b>									<b>3 922</b>	<b>6 407</b>	<b>3 922</b>	<b>6 407</b>	<b>4 048</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.

Net changes in the value of cash flow hedges recognised in operating profit/loss totalled SEK –207 million (–253) in 2015, of which SEK –125 million (–253) was recognised in 'Net sales'.

The Group enters into derivatives contracts under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements mean that when a counterparty is unable to settle its commitments for all transactions, the agreement is discontinued and the net amount of all outstanding dealings must be settled. These ISDA agreements do not meet the criteria for set-off, as set-off of ISDA contracts is only permitted if the counterparty or the Group is unable to settle its commitments. There is no intention to settle these dealings on a net basis.

The net amount of interest rate swaps in hedge accounting covered by netting agreements is SEK 0 (0) in other receivables and SEK 66 million (88) in other debt.

The net amount of other derivatives in hedge accounting covered by netting agreements is SEK 93 million (0) in other receivables and SEK 104 million (130) in other debt.

**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	2015	2014
<b>Group</b>		
Carrying amount at start of year	806	781
Acquisition, EcoXPac A/S	25	–
Change in valuation of VindIn AB	2	3
Change in fair value recognised in other comprehensive income	477	29
Fair value transferred to profit/loss for the year	–21	–7
	<b>1 289</b>	<b>806</b>

Valuation of other shares and participations is based primarily on the proportion of the Company's equity. In this item includes holding in Bergvik Skog AB, SEK 1 213 million (757), equity contains 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 2015, as well as SEK 75 thousand for committee work. Total remuneration to other Board members was SEK 3 775 thousand, of which SEK 475 thousand was for committee work.

Board fees, SEK thousand	Fee for year		Fee for audit committee		Fee for remuneration committee		Fee for investment committee		Fee paid	
	2015–2016	2014–2015	2015–2016	2014–2015	2015–2016	2014–2015	2015–2016	2014–2015	2015	2014
Michael M.F. Kaufmann	750	750			25	25			775	658
Gunilla Jönson	450	450					50	50	500	467
Hannu Ryöppönen										367
Lennart Holm	1 100	1 100			25	25	50	50	1 175	1 175
Jan Homan	450	450	75	75					525	508
Wilhelm Klingspor										133
Mikael Larsson										183
Mia Brunell Livfors										141
Bengt Hammar	450	450					50	50	500	333
Mikael Hellberg	450	450	75	75	50	50			575	383
Kristina Schauman	450	450	150	150					600	400
Andrea Gisle Joosen	450								300	

### Remuneration to the CEO and senior management

The 2015 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 shall 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 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 details of the existing long-term incentive programmes adopted by the 2013, 2014 and 2015 AGMs, see the Company's website and the sections 'Long-term incentive programme (LTIP)'. 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 variable remuneration 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.

SEK thousand	Gross salary	Variable remuneration	LTIP	Other benefits	Pension costs	Total
<b>Remuneration and benefits to the CEO</b>						
2015	8 984 <sup>1</sup>	4 080	4 077	181	2 503	19 825
2014	8 279 <sup>2</sup>	5 161	2 471	179	2 351	18 443
<b>Remuneration and benefits to rest of Senior Management Team</b>						
2015	23 167	6 657	10 722	511	6 216	47 273
2014	22 883	9 862	2 227	776	5 802	41 550

<sup>1</sup> This amount includes paid vacation days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 477 thousand in addition to fixed salary.

<sup>2</sup> This amount includes paid vacation days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 176 thousand in addition to fixed salary.

### Comments

- The variable remuneration for 2015 refers to amounts to be paid out in 2016 but charged to 2015, while the variable remuneration for 2014 refers to remuneration paid out in 2015 but charged to 2014. The actual amounts are based on financial and individual targets linked to the development of the business and based on profit for 2014 and 2015.
- The LTIP for 2015 relates to the benefit value of the outcome of LTIP 2012, and the LTIP for 2014 relates to the benefit value of the outcome for LTIP 2011.
- Other benefits include company car, housing and other taxable benefits.
- Pension costs refers to the costs charged to profit/loss for the year.
- In BillerudKorsnäs' long-term incentive programmes 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 2015 with 7 200 BillerudKorsnäs shares, referred to as 'savings shares'. Other members of the Senior Management Team participate with 17 951 savings shares. The CEO has an exchange ratio of 6x. Each savings share entitles the holder to:
  - 1 right to matching shares and 5 rights to performance shares
 The Executive Vice President and the CFO have an exchange ratio of 5x. Each savings share entitles the holder to:
  - 1 right to matching shares and 4 rights to performance shares
 Other members of the senior management team have an exchange ratio of 4x. Each savings share entitles the holder to:
  - 1 right to matching shares and 3 rights to performance shares

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

SEKm	Group		Parent company	
	2015	2014	2015	2014
<b>Interest paid and received and dividend</b>				
Interest and dividends received	25	19	1 528	47
Interest paid	-183	-252	-192	-222
<b>Total</b>	<b>-158</b>	<b>-233</b>	<b>1 336</b>	<b>-175</b>
<b>Adjustments for items not included in cash flow, etc.</b>				
Depreciation, amortisation and impairment of assets	1 417	1 378	1	254
Interest adjustment	17	12	6	-22
Impairment of shares in subsidiaries			3	12
Pensions and other provisions	52	-92	-8	-20
Unrealised earnings, electricity certificates and emissions rights	-26	43	-	-
Income from sale of Latgran	-440	-	-	-
Share of profit/loss in associates/impairment of investments	6	-	9	-
Share-based payments	11	4	13	-
Capital gains/losses	6	3	-	1 584
<b>Total</b>	<b>1 043</b>	<b>1 348</b>	<b>24</b>	<b>1 808</b>
Cash and cash equivalents <sup>1</sup>				
The following are included in cash and cash equivalents:				
Short-term investments	12	3	-	-
Cash and bank balances	176	734	10	499
<b>Total</b>	<b>188</b>	<b>737</b>	<b>10</b>	<b>499</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	2015	2014
<b>Parent company</b>		
<b>Tax allocation reserve</b>		
Carrying amount at start of year	355	355
Change for the year	305	-
<b>Carrying amount at year-end</b>	<b>660</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
<b>Carrying amount at year-end</b>	<b>-</b>	<b>-</b>
<b>Total untaxed reserves</b>	<b>660</b>	<b>355</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 2015, the Group signed agreements on the future acquisition of property, plant and equipment for SEK 398 million (1 002). Of these undertakings, it is expected that SEK 386 million (1 002) will be settled in 2016.

**Parent company**

The parent company has not entered into any agreements regarding future acquisitions of property, plant or equipment.

**29 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

SEKm	Group		Parent company	
	2015	2014	2015	2014
<b>Pledged assets for own liabilities and provisions</b>				
Pledged endowment insurance	16	17	11	11
Pledged shares, joint arrangements	280	253	-	-
<b>Total pledged assets</b>	<b>296</b>	<b>270</b>	<b>11</b>	<b>11</b>
<b>Contingent liabilities</b>				
Guarantee commitment, FPG/PRI	12	12	4	4
Other guarantees	82	83	78	50
Guarantees for associates	5	5	-	-
Guarantees for Group companies	-	-	139	203
<b>Total contingent liabilities</b>	<b>99</b>	<b>100</b>	<b>221</b>	<b>257</b>

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

The parent company has related-party relationships with its subsidiaries, see note 12.

**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	2015	-	569	24	17
Associates and joint ventures	2014	-	632	12	6
<b>Parent company</b>					
<b>Relationship</b>					
Subsidiaries	2015	336	16	5 453	4 607
Subsidiaries	2014	59	1 115	2 483	2 170
Associates and joint ventures	2015	-	-	-	11
Associates and joint ventures	2014	-	133	-	-

**Transactions with key individuals in executive positions**

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

### 31 BUSINESS COMBINATIONS

#### 2015

No corporate acquisitions took place in 2015.

#### 2014

The preliminary acquisition balance sheet for the acquisition of Paccess LLC in 2013 was further examined in 2014 and goodwill arising of SEK 39 million was reallocated to brands and is amortised.

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

### 32 DIVESTMENT OF SUBSIDIARIES

SEKm	2015
<b>Group</b>	
<b>Divested assets and liabilities</b>	
Intangible assets, goodwill	108
Property, plant and equipment	362
Inventories	84
Accounts receivable and other receivables	57
<b>Total assets</b>	<b>611</b>
Deferred tax liabilities	30
Accounts payable and other liabilities	65
<b>Total liabilities</b>	<b>95</b>
<b>Selling price</b>	
Consideration received, less selling costs	951
Less: Cash and cash equivalents in the divested business	-10
<b>Effect on cash and cash equivalents</b>	<b>941</b>
<b>Capital gain</b>	
Effect on cash and cash equivalents	941
Assets sold	-611
Liabilities sold	95
Translation difference transferred to profit/loss for the year	15
<b>Capital gain</b>	<b>440</b>

Divested subsidiaries relate to the entire holding of SIA Latgran, which was 75% owned by the subsidiary Latgran Biofuels AB. The company was divested on 1 July 2015.

### 33 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Pension liabilities

The discount rate used to calculate commitments for BillerudKorsnäs' defined-benefit plans has been reduced from 3.0% in 2014 to 2.5% in 2015 as a result of the reduction in interest rates. In addition, the assumption about future increases in pensions has been reduced from 2.0% till 1.5% in view of actual inflation. BillerudKorsnäs has also switched to using a new demographic assumption, DUS 14, which implies a slightly longer life expectancy assumption than the FFFS 2007:31 standard used previously.

#### Valuation of other holdings

Bergvik Skog AB has been reported at BillerudKorsnäs' proportion of equity, that is, SEK 1 213 million (757). 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. The significant increase in the value of the holding is largely due to a reduction in the WACC for measuring the value of Bergvik Skog's biological assets from 6.25% till 5.2% after tax.

#### Property, plant and equipment

The value of non-current assets includes identified surplus value for noncurrent 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 registered with Nasdaq Stockholm. The address of the head office is Box 703, SE-169 27 Solna, Sweden. The consolidated accounts for 2015 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:**

<b>SEK</b>	
Share premium reserve	4 407 645 318
Retained earnings	-602 058 155
Profit/Loss for the year	1 771 167 091
<b>Total</b>	<b>5 576 754 254</b>

The Board proposes:

<b>SEK</b>	
Dividend to shareholders, 206 951 152 shares at SEK 4.25 per share	879 542 396
and that the remaining amount be retained	4 697 211 858
<b>Total</b>	<b>5 576 754 254</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 23 March 2016.

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 10 May 2015.

Solna, 23 March 2016

Lennart Holm  
Chairman

Bengt Hammar  
Member

Mikael Hellberg  
Member

Jan Homan  
Member

Gunilla Jönson  
Member

Michael M. F. Kaufmann  
Member

Kristina Schauman  
Member

Andrea Gisle Joosen  
Member

Kjell Olsson  
Member

Helén Gustafsson  
Member

Per Lindberg  
CEO

Our audit report was issued on 23 March 2016  
KPMG AB

Ingrid Hornberg Román  
Authorised Public Accountant

# AUDITOR'S REPORT

Translation of the Swedish original.  
To the annual meeting of the shareholders of BillerudKorsnäs Aktiebolag (publ), corp. id 556025-5001

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of BillerudKorsnäs Aktiebolag (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4–62.

### 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 judgment, 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 2015 and of their financial performance and 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 2015 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 in accordance with the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

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

### Other matters

The audit of the annual accounts for year 2014 was performed by another auditor who submitted an auditor's report dated 24 March 2015, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

### 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 Aktiebolag (publ) for the year 2015.

### 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 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 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 23, 2016  
KPMG AB

Ingrid Hornberg Román  
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	2015	2014	2013	2012	2011
Net sales	21 814	20 853	19 689	10 427	9 343
Other income	594	118	130	27	18
Operating income	22 408	20 971	19 819	10 454	9 361
Operating expenses	-18 405	-17 692	-17 243	-9 256	-7 769
Depreciation/amortisation	-1 417	-1 378	-1 439	-709	-614
Operating profit/loss	2 586	1 901	1 137	489	978
Net finance income/costs	-175	-248	-309	-87	-45
Profit/loss before tax	2 411	1 653	828	402	933
Taxes	-443	-352	-142	275	-250
<b>Net profit/loss</b>	<b>1 968</b>	<b>1 301</b>	<b>686</b>	<b>677</b>	<b>683</b>

### CAPITAL EMPLOYED, SUMMARY

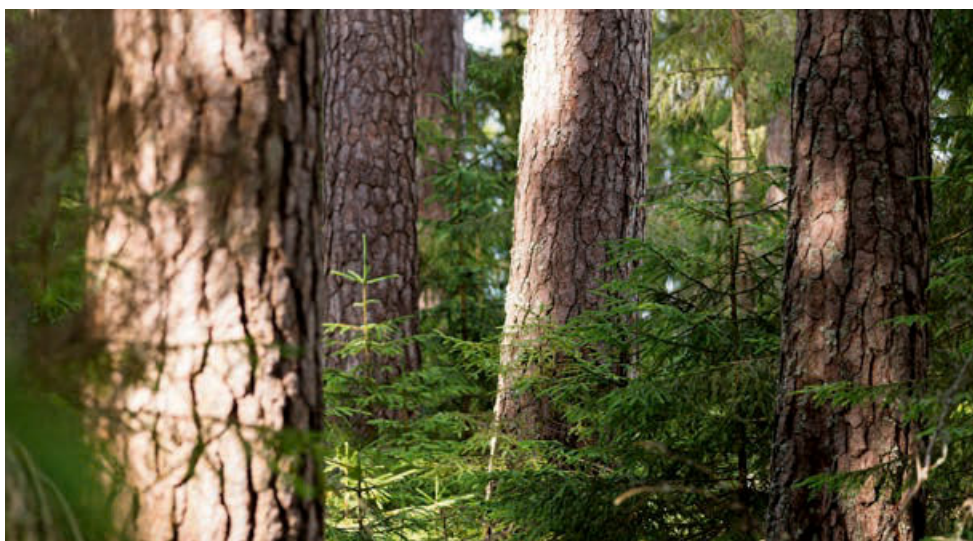
SEKm, 31 December	2015	2014	2013	2012	2011
Non-current assets, excluding interest-bearing receivables	18 526	18 301	18 170	18 218	5 166
Inventories	2 842	3 145	3 029	3 150	1 135
Accounts receivable	2 512	2 601	2 394	2 244	1 391
Other current assets	1 004	925	849	955	372
<b>Total operating assets</b>	<b>24 884</b>	<b>24 972</b>	<b>24 442</b>	<b>24 567</b>	<b>8 064</b>
Less:					
Deferred tax liabilities	3 186	2 986	2 691	2 561	1 467
Non-interest-bearing provisions	159	67	108	84	36
Accounts payable	2 679	2 502	1 742	2 553	1 227
Other non-interest-bearing liabilities	1 463	1 589	1 595	1 170	695
<b>Capital employed</b>	<b>17 397</b>	<b>17 828</b>	<b>18 306</b>	<b>18 199</b>	<b>4 639</b>

### SUMMARY STATEMENT OF CASH FLOWS

SEKm	2015	2014	2013	2012	2011
Operating surplus	3 622	3 234	2 656	1 282	1 604
Change in working capital	120	238	-452	132	-113
Net finance items	-168	-233	-265	-59	-39
Tax paid	84	-124	-160	-353	-180
<b>Cash flow from operating activities</b>	<b>3 658</b>	<b>3 115</b>	<b>1 779</b>	<b>1 002</b>	<b>1 272</b>
Cash flow from investing activities	-760	-1 376	-1 250	-7 194	-591
<b>Cash flow after investing activities</b>	<b>2 898</b>	<b>1 739</b>	<b>529</b>	<b>-6 192</b>	<b>681</b>

## KEY FINANCIAL RATIOS

SEKm	2015	2014	2013	2012	2011
<b>Margins</b>					
Gross margin, %	18	16	13	11	17
Operating margin, %	12	9	6	5	10
<b>Return (rolling 12 months)</b>					
Return on capital employed, %	15	11	6	8	20
Return on equity, %	16	13	7	13	14
<b>Capital structure at end of period</b>					
Capital employed, SEKm	17 397	17 828	18 306	18 199	4 639
Working capital, SEKm	2 243	2 286	2 748	2 473	1 131
Equity, SEKm	12 418	10 704	9 917	9 435	4 872
Interest-bearing net debt, SEKm	4 979	7 124	8 389	8 764	-233
Net debt/equity ratio, multiple	0.40	0.67	0.85	0.93	0.05
Interest-bearing net debt/operating profit before depreciation/ amortisation, multiple	1.2	2.2	3.3	7.3	-0.1
<b>Investments</b>					
Investments in non-current assets, SEKm	1 710	1 384	1 337	965	512
Acquisitions, SEKm	-	-	-9	8 948	-
<b>Other key figures</b>					
Capital turnover, multiple	1.2	1.2	1.1	1.4	2.0
Working capital as a percentage of sales	10	11	14	14	11
<b>Human Resources</b>					
Average number of employees	4 223	4 194	4 272	2 548	2 277





## 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 in the item '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	2015					2014				
	Full year	Q 4 -15	Q 3 -15	Q 2 -15	Q 1 -15	Full year	Q 4 -14	Q 3 -14	Q 2 -14	Q 1 -14
Packaging Paper	8 552	2 020	2 174	2 176	2 182	8 101	1 959	2 058	2 016	2 068
Consumer Board	8 006	1 933	2 006	2 044	2 023	7 436	1 768	1 897	1 822	1 949
Corrugated Solutions	3 329	880	926	722	801	3 148	816	773	767	792
Other units	2 012	387	368	596	661	2 197	609	487	512	589
Currency hedging, etc.	-85	-7	4	-49	-33	-29	-28	-24	11	12
Group staff and eliminations	-	-	-	-	-	-	-	-	-	-
<b>Total Group</b>	<b>21 814</b>	<b>5 213</b>	<b>5 478</b>	<b>5 489</b>	<b>5 634</b>	<b>20 853</b>	<b>5 124</b>	<b>5 191</b>	<b>5 128</b>	<b>5 410</b>

### Quarterly operating profit/loss (excl. depreciation/amortisation) per business area and for the Group

SEKm	2015					2014				
	Full year	Q 4 -15	Q 3 -15	Q 2 -15	Q 1 -15	Full year	Q 4 -14	Q 3 -14	Q 2 -14	Q 1 -14
Packaging Paper	1 456	252	406	363	435	1 173	303	277	288	305
Consumer Board	1 657	295	410	486	466	1 584	354	409	419	402
Corrugated Solutions	724	204	249	94	177	588	162	161	103	162
Other units	546	15	365	90	76	237	49	62	51	75
Currency hedging, etc.	-85	-7	4	-49	-33	-29	-28	-24	11	12
Group staff and eliminations	-295	-89	-48	-87	-71	-274	-31	-93	-79	-71
<b>Total Group</b>	<b>4 003</b>	<b>670</b>	<b>1 386</b>	<b>897</b>	<b>1 050</b>	<b>3 279</b>	<b>809</b>	<b>792</b>	<b>793</b>	<b>885</b>

### Quarterly gross margin per business area and for the Group

%	2015					2014				
	Full year	Q 4 -15	Q 3 -15	Q 2 -15	Q 1 -15	Full year	Q 4 -14	Q 3 -14	Q 2 -14	Q 1 -14
Packaging Paper	17	12	19	17	20	14	15	13	14	15
Consumer Board	21	15	20	24	23	21	20	22	23	21
Corrugated Solutions	22	23	27	13	22	19	20	21	13	20
<b>Group</b>	<b>18</b>	<b>13</b>	<b>25</b>	<b>16</b>	<b>19</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>16</b>

## Quarterly operating profit/loss per business area and for the Group

SEKm	2015					2014				
	Full year	Q 4 -15	Q 3 -15	Q 2 -15	Q 1 -15	Full year	Q 4 -14	Q 3 -14	Q 2 -14	Q 1 -14
Packaging Paper	971	131	278	245	317	701	183	158	169	191
Consumer Board	954	120	234	310	290	915	186	243	253	233
Corrugated Solutions	551	160	203	51	137	416	120	120	59	117
Other units	484	4	353	71	56	166	28	45	35	58
Currency hedging, etc.	-85	-7	4	-49	-33	-29	-28	-24	11	12
Group staff and eliminations	-289	-88	-46	-86	-69	-268	-29	-92	-77	-70
<b>Total Group</b>	<b>2 586</b>	<b>320</b>	<b>1 026</b>	<b>542</b>	<b>698</b>	<b>1 901</b>	<b>460</b>	<b>450</b>	<b>450</b>	<b>541</b>

## Quarterly operating margin per business area and for the Group

%	2015					2014				
	Full year	Q 4 -15	Q 3 -15	Q 2 -15	Q 1 -15	Full year	Q 4 -14	Q 3 -14	Q 2 -14	Q 1 -14
Packaging Paper	11	6	13	11	15	9	9	8	8	9
Consumer Board	12	6	12	15	14	12	11	13	14	12
Corrugated Solutions	17	18	22	7	17	13	15	16	8	15
<b>Total</b>	<b>12</b>	<b>6</b>	<b>19</b>	<b>10</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>

## Quarterly sales volumes per business area and for the Group

ktonnes	2015					2014				
	Full year	Q 4 -15	Q 3 -15	Q 2 -15	Q 1 -15	Full year	Q 4 -14	Q 3 -14	Q 2 -14	Q 1 -14
Packaging Paper	1 163	281	294	288	300	1 167	275	288	294	310
Consumer Board	1 065	257	262	274	272	1 004	235	252	249	268
Corrugated Solutions	506	132	139	106	129	528	134	127	128	139
<b>Total</b>	<b>2 734</b>	<b>670</b>	<b>695</b>	<b>668</b>	<b>701</b>	<b>2 699</b>	<b>644</b>	<b>667</b>	<b>671</b>	<b>717</b>

# SHAREHOLDER INFORMATION

## BILLERUDKORSNÄS SHARES

BillerudKorsnäs shares have been publicly listed since 20 November 2001 and is traded on the Large Cap list of Nasdaq Stockholm. The share ticker symbol is BILL.

At 30 December 2015, the share capital totalled SEK 1 537 642 793, represented by 208 219 834 shares.

The number of shares on the market totalled 206 951 152. Each share on the market entitles its holder to an equal right in the Company's earnings and capital.

## SHARE PRICE PERFORMANCE

BillerudKorsnäs shares closed at SEK 157.20 on 30 December 2015, corresponding to a market capitalisation of around SEK 32.5 billion. BillerudKorsnäs' share price rose by 40% in 2015. Over the same period, the Nasdaq Stockholm forestry and paper products index (OMX Stockholm Forestry & Paper PI) rose by 19%, while the Nasdaq Stockholm All Share Index (OMX Stockholm PI) rose by 7%.

In 2015, the shares recorded their highest closing price, SEK 167.10, on 21 December, and their lowest closing price, SEK 109.90, on 7 January.

## SHAREHOLDER CATEGORIES, VOTES



- Foreign shareholders, 44.5%
- Swedish individuals incl. closely held companies, 23.3%
- Swedish institutions, 19.4%
- Swedish mutual funds, 12.8%

Excluding the company's repurchased treasury shares (1 268 682).

## GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS, VOTES



- Sweden, 55.6%
- Austria, 15.1%
- USA, 11.5%
- UK, 7.4%
- Norway, 2.4%
- Other, 8.0%

## TRADING

In 2015, 131.8 million BillerudKorsnäs shares were traded, corresponding to a value of approximately SEK 9 billion. The average number of shares traded each trading day was about 525 000, corresponding to a value of SEK 72 million. On average, about 1 787 trades were made each trading day.

## DIVIDEND

The target is for the dividend to amount to 50% of net profit. 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 4.25 per share for the financial year 2015. The proposed dividend corresponds to approximately 49% of net profit for 2015.

## DISTRIBUTION OF SHARES AT 30 DECEMBER 2015

Registered number of shares	208 219 834
Repurchased shares in Company treasury	-1 268 682
<b>Shares on the market</b>	<b>206 951 152</b>

## NUMBER OF SHARES ON THE MARKET

	2015	2014	2013	2012
Average	206 888 635	206 761 898	206 631 569	131 852 149
Average after dilution	207 408 656	207 297 990	207 051 124	132 157 203
Closing date	206 951 152	206 788 161	206 719 689	206 500 887 <sup>1</sup>
Closing date after dilution	207 471 173	207 324 253	207 139 244	206 805 941 <sup>1</sup>

<sup>1</sup> Corresponds to the number of shares on the market following completion of rights issue.

## 10 LARGEST SHAREHOLDERS

Shareholders	No. of shares, millions	Share of votes, %
FRAPAG Beteiligungsholding AG	31.3	15.1
AMF Insurance & Funds	13.6	6.6
Swedbank Robur funds	8.8	4.2
Fourth AP Fund	6.2	3.0
Handelsbanken funds	4.6	2.2
Lannebo funds	4.4	2.1
Norges Bank Investment Management	4.2	2.1
DFA funds (USA)	4.0	2.0
Alecta	4.0	1.9
Catella funds	3.7	1.8
<b>Total top 10 shareholders</b>	<b>84.9</b>	<b>41.0</b>

## OWNERSHIP STRUCTURE <sup>1</sup>

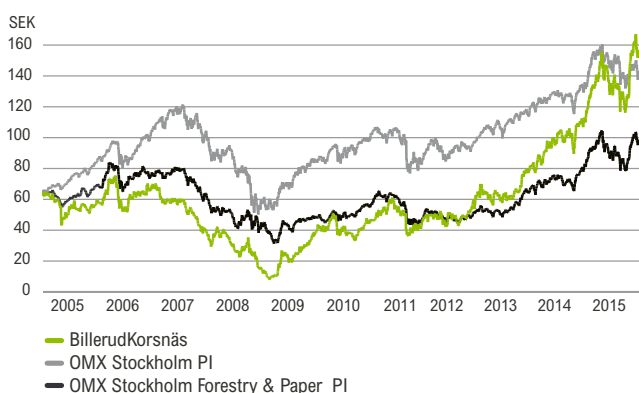
Shareholding	No. of shares	%	No. of owners	%
1-100	1 374 839	0.7	23 892	24.5
101-500	15 334 835	7.4	59 612	61.1
501-10 000	21 535 803	10.3	13 453	13.8
10 001-50 000	8 180 335	3.9	409	0.4
50 001-	161 794 022	77.7	202	0.2
<b>Total</b>	<b>208 219 834</b>	<b>100</b>	<b>97 568</b>	<b>100.0</b>

<sup>1</sup> Including BillerudKorsnäs' treasury shares.

Source: Modular Finance AB at 30/12/2015.



## SHARE PRICE PERFORMANCE 2005–2015



## SHARE PRICE PERFORMANCE 2015



## KEY FIGURES PER SHARE

SEK per share, unless stated otherwise <sup>1</sup>	2015	2014	2013	2012	2011
Earnings	8.75	6.18	3.24	5.14	5.34
Diluted earnings	8.73	6.16	3.24	5.12	5.33
Dividend (for each financial year), actual	4.25 <sup>2</sup>	3.15	2.25	2.00	3.50
Dividend (for each financial year), adjusted for effect of new share issue	4.25 <sup>2</sup>	3.15	2.25	2.00	2.82
Dividend as % of					
– share price (dividend yield)	2.7	2.8	2.8	3.3	6.0
– profit	49	51.0	69.4	61.0	52.8
– Equity (closing balance)	7.2	6.1	4.7	4.4	7.4
Cash flow from operating activities	17.68	15.07	8.61	7.60	9.94
Operating cash flow	9.46	8.41	2.56	0.38	5.96
Equity	59.21	51.34	47.68	45.47	38.10
Diluted equity	59.06	51.20	47.58	45.41	37.99
Share price/closing balance of equity, %	265	219	170	134	124
P/E ratio, multiple	18.0	18.2	25.1	11.9	8.8
EV/EBITDA, multiple	9.4	9.3	9.8	17.3	3.7
Share price (closing price, last trading day)	157.2	112.50	81.25	61.25	47.08

<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	Analysts	Phone	Company	Analysts	Phone
ABG	Martin Melbye	+47 220 161 37	Kepler Cheuvreux	Mikael Jäfs	+46 8 723 51 71
Carnegie	Robert Redin	+46 8 588 686 14	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	Jetteries	Justin Jordan	+44 20 7029 8976



## 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

#### Capital employed

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets.

#### Capital turnover rate

Net sales divided by average capital employed.

#### 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 debt

Interest-bearing provisions and liabilities less interest-bearing assets.

#### Interest coverage ratio

Operating profit plus finance income divided by finance costs.

#### 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 for the fourth quarter divided by net sales.

### 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.

#### Diluted earnings per share

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.

#### 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/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.

#### 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.

#### 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 from operating activities including net investments in property, plant and equipment and acquisitions of financial assets, divided by the average number of shares on the market over the period.

#### P/E ratio

Share price at year-end divided by earnings per share.

## GLOSSARY

### Biofuels

Renewable fuels originating from the plant kingdom, for example from wood, including black liquor and bark.

### CDP

Carbon Disclosure Project.

### Corrugated board

Corrugated board is manufactured by gluing together two flat layers of paper (liner) with a rippled layer (fluting) in the middle.

### Fluting

The wavy middle layer of corrugated board. Produced from primary or recycled fibre.

### Fossil fuels

Fuels based on organic carbon and hydrogen compounds from sediment or sedimented bedrock – primarily coal, oil and natural gas.

### Liquid packaging board

Board 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 pulp.

### 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.

<sup>1</sup> For number of shares, see section "BillerudKorsnäs shares".

# SHAREHOLDER INFORMATION AND KEY DATES

## ANNUAL GENERAL MEETING

BillerudKorsnäs AB's Annual General Meeting will be held at 3:00 p.m. on Tuesday 10 May 2016 at Hotel Rival, Mariatorget 3, Stockholm, Sweden.

Notice of the 2016 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 3 May 2016 and must notify the Company by no later than Tuesday 3 May 2016, preferably before 4:00 p.m.

Notification of attendance can be made by telephone to +46 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 3 May 2016, which means that shareholders must inform the nominee well before this date.

## DIVIDEND

BillerudKorsnäs' Board of Directors proposes a dividend of SEK 4.25 per share for the financial year 2015. The proposed dividend corresponds to approximately 49% of net profit for 2015.

## 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.

## OTHER INFORMATION

ISIN code SE0000862997

The share's ticker symbol is BILL.

## INTERIM REPORTS 2016

January–March 2016	21 April
January–June 2016	20 July
January–September 2016	21 October

BillerudKorsnäs' Annual Report combines with its Annual Review and Sustainability Report to form the Group's comprehensive reporting for 2015.





## ADDRESSES

### **BillerudKorsnäs AB**

Postal address: Box 703, SE-169 27 Solna, Sweden

Street address: Frösundaleden 2 B, Solna

Tel: +46 8 553 335 00

[www.billerudkorsnas.com](http://www.billerudkorsnas.com)

### **BillerudKorsnäs Beetham**

Milnthorpe

Cumbria LA7 7AR

UK

Tel: +44 1539 565 000

### **BillerudKorsnäs Finland Tervasaari**

PL 4

FI-37601 Valkeakoski

Finland

Tel: +358 3 339 266 00

### **BillerudKorsnäs Frövi/ Rockhammar**

SE-718 80 Frövi

Sweden

Tel: +46 26 15 10 00

### **BillerudKorsnäs Gruvön**

Storjohanns väg 4

SE-664 28 Grums

Sweden

Tel: +46 555 410 00

### **BillerudKorsnäs Gävle**

SE-801 81 Gävle

Sweden

Tel: +46 26 15 10 00

### **BillerudKorsnäs Finland Pietarsaari**

PL 13

FI-68601 Pietarsaari

Finland

Tel: +358 6 241 380 00

### **BillerudKorsnäs Karlsborg**

SE-952 83 Karlsborgsverken

Sweden

Tel: +46 923 660 00

### **BillerudKorsnäs Skog**

Box 703

SE-169 27 Solna

Sweden

Tel: +46 8 553 335 00

### **BillerudKorsnäs Skärblacka**

SE-617 10 Skärblacka

Sweden

Tel: +46 11 24 53 00

For more info visit

[www.billerudkorsnas.com](http://www.billerudkorsnas.com)



BillerudKorsnäs' Annual Report 2015 has been produced  
in collaboration with Livbojen and Creation.  
Photography: BillerudKorsnäs, Johan Olsson and Shutterstock.

# SUSTAINABLE SACK THAT BECOME ONE WITH THE CEMENT

**The cement sack, D-sack, literally disappears in the cement mixer.** It doesn't even need to be opened, it dissolves seamlessly and becomes one with the cement. This not only makes the job easier for the user, but also ensures a cleaner, healthier and safer workplace.

In addition, having no empty sacks left over means there is no costly waste disposal issue. What's more, it

eliminates cement waste and optimises the time needed for handling and mixing. **The working environment is improved and productivity increases. There are no clumps, dust or empty sacks to make a mess.**

BillerudKorsnäs developed the sack in partnership with LafargeHolcim, and it has already won several awards since its launch in spring 2015.







# BILLERUDKORSNÄS

## INVESTING IN SMART SACK PAPER FOR GROWTH MARKETS


During the year, BillerudKorsnäs invested SEK 260 million in rebuild a paper machine at Skärblacka's production unit to meet the demand for high-quality sack paper. **The investment resulted in improved quality and a rise in production from 160 000 to 180 000 tonnes per year of brown sack paper.**

The company sees strong potential for brown sack paper in the growth markets outside Europe.

**In South-East Asia, sack paper is used under the QuickFill® brand, which is a quality leader globally.**

In these regions, cement and other construction minerals are often packaged in plastic sacks. Sacks made from BillerudKorsnäs' renewable material bring the brand owner considerable benefits with regard to production economy, but also in terms of health and environmental improvements.

CASE



**PAPER AND  
BOARD  
REDUCES  
CLIMATE IMPACT**