



BILLERUDKORSNÄS

Annual and Sustainability Report 2017



We challenge conventional packaging for a sustainable future

BillerudKorsnäs – strongly positioned in a growing market

BillerudKorsnäs was formed on 29 November 2012 with the merger of Billerud AB and Korsnäs AB. Since the merger, the Group has consolidated its position as a leading and innovative player in the global packaging industry. BillerudKorsnäs operates in three business areas that offer innovative packaging solutions and sustainable packaging materials made from primary fibre.

Net sales, SEK bn

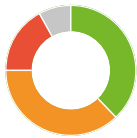
22.3

EBITDA, SEK bn

3.8

Average no. of employees, approx.

4 400



Net sales by business area, %

- Packaging Paper, 38
- Consumer Board, 37
- Corrugated Solutions, 17
- Other, 8



EBITDA¹ split by business area, %

- Packaging Paper, 40
- Consumer Board, 47
- Corrugated Solutions, 22

¹ EBITDA split for other units was -9.

Packaging Paper

Kraft and sack paper for customers with exacting requirements

Packaging Paper offers premium-quality kraft and sack paper, plus smart solutions for customers in the industrial, medical equipment and consumer segments.

The business area also sells any surplus pulp that BillerudKorsnäs does not use in its own production.

Selective growth

Growth target:
2–4%/year

Net sales

SEKm 8 529

EBITDA

SEKm 1 499

EBITDA margin

18%



Net sales by market segment, %

- Food & Beverages, 24
- Industrial, 54
- Consumer & Luxury Goods, 6
- Medical & Hygiene, 16



Net sales by region, %

- Europe, 70
- Asia, 15
- Africa, 7
- America, 6
- Middle East, 1
- Other, 1



Consumer Board

Liquid packaging board and cartonboard

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

Volume growth

Growth target:
4–5%/year

Net sales

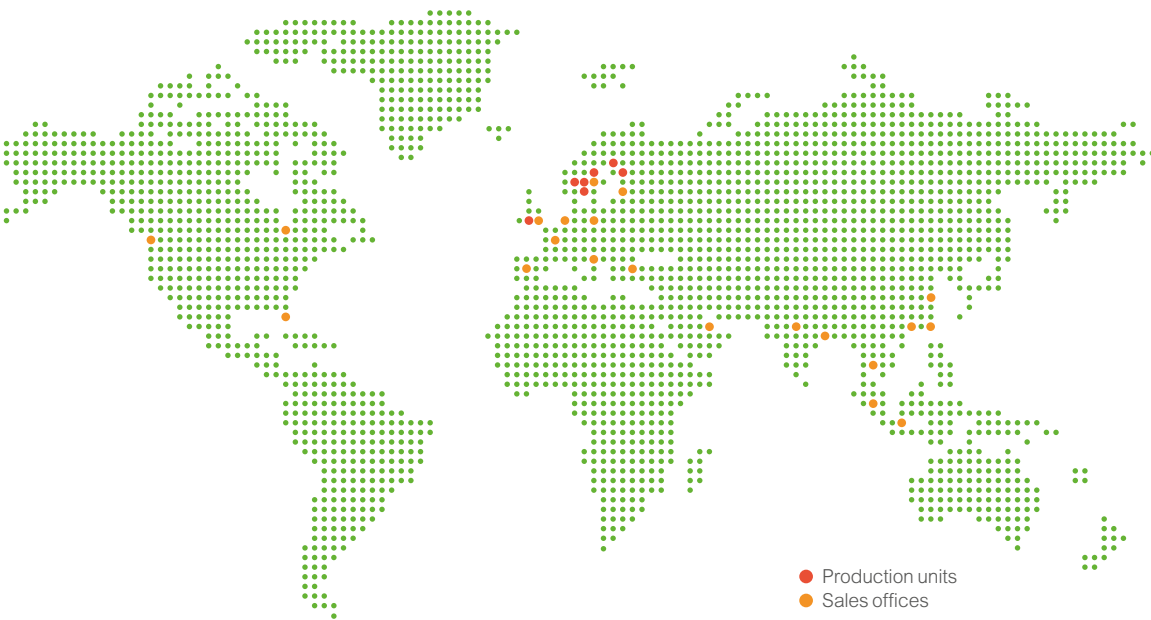
SEKm 8 189



Net sales by market segment, %

- Food & Beverages, 90
- Consumer & Luxury Goods, 10





Global market

BillerudKorsnäs' sales organisation meets customers' needs for packaging solutions all over the world. Our 2 000 customers are packaging manufacturers, brand owners and large retail and supermarket chains in more than 100 countries. Offices are established in Netherlands, France, Italy, Germany, Spain, India, Malaysia, Turkey, Dubai, Bangladesh, Vietnam, Singapor, UK, Thailand, Baltics, China and the USA.

The company's headquarters are situated in Stockholm and the Group's eight production units are located in Sweden, Finland and the UK.

- Production units
- Sales offices



with unique properties
Smart solutions in terms of function, design and material selection create added value for customers.

Corrugated Solutions

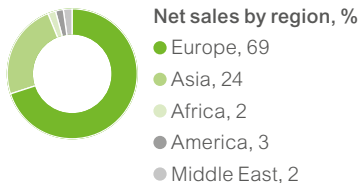
Fluting and liner add value

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.

Smart packaging is delivered via the Managed Packaging concept, which provides supply chain solutions and packaging optimisation for brand owners who want to challenge conventional solutions.

EBITDA
SEKm 1 767

EBITDA margin
22%



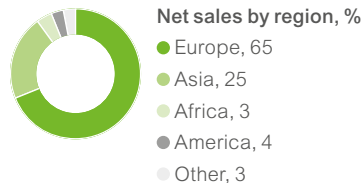
Value growth
Growth target: 2–4%/ year

Net sales
SEKm 3 856



EBITDA
SEKm 834

EBITDA margin
22%



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This is BillerudKorsnäs

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GRI index www.billerudkorsnas.com/Sustainability/

This year's Annual Report and Sustainability Report

BillerudKorsnäs reports the Group's financial and non-financial information in a joint report. The report reflects BillerudKorsnäs' mission and integrates financial, sustainability and corporate governance information to provide a full and cohesive description. BillerudKorsnäs' statutory Annual Report, which includes the Directors' report and financial statements, can be found on pages 47-108.

The BillerudKorsnäs sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards version, and comprises pages 6-9, 21-45, 68-72, 112-120 and is externally audited. The GRI Index available at <https://www.billerudkorsnas.com/sustainability>. Sustainability reporting also includes the statutory sustainability report under Chapter 6 Section 11 of the Annual Accounts Act.



We challenge conventions for a sustainable future

BillerudKorsnäs' mission "We challenge conventional packaging for a sustainable future" clearly sets out why we exist and how we view our role in society. The Group offers innovative and sustainable packaging materials and solutions, and challenges existing business models. This creates value for customers and owners.

BillerudKorsnäs' mission "We challenge conventional packaging for a sustainable future" clearly sets out why we exist and how we view our role in society. The Group offers innovative and sustainable packaging materials and solutions that create value for customers and owners alike.

Challenging the conventional and thinking outside the box also creates value for wider society and contributes towards sustainable development for future generations. Particularly because it also means that we constantly challenge ourselves

to develop and to strengthen our positive contribution. This clear compass gives meaning to everything we do at BillerudKorsnäs.

We see no contradiction between our mission, purpose and high sustainability ambitions, and profitable growth. With BillerudKorsnäs' innovative and sustainable packaging offer for the growing and increasingly conscious consumer market, profitable growth will become a prerequisite for, and a result of, allowing our mission to guide us.



Drivers



Global megatrends such as urbanisation and e-commerce are driving long-term demand for packaging materials



Growing awareness of sustainability is creating increased demand for primary fibre-based packaging materials

2.9%

per year is the expected growth in the global packaging market

76%

of BillerudKorsnäs' sales relate to the growing consumer market

Position

#1

We are number one or two in the markets in our niches, such as kraft paper, sack paper, liquid packaging board and cartonboard.



Long history of award-winning packaging innovations



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

Return/Investments

22%

is the average yearly total shareholder return over the past five years

1.3

billion SEK being invested in Skärblacka

7

billion SEK being invested in Gruvön

550 000

tonnes is the capacity of the new board machine in Gruvön

KEY EVENTS 2017

Investments for profitable growth and increased production capacity



Intensive work on investments in Gruvön and Skärblacka continues

Construction of the new board machine at the Gruvön production unit is in full swing, with production due to begin in spring 2019. The board machine is estimated to be up to full capacity

by 2023. Production on the MG paper machine at Skärblacka will begin in spring 2018.

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM

BillerudKorsnäs among the most sustainable companies in the world

This year, Dow Jones promoted BillerudKorsnäs from the Dow Jones Sustainability Europe Index to the Dow Jones Sustainability World Index, one of the world's most prestigious indexes, which features the top 10% of the world's most sustainable companies. The fact that BillerudKorsnäs has made it to the World Index and been appointed Sustainability Leader is due to its performance in the areas of risk analysis and crisis management, climate strategy and indicators for working conditions. Within the framework of the Dow Jones Sustainability Index (UNODC), 3 900 of the world's largest companies from developed and emerging markets are analysed by RobecoSAM in partnership with Dow Jones.

Petra Einarsson new President and CEO

Petra Einarsson became President and CEO of BillerudKorsnäs at the beginning of the year. Petra Einarsson was previously head of Sandvik Materials Technology.



She succeeds Per Lindberg, who, after twelve successful years as President and CEO of Billerud and BillerudKorsnäs, chose to leave the Group.



Initiatives to ensure the availability and quality of production

The importance of production stability and the ability to quickly reach the full production rate at start-up has been brought into sharp focus not least by the unplanned stoppages that occurred during the year. The presentation of the company's Q3 report included three initiatives aimed at safeguarding availability and quality. The new and stronger organisation brings together resources that focus on health and safety at work, production stability and product quality.

+50%

Strong sales growth for Managed Packaging

Managed Packaging, which offers packaging solutions and services to brand owners, continues to deliver strong sales growth – up 50% compared with 2016.

Investigation by the European Commission

In March 2017, the European Commission initiated an inspection of BillerudKorsnäs under EU competition rules, as part of a larger investigation into the market for bleached and unbleached kraft papers. BillerudKorsnäs has fully cooperated with the European Commission.



Declaration of intent to secure a stable wood flow

BillerudKorsnäs has signed a declaration of intent to acquire Bergvik Skog Öst AB, which is owned by Bergvik Skog AB. Bergvik Skog Öst AB holds around 350 000 hectares of forest land in Sweden. The transaction will secure part of BillerudKorsnäs' wood needs and improve opportunities to manage a mix of internal and external flows for greater efficiency.



Further investments for BillerudKorsnäs Venture

During the year, BillerudKorsnäs Venture acquired a minority stake in British innovation company Hanhaa, which provides solutions to determine the exact position of a package in transit anywhere in the world, in real time.

BillerudKorsnäs Venture also acquired a minority stake in Vericool Inc. This US company develops sustainable, compostable packaging solutions for unbroken cold chains in the perishables and medical products markets.

Management by objectives for long-term value creation

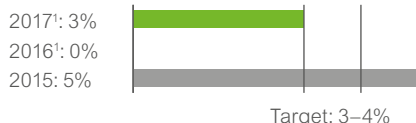
To support BillerudKorsnäs' target for profitable growth and a good return for shareholders, the company has established five financial targets, as well as a number of sustainability targets within its respective commitments.

Financial targets

3%

Growth target

Long-term target for growth of 3–4% per year.



The target was achieved due to strong demand, higher selling prices and a positive currency impact.

17%

EBITDA margin

The EBITDA margin should exceed 17%.



The target was achieved for the full year 2017. The results for 2015 were affected by the capital gain from the divestment of Latgran.

12%

Return on capital employed

Return on capital employed (ROCE) should exceed 13%.



Excluding investment-related costs affecting comparability (note 6), the target was achieved both 2017 and 2016. The results for 2015 were affected by the capital gain from the divestment of Latgran.

1.5

Interest-bearing net debt/EBITDA

Interest-bearing net debt in relation to EBITDA should be less than a multiple of 2.5.

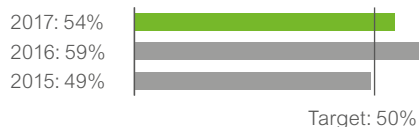


Despite higher interest-bearing net debt, the outcome is well below the target level.

54%

Dividend policy

The dividend should amount to 50% of net profit.



The Board's proposed dividend of SEK 4.30 per share for 2017 entails fulfilment of the dividend target.

¹ For comparable units

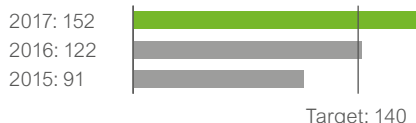
Sustainability is a natural part of BillerudKorsnäs' core business and strategy, and a driving force for profitable growth.

Sustainability targets

152

Certified wood raw materials

No. of group-certified forest owners in BillerudKorsnäs' group certificates for FSC® and PEFC™.

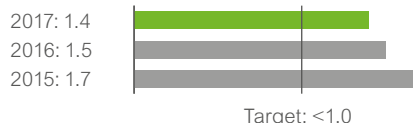


The target was reached. Internal development of working methods for timber purchasers contributed towards the result.

1.4

Workplace safety

Work-related accidents with sick leave. No./100 employees



The target was not met, but the number of work-related accidents fell compared to 2016 and is approaching the target.

22%

Female employees

Proportion of female employees, %



The target was met and the gender balance was improved compared with 2016.

8%

High level of innovation for products

Proportion of sales accounted for by new products, %



The target was not reached due to postponed product launches.

5.34

Energy efficiency

Energy consumption. MWh/tonne product, net



The target was not reached due to certain production disruptions during the year.

1 324

Work experience through internships and occupational introduction

weeks



The targets was not reached and the number of internships decreased compared to 2016.

Read more on pages 27–45

CEO'S STATEMENT

Ideally positioned for the future

Our strong position in a growing market, record production volumes and stable earnings meant that BillerudKorsnäs achieved all its financial targets for 2017¹. Moving forward, the focus remains on daring to challenge and being proactive while ensuring stable production and safeguarding the success of our major investments.

After an intense initial period as President and CEO, I have further strengthened my conviction that we are well equipped for the future. BillerudKorsnäs has seriously challenged conventional packaging and has achieved a unique and strong position in a rapidly growing market in which demand is greater than supply. We will be able to continue doing this by making the most of all the skills that the company's employees possess, the investments made and, not least, the deep-seated commitment to turning our mission into a reality.

Stable results across the business areas

I am very pleased to note that adjusted for items affecting comparability we delivered on all the financial targets set. Sales increased by 3%, while profits rose by 4% with a margin of 17%. At SEK 4.30, the dividend paid to shareholders is on a par with the previous year.

The strength of these results is that they apply across the board. All the business areas continued to deliver stable sales in line with the Group's overall objective. Managed Packaging, part of Corrugated Solutions, excelled itself by increase sales by 50% compared with the previous year. The solution-based offer is a prime example of the growth opportunities available by focusing on a broader position in the value chain. Managed Packaging is part of our geographic expansion, which in 2017 included continued recruitment and the establishment of new offices in the Asian market.

Vigorous new efforts to create stability

The fact that we can deliver record production volumes despite recurring disruptions to production and availability problems during the year is proof of the company's underlying strength. Of course, it is incredibly frustrating not to be able to meet the

demand that exists, especially when we have both the competence and the capacity.

We only have one way forward – operational excellence. We will achieve this by working hard on safety and prevention, product quality and production stability.

“We only have one way forward – operational excellence.”

We can lay a sound foundation by creating a culture in every part of the business that is characterised by preventive safety work and the minimising of risk, which in turn

will contribute to higher production availability and the manufacture of high-quality products. In addition, we are making major investments in strengthening the Group-wide functions by adding more resources and skills, with a view to developing working practices.

The right investments for future growth

With the billion kronor investments in Skärblacka and Gruvön, we are laying solid foundations for long-term growth and significantly strengthening both production capacity and capacity for innovation. Following intensive work, 2018 will see the paper machine in Skärblacka begin producing machine glazed paper, delivering high quality and productivity to meet customers' existing and future needs.

The cost of the project in Gruvön is set to rise for technical construction reasons, but in other respects building the world's largest paperboard machine continues to proceed according to plan, with start-up scheduled for the first part of 2019. The investment in Gruvön also includes restructuring the entire Group's production. The aim is to improve the product mix and profitability by transferring suitable parts of Gruvön production to the Group's other production facilities.

Key role in the transition to a more sustainable society

In 2017, we signed a declaration of intent to acquire Bergvik Skog Öst, which covers around 350 000 hectares of Swedish forest land. This has been prompted primarily by the necessity to secure part of the Group's wood needs. Another positive effect of a possible acquisition is that it will increase our opportunities to promote responsible forestry. The forest is our most important resource, and in 2017 we developed targets for following up biodiversity in the forest.

We support the principles of the UN Global Compact and take the attitude that, together with the rest of the forest-based industry, we have a key role to play in the transition to a bio-based and sustainable society by offering renewable alternatives to fossil-based packaging materials. Challenging conventional packaging for a sustainable future is the goal of everything we do and our starting point when creating new business models and revenue streams. Sustainable business is also about minimising our negative impact. The business is already largely fossil-free, with 97.2% biofuel used in our own operations. In an additional move to help reduce climate change, 2017 saw BillerudKorsnäs adopt new science-based climate targets for 2030 and 2050, which have been approved by the Science Based Targets initiative.

One sign that we are doing the right thing is that BillerudKorsnäs has been included in the Dow Jones Sustainability World Index. This means that we have gone from being amongst the top 20% in Europe, to being amongst the 10% most sustainable companies in the world.

I firmly believe that we will succeed in reducing our negative impact, while at the same time increasing our positive impact on society. To achieve this, we are working towards a number of tough sustainability targets. However, in 2017 we did not achieve our climate targets, partly due to the clear correlation between the lack of production stability and emissions of carbon dioxide from fossil fuels.

A steady course into the future

Our strategy and the investments that are currently being implemented are taking us in the right direction. The fact that, despite some concerns last year, we still managed to meet our financial targets¹ is an important indication of a well-functioning business,



sound expertise and the incredibly strong demand for our products and solutions. In order to meet demand in the future, we must now primarily ensure high stability and availability, and the success of our investments.

Finally, I can confidently say that we have the products, the skills and the position to benefit from the bright market outlook in every way, while also making important contributions to the wider changes that the future demands.

Solna, March, 2018

A large, stylized handwritten signature in black ink, appearing to read 'Petra Einarsson'.

Petra Einarsson
President and CEO

¹ Adjusted for items affecting comparability.

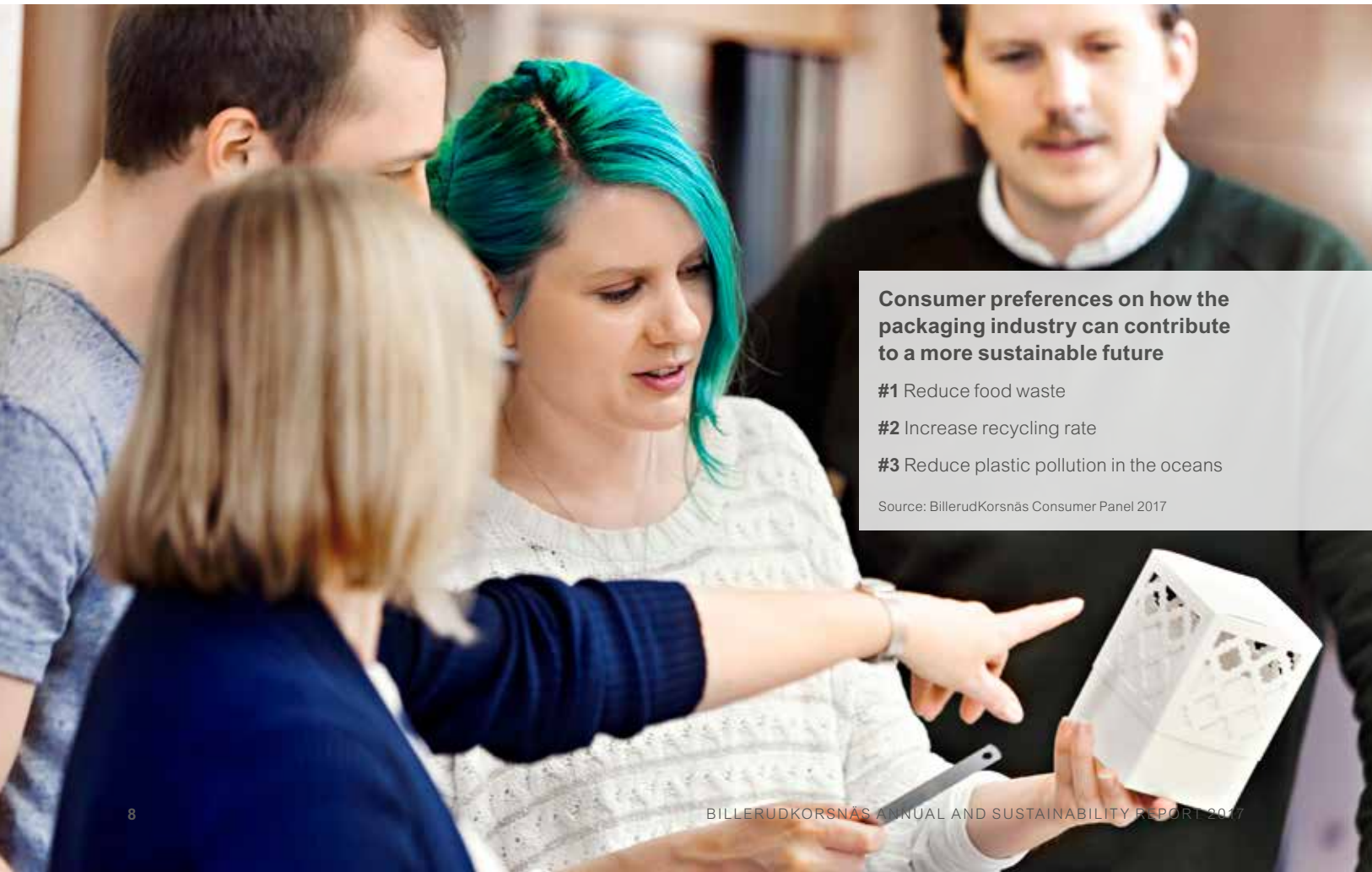
STAKEHOLDER DIALOGUE

Dialogue that helps us set the right priorities

BillerudKorsnäs is surrounded by a number of stakeholders that have an impact on and are affected by our operations. A transparent and responsive dialogue allows us to understand their expectations and needs, in order to ensure that BillerudKorsnäs develops in the desired direction.

BillerudKorsnäs' key stakeholders are customers, employees, investors, business partners and society in general. A deep understanding of the issues that are most important to each stakeholder group provides greater opportunities to act in a way that brings added value for the company and its stakeholders, as well as wider society. An open dialogue and collaboration with stakeholders provide valuable input in developing future materials and solutions.

BillerudKorsnäs' ability to analyse the drivers behind the purchasing decisions of end consumers, brand owners and converters generates considerable potential for increased sales. BillerudKorsnäs sees the dialogue with stakeholders as a key element in developing brand new packaging solutions, but also as a way of raising awareness about how existing primary fibre-based materials and solutions contribute to a more sustainable future. In 2017, BillerudKorsnäs also invited 3 000 consumers in global cities to give their views on the importance and opportunities of packaging.



Consumer preferences on how the packaging industry can contribute to a more sustainable future

- #1 Reduce food waste
- #2 Increase recycling rate
- #3 Reduce plastic pollution in the oceans

Source: BillerudKorsnäs Consumer Panel 2017

Customers

BillerudKorsnäs' approximately 2 000 customers are packaging manufacturers and brand owners in more than 100 countries. Rooted in its sustainable packaging know-how, the Group works to strengthen its customers' business, with a focus on the needs and preferences of the end consumer. Dialogue and collaboration are the key success factors.

Employees

BillerudKorsnäs' 4 400 employees are vital to everything we do. An ongoing and transparent dialogue on challenges, opportunities and expectations is important in motivating existing employees. To attract future employees and meet recruitment needs, the company's presence and dialogue in physical and digital arenas is being stepped up.

Investors

The confidence of the capital market is important for the Group. BillerudKorsnäs provides analysts, lenders, investors and almost 100 000 shareholders with information about the business and its financial development on an ongoing basis.

Perceived quality at every level, sustainable business, what value "the right" packaging creates, ethics, economics and environmental issues, health and safety.

Health and safety, skills development, contractual and employment terms, leadership, sustainable products, Code of Conduct and diversity.

Strategy, growth, financial development, available production capacity and investments in this, risk analysis and management, UN Sustainable Development Goals and Code of Conduct.

Examples of issues in the spotlight

Developing sustainable packaging, business models, Code of Conduct, reduced negative environmental impact, maximised positive environmental impact and sustainable economic value development.

Developing packaging that increases the level of recycling, reduces food waste and improves the efficiency of goods and food distribution, investments in plants, jobs and work experience placements and the effects of sustainable forestry.

Business partners

If BillerudKorsnäs is to retain and consolidate its position in the market, it needs to focus on innovation, continuous improvement, sustainability and collaborations with other actors. Finding lenders to finance vital investments and collaborations with suppliers and partners is crucial in ensuring that the Group achieves its objectives.

Society

BillerudKorsnäs' global operations affect many people, sometimes whole communities, but also the development of sustainable cities. The focus is on contributing to local business, social initiatives and the development of renewable, bio-based materials for a society sustainable in the long term. City residents, people living near BillerudKorsnäs' production units, local associations, universities, public agencies and industry bodies are examples of key stakeholders.

For a more complete summary of the Group's ongoing dialogue with all the key stakeholders, see pages 118-119.

TRENDS AND MARKET

Positive market trends

The global megatrends of urbanisation, digitalisation, globalisation and sustainability offer major opportunities for the packaging industry’s continued growth.

BillerudKorsnäs has identified a number of trends that will create business opportunities for the packaging industry and enable continued profitable growth for innovative players.

#1 *Problem-solving for megacities:* Seven out of ten people will live in cities with populations in the millions by 2050. The packaging industry can meet the needs of the growing cities by offering safe, effective and sustainable packaging solutions that are suitable for the future circular systems of cities.

Switching to paper-based packaging where possible, for instance, is increasing the recycling rate many times over on most continents. One example is the replacement of plastic sacks with BillerudKorsnäs’ QuickFill Clean cement sacks made from paper, which not only reduces the use of plastics, but also creates major opportunities for the construction industry to improve working conditions.

#2 *Support helpful brands:* For brand owners who want to contribute to a sustainable future, packaging that protects, cuts waste and reduces the environmental impact will become a strategic tool in their branding work. Brands that can clearly differentiate themselves through helpful packaging that changes consumer behaviour in a positive way for society will be the real winners.

BillerudKorsnäs works closely with brand owners, particularly in the premium segment, and is able to offer unique designs and sustainable packaging solutions that strengthen custom-

ers’ brands among the increasingly aware consumer target group.

#3 *Design for 100% automation:* Packaging tailored to new logistical and distribution networks, such as automated warehouses, driverless cars and robots, is part and parcel of meeting demand from consumers who want rapid and sustainable deliveries wherever they may be.

With all its accumulated expertise and experience regarding packaging materials and solutions, BillerudKorsnäs is well equipped to be a strategic partner in the development of more efficient goods flows.

#4 *Generate, share and earn from data:* Intelligent packaging can be used as a strategic communication and dialogue tool, from production to aftermarket. This creates great opportunities for stronger supplier and customer relations, while new revenues may arise based on data derived from packaging. Under the umbrella of BillerudKorsnäs Venture, HanHaa has a solution that shows the position and condition of a package in real time, while Kezzler makes each pack unique and interactive.

#5 *Obtain the true value:* Changing business models and value chains present opportunities for new solutions and collaborations between the packaging industry and associated industries that use packaging, where the packaging delivers value to more than one party in the value chain.

Packaging carries out several jobs during its life cycle, many of which already exceed the actual packaging cost. With sustainable and innovative packaging materials and solutions as a basis, coupled with continued expansion in the value chain, BillerudKorsnäs can create value for customers and society as a whole.

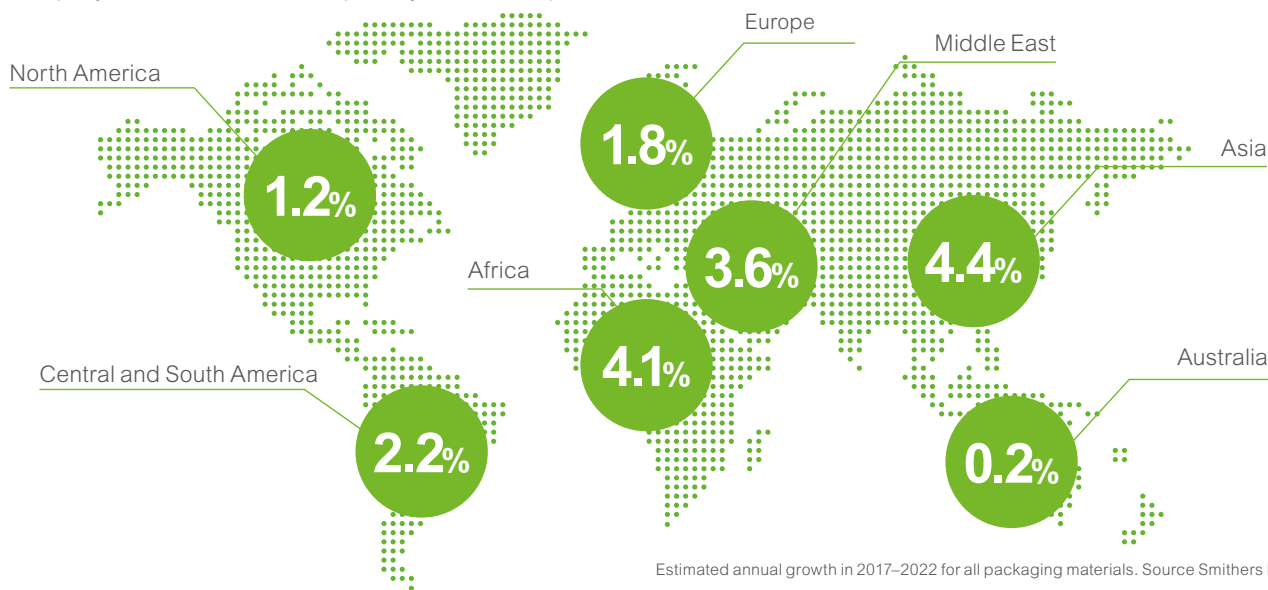
#6 *Make everything user-centric:* With new patterns of consumption, such as e-commerce, making rapid headway, packaging is well placed to play a major role in creating loyalty to brands by giving the consumer a memorable experience, even when the product is not purchased in a bricks and mortar store.

Market investments are moving from advertising and stores to packaging. BillerudKorsnäs has total solutions in packaging that can create a positive user experience even when the goods are bought online.



76% of BillerudKorsnäs’ sales come from consumer-focused industries

The global packaging market as a whole, including other materials such as plastic, is growing by 2.9% per year, which is faster than primary fibre-based products.



Estimated annual growth in 2017-2022 for all packaging materials. Source Smithers Pira.

BillerudKorsnäs has a strong market position

BillerudKorsnäs is one of the world's leading liquid packaging board manufacturers and a global leader in high-porosity sack paper from primary fibre. In Europe, BillerudKorsnäs' largest market with around 71% of sales, the company has a leading position in kraft paper, fluting and white liner, as well as being a major producer of primary fibre-based cartonboard in the premium segment.

The role of packaging as a strategic competitive advantage has the potential to grow as efficiency, quality and sustainability profile become a core focus. Renewable raw materials, increased opportunities for efficient recycling and reduced waste are some of the aspects where BillerudKorsnäs' materials, based on primary fibre from responsible forestry, form a good foundation for being part of the solution to global challenges. Our production is almost fossil-free, with only a few per cent remaining and work continuing for its strategic removal. BillerudKorsnäs also has broad and deep knowledge of how packaging should be designed and constructed to fulfil its purpose.

Moving up the value chain

BillerudKorsnäs' broad offer of innovative and sustainable packaging and solutions, means there is good potential for continuing to generate profitable growth. This can be achieved through growth in existing segments and geographic markets. Another important element relates to developing new business models and progressing along the value chain. Our continued focus on total solutions in Asia, for example, will also contribute to the introduction of more sustainable materials there in the long term.



Millions of people around the world use sustainable packaging made from paper and board from BillerudKorsnäs every day. Read more about BillerudKorsnäs' broad and sustainable offer in packaging materials and solutions for the global market >>

PACKAGING PAPER

Kraft and sack paper for a global growth market

Packaging Paper¹ offers premium-quality kraft and sack paper, plus smart solutions for customers in the industrial, medical equipment and consumer segments.

2–4%

is the annual growth target

Growth strategy:

Selective growth

Sustainable and profitable growth in chosen segments, primarily dry foods and medical applications, plus the construction industry in growth markets.

Focus 2018

- Continued growth and increased presence in growth markets
- Optimise the supply chain – customers, products and segments
- Create business opportunities by continuing to replace superfluous plastic
- Harness market potential for paper-based cement sacks



BillerudKorsnäs' QuickFill Clean is replacing plastic sacks in Vietnam
Switching from plastic sacks to BillerudKorsnäs' QuickFill Clean paper sacks is bringing major improvements to working conditions in the construction industry. QuickFill Clean lets air through, but the cement dust remains in the sack. The business model in Vietnam involves BillerudKorsnäs selling directly to the brand owners.

Kraft paper

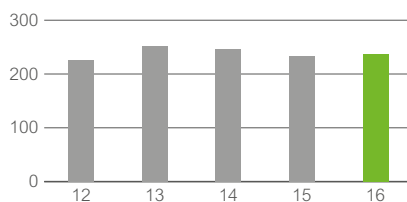
Key applications

- Flour, sugar, grain, etc.
- Carrier bags
- Flexible packaging
- Formable packaging
- Medical packaging
- Steel interleaving

Market

The market for food packaging has grown by around 1% per year since 2012.² Growth is forecast at around 2.7% per year up until 2022, with the highest rate in the Middle East, Africa and Asia.²

Global market value of food packaging
USD billions²



Drivers

- Population growth in growth markets and an ageing population
- Political initiatives to reduce the use of plastics, such as the EU Directive on packaging and packaging waste to reduce the consumption of lightweight plastic carrier bags
- Increased awareness of sustainability, not least among consumers

BillerudKorsnäs' position

Leading producer of strong, high-quality kraft paper from primary fibre in Europe.³

Competition

The primary competition comes from plastic packaging solutions.

Other major manufacturers

Mondi and many of Europe's speciality paper manufacturers.

Kraft paper stands for about 40% of Packaging Paper's sales.



Sack paper

Key applications

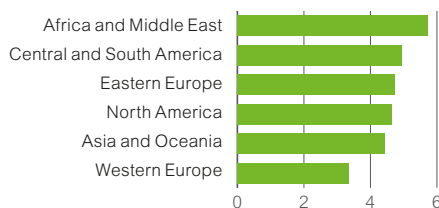
- Building materials
- Industrial minerals
- Chemicals
- Food
- Animal feed

Market

Global demand for cement is expected to grow by around 4.6% per year up until 2022.⁴ The greatest growth is expected in regions where cement products are supplied primarily in paper and plastic sacks.

Annual estimated growth in demand for cement

Annual volume growth 2012–2022⁴, %



Drivers

Brown sack paper

- Major investments in infrastructure and housing, primarily in growth markets outside Europe.
- Greater awareness of sack paper's advantages (no dust, renewable production source) compared with plastic.

White sack paper

- Self-build and renovation trend in the consumer market, primarily in Europe.
- More advanced product mixes for home renovations require good print surfaces for information and images, for example for the statutory warning texts that need to appear on the packaging.

BillerudKorsnäs' position

Global leader in high-porosity sack paper from primary fibre.⁵

Competition

Mainly sack solutions in plastic and bulk distribution.

Other major manufacturers

Mondi, Canfor, Segezha, KapStone and Smurfit Kappa.



Sack paper stands for about 30% of Packaging Paper's sales.

¹ Packaging Paper includes market pulp, which accounts for around 30% of the sales volume.

² Smithers Pira, The future of Global Packaging to 2022

³ Based on statistics from Pöyry Management Consulting and Eurokraft

⁴ World cement, The Freedonia Group, 2013

⁵ BillerudKorsnäs' assessment

CONSUMER BOARD

Liquid packaging board and cartonboard with unique properties

Consumer Board delivers packaging materials in high-quality 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.

4–5%

is the annual growth target

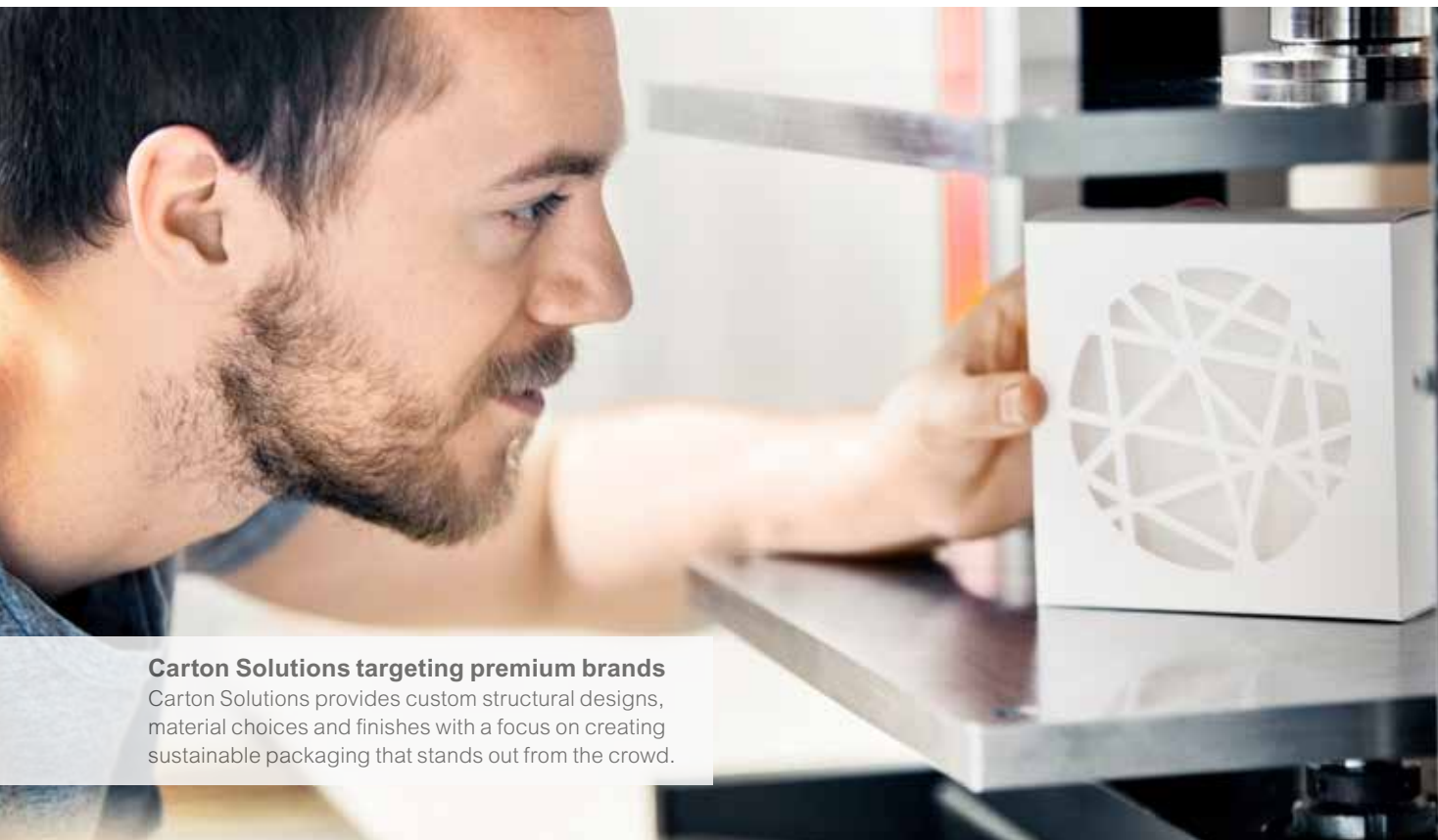
Growth strategy:

Volume growth

Sustainable and profitable volume growth in the key markets.

Focus 2018

- Ensure increased capacity from 2019 to meet customer needs and demand
- Meet customers' demands for total quality – product and delivery quality
- Exploit the strong market position
- Quickly meet increased regulatory requirements for packaging in prioritised growth markets



Carton Solutions targeting premium brands

Carton Solutions provides custom structural designs, material choices and finishes with a focus on creating sustainable packaging that stands out from the crowd.

Liquid packaging board

Key applications

- Milk
- Juice
- Other drinks and liquid foods
- Preserved foods

Market

Liquid packaging board has stable growth of 2–3%.¹ Most of the growth in demand is forecast to come from Asia. In Western Europe, growth is dependent on innovations, with a focus on new packaging types and applications for liquid packaging board.

BillerudKorsnäs' position

One of the world's leading manufacturers of liquid packaging board.²

Drivers

- Rising demand in developing markets due to demographic changes and the establishment of a cohesive food supply chain.
- Focus on product safety and the need for extended durability, even at fluctuating temperatures.

Competition

Other packaging materials, mainly plastic.



Other major manufacturers

Stora Enso, Klabin, Evergreen Packaging, WestRock.

Liquid packaging board stands for about 85% of Consumer Boards sales.

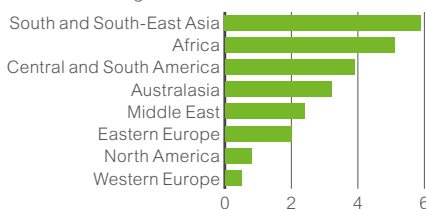
Cartonboard

Key applications

- Exclusive drinks
- Beauty and healthcare products
- Confectionery
- Household products and industrial goods in the premium segment
- Fashion articles
- Food in the premium segment

Annual estimated growth in demand for cartonboard

Annual volume growth 2017–2022³, %



Market

Global demand for cartonboard is predicted to grow by 3.9%, most quickly in Asia and Africa. Growth is focused mostly on packaging for cosmetics, pharmaceuticals and packaging for dry and frozen food.

BillerudKorsnäs' position

One of the leading manufacturers of primary fibre-based cartonboard for the premium segment in Europe.²

Drivers

- Economic growth is driving demand, particularly in cosmetics, medical products and food in the premium segment. Greater interest in packaging's appearance and design in the premium segment, with companies keen to differentiate their products and strengthen their brand.



Competition

Other packaging materials, mainly plastic.

Other major manufacturers

In the premium segment: Iggesund, Metsä Board, Stora Enso, WestRock and International Paper.

Cartonboard stands for about 13% of Consumer Boards sales.

Cup stock

Key applications

- Paper cups for hot and cold drinks

Market

The global growth rate for cup stock is 3.4%.¹ The Asian markets are driving this growth. However, demand is greatest in the US market, which accounts for almost half of the demand.

BillerudKorsnäs' position

BillerudKorsnäs is a challenger in the market and sees good opportunities to take a strong position.

Drivers

- Demographic changes in growth markets
- A growing on-the-go culture in food and beverages

Competition

Mainly plastic

Other major manufacturers

International Paper, WestRock, Georgia-Pacific, APP and Stora Enso

Cup stock stands for about 2% of Consumer Boards sales.



¹ Smithers Pira, The future of Liquid Paperboard to 2022

² Statistics from Pöyry Management Consulting

³ Smithers Pira, The Future of Folding Cartons to 2022

CORRUGATED SOLUTIONS

Strong fluting and liner create customer value

Corrugated Solutions supplies materials to corrugated board manufacturers and packaging solutions to brand owners. The strong, light and pure materials – fluting and liner – are used in corrugated boxes for fragile goods and demanding distribution systems. Smart packaging solutions are delivered via the Managed Packaging concept, which provides packaging optimisation for brand owners who want to challenge conventional solutions and take control of their packaging.

2–4%

is the annual growth target

Growth strategy: Value growth

Sustainable and profitable growth is to be achieved through value growth in the existing production capacity for paper and growth in Managed Packaging

Focus 2018

- Draw commercial benefits from a strong product portfolio and set a new market standard
- Continue to create customer value from fibre to packaging
- Expand collaboration with brand owners in attractive markets
- Further strengthen the position in the new market segments introduced in 2017

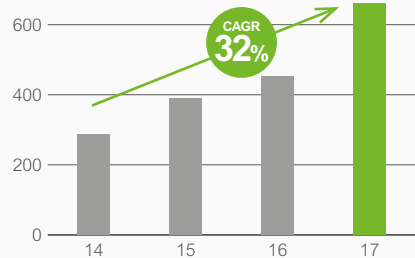


Box Lab

In the climate chamber in our Box Lab, we simulate real-world conditions in a controlled environment and conduct tests on different materials in order to identify the best possible solution for each type of packaging.

Strong growth for Managed Packaging

Sales, SEKm



Primary fibre-based materials with high sustainability performance are the Group's core business. Alongside this, demand for and sales of solution-based offers are growing rapidly. Billerud-Korsnäs has been able to report strong growth in Managed Packaging in recent years. The long-term growth target of 25% with an EBITDA margin of 5–10% remains unchanged moving forward.

Fluting

Key applications

Packaging for:

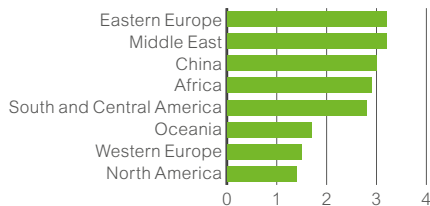
- Fruit and vegetables
- Components for the automotive industry, white goods and electronics
- Transport

Market

Global demand for corrugated board materials is expected to grow by 2.4% per year up until 2030¹, largely in China, the

Annual estimated growth in demand for corrugated materials (fluting and liner)

Annual volume growth 2016–2030¹, %



Middle East and Asia, due to the concentration of manufacturing in these regions.¹

BillerudKorsnäs' position

Quality² and market-leading¹ producer in Europe in the top segment with a strong position in fruit and vegetables.

Drivers

- Increased demand for lightweight packaging that reduces distribution and transport costs by air and in complex and long distribution chains.
- Greater demand for packaging that tolerates tough distribution systems and that reduces food waste, even in humid climates.

Competition

Recycled fibre-based fluting and other materials in plastic and wood.



Other major manufacturers

In primary fibre-based fluting: Stora Enso, Mondi and Powerflute.

Fluting stands for about 45% of Corrugated Solutions' sales.

Liner

Key applications

Primary packaging for:

- Exclusive drinks
- Beauty and healthcare products
- Confectionery
- Home electronics

Secondary packaging for:

- Consumer goods

Shelf-ready packaging for:

- Consumer goods

BillerudKorsnäs' position

One of the market leaders in Europe for pure white primary fibre-based liner² and one of the leaders in coated primary fibre-based liner globally.

Drivers

- Growing interest in the appearance, design and feel of the packaging as a way of differentiating the product and strengthening the brand
- Greater demand for product safety in the food chain

Competition

Coated and uncoated white top testliner (based on recycled fibre).

Other major manufacturers

Metsä Board, Mondi and Smurfit Kappa.

Liner stands for about 35% of Corrugated Solutions' sales.

Managed Packaging

Key applications

Packaging solutions and services for brand owners with international packaging programmes and logistics. Managed Packaging offers benefits in:

- Revenue generation
- Operational savings
- Management simplicity
- Sustainability performance

BillerudKorsnäs' position

Unique packaging concept based on a network of production partners for flexibility and market coverage, combined with in-depth material know-how for maximum packaging optimisation and efficiencies.

Drivers

- Concentration of manufacturing in Asia
- Demand for simpler logistics, reliable quality and cost-efficiency

- Demand for standardisation and efficiencies
- Greater demand for sustainable solutions

Competition

Independent wholesalers of packaging and major packaging manufacturers with converting in Asia.

Managed Packaging stands for about 20% of Corrugated Solutions' sales.

¹ Pöyry, World Paper Market 2017

² BillerudKorsnäs' assessment

Efficient production units

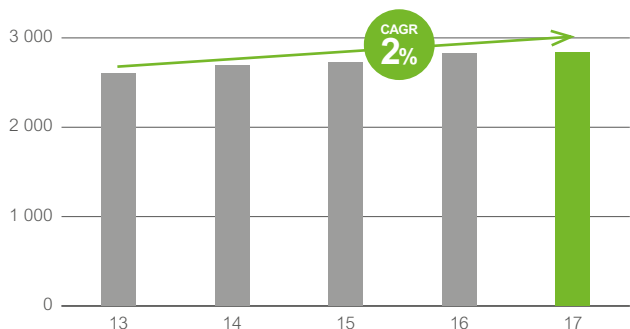
Stable production produces high quality in deliveries to customers. BillerudKorsnäs is investing in increasing and securing availability of the Group’s combined production capacity.

BillerudKorsnäs’ production units have extensive experience of paper and board manufacture. Cross-functional teams work continuously to improve processes and improve efficiency throughout the value chain. This work is carried out in parallel with identifying new opportunities for paper and board packaging and solutions for customers.

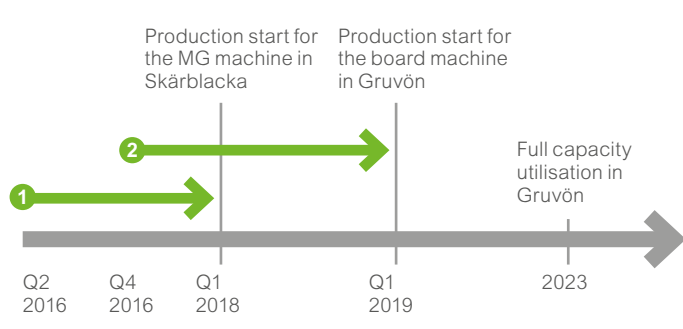
Since 2013 BillerudKorsnäs has, over and above ongoing investments, invested SEK 10.3 billion in its production capacity and has improved efficiency, quality and sustainability

performance. Two major projects, a new board machine in Gruvön and further development of MG paper production in Skärblacka, were approved in 2016. Their implementation involves an investment of approx. SEK 8.3 billion. These investments will ensure that BillerudKorsnäs is able to provide existing and future customers with sustainable packaging materials and solutions of the highest quality. The new machines will begin production in spring 2018 for Skärblacka and spring 2019 for Gruvön.

Production development – five years



Implementation plan



| Production units | Beetham | Frövi and Rockhammar | Gruvön |
|---------------------|--|---|---|
| | Manufactures packaging paper for medical equipment and food packaging aimed at users that require very high standards of purity, printability, sterilisation and strength. | Manufactures packaging board and liquid packaging board aimed at users with very high demands for efficient, creative and functional packaging solutions. | Manufactures fluting through Billerud Flute® and is a pioneering unit in several areas. Developed BillerudKorsnäs’ FibreForm®, for example. |
| Products | Kraft paper (flexible packaging, medical packaging, technical packaging) | Liquid packaging board, cartonboard | Kraft paper, sack paper, containerboard (fluting, liner), liquid packaging board, cup stock, market pulp |
| Market segments: | Industrial, Medical & Hygiene, Food & Beverages | Food & Beverages, Consumer & Luxury Goods | Industrial, Food & Beverages, Consumer & Luxury Goods |
| Production capacity | 45 000 tonnes/year | 470 000 tonnes/year | 710 000 tonnes |
| Number of employees | 140 | 640 | 900 |



Automated wood measurement

The pulpwood that BillerudKorsnäs purchases has previously been measured manually at each mill. With new technology for remote measurement, a digital camera checks the wood when it comes to the production plant or to one of the transloading terminals. This improves the efficiency of the measurements and wood logistics, while also lowering measurement costs. BillerudKorsnäs' production units in Skärblacka, Frövi, Gruvön and Gävle introduced remote measurement in 2017. Karlsborg will introduce the system in 2018.

Our production process

- 1.** BillerudKorsnäs manufactures packaging material using primary fibre from softwood or hardwood. The Group promotes sustainable forestry and only buys wood from well managed forests. In 2017, approximately 10 million cubic metres of wood were purchased.
- 2.** The pulpwood is debarked. The bark is recycled as fuel.
- 3.** The debarked wood is cut into chips.
- 4.** The pulp is produced by cooking the chips with chemicals under high pressure and at high temperature. During this process the lignin is dissolved and the fibres are released.
- 5.** The resulting pulp is cleaned and bleached in cases where the end product requires this. After cooking, the pulp is washed and screened to make it as pure as possible. At integrated production units, the pulp is pumped directly to the paper mill or paperboard mill.
- 6.** Paper production is carried out in three stages: forming, pressing and drying.
- 7.** The finished and cut paper reels or the pulp are packaged for delivery to the customer. In 2017, BillerudKorsnäs produced 2 930 ktonnes of board, paper and pulp.
- 8.** Deliveries are made by sea, rail or road.



- 9.** A large proportion of sales come from customers that convert BillerudKorsnäs' packaging materials in paper and board into various types of packaging for food, medical products, building materials, home electronics and so on.
- 10.** BillerudKorsnäs' primary fibre-based packaging materials provide sustainable packaging that is able to challenge conventional packaging.

Gävle

Manufactures liquid packaging board for beverages and food aimed at users that demand very high standards of stability and printability.

Liquid packaging board, liner

Food & Beverages

740 000 tonnes/year

900

Pietarsaari

Produces kraft and sack paper aimed at users that demand very high standards of strength, sustainability, flexibility, purity and printability.

Sack paper, kraft paper (bags, flexible packaging, technical packaging), liquid packaging board

Consumer & Luxury Goods, Food & Beverages, Industrial

200 000 tonnes/year

120

Karlsborg

Manufactures sack paper, formable paper (FibreForm®) and kraft paper aimed at users with very high demands for efficient, creative and functional packaging solutions.

Sack paper, formable paper, kraft paper (bags), market pulp

Food & Beverages, Industrial

320 000 tonnes/year

380

Skärblacka

Develops and manufactures everything from strong, porous sack paper to fluting and white machine glazed kraft paper with excellent printing properties.

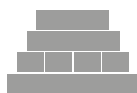
Sack paper (brown), kraft paper, containerboard, market pulp

Industrial, Medical & Hygiene

460 000 tonnes/year

690





STRATEGIC PLATFORM

Strategy for sustainable solutions and profitable growth

The mission – to challenge conventional packaging for a sustainable future – describes the purpose of BillerudKorsnäs’ business. Profitable growth is a crucial factor in challenging less sustainable packaging materials and solutions over time. In order to deliver profitable growth of 3–4%, goal-oriented and intensive work is being undertaken in four strategic areas:

position, innovation, sustainability and efficiency. Maintaining a customer focus at all times, BillerudKorsnäs’ 4 400 employees are the people driving the change that is needed to realise the strategy and achieve our ultimate purpose – a sustainable future.



The mission – to challenge conventional packaging for a sustainable future – describes the purpose of BillerudKorsnäs’ business and governs how we think, what we do and how we communicate. Sustainable packaging materials and solutions are a competitive advantage and a business opportunity, for today and tomorrow.



Long-term profitable growth enables continued investments to strengthen future competitiveness as the challenger of conventional packaging.



Profitable growth is created by BillerudKorsnäs expanding in the value chains, transforming good ideas into new solutions and materials, integrating sustainability into everything we do, and working on continuous improvements based on a customer-focused approach.



BillerudKorsnäs’ 4400 employees drive the change and improvement work. A safe and secure workplace is a must. A clear purpose and established values generate commitment. Communicative leadership and a good employer brand create motivation. Customer, shareholder and social value is created through innovative solutions and close collaboration.



EMPLOYEES

Employees who drive change

Each individual employee at BillerudKorsnäs is a key driver of the change work being carried out with the clear aim of achieving our mission in a constantly changing world.

It is our employees who make BillerudKorsnäs what it is today. Their skills, commitment and talent are vital for our ability to achieve strategic and operational objectives. Retaining employees and strengthening the organisation with new talent is therefore a crucial part of our business strategy and central to the growth journey that has been staked out for the coming years. This requires a strong employer brand with existing employees as the most important ambassadors, as well as leaders who are good at driving change and communicating.

Support for the mission

The mission to challenge conventional packaging for a sustainable future has been fully embraced by BillerudKorsnäs' employees. Being part of and contributing towards a sustainable future strengthens commitment to BillerudKorsnäs as an employer. The core values – Think new, Feel responsibility, Cooperate and Create value – signal the importance of wanting to be part of an innovative company in which responsibility and cooperation generate customer value and stronger customer relations. The core values are part of employees' daily lives and play a major role in recruitment and in internal leadership programmes.

Developed leadership

For a growth company in a global market, it is crucial to be able to retain, find and attract employees with the right skills, now and in the future. In order to adapt and develop the leadership of the global group that BillerudKorsnäs is, a range of development programmes are offered at various levels, from induction to senior programmes on value creation. These



86 students visited BillerudKorsnäs' facilities as part of the "Introduce a Girl to Engineering Day" initiative.

initiatives are attaining good results with the leadership index following a positive trend.

The battle for talent

Competition for talent and skills is tough. Strategic and future-focused work has been undertaken in the field of recruitment and employer branding since 2017. The strategy is to significantly increase awareness of BillerudKorsnäs in the target groups needed in order for BillerudKorsnäs to continue to challenge the conventional and achieve its mission. The many activities involved range from a presence in both physical and digital forums such as LinkedIn to a large number of careers fairs in various locations around the country. The more targeted initiatives include "Introduce a Girl to Engineering Day" (IGEday) and BillerudKorsnäs' Sustainability Challenge – read more on page 35–37.

75

index for Communicative Leadership 2017 – the positive trend continues

13 300

follow BillerudKorsnäs on LinkedIn

700

students took part in BillerudKorsnäs' Sustainability Challenge – 7 500 unique visitors read the communication

A safe and secure workplace is the foundation for BillerudKorsnäs' ability to achieve success. Read more on page 35.



Equipped for global expansion and advancement along the value chain

BillerudKorsnäs aims to achieve growth of 3–4% per year. Our strong position in Europe provides a stable foundation, along with the good growth opportunities that exist as we continue to expand into new markets and move up the value chain.

Expert on sustainable packaging materials and solutions

BillerudKorsnäs is one of the leading liquid packaging board manufacturers in the world and a global leader in high-porosity sack paper made from primary fibre. In Europe, the Group has a leading position in primary fibre-based kraft paper, fluting and white liner, as well as being a major producer of primary fibre-based cartonboard in the premium segment.

BillerudKorsnäs also has a solid understanding of how the materials can be used to create sustainable packaging for each task. Extensive knowledge of packaging design and construction is firmly embedded in every part of the business. All this makes the Group well placed to further strengthen its position by expanding in the value chains. The proportion of overall growth that comes from packaging solutions is expected to increase in the years ahead.

New markets and expansion in the value chain provide leverage for growth

The European market, which is BillerudKorsnäs' largest, is stable. Although growth is relatively low compared with Asia, for example, there are opportunities to grow by capturing market share in materials and by expanding in solutions. In new markets, total solutions are often crucial for the introduction of new materials. In the Asian market, demand for sustainable total solutions is substantial and is expected to grow by just over 4% annually. The Group's experience and expertise in sustainable packaging materials and solutions thus entail major growth opportunities. Business in Managed Packaging focuses primarily on Asia, where the company offers various types of packaging solutions and services to global brand owners and retail chains with manufacturing in Asia. The business model also creates opportunities to offer concepts that provide global solutions for customers with operations in several different countries.

Knowledge of different market conditions and what different players in the value chain require will enable BillerudKorsnäs to fully exploit the growth opportunities in the global market – and so further strengthen its position.

Unconventional technologies and solutions

To ensure profitable growth in the longer term, BillerudKorsnäs is investing in companies that develop unconventional solutions. BillerudKorsnäs is a minority owner in the design and branding agency Grow, which has special expertise in packaging-related innovation for brand owners in fast-moving consumer products. BillerudKorsnäs Venture takes minority stakes in innovative start-up companies that are developing the leading edge technologies of the future for materials and solutions. Venture owns shares in five portfolio companies divided into three focus areas: paper-based bottles, cold chain solutions and the internet of packaging. Taking a long-term perspective, BillerudKorsnäs collaborates with the companies to create the right conditions during the various stages of development, up to commercialisation and large-scale production.



Concept for realising innovative design solutions

BillerudKorsnäs has worked with the design and branding agency Grow, in which it holds a minority stake since Q1 2018, to develop a concept that will help brand owners to take packaging solutions from idea to market within three years. With BillerudKorsnäs FibreForm®, plastic can be replaced with exciting packaging that promotes the brand and the product.



Innovation for greater customer value and profitable growth

Structured innovation work with clear priorities forms the basis for BillerudKorsnäs' investments in research and development. The innovation work is also a catalyst for the development of the Group's production units.

The foundation and focus areas for BillerudKorsnäs' development are business and product innovation. Business innovation means being even faster and more challenging when it comes to developing and commercialising new offers and implementing new business models. Product innovation is rooted in technological breakthroughs and in the creation of new and more attractive products based on advanced material development from forest raw material. By focusing on green material technologies, we are aiming to help implement groundbreaking research results and convert them into high-tech innovations. The key is to make the materials lighter, stronger and stiffer while also improving barrier properties and printability, as well as introducing new functions into the packaging material.

BillerudKorsnäs' technology centres and product development teams are located at BillerudKorsnäs' four largest production units, but they support the whole Group. They work to different timeframes, with a clear focus on developing technologies that are considered strategically important for the Group's growth opportunities. The areas currently in focus are new functions within the

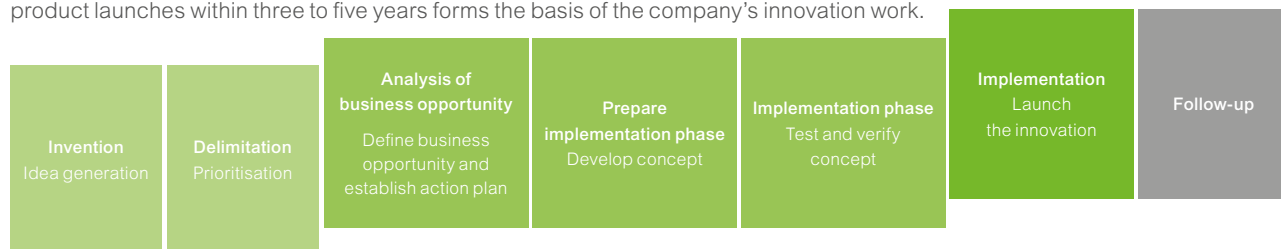
surface of the packaging and in the fibre structure of the packaging material.

Challenging conventional packaging requires both continuous development of the materials and an ongoing investigation into new applications for paper. Active internal development work is being conducted in the area of barriers for dry and wet foods and use of the additive microfibrillated cellulose, which can enable the production of lighter and stronger cartonboard.

Both business and product innovation are based on a deep understanding of the end user's needs and wishes and on the requirement for a holistic approach to packaging. This includes looking at the role of the packaging for the end user, for the business, for society and for the entire planet. When packaging takes on the role of a valuable information carrier or a driver of increased efficiency, quality and sustainability, it becomes a strategic competitive advantage and not just a question of protection.

BillerudKorsnäs' innovation process

Running continuous research and development work and planning for new material and product launches within three to five years forms the basis of the company's innovation work.



Strong and safe, with microbial barrier properties

In order to meet the demand for medical packaging systems with higher performance, BillerudKorsnäs has developed a new polymer-reinforced paper, Sterikraft® Protect AR. Sterikraft® was shown for the first time at the Compamed trade fair, "Hightech solutions for medical technology", in Düsseldorf, Germany in November 2017. Sterikraft® is a medical paper that tolerates a range of sterilisation methods and guarantees sterility and purity right up to the point that the product is used. The packaging retains its sterility for five years and is available for all the key sterilisation methods.



A cement sack that contributes positively to the climate

BillerudKorsnäs has developed D-Sack in partnership with LafargeHolcim. D-sack can be thrown into the cement mixer and will simply break down into the cement mix. A life cycle assessment carried out by IVL Swedish Environmental Research shows that, over a 100-year perspective, the used sacks bind carbon dioxide. Read the report at billerudkorsnas.com/sustainability



BillerudKorsnäs' packaging solution for Chinese rice wine

BillerudKorsnäs' Carton Solutions has developed two packaging solutions for the Chinese e-commerce brand "A Secret Secret" from Hefei Puchi. The first solution contains one bottle and the second is a gift pack containing four bottles. Carton Solutions has helped Hefei Puchi with the design and construction. The packaging is made using BillerudKorsnäs' Artisan 380 gsm.



Packaging concept with major business potential

In partnership with Bosch, BillerudKorsnäs has developed Sealed Paper Packaging, a concept in which dry foods are packaged directly via the new VFFS machine (Vertical Fill Form and Seal) in BillerudKorsnäs' paper Axello® ZAP. There is considerable interest in the flour industry, but also among pasta producers.

Strong and attractive packaging with materials from renewable sources

The M&S Curry Kit comprises three jars containing spices, pasta and sauce. The packaging is designed by BillerudKorsnäs with sustainability in mind and is part of the retail chain's drive to reduce the use of plastics.





Efficient capacity utilisation is crucial for profitability

High efficiency is essential for profitable growth and continued investments in the future. The starting point is to set the right priorities, with a focus on the customer experience.

Being able to use the capacity at BillerudKorsnäs' eight production units efficiently is crucial to delivering packaging materials that meet customer expectations regarding product and delivery quality. Disruptions to production or start-up problems directly impact on the way customers perceive quality and on the Group's profits. To minimise availability problems in production in the future, a Group unit has been set up to harmonise the work on increasing availability and quality at all the facilities. The starting point for this work is to adopt a more customer-oriented perspective and focus on always doing the right things.

Systematic deviation work gets results

BillerudKorsnäs has always set high standards for product quality. Within the framework of the Secure Quality programme, continuous and systematic work is carried out to prevent product quality deviations, with a focus on the customer experience. The Gävle, Frövi and Gruvön production units and the Consumer Board business area have piloted the programme and in 2018 the

new working practices will be rolled out to all the production units and business areas.

Optimised material use

Production-related improvements such as optimising the use of materials and reducing waste are key factors for profitability and reducing any impact on the environment and the climate. The production of paper, board and pulp is the step in the value chain where the Group's direct impact is greatest of all. Read more on pages 31 and 42.

Business-critical efficiency

Efficiency in sales and services is another factor that in many cases is business-critical. In the premium segment for carton-board, for example, where the packaging is a vital component that helps the brand and the product stand out, the customer's need for fast and reliable delivery is a key factor. For BillerudKorsnäs, this presents opportunities for higher margins and greater volumes, and for tightening up on precision deliveries.

Systematic improvement work for stable production and high product quality



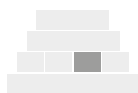
Production stability

- Increase the stability of core processes, manufacture of pulp, paper/board and maintenance
- Company specialists who support and harmonise the work through cross-functional teams from different mills



Ensure product quality

- A systematic, customer-centric quality programme is in the process of being implemented
- A TPM (Total Productive Maintenance) based strategy to minimise losses while at the same time placing customer engagement front and centre



SUSTAINABILITY

Sustainability is a business opportunity of our time

Sustainability is a natural part of BillerudKorsnäs' core business and strategy. Sustainability is also a competitive advantage that is growing in importance, making it a significant driver of profitable growth.

Impact from two strategic perspectives

The benefit, and thus the value, of BillerudKorsnäs' products and solutions is rooted in their relationship with the wider world, the customers and their products and businesses. The strategic focus of the sustainability work therefore rests on: minimising the company's negative impact and maximising the company's positive impact.

Focus on BillerudKorsnäs' sustainability work

The Group's sustainability work is centred around three areas, each of which have associated commitments:

Ensure a responsible value chain:

- Promote responsibility from raw material supply and production to recycling
- Provide engaging workplaces, where safety, diversity and human rights are a priority

Increased customer value:

- Improve our customers' business using our knowledge on sustainable packaging solutions
- Through innovation, expand the market of renewable packaging materials

Contribute to a sustainable and bio-based society:

- Combat climate change throughout the value chain
- Generate value for society through collaboration both locally and globally

Knowledge contributes to customers' business

Consumers are becoming increasingly aware of sustainability issues. For brand owners that want to attract aware consumers, it is therefore important to show that the product and the packaging are made in a sustainable way. An increasingly key issue is reducing any impact on the climate not only for the converters, but also for their customers, the brand owners.

In general, when BillerudKorsnäs' materials and packaging solutions replace less sustainable alternatives on the market, their sale helps to maximise the positive impact of the company's products and services. At the same time, the company's renewable solutions can contribute to the brand owners' own sustainability targets. BillerudKorsnäs' knowledge of renewable packaging materials and solutions can help them and the whole value chain to perform better from a climate perspective.

Commitment 3

Improve our customers' business using our knowledge on sustainable packaging solutions, *see page 38.*

Commitment 4

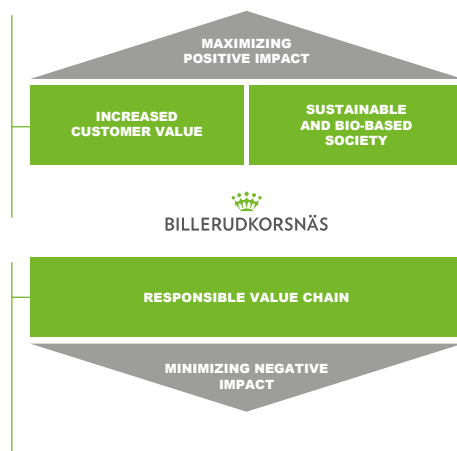
Through innovation expand the market of renewable packaging materials, *see page 40.*

Commitment 1

Promote responsibility from raw material supply and production to recycling, *see page 32.*

Commitment 2

Provide engaging workplaces where safety, diversity and human rights are a priority, *see page 35.*



Commitment 5

Combat climate change throughout the value chain, *see page 42.*

Commitment 6

Generate value for society through collaboration, both locally and globally, *see page 44.*

Ambitious sustainability targets that drive development

BillerudKorsnäs' sustainability work is all about taking responsibility through the entire value chain, creating greater customer value and contributing to the transition to a sustainable and bio-based society. Linked to these three focus areas there are a number of concrete and goal-oriented commitments on active sustainability work, supported by a transparent approach and a clear management structure.

Transparency on challenges and opportunities

The three focus areas gather together the most important sustainability aspects that BillerudKorsnäs has to manage, follow up and communicate. Two commitments are linked to each focus area. The commitments include measurable targets in the short and the long term and are important tools in continuing to develop the Group's work on sustainability. This is an approach that seeks to provide a transparent picture of challenges and opportunities on the way towards a sustainable future. BillerudKorsnäs' performance and target fulfilment are reported in line with established systems and standards. Third party audits are also carried out.

A summary of target fulfilment in 2017

BillerudKorsnäs reached a number of the targets set for 2017. The number of private forest owners certified through BillerudKorsnäs reached 152, and the proportion of purchase value with supplier assessment also hit the target at 70%. In addition, the number of female employees in the Group increased in line with the target, and emissions from transport of wood raw material and finished products continued to fall and nudged the target. More information on how BillerudKorsnäs' sustainability work developed over the year can be read on the following pages.

Science Based Targets

During the year, BillerudKorsnäs decided on climate targets in line with Science Based Targets, with the aim of helping to ensure that global warming does not exceed 2°C, in accordance with the 2015 Paris Agreement. Science Based Targets is an initiative based on a partnership between CDP, the UN Global Compact, the World Resources Institute and the WWF. The purpose is to help companies determine how much their emissions need to be reduced and to verify that targets set are sufficiently ambitious and long-term to be capable of helping to combat climate change.

Targets for scope 1 and 2¹

In 2030, emissions of greenhouse gases from BillerudKorsnäs' production and purchased energy are to be at least 59% lower than in 2016.

In 2050, emissions of greenhouse gases from BillerudKorsnäs' production and purchased energy are to be at least 74% lower than in 2016.

Targets for scope 3²

In 2030, emissions of greenhouse gases from sources not owned or controlled by BillerudKorsnäs are to be at least 30% lower than in 2016.

In 2050, emissions of greenhouse gases from sources not owned or controlled by BillerudKorsnäs are to be at least 70% lower than in 2016.

¹ Direct emissions from own operations and indirect emissions from purchased energy.

² Indirect emissions from purchasing goods and services, such as transport and business travel.

UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) inform countries' commitments to establish a clear plan for the work that needs to be done by 2030, in order to achieve long-term sustainable development.

Rapidly growing awareness that a transition to more sustainable use of resources must take place will make completely new demands of the packaging industry. The SDGs that BillerudKorsnäs has the greatest opportunity to influence are SDGs 8, 12, 13, 14 and 15, SDGs that can also be linked to existing activities and targets within BillerudKorsnäs.



SUSTAINABILITY TARGETS

| Type | Area/KPI | Outcome 2015 | Outcome 2016 | Outcome 2017 | Target 2017 | Target 2018 | Target 2020 | Target fulfilment 2017 | Link to UN Sustainable development goals |
|-----------------------------------|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------|--|
| | Sustainability in the supply chain | | | | | | | | |
| | Proportion of purchase value covered by supplier assessment of Purchase, Supply Chain and Pulp (%), base year 2014 | 53.5% (2 years) | 60.7% (3 years) | 70.2% (3 years) | 70.0% (3 years) | 72.0% (3 years) | 75.0% (3 years) | ✓ | 8.7, 8.8, 12.4 |
| | Forestry | | | | | | | | |
| Responsible value chain | Biodiversity index ¹ for nature conservation measures (%), base year 2018 | - | - | - | - | 100% | 100% | New target 2018 | - |
| | No. of group-certified forest owners in BillerudKorsnäs' group certificates for FSC® and PEFC™(n) | 91 | 122 | 152 | 140 | 160 | 200 | ✓ | 12.2, 15.2 |
| | Workplace safety | | | | | | | | |
| | Work-related accidents with sick leave (no./100 employees) | 1.7 | 1.5 | 1.4 | 1.0 | 1.0 | 1.0 | - | 8.8 |
| | Gender equality | | | | | | | | |
| | Proportion of female employees (%) | 19.9 | 21 | 22.1 | 21.5 | 22.5 | 23 | ✓ | 8.5 |
| | Female managers (%) | 22 | 21.9 | 21.1 | 26.5 | 24.5 | 30 | - | 8.5 |
| | Sustainability as customer value | | | | | | | | |
| Increased customer value | Proportion of customers who think that BillerudKorsnäs contributes towards a sustainable future (%) | | 89 | 89 | 92 | 92 | 95 | Follow-up 2018 | 12.2 |
| | High level of innovation for products | | | | | | | | |
| | Proportion of sales accounted for by new products, % | 17 | 13 | 8 | 15 | 5 | 20 | - | 12.2 |
| | Energy efficiency | | | | | | | | |
| | Energy consumption (MWh/tonne product) | 5.44 | 5.35 | 5.34 | 5.28 | 5.2 | 5.1 | - | 12.2, 13 |
| | Fossil-free production | | | | | | | | |
| Sustainable and bio-based society | Emissions of fossil CO ₂ in the manufacturing process (kg/tonne product) | 28.3 | 29.2 | 30.6 | 25 | 26 | 25 | - | 12.2, 13 |
| | Emissions of fossil CO ₂ in the manufacturing process (tonnes total) | 82 000 | 86 500 | 89 700 | 75 000 | 75 000 | 72 500 | - | 12.2, 13 |
| | Transport of wood raw material and finished products (g CO ₂ e/tonne km) Base year 2016 | - | 20.1 | 19.5 | 19.4 | 18.6 | 17.0 | ✓, almost | 13 |
| | Work experience through internships and occupational introduction | | | | | | | | |
| | Every year, BillerudKorsnäs offers work placements and careers-focused introduction programmes with the aim of providing work experience (no. of weeks of internships) Base year 2014 | 1 333 | 1 512 | 1 324 | 1 500 | 1 500 | 1 500 | - | 8.6 |

¹⁾ The biodiversity index is based on how our forest management measures achieved the targets for the most important parameters – nature conservation, burning, deciduous forest, dead wood, buffer zones, and biotopes and areas requiring special consideration. In-depth information is available on our website.

Responsibility and influence throughout the value chain

With products based on renewable material, BillerudKorsnäs has an opportunity to influence developments throughout the value chain towards reduced dependence on fossil fuels and a transition to a bio-based society.

BillerudKorsnäs has the opportunity to make a difference all the way down the value chain by maximising the business' positive impact and minimising its negative impact. BillerudKorsnäs' value chain starts with the extraction of natural resources, primarily in the form of wood raw material. Via transports and our own production of packaging material, the material is then passed on to customers to produce pack-

aging. After final use and recycling, the material is returned to the value chain as recovered fibre. The impact covers all sustainability aspects and the company takes its responsibility through continuous efforts to minimise its own emissions, to set requirements and evaluate business partners, as well as to establish close cooperation throughout the value chain to drive change where it will have the greatest benefit.



Circular economy

In a perfect circular economy, all the resources are used and nothing goes to waste. Inspired by the natural ecocycle, one person's waste becomes another person's raw material. In several locations in Sweden, BillerudKorsnäs' surplus heat is used in the local district heating network, an example of a smart circular solution.

Forest raw material

BillerudKorsnäs' Swedish production units transform about 10.2 million cubic metres of wood raw material into packaging material every year. The wood raw material comprises 80% softwood and the remainder hardwood.

The positive impact of the modern managed forest can be seen from a number of perspectives. It has the ability to bind carbon dioxide, thereby combatting climate change, and provides recreational areas that add major social and cultural value. The negative impact mainly comes from the management of forest land, and from greenhouse gas emissions in conjunction with forest management and harvesting.

Responsibility is taken by operating sustainable forestry, taking into account natural assets and improving the ability of the forest to capture carbon dioxide. The company also works actively to increase the proportion of certified privately owned forest in Sweden.

More about targets and development on pages 32-34.

Purchasing

The business as a whole requires the purchase of large amounts of raw materials, energy, products, services and chemicals. Purchasing is mainly from Europe. The wood raw material, which is purchased from forest owners, sawmills and other forest companies, is 3/4 Swedish. Pulp used for production in Finland and the UK is bought in both internally and from external suppliers. The electricity purchased is covered by guarantees of origin.

BillerudKorsnäs' responsibility and opportunity to exert influence are clearly shown in the requirements set for suppliers, the company's established supplier evaluation process, and a general transition towards fossil-free production.

More about targets and development on pages 32-34.

Incoming and outgoing transport

BillerudKorsnäs' transport mainly comprises incoming transport of raw materials to the production units and outgoing transport of products to customers from the production units. Impact from incoming transport and outgoing transport consists of emissions of greenhouse gases and other substances to air.

The way forward is to work with transporters to phase out fossil fuels, and to secure efficient transport optimisation and logistics that allow active choices of modes of transport in order to gradually increase the proportion of transport by rail and sea.

More about targets and development on pages 42-43.

Production

BillerudKorsnäs production units account for the company's most important impact from its production of pulp, paper and board. Direct impacts are via the production units' emissions to air and water, while indirect impacts come from the production's energy consumption and use of chemicals.

All production units are quality and environmentally certified in accordance with ISO 90001 and ISO 14001. The company's responsibility for production includes working to phase out fossil fuels and continuously working on energy-saving measures.

Extensive product development and innovation is carried out in-house and in collaboration with external actors to develop packaging solutions that reduce resource consumption, reduce emissions, improve the efficiency of logistics and facilitate recycling.

More about targets and development on pages 42-43 and 113.

Customers

BillerudKorsnäs' customers are in the international packaging market and comprise packaging manufacturers and brand owners.

Offering products and packaging whose manufacture is based on primary fibre gives customers an opportunity to make a difference by moving away from materials based on fossil plastics, aluminium and glass, so reducing their carbon footprint.

BillerudKorsnäs' customers mainly operate in consumer markets. This means that the company's in-depth insight into consumer attitudes to packaging can help to strengthen customer relations. The company's responsibility encompasses continuing to refine materials and packaging solutions that help the customers' business and reduce their carbon footprint.

More about targets and development on pages 38-39.

Consumers

Consumers encounter BillerudKorsnäs' packaging material practically everywhere – on the store shelf, in the frozen foods aisle, in the fridge and on the move.

Providing packaging materials and solutions that preserve the contents well, reduce waste and enable efficient recycling of the material enables consumers to make a greater contribution towards more sustainable development.

BillerudKorsnäs' responsibility is to constantly build up sound expertise and innovation capabilities that fully meet the needs and wishes of the end user. It is also important to work actively in different geographical markets to spread awareness of the options offered by safe packaging based on primary fibre, capable of keeping the contents fresh for a long time and at varying temperatures.

Recycling

BillerudKorsnäs' products are based on renewable materials, and, as recycled fibre, are an important element in the manufacturing of liner and fluting, for example.

BillerudKorsnäs' impact primarily lies in the transition to a circular economy based on renewable and recycled raw materials.

The responsibility lies in driving the development of recyclable products that can form part of a cost-effective recycling system.

Paper fibres can be sent for material recovery five to seven times, after which they can be used for energy recovery. Additional input of primary fibre is therefore necessary in order to keep the recycling loop going.

RESPONSIBLE VALUE CHAIN – COMMITMENT 1:

Promote responsibility from raw material supply and production to recycling

Target 2017

- Proportion of purchasing value with supplier assessment: 70.0% per three-year cycle.
- Number of private forest owners certified through BillerudKorsnäs: 140.

Outcome 2017

- Proportion of purchasing value with supplier assessment: 70.2%
- Number of private forest owners certified through BillerudKorsnäs: 152.

BillerudKorsnäs takes far-reaching responsibility throughout the value chain – from extraction of raw materials to production and recycling. Working for responsible forestry, sustainable transport solutions and supplier assessment processes are fundamental elements of this commitment.

The forest is the business’ most important resource

BillerudKorsnäs annually purchases approximately 10.2 million cubic metres of wood raw material for the Swedish production plants. 75% of the raw material is of Swedish origin. The remaining wood raw material is imported, mainly from Finland, Norway and the Baltic countries, with smaller volumes from Russia and eucalyptus from South America. Purchasing of forest raw material is certified under the FSC® and PEFC™ Chain of Custody standards. To avoid purchasing wood raw material from controversial sources, procedures are in place to check the origin of wood under the FSC® Controlled Wood

standard, the clauses on Controlled Sources in PEFC™ Chain of Custody and the EU Timber Regulation EUTR.

Focus on sustainability in relations with private forest owners

To increase the proportion of wood raw material derived from certified forest, BillerudKorsnäs is working actively to encourage more private forest owners to certify their forest under the company’s FSC® and PEFC™ group certification. This is based on a cooperation agreement between the forest owner and BillerudKorsnäs, where BillerudKorsnäs manages the owner’s forest in a manner that is economically, ecologically and socially sustainable in the long term.

Follow-up of last year’s responsible forestry training initiative for the timber purchasers shows that it had the desired effect, as the target of 140 members of BillerudKorsnäs’ group certification has now been reached.

The number of private forest owners certified through BillerudKorsnäs at the end of 2017 totalled 152.

Targets that provide a clearer picture of biodiversity

During the year, BillerudKorsnäs developed targets and methods to monitor biodiversity in the forest. The biodiversity target is reported as an index and is based on a number of parameters that are crucial to forest biodiversity – increased management to protect conservation value, burning, a higher proportion of deciduous trees, correct management of buffer zones and biotopes and zones requiring special consideration, and the creation of dead wood. 2018 is the base year for future follow-up.

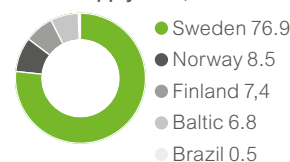
Managed Swedish forest land with areas set aside for biological diversity 2017 (GRI 304-1)

| Forest owners and timber suppliers ¹ | Managed productive area, ha | Productive area voluntarily set aside, ha | Proportion voluntarily set aside out of total productive area, % |
|---|-----------------------------|---|--|
| Bergvik Skog AB | 294 325 ² | 25 631 | 8,1 |
| Private, certified forest owners | 69 007 | 4 794 | 6,9 |

¹ Our own harvesting activities took place within purchased harvesting rights in Sweden and Latvia, where, however, no forest land was held by BillerudKorsnäs. All harvesting activities concerned land use and land-based ecosystems for extracting wood raw material above ground. Current protected status of certain neighbouring areas where the company runs operations were national park and nature reserve (589 000 ha), nature conservation agreement (12 972 ha) and biotope protection area (10 457 ha). At two Swedish production units there are just over 30 ha of land with high protection values that are not managed.

² Plus 68 044 ha low-productive forest land, impediment, where no forestry takes place.

Wood supply 2017, %





Purchases are made from forest companies, sawmills and private forest owners. In 2017 we purchased timber from over 1 200 private forest owners, which is often very important for maintaining a living countryside.

Initiatives to ensure a safe working environment

Previous audits identified deficiencies in the health and safety work of forestry contractors. At the start of the year, Forestry therefore carried out an extensive training project for approximately 90 contractors to address issues including shortcomings in safety procedures. Subsequent audits show higher compliance among contractors. In the future, the focus will be on constantly monitoring that development is continuing in the right direction.

Consultation and general comments

Responsible forestry includes conducting consultation with reindeer herders. In 2017, the company carried out a total of 10 consultations with three Sami reindeer herding associations covering 10 different areas, including regarding:

- more cautious soil preparation
- replanting with Swedish tree species
- strengthening buffer zones rich in lichen

The consultation also discusses the impact of road construction when roads are built, as how and where the roads are routed affects reindeer migration patterns.

Forestry is often contacted by neighbours and other stakeholders who want to know more or have opinions about the measures that are going to be carried out. During the year, 3 opinions were received on the environment and 9 on social aspects. This included, for example, a stakeholder thinking that we planned to harvest forests with high conservation value, and branches having been left on paths making access more difficult.

Continued fine-tuning of supplier assessments

BillerudKorsnäs' suppliers include everything from chemicals and raw material suppliers to suppliers of services. The general assessment is that BillerudKorsnäs' risk exposure is low as a majority of the total purchasing volume is in Europe. Fundamental supplier requirements include compliance with BillerudKorsnäs' Code of Conduct and international standards, applicable legislation and regulations. BillerudKorsnäs has also undertaken to ensure that audits and follow-up of suppliers include the risks of modern slavery in work on human rights in accordance with the UK Modern Slavery Act (UKMSA).

To obtain a more accurate picture of the status of suppliers and ensure better opportunities to monitor developments over time, the survey was reworked in 2017, moving from yes/no responses to a self-assessment in which the supplier indicates the improvement that has taken place on a scale from 0–100%, with the option of adding a written comment.

The process for evaluating chemicals suppliers' transport to the production units was also improved, with a focus on the health and safety of transporters together with associated documentation and procedures.

Supplier assessments without comments

The supplier assessment process is carried out in three-yearly cycles and covers all purchases that the company makes, excluding purchasing wood raw material, which operates within the framework of the FSC and PEFC regulations, and purchases related to Managed Packaging. This year's assessments thus included a number of suppliers now being assessed for the second time. In 2017, BillerudKorsnäs assessed 63 new suppliers with a purchasing value of more than SEK 100 000. Overall, BillerudKorsnäs evaluated 337 suppliers, equivalent to a purchasing value of 70.2% over a three-year period, which means that the target was met.

In no case did assessments show any indications of child labour, forced labour or lack of freedom of association. Nor did the company terminate any supplier agreements as a consequence of this year's supplier assessments.

Clearer requirements for transporters of wood raw material

A modified version of the evaluation is used for the 18 transporters of wood raw material from the forest to production units. This has required for some time that transporters have safe unloading procedures, and environmental and drug and alcohol policies in place. In 2017, there was also an inspection of adequate insurance cover, as well as an offer of drug testing via BillerudKorsnäs' programme. All transporters of wood raw material were evaluated at the end of 2017 and no deviations were noted.

Higher number of audits in the Asian market

The Regional Compliance Officer function stationed at the office in Shenzhen, China, is responsible for on site audits of the company's production partners in the Managed Packaging business segment. The audits are carried out according to a standardised process and include detailed questions on social aspects of the business.

The aim is to gain a good understanding of how the production partner addresses labour law, freedom of association, working hours and pay. In 2017, the company carried out a total of 35 audits across China and South-East Asia. These audits showed no indications of child labour, forced labour or a lack of freedom of association. However, health and safety deficiencies were identified, for example regarding fire safety and personal protective equipment, in several existing and potential production partners. These deficiencies are being handled in dialogue with the production partners concerned and in one case a prospective production partner was not approved as a supplier to BillerudKorsnäs.

Additional resources will be added in the region to serve a growing business in Managed Packaging. Alongside the audits, the task will also be to strengthen procedures for handling any deviations and developing dialogue to draw attention to key sustainability issues.

Summary/conclusion

Targets and methods were developed to follow up biodiversity in the forest in order to provide a clearer picture of biodiversity. In addition, an extensive training project was carried out for contractors with the aim of ensuring a safe working environment. A number of consultations were conducted with reindeer herders. The established model for ensuring responsible purchasing with supplier assessments was refined further and the number of audits in the Asian market increased. In summary, the initiatives led to the targets for the commitment being met in 2017.

Looking ahead to 2018

- Implementation of biodiversity indicators.
- Implementation of new internal audit procedures (Forestry).
- Continued focus on evaluation of the transport aspect.
- Through assessments, ensure suppliers have objectives and programmes to reduce environmental impact.
- Add additional resources in the Asian market in pace with business growth.

RESPONSIBLE VALUE CHAIN – COMMITMENT 2

Provide engaging workplaces, where safety, diversity and human rights are a priority

Target 2017

- Number of work-related injuries followed by sick leave: 1.0 per 100 employees per year.
- Proportion of women in total and in management: 21.5% and 26.5% respectively.

Outcome 2017

- Number of work-related injuries followed by sick leave: 1.4 per 100 employees per year.
- Proportion of women in total and in management: 22.1% and 21.1% respectively.

The skills, experience and commitment of employees are key to BillerudKorsnäs' ability to achieve its mission. Retaining and reinforcing the organisation with new skills is therefore an essential part of the business strategy. Together we are building a company characterised by good development opportunities, diversity, good leadership, a safe work environment and an ethical business approach in everything we do.

Comprehensive efforts for a lasting safety culture

BillerudKorsnäs' systematic work on continuous improvements encompasses health and safety, stable production and product quality. The Incident and Injury Free programme (IIF) launched in Gävle in 2016, is now being implemented at all Swedish paper and board mills. The goal is to achieve the zero vision for work-related injuries. The safety culture that IIF is building is developing over a number of phases: from reactive behaviour in the event of accidents, to employee awareness of their own responsibility leading to behaviour that takes responsibility for their own safety and that of colleagues. A safety director was also appointed during the year, who will support the units in operational safety work from central management.

The impact so far is a change in attitude among employees, which can be seen in a considerable increase in the number of observed risks reported. An effect is also seen in the outcome for the year regarding the total number of work-related injuries with sick leave, which fell to 1.4 per 100 employees.

Preventive work that covers all employees

By the end of the year, a total of 91.4 % of all BillerudKorsnäs employees were covered by some kind of formal grouping, such as collaboration councils, safety committees or safety groups.

In the event of accidents, other work-related problems and when returning after a longer period of sick leave, an active rehabilitation programme is instigated to minimise the length of sick leave. Following an inquiry, appropriate measures are introduced, e.g. adapting duties, aids, training or re-assignment.

Into the future with a new CEO

After 12 years as BillerudKorsnäs' CEO, Per Lindberg handed over the helm to Petra Einarsson at the start of the year. Otherwise, no major organisational changes took place, and the focus is on the new organisations being built as investments in Gruvön and Skärblacka become a reality.

Important employee dialogue

A "pulse measurement", a mini-employee survey, was carried out in 2017. It measures the index for communicative leadership and the employer brand. The response rate was 76% and from a Group perspective the results showed a positive trend in the leadership index, from 73 to 75. At the same time, the employer brand index fell somewhat to 24. During the year, work was carried out to clearly set out the link between performance and salary level in pay development, especially for employees with individual salaries.

The target is for all employees to take part in performance reviews with their immediate superior. In 2017, 88.6 % of employees took part in performance reviews.

Diversity contributes to innovation and innovative solutions

Employees with different backgrounds and experiences make BillerudKorsnäs a more innovative, profitable and effective organisation. The training in diversity and inclusion attended by Group management and other senior executives in 2016/2017 is now being implemented in the organisation in various ways. One aspect is incorporating the diversity perspective when putting together teams, for example. Another

BillerudKorsnäs' target is to increase the proportion of women both as a whole and in management. This is a challenge in a traditionally male-dominated industry.



is conducting an ongoing discussion in the respective organisation with the aim of drawing up action plans that ensure the inclusion of the diversity perspective in recruitment, career development, assessment and skills development.

A better gender balance

BillerudKorsnäs' target is to increase the proportion of women, both overall and at managerial level. This is challenging in an industry that is traditionally dominated by men. BillerudKorsnäs has therefore taken several initiatives aimed at rectifying the under-representation of women in operational activities and at senior levels within the Group. A Group-wide diversity team has been tasked with develop-

ing a more ambitious target for diversity and surveying the risks of discrimination and unequal treatment. A review is being conducted to ensure that vacancies are advertised in a gender-neutral manner and to encourage the selection of the under-represented gender when candidates are equally qualified for the post.

In the longer term, initiatives are being taken to inspire girls and young women to apply for relevant training programmes. This involves, for example, working actively to ensure that 50% of annual summer workers are women and carrying out initiatives to encourage and increase an interest in technology. IGEday (Introduce a Girl to Engineering day) is an initiative by and for female engineers and engineering students.

BillerudKorsnäs is now the main sponsor and during the spring invited students aged 13–19 to visit the Swedish production units for a day of lectures and guided tours. In total, 86 students took up the opportunity to visit BillerudKorsnäs.

In line with new legislation, a Group-wide pay survey process has been in place since 2017. In 2017, this did not reveal any unjustified pay differences between women and men for comparable occupational groups, read more on page 115.

Active work to ensure compliance with regulations

BillerudKorsnäs has absolute zero tolerance of corruption and behaviours that conflict with applicable regulations under competition legislation. This work is founded on the company's Code of Conduct, policies and guidelines.

Efforts during the year primarily involved putting in place an effective training programme, continuing employee anti-corruption training, and making the whistleblower function accessible to more target groups.

The development of a framework for all the company's policies seeks firstly to develop the system that compiles all steering documents and sets out ownership and responsibility for updates. Secondly, it seeks to make them consistent in design and easier to understand and apply. With the structure in place, work is now in progress to ensure that the policies follow the same template and implementation method. In addition, procedures for updating policies and signing them off will be in place no later than 2019.

With regard to anti-corruption training initiatives, this year the emphasis was on face-to-face meetings with employees in the business areas with a focus on the Asian market, with the purpose of discussing challenges including anti-corruption and compliance with competition law in the respective market. An additional aim was to create direct communication channels as necessary for discussions on practical approaches should a dubious situation arise in real life. A total of about 70 employees were trained in 2017.

Internal and external whistleblowing function

BillerudKorsnäs' employees are already able to anonymously report serious irregularities via the whistleblower function. Reports are received by BillerudKorsnäs' chief legal counsel and those responsible for internal audits. Reports may also be made directly to the chair of the Audit Committee.

The whistleblower function was developed in 2017 and a new version will be launched in 2018. This will make the function accessible by external parties wishing to provide information

about actions that are not in line with our values and ethical principles, and that may seriously affect our organisation or a person's life or health. The function will also make it possible to conduct an anonymous dialogue with scope for follow-up questions. During the year one (1) report has been made via the function, which also led to further investigation. Other issues were handled within the framework of normal procedures for dealing with leadership and information issues.

No complaints about breaches of human rights or incidents involving discrimination or corruption were reported in our internal systems.

No significant fines or other sanctions due to breaches of the law were imposed on the company in 2017.

Beyond the inspection initiated by the European Commission on 7 March 2017, which is described in more detail on page 3, no legal action has been taken against the company regarding anti-competitive behaviour, cartels or monopolies.

Conclusions/summary

The number of work-related accidents fell in 2017 to 1.4 per 100 employees, approaching the target. This is likely to be the effect of systematic work on safety with IIF as a model, working towards the Group-wide zero vision.

The number of female employees in total at BillerudKorsnäs also increased, while the number of female managers needs to rise to meet the target. The company's zero tolerance for corruption and anti-competitive behaviour continues, with work focused on putting an efficient policy framework in place and making the whistleblower function accessible to more target groups. 2018 will see continued intensive work on issues under this commitment.

Looking ahead to 2018

- Continued focus on health and safety.
- In-depth risk assessment: generally for the company, specifically on the risks of establishing business in new countries.
- Work on creating systematic management and investigation of reports incoming via the whistleblower function.
- Systematic training initiatives in anti-corruption, competition law, etc. through e-learning and face-to-face meetings.
- New activity plan for the Group's diversity work will be developed.

INCREASED CUSTOMER VALUE – COMMITMENT 3

Improve our customers' business using our knowledge on sustainable packaging solutions

Target 2017

- Proportion of customers who consider that Billerud-Korsnäs' work on sustainability creates added value, 92%.

Outcome 2017

- Proportion of customers who consider that Billerud-Korsnäs' work on sustainability creates added value, 89%.

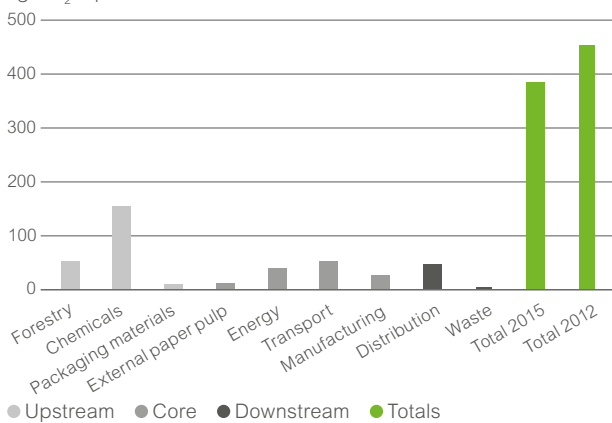
BillerudKorsnäs creates tangible business and social benefits by challenging conventional packaging. Based on solid expertise and innovation, packaging materials and solutions are offered that are resource-efficient, reduce waste, improve logistics efficiency and strengthen brands.

Investments that meet new needs and contribute increased capacity

The opportunities to meet customers' needs for increased volumes with increased efficiency are good thanks to the

Average greenhouse gas emissions liquid FC 2015

kg CO₂ eq/tonne



Environmental Product Declarations (EPD) for BillerudKorsnäs' Liquid LC published in 2018. Greenhouse gas emissions in a life cycle perspective, from the extraction of raw material to the delivery of products to customers and handling packaging waste from delivery, show an improved climate performance of 15% compared with the previous year's EPD.

investments now being made. When the new board machine at Gruvön is taken into production in the first quarter of 2019, it will be one of the largest machines of its kind in the world. With a view to the premium segment and the major liquid packaging board converters as customers, the new board machine is estimated to be capable of producing 550 000 tonnes of paperboard annually for liquid packaging board, cartonboard, food service board and liner.

During the year the move of the paper machine from Tervasaari to Skärblacka was completed, and Skärblacka will now become a world-leading centre for the production of machine glazed kraft paper, MG paper. The paper machine will be taken into production in spring 2018.

Product quality and customer service – strong drivers of customer satisfaction


The most recent customer survey, carried out in 2016, showed an increase in the cNPS (customer Net Promotor Score) for BillerudKorsnäs from 30 to 37. No new customer survey was carried out in 2017, which is why the result for the number of customers who considered that BillerudKorsnäs' sustainability work creates value was the same as 2016, 89%.

To further improve a systematic approach to product quality, the Secure Quality in Consumer Board programme has been introduced at Gävle, Frövi and Gruvön.

The programme increases the ability to define problems and the potential damage that the deviation may give rise to, in order to deliver a solution in the next step. The customer's involvement throughout the process is crucial, not least to ensure a tailored solution based on specific needs and requirements. The Secure Quality approach is to be implemented at all production plants in 2018. Customers must feel confident that they are receiving the same high product and delivery quality irrespective of the manufacturing production unit.

Moving forward in the value chain through strategic partnerships

Shaping strategic partnerships with converters and brand owners is an important step for BillerudKorsnäs in positioning ourselves further up the value chain. Partnerships may also involve exchanging knowledge, for example on consumer



Forming strategic partnerships with converters and brand owners is one way for BillerudKorsnäs to move up the value chain.

trends, packaging needs and trend-spotting. One example is Solution Services, which are geared towards customers with a need for improved packaging solutions. Improvements can cover everything from design to printing, manufacture, filling, logistics, end use and environmental performance.

Sharing knowledge about the product's environmental impact during a life cycle

To facilitate the customer's analysis and assessment of a product's environmental impact, in 2017 BillerudKorsnäs updated the Environmental Product Declarations (EPD) that transparently show the impact of ten out of the company's products from a life cycle perspective.

The result shows that climate performance has been improved by between 5 and 19% since 2012 when the previous EPDs were produced. The results also show that the greatest proportion of climate impact takes place in the production of the chemicals bought in. As described on page 42, BillerudKorsnäs has set climate targets that include this indirect impact of substances including chemicals. The EPD's can be found at billerudkorsnas.com/sustainability.

Product responsibility at every stage

Continuous governance, control and verification, and information on the use of the products, form the basis for ensuring product safety. The entire BillerudKorsnäs chain is included: development work, manufacturing, marketing, distribution and use of finished products, as well as waste management or recycling. Each business area then owns responsibility for ensuring that the right product is sold for the intended pur-

pose, while the production units are responsible for product safety in manufacturing.

Monitoring of product responsibility in 2017 shows that no breaches of legislation or voluntary codes of practice occurred regarding health and safety, product information and labeling or market communication. No complaints regarding breaches of customer privacy or confidentiality were made and no fines relating to product responsibility were imposed.

Conclusions/summary

The company's ambition to create tangible business and sustainability benefits for customers is emphasised by the initiatives for shaping strategic partnerships with converters and brand owners. The company's extensive investments in Gruvön and Skärblacka added additional important pieces of the jigsaw to support the commitment. Product responsibility monitoring shows no deviations.

Looking ahead to 2018

- Continuously work to strengthen customers' business in the form of solid knowledge on sustainable packaging solutions.
- Continuing to expand the volume of unique packaging solutions containing BillerudKorsnäs' material to brand owners in Managed Packaging.
- Implement Secure Quality as a Group-wide working method for product quality.

INCREASED CUSTOMER VALUE – COMMITMENT 4

Through innovation expand the market of renewable packaging materials

Target 2017

- Proportion of sales accounted for by new products, 15%.

Outcome 2017

- Proportion of sales accounted for by new products, 8%.

Innovation is a prerequisite for changing the driving forces in the market. For BillerudKorsnäs, innovation is about creative work to strengthen the role of renewable packaging materials and develop packaging solutions that efficiently meet the challenges of the future.

The Group-wide product development teams, including the one at Gruvön, ensure the current investment projects are implemented.



Established R&D organisation for innovative packaging solutions

BillerudKorsnäs' innovation work is concentrated primarily on two aspects: innovations in products and materials, and innovations that, with a strong solution-oriented focus, make new business models possible.

The company's R&D organisation comprises two technology centres, primarily concentrating their resources on creating new functionalities in packaging surfaces and in fibre-based packaging material. The Group-wide product development teams in Frövi, Gruvön, Gävle and Skärblacka are working in parallel to ensure the implementation of the ongoing investment projects.

Innovation that has a positive impact

To ensure continuous development that results in material and product launches within three to five years, BillerudKorsnäs measures the proportion of total sales in each segment accounted for by new products. The proportion of 2017 sales accounted for by new products was 8%, and the target was therefore not met. The main key factors that should be mentioned include the necessary efforts to safeguard the implementation of major investments in Skärblacka and Gruvön, as well as the efforts needed to tackle the production disruptions that occurred during the year.

However, the long-term goal remains, safe in the knowledge that BillerudKorsnäs is an innovative company with a good ability to translate ideas into new products and solutions. In the future, however, it will be important to further improve capacity to commercialise investments and innovations, so ensuring a more rapid translation into sales.

Clear focuses for challenging projects

Further development of materials and new applications for paper are required to challenge packaging in plastic, glass and aluminium. BillerudKorsnäs' research is currently being concentrated on the use of microfibrillated cellulose to produce lighter and stronger paperboard. Additional challenging projects are the development of the barrier area for dry and wet foods, as well as a project that will make it possible to produce our own green chemicals in the longer term.

BillerudKorsnäs Venture invests in innovative start-ups, in the three areas of focus: interactive packaging, packaging in cold chains and paper bottles made from primary fibre.

Cooperation is a key to success

Broad collaborative projects are valuable for more radical research results. One example is BillerudKorsnäs' commitment to Treesearch¹, a national platform for new materials and special chemicals from forest raw material. This is an initiative between industry and universities with financial support from the Knut and Alice Wallenberg Foundation and the Swedish State's research financiers, which has led to major investment in research and cooperation for a bio-based economy. The partnership with the research institute Innventia (now part of RISE) to develop board properties with the help of microfibrillated cellulose (MFC) at the Frövi production plant has moved on to the next phase. In 2017, BillerudKorsnäs joined the Norwegian biorefinery Borregard in conducting full-scale tests to add MFC to board production. In the short term, there are hopes to attain the same strength properties for paperboard products with less material, and in a longer perspective for the use of MFC to replace the barrier layer of plastic or aluminium. BillerudKorsnäs is also involved in several research projects in the Swedish collaborative programme Bioinnovation with support from Vinnova, and others. These projects are linked to areas such as the development of fibre-based bottles and extremely elastic paper.

Conclusion/summary

Deviation from the target must be seen in the light of the necessary efforts to safeguard the implementation of investments and the efforts needed to tackle the production disruptions. Otherwise, innovation work on products and material continues both at R&D's two technology centres and in broad collaborative projects with industry and academia.

¹ www.treesearch.se

Looking ahead to 2018

- Continued investments in R&D and new functionalities in packaging surfaces, and in fibre-based packaging material.
- Continued full-scale production tests at Frövi on using microfibrillated cellulose in board production.
- Intensify cooperation in the research platform Treesearch.

SUSTAINABLE AND BIO-BASED SOCIETY – COMMITMENT 5:

Combat climate change throughout the whole value chain

Target 2017

- Emissions of fossil carbon dioxide from fuels in production: 25.0 kg per tonne of product.
- Emissions of fossil carbon dioxide from fuels in production in total: 75 000 tonnes.
- Emissions of greenhouse gases from transport of products: 19.4 g per tonne km.
- Energy consumption: 5.28 MWh per tonne of product.

Outcome 2017

- Emissions of fossil carbon dioxide from fuels in production: 30.6 kg per tonne of product.
- Emissions of fossil carbon dioxide from fuels in production in total: 89 700 tonnes.
- Emissions of greenhouse gases from transport of products: 19.5 g per tonne km.
- Energy consumption: 5.34 MWh per tonne of product.

It is essential to help to combat climate change. BillerudKorsnäs works towards the goal of fossil-free production and minimising emissions throughout the value chain. The work is mainly aimed at phasing out fossil fuels from production, along with investments in energy efficiency and reducing indirect emissions.

Tough climate targets emphasise proactive work on reducing emissions

During the year, BillerudKorsnäs decided on climate targets in line with Science Based Targets. The decision includes long-term targets for direct and indirect emissions from BillerudKorsnäs’ own operations and for emissions from purchased goods and services. In the case of BillerudKorsnäs, this mainly involves the purchasing of chemicals and transport to and from the production units. The target for 2030 is for emissions

of greenhouse gases from BillerudKorsnäs’ production and purchased energy to be at least 59% lower than in 2016, and for emissions of greenhouse gases from sources not owned by BillerudKorsnäs to be at least 30% lower than in 2016. Science Based Targets is an initiative based on a partnership between CDP, the UN Global Compact, WRI and the WWF. The aim is to help companies determine how much they need to reduce their emissions to help ensure that the commitments made in the Paris Climate Agreement can be attained.

Steps towards a fossil-free plant

Renewable bio-energy accounts for 97.2% of BillerudKorsnäs’ fuel use in production. The focus is therefore on phasing out the remaining 2.8%, which consists of natural gas, oil and LPG, in favour of renewable fuel alternatives or new technical solutions. Progress has been made, for example, by replacing fossil oil with pitch oil in the majority of lime kilns.

To drive these efforts, a preliminary study was carried out in Skärblacka during the year to investigate what is required to make the plant fossil-free. The preliminary study also provides valuable guidance for the Group’s other plants in their work to phase out the fossil fuel entirely.

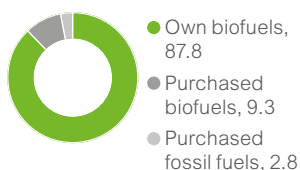
The target for 2017 is a maximum of 25 kg of carbon dioxide per tonne of product sold or 75 000 tonnes of carbon dioxide in total. The target was exceeded due to production disruptions caused by the use of oil and LPG.

Internal initiatives to map energy use

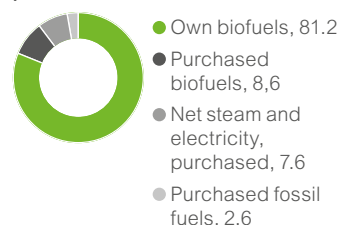
The Group’s energy consumption for the year amounted to 5.34 MWh per tonne of product, which means that the target was not reached, also due to production disruptions.

The energy survey launched in 2016 in accordance with an EU Directive is therefore an important tool for driving this work. The aim is to analyse each part of the business in order to iden-

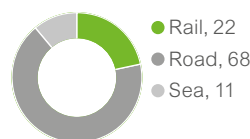
Use of fuel 2017, %



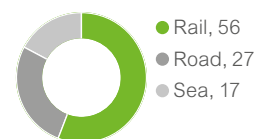
Energy consumption and production, 2017, %



Transport to production units 2017, %



Transport from production units 2017, %





One general way of reducing the company's greenhouse gas emissions is by optimising transport and combining different transport modes such that as high a proportion of goods as possible is sent by rail.

tify deviations and highlight examples of best practice. The survey will thus provide excellent assistance in steering measures and investments in the direction where they will have the greatest benefit. In 2017, investments totalling around SEK 20 million were made in energy-saving measures.

A sustainable transport strategy

During the year, the company formulated a sustainability strategy for transport and logistics aimed at clarifying ambitions, KPIs for follow-up and approaches to continuously reduce emissions and contribute towards the company's new climate goals. The 2017 target for emissions of greenhouse gases from transport of products was 19.4 g per tonne km. The target was almost reached, partly due to the increased proportion of biofuels in the truck transports of timber.

A general part of the improvement work consists of transport optimisation and combining different types of transport, so that the proportion of goods that can be handled by rail is as high as possible. The company's ambition is for 75% of land transport from the mills to be by rail by 2030 at the latest. The outcome for 2017 shows that 56 % of product deliveries from the mills were by rail. The transition to biofuels by transporters is also slowly starting to take off, as is the opportunity to operate heavier vehicles. For example, BillerudKorsnäs has exemptions to operate twelve departures a week with trains 730 metres long between Hallsberg and Malmö. In addition, new rules for more efficient transport with larger volumes of goods came into force in March 2017, which means that the maximum gross tonnage of trucks has risen to 74 tonnes. In the longer term, when roads and bridges have been adapted to a greater extent, this will have a good impact in the form

of lower emissions per transported tonne. Loads have already been increased thanks to a change in legislation.

A recognised sustainability ranking for investors sees BillerudKorsnäs highly rated

The Group was also included in the Dow Jones sustainability index, where this year BillerudKorsnäs was declared a sustainability leader in the Containers & Packaging category, ranking among the 10% most sustainable companies in the world.

Conclusion/summary

The Science Based Targets decided during the year are an important initiative to further show BillerudKorsnäs' determination to reduce its emissions throughout the whole value chain. This year's deviation from the targets is partly caused by the production disruptions during the year. Work is in progress to minimise impact in every way, including initiatives to phase out fossil fuels from production, to continue to survey energy use, and to reduce emissions in conjunction with transport and logistics with the help of a sustainability strategy.

Looking ahead to 2018

- Draw up a Group-wide action plan to realise the new climate targets.
- Use and realise the results of the energy survey.
- Implement and deliver in line with the sustainability strategy for transport and logistics.
- Continued focus on transport optimisation with as efficient routes and full returns as possible, primarily using IT solutions for logistics.

SUSTAINABLE AND BIO-BASED SOCIETY – COMMITMENT 6:

Generate value for society through collaboration, both locally and globally

Target 2017

- Provide work experience by arranging placements and careers introduction: 1 500 weeks of work experience per year

Outcome 2017

- Provide work experience by arranging placements and careers introduction: 1 324 weeks of work experience.

BillerudKorsnäs' business concerns and affects many people, sometimes entire local communities. The company's ambition is to contribute to local business, social initiatives and the

development of renewable, bio-based packaging materials for a society sustainable in the long term.

Local roots with the opportunity to have a positive impact

BillerudKorsnäs is the dominant private employer in the majority of locations in which the company operates. This means that the company has a direct impact on employment in the local area, as well as an important indirect impact by creating a market for local goods and services, as well as for basic public services and investments in infrastructure.

Another perspective is that a number of locations near the production units can use surplus heat from production. This is done through co-owned companies or supply agreements



Created jobs in addition to own employees

In 2017, 248 young people and newly arrived migrants carried out a total of 1 324 weeks of work experience, which is equivalent to 33 school years.

which in 2017 supplied the local district heating network with 967 GWh for mainly residential heating, equivalent to about 48 000 houses.

Dialogue with local communities

A number of channels are provided for stakeholders wishing to give their views on BillerudKorsnäs' operations, e.g. via the website, direct contact and consultation meetings. The company registers received comments and questions in internal systems with the aim of conducting an active dialogue with the target group on a solution or relevant measure. The number of community-related opinions received from local residents in 2017 was a total of 66 and mainly concerned odour and noise from the production units.

Work experience and careers introduction

In partnership with the Swedish Employment Service and a number of universities, BillerudKorsnäs takes part in the "Korta Vägen" project, which aims to get newly arrived graduates more quickly into work through six-month internships.

BillerudKorsnäs' production units also offer work experience within the Tekniksprånget and Jobbsprånget initiatives. Tekniksprånget is a trainee programme aimed at young people under 21 years of age, qualified to start an engineering degree, which offers a few months of work experience as an introduction to the engineering role. Jobbsprånget is a national work experience programme that matches the skills of newly arrived migrants with the needs of employers.

In 2017, 248 young people and newly arrived migrants carried out a total of 1 324 weeks of work experience, which is equivalent to 33 school years.

Inspiring competitions for the packaging of the future

BillerudKorsnäs engages in training in the field of design in order to challenge the creativity of today's students and awaken an interest in the packaging design of the future. For example:

- BillerudKorsnäs runs the Pack Challenge initiative jointly with Berghs School of Communication.
- This is a sustainability challenge in the form of a global e-competition for students, who are asked to use their innovation and creativity to come up with sustainable solutions for the packaging industry.
- The Packaging Impact Design Award (PIDA), which BillerudKorsnäs ran for the tenth time with leading schools for packaging designers in Germany, France and Sweden.

Targeted initiatives against plastic in the oceans and for biodiversity

BillerudKorsnäs has long been actively involved in Håll Havet Rent, Sweden's initiative to combat marine litter, and in a

partnership with the Tara Expeditions Foundation, a French ocean research platform seeking to draw attention to the appalling problem of plastic litter in the world's oceans. As part of the packaging industry, BillerudKorsnäs has an important task here in contributing towards a reduction by offering alternatives to plastic.

Work on sustainable forestry and biodiversity is also reflected in BillerudKorsnäs' financial support for the Swedish Society for Nature Conservation's White-Backed Woodpecker Project. The white-backed woodpecker is an endangered species in Sweden as its survival depends on the existence of deciduous woodland with plenty of dead wood. The project focuses primarily on release, feeding and measures to improve habitats in Swedish forests.

Important voice for driving change

The issue of the circular economy, with bio-based packaging materials playing an important role in the transition process, is at the top of the agenda in BillerudKorsnäs' dialogue with decision-makers at both national and European level. BillerudKorsnäs is working to emphasise the importance of taking the entire life cycle of the packaging material into consideration, and not only the level of recycling when making decisions on new statutory requirements. In addition, requirements are made for all types of packaging material to be collected. Additional important issues on the agenda are investments in and developing rail and more sustainable transport to drive development in the right direction.

Conclusion/summary

There was ongoing direct dialogue with the local community via a number of different channels throughout the year, resulting in important input that helps us to make further improvements. Commitment to driving the development of the packaging solutions of the future is clear in the number of competitions that BillerudKorsnäs has launched in this area and in participation in targeted initiatives to reduce plastic marine litter.

Looking ahead to 2018

- Add calculations of the actual values that BillerudKorsnäs' operations create locally.
- Continued intensive dialogue on industry-specific issues with decision-makers at national and European level.
- Continue to offer work placements and careers introduction in line with established models.
- Continued cooperation with the Swedish Society for Nature Conservation in selecting forest land for white-backed woodpeckers.

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Directors' report

The Board and CEO of BillerudKorsnäs AB (publ), corporate identity number 556025-5001, herewith submit the annual report and consolidated annual accounts for the 2017 financial year. Figures for the previous year are stated in brackets, 2017 (2016).

This English version is a translation of the Swedish original.

BillerudKorsnäs' EBITDA (gross margin) and operating profit improved in 2017, by SEK 154 million and SEK 196 million or 4% and 10% compared with 2016.

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 and North America.

During 2017 operations were divided into the three business areas: Packaging Paper, Consumer Board and Corrugated Solutions.

Packaging Paper offers premium-quality kraft and sack paper, plus smart solutions for customers in the industrial, medical equipment and consumer segments. 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. Smart solutions in terms of function, design and material selection create added value for customers.

Corrugated Solutions supplies materials to corrugated board manufacturers and packaging solutions to brand owners. The strong and light materials – fluting and liner – are used in corrugated boxes for fragile goods and demanding distribution systems. Smart packaging is delivered via the Managed Packaging concept, which provides supply chain solutions and packaging optimisation for brand owners, with a view to challenging conventional solutions.

The market was generally good for the Group's products in 2017. Sales volumes were in line with the previous year, limited to some extent by availability problems in production. The market situation for the Packaging Paper business area, and the market for all types of sack and kraft paper remains strong. Demand for Consumer Board was healthy, and deliveries for cartonboard were at the highest level since BillerudKorsnäs was formed. The order books for Corrugated Solutions remained strong. Group

sales to Asia in particular, but also to North and South America, developed positively, while sales to Africa declined slightly during the year. Around 30% of combined sales volume in 2017 took place outside Europe, representing a small rise compared with 2016.

Sales volumes by business area

| ktonnes | 2017 | 2016 |
|----------------------|--------------|--------------|
| Packaging Paper | 1 152 | 1 167 |
| Consumer Board | 1 081 | 1 051 |
| Corrugated Solutions | 542 | 554 |
| Total | 2 775 | 2 772 |

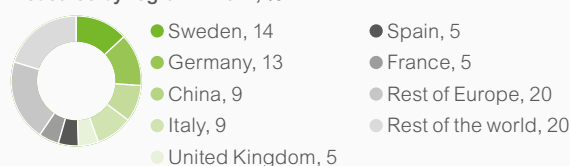
Net sales in 2017, %



Net sales by business area

| SEKm | 2017 | 2016 |
|------------------------|---------------|---------------|
| Packaging Paper | 8 529 | 8 339 |
| Consumer Board | 8 189 | 8 015 |
| Corrugated Solutions | 3 856 | 3 620 |
| Other units | 1 807 | 1 647 |
| Currency hedging, etc. | -36 | 36 |
| Total | 22 345 | 21 657 |

Net sales by region in 2017, %



Net sales by region

| SEKm | 2017 | 2016 |
|-------------------|---------------|---------------|
| Sweden | 3 128 | 2 763 |
| Germany | 2 900 | 2 918 |
| China | 1 970 | 1 375 |
| Italy | 1 935 | 1 923 |
| United Kingdom | 1 196 | 1 170 |
| Spain | 1 174 | 1 130 |
| France | 1 041 | 1 049 |
| Rest of Europe | 4 568 | 4 583 |
| Rest of the world | 4 433 | 4 746 |
| Total | 22 345 | 21 657 |

Financial targets

To support BillerudKorsnäs' target for profitable growth and return for shareholders, the following financial targets have been established:

- Long-term target for growth of 3–4% per year.
- The EBITDA margin should exceed 17%.
- 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.
- The dividend policy – the dividend should be 50% of net profit.

Sales and earnings

Net sales for the full year increased by 3% compared with the previous year. Sales volumes were in line with the previous year. Consumer Board contributed a 3% increase in sales volumes, which is in line with the Group's overall growth target of 3–4%, while cartonboard achieved record sales in 2017. Packaging Paper was level with the previous year, while Corrugated Solutions decreased by 2%. For Packaging Paper, the negative effect from the closure of Tervasaari was partly offset by continued strong conditions in Europe for sack paper and kraft paper, while demand from China and the rest of Asia remains favourable. Managed Packaging saw growth of 50% compared with the previous year. Favourable currency effects and better market prices in Packaging Paper and Corrugated Solutions also had a positive impact on net sales.

For comparable units, excluding Tervasaari, the highest ever annual production volume was achieved.

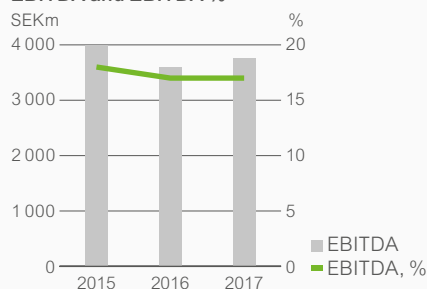
EBITDA rose by 4%, from SEK 3 606 million to SEK 3 760 million. Favourable pricing and currency developments were offset by higher variable costs, due in part to increased costs at the start of the year for purchases of external pulp for Frövi because of the rebuild of Rockhammar.

Total costs for ordinary maintenance shutdowns in 2017 were SEK 84 million higher than in 2016. Project costs for the new board machine at Gruvön and for making Skärblacka a world-leading MG centre had an impact of SEK 90 million (205) for 2017 on EBITDA.

Net financial items totalled SEK –138 million (–108). Profit before tax was SEK 2 103 million (1 937) and estimated tax was SEK –465 million (–419). Net profit totalled SEK 1 638 million (1 518).

Return on equity for the period was 12% (12) and return on capital employed was 12% (12). Return on capital employed adjusted for items affecting comparability (Note 6) which had an impact on operating profile of SEK 150 (350) million was 13% (14%). A dividend of SEK 4.30 per share is proposed (4.30).

EBITDA and EBITDA %



Five-year summary

| | 2017 | 2016 |
|--|--------|--------|
| Net sales, SEKm | 22 345 | 21 657 |
| Operating profit before depreciation/amortisation (EBITDA), SEKm | 3 760 | 3 606 |
| Gross margin (EBITDA), % | 17 | 17 |
| Operating profit/loss, SEKm | 2 241 | 2 045 |
| Operating margin, % | 10 | 9 |
| Return on capital employed, % | 12 | 12 |
| Profit/loss before tax, SEKm | 2 103 | 1 937 |
| Net profit/loss, SEKm | 1 638 | 1 518 |
| Earnings per share, SEK | 7.91 | 7.33 |

EBITDA¹ split by business area 2017, %



Gross margin (EBITDA)/margin by business area

| | 2017 | | 2016 | |
|------------------------|--------------|-----------|--------------|-----------|
| | SEKm | % | SEKm | % |
| Packaging Paper | 1 499 | 18 | 1 486 | 18 |
| Consumer Board | 1 767 | 22 | 1 723 | 21 |
| Corrugated Solutions | 834 | 22 | 829 | 23 |
| Other | –303 | | –469 | |
| Currency hedging, etc. | –37 | | 37 | |
| Total | 3 760 | 17 | 3 606 | 17 |

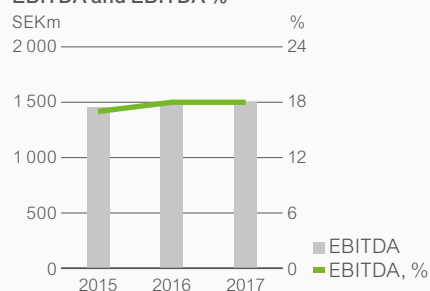
For quarterly data, see pages 123–124.

Operating segments

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 'Significant accounting policies' from page 84.

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.

EBITDA and EBITDA %**Packaging Paper**

| SEKm | 2017 | 2016 |
|--|--------------|--------------|
| Net sales | 8 529 | 8 339 |
| Operating expenses, net | -7 030 | -6 853 |
| EBITDA | 1 499 | 1 486 |
| <i>EBITDA, %</i> | <i>18%</i> | <i>18%</i> |
| Depreciation, amortisation and impairment losses | -464 | -496 |
| Operating profit/loss | 1 035 | 990 |
| <i>Operating margin</i> | <i>12%</i> | <i>12%</i> |
| Sales volumes, ktonnes | 1 152 | 1 167 |
| of which packaging paper | 740 | 746 |

Profit trend

EBITDA increased by SEK 13 million to SEK 1 499 million, and operating profit increased by SEK 45 million compared with 2016 to SEK 1 035 million, which represent an increase of 1% and 5%. The increase was primarily due to strong demand for sack and kraft paper. Sales volumes were slightly lower than in the previous year due to the closure of Tervasaari in September 2016. Prices for packaging paper in local currency were stable during the year and rose slightly during the second half of the year. Prices in local currency for market pulp rose during the year to USD 1 000 per tonne at year-end.

Market development

Order levels and the demand for both sack and kraft paper were strong throughout the year.

The market for NBSK pulp was stable during the year. Prices in Europe rose to approximately USD 1 000 per tonne at year-end, compared with approximately USD 810 per tonne at the beginning of the year.

Key events in 2017*Investment programme for efficiency*

The investment in Skärblacka with the aim of making Skärblacka a world-leading centre for manufacturing machine glazed kraft paper (MG paper) progressed according to plan. The investment saw the paper machine in Tervasaari in Finland move to Skärblacka in 2017. The Tervasaari machine is one of the largest MG paper machines in the world. In Skärblacka, it is being fully integrated with pulp production, which will give it a very competitive position in the market for white MG paper. Surface treatment capacity on Skärblacka PM7 will enable additional functionality that can be used in the areas of food packaging, medical packaging and release liners. The machine is being started up in the first quarter of 2018.

Launch of Mandrel machine for bag packaging.

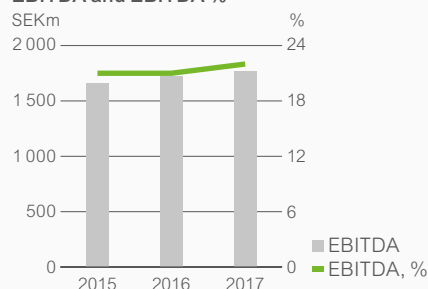
BillerudKorsnäs launched and sold the first Mandrel machines during the year a renewable, recyclable, dust-tight and insect-proof paper packaging for dry foods. The concept has been developed together with Bosch Packaging Technology (Bosch). The packaging is made from a specially developed paper, Axello ZAP, which is the only paper that is adapted to run in Vertical Form, Fill and Seal (VFFS) with the Bosch PME ZAP module.

Introduction of Axello Kraft on the North American market and the QuickFill Clean concept in Vietnam

BillerudKorsnäs launched Axello Kraft on the North American market during the year. Axello Kraft is used for smarter sugar packaging. BillerudKorsnäs introduced the QuickFill clean concept in Vietnam as part of an effort to reduce health risks due to dust generation in the filling of sacks.

Consumer Board

Consumer Board delivers packaging materials in high-quality 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.

EBITDA and EBITDA %**Consumer Board**

| SEKm | 2017 | 2016 |
|--|--------------|--------------|
| Net sales | 8 189 | 8 015 |
| Operating expenses, net | -6 422 | -6 292 |
| EBITDA | 1 767 | 1 723 |
| <i>EBITDA, %</i> | <i>22%</i> | <i>21%</i> |
| Depreciation, amortisation and impairment losses | -784 | -759 |
| Operating profit/loss | 983 | 964 |
| <i>Operating margin</i> | <i>12%</i> | <i>12%</i> |
| Sales volumes, ktonnes | 1 081 | 1 051 |

Profit trend

Compared with the full year 2016, net sales rose by 2%. The increase in volumes was 3%, which is level with the Group's growth target.

EBITDA rose by 3% compared with the full year 2016. That is higher than the sales increase, despite earnings at the start of 2017 being subject to the negative effects from 2016 in the form of quality-related costs for material produced in 2016 and startup problems at Rockhammar following the rebuild in 2016. The increase in underlying EBITDA was consequently around 7%. The increase was mainly due to improved production stability compared with 2016 and a more favourable exchange rate.

Market development

We see continued strong demand in the Consumer Board business area, and it is production capacity and availability that limit deliveries rather than demand. Deliveries of cartonboard rose by 13% over the year, and delivery volume was the highest since BillerudKorsnäs was formed.

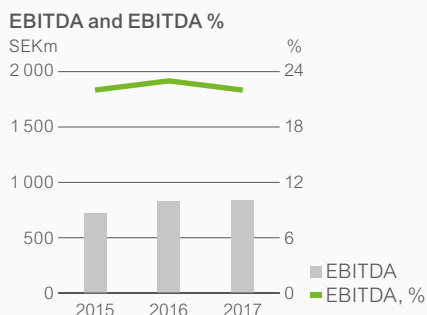
Key events in 2017

Next generation

A decision made at the end of 2016 on an investment programme totalling SEK 5.7 billion to meet the increasing demand for liquid packaging board and cartonboard. The investment will result in the construction of a new board machine at the Gruvön production plant and in refits at existing pulp mills. The board machine will have an annual capacity of 550 000 tonnes of board, making it one of the largest of its type in the world. The machine will produce liquid packaging board, cartonboard, food service board and liner. Work on the investment progressed during the year, and the project has unfortunately been affected by cost increases estimated at approximately 20% of the previously announced cost of investment. It is nevertheless anticipated that the machine will start according to plan during the first quarter of 2019.

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. Smart packaging is delivered via the Managed Packaging concept, which provides supply chain solutions and packaging optimisations, with a view to challenging conventional solutions.



Corrugated Solutions

| SEKm | 2017 | 2016 |
|--|------------|------------|
| Net sales | 3 856 | 3 620 |
| Operating expenses, net | -3 022 | -2 791 |
| EBITDA | 834 | 829 |
| EBITDA, % | 22% | 23% |
| Depreciation, amortisation and impairment losses | -178 | -182 |
| Operating profit/loss | 656 | 647 |
| Operating margin | 17% | 18% |
| Sales volumes, ktonnes | 542 | 554 |

Profit trend

Net sales for the full year 2017 were 7% higher than in 2016 owing to increased Managed Packaging sales, improved prices in local currency for fluting and liner, and favourable exchange rates.

EBITDA rose by SEK 5 million, and operating profit rose by SEK 9 million compared with the previous year, corresponding to an increase of 1%. The improvement is primarily due to improved pricing and positive currency effects, as well as lower delivery expenses. Lower sales volumes and increased fixed costs limited the earnings improvement.

Market development

The year began somewhat hesitantly in the market for fluting, but demand took off during the spring, driven in particular by an increasingly strong European market. The year then ended strongly with good order levels and an upward trend in prices. Demand for liner remained good throughout the year, with strengthened pricing. Managed Packaging grew successfully during the year but was adversely affected by volatile prices on the Chinese containerboard market where most of the packaging is procured.

Key events in 2017

Continued work on ensuring production volumes

Work on achieving the desired production capacity continued unabated during the year. We nevertheless had some independent events during the year that have had an adverse impact on annual capacity. The single greatest effect was the breakdown of the boiler for semi-chemical pulp at Gruvön that occurred in May, but was limited in extent thanks to very effective work to deal with the damage at the mill.

Work on value-based sale of material continued during the year and, together with a strong market, contributed to higher average prices during the second half of 2017, contributing to diminishing the impact of the disruptions to production.

Optimal packaging solutions for brand owners.

BillerudKorsnäs Managed Packaging, whose business model is based on integrated solutions, continuously analyses opportunities to optimise packaging for various sectors. An example from 2017 is the launch of a large packaging programme in Asia for a European shoe manufacturer. Managed Packaging creates value for the customer by optimising the packaging in terms of both design and choice of material and delivering these to more than 50 shoe factories in six countries. Another example is cooperation with a European sports chain, where transport packaging from the Asian markets is being adapted to facilitate handling and minimise breaks in flow at one of the chain's distribution centres in Europe. This operation expanded greatly during the year on both existing and new markets in Asia. Stable delivery of packaging to brand owners has now been established on six core markets, where China has long been the principal market. Growth during the year, on the other hand, has mostly taken place outside the Chinese market.

Safety, stability and product quality

Three initiatives were launched within BillerudKorsnäs during the year to improve health and safety, production stability and product quality. A behaviour-based safety programme is being implemented in health and safety. In production stability a number of company specialists have been recruited to support

and increase the focus in our mill-wide team in pulp production, paper/board production and maintenance. Product quality is to be improved through a systematic customer-focused TPM-based quality programme. The initiatives are crucial to safeguard Consumer Board's growth strategy, and started to bear fruit towards the end of the year.

Growth

Growth, which is measured as the increase in net sales adjusted for additions and deductions with amounts corresponding to the sales revenue of acquired and divested operations, was 3% in 2017.

| SEKm | 2017 | 2016 |
|---------------------------------------|---------------|---------------|
| Net sales | 22 345 | 21 657 |
| ScandFibre Logistics AB | -380 | 264 |
| SIA Freja | -1 | -7 |
| Net sales for comparable units | 21 964 | 21 386 |

Investments and capital employed

Gross investments in 2017 totalled SEK 4 261 million (1 645).

The most important investment events in 2017 were implementation of the large investment decisions made by the Board in 2016. The decision to build a cartonboard machine (KM7) at Gruvön is the largest investment decision in the company's history. As well as a new cartonboard machine (KM7), it includes adaptations of the pulp mill and the infrastructure at Gruvön to the new cartonboard machine. Production is expected to start in the first quarter of 2019.

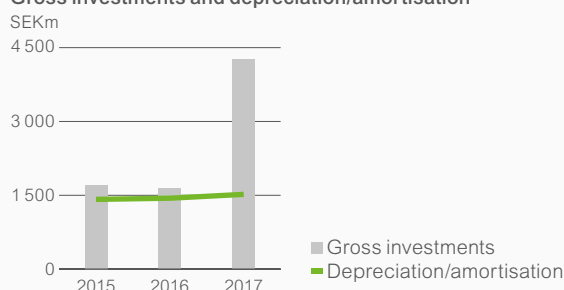
The relocation of an MG machine from Tervasaari in Finland to Skärblacka was also implemented during the year, meaning that it is being integrated with the pulp production. In addition, surface treatment equipment was installed on an existing MG machine to make more advanced products. Start-up of the relocated machine is planned for the first half of 2018.

At the time of the decisions, the investment decisions at Gruvön and Skärblacka were estimated at SEK 5.7 billion and SEK 1.3 billion respectively. It was noted in 2017 that the investment costs for the new cartonboard machine at Gruvön may increase by approximately 20% compared with the previously announced cost of investment. The cost increase is principally due to higher costs of the construction work.

BillerudKorsnäs' capital employed at 31 December 2017 totalled SEK 19 548 million (16 906). Return on capital employed, calculated over the past 12-month period, was 12% (12). Return on equity was 12% (12%).

Working capital in the fourth quarter was 9% (11) in relation to net sales.

Gross investments and depreciation/amortisation



Cash flow and financial position

Summary Cash Flow Statement

| SEKm | 2017 | 2016 |
|--|--------------|--------------|
| Operating surplus, etc. | 3 650 | 3 781 |
| Change in working capital, etc. | 242 | 332 |
| Net financial items, taxes, etc. | -576 | -371 |
| Cash flow from operating activities | 3 316 | 3 742 |
| Current net investments | -4 259 | -1 641 |
| Operating cash flow | -943 | 2 101 |

Cash flow from operating activities in 2017 totalled SEK 3 316 million (3 742) and operating cash flow was SEK -943 million (2 101). The decrease was mainly due to the level of investment increasing as a result of the investments at Gruvön and Skärblacka.

Net interest-bearing debt at 31 December 2017 was SEK 5 737 million (3 884). The ratio of Group net interest-bearing debt to EBITDA at the end of the period was 1.53 (1.08). BillerudKorsnäs' financial target for its net debt/EBITDA ratio is that it should be less than 2.50.

Financing

At 31 December 2017, interest-bearing loans totalled SEK 5 137 million (3 829). Of the interest-bearing loans, bond loans totalled SEK 3 500 million (1 800) and other interest-bearing debts SEK 1 637 million (2 029). Of the bond loans, SEK 1 500 million is due in 2018, SEK 300 million in 2021 and SEK 1 700 million in 2022. On 22 December 2017, BillerudKorsnäs issued a fixed-rate bond under its MTN programme. The proceeds from the issue, were received on 4 January 2018 and will therefore be recognised as a transaction in the first quarter of 2018.

The syndicated credit facility with a maximum limit of SEK 5 500 million falling due in 2022 was unused at year-end.

Capital Structure, Summary

| 31 December | 2017 | 2016 |
|----------------------------------|--------|--------|
| Capital employed, SEKm | 19 548 | 16 906 |
| Financing: | | |
| Interest-bearing net debt, SEKm | 5 737 | 3 884 |
| Interest-bearing net debt/EBITDA | 1.53 | 1.08 |
| Equity, SEKm | 13 811 | 13 022 |
| Net debt/equity ratio, multiple | 0.42 | 0.30 |

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 a combined earnings impact of SEK 4 million (-54) for 2017 (compared with if no hedging had taken place).

BillerudKorsnäs' outstanding foreign exchange contracts at 31 December 2017 had a market value of SEK -51 million, of which SEK 3 million is the portion of the contracts corresponding to accounts receivable that has affected earnings. Other contracts had a market value of SEK -54 million.

The hedged proportion of currency flows and the SEK exchange rates for EUR, USD and GBP at 31 December 2017 are shown in the table below.

Hedged proportions of currency flows for EUR, USD and GBP and exchange rates against SEK¹

| Currency | Q1 -18 | Q2 -18 | Q3 -18 | Q4 -18 | Q1 -19 | Total 15 months |
|---|--------|--------|--------|--------|--------|-----------------|
| EUR | | | | | | |
| Proportion of net flow | 84% | 80% | 78% | 77% | 75% | 79% |
| Exchange rate | 9.62 | 9.61 | 9.69 | 9.57 | 9.83 | 9.67 |
| USD | | | | | | |
| Proportion of net flow | 87% | 60% | 34% | 13% | – | 40% |
| Exchange rate | 8.77 | 8.25 | 8.30 | 8.24 | – | 8.49 |
| GBP | | | | | | |
| Proportion of net flow | 29% | – | – | – | – | 6% |
| Exchange rate | 11.17 | – | – | – | – | 11.17 |
| Market value of currency contracts ¹ | 5 | -19 | -11 | -24 | -2 | -51 |

¹ At 31 December 2017.

Tax situation

BillerudKorsnäs' effective tax rate is estimated normally at 21–23%. The tax expense for 2017 was SEK 465 million, equivalent to a tax rate of 22.1%. The tax expense for 2016 was SEK 419 million, equivalent to 21.6%.

Environmental and permit issues

BillerudKorsnäs has six production units in Sweden, one 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 the official permits necessary to conduct operations at the volumes produced in 2017. 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.

Under Chapter 6 Section 11 of the Annual Accounts Act, BillerudKorsnäs AB (publ) has chosen to prepare the statutory sustainability report as a separate report from the annual accounts on pages 6-9, 21-45, 68-72, 112–120 and a GRI index available at <https://www.billerudkorsnas.com/sustainability>. The report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standard.

Maintenance shutdowns

| Production unit | Maintenance shutdown cost 2017 | Estimated shutdown cost | Estimated distribution of shutdown cost by business area | | | Planned times for maintenance shutdowns | | |
|-----------------|--------------------------------|-------------------------|--|----------------|----------------------|---|------|------|
| | SEKm | SEKm | Packaging Paper | Consumer Board | Corrugated Solutions | 2018 | 2017 | 2016 |
| Gävle | 155 | ~ 140 | ~ 5% | ~ 80% | ~ 15% | Q3 | Q3 | Q3 |
| Gruvön | 155 | ~ 140 | ~ 40% | ~ 10% | ~ 50% | Q2 | Q2 | Q2 |
| Frövi | 115 | ~ 90 | – | 100% | – | Q4 | Q4 | Q4 |
| Skärblacka | 133 | ~ 120 | ~ 85% | – | ~ 15% | Q2 | Q2 | Q2 |
| Skärblacka | 30 | ~ 20 | 100% | – | – | – | Q3 | – |
| Karlsborg | 55 | ~ 55 | 100% | – | – | Q3 | Q3 | Q3 |
| Pietarsaari | 14 | ~ 15 | 100% | – | – | Q4 | Q2 | – |
| Rockhammar | – | ~ 15 | – | 100% | – | Q4 | Q4 | Q4 |

Maintenance shutdowns at Beetham have an insignificant effect on BillerudKorsnäs' total earnings.

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 0.6% (0.7) of BillerudKorsnäs' operating costs.

Seasonal effects

BillerudKorsnäs' business is to a relatively limited extent subject to seasonal fluctuations. Periodical maintenance shutdowns have the largest impact, as each production unit stops production for around one week. The loss of production results in somewhat lower deliveries over an extended period before, during and after the shutdown. BillerudKorsnäs' costs are relatively stable throughout the year. Fixed costs are slightly lower in the summer, however, due to fewer maintenance projects and holidays. 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. The principal cost items in a maintenance shutdown are loss of volumes arising from the shutdown and fixed costs, mainly maintenance and overtime costs, as well as a certain portion of variable costs including higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the extent of measures carried out, their nature and the actual length of the shutdown. The estimated cost of shutdown is an assessment of the impact on earnings of a normal shutdown, compared to a quarter during which no periodic maintenance shutdown takes place.

Other seasonal effects

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

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

Share structure

At 31 December 2017, share capital totalled SEK 1 537 642 792, represented by 208 219 834 shares. The number of shares on the market totalled 206 956 668.

At 31 December 2017, BillerudKorsnäs' holdings of treasury shares totalled 1 263 166, representing an increase of 132 668 shares compared with 31 December 2016. These bought-back shares are held as security for conditional rights in the long-term incentive programme.

A total of 314 690 shares were repurchased in 2017. A total of 182 022 shares were allocated under the long-term incentive programme in 2017.

Distribution of shares

| 31 December | 2017 |
|--|-------------|
| Registered number of shares at start of year | 208 219 834 |
| Repurchased shares in Company treasury | -1 263 166 |
| Shares on the market | 206 956 668 |

BillerudKorsnäs shares

The share capital of BillerudKorsnäs AB is represented by 208 219 834 ordinary shares, of which 1 263 166 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 the shares in the market. No other shareholder owned 10% or more of the total number of shares at 31 December 2017. 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 26. Agreements between the Company and other employees that regulate their own resignation or dismissal by the Company conform with normal labour market practice.

Parent company

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

Operating profit for 2017 was SEK -121 million, compared with SEK -27 million for 2016. The decrease was mainly due to the negative impact from hedging contracts and revaluations of trade receivables.

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. These earnings were SEK -4 million (-54) in 2017.

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.

The average number of employees was 107 (100). Cash and bank balances, and short-term investments amounted to SEK 18 million (516).

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 are 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 2017, SEK 0 million (0) was attributable to the parent company.

Exchange rate exposure

All forward foreign exchange contracts for the Swedish operations are taken out by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish, Finnish and British 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 2017, foreign exchange contracts not yet recognised in profit/loss for the parent company nominally totalled SEK 4 422 million (4 562), of which SEK 3 537 million will be recognised in profit/loss in 2018 and SEK 885 million in 2019.

Interest rate risk

The Group's borrowing is conducted primarily via the parent company and accounted for 90% (86%) of the Group's total borrowing at 31 December 2017. 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 in Note 19, non-restricted equity in the parent company, BillerudKorsnäs AB, totalled SEK 6 565 million at 31 December 2017.

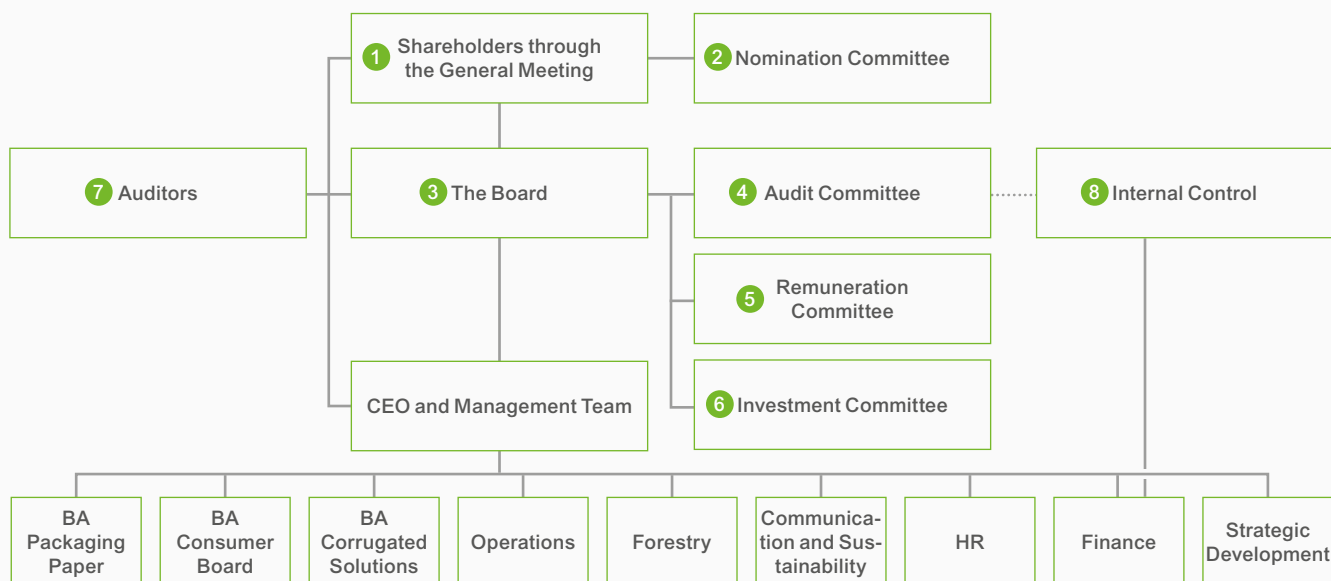
BillerudKorsnäs' financial targets state that dividend is to be 50% of net profit and that the ratio of interest-bearing net debt to EBITDA is to be less than 2.5. Group interest-bearing net indebtedness in relation to EBITDA at the end of 2017 was 1.53 (1.08) times. BillerudKorsnäs' Board of Directors proposes that, of the earnings per share of SEK 7.91, SEK 4.30 per share be paid to shareholders and that the remaining amount be carried forward.

Events after the close of the financial year

See Note 29 for Events after the close of the financial year.

Corporate governance in BillerudKorsnäs

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 2017 has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The report has been reviewed by BillerudKorsnäs' auditor, see pages 109-111.



Corporate governance in BillerudKorsnäs

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
- BillerudKorsnäs' internal policy regulations
- 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.corporategovernanceboard.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 2017, as in previous years, BillerudKorsnäs deviated from the Code's rules that Board members should not also be the chairman of the Nomination Committee. This deviation from the Code is explained in more detail in the Nomination 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 2017, the total number of shareholders was 97 469, compared with 96 098 at the previous year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 39.1% (41.2) of the number of shares on the market. Other groups of shareholders consisted of private individuals' holdings in Sweden, at 20.8% (19.3), and legal entities in Sweden, at 40.1% (39.6). The largest shareholder, Frapag Beteiligungsholding AG, owned 31 300 000 shares, corresponding to 15.1% of shares on the market. No other shareholder owned 10% or more of the number of shares at the end of 2017. Further details about the company's shares, shareholders, and the like are presented in the section "BillerudKorsnas shares", and on the company's website, www.billerudkorsnas.com.

1 General meeting of shareholders

A general meeting of shareholders in BillerudKorsnäs is the company's highest decision-making body. Shareholders exercise their voting rights at general meetings of shareholders. Notice of general meetings of shareholders 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 meeting of shareholders are disclosed after the meeting in a press release, and the minutes of the meeting are published on the Company's website.

2017 Annual General Meeting

The 2017 AGM took place on 10 May 2017 at Hotel Rival in Stockholm, and addressed matters customarily dealt with at the AGM. The AGM voted to re-elect the Board members Andrea Gisle Joosen, Bengt Hammar, Mikael Hellberg, Lennart Holm, Michael M.F. Kaufmann and Kristina Schauman to the Board, to elect Victoria Van Camp 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 2017). The minutes and other documents from the AGM are available on the Company's website.

2018 Annual General Meeting

BillerudKorsnäs' 2018 AGM will take place at 3 p.m. on 15 May 2018 at Hotel Rival, Mariatorget 3, Stockholm, and notice of the AGM will be issued in the first half of April 2018. Shareholders wishing to add an item to the agenda of the AGM may, in accordance with the instructions on the Company's website, propose the item to the Company no later than seven weeks before the meeting.

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 2018 AGM, including details of how to register for attendance at the meeting, is posted on the Company's website.

2 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 people appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2018 AGM. The composition of the Nomination Committee is based on ownership statistics on the last day of trading in August 2017. For further information about the Nomination Committee instructions, see the website www.billerudkorsnas.com.

The Nomination Committee held several meetings prior to the 2018 Annual General Meeting, as well as contacts between meetings by telephone and e-mail. In accordance with instructions on the company's website, shareholders were welcome to present proposals and opinions to the Nomination Committee by e-mail or post. Under the Code, Nomination Committee's reasoned statement concerning the Nomination Committee's proposal to the Board should include a brief description of the diversity policy which the Nomination Committee has applied in drawing up its proposal to the Board. The Nomination Committee has stated that it has applied rule 4.1 of the Code as diversity policy. There is a special section on the company's website www.billerudkorsnas.com headed "Nomination Committee" containing further information about the Nomination Committee and its proposals to the annual general meeting.

Composition of and voting representation on the Nomination Committee

| Representative | Shareholder | Share of voting power, % ¹ |
|-----------------------|-------------------------------|---------------------------------------|
| Michael M.F. Kaufmann | Frapag Beteiligungsholding AG | 15.1 |
| Tomas Risbecker | AMF Insurance and Funds | 9.8 |
| Lennart Francke | Swedbank Robur funds | 4.7 |
| Thomas Wuolikainen | Fourth AP Fund | 3.9 |

¹ At 31 December 2017.

Board member Michael M.F. Kaufmann was appointed Chairman of the Nomination Committee prior to the 2018 Annual General Meeting. 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 2018 AGM, the chairman of the Nomination Committee should be the Board member appointed by the major shareholder. Michael M.F. Kaufmann has directed the work of the Nomination Committee in recent years.

3 The Board
Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs has to consist of not fewer than six members and not more than ten members, with no more than six deputies. The 2017 AGM established that the Board of Directors should consist of seven members elected by the meeting, without deputies, namely Lennart Holm (Chairman), Michael M.F. Kaufmann (Deputy Chairman), Andrea Gisle Joosen, Bengt Hammar, Mikael Hellberg, Kristina Schauman and Victoria Van Camp. In addition, the employee organisations have appointed two employee representatives to serve on the Board. These are Gunnevi Lehtinen Johansson and Nicklas Johansson, and as deputies, Ulrika Gustafsson and Bo Knöös. 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 four 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 66 – 67.

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 has also established a number of general policies for the Company's activities. They include the Company's code of conduct, which summarises the Company's responsibilities, values and goals.

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 considers the year-end report and the annual report, as well as matters 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 an extra meeting primarily dedicated to strategy issues.

Work of the Board in 2017

The Board held 14 meetings in 2017, including the constitutive meeting. For information on attendance at these meetings, see table below. 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 receives regular reports on the Company's financial position. At ordinary meetings, reports are submitted about ongoing work relating to business areas and Group functions.

During the year, the Board focused strongly on production-related issues, with regard both to measures to achieve improved stability in existing production capacity and to follow-up and monitoring of the major new investment projects in progress. These relate to the investment in a cartonboard machine at the Gruvön production facility and the investment in development

Attendance at board meetings and committee meetings

| Member | Position | Board meetings ¹ | Audit Committee meetings ² | Remuneration Committee meetings | Investment Committee meetings |
|--------------------------------|-----------------|-----------------------------|---------------------------------------|---------------------------------|-------------------------------|
| Lennart Holm | Chairman | 14/14 | | 8/8 | 3/3 |
| Michael Kaufmann | Deputy chairman | 13/14 | | 8/8 | 3/3 |
| Andrea Gisle Joosen | Member | 12/14 | 3/3 | | |
| Bengt Hammar | Member | 13/14 | | | 3/3 |
| Mikael Hellberg | Member | 14/14 | 5/5 | 8/8 | |
| Gunnevi Lehtinen Johansson | Member | 14/14 | | | |
| Nicklas Johansson | Member | 14/14 ³ | | | |
| Kristina Schauman | Member | 14/14 | 5/5 | | |
| Victoria Van Camp ⁴ | Member | 9/10 | | | 2/3 |

¹ Jan Homan, Gunilla Jönson and Kjell Olsson (employee member) were members of the Board up to the 2017 AGM. Jan Homan and Kjell Olsson were absent from one (1) and three (3) meetings respectively in 2017. Gunilla Jönson was not absent from any meeting.

² Jan Homan was a member of the Audit Committee up to the 2017 AGM, but was subsequently replaced by Andrea Gisle Joosen, who thus was only able to attend the three (3) meetings held subsequently. Jan Homan was not absent from any meeting.

³ Nicklas Johansson was a deputy member at the start of the year, and later replaced Kjell Olsson as a member.

⁴ Victoria Van Camp was elected as a new Board member at the 2017 AGM, and was able only to attend the ten (10) Board meetings and two (2) Investment Committee meetings held thereafter.

of the production facility at Skärblacka into a world-leading centre for the manufacturing of machine-glazed kraft paper (MG paper). The Board also worked on strategically important issues, such as potential company acquisitions, including the intended acquisition of Bergvik Skog Öst which was communicated at the end of 2017 which had previously been discussed in detail by the Board on several occasions. In addition, the Board worked on the recruitment of a new CEO during the third quarter of 2017. Other recurring issues on the Board's agenda are the company's work on sustainability, innovation issues and health and safety. Presentations on the BillerudKorsnäs business areas by the heads of the business areas were made at the annual strategy meeting.

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. With respect to 2017, a detailed assessment of the Board's work was conducted by an external consultancy, including in-depth interviews with each member of the Board. 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 assesses 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.

4 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 and general taxation issues that affect the quality of the Company's financial reporting. With regard to financial report-

ing, 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 general meetings on the election and remuneration of auditors.

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

Work in 2017

The committee held five meetings in 2017. For information on attendance at these meetings, see table on page 56. During the year, the committee addressed auditing issues, audit plans for 2017, enterprise risk management, internal control, 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".

5 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 2017

The committee held eight meetings in 2017. For information on attendance at these meetings, see table on page 56. In 2017, the committee considered bonus payments in 2016, and salary reviews for the Senior Management Team in 2017. The committee also addressed the outcome of LTIP 2014, evaluation of the LTIP 2017 incentive programme and the structure of the LTIP 2018 incentive programme. In addition, the committee discussed remuneration issues regarding the company's newly appointed CEO Petra Einarsson. The guidelines on remunera-

tion to the CEO and other senior executives, as well as the actual figures, are contained in Note 26.

6 Investment Committee

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, Michael Kaufmann and Victoria Van Camp.

Work in 2017

The committee held three meetings in 2017. For information on attendance at these meetings, see table on page 56. In 2017, principally considered issues concerning follow-up of the two major investments at Gruvön and Skärblacka. The committee also considered issues concerning other strategic growth opportunities such as company acquisitions, focusing in particular on the potential acquisition of Bergvik Skog Öst.

7 Auditors

The Company's auditors are appointed by the general meeting of shareholders. At the 2017 AGM, the 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 2018 AGM. Ingrid Hornberg Román is currently also auditor for Apoteket AB, BAE Systems Bofors, BAE Systems Hägglunds, EQT Partners and Linas matkasse.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing interim reports and the year-end accounts in order to assess their accuracy and comprehensiveness and compliance of the accounts with generally accepted accounting practices and relevant accounting policies. Duties also include informing the Board about services provided over and above auditing services, the compensation for such services, and other circumstances affecting the independence of the auditors. To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, BillerudKorsnäs' auditors met with the audit committee on five occasions and the Board, without the presence of the senior management, on one occasion in 2017.

CEO and senior management team

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

The CEO and the Senior Management Team (SMT) are jointly responsible for daily operations. The CEO has 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) Senior Vice President Production and the heads of the group functions Forestry, Communication and Sustainability, HR, Finance and Technology & Strategic Development. In March 2018, the role as Executive Vice President was removed from SMT. For further information about the members of the SMT, see pages 64–65.

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.

8 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 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" on pages 62–63.

Guidelines for remuneration to senior executives

The 2017 AGM adopted guidelines on the remuneration of senior management in the Group. The guidelines state, for example, that BillerudKorsnäs has to 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 expertise 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%. However, variable remuneration is to 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 is to be a maximum of 12 months' salary.

For the complete resolution on principles for remuneration, see Note 26. The Board's proposal for guidelines in 2018 is presented in the section "Remuneration at BillerudKorsnäs".

Remuneration at BillerudKorsnäs

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

BillerudKorsnäs has a clear approach to remuneration that is based on principles of competitive national and regional pay levels that help attract, retain and develop the brightest talent. The approach to remuneration is intended to support BillerudKorsnäs, the Group's managers and the employees in realising BillerudKorsnäs' vision and operating targets.

The purpose of long-term incentive programmes and guidelines for remuneration is to support BillerudKorsnäs by encouraging employees in key roles to feel a clear sense of ownership regarding fulfilment of the Group's overall objectives and strategies. 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.

Components of remuneration in BillerudKorsnäs

Fixed salary

Fixed salary is based on market pay levels and is set on the basis of a pay scale taking account of experience, skills and area of responsibility. Fixed salary is reviewed annually in the

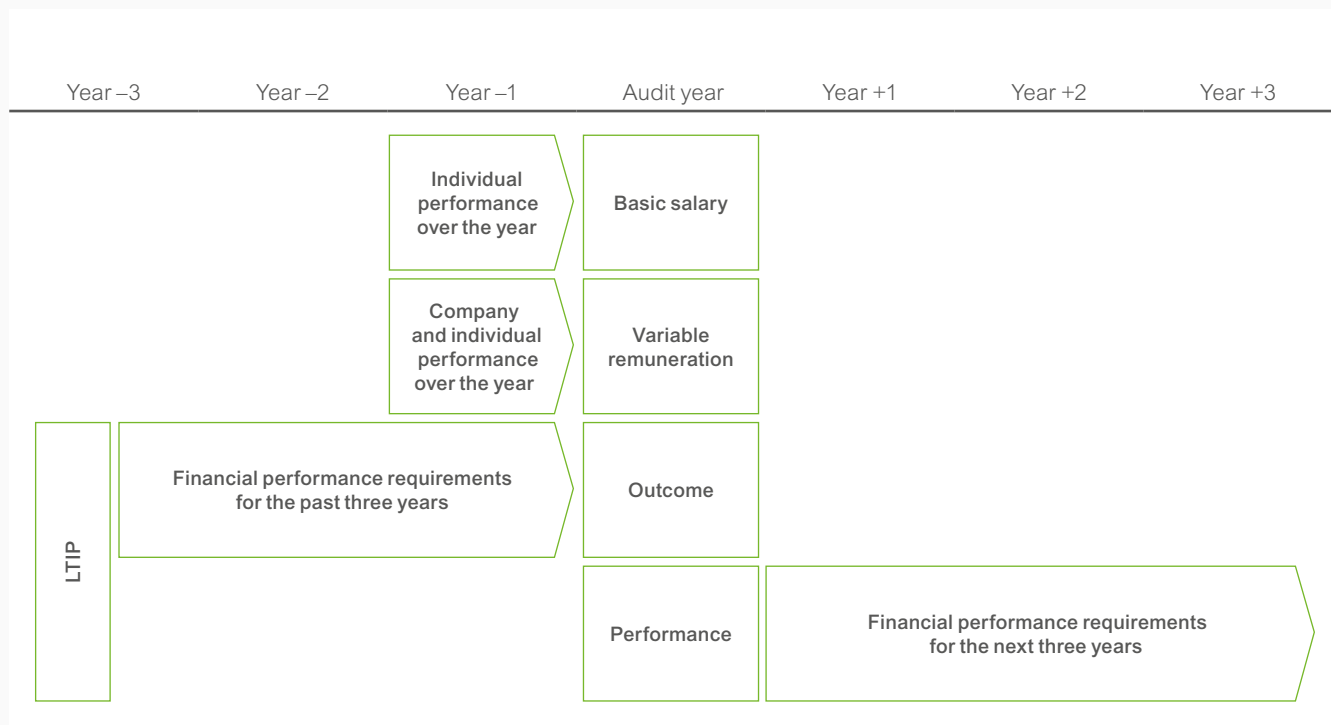
pay review, where pay is considered in accordance with performance and relative pay levels for the role in relation to the external market.

Variable remuneration

Variable remuneration is paid depending on actual results measured against detailed targets, up to a set maximum percentage of fixed annual salary. The Company uses general variable remuneration for all staff to highlight the link between individual performance the Company's earnings. Variable remuneration is paid only if the Company makes an operating profit.

Long-term share-based incentive programme (LTIP)

The purpose of an 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 to those of the shareholders. To participate in the programme, participants must make their own invest in BillerudKorsnäs shares. The LTIP runs over three years



Long-term incentive programme (LTIP)

| Programme | Number of participants | Savings shares | Max. allocation of BillerudKorsnäs shares | Shares to cover costs ¹ | Percentage of total number of shares/ votes | Estimated cost (of which social security costs), SEKm | Maximum cost (of which social security costs), SEKm | Operating profit for 2017 is charged with, SEKm |
|-----------|------------------------|----------------|---|------------------------------------|---|---|---|---|
| 2015 | 58 | 45 800 | 189 710 | N/A | 0.1% | 16 (5) | 42 (24) | 2 |
| 2016 | 77 | 51 912 | 212 592 | N/A | 0.1% | 19 (6) | 57 (37) | 6 |
| 2017 | 84 | 59 646 | 249 702 | N/A | 0.1% | 15 (5) | 63 (41) | 3 |

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

and the outcome depends on the achievement of various financial and share price-linked performance requirements.

Retirement

BillerudKorsnäs offers pension benefits under a collective agreement (i.e. ITP1, ITP2 and SAF-LO) and offers a solution for employees with fixed pay above 10 income base amounts in terms of special advice and, where appropriate, a managerial pension plan.

Other benefits

These are set according to role and market-based remuneration and mainly take the form of car allowance and private medical insurance.

Long-term incentive programme (LTIP)

The 2010–2017 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2017) 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 2013–2017, 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 the CFO have been allocated one matching share right and four performance share rights for each savings share they allocate to the 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 throughout the vesting period must remain an employee of the BillerudKorsnäs Group and must not sell their savings

shares dedicated to the programme concerned. The rights are assigned to an individual and cannot be transferred or pledged. They do not grant shareholder rights and no adjustment for dividend is made. For half (50 percent) of the Matching share rights allocated to participants under LTIP 2015, LTIP 2016 and LTIP 2017, the total share return on BillerudKorsnäs shares (TSR) for the period of measurement must exceed 0 percent in order for them to entitle holders to be allocated BillerudKorsnäs shares.

For rights to performance shares under LTIP 2015, additional financial performance targets must be met.

The requirements are based on:

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

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

For rights to performance shares under LTIP 2016 and 2017, the following financial performance targets must be met.

The requirements are based on:

- (a) BillerudKorsnäs' annual organic growth,
- (b) BillerudKorsnäs' average EBITDA margin (gross margin).

Performance requirements (a) and (b) grant shares on a straight-line basis between minimum and maximum levels. LTIP 2017 is also dependent on total return (TSR).

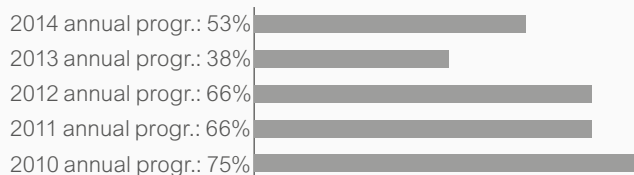
Completed long-term incentive programmes (LTIP 2010, LTIP 2011, LTIP 2012, LTIP 2013 and LTIP 2014)

The AGMs held in 2010, 2011, 2012, 2013 and 2014 resolved to introduce long-term incentive programmes (LTIP 2010, LTIP 2011, LTIP 2012, LTIP 2013, LTIP 2014) for BillerudKorsnäs for the period 2010–2012, 2011–2013, 2012–2014, 2013–2015 and 2014–2016 respectively, and 218 802, 68 472, 162 991, 138 184

and 176 099 shares respectively were allocated to the participants under the programmes. The proportion of performance targets met for the programme was 75%, 66%, 66%, 38% and 53% respectively. Dilution of outstanding shares was less than 0.1% per programme. The total cost of the programmes was carried as an expense on an ongoing basis in 2010–2017.

Historical data, completed long-term incentive programmes

Percentage of performance criteria set



Guidelines for remuneration of senior executives 2018

The Board proposes that the 2018 AGM approve the following guidelines for remuneration to senior executives. Senior management includes the CEO and other members of the Senior Management Team.

BillerudKorsnäs shall apply remuneration levels and employment terms that are in line with market practice in order to recruit and maintain a management team with a high level of competence and capability of achieving established goals. The remuneration shall motivate executives to do their utmost to secure the shareholders' interests. The remuneration may be in the form of fixed salary, variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be set in relation to competence, area of responsibility and performance. The variable remuneration is based on outcomes in relation to established goals and shall

be set to a maximum of 33.75% of the annual fixed salary for the senior management team and a maximum of 70% for the CEO. However, the variable remuneration shall only be paid on condition that the BillerudKorsnäs Group's operating result is positive. Long-term incentive programmes in the Company shall primarily be linked to certain predetermined financial and share price related performance criteria. The programmes shall ensure long-term commitment to the development of the Company and shall be implemented on market terms. Long-term incentive programmes shall run for at least three years. For more information of the existing long-term incentive programmes, see the Company's website.

Pension benefits shall either be defined-benefit or defined-contribution and will normally entitle pension from the age of 65. In certain cases, the retirement age may be lower, although 62 is the lowest age of retirement. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay is to 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.

It is to be possible in certain cases for members of the Board elected by the general meeting of shareholders to receive fees for services in their respective areas of expertise which do not constitute Board work. Compensation for these services shall be paid at market terms and be approved by the Board.

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

See Note 26 for the 2017 guidelines.

Internal control and risk management for financial reporting

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.

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 Tradeway Commission (COSO). These principles consist of the following five components:

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

For more information about BillerudKorsnäs' corporate governance work, please see the section Corporate Governance at BillerudKorsnäs on pages 54–58.

1 Control Environment

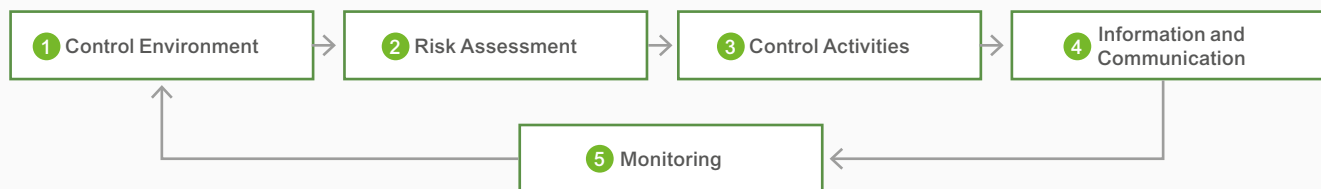
Control environment encompasses matters such as how targets are set, how valuations are monitored and how risks are managed. A good control environment is based on an organisational structure with clear decision-making paths and a corporate culture with shared values and an awareness among individuals 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 a good standard of financial reporting and ensure that the Company is audited in an professional, efficient and independent way. The work of the audit committee is described in more detail on page 57.

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 is to understand his or her role in the work to maintain adequate internal control. These include an operating policy, code of conduct, financial policy, authorisation instruction, accounting and reporting instructions and credit guidelines. BillerudKorsnäs' shared service centre ensures effective and uniform management of financial processes through the development of uniform procedures and control systems. 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 takes place continually in BillerudKorsnäs' day-to-day processes. The Company has a Group Risk Management function with responsibility for Enterprise Risk Management (ERM), loss prevention and Group-wide insurance programmes. Within



the framework of ERM, the company continuously monitors items where there is an increased risk of material error, and ensures that adequate control activities are in place. ERM activities are reported twice per year to the Board.

For information regarding financial risk and important items subject to appraisal and assessment, please see the Risk Management and Sensitivity Analysis section and Note 35.

Control activities aim at preventing, detecting and correcting 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 implementing units.

The Company has an internal control function whose purpose is to ensure good internal control and quality in financial reporting. This function implements processes and regulations 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. As part of the internal control work, a self-assessment is made of internal controls which means that the person responsible for control in each case identifies and assesses their controls. Improvement measures are introduced according to a plan which is prepared with the internal control function. The measures are then followed up during the coming financial year, when a new self-assessment is carried out. The results of this work are included in the annual reporting of the internal control function 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 and management system. Relevant employees are regularly informed of amendments and updates to these. Work took

place during the year to develop the Group's policy framework for the purpose of ensuring completeness and uniformity on formulation, ownership and responsibility for updates.

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. The whistleblower function was developed in 2017 so that it will also be available to external target groups such as customers and suppliers and to include the option of reporting in several languages. It is planned that the updated function will be launched in 2018.

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" 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.



Christer Simrén

Paulina Ekvall

Uno Brinnen

Susanne Lithander

Magnus Wikström

Peter Jhaveri

Senior Management Team

Petra Einarsson

President and CEO

Education: MSc in Economics and Business, Uppsala University.

Year employed: 2017

Year born: 1967

Other assignments: Member of the Board of SSAB and the Confederation of Swedish Enterprise.

Background: CEO of Sandvik Materials Technology. Member of the Board of the Swedish Association of Industrial Employers.

Shareholding¹: 3 000

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: Member of the Board of Brenderup Group AB

Background: CEO of Korsnäs AB and Wermland Paper AB. Member of the management team of Kinnevik. Chairman of the Board of Grycksbo Paper Holding AB.

Shareholding¹: 63 269

Christer Simrén leaves BillerudKorsnäs in the beginning of 2018.

Mikael Andersson

Senior Vice President Corrugated Solutions

Education: MSc in Chemistry, Karlstad University. Executive MBA, Mgruppen.

Year employed: 2016

Year born: 1968

Other assignments: –

Background: Area VP, Nalco Water, Sales Director BillerudKorsnäs AB, VD Bycosin AB.

Shareholding¹: 5 825

Uno Brinnen

Senior Vice President Forestry

Education: MSc in Forestry, Swedish University of Agricultural Sciences (SLU), Umeå. Licentiate Degree in Forestry, Swedish University of Agricultural Sciences, Garpenberg.

Year employed: 2012

Year born: 1956

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

Background: Director of Forestry, Korsnäs AB.

Shareholding¹: 9 000

Paulina Ekvall

Senior Vice President Corporate Human Resources

Education: Personnel and Working Life Line, Lund University, Ruter Dam Manager Development Programme, Ascend Executive Management Leadership Programme, Cape Town University, South Africa.

Year employed: 2017

Year born: 1968

Other assignments: –

Background: Sr Dir HR Arla Foods AB, VP HR Unilever Nordics, HR Director Nordics Johnson&Johnson Consumer, HR Director Pfizer Health AB, Head of HR Swedish Prison and Probation Service.

Shareholding¹: 1 000



Ulf Eliasson

Johan Nellbeck

Petra Einarsson

Henrik Essén

Mikael Andersson

Ulf Eliasson

Senior Vice-President Production

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

Year employed: 2012

Year born: 1962

Other assignments:

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

Shareholding¹: 4 893

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: Board Member of ACE (Alliance for Beverage Cartons and the Environment), deputy Board member of the Kempe Foundations.

Background: Senior consultant at AF AB and Pöryr Forest Industry Consulting AB.

Shareholding¹: 10 346

Peter Jhaveri

Senior Vice President Consumer Board

Education: MSc in Engineering, Lund University

Year employed: 2017

Year born: 1964

Other assignments: –

Background: CEO Tetra Recart AB, CEO Tetra Pak Malaysia, Singapore & Phillipines.

Shareholding¹: 4 200

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.

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

Shareholding¹: 2 564

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 and FreeForm Packaging AB.

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

Shareholding¹: 10 000

Magnus Wikström

Chief Technical Officer (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 Wallenberg Wood Science Center and EcoXpac A/S.

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

Shareholding¹: 6 119

¹ Own and related parties' shares at 1 March 2018.

Board of Directors

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 the Board of Axolot Solutions AB, Hamnkrogen i Helsingborg Holding AB, Nexam Chemical Holding AB, Wellbo Fastighetsutveckling AB and Vida AB. Member of the Board of Holm och Gross Holding AB, Polygiene AB, Preventic Group AB and Re-Finance Scandinavia AB.

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

Shareholding¹: 3 000

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

MICHAEL M.F. KAUFMANN

Board member since 2005, Deputy Chairman of the Board and member of the remuneration committee

Education: MBA, Universities of Stuttgart and Erlangen-Nürnberg.

Year born: 1948

Other assignments: CEO, Frapag Beteiligungs Holding AG, Hartmann Liegenschaftsverwaltung GmbH, Kleinsölk Forstwirtschaftsverwaltung GmbH, MIKA Classic Cars GmbH and MIKA Privatstiftung. Chairman of the Board, Frapag America, Inc, HKW Privatstiftung, By Out Europe II, Frapag Slovakia and Grimmig Holding Romania.

Background: Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.

Shareholding¹: 17 250

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

ANDREA GISLE JOOSEN

Board member since 2015, member of the audit committee.

Education: MSc International Business, Copenhagen Business School.

Year born: 1964

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

Background: CEO of Boxer TV Access AB, Managing Director of Panasonic's business in the Nordics/Skandinavia, Chantelle and Twentieth Century Fox Home Entertainment.

Previously held management positions at Johnson & Johnson and Procter & Gamble.

Shareholding¹: 1 850

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

BENGT HAMMAR

Board member since 2014, 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.

Shareholding¹: 2 000

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

MIKAEL HELLBERG

Board member since 2014 (and 2010-2012), chairman of the Remuneration Committee, member of the Audit Committee.

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

Year born: 1954

Other assignments: Chairman of the Board of Delicato Bakverk AB, Berntson Brands AB, Svenska Bryggarföreningens/Sveriges Bryggerier AB, InHouse Group Sweden AB, Humlegårdens Ekolager AB and the Einar Belvén Foundation. Member of the Board of Fresk Group 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. Board member of Cederroth Intressenter AB, A-com AB and Colorama AB.

Shareholding¹: 20 000

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

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, BEWi Group 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.

Shareholding¹: 2 000

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

VICTORIA VAN CAMP

Board member since 2017, member of the Investment Committee

Education: MSc Engineering, mechanical engineering and doctorate in machine elements, Luleå University of Technology

Year born: 1966

Other assignments: CTO and President, Innovation and Business Development at AB SKF.

Background: Board member of VBG Group AB and PREERA. Director of Industrial Market Technology & Solutions, Director of Product Innovation Lubrication BU and several other positions in SKF Group.

Shareholding¹: 0

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

ULRIKA GUSTAFSSON

Deputy Board member since 2016, employee representative PTK

Education: Upper secondary school qualification in engineering, Chemistry, various tertiary-level courses

Year born: 1967

Other assignments: Chair of Unionen branch BillerudKorsnäs Gävle. Various assignments for Unionen at regional and central level. Board member of Korsnäs Social Fund Foundation.

Background: –

Shareholding¹: 0

Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

NICKLAS JOHANSSON

Board member since 2017, employee representative Swedish Paper Workers Union

Year born: 1968

Other assignments: Chair, Swedish Paper Workers Union local branch 165

Background: –

Shareholding¹: 0

Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

GUNNEVI LEHTINEN JOHANSSON

Board member since 2016, engaged in Audit Committee, employee representative PTK

Education: Chemistry studies at Åbo Akademi University, Turku.

Year born: 1969

Other assignments: Production controller in BillerudKorsnäs, Vice President of Junis.

Background: –

Shareholding¹: 200

Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

BO KNÖÖS

Deputy Board member since 2017, employee representative Swedish Paper Workers Union

Year born: 1964

Other assignments: Chair, Swedish Paper Workers Union local branch 96

Background: –

Shareholding¹: 0

Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).



Lennart Holm



Michael M.F. Kaufmann



Andrea Gisle Joosen



Bengt Hammar



Mikael Hellberg



Kristina Schauman



Victoria van Camp



Ulrika Gustafsson



Nicklas Johansson



Gunnevi Lehtinen Johansson



Bo Knöös

¹ Own and related parties' shares at 1 March 2018.

Risk management and sensitivity analysis

BillerudKorsnäs' risk management is to be an integral part of the company's value operational and strategic planning and an important strategic competition factor. Effective risk management contributes to the company being able to implement its strategies and achieve its business objectives as well as possible. To strengthen the way it manages risk, BillerudKorsnäs has introduced a risk management model based on the international standard for risk management, ISO 31 000.

BillerudKorsnäs is affected by the general economic climate, changes in exchange rates and other risks and external factors specific to the company. BillerudKorsnäs goal is to identify, analyse and assess systematically risks that may have an impact on the company's set targets and to act to protect the company against loss, uncertainty and missed opportunities.

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. The majority of all risks analyses are performed in the line organisations, which are also responsible for managing the risks. Significant risks are reported to the Senior Management Team, which makes decisions on action to be taken.

BillerudKorsnäs' Enterprise Risk Management (ERM) process is focused at present on the greatest risks and opportunities the company faces and on making risk management an integral part of operational and strategic planning. As part of this work, a number of risks have been identified, and activities to manage these are under way. Significant risks and uncertainties are presented below, together with brief information about how they are managed. The overall risk management process according to ERM is shown in the illustration below.

Risk management process



Operational risks

Risks related to facilities

Description of risks

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

Risk management

Preventive work to avoid sudden and unforeseen disruptions to production is given top priority and is undertaken through internal planning and control through independent inspection bodies, and in collaboration with insurance companies. Investments are constantly

being made to improve the status of facilities. BillerudKorsnäs insures its facilities to their full value with respect to property and business interruption.

Comments 2017

Work on preventing and minimising the consequences of damage has continued according to plan. Continuity planning is a part of this, and the work is support by the property insurance company.

Group-wide working methods have been developed to reduce the risk of unforeseen events in connection with investments and projects.

Cost of wood raw material

Description of risks

Market prices for wood vary over time, which can affect BillerudKorsnäs' earnings. Prices are influenced by demand from the pulp industry, meaning 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.

Changes in transport costs also have an impact on the price of wood, as, in the long term, do political decisions on how the forests as a natural resource should and may be utilised.

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 come to an agreement of what the market price should apply. Continuous efforts are made to keep logistics as efficient as possible.

Comments on 2017

Continued initiatives to reduce logistics costs in the transportation of wood raw material have been studied. To increase interest in, and understanding of the forests assets, as well as what modern and sustainable forestry means, BillerudKorsnäs took part in a number of educational initiatives for schoolchildren in Sweden and also, through the Swedish Forest Industries Federation, in the information campaign "The Swedish Forest".

BillerudKorsnäs' continued intention is to increase the proportion of purchases of certified wood raw material, which can also imply an increased risk.

Wood price index



Source: BillerudKorsnäs

New technology and changed patterns of consumption

Description of risks

New technology and products may lead to reduced demand for packaging paper. These risks include changed or improved methods for producing plastic-based packaging solutions, collecting and recycling the plastics. There are also risk linked to substantial changes in management of the transportation of food products and changed behaviours and preferences among consumers, for example in the view they take of sustainability performance between different packaging solutions. In the longer term, these risks may lead to restructuring of the packaging industry, reduced revenue and loss of key individuals and visionaries within the company.

Risk management

One of the strategy areas for BillerudKorsnäs with a view to attaining profitable growth is to actively search for and work on know-how further along the value chain. It means that BillerudKorsnäs makes

a strong commitment to interacting with players further along the packaging value chain. This is done through cooperation projects with brand owners, for example in the food sector. In that way BillerudKorsnäs learns about future requirements for packaging and can then enhance its offering. In addition, the entire consultancy operation of the BillerudKorsnäs subsidiary Nine is focused on packaging-related innovation for brand owners in fast-moving consumer products. Starting in 2018 BillerudKorsnäs cooperates with the design- and trade marke Office Grow, in which BillerudKorsnäs has a non controlling interest.

Comments 2017

During the year, the company started working in a structured way on consumer insights, and the company compiled a report on how global macro-trends affect the business. The company has combined its commitment to innovation by further expanding the number of employees and projects in the research and development organisation.

Competition

Description of risks

A constantly present risk is increased competition in BillerudKorsnäs' existing markets. This can take place through existing market players acting more aggressively than in the past, for example as a result of expanded capacity, or through new players entering the market.

Risk management

BillerudKorsnäs' strategy for minimising the impact of increased competition in its existing markets is to continuously improve its own competitiveness. This is done through efficiency efforts and by enhancing the production structure. For this purpose, the company positions its

products in segments where a greater effort is required, both financially and in terms of knowledge, in order to compete.

Comments 2017

During the year, BillerudKorsnäs worked on implementation of the two major investment decisions made in 2016 which, in the long term, will substantially strengthen the company's competitiveness, namely the decision to invest in a new cartonboard machine at Gruvön and the decision to invest in MG paper production at Skärblacka. The company continuously works on market analysis in order to make decisions based on an accurate picture of the world in which it operates.

Political and regulatory risk

Description of risks

BillerudKorsnäs' business can be affected by various political decisions and legislative measures, for example in the areas of forestry, research policy, environmental policy, trade policy, transport policy, energy policy and recycling issues. It is crucially important to BillerudKorsnäs' opportunities for development that political decision-makers understand the forest and packaging industries. There is a risk of legislators failing to understand the industry or focusing solely on one part of the value chain.

Risk management

BillerudKorsnäs' Department of Sustainability & Public Affairs is responsible for the company's dialogue with decision-makers in relevant areas, in close cooperation with area specialises within the company. The focus is on political processes in Sweden and in the EU. The department monitors development, identifies issues of particular

significance to BillerudKorsnäs and acts in a suitable way on these individual issues. The dialogue with decision-makers often takes place together with or in any case in coordination with, other players with the same interests as BillerudKorsnäs, for example in the Swedish Forest Industries Federation or in the two Brussels-based industry associations CEPI and ACE.

Comments 2017

2017 was an intensive year with regards to legislative processes with an impact on BillerudKorsnäs' operations. The company has continued to be particularly active in the process regarding the update of European legislation on packaging and packaging waste, known as the circular economy package. Other processes in which BillerudKorsnäs has been active are issues concerned with EU climate and energy policy, for example emissions trading and what is known as the LULUCF package, and issues regarding Swedish research policy.

Establishment in new markets

Description of risks

There are several types of risks linked to the establishment in new markets. BillerudKorsnäs may, for example, lack adequate understanding of the local culture and/or have insufficient knowledge of local legislation and business codes. There is also the risk of there being a shortage of local professional expertise and it being difficult to recruit competent staff. Further risks are of a shortage of knowledge about local agreements and it taking too long for new employees to learn BillerudKorsnäs' corporate culture. Taken together, these risks can lead to BillerudKorsnäs not meeting requirements and expectations on the domestic market, risking higher costs of establishment, fines, legal costs, damage to reputation, lower revenues than expected in the lower market and loss of customers.

Risk management

BillerudKorsnäs has a process for establishing itself in new markets. The process contains a risk assessment of significant factors that

may affect the business situation. BillerudKorsnäs employs local competence and makes use of external experts to ensure sufficient knowledge of local circumstances and compliance with laws and regulations. BillerudKorsnäs has a code of conduct covering all employees. To clarify and endorse the code of conduct, BillerudKorsnäs holds regular internal training courses. The code describes the responsibilities and rights of employees. Employees can report suspected irregularities and actions that breach the code of conduct through the BillerudKorsnäs whistleblower function. BillerudKorsnäs has training courses in Anti-bribery and Preventing Anti-Competitive Practices which the staff at the local offices have to undergo.

Comments 2017

Training courses on anti-bribery and corruption and compliance with competition law continued during the year for employees at several local offices.

Product safety

Description of risks

BillerudKorsnäs produces material for a large quantity of packaging in a short time. This makes product safety issues and compensation claims for neglect (for example in relation to contamination of foods or beverages, damage caused by packaging leaks, etc.) a risk. This can lead to complaint costs, harm to reputation, loss of customer trust, lower revenue, withdrawal of consumer products and legal expenses.

Risk management

There is a framework of materials with food contact in the EU today, but there is no harmonised legislation for paper and cartonboard in contact with foods. The German regulations (BfR) and US FDA rules are instead regarded as best practice and serve as guidance for minimum criteria for product safety within BillerudKorsnäs. Compliance with other important rules, such as the Chinese standards and medical regulations, are also important in this context.

Risk management comprises quality controls during the production of the packaging material and of the finished product and systematic

follow-up of reported non-conformances, both at customers and in production. BillerudKorsnäs also controls its exposure to this risk by insurance and agreements with customers and packaging partners.

Comments 2017

We observe increasing activity on product safety among our customers with regard to analysis, questions and legal aspects. There is also ever greater internal demand for product safety work due to intensified development of new packaging materials, new applications of our material and development of converted packaging materials. In addition, there will be a large workload peak during start-up of the new cartonboard machine at Gruvön during the first quarter of 2019. A project was therefore started during the second part of the year to find out whether the current organisation is equipped for the future in terms of staff and analytical equipment and to review BillerudKorsnäs' structure for product safety work, including processes, control and organisation in order to respond to current and future requirements.

Implementation of strategy

Description of risks

Ineffective implementation of strategic plans, incorrect investment decisions and failure in fostering commitment among staff for the strategic focus can lead to a gradual downturn in revenue and profitability and adversely affect the balance sheet. Incorrectly targeted investments can result in immediate, large and/or long-term losses, reduced scope for investment, harm to reputation and increased capital costs.

Risk management

BillerudKorsnäs operates an ongoing development process for Group strategies in which areas for development and improvement are defined, prioritised and analysed. Alternative scenarios are assessed financially, to clarify effects, opportunities and risks with different

choices. A decision on an adjusted focus in the next stage represents a framework for planning and implementation in the company's various organisational units. Activity plans for more important strategic initiatives are regularly followed up to ensure implementation in accordance with the objectives decided upon.

Comments 2017

The focus in 2017 was on developing capability and resources for successful implementation of strategic initiatives decided upon by the company in the areas of materials and solutions. See also other areas of risk management linked to our operational activity for a continuous assessment of different factors with an impact on our Group strategies.

Energy price risk

Description of risks

BillerudKorsnäs uses electricity, biofuel, oil and LPG, and these energy products account for a significant percentage of its 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 almost 50%. In principle, all in-company electricity generation is biofuel-based and the cost of in-company generation follows the trend in biofuel prices.

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 pace of trading is linear and begins three years before delivery.

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

Comments 2017

In 2017, total electricity consumption was about 3.11 TWh (3.10), of which approximately 46% (47%) was generated in-company, approximately 14% (14%) was basic power purchased at fixed prices and approximately 40% (39%) was purchased on the spot market. At the end of the year, financial hedging for purchases of electricity exposed to spot price was:

| | |
|------|-----|
| 2018 | 71% |
| 2019 | 52% |
| 2020 | 25% |

Risks related to employees

Description of risks

Access to employees with the right skills, our ability to persuade these to choose BillerudKorsnäs as an employer and inspirational managers with the ability are crucial if the goals set by BillerudKorsnäs are to be attained.

Personnel costs represent the second-largest expense item.

Risk management

BillerudKorsnäs works continually to manage skills transfer and succession planning at its facilities. To ensure that we attract talent and people with the skills for which there is demand, the company works in a structured and focused manner on strengthening its brand as an employer. In order to proactively minimise risk regarding abuse and doubtful background, we carry out background checks for critical and relevant positions and drug tests for all recruited staff.

Payroll costs are principally dictated by applicable collective agreements and employer's expenses. Work evaluation of all positions in BillerudKorsnäs has started. Market pay statistics are used to ensure that pay is set at an adequate level.

Comments 2017

Staffing plans are continually ongoing. A renewed trainee programme begins in September 2018.

BillerudKorsnäs works strategically on employer branding, which aims to showcase the Company as an attractive employer. During the year, the company initiated cooperation with more partners to increase visibility and also devised a new employee value proposition. The company reinforced skills in the area of people development (attract, recruit, retain and develop).

Environmental impact and renewal of licences

Description of risks

BillerudKorsnäs production is governed by extensive environmental legislation and is 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 to water and air, noise, and waste and chemicals processing. 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.

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. Failure to comply with conditions is normally passed to a prosecutor and investigated as a suspected environmental crime. Convictions may lead to corporate fines amounting to significant sums. Breaches of other environmental legislation may lead to the imposition of environmental sanction charges. In serious cases with a negative environmental impact, the matter may be passed to a prosecutor for investigation as a suspected environmental crime. A conviction may lead to personal criminal liability on the part of the staff concerned or corporate penalties amounting to substantial sums.

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

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 based on what is deemed possible to achieve using best available technology, without taking account of local conditions. 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 has taken measures to meet future requirements.

Finally, the Group is impacted by various economic instruments relating to the environment, including energy taxes, greenhouse gas emissions trading, nitrogen oxide taxes and waste management taxes. Future rule changes may affect BillerudKorsnäs' 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. 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.

BillerudKorsnäs works actively in the value chain to reduce its greenhouse gas emissions. This is done through reduced use of fossil fuels in production and transportation, energy efficiency improvements, influencing of suppliers and by manufacturing products that are based on renewable materials and can replace materials that cause greater emissions.

Comments 2017

Environmental work at the production facilities continued to be extensive, largely linked to the increases in production and large investments decided upon. There were also extensive training efforts and cooperation with external parties for construction projects during the year. At Gruvön, where a new cartonboard machine is to be built, groundworks and piling, casting of foundations and erection of the building took place in 2017. The construction work ends in 2018, and it is estimated that production will begin during the first quarter of 2019. Work also continued at Skärblacka during the year, with upgrading of PM7 for new surface treatment and relocation of the MG paper machine from Tervasaari in Finland, which was completed at the start of 2018.

Several of the production units submitted applications to amend production licences during the year.

- Gruvön took up a licence from November 2016 on 15 January. This licence concerns continued operation of the facility and the port and increased production of 500 000 tonnes of bleached and unbleached sulphate pulp, 320 000 tonnes per year of fluting and 550 000 tonnes per year of kraft paper and board and the right to install the new cartonboard machines.
- Karlsborg on 20 April submitted an application to modify the licence for expanded pulp production from 320 ktonnes to 328 ktonnes for 2017 and 350 ktonnes from 2018. The land and environment court in a part judgement on 8 November granted a licence for expanded pulp production for 2017 to 328 ktonnes with unchanged environmental conditions. The land and environment court has not yet ruled on the application for an amended licence from 2018.
- Gävle on 3 October submitted a trial period report containing proposals for final terms regarding discharges to water, the outcome of which affect the prospects of the mill producing at full capacity.
- Frövi submitted an application for continued and expanded production in December. The application is divided into two stages, the first of which relates to expanded cartonboard production and the second to expanded pulp production. Rockhammar in October took up the licence granted for 150 000 tonnes of pulp per year.
- Skärblacka on 30 December submitted an application for an amended licence to increase production from 200 ktonnes of bleached sulphate pulp to 210 tonnes. The change is being made to increase flexibility in production and enable the facility to be utilised to its full capacity.

Financial risks

The following section describes BillerudKorsnäs' financial risk management policies, which correspond to the policies adopted before and during 2017.

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's net currency exposure is considerable; the main currencies involved are EUR, USD 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 can hedge 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 gross margin (EBITDA, %) and follow-up of 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 2017

At the end of 2017, foreign exchange contracts not yet recognised in profit/loss nominally totalled SEK 4 422 million (4 562). These will be recognised in profit/loss in 2018 and 2019. Net currency flows, excluding currency flows due to the investment in the cartonboard machine at the Gruvön production unit, are estimated to total around SEK 6 800 million (6 400) in 2018.

Of forecast net flows over the coming 15-month period in EUR, USD and GBP, 79%, 40% and 6%, respectively, were hedged at year-end.

As at 31 December 2017, the market value of BillerudKorsnäs' outstanding foreign exchange contracts was SEK –51 million (60).

| Nominal amount of foreign exchange derivatives | 2017 | 2016 |
|--|------|------|
| EUR million | 459 | 377 |
| USD million | 100 | 201 |
| GBP million | 4 | 4 |

Market value of foreign exchange derivatives, SEKm

| | | |
|------------------------------------|-----|-----|
| Forward foreign exchange contracts | –51 | –60 |
|------------------------------------|-----|-----|

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 2017

At 31 December 2017, total capital employed in foreign currency was SEK 774 million (970), of which SEK 1 429 million (1 517) was financed by shareholders' equity. No net assets are currently hedged.

| SEKm | Capital employed | Net borrowings | Net assets |
|------------------|------------------|----------------|--------------|
| GBP | 171 | 32 | 139 |
| EUR | 684 | –601 | 1 285 |
| USD | –37 | –17 | –20 |
| Other currencies | –44 | –69 | 25 |
| Total | 774 | –655 | 1 429 |

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, including market conditions, the general availability of credit and BillerudKorsnäs' creditworthiness and credit capacity. In addition, access to further financing depends on customers, suppliers or lenders not being affected by negative perceptions about BillerudKorsnäs' long and short-term financial prospects. Disruptions and uncertainty on the capital and credit markets may also limit access to the capital required to run the business.

Risk management

In order to ensure that the Group always has access to external financing, the finance department must ensure access to short and long-term credit facilities. The Company aims to achieve cost-efficiency within established limits. The actions of the finance department are regulated by the financial 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 1.2 times.

Comments 2017

Financing opportunities for the Group remained very good in 2017, 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 May 2022. The credit facility was unused at year-end. At 31 December 2017, BillerudKorsnäs' net interest-bearing debt totalled SEK 5 737 million (3 884). Interest-bearing debt increased by SEK 1 308 million. The increase was principally due to increased borrowing requirements in connection with ongoing investment programmes at the Skärblacka and Gruvön production units. Of interest-bearing borrowings, SEK 1 551 million was short-term, which represented an increase of SEK 409 million during the year. At the end of the year, corporate bonds totalling SEK 300 million and bilateral loans totalling SEK 839 million had been repaid compared with the start of the year. At the same time, bilateral loans totalling SEK 441 million and corporate bonds totalling SEK 2 000 had been raised during the year. Long-term interest-bearing net borrowings totalled SEK 3 586 million at the end of the year, of which SEK 3 315 million falls due in 2020 or later.

Financial assets and liabilities are recognised in Note 25.

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 fixed interest term (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 standard, 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.

Comments 2017

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 51 million (38), based on the total interest-bearing liability of SEK 5 137 million at year-end.

The Group's average fixed-interest term was 9 months (25) at year-end. The decrease in fixed interest term is due in particular to interest-rate swaps expiring during the year. A 1 percentage point change in interest rates would have an annualised effect of SEK 39 million (28) on earnings, given the current fixed interest term.

| Nominal value of interest rate derivatives, SEKm | 2017 | 2016 |
|---|--------------|--------------|
| Interest rate swaps: | | |
| Maturity of less than 1 year | 700 | 1 400 |
| Maturity of 1–2 years | – | 700 |
| Maturity of more than 2 years | 486 | 535 |
| Total | 1 186 | 2 635 |
| Market value of interest derivatives, SEKm | | |
| Interest rate swaps | –24 | –51 |
| Nominal amount, fixed interest loans | | |
| Maturity of less than 1 year | 500 | – |
| Maturity of 1–2 years | – | 500 |
| Maturity of more than 2 years | 250 | – |
| Total | 750 | 500 |

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' finance policy has defined the size of the counterparty risk that is accepted based, among other things, on the 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 25.

Comments 2017

At year-end, the total net credit exposure was SEK 116 million (677).

Customer dependence and customer credit risk

Description of risks

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

Risk management

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

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

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

Comments 2017

Accounts receivable totalled SEK 2 713 million (2 612) at 31 December 2017. Accounts receivable averaged SEK 2 634 million (2 575) in 2017, representing an average customer credit period of around 42 days (43). Bad debt losses totalled SEK -17 million (-7) in 2017.

Provision for doubtful debts

| Group, SEKm | 2017 | 2016 |
|---|-----------|-----------|
| Provision at start of year | 44 | 50 |
| Provision for anticipated bad debt losses | 5 | 1 |
| Confirmed bad debt losses | -17 | -7 |
| Provision at year-end | 32 | 44 |

Breakdown of accounts receivable by age

| Group, SEKm | 2017 | | | 2016 | | |
|---|--------------|------------|--------------|--------------|------------|--------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Accounts receivable not due | 2 372 | - | 2 372 | 2 255 | - | 2 255 |
| Accounts receivable overdue 0-30 days | 313 | - | 313 | 322 | - | 322 |
| Accounts receivable overdue >30-90 days | 9 | -1 | 9 | 29 | -1 | 28 |
| Accounts receivable overdue >90-180 days | 4 | -1 | 3 | 5 | -3 | 2 |
| Accounts receivable overdue >180-360 days | - | -1 | -1 | 12 | -7 | 5 |
| Accounts receivable overdue >360 days | 46 | -29 | 17 | 33 | -33 | - |
| Total | 2 744 | -32 | 2 713 | 2 656 | -44 | 2 612 |

Sensitivity analysis

Impact on profit/loss before tax

| Variable | Change | SEKm |
|----------------------------------|------------------------|--------|
| Sales volume | +/- 10% | +/-950 |
| Exchange rates, SEK ¹ | +/- 10% | -/+680 |
| Fibre price | +/- 10% | -/+670 |
| Electricity price ² | +/- 10% | -/+40 |
| Loan rate ³ | +/- 1 percentage point | -/+40 |

1 Excluding effects of currency hedging and currency flows relating to investment at Gruvön.

2 Excluding effects of electricity price hedging.

3 Excluding effects of interest hedging.

Breakdown of operating costs, %

Financial statements

Consolidated income statement

| SEKm | Note | 2017 | 2016 |
|---|--------|----------------|----------------|
| Net sales | 2 | 22 345 | 21 657 |
| Other operating income | 3 | 220 | 155 |
| Total operating income | | 22 565 | 21 812 |
| Operating expenses | | | |
| Change in inventories | | -182 | 300 |
| Raw materials and consumables | | -10 567 | -10 457 |
| Other external costs | 4 | -4 626 | -4 574 |
| Employee benefit costs | 5, 26 | -3 423 | -3 474 |
| Depreciation, amortisation and impairment of non-current assets | 11, 12 | -1 519 | -1 561 |
| Share of profit/loss of associates | 15 | -7 | -1 |
| Total operating expenses | | -20 324 | -19 767 |
| Operating profit/loss | 2, 6 | 2 241 | 2 045 |
| Financial items | 7 | | |
| Finance income | | 16 | 45 |
| Finance costs | | -154 | -153 |
| Net financial items | | -138 | -108 |
| Profit/loss before tax | | 2 103 | 1 937 |
| Tax | 9 | -465 | -419 |
| Profit/loss for the year | | 1 638 | 1 518 |
| Profit/loss attributable to: | | | |
| Owners of the parent company | | 1 638 | 1 518 |
| Non-controlling interests | | - | - |
| Profit/loss for the year | | 1 638 | 1 518 |
| Earnings per share, SEK | 10 | 7.91 | 7.33 |
| Diluted earnings per share, SEK | 10 | 7.90 | 7.31 |

Dividend per share is shown in Notes 18 and 19.

Consolidated statement of comprehensive income

| SEKm | Note | 2017 | 2016 |
|--|------|--------------|--------------|
| Profit/loss for the year | | 1 638 | 1 518 |
| Items that cannot be transferred to profit/loss for the period | | | |
| Revaluation of defined-benefit pensions | | -29 | -12 |
| Tax that can be attributed to items that cannot be transferred to profit/loss for the period | | 6 | 3 |
| Total items that cannot be transferred to profit/loss for the period | | -23 | -9 |
| Items that have been or can be transferred to profit/loss for the period | | | |
| Translation differences for the period arising from translation of foreign operations | | 31 | 53 |
| Translation differences for the period transferred to profit/loss for the year | | 1 | - |
| Changes in fair value of available-for-sale financial assets during the period | | 50 | 59 |
| Changes in fair value of available-for-sale financial assets during the period transferred to profit/loss for the year | | -7 | -43 |
| Changes in fair value of cash flow hedges during the period | | 67 | 23 |
| Changes in fair value of cash flow hedges transferred to profit/loss for the year | | -39 | 53 |
| Tax attributable to items that have been or can be transferred to profit/loss for the period | | -6 | -17 |
| Total items that have been or can be transferred to profit/loss for the period | | 97 | 128 |
| Total comprehensive income for the year | | 1 712 | 1 637 |
| Attributable to: | | | |
| Owners of the parent company | | 1 712 | 1 637 |
| Non-controlling interests | | - | - |
| Total comprehensive income for the year | | 1 712 | 1 637 |

Consolidated balance sheet

| SEKm | Note | 31 Dec 2017 | 31 Dec 2016 |
|--|-------|---------------|---------------|
| ASSETS | 1, 25 | | |
| Non-current assets | | | |
| Non-current intangible assets | 11 | 2 248 | 2 335 |
| Property, plant and equipment | 12 | 17 690 | 14 937 |
| Participations in associated companies and joint ventures | 15 | 8 | 8 |
| Other holdings | 16 | 1 429 | 1 343 |
| Deferred tax assets | 9 | 107 | 67 |
| Non-current receivables from associates | 14 | 16 | 15 |
| Non-current receivables | | 6 | 6 |
| Total non-current assets | | 21 504 | 18 711 |
| Current assets | | | |
| Inventories | 17 | 2 912 | 3 142 |
| Tax receivables | | 15 | 16 |
| Accounts receivable | | 2 713 | 2 612 |
| Prepaid expenses and accrued income | | 267 | 166 |
| Other receivables | | 617 | 499 |
| Cash and cash equivalents | 27 | 168 | 708 |
| Total current assets | | 6 692 | 7 143 |
| Total assets | | 28 196 | 25 854 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | 1, 25 | | |
| Shareholders' equity | 18 | | |
| Share capital | | 1 537 | 1 537 |
| Other contributed capital | | 4 484 | 4 484 |
| Reserves | | 742 | 645 |
| Retained earnings incl. profit/loss for the year | | 7 048 | 6 355 |
| Total equity attributable to owners of the parent company | | 13 811 | 13 021 |
| Non-controlling interests | | – | 1 |
| Total shareholders' equity | | 13 811 | 13 022 |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 22 | 3 586 | 2 687 |
| Provisions for pensions | 20 | 784 | 778 |
| Other provisions | 21 | 227 | 252 |
| Deferred tax liabilities | 9 | 3 392 | 3 410 |
| Total non-current liabilities | | 7 989 | 7 127 |
| Current liabilities | | | |
| Interest-bearing liabilities | 22 | 1 551 | 1 142 |
| Accounts payable | | 3 294 | 3 049 |
| Liabilities to associates | | – | 5 |
| Tax liabilities | | 72 | 15 |
| Accrued expenses and deferred income | 24 | 1 197 | 1 091 |
| Other liabilities | | 259 | 317 |
| Provisions | 21 | 23 | 86 |
| Total current liabilities | | 6 396 | 5 705 |
| Total liabilities | | 14 385 | 12 832 |
| Total shareholders' equity and liabilities | | 28 196 | 25 854 |

Consolidated statement of changes in equity

| SEKm | Note | Equity attributable to owners of the parent company | | | | | | Total | Non-controlling interests | Total shareholders' equity |
|--|------|---|---------------------------|---------------------|--------------------|-----------------|--|--------|---------------------------|----------------------------|
| | | Share capital | Other contributed capital | Translation reserve | Fair value reserve | Hedging reserve | Retained earnings and profit/loss for the year | | | |
| Opening balance, 1 Jan 2017 | 18 | 1 537 | 4 484 | 101 | 546 | -2 | 6 355 | 13 021 | 1 | 13 022 |
| Total comprehensive income for the year | | | | 32 | 43 | 22 | 1 615 | 1 712 | | 1 712 |
| Dividend to owners of the parent company | | | | | | | -891 | -891 | | -891 |
| Dividend to non-controlling interests | | | | | | | | | -1 | -1 |
| Buy-back of own shares | | | | | | | -41 | -41 | | -41 |
| Share-based payments to be settled in equity instruments, IFRS 2 | | | | | | | 10 | 10 | | 10 |
| Closing balance, 31 Dec 2017 | | 1 537 | 4 484 | 133 | 589 | 20 | 7 048 | 13 811 | - | 13 811 |

| SEKm | Note | Equity attributable to owners of the parent company | | | | | | Total | Non-controlling interests | Total shareholders' equity |
|--|------|---|---------------------------|---------------------|--------------------|-----------------|--|--------|---------------------------|----------------------------|
| | | Share capital | Other contributed capital | Translation reserve | Fair value reserve | Hedging reserve | Retained earnings and profit/loss for the year | | | |
| Opening balance, 1 Jan 2016 | 18 | 1 537 | 4 484 | 48 | 530 | -61 | 5 715 | 12 253 | 165 | 12 418 |
| Total comprehensive income for the year | | | | 53 | 16 | 59 | 1 509 | 1 637 | | 1 637 |
| Dividend to owners of the parent company | | | | | | | -880 | -880 | | -880 |
| Dividend to non-controlling interests | | | | | | | | | -164 | -164 |
| Share-based payments to be settled in equity instruments, IFRS 2 | | | | | | | 11 | 11 | | 11 |
| Closing balance, 31 Dec 2016 | | 1 537 | 4 484 | 101 | 546 | -2 | 6 355 | 13 021 | 1 | 13 022 |

Consolidated statement of cash flows

| SEKm | Note | 2017 | 2016 |
|--|------|---------------|---------------|
| Operating activities | 27 | | |
| Profit/loss after financial items | | 2 103 | 1 937 |
| Adjustments for items not included in cash flow | | 1 444 | 1 754 |
| Tax paid | | -472 | -285 |
| Cash flow from operating activities before changes in working capital | | 3 075 | 3 406 |
| Cash flow from changes in working capital | | | |
| Increase (-)/decrease (+) in inventories | | 233 | 330 |
| Increase (-)/decrease (+) in operating receivables | | -306 | -285 |
| Increase (+)/decrease (-) in operating liabilities | | 314 | 291 |
| Cash flow from operating activities | | 3 316 | 3 742 |
| Investing activities | | | |
| Acquisition of non-current intangible assets | | -2 | -42 |
| Acquisition of property, plant and equipment | | -4 194 | -1 565 |
| Sale of property, plant and equipment | | 2 | 4 |
| Acquisition of subsidiaries | 33 | - | -6 |
| Sale of subsidiaries | 34 | 15 | - |
| Acquisition of non-current financial assets ¹ | | -65 | -38 |
| Cash flow from investing activities | | -4 244 | -1 647 |
| Cash flow after investing activities | | -928 | 2 095 |
| Financing activities | | | |
| Changes in interest-bearing receivables | | - | 2 |
| Borrowings | | 2 447 | 800 |
| Debt repayment | | -1 139 | -1 364 |
| Buy-back of own shares | | -41 | - |
| Dividend | | -891 | -880 |
| Dividend to non-controlling interests | | -1 | -165 |
| Cash flow from financing activities | | 375 | -1 607 |
| Cash flow for the period | | -553 | 488 |
| Cash and cash equivalents at start of year | | 708 | 188 |
| Translation difference in cash and cash equivalents | | 13 | 32 |
| Cash and cash equivalents at year-end | | 168 | 708 |

¹ Relates mainly to shares in other holdings.

Parent company income statement

| SEKm | Note | 2017 | 2016 |
|---|-------|--------------|--------------|
| Net sales | 2 | 395 | 462 |
| Other operating income | 3 | 7 | 20 |
| Total operating income | | 402 | 482 |
| Operating expenses | | | |
| Other external costs | 4 | -290 | -285 |
| Employee benefit costs | 5, 26 | -232 | -223 |
| Depreciation, amortisation and impairment of non-current assets | 12 | -1 | -1 |
| Total operating expenses | | -523 | 509 |
| Operating profit/loss | 2, 6 | -121 | -27 |
| Financial items | 7 | | |
| Profit/loss from investments in Group companies | | 81 | 30 |
| Profit/loss from other participations | | 14 | -1 |
| Interest income and similar profit/loss items | | 8 | 3 |
| Interest expense and similar profit/loss items | | -226 | -153 |
| Total financial items | | -123 | -121 |
| Profit/loss after financial items | | -244 | -148 |
| Appropriations | 8 | 2 635 | 1 291 |
| Profit/loss before tax | | 2 391 | 1 143 |
| Tax | 9 | -511 | -245 |
| Profit/loss for the year | | 1 880 | 898 |

Parent company statement of comprehensive income

| SEKm | Note | 2017 | 2016 |
|---|------|--------------|------------|
| Profit/loss for the year | | 1 880 | 898 |
| Other comprehensive income | | | |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income | | 1 880 | 898 |

Parent company balance sheet

| SEKm | Note | 31 Dec 2017 | 31 Dec 2016 |
|---|--------|---------------|---------------|
| ASSETS | 1, 25 | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 12 | 10 |
| Investments in Group companies | 13 | 10 669 | 10 681 |
| Participations in associated companies and joint ventures | 15 | – | – |
| Other holdings | 16 | 26 | 35 |
| Non-current receivables from associates | 14 | 16 | 15 |
| Deferred tax asset | 9 | 2 | – |
| Other non-current receivables | | 23 | 13 |
| Total non-current assets | | 10 748 | 10 754 |
| Current assets | | | |
| Accounts receivable | | 2 188 | 2 104 |
| Receivables from Group companies | 14 | 8 069 | 3 074 |
| Prepaid expenses and accrued income | | 54 | 15 |
| Tax receivables | | – | 16 |
| Other receivables | | 29 | 22 |
| Cash and bank balances | 27 | 18 | 516 |
| Total current assets | | 10 358 | 5 747 |
| Total assets | | 21 106 | 16 501 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | 1, 25 | | |
| Shareholders' equity | 18, 19 | | |
| Restricted equity | | | |
| Share capital | | 1 537 | 1 537 |
| Statutory reserve | | 149 | 149 |
| Total restricted equity | | 1 686 | 1 686 |
| Non-restricted equity | | | |
| Share premium reserve | | 4 408 | 4 408 |
| Retained earnings | | 277 | 300 |
| Profit/loss for the year | | 1 880 | 898 |
| Total non-restricted equity | | 6 565 | 5 606 |
| Total shareholders' equity | | 8 251 | 7 292 |
| Untaxed reserves | 28 | 1 586 | 1 031 |
| Provisions | | | |
| Provisions for pensions and similar commitments | 20 | 208 | 198 |
| Provisions for taxes | 9 | – | 1 |
| Total provisions | | 208 | 199 |
| Non-current liabilities | | | |
| Bond loans | 23 | 2 000 | 1 500 |
| Other interest-bearing non-current liabilities | 23 | 1 141 | 700 |
| Liabilities to Group companies | 14 | 5 417 | 3 781 |
| Total non-current liabilities | | 8 558 | 5 981 |
| Current liabilities | | | |
| Liabilities to credit institutions | 23 | 1 506 | 1 100 |
| Accounts payable | | 30 | 26 |
| Liabilities to Group companies | | 799 | 752 |
| Tax liabilities | | 52 | – |
| Accrued expenses and deferred income | 24 | 91 | 86 |
| Other liabilities | | 25 | 29 |
| Provisions | 21 | – | 5 |
| Total current liabilities | | 2 503 | 1 998 |
| Total shareholders' equity and liabilities | | 21 106 | 16 501 |

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 | |
| Opening balance, 1 Jan 2017 | 18 | 1 537 | 149 | 4 408 | 300 | 898 | 7 292 |
| Previous year's profit/loss brought forward | | | | | 898 | -898 | - |
| Profit/loss for the year | | | | | | 1 880 | 1 880 |
| Dividends paid | | | | | -891 | | -891 |
| Buy-back of own shares | | | | | -41 | | -41 |
| Share-based payments to be settled in equity instruments | | | | | 11 | | 11 |
| Closing balance, 31 Dec 2017 | | 1 537 | 149 | 4 408 | 277 | 1 880 | 8 251 |

| 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 | |
| Opening balance, 1 Jan 2016 | 18 | 1 537 | 149 | 4 408 | -602 | 1 771 | 7 263 |
| Previous year's profit/loss brought forward | | | | | 1 771 | -1 771 | - |
| Profit/loss for the year | | | | | | 898 | 898 |
| Dividends paid | | | | | -880 | | -880 |
| Share-based payments to be settled in equity instruments | | | | | 11 | | 11 |
| Closing balance, 31 Dec 2016 | | 1 537 | 149 | 4 408 | 300 | 898 | 7 292 |

Parent company cash flow statement

| SEKm | Note | 2017 | 2016 |
|--|------|---------------|-------------|
| Operating activities | 27 | | |
| Profit/loss after financial items | | -244 | -148 |
| Adjustments for items not included in cash flow | | 52 | 15 |
| Tax paid | | -445 | -266 |
| Cash flow from operating activities before changes in working capital | | -637 | -399 |
| Cash flow from changes in working capital | | | |
| Increase (-)/decrease (+) in operating receivables | | -3 597 | 1 415 |
| Increase (+)/decrease (-) in operating liabilities | | 1 690 | -120 |
| Cash flow from operating activities | | -2 544 | 896 |
| Investing activities | | | |
| Acquisition of property, plant and equipment | | -3 | -2 |
| Acquisition of shares and shareholder contributions to subsidiaries | | -20 | -9 |
| Disposal of shares in other holdings | | 9 | 25 |
| Acquisition of shares in associates and shareholder contributions | | -6 | - |
| Change in financial receivables | | -11 | -6 |
| Cash flow from investing activities | | -31 | 8 |
| Cash flow after investing activities | | -2 575 | 904 |
| Financing activities | | | |
| Borrowings | | 2 447 | 800 |
| Repayment of borrowings | | -1 100 | -1 330 |
| Buy-back of own shares | | -41 | - |
| Dividend | | -891 | -880 |
| Settled Group contributions | | 1 662 | 1 012 |
| Cash flow from financing activities | | 2 077 | -398 |
| Cash flow for the year | | -498 | 506 |
| Cash and cash equivalents at start of year | | 516 | 10 |
| Cash and cash equivalents at year-end | | 18 | 516 |

(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 35.

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 2017 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

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement from 2018. IFRS 9 involves changes to how financial assets are classified and measured. The new standard also means that a new impairment model is introduced, based on expected losses instead of losses incurred and changes to hedge accounting policies, in part to simplify and increase consistency with companies' internal risk management strategies.

BillerudKorsnäs applies hedge accounting for four types of transactions – variable interest on loans is swapped to fixed interest with interest-rate swaps, forecast sales and purchases in foreign currency

are hedged with currency forward contracts, and BillerudKorsnäs can subscribe to electricity derivatives and pulp derivatives to continuously hedge electricity and pulp prices. The assessment is that the introduction of IFRS 9 will not have a material impact on the statement of comprehensive income and the statement of financial position with respect to BillerudKorsnäs' hedge accounting.

In 2017, BillerudKorsnäs continued to work on analysing the impact of IFRS 9 and found the impact on the accounts to be marginal. Credit losses have been and are expected to be very minor, so the new impairment model will have a limited impact on the financial statements. Had the new impairment model been implemented by year-end 2017, the impact would have been SEK 5 million in the form of additional costs for impairments of trade receivables.

IFRS 9 results in consequential changes in disclosure requirements under IFRS 7 Financial Instruments: Disclosures, which will affect the disclosures that are made. BillerudKorsnäs will need to alter the classification of its financial instruments and update its accounting policies.

• IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is a comprehensive standard for determining how significant revenues should be recognised and when such revenues should be recognised. This replaces the current guidance, IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is applied for financial years starting 1 January 2018 or later, with earlier application permitted. BillerudKorsnäs in 2017 continued its work on evaluating the qualitative and quantitative effects of IFRS 15. The new accounting standard is not assessed as having any restatement effects for the Group or parent company's earnings or financial position, so a choice of transition method is not applicable.

Performance obligation in the contracts mainly consists of providing goods. Revenue from the sale of products is recognised when the performance obligation is fulfilled by the product being transferred to the customer, and control is transferred in accordance with the terms of delivery in the contract. The revenue is recognized at the amount to which BillerudKorsnäs expects to be entitled in change for the transfer of goods.

Revenue from service engagements occurs only to a limited extent. BillerudKorsnäs has therefore deemed no disclosure of services to be necessary at present.

• 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, with a few exceptions. Agreements regarding the rental of premises, machinery and similar which currently constitute operating leases (see Note 12) are not recognised in the balance sheet as an asset and liability, besides those interim items that arise at period-end. No further assessment has yet been made of the impact of the introduction of this standard in terms of amount.

No other issued new or amended standards and interpretations with future application are expected to significant 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 income statement, the Group's share in the profit or loss after tax of the associated companies is reported as "Share of profit/loss of associates". 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, where 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. Changes in exchange rates relating to hedge instruments are 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 has not been used from the second half of 2015.

Revenue

Sale of goods and performance of services

BillerudKorsnäs revenue consists largely of sales 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, or by the grant reducing the carrying value 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 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 carry-forwards 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 in and derecognition 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. In hedge accounting, ineffective portion is recognised in the same way as changes in value of derivatives 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 of 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. The holding of this type of shares and participations is recognised in principle as financial, with the exception of holdings that to a large extent are integrated into our operating

activities and are therefore regarded as operating holdings. 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 25, 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 ineffective 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 leasing charges is recognised as non-current and 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 recognised as an expense in connection with the replacement. Repairs are recognised as an expense as incurred.

Borrowing costs

Borrowing costs directly attributable to the construction of so called qualified assets are capitalised as a part of the qualified assets' acquisition cost. A qualified asset is an asset that normally take a substantial amount of time to finalize. First are borrowing costs capitalised that are attributed to the specific qualified asset. Second are borrowing costs capitalised that are related to the general loan situation, which are not attributed to another specific qualified asset.

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.

Non-current 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 recognised as an expense continually in the profit and loss accounts in accordance with 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 recognised as expense in the income statement as they arise.

Other non-current 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 recognised as an expense as they arise. 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 allocated against in-company 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 carbon dioxide emission rights 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 carried as an expense.

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 income statement on a straight-line basis over 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 acquisition 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. When a need for impairment has been identified for cash-generating entity or group of entities, the need for impairment is firstly allocated to goodwill. Proportional impairment of other assets included in the entity or group of entities is then carried out.

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 profit/loss.

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 during the reporting period are linked to share-based payments to be settled in 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. BilleruKorsnäs has not had access to such information as to make it possible to recognise this plan as a defined-benefit plan for the 2017 financial year. 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

Share incentive programmes are recognised as share-based payments settled with equity instruments in accordance with IFRS 2. This means that their fair value is calculated based on forecast achievement of targets set for the measurement period. The value is distributed over the vesting period. 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

If a provision is made for warranties, they are 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.

Restoration of contaminated land

In accordance with the Group's publicised environmental principles and appropriate legal requirements, a provision is recognised for restoration 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 presentation

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 targets for each business area are EBITDA, % (gross margin) and follow-up of 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 exchange rates for invoicing is included in the business area's profit/loss.

Other units consist of profit/loss from timber supply, Nine AB, Scand-fibre Logistics AB, leasing operators, dormant companies, capital gain/loss from sale of companies, items affecting comparability (Note 6) and consists due to major investments in the production structure. With effect from 2017 items previously included in Group staff and eliminations are included in Other units; the comparison year has been adjusted. This relates to Group-wide functions, Group eliminations and profit/loss from participations in associated companies.

Earnings from sales organisations and Bomhus Energi AB are allocated to the business areas.

Profit/loss by operating segment

| SEKm | Packaging Paper | | Consumer Board | | Corrugated Solutions | | Currency hedging, etc. | | Other units | | Total | |
|--|-----------------|------------|----------------|------------|----------------------|------------|------------------------|-----------|-------------|-------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Group | | | | | | | | | | | | |
| Net sales | 8 529 | 8 339 | 8 189 | 8 015 | 3 856 | 3 620 | -36 | 36 | 1 807 | 1 647 | 22 345 | 21 657 |
| Other income and operating expenses | -7 030 | -6 853 | -6 422 | -6 292 | -3 022 | -2 791 | -1 | 1 | -2 110 | -2 116 | -18 585 | -18 051 |
| Depreciation, amortisation and impairment losses | -464 | -496 | -784 | -759 | -178 | -182 | | | -93 | -124 | -1 519 | -1 561 |
| Operating profit/loss | 1 035 | 990 | 983 | 964 | 656 | 647 | -37 | 37 | -396 | -593 | 2 241 | 2 045 |
| EBITDA, % | 18 | 18 | 22 | 21 | 22 | 23 | | | -17 | -28 | 17 | 17 |
| Operating margin, % | 12 | 12 | 12 | 12 | 17 | 18 | | | -22 | -36 | 10 | 9 |
| Financial items | | | | | | | | | | | -138 | -108 |
| Tax | | | | | | | | | | | -465 | -419 |
| Profit/loss for the period | | | | | | | | | | | 1 638 | 1 518 |

Of net sales of SEK 22 345 million (21 657), SEK 640 million (590) 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 | | | | | | | -8 | 61 | 403 | 401 | 395 | 462 |
| Operating profit/loss | | | | | | | -8 | 61 | -113 | -88 | -121 | -27 |
| Financial items | | | | | | | | | | | -123 | -121 |
| Appropriations | | | | | | | | | | | 2 635 | 1 291 |
| Tax | | | | | | | | | | | -511 | -245 |
| Profit/loss for the period | | | | | | | | | | | 1 880 | 898 |

Of net sales of SEK 395 million (462), SEK 403 million (401) was sales of services.

Net sales by market segment

| SEKm | Group | | Parent company | |
|--------------------|---------------|---------------|----------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Sweden | 3 128 | 2 763 | 395 | 462 |
| Other EU countries | 11 586 | 11 280 | | |
| Rest of Europe | 1 228 | 1 493 | | |
| Other markets | 6 403 | 6 121 | | |
| Total | 22 345 | 21 657 | 395 | 462 |

Non-current assets by country

| SEKm | Group | |
|----------------|---------------|---------------|
| | 2017 | 2016 |
| Sweden | 19 254 | 16 448 |
| Finland | 576 | 688 |
| Latvia | 22 | 37 |
| United Kingdom | 58 | 59 |
| Other | 28 | 40 |
| | 19 938 | 17 272 |

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

Net sales by region

| SEKm | Group | |
|-------------------|---------------|---------------|
| | 2017 | 2016 |
| Sweden | 3 128 | 2 763 |
| Germany | 2 900 | 2 918 |
| China | 1 970 | 1 375 |
| Italy | 1 935 | 1 923 |
| United Kingdom | 1 196 | 1 170 |
| Spain | 1 174 | 1 130 |
| France | 1 041 | 1 049 |
| Rest of Europe | 4 568 | 4 583 |
| Rest of the world | 4 433 | 4 746 |
| Total | 22 345 | 21 657 |

Sales by region is based on location of the customer.

3 Other operating income

| SEKm | 2017 | 2016 |
|----------------------------------|------------|------------|
| Group | | |
| Services sold | 33 | 35 |
| Capitalised work for own account | 60 | 32 |
| Other | 127 | 88 |
| Group total | 220 | 155 |
| Parent company | | |
| Commissions | – | 19 |
| Other | 7 | 1 |
| Parent company total | 7 | 20 |

4 Fees and expenses to auditors

| SEKm | Group | | Parent company | |
|---|----------|----------|----------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| KPMG | | | | |
| Auditing assignments | 3 | 3 | 1 | 1 |
| Auditing activities besides audit assignments | 1 | 1 | 1 | 1 |
| Tax consultancy | – | 1 | – | 1 |
| Other services | – | – | – | – |
| Total | 4 | 5 | 2 | 3 |
| Other auditors | | | | |
| Auditing assignments | 1 | 2 | – | – |
| Tax consultancy | 1 | 1 | – | – |
| Other services | – | – | – | – |
| Total | 2 | 3 | – | – |

Audit assignments refer to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's administration of the Company, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during audits or the performance of such tasks. 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 general meeting of shareholders held on 10 May 2017 resolved that KPMG AB would be appointed as auditor for the period extending up until the end of the 2018 AGM.

5 Employees and employee benefits expense

| Average number of employees | | | | |
|-----------------------------|--------------|-----------------|--------------|-----------------|
| | 2017 | Of which men, % | 2016 | Of which men, % |
| Parent company | | | | |
| Sweden | 97 | 52 | 94 | 57 |
| Other countries | 10 | 100 | 6 | 100 |
| Parent company total | 107 | 56 | 100 | 60 |
| Subsidiaries | | | | |
| Sweden | 3 637 | 81 | 3 501 | 82 |
| Finland | 118 | 84 | 170 | 83 |
| United Kingdom | 158 | 89 | 154 | 88 |
| China | 129 | 33 | 118 | 37 |
| Latvia | 69 | 80 | 85 | 80 |
| USA | 47 | 62 | 37 | 59 |
| Germany | 36 | 56 | 34 | 50 |
| France | 17 | 41 | 14 | 43 |
| Italy | 14 | 43 | 14 | 43 |
| Spain | 11 | 36 | 12 | 42 |
| Other countries | 52 | 67 | 35 | 63 |
| Subsidiaries total | 4 288 | 79 | 4 174 | 80 |
| Group total | 4 395 | 78 | 4 274 | 79 |

| SEKm | Group | | Parent company | |
|--|--------------|--------------|----------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Employee benefit costs | | | | |
| Wages, salaries and other remuneration | | | | |
| Board, CEO and management team ¹ | 61 | 63 | 61 | 63 |
| of which variable remuneration | 10 | 10 | 10 | 10 |
| Other employees | 2 334 | 2 425 | 90 | 82 |
| of which variable remuneration | 87 | 109 | 10 | 17 |
| Total salaries and other remuneration | 2 395 | 2 488 | 151 | 145 |
| Social security costs | | | | |
| Contractual pensions for the CEO and management team | | | | |
| Defined-benefit pensions | – | – | – | – |
| Defined-contribution pensions | 10 | 9 | 10 | 9 |
| Contractual pensions, other | | | | |
| Defined-benefit pensions | – | 2 | – | – |
| Defined-contribution pensions | 242 | 241 | 16 | 14 |
| Other social security costs | 776 | 734 | 55 | 55 |
| Total social security costs | 1 028 | 986 | 81 | 78 |
| Total employee benefits expense | 3 423 | 3 474 | 232 | 223 |

¹ 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, %

| % | 2017 | 2016 |
|--|------|------|
| Group and parent company management | | |
| Board | 44 | 40 |
| CEO and management team | 27 | 20 |

For information about the benefits of senior managers in accordance with the Annual Accounts Act, see note 26.

6 Items affecting comparability

| SEKm | Group | | Parent company | |
|---|-------------|-------------|----------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Expenses affecting comparability | | | | |
| MG investment in Skärblacka (operating expenses) | -74 | - | - | - |
| New cartonboard machine at Gruvön – further expenses (operating expenses) | -36 | - | - | - |
| Fraud (operating expenses) | - | -25 | - | -25 |
| New cartonboard machine at Gruvön – restructuring (operating expenses) | 20 | -205 | - | - |
| New carbonboard machine at Gruvön – depreciation, amortisation and impairment of existing non-current assets (Depreciation, amortisation and impairment of non-current assets). | -60 | -120 | - | - |
| Expenses affecting comparability | -150 | -350 | - | -25 |
| Net | -150 | -350 | - | -25 |

Items affecting comparability presented to enable an adjustment of the result that better reflects the underlying business.

Items affecting comparability include additional project costs for major projects, as well as significant earnings effects from acquisition and disposals.

7 Net financial items

| SEKm | Group | | Parent company | |
|---|-------------|-------------|----------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Finance income | | | | |
| Dividends from Group companies | - | - | 81 | 30 |
| Dividends from other participations | 8 | 42 | - | - |
| Net change in exchange rates | - | 1 | - | 2 |
| Capital gain/loss from sale of other participations | - | - | 14 | - |
| Interest income, Group companies | - | - | - | - |
| Interest income, other | 8 | 2 | 8 | 1 |
| Finance income | 16 | 45 | 103 | 33 |
| Finance costs | | | | |
| Interest expense for financial liabilities measured at amortised cost | -75 | -125 | -107 | -116 |
| Impairment losses, subsidiaries | - | - | -30 | - |
| Impairment losses, associates | - | - | -6 | -1 |
| Impairment losses, other participations | -14 | - | - | - |
| Interest expense for pension provision | -18 | -18 | -7 | -7 |
| Net interest income on derivatives in hedge accounting | - | - | -26 | -21 |
| Net change in exchange rates | -22 | - | -22 | - |
| Other financial expenses | -25 | -10 | -28 | -9 |
| Finance costs | -154 | -153 | -226 | -154 |
| Net financial items | -138 | -108 | -123 | -121 |

8 Appropriations

| SEKm | Parent company | |
|------------------------------|----------------|--------------|
| | 2017 | 2016 |
| Group contributions received | 3 190 | 1 662 |
| Tax allocation reserve | -555 | -371 |
| Parent company total | 2 635 | 1 291 |

9 Tax

| SEKm | Group | | Parent company | |
|--|--------------|--------------|----------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Profit/loss before tax | | | | |
| Sweden, Group companies | 2 127 | 1 944 | 2 391 | 1 143 |
| Rest of world, Group companies | -24 | -7 | - | - |
| Total profit/loss before tax | 2 103 | 1 937 | 2 391 | 1 143 |
| Tax expense | | | | |
| Current tax | | | | |
| Tax expense for the period | -526 | -253 | -514 | -246 |
| Tax attributable to previous period | 1 | 1 | - | - |
| Total current tax | -525 | -252 | -514 | -246 |
| Deferred tax | | | | |
| Deferred tax income/expense related to temporary differences | 60 | -167 | 3 | 1 |
| Total tax expense | -465 | -419 | -511 | -245 |
| % | | | | |
| Reconciliation, effective tax rate | | | | |
| Swedish income tax rate | 22.0 | 22.0 | 22.0 | 22.0 |
| Effect of other tax rates for foreign subsidiaries | -0.3 | 0.1 | - | - |
| Tax-exempt dividends | -0.1 | -0.5 | -0.7 | -0.6 |
| Tax attributable to previous period | 0.6 | 0.1 | - | - |
| Impairment of shares | 0.1 | - | 0.3 | - |
| Tax effect of non-deductible expenses | 0.2 | 0.2 | - | 0.2 |
| Tax effect of tax-exempt income | -0.2 | - | -0.1 | - |
| Utilised tax deficit not recognised in previous years | - | -0.2 | - | - |
| Deductions for allocation of shares in incentive programmes | -0.1 | -0.1 | -0.1 | -0.2 |
| Other | -0.1 | - | - | - |
| Tax rate according to income statement | 22.1 | 21.6 | 21.4 | 21.4 |

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 | |
|--|-------------------------------|--------------|----------------------------------|------------|----------------------------------|-----------|---------------------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| GROUP | | | | | | | | |
| Deferred tax liability | | | | | | | | |
| Non-current assets | 3 304 | 3 103 | -190 | 204 | 1 | -3 | 3 115 | 3 304 |
| Tax allocation reserve | 227 | 202 | 122 | 25 | - | - | 349 | 227 |
| Hedging reserve | - | -17 | - | - | 6 | 17 | 6 | - |
| Total deferred tax liability | 3 531 | 3 288 | -68 | 229 | 7 | 14 | 3 470 | 3 531 |
| Deferred tax asset | | | | | | | | |
| Inventories | 4 | 7 | 6 | -3 | - | - | 10 | 4 |
| Accounts receivable | 7 | 9 | -6 | -2 | - | - | 1 | 7 |
| Provisions | 104 | 45 | -7 | 56 | 6 | 3 | 103 | 104 |
| Loss | 73 | 62 | -1 | 11 | - | - | 72 | 73 |
| Total deferred tax asset | 188 | 123 | -8 | 62 | 6 | 3 | 186 | 188 |
| Total net deferred tax liability | 3 343 | 3 165 | -60 | 167 | 1 | 11 | 3 284 | 3 343 |
| Portion recognised as deferred tax asset | 67 | 21 | | | | | 107 | 67 |
| Portion recognised as deferred tax liability | 3 410 | 3 186 | | | | | 3 392 | 3 410 |

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 92 million (17). The assessment was made based on uncertainty about whether this tax asset can be recovered.

PARENT COMPANY

| | | | | | | | | |
|---|----------|----------|-----------|-----------|----------|----------|-----------|----------|
| Deferred tax liability | | | | | | | | |
| Other non-current assets | 5 | 5 | - | - | - | - | 5 | 5 |
| Total deferred tax liability | 5 | 5 | - | - | - | - | 5 | 5 |
| Deferred tax asset | | | | | | | | |
| Provisions | 4 | 3 | 3 | 1 | - | - | 7 | 4 |
| Total deferred tax asset | 4 | 3 | 3 | 1 | - | - | 7 | 4 |
| Total net deferred tax liability | 1 | 2 | -3 | -1 | - | - | -2 | 1 |

There are no significant temporary differences in participations in subsidiaries.

10 Earnings per share

| | 2017 | 2016 |
|--|-------------|-------------|
| Basic earnings per share | | |
| Profit/loss for the period, SEKm | 1 638 | 1 518 |
| Weighted number of outstanding ordinary shares | 207 113 788 | 207 037 234 |
| Basic earnings per share, SEK | 7.91 | 7.33 |
| Diluted earnings per share | | |
| Profit/loss for the period, SEKm | 1 638 | 1 518 |
| Weighted number of outstanding ordinary shares | 207 113 788 | 207 037 234 |
| Adjustment for assumed dilution through incentive programme | 342 064 | 472 099 |
| Number of shares included in calculation of earnings per share | 207 455 852 | 207 509 333 |
| Diluted earnings per share, SEK | 7.90 | 7.31 |

11 Intangible assets

| SEKm | Acquired intangible assets | | | | | | | | | |
|--|----------------------------|--------------|--------------------|-------------|------------|------------|-------------------------|-------------|--------------|--------------|
| | Goodwill | | Customer contracts | | Brand | | Other intangible assets | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| GROUP | | | | | | | | | | |
| Acquisition value | | | | | | | | | | |
| Carrying amount at start of year | 1 980 | 1 980 | 567 | 567 | 120 | 116 | 157 | 106 | 2 824 | 2 768 |
| Investments | | | | | | | 2 | 42 | 2 | 42 |
| Acquisition of business | | | | | | | | 8 | – | 8 |
| Disposals | | | | | | | –4 | –2 | –4 | –2 |
| Reclassification | | | | | | | 14 | | 14 | – |
| Translation differences | 1 | | | | –5 | 4 | –1 | 3 | –5 | 7 |
| Carrying amount at year-end | 1 981 | 1 980 | 567 | 567 | 115 | 120 | 168 | 157 | 2 831 | 2 823 |
| Accumulated depreciation/amortisation | | | | | | | | | | |
| Carrying amount at start of year | | | –289 | –218 | –64 | –43 | –104 | –92 | –457 | –353 |
| Depreciation/amortisation | | | –70 | –71 | –18 | –18 | –13 | –7 | –101 | –96 |
| Acquisition of business | | | | | | | | –7 | – | –7 |
| Disposals | | | | | | | 4 | 2 | 4 | 2 |
| Translation differences | | | | | 3 | –3 | –1 | | 2 | –3 |
| Carrying amount at year-end | – | – | –359 | –289 | –79 | –64 | –114 | –104 | –552 | –457 |
| Accumulated impairment losses | | | | | | | | | | |
| Carrying amount at start of year | –31 | –31 | | | | | | | –31 | –31 |
| Carrying amount at year-end | –31 | –31 | – | – | – | – | – | – | –31 | –31 |
| Carrying amounts according to balance sheet | 1 950 | 1 949 | 208 | 278 | 36 | 56 | 54 | 53 | 2 248 | 2 335 |

The Group's remaining goodwill of SEK 1 950 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 2018–2022. 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. Forecasts are made on managements assessments which are based on both internal and external sources.

An annual growth rate of 2% (2) was used to extrapolate cash flows beyond 2022. 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.

12 Property, plant and equipment

| SEKm | Buildings and land ¹ | | Plant and equipment ² | | Leased fixed assets | | New buildings in progress ³ | | Total | |
|--|---------------------------------|---------------|----------------------------------|----------------|---------------------|-----------|--|------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| GROUP | | | | | | | | | | |
| Acquisition value | | | | | | | | | | |
| Carrying amount at start of year | 4 145 | 4 059 | 34 091 | 32 838 | 7 | 9 | 853 | 687 | 39 096 | 37 594 |
| Investments | 2 | 6 | 18 | 62 | – | 1 | 4 174 | 1 496 | 4 194 | 1 565 |
| Acquisition of business | | | – | 1 | | | | | – | 1 |
| Reclassification | 127 | 82 | 780 | 1 249 | | | –923 | –1 331 | –16 | – |
| Divestments and disposals | –29 | –2 | –49 | –58 | –1 | –2 | | | –79 | –62 |
| Disposals via divestment of business ⁴ | –6 | | –2 | | | | | | –8 | – |
| Translation differences | | | 21 | –1 | 1 | –1 | 1 | 1 | 23 | –1 |
| Carrying amount at year-end | 4 239 | 4 145 | 34 859 | 34 091 | 7 | 7 | 4 105 | 853 | 43 210 | 39 096 |
| Accumulated depreciation/amortisation | | | | | | | | | | |
| Carrying amount at start of year | –2 634 | –2 520 | –19 483 | –18 339 | –6 | –7 | | | –22 123 | –20 866 |
| Depreciation/amortisation | –111 | –114 | –1 306 | –1 230 | –1 | –1 | | | –1 418 | –1 345 |
| Divestments and disposals | 22 | | 39 | 57 | 1 | 2 | | | 62 | 59 |
| Translation differences | | | –5 | 29 | | | | | –5 | 29 |
| Carrying amount at year-end | –2 723 | –2 634 | –20 755 | –19 483 | –6 | –6 | – | – | –23 484 | –22 123 |
| Accumulated impairment losses | | | | | | | | | | |
| Carrying amount at start of year | –111 | –111 | –1 925 | –1 805 | | | | | –2 036 | –1 916 |
| Impairment losses ⁵ | | | – | –120 | | | | | – | –120 |
| Carrying amount at year-end | –111 | –111 | –1 925 | –1 925 | – | – | – | – | –2 036 | –2 036 |
| Carrying amounts according to balance sheet | 1 405 | 1 400 | 12 179 | 12 683 | 1 | 1 | 4 105 | 853 | 17 690 | 14 937 |
| PARENT COMPANY | | | | | | | | | | |
| Acquisition value | | | | | | | | | | |
| Carrying amount at start of year | 7 | 7 | 6 | 4 | | | 1 | 1 | 14 | 12 |
| Investments | | | 3 | – | | | – | 2 | 3 | 2 |
| Reclassification | | | – | 2 | | | – | –2 | – | – |
| Divestments and disposals | | | | | | | | | – | – |
| Carrying amount at year-end | 7 | 7 | 9 | 6 | – | – | 1 | 1 | 17 | 14 |
| Accumulated depreciation/amortisation | | | | | | | | | | |
| Carrying amount at start of year | | | –4 | –3 | | | | | –4 | –3 |
| Depreciation/amortisation | | | –1 | –1 | | | | | –1 | –1 |
| Divestments and disposals | | | | | | | | | – | – |
| Carrying amount at year-end | – | – | –5 | –4 | – | – | – | – | –5 | –4 |
| Carrying amounts according to balance sheet | 7 | 7 | 4 | 2 | – | – | 1 | 1 | 12 | 10 |

1 Of which land is SEK 67 million (68) 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 Capitalised borrowing costs totalled SEK 45m in 2017.

4 Relates to the divestment of Sia Freja.

5 Relates to impairment of non-current assets at Gruvön which will be disposed of early in connection with the installation of a new cartonboard machine.

Leases

Future contractual lease commitments for the Group totalled SEK 296 million (283), of which SEK 99 million (99) is payable within one year and SEK 162 million (136) within two to five years. The corresponding figure for the parent company was SEK 15 million (17), of which SEK 8 million (8) is payable within one year and SEK 7 million (9) within two to five years. Leasing costs in the Group in 2017 were SEK 95 million (105). For the parent company, the total corresponding costs were SEK 10 million (9).

13 Investments in Group companies

| SEKm | 2017 | 2016 |
|---|---------------|---------------|
| Acquisition value | | |
| Opening balance at start of year | 10 847 | 10 838 |
| Investments ¹ | 20 | 9 |
| Sale of subsidiaries ² | -2 | - |
| Closing balance at year-end | 10 865 | 10 847 |
| Accumulated impairment losses | | |
| Opening balance at start of year | -166 | -166 |
| Impairment losses ³ | -30 | - |
| Closing balance at year-end | -196 | -166 |
| Carrying amount on the balance sheet | 10 669 | 10 681 |

1 Investment in 2017 relate to shareholder contributions to Nine AB of SEK 6 million, BillerudKorsnäs Venture AB of SEK 9 million, NimblePacc Packaging Private Ltd of SEK 2 million and the newly formed company BillerudKorsnäs Vietnam LLC of SEK 3 million. Investments in 2016 relate to acquisition on ScandFibre Logistics AB of SEK 8 million, shareholders' contribution to NimblePacc Packaging Private Ltd of SEK 1 million and formation of the companies BillerudKorsnäs Venture AB and BillerudKorsnäs Bangladesh Limited.

2 Sale of subsidiaries related to Billerud Tenova Bioplastics AB.

3 Impairment losses in 2017 related to impairment of the holdings in Nine AB of SEK 6 million, Billerud Tenova Bioplastics AB of SEK 15 million and BillerudKorsnäs Venture AB of SEK 9 million.

Specification of parent company's investments in Group companies

| Subsidiary/Registered office/Corp. ID no. | Number of shares | Holding in % ¹ | Carrying amount |
|--|------------------|---------------------------|-----------------|
| BillerudKorsnäs Venture AB, Solna, 559040-3548 | 50 000 | 100 | - |
| Paccess AB, Stockholm 556459-7572 | 1 000 | 100 | - |
| BillerudKorsnäs Sweden AB, Stockholm 556876-2974 | 2 000 | 100 | 1 040 |
| Nine AB, Stockholm 556724-5658 | 904 | 90.4 | 2 |
| ScandFibre Logistics AB, Örebro, 556253-1474 | 10 000 | 100 | 8 |
| BillerudKorsnäs Asia Holding, Hong Kong | 10 000 | 100 | - |
| 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, Juanjelgava | 5 623 | 100 | 43 |
| Billerud Incorporated, Delaware | 100 | 100 | 52 |
| BillerudKorsnäs Finland OY, Pietarsaari | 2 500 | 100 | 1 167 |
| BillerudKorsnäs Skog & Industri AB, Gävle 556023-8338 | 53 613 270 | 100 | 8 240 |
| BillerudKorsnäs Packaging India Private Ltd, New Dehli | 8 750 | 100 | 3 |
| NimblePacc Packaging Private Ltd, New Dehli | 5 999 | 100 | 4 |
| BillerudKorsnäs Singapore Private Ltd, Singapore | 500 000 | 100 | 3 |
| BillerudKorsnäs Vietnam LLC, Ho Chi Minh City | - | 100 | 3 |
| BillerudKorsnäs Bangladesh Limited, Dhaka | 998 | 99,8 | - |
| | | | 10 669 |

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 % ¹ |
|--|---------------------------|
| BillerudKorsnäs Rockhammar AB, Lindesberg 556761-2436 | 100 |
| Diacell AB, Gävle 556155-2786 | 100 |
| Korsnäs Sågverks AB, Gävle 556024-8477 | 100 |
| AB Stjernsunds Bruk, Gävle 556028-6881 | 100 |
| Tråvaru AB Dalarna, Gävle 556044-3920 | 100 |
| BillerudKorsnäs UK Ltd, Stowe | 100 |
| BillerudKorsnäs USA LLC, Delaware | 100 |
| BillerudKorsnäs International Trading Ltd, Shenzhen | 100 |
| Bomhus Energi AB, Gävle 556793-5217 (joint arrangement) | 50 |

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

14 Receivables from and liabilities to Group companies, interest-bearing

| SEKm | 2017 | 2016 | SEKm | 2017 | 2016 |
|---|-----------|-----------|---|------------|------------|
| GROUP AND PARENT COMPANY | | | Current receivables from Group companies | | |
| Non-current receivables from associates | | | Carrying amount at start of year | | |
| Carrying amount at start of year | 15 | 11 | Change for the year | 33 | 35 |
| Change for the year | 1 | 4 | Carrying amount at year-end | 58 | 33 |
| Carrying amount at year-end | 16 | 15 | Liabilities to Group companies | | |
| PARENT COMPANY | | | Carrying amount at start of year | | |
| Non-current receivables from Group companies | | | Change for the year | | |
| Carrying amount at start of year | – | 4 | Carrying amount at year-end | 599 | 426 |
| Change for the year | – | –4 | Interest-bearing receivables and liabilities relate to the Group account with an internal rate of return and interest-bearing fixed-term loans and investments. | | |
| Carrying amount at year-end | – | – | | | |

15 Participations in associates

| SEKm | 2017 | 2016 |
|---|----------|----------|
| GROUP | | |
| Carrying amount at start of year | 8 | 13 |
| Capital contribution to associates ¹ | 7 | – |
| Divestment of associates ² | – | –4 |
| Participations in associates' profit/loss after tax | –7 | –1 |
| Carrying amount at year-end | 8 | 8 |

Associates

| SEKm | Country | Revenue | Earnings | Assets | Liabilities | Shareholders' equity | Proportion owned, % | Carrying amount |
|--|---------|---------|----------|--------|-------------|----------------------|---------------------|-----------------|
| 2017 | | | | | | | | |
| FreeForm Packaging AB | Sweden | 13 | –7 | 22 | 22 | – | 37 | – |
| Trätåg AB | Sweden | 201 | – | 43 | 43 | – | 50 | – |
| Fastighetsbolaget Marma Skog 31 ³ | Sweden | 1 | – | 8 | – | 8 | 50 | 8 |
| SSG Standard Solutions Group AB | Sweden | 112 | 6 | 69 | 19 | 50 | 28 | – |
| Total | | | | | | | | 8 |
| 2016 | | | | | | | | |
| FreeForm Packaging AB | Sweden | 1 | –4 | 20 | 20 | – | 35 | – |
| Trätåg AB | Sweden | 199 | – | 30 | 30 | – | 50 | – |
| Fastighetsbolaget Marma Skog 31 ³ | Sweden | 1 | – | 9 | 1 | 8 | 50 | 8 |
| SSG Standard Solutions Group AB | Sweden | 100 | 3 | 60 | 18 | 42 | 28 | – |
| Total | | | | | | | | 8 |

| SEKm | 2017 | 2016 |
|---|----------|----------|
| PARENT COMPANY | | |
| Acquisition value | | |
| At start of year | – | 1 |
| Capital contribution to associates ¹ | 6 | – |
| Divestment of associates ² | – | –1 |
| Impairment losses, associates ⁴ | –6 | – |
| Closing balance | – | – |

Specification of participations in associates directly owned by the parent company

| Company, corporate ID no. and registered office | Votes and capital, % | Carrying amount |
|---|----------------------|-----------------|
| 2017 | | |
| Associates | | |
| FreeForm Packaging AB, 556928-2873 Norrköping | 37 | – |
| Parent company total | | – |
| 2016 | | |
| Associates | | |
| FreeForm Packaging AB, 556928-2873 Norrköping | 35 | – |
| Parent company total | | – |

¹ Capital contribution in 2017 are related to FreeForm Packaging AB.

² BillerudKorsnäs AB acquired all the shares in ScandFibre Logistics AB in 2016, which means that the company is reported as Participations in associates, see Note 13.

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

⁴ Impairment loss in 2017 relates to the impairment of the investment in FreeForm Packaging AB.

16 Other holdings

| SEKm Name/Corp. ID no. | Number of shares | Holding in % | Carrying amount |
|--|------------------|--------------|-----------------|
| 2017 | | | |
| GROUP | | | |
| Two tenant-owner properties | | | 2 |
| BasEl i Sverige AB, 556672-5858 | 100 | 10 | 1 |
| VindIn AB, 556713-5172 | 200 | 10 | 32 |
| Kalix Vindkraft AB, 556686-1729 | 20 000 | 10 | – |
| BioBag International AS, 966 534 281 | 360 | 10 | 9 |
| Bergvik Skog AB, 556610-2959 | 353 | 5 | 1 273 |
| Radio Skog AB, 556137-8505 | 400 | 10 | – |
| RK Returkartong AB, 556483-8828 | 28 | 4 | – |
| Innventia Fastighets AB, 559099-8711 | 12 | 11 | – |
| Ljusfors Kraft AB, 556042-3351 | 11 | 1 | – |
| EcoXPac A/S, Denmark | 128 580 | 19.6 | 32 |
| Kezzler AS, Norway, 983 594 123 | 474 892 | 10 | 42 |
| Hanhaa Ltd, UK | 21 336 | 13 | 18 |
| Vericool Inc, USA | 288 983 | 9 | 20 |
| Total | | | 1 429 |
| PARENT COMPANY | | | |
| One tenant-owner property | | | 2 |
| BasEl i Sverige AB, 556672-5858 | 50 | 5 | – |
| SSG Standard Solutions Group AB, 556403-1523 | 7 143 | 14 | – |
| VindIn AB, 556713-5172 | 100 | 9 | 24 |
| Total | | | 26 |
| 2016 | | | |
| GROUP | | | |
| Two tenant-owner properties | | | 2 |
| BasEl i Sverige AB, 556672-5858 | 100 | 10 | 1 |
| VindIn AB, 556713-5172 | 200 | 10 | 34 |
| Kalix Vindkraft AB, 556686-1729 | 20 000 | 10 | 5 |
| BioBag International AS, 966 534 281 | 360 | 10 | 9 |
| Bergvik Skog AB, 556610-2959 | 353 | 5 | 1 230 |
| Radio Skog AB, 556137-8505 | 400 | 10 | – |
| RK Returkartong AB, 556483-8828 | 28 | 4 | – |
| Ljusfors Kraft AB, 556042-3351 | 11 | 1 | – |
| EcoXPac A/S, Denmark | 58 446 | 10 | 25 |
| Kezzler AS, Norway, 983 594 123 | 324 843 | 7 | 28 |
| Hanhaa Ltd, UK | 10 742 | 7 | 10 |
| Total | | | 1 343 |
| PARENT COMPANY | | | |
| One tenant-owner property | | | 2 |
| BioBag International AS, 966 534 281 | 360 | 10 | 9 |
| BasEl i Sverige AB, 556672-5858 | 50 | 5 | – |
| SSG Standard Solutions Group AB, 556403-1523 | 7 143 | 14 | – |
| VindIn AB, 556713-5172 | 100 | 9 | 24 |
| Total | | | 35 |

Changes regarding Group other holdings are stated in Note 25.

The parent company sold the holding in Biobag International AS to the subsidiary BillerudKorsnäs Venture AB in 2017.

17 Inventories

| SEKm | Group | |
|-------------------------------|--------------|--------------|
| | 2017 | 2016 |
| Raw materials and consumables | 1 046 | 1 094 |
| Finished goods | 1 632 | 1 778 |
| Work in progress | 79 | 90 |
| Advances to suppliers | 155 | 180 |
| Total | 2 912 | 3 142 |

Of the inventory of finished goods, SEK 217 million (8) has been measured at net realisable value.

Operating costs include SEK 52 million (36) for impairment of inventories.

18 Shareholders' equity

Share capital

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

Other contributed capital

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

Reserves

Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of financial reports of foreign operations that have prepared their financial reports in a currency other than the currency that is the Group's functional (reporting) 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 2017, the Group's holdings of treasury shares totalled 1 263 166 (1 130 498).

Dividend

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 4.30 per ordinary share, totalling SEK 890 million. This proposal will be voted on at the AGM on 15 May 2018.

| | 2017 | 2016 |
|---|------|------|
| Dividend, SEKm | 891 | 880 |
| Recognised dividend per ordinary share, SEK | 4.30 | 4.25 |

Financial position

BillerudKorsnäs' financial target for its financial position is for the ratio of net interest-bearing debt to EBITDA to be less than 2.5. Group interest-bearing net indebtedness in relation to EBITDA at the end of 2017 was 1.53 (1.08) times.

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.

19 Proposed allocation of profit

Non-restricted equity in the parent company consists of:

| SEK | |
|--------------------------|----------------------|
| Share premium reserve | 4 407 645 318 |
| Retained earnings | 277 337 309 |
| Profit/loss for the year | 1 879 521 419 |
| | 6 564 504 046 |

The Board proposes that:

| SEK | |
|--|----------------------|
| Dividend to shareholders, 206 956 668 shares at SEK 4.30 per share | 889 913 672 |
| and that the remaining amount be retained | 5 674 590 374 |
| Total | 6 564 504 046 |

20 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 SEK 27 million (28) in the subsidiary BillerudKorsnäs Skog & Industri AB.

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, and the plan is therefore 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 was 154% (148) at year-end. The collective consolidation ratio consists of the market value of Alecta's assets in relation to the insurance undertakings calculated as per Alecta's actuarial assumptions, which do not correspond to 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 106 million (96) for the year.

| GROUP | 2017 | 2016 |
|--|------------|------------|
| SEKm | | |
| Pension costs | | |
| Pension costs in profit/loss for the year | | |
| Employee benefit costs | | |
| Defined-contribution plans | 252 | 250 |
| Defined-benefit plans | – | 2 |
| Special payroll tax | 59 | 51 |
| Finance costs | 18 | 18 |
| Total | 329 | 321 |
| Pension costs in other comprehensive income | | |
| Actuarial changes | 29 | 12 |
| Provisions for pensions in balance sheet | | |
| Provisions at start of year | 778 | 783 |
| Pension costs | 1 | 6 |
| Finance costs | 18 | 18 |
| IFRS adjustment | | |
| Actuarial changes | | |
| Change in financial assumptions | 23 | 23 |
| Change in demographic assumptions | – | – |
| Experience-based adjustments | 6 | –11 |
| Payments | –42 | –41 |
| Provisions at end of year | 784 | 778 |
| of which covered by credit insurance with FPG/PRI | 747 | 741 |

Of the provision, SEK 43 million (42) is expected to be paid within 12 months. As collateral for pension commitments, the Group has pledged endowment insurance totalling SEK 31 million (17).

| | 31 Dec 2017 | 31 Dec 2016 |
|--|-------------|-------------|
| Actuarial assumptions | | |
| The following material actuarial assumptions have been applied in the calculation of commitments (weighted average). | | |
| Discount rate | 2.5% | 2.5% |
| Future increases in pensions | 1.9% | 1.7% |
| Lifetime | DUS 14 | DUS 14 |

Sensitivity analysis actuarial assumptions

| Parameter | Change | Impact on pension liability |
|---------------|---------|-----------------------------|
| Discount rate | +0.5% | –55 |
| Discount rate | –0.5% | 62 |
| Inflation | +0.5% | 62 |
| Inflation | –0.5% | –56 |
| Lifetime | +1 year | 38 |
| Lifetime | –1 year | –38 |

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 13 years.

PARENT COMPANY

| SEKm | 2017 | 2016 |
|---|------------|------------|
| Pension costs | | |
| Employee benefit costs | 26 | 23 |
| Special payroll tax | 7 | 6 |
| Finance costs | 6 | 6 |
| Total cost of direct pensions | 39 | 35 |
| Provisions for pensions in balance sheet | | |
| Present value of pension commitments related to retirement under the management of the company at start of year | 181 | 185 |
| Pension costs | 2 | – |
| Finance costs | 6 | 6 |
| Pensions paid | –10 | –10 |
| Present value of pension commitments related to retirement under the management of the Company at year-end | 179 | 181 |
| Commitments paid to endowment insurance held by BillerudKorsnäs | 23 | 13 |
| Other provisions | 6 | 4 |
| Provisions for pensions in balance sheet | 208 | 198 |
| of which covered by credit insurance with FPG/PRI | 179 | 181 |

Of the provision, SEK 11 million (11) is expected to be paid within 12 months. As collateral for pension commitments, the parent company has pledged endowment insurance totalling SEK 23 million (13).

21 Provisions

| SEKm | Group | | Parent company | |
|--|------------|------------|----------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Severance pay, redundancy pay ¹ | 150 | 185 | – | 5 |
| Costs of restructuring measures ¹ | 60 | 115 | – | – |
| Costs of environmental measures | 40 | 38 | – | – |
| Group total | 250 | 338 | – | 5 |
| of which current portion of provisions | 23 | 86 | – | 5 |
| Change for the year | | | | |
| Carrying amount at start of year | 338 | 159 | 5 | – |
| Provisions made during the year | 8 | 223 | – | 5 |
| Unutilised amount reversed during the year | –20 | – | – | – |
| Amount utilised during the year | –76 | –44 | –5 | – |
| Carrying amount at year-end | 250 | 338 | – | 5 |

¹ Contains provisions for restructuring costs due to investment in a new cartonboard machine at Gruvön of SEK 185 million (2016). SEK 20 million was reversed in 2017.

22 Interest-bearing liabilities

| SEKm | 2017 | | 2016 | |
|------------------------------------|-----------------|--------------|-----------------|--------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| GROUP | | | | |
| Non-current liabilities | | | | |
| Syndicated loans | – | – | – | – |
| Bilateral loans | 1 141 | 1 141 | 700 | 700 |
| Bond loans | 2 000 | 2 008 | 1 500 | 1 544 |
| Other interest-bearing liabilities | 445 | 445 | 487 | 487 |
| Carrying amount at year-end | 3 586 | 3 594 | 2 687 | 2 731 |
| Current liabilities | | | | |
| Syndicated loans | – | – | – | – |
| Bond loans | 1 500 | 1 522 | 300 | 300 |
| Commercial papers | – | – | – | – |
| Bilateral loans | – | – | 800 | 800 |
| Other interest-bearing liabilities | 51 | 51 | 42 | 42 |
| Carrying amount at year-end | 1 551 | 1 573 | 1 142 | 1 142 |

Repayment periods and future interest payments on loans contracted

| (number of years from 31 Dec 2017) | 0–1 | 1–2 | 2– | Total |
|------------------------------------|--------------|------------|--------------|--------------|
| Bilateral loans | – | 226 | 915 | 1 141 |
| Bond loans | 1 500 | – | 2 000 | 3 500 |
| Commercial papers | – | – | – | – |
| Other interest-bearing liabilities | 51 | 45 | 400 | 496 |
| Group total | 1 551 | 271 | 3 315 | 5 137 |
| Future interest payments | 59 | 33 | 81 | 173 |

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 marked to market in the balance sheet and instead being recognised at amortised cost. The Group has no loans recognised at fair value through profit or loss. The fair value of interest-bearing liabilities is established according to value hierarchy Level 2. For a definition of value hierarchy please see Note 25.

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 2017. The syndicated loans, which are a revolving credit facility of SEK 5 500 million, were

unutilised as of 31 December 2017. The credit facility falls due in May 2022. The bilateral loans fall due from 2019 onwards. The syndicated loans and bilateral loans have variable interest rates.

BillerudKorsnäs had four outstanding bond loans totalling SEK 3 500 million as of 31 December 2017. Of the outstanding bond loans, SEK 2 750 million have variable interest and SEK 750 million fixed interest. The bonds were issued under the MTN programme, which was established in 2013. Of the outstanding SEK 3 500 million, SEK 1 500 million matures in 2018, SEK 300 million in 2021 and SEK 1 700 million in 2022. One bond loans totalling SEK 300 million were repaid in 2017.

BillerudKorsnäs issued a fixed-interest loan on 22 December 2017. The proceeds from the issue, totalling SEK 500 million, were received on 4 January 2018 and will therefore be recognised as a transaction in the first quarter of 2018.

Commercial papers are issued under the programme originally established in 2003. The commercial paper programme has a framework amount of SEK 3 000 million. Commercial papers have a minimum maturity of one day and a maximum maturity of one year. No commercial papers had been issued at 31 December 2017.

23 Liabilities to credit institutions

| SEKm | 31 Dec 2017 | 31 Dec 2016 |
|------------------------------------|--------------|--------------|
| PARENT COMPANY | | |
| Non-current liabilities | | |
| Syndicated loans | – | – |
| Bilateral loans | 1 141 | 700 |
| Bond loans | 2 000 | 1 500 |
| Other interest-bearing liabilities | – | – |
| Carrying amount at year-end | 3 141 | 2 200 |
| Current liabilities | | |
| Syndicated loans | – | – |
| Bilateral loans | – | 800 |
| Bond loans | 1 500 | 300 |
| Commercial papers | – | – |
| Other interest-bearing liabilities | 6 | – |
| Carrying amount at year-end | 1 506 | 1 100 |

Repayment periods

| (number of years from 31 Dec 2017) | 0–1 | 1–2 | 2– | Total |
|------------------------------------|--------------|------------|--------------|--------------|
| Syndicated loans | – | – | – | – |
| Bilateral loans | – | 226 | 915 | 1 141 |
| Bond loans | 1 500 | – | 2 000 | 3 500 |
| Commercial papers | – | – | – | – |
| Other interest-bearing liabilities | 6 | – | – | 6 |
| Total | 1 506 | 226 | 2 915 | 4 647 |

The majority of the liabilities are due for payment within five years after the closing date.

24 Accrued expenses and deferred income

| SEKm | Group | | Parent company | |
|--|--------------|--------------|----------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Employee benefit expenses, including social security costs | 622 | 604 | 51 | 55 |
| Excise duties | 3 | 3 | – | – |
| Delivery expenses | 135 | 165 | – | – |
| Wood expenses | 57 | 60 | – | – |
| Energy expenses | 26 | 42 | – | – |
| Other | 354 | 217 | 40 | 31 |
| Total | 1 197 | 1 091 | 91 | 86 |

25 Financial assets and liabilities

| SEKm | Interest rate swaps in hedge accounting | | Derivatives in hedge accounting | | Loans and receivables | | Available-for-sale financial assets | | Financial liabilities valued at accrued cost | | Total carrying amount | | Fair value | |
|--|---|-----------|---------------------------------|------------|-----------------------|--------------|-------------------------------------|--------------|--|--------------|-----------------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Valuation classification | Level 2 | | | | Level 3 | | | | | | | | | |
| GROUP | | | | | | | | | | | | | | |
| Other shares and participations | | | | | | | 1 429 | 1 343 | | | 1 429 | 1 343 | 1 429 | 1 343 |
| Non-current receivables | | | | | 22 | 21 | | | | | 22 | 21 | 22 | 21 |
| Accounts receivable | | | | | 2 713 | 2 612 | | | | | 2 713 | 2 612 | 2 713 | 2 612 |
| Other receivables | | | 150 | 107 | 449 | 378 | | | | | 599 | 485 | 599 | 485 |
| Cash and cash equivalents ¹ | | | | | 168 | 708 | | | | | 168 | 708 | 168 | 708 |
| Total | – | – | 150 | 107 | 3 352 | 3 719 | 1 429 | 1 343 | – | – | 4 931 | 5 169 | 4 931 | 5 169 |
| Non-current interest-bearing liabilities | | | | | | | | | 3 586 | 2 687 | 3 586 | 2 687 | 3 594 | 2 731 |
| Current interest-bearing liabilities | | | | | | | | | 1 551 | 1 142 | 1 551 | 1 142 | 1 573 | 1 142 |
| Accounts payable | | | | | | | | | 3 294 | 3 049 | 3 294 | 3 049 | 3 294 | 3 049 |
| Other liabilities | 24 | 51 | 91 | 78 | | | | | 144 | 193 | 259 | 322 | 259 | 322 |
| Total | 24 | 51 | 91 | 78 | – | – | – | – | 8 575 | 7 071 | 8 690 | 7 200 | 8 720 | 7 244 |
| PARENT COMPANY | | | | | | | | | | | | | | |
| Other shares and participations | | | | | | | 26 | 35 | | | 26 | 35 | 26 | 35 |
| Other non-current receivables | | | | | 23 | 13 | | | | | 23 | 13 | 23 | 13 |
| Accounts receivable | | | | | 2 188 | 2 104 | | | | | 2 188 | 2 104 | 2 188 | 2 104 |
| Other receivables | | | | | 29 | 22 | | | | | 29 | 22 | 51 | 43 |
| Cash and bank balances ² | | | | | 18 | 516 | | | | | 18 | 516 | 18 | 516 |
| Total | – | – | – | – | 2 258 | 2 655 | 26 | 35 | – | – | 2 284 | 2 690 | 2 306 | 2 711 |
| Debenture and syndicated loan | | | | | | | | | 2 000 | 1 500 | 2 000 | 1 500 | 2 030 | 1 544 |
| Other interest-bearing non-current liabilities | | | | | | | | | 1 141 | 700 | 1 141 | 700 | 1 141 | 700 |
| Liabilities to credit institutions | | | | | | | | | 1 506 | 1 100 | 1 506 | 1 100 | 1 506 | 1 100 |
| Accounts payable | | | | | | | | | 30 | 26 | 30 | 26 | 30 | 26 |
| Other liabilities | | | | | | | | | 25 | 29 | 25 | 29 | 137 | 137 |
| Total | – | – | – | – | – | – | – | – | 4 702 | 3 355 | 4 702 | 3 355 | 4 844 | 3 507 |

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 total SEK 40 million (–53) in 2017, of which SEK 4 million (–54) are recognised in 'Net sales'. In the section Financial Risks, risks related to cash flow hedges are described.

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 balances have to 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 balances 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 24 million (51) in other debt.

The net amount of other derivatives in hedge accounting covered by netting agreements is SEK 115 million (85) in other receivables and SEK 57 million (57) in other debt.

NOTES

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 | 2017 | 2016 |
|---|--------------|--------------|
| GROUP | | |
| Carrying amount at start of year | 1 343 | 1 289 |
| Förvärv, Kezzler AS | 14 | 28 |
| Förvärv, Hanhaa Ltd | 8 | 10 |
| Acquisition, EcoXPac A/S | 16 | – |
| Acquisition, Vericool Inc | 20 | – |
| Change in valuation of VindIn AB | –2 | – |
| Change in valuation of Kalix Vindkraft AB | –5 | – |
| Change in valuation of ExoXpac A/S | –8 | – |
| Change in fair value recognised in other comprehensive income | 50 | 59 |
| Fair value transferred to profit/loss for the year ¹ | –7 | –43 |
| | 1 429 | 1 343 |

¹ Relates to dividend from Bergvik Skog

Valuation of other shares and participations is based primarily on the proportion of the Company's equity. Holding in Bergvik Skog AB included in this item, SEK 1 273 million (1 230) contains equity valuation of biological assets performed by an external party based on generally accepted valuation methods.

26 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 1 315 (1 275) thousand in 2017, as well as SEK 75

Maturity structure

| (number of years from 31 Dec 2017) | 0–1 | 1–2 | 2– | Total |
|---|--------------|------------|--------------|--------------|
| Bilateral loans | – | 226 | 915 | 1 141 |
| Bond loans | 1 500 | – | 2 000 | 3 500 |
| Commercial papers | – | – | – | – |
| Other interest-bearing liabilities | 51 | 45 | 400 | 496 |
| Accounts payable | 3 294 | – | – | 3 294 |
| Other liabilities | 144 | – | – | 144 |
| Interest rate swaps in hedge accounting | 4 | – | 20 | 24 |
| Derivatives in hedge accounting | 83 | 8 | – | 91 |
| Group total | 5 076 | 279 | 3 335 | 8 690 |
| Future interest payments | 59 | 33 | 81 | 173 |

Maturity structure relating to future interest payments based on current interest rate levels, repayments and other financial liabilities.

For more information on currency hedging, see separate section in the Director's Report, for hedging of interest rate swaps and electricity see section on interest rate risk and energy price risk respectively in the section on risk management and sensitivity analysis.

| Board fees, SEK thousand Name | Fee for year | | Fee for audit committee | | Fee for remuneration committee | | Fee for investment committee | | Fee for | |
|-------------------------------|--------------|-----------|-------------------------|-----------|--------------------------------|-----------|------------------------------|-----------|---------|-------|
| | 2017–2018 | 2016–2017 | 2017–2018 | 2016–2017 | 2017–2018 | 2016–2017 | 2017–2018 | 2016–2017 | 2017 | 2016 |
| Michael M.F. Kaufmann | 825 | 800 | | | 25 | 25 | 50 | | 900 | 825 |
| Gunilla Jönsson | – | 475 | | | | | | 50 | – | 525 |
| Lennart Holm | 1 240 | 1 200 | | | 25 | 25 | 50 | 50 | 1 315 | 1 275 |
| Jan Homan | – | 475 | | 75 | | | | | – | 550 |
| Bengt Hammar | 490 | 475 | | | | | 50 | 50 | 540 | 525 |
| Mikael Hellberg | 490 | 475 | 75 | 75 | 50 | 50 | | | 615 | 600 |
| Kristina Schauman | 490 | 475 | 155 | 150 | | | | | 645 | 625 |
| Andrea Gisle Joosen | 490 | 475 | 75 | | | | | | 565 | 475 |
| Victoria Van Camp | 490 | – | | | | | 50 | | 540 | – |

Remuneration to the CEO and senior management

The 2017 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 shall apply remuneration levels and employment terms that are in line with market practice in order to recruit and maintain a management team with a high level of competence and capability of achieving established goals. The remuneration shall motivate executives to do their utmost to secure the shareholders' interests. The remuneration may be in the form of fixed salary, variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be set in relation to competence, area of responsibility and performance. The variable

thousand (75) for committee work. Total remuneration to other Board members was SEK 3 805 (4 125) thousand, of which SEK 530 (475) thousand was for committee work.

remuneration is based on outcomes in relation to established goals and shall be set to a maximum of fixed percentage of the annual fixed salary and may vary between 30% and 70%. However, the variable remuneration shall only be paid on condition that the Company's operating result is positive. Long-term incentive programmes in the Company shall primarily be linked to certain predetermined financial and share price related performance criteria. The programmes shall ensure long-term commitment to the development of the Company and shall be implemented on market terms. Long-term incentive programmes shall run for at least three years. For more information of the existing long-term incentive programmes adopted by the 2015, 2016 and 2017 AGMs, see the Company's website and the section on 'Long-term incentive programme (LTIP)'.

Pension benefits shall either be defined-benefit or defined-contribution and will normally entitle pension from the age of 65. In certain cases, the retirement age may be lower, although 62 is the lowest age of retirement. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay is to 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.

It is to be possible in certain cases for members of the Board elected by the general meeting of shareholders to receive fees for services in their respective areas of expertise which do not constitute Board work. Compensation for these services shall be paid at market terms and be approved by the Board.

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

| SEK 000 Year | Gross salary | Variable remuneration | LTIP | Other benefits | Pension costs | Total |
|---|--------------------|--------------------------|-------|-------------------|------------------|--------|
| Remuneration and benefits to the CEO | | | | | | |
| 2017 | 9 242 ¹ | 2 316 | 5 123 | 196 | 2 601 | 19 478 |
| 2016 | 8 952 ² | 3 962 | 4 685 | 172 | 2 528 | 20 299 |

Remuneration and benefits to rest of Senior Management Team

| | | | | | | |
|------|--------|-------|-------|-------|-------|--------|
| 2017 | 29 105 | 6 392 | 6 825 | 1 163 | 7 497 | 50 982 |
| 2016 | 27 659 | 6 288 | 6 907 | 963 | 6 448 | 48 265 |

1 This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 265 thousand in addition to fixed salary.

2 This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 204 thousand in addition to fixed salary.

Comments on the tables

- Variable remuneration for 2017 refers to amounts to be paid out in 2018 but charged to 2017, while variable remuneration for 2016 refers to remuneration paid out in 2017 but charged to 2016. The actual amounts are based on financial and individual targets linked to the development of the business and based on profit for 2017 and 2016.
- The LTIP for 2017 relates to the benefit value of the outcome of LTIP 2014, and the LTIP for 2016 relates to the benefit value of the outcome for LTIP 2013.
- Other benefits include car allowance, accommodation allowance 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 2017 with 3 000 BillerudKorsnäs shares, referred to as 'savings shares'. Other members of the Senior Management Team participate with 16 010 savings shares.

The CEO has an exchange ratio of 6x.

Each savings share entitles the holder to:

- 1 Right to matching shares
- 5 Rights to performance shares

Executive Vice President and CFO have an exchange ratio of 5x.

Each savings share entitles the holder to:

- 1 Right to matching shares
- 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
- 3 Rights to performance shares

27 Additional disclosures for the cash flow statement

| SEKm | Group | | Parent company | |
|---|--------------|--------------|----------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest paid and received and dividend | | | | |
| Interest and dividends received | 16 | 45 | 89 | 33 |
| Interest paid | -119 | -135 | -184 | -146 |
| Total | -103 | -90 | -95 | -113 |
| Adjustments for items not included in cash flow, etc. | | | | |
| Depreciation, amortisation and impairment of assets | 1 519 | 1 561 | 1 | 1 |
| Interest adjustment | 22 | 18 | 6 | 7 |
| Impairment of shares in subsidiaries | - | - | 30 | - |
| Pensions and other provisions | -131 | 138 | -1 | -4 |
| Unrealised earnings, electricity certificates and emission allowances | -1 | 25 | - | - |
| Income from sale of Sia Freja | -5 | - | - | - |
| Share of profit/loss in associates/ impairment of investments | 22 | 1 | 6 | - |
| Share-based payments | 10 | 11 | 10 | 11 |
| Capital gains/losses | 8 | - | - | - |
| Total | 1 444 | 1 754 | 52 | 15 |
| Cash and cash equivalents ¹ | | | | |
| The following are included in cash and cash equivalents: | | | | |
| Short-term investments | 13 | 7 | 4 | - |
| Cash and bank balances | 155 | 701 | 14 | 516 |
| Total | 168 | 708 | 18 | 516 |

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.

| SEKm | 2016 | Cash flows | Changes not affecting cash flow | | 2017 |
|--|--------------|--------------|---------------------------------|---------------------------|--------------|
| | | | Business combinations | Changes in exchange rates | |
| GROUP | | | | | |
| Non-current interest-bearing liabilities | 2 687 | 899 | - | - | 3 586 |
| Current interest-bearing liabilities | 1 142 | 409 | - | - | 1 551 |
| | 3 829 | 1 308 | - | - | 5 137 |
| PARENT COMPANY | | | | | |
| Non-current interest-bearing liabilities | 2 200 | 941 | - | - | 3 141 |
| Current interest-bearing liabilities | 1 100 | 406 | - | - | 1 506 |
| | 3 300 | 1 347 | - | - | 4 647 |

28 Untaxed reserves

| SEKm | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| PARENT COMPANY | | |
| Tax allocation reserve | | |
| Carrying amount at start of year | 1 031 | 660 |
| Change for the year | 555 | 371 |
| Carrying amount at year-end | 1 586 | 1 031 |

29 Events after the end of the period

No significant events have occurred after the end of the year.

30 Investment commitments

Group

In 2017, the Group signed agreements on the future acquisition of property, plant and equipment for SEK 2 186 million (2 950). Of these commitments, it is expected that SEK 2 186 million (2 178) will be settled in 2018.

Parent company

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

31 Pledged assets and contingent liabilities

| SEKm | Group | | Parent company | |
|--|------------|------------|----------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Pledged assets for own liabilities and provisions | | | | |
| Pledged endowment insurance | 31 | 17 | 23 | 13 |
| Pledged shares, joint arrangements | 313 | 292 | – | – |
| Total pledged assets | 344 | 309 | 23 | 13 |
| Contingent liabilities | | | | |
| Guarantee commitment, FPG/PRI | 11 | 11 | 4 | 4 |
| Other guarantees | 91 | 91 | 85 | 84 |
| Guarantees for associates | 1 | 1 | – | – |
| Guarantees for Group companies | – | – | 510 | 563 |
| Total contingent liabilities | 103 | 103 | 599 | 651 |

The shares in Bomhus Energi are pledged as security for Bomhus Energi's loans.

The parent company's guarantee commitments for Group companies include BillerudKorsnäs Skog & Industri AB's PRI liability of 362 (377), with effect from 2017. Figures for the comparison year have been adjusted.

There are no indications that any pledged securities or contingent liabilities will lead to any outflow of resources.

32 Related parties

Relationships

The parent company has related-party relationships with its subsidiaries, see Note 14.

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 |
|-------------------------------|------|--|--|--------------------------------|----------------------------------|
| GROUP | | | | | |
| Relationship | | | | | |
| Associates and joint ventures | 2017 | – | 46 | – | 16 |
| Associates and joint ventures | 2016 | – | 66 | 5 | 15 |
| PARENT COMPANY | | | | | |
| Relationship | | | | | |
| Subsidiaries | 2017 | 402 | 69 | 6 216 | 8 069 |
| Subsidiaries | 2016 | 418 | 56 | 4 533 | 3 074 |
| Associates and joint ventures | 2017 | – | – | – | 16 |
| Associates and joint ventures | 2016 | – | – | – | 15 |

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in Notes 5 and 26.

33 Business combinations

| SEKm | 2016 |
|---|-----------|
| GROUP | |
| Acquisition balance sheet, ScandFibre Logistics AB | |
| Non-current assets | 2 |
| Current assets | 93 |
| Total assets | 95 |
| Provisions | 1 |
| Current liabilities | 85 |
| Total liabilities | 86 |
| Purchase consideration | |
| Purchase consideration, less transaction costs | –6 |

100% of the shares in ScandFibre Logistics AB were acquired on 14 April 2016. Before the acquisition, the BillerudKorsnäs Group owned 40% of the shares.

34 Divestment of subsidiaries

| SEKm | 2017 |
|--|-----------|
| GROUP | |
| Divested assets and liabilities | |
| Property, plant and equipment | 8 |
| Accounts receivable and other receivables | 2 |
| Total assets | 10 |
| Accounts payable and other liabilities | 1 |
| Total liabilities | 1 |
| Selling price | |
| Consideration received, less selling costs | 15 |
| Capital gain | |
| Purchase consideration received | 15 |
| Assets sold | -10 |
| Liabilities sold | 1 |
| Translation difference transferred to profit/loss for the year | -1 |
| Capital gain | 5 |

Divested subsidiaries relate to the entire holding of SIA Freja in Riga, which was wholly owned by BillerudKorsnäs AB. The company was divested on 10 February 2017. The capital gain is recognised as other operating income in the income statement.

BillerudKorsnäs AB disposed of Billerud Tenova Bioplastics AB, Korsnäs Advanced Systems AB and Latgran Biofuels AB on 21 December 2017. The transactions are, however, of an immaterial nature.

35 Critical accounting estimates and judgements

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

Pension liabilities

A discount rate of 2.5% (2.5%) has been applied in calculating the obligation in relation to BillerudKorsnäs' defined-benefit plans. Future increases in pensions have been assumed to be 1.9% (1.7%) as an adjustment to actual inflation. Since 2015, BillerudKorsnäs has used a new demographic assumption, DUS 14, which implies a slightly longer life expectancy assumption than the FFFS 2007:31 standard used previously. For further information about pensions see Note 20.

Valuation of other holdings

Bergvik Skog AB has been reported at BillerudKorsnäs' proportion of equity, that is, SEK 1 273 million (1 230). 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. Bergvik Skog has applied a WACC of 5.1% (4.9%) after tax in valuing its biological assets. For further information about other holdings, see Notes 16 and 25.

Property, plant and equipment

The value of non-current assets includes identified surplus value for non-current assets at the acquisition of Korsnäs. This surplus value was tested for impairment together with goodwill. No need for impairment was identified. For further information about property, plant and equipment, see Note 12.

Goodwill

Impairment testing was conducted with respect to goodwill. No need for impairment was identified; see also Note 11.

36 information about the parent company

BillerudKorsnäs AB is a Swedish limited liability company with registered office in Stockholm. The shares of the parent company are registered with NASDAQ OMX Stockholm AB. The address of the head office is Box 703, SE-169 27 Solna, Sweden. The consolidated accounts for 2017 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.

Signatures

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, 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 22 March 2018.

The consolidated statement of income and 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 15 May 2018.

Solna, 22 March 2018

Lennart Holm
Chairman

Bengt Hammar
Member

Mikael Hellberg
Member

Michael M. F. Kaufmann
Member

Kristina Schauman
Member

Andrea Gisle Joosen
Member

Victoria Van Camp
Member

Nicklas Johansson
Member

Gunnevi Lehtinen Johansson
Member

Petra Einarsson
Chief Executive Officer

Our audit report was issued on 22 March 2018 KPMG AB

Ingrid Hornberg Román
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of BillerudKorsnäs AB (publ), corp. id 556025-5001

Translation of the Swedish original.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of BillerudKorsnäs AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 47–108 in this document.

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 2017 and its financial performance and cash flow 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 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

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

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

See disclosure 11 and accounting principles on pages 84–90 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Per 31 December 2017, the carrying value of goodwill on the Group's consolidated balance sheet is 1 950 MSEK.

Goodwill should annually be subject to at least one impairment test. The Group's goodwill is attributable to the business area and segment Consumer Board.

The process of assessing the carrying value is inherently complex and based on the Group's forecasts regarding how both internal and external conditions may impact on the organisation and its prospects.

An example of such an evaluation is the forecast of future cash flows, which is based on assumptions about future business developments and market conditions.

Another important assumption to evaluate is which discount rate to use in order to correctly reflect market estimates for the time value of money as well as the specific risks that the business is facing.

Response in the audit

We have assessed whether the goodwill impairment test carried out by the client was performed in accordance with the prescribed accounting method for discounted cash flows.

Moreover, we have considered the reasonableness of the assumptions used by the Group in their cashflow forecasts (such as predicted sales volume growth, changes in EBITDA-margins, working capital and investments) as well as the discount rate used through evaluation of their internal written documentation and forecasts.

We have involved our internal valuation specialists in the audit team in order to ensure that we have the suitable experience and competency in this area, in particular when evaluating the appropriateness of the applied methodology and discount rates.

An important part of our work has also been to look at the Group's sensitivity analysis of their own assessment to evaluate how reasonable changes in the assumptions may impact the valuation.

Furthermore, we have considered the completeness of the disclosures in the annual report and evaluated whether they are in agreement with the assumptions made in the Group's impairment testing and whether the information provided meets the disclosure requirements of the relevant accounting standards.

Property, plant and equipment

See disclosure 12 and accounting principles on pages 84–90 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Per 31 December 2017, the carrying value of Construction in Progress on the Group's consolidated balance sheet is 4,1 billion SEK, of which 2,7 billion relates to a significant investment in a new board machine in Gruvön, KM7. The total investment cost for KM7 is currently estimated to approximately 7 billion SEK and the machine is expected to be used in production as of spring 2019.

The ongoing investment is of a complex nature and material value. For investment projects of this size, it is important to have welldefined processes and controls in place to continuously ensure that valuations and accounting methods are correct and in agreement with applicable standards.

Response in the audit

We have been presented with the investment project forecasts and approval process. We have visited the development site, met with project management and gone through the project development reports.

We have evaluated the operating effectiveness of selected key controls in the project accounting process, which by extension provide the basis for the financial reporting of property, plant and equipment. Furthermore, we have selected samples of project costs and vouched their accuracy to supplier invoices. We have assessed whether the project accounting methods are in accordance with applicable standards.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46 and 112–129. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BillerudKorsnäs AB for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of BillerudKorsnäs AB by the general meeting of the shareholders on the 10 May 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2015.

Stockholm 22 March 2018
KPMG AB

Ingrid Hornberg Román
Authorized Public Accountant

About sustainability reporting

This is the fifth sustainability report for BillerudKorsnäs. We have chosen to follow GRI Standards in line with the 'In-accordance' criteria at 'Core' level.

Scope

The sustainability report is included in this Annual and Sustainability Report 2017. The report covers all the companies in which BillerudKorsnäs has operational control, i.e. majority-owned companies in line with BillerudKorsnäs' Annual Report and Sustainability Report 2017.

The BillerudKorsnäs sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards version, and comprises pages 6–9, 21–45, 68–72, 112–120 and the GRI Index available at <https://www.billerudkorsnas.com/sustainability>. Sustainability reporting also includes the statutory sustainability report under Chapter 6 Section 11 of the Annual Accounts Act.

Annual reporting

Sustainability reporting is done annually. The most recent sustainability report, the Annual and Sustainability Report 2016, was published in April 2017. The report also constitutes reporting to the UN Global Compact, Communication on Progress.

Changes to reporting

The 2107 report is in accordance with GRI Standards, which is also the greatest change compared with 2016, which was prepared in accordance with GRI G4. To ensure that the sustainability report covers all material areas, ahead of this year's report the company conducted a materiality analysis and carried out a GAP analysis between the GRI G4 and GRI Standards. The switch to GRI Standards and the new materiality analysis have meant changes in a number of indicators. To provide a holistic picture of BillerudKorsnäs' impact, strategies and approach in the field of sustainability, the most relevant aspects to the company and its stakeholders have been included in this report.

Target group

The primary target group of the report is investors. Other stakeholders such as customers, suppliers, employees and society will find their most essential questions answered in this report.

External review

The Sustainability Report has been audited by KPMG, see auditors' report on page 120.

Transport emissions

Transport emissions (305-3)

| | CO ₂ eq greenhouse gas | | NO _x nitrogen oxides | | CO carbon monoxide | | HC hydrocarbons | | SO ₂ sulphur dioxide | | PM particulates | | Energy TJ | |
|---|-----------------------------------|----------------------|---------------------------------|--------------------|--------------------|------------------|-----------------|------|---------------------------------|--------------------|-----------------|------|-----------|-------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2016 | |
| Employees ¹ , air, rail and hire cars, tonnes | 1 502 | 1 734 | – | – | – | – | – | – | – | – | – | – | – | – |
| Wood raw material ^{2,3} , rail, sea and road, tonnes | 50 988 | 51 933 ⁴ | 365 | 413 | 73 | 85 | 54 | 53 | 27 | 23 | 5 | 4 | 920 | 930 |
| Finished products ³ , rail, sea, road, tonnes | 182 169 | 182 126 ⁴ | 3 104 | 3 045 ⁴ | 181 | 180 ⁴ | 214 | 211 | 1 658 | 1 629 ⁴ | 202 | 213 | 2 650 | 2 825 |

Comments

The calculations show that total greenhouse gas emissions decreased for employee transport and wood transport between 2016 and 2017, while they remained at the same level for finished products. This is probably related to the fact that total wood transport decreased slightly between the years, while they changed only marginally for finished products in total terms. Other types of emissions also changed marginally with regard to finished products. Certain parameters for wood raw materials, such as sulphur dioxide, were negatively affected by a larger proportion of long-haul transport by sea. On the other hand, performance improved with regard to other emissions parameters, such as carbon dioxide and nitrogen oxides, due to a higher proportion of more modern engines (Euro 6) in trucks.

1 It was not possible to report all emissions parameters from the travel agencies engaged by BillerudKorsnäs.

2 The proportion of biodiesel from our transport suppliers has been followed up since the previous report for 2016, and reported greenhouse gas emissions, among other parameters, have consequently also be revised. It continues to be necessary to approximate the calculations due to varying reliability of data and the fact that the calculation tool with emissions factors has not yet been fully developed in terms of handling differing proportions of biofuels.

3 The calculations are carried out in the web-based tool NTM Calc (<https://www.transportmeasures.org/en/>) and refer to emissions from source to transport work inclusive, in line with the Greenhouse Gas Protocol.

4 Corrected figures for 2016 due to improvements in the calculation model and better input data.

Environmental statistics

| | Unit | 2017 | 2016 | 2015 |
|---|------------------------|---------------|---------------|---------------|
| Production (102-7) | | | | |
| Paperboard, paper and pulp | ktonnes | 2 930 | 2 965 | 2 908 |
| Materials used (301-1) | | | | |
| Wood | km ³ sub | 10 194 | 10 042 | 9 900 |
| Pulp, purchased externally | ktonnes | 283 | 339 | 318 |
| Pulp, purchased internally | ktonnes | 141 | 146 | 125 |
| Chemicals (renewable) | ktonnes | 68.6 | 68.7 | 70.2 |
| Total renewable materials | ktonnes | 10 687 | 10 595 | 10 413 |
| Chemicals (non-renewable) | ktonnes | 384 | 411 | 381 |
| Total materials used | ktonnes | 11 071 | 11 006 | 10 794 |
| Air emissions (305-7) | | | | |
| Sulphur (S) | tonnes | 359 | 411 | 411 |
| Of which various sources | tonnes | 232 | 217 | 164 |
| Nitrogen oxides (NOx) | tonnes | 3 043 | 3 001 | 3 098 |
| Dust | tonnes | 612 | 550 | 688 |
| Water consumption (303-1) | | | | |
| Surface water | million m ³ | 186 | 194 | 203 |
| Groundwater | million m ³ | 0 | 0 | 0 |
| Municipal water | million m ³ | 0.2 | 0.2 | 0.3 |
| Total water consumption | million m ³ | 186.2 | 194.2 | 203.3 |
| Recycling water ¹ | % | 75 | 73 | 73 |
| Emissions to water (306-1) | | | | |
| Process water | million m ³ | 140 | 141 | 148 |
| COD (chemical oxygen demand) ² | tonnes | 30 917 | 28 808 | 30 132 |
| TSS (total suspended solids) | tonnes | 3 787 | 3 651 | 3 906 |
| Organically bound chlorine (AOX) | tonnes | 155 | 145 | 165 |
| Nitrogen (N) [t] | tonnes | 444 | 470 | 499 |
| Phosphorus (P) [t] | tonnes | 43 | 46 | 46 |
| Waste (306-2) | | | | |
| Process waste [t] | tonnes | 64 863 | 61 937 | 59 802 |
| Hazardous waste [t] | tonnes | 1 106 | 808 | 793 |

Comments

BillerudKorsnäs used 2.8% fossil fuels in 2017, which is a small increase in the proportion of fossil fuels. This was due to some disruptions to production during the year as more heating oil than normal was required, leading to an increase in direct emissions of fossil carbon dioxide.

Indirect emissions of fossil carbon dioxide decreased, the principal reasons being the closure of Tervasaari, which reduced emissions from purchased heating, and the fact that in 2017 the company bought guarantees of origin for electricity purchased on the energy exchange and for the paper mill in the UK.

During the year there were no economic sanctions due to breach of environmental legislation.

| | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|
| Energy consumption (302-1) | | | |
| Solid biofuels, self-generated, GWh | 2 188 | 2 148 | 1 988 |
| Waste liquor, GWh | 10 355 | 10 511 | 10 371 |
| Raw tall oil, GWh | 2.81 | 11.4 | 117 |
| Other (e.g. soap, gas, turpentine, methanol), GWh | 157 | 171 | 167 |
| Total self-generated biofuels, GWh | 12 703 | 12 842 | 12 643 |
| Solid biofuels, purchased, GWh | 498 | 642 | 767 |
| Tar oil, GWh | 854 | 815 | 721 |
| Total purchased biofuels, GWh | 1 352 | 1 457 | 1 488 |
| Total biofuels, GWh | 14 055 | 14 299 | 14 131 |
| Heavy and light fuel oil, GWh | 177 | 147 | 142 |
| LPG, GWh | 121 | 98 | 92 |
| Natural gas, GWh | 114 | 122 | 113 |
| Total purchased fossil fuels, GWh | 412 | 366 | 347 |
| Total fuel consumption, GWh | 14 467 | 14 665 | 14 478 |
| Proportion fossil fuels used, % | 2.8 | 2.5 | 2.4 |
| Steam, bio-based (GWh) | 265 | 265 | 250 |
| Steam, fossil-based (GWh) | 1 | 45 | 32 |
| Hot water (GWh) | 5 | 15 | 15 |
| Total purchased steam, hot water (GWh) | 271 | 326 | 297 |
| Sold primary energy, GWh | 395 | 396 | 376 |
| Sold secondary energy (waste heat), GWh | 572 | 580 | 576 |
| Total sold energy, GWh | 967 | 976 | 952 |
| Purchased electricity, GWh | 1 700 | 1 660 | 1 772 |
| Self-generated electricity, GWh | 1 439 | 1 451 | 1 366 |
| Sold electricity, GWh | 55 | 48 | 48 |
| Total electricity, GWh | 3 084 | 3 063 | 3 089 |
| Total energy consumption, GWh³ | 15 651 | 15 852 | 15 817 |
| Energy intensity MWh/t⁴ | 5.34 | 5.346 | 5.440 |
| Greenhouse gas emissions CO₂eq | | | |
| Bio-generated fuels, kt CO ₂ ⁵ | 4 237 | 4 080 | 5 086 |
| Fossil fuels, kt CO ₂ ⁶ | 89.7 | 87 | 82.3 |
| Direct emissions (Scope 1), kt CO ₂ eq ⁷ | 128.6 | 126.7 | 121.4 |
| Purchased electricity and steam (Scope 2, market based), kt CO ₂ eq | 1.8 | 30.8 | 24.0 |
| Purchased electricity and steam (Scope 2, location based), kt CO ₂ eq | 131 | 147 | 139 |
| Direct emissions (Scope 1+2), kt CO ₂ eq | 130 | 158 | 145 |
| Intensity fossil CO₂ eq (305-4) | | | |
| From fuel, kg CO ₂ eq/tonne | 30.6 | 29.3 | 28.3 |
| From purchased electricity and energy, kg CO ₂ eq/tonne | 0.6 | 10.4 | 8.2 |
| Total emissions for products, kg CO₂eq/tonne | 31.2 | 39.7 | 36.6 |

¹ The water is used to wash pulp in several stages during manufacture. In total, virtually all the process water is recycled and reused in the production units. How many times the process water is used before purification varies between the sites. According to our examples, process water is used 30–50 times before being sent for biopurification.

² COD is calculated from TOC. Discharge is to watercourses neighbouring the production plants.

³ BillerudKorsnäs is covered by the European Union Emission Trading Scheme (EU-ETS). The emissions reported in this report are the actual emissions from operations and are not affected by this system. The conversion factor from GWh to TJ is 3.6.

⁴ Use of electricity and energy minus fuel for self-generated electricity and sold energy

⁵ Bio-generated carbon dioxide only

⁶ CO₂ reported under EU-ETS only. The emission factor for fossil CO₂ is 76.2 kg CO₂/TJ.

⁷ CO₂ from fossil fuels, and CO₂e (nitrous and methane) from biofuels. Bio-generated carbon dioxide from bio-generated fuels is not included in Scope 1.

Employee statistics

| Employee statistics 2017 (2016) | | Total | Sweden | Finland | United Kingdom | Baltic | Sales offices |
|--|------------------------------|---------------|---------------|-------------|----------------|--------------|---------------|
| Employees | | | | | | | |
| Average number of employees ¹ (102-8) | No. | 4 395 (4 274) | 3 744 (3 519) | 118 (161) | 144 (140) | 74 (91) | 311 (278) |
| Employees at year-end | No. | 4 472 (4 291) | 3 813 (3 648) | 119 (128) | 152 (143) | 74 (91) | 311 (281) |
| of whom women | % | 22.1 (21.0) | 20.3 (19.3) | 17.6 (17.2) | 9.2 (9.1) | 24.3 (23.1) | 52.4 (50.5) |
| of whom blue collar/workers | % | 58 (58) | 62 (62) | 66 (65) | 68 (68) | 82 (82) | 0 (0) |
| of whom white collar | % | 42 (42) | 38 (38) | 34 (35) | 32 (32) | 18 (18) | 100 (100) |
| Proportion of female managers ² | % | 21.1 (21.9) | 21.4 (21.9) | 7.1 (11.8) | 12.5 (8.7) | 100.0 (50.0) | 25.0 (35.5) |
| Average age (405-1) | Year | 46.2 (46.2) | 46.6 (46.7) | 47.0 (46.0) | 48.0 (48.0) | 48.3 (50.8) | 39.8 (37.8) |
| Sickness absence (403-1) | | | | | | | |
| Total sick leave as % of hours worked | % | 3.2 (3.7) | 3.3 (3.7) | 2.9 (4.3) | 3.8 (4.8) | 5.5 (6.0) | 0,7 (1,1) |
| Sick leave as proportion of hours worked, men % | % | 3.1 (3.7) | 3.2 (3.6) | 3.2 (4.2) | 3.5 (4.9) | 6.8 (7.4) | 0.4 (0.4) |
| Sick leave as proportion of hours worked, women % | % | 3.4 (3.8) | 3.8 (4.2) | 1.6 (4.4) | 8.4 (4.3) | 1.8 (1.5) | 1.2 (1.7) |
| Work-related accidents (403-2) | | | | | | | |
| Work-related injuries ³ with sick leave | No. | 60 (64) | 53 (63) | 4 (0) | 3 (1) | 0 (0) | 0 (0) |
| Work-related injuries with sick leave | No./100 employees | 1.4 (1.5) | 1.4 (1.7) | 3.4 (0) | 2.1 (0.7) | 0 (0) | 0 (0) |
| Work-related injuries with sick leave | Number/million hours of work | 7.7 (8.1) | 7.6 (9.3) | 22.1 (0) | 11.9 (4.0) | 0 (0) | 0 (0) |
| Work-related injuries without sick leave | No. | 491 (444) | 462 (413) | 6 (7) | 23 (24) | 0 (0) | 0 (0) |

¹ 91.4% of employees in Sweden, Finland, the UK and the Baltic countries are covered by collective agreements (102-41).

² 45.5% of the Board of Directors are women, an increase from 2016 when this figure was 42%. The age breakdown is 36% in the 30–50 age group and 63% over the age of 50 which is the same as for 2015.

³ The number of work-related injuries was reported monthly in 2017 for the whole company and was compared with the overall target.

Comments

Changes compared with 2016 are minimal. The number of employees increased with nearly 4%, principally in the Swedish operators but also at the sales offices in other countries.

The proportion of women continued to increase slightly in the company, but the proportion of women in the managerial group fell. Sick leave decreased quite sharply throughout the company, in overall terms from 3.7% to 3.2%. As previously, it is in the older group of employees, aged over 50, that sick leave is highest.

There was a continued positive trend with a reduced number of work-related accidents in 2017, which also meant that the number of work-related accidents per 100 employees and per million hours of

work fell. The number of injuries is still too high and major efforts are being made to reduce these further. Read more about this on page 35.

The age distribution for white and blue-collar workers is largely similar, with the smallest proportion among the youngest and oldest employees. The compilation nevertheless shows that there is a higher proportion of blue-collar than white-collar employees in the older groups, particularly in the 50–59 age group.

The pay surveys were conducted in accordance with the new legislation for all the current Swedish units, but not all were ready for inclusion in this publication. The surveys completed during the year did not show any unjustified differences in pay between women and men with comparable work tasks.

Pay surveys (405-2)¹

| Corrected average pay, comparable posts, women/men % | | | |
|---|--------------|--------------|--------------|
| Survey | 1 | 2 | 3 |
| Operational section heads, operational managers | 98.0 | 95.2 | 99.5 |
| Engineers in production, development, projects, electricity, etc. | 103.8 | 96.6 | 99.2 |
| Laboratory personnel Planners, purchasers, developers, etc. | 101.2 | 104.5 | - |
| Operators | 98.4 | 98.5 | 99.7 |
| Total all employees | 102.8 | 101.7 | 102.1 |

Economic value distributed, per stakeholder, SEKm (201-1)

| | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|
| <i>Direct economic value generated</i> | | | |
| Income | 22 575 | 21 861 | 22 441 |
| <i>Economic value distributed by:</i> | | | |
| Suppliers | -15 172 | -15 010 | -14 998 |
| Investments in property, plant and equipment and non-current intangible assets | -4 196 | -1 607 | -1 672 |
| Salaries and employee benefits | -3 423 | -3 474 | -3 167 |
| Interest to lenders | -154 | -153 | -199 |
| Dividend to shareholders | -891 | -880 | -727 |
| Taxes paid ² | -493 | -306 | 64 |
| Total | -24 329 | -21 430 | -20 699 |
| At the company's disposal | -1 746 | 431 | 1 742 |

Distribution by country, Tax

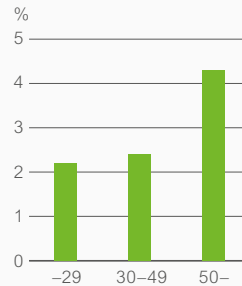
| | 2017 | 2016 | 2015 |
|----------------|-------------|-------------|-----------|
| Sweden | -482 | -296 | 103 |
| Italy | -1 | -3 | -9 |
| China | -1 | -1 | -4 |
| Latvia | -2 | -1 | -19 |
| Lithuania | -1 | - | - |
| Estonia | - | - | -1 |
| USA | -2 | -2 | -2 |
| France | - | - | - |
| Netherlands | - | - | -1 |
| Germany | -5 | -1 | -2 |
| United Kingdom | 2 | -2 | -1 |
| Spain | - | - | - |
| Finland | -1 | - | - |
| India | - | - | - |
| Singapore | - | - | - |
| | -493 | -306 | 64 |

1 The reporting here applies to three production units where pay surveys were conducted in 2017. More pay surveys were done, but were not the subject of final reporting in time for this compilation. At one smaller production site, the gender distribution was far too uneven to provide a correct picture here. The analyses were based on companies and trade-union organisations jointly identifying comparable positions and deciding whether there are any unjustified differences to be corrected. According to the Equality Ombudsman (<http://www.do.se>), the assessment is to be based on the demands of the job with regard to work tasks and working conditions. Objective differences beyond the demands of the job may, in our experience, be due to period of employment, age and history, but if there are unjustified experiences they must be corrected.

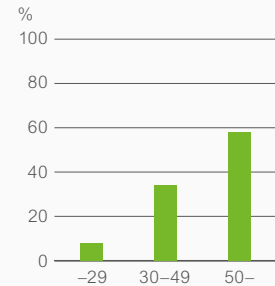
2 In Sweden the Swedish Tax Agency repaid preliminary tax of approximately SEK 300 million in 2015, resulting in a repaid net amount of SEK 103 million in Sweden in 2015.

3 Relates to employees in Sweden.

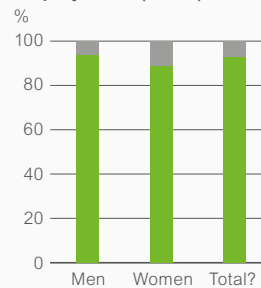
Proportion of sick leave per age group (403-2), %



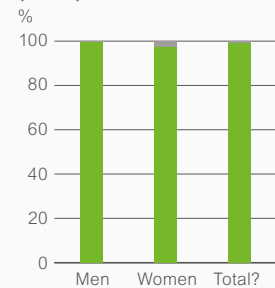
Proportion of total sick leave per age group (403-2), %



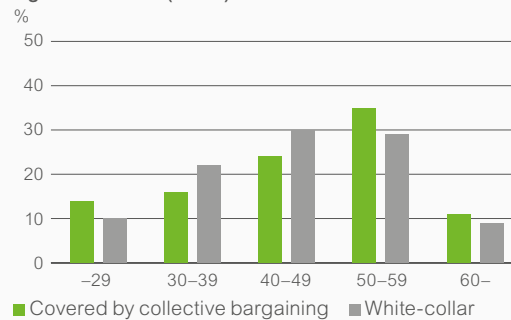
Employees³ form of employment, (102-8) %



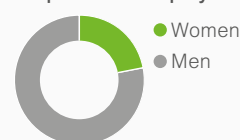
Employees³ hours of work, (102-8) %



Age distribution (405-1) %



Proportion of employees (102-8), %



UN Global Compact

Since 2009 BillerudKorsnäs has been signed up to the UN's responsible business initiative, Global Compact. This shows the world around us that we have taken a stand on the initiative, support its ten principles and are working for them together with many other large companies worldwide.

Human rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and

Principle 2

make sure that they are not complicit in human rights abuses.

Labour

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

the elimination of all forms of forced and compulsory labour;

Principle 5

the effective abolition of child labour; and

Principle 6

the elimination of discrimination in respect of employment and occupation

Environmental

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

Part of corporate culture

The principles are based on a few central documents in the field of sustainability:

- The Universal Declaration of Human Rights
- The ILO's fundamental conventions on human rights in the workplace
- The Rio Declaration
- The United Nations Convention against Corruption

The companies that have signed the convention undertake to introduce the ten principles in their strategies, work to embed the principles in their corporate culture and undertake to publicly express their support for the UN Global Compact. The company must report on its work on the principles once a year.

Framework for us

For BillerudKorsnäs the UN Global Compact serves as a framework for the entire business. Our Code of Conduct is founded on the ten principles, which in turn steer policies and the way employees are to act. This Annual Report and Sustainability Report in line with GRI Standards serves as part of the annual reporting – Communication on Progress – to Global Compact. Our reporting is qualified for level Advanced since 2014.

The UN's new Development Goals.

In 2016 we examined how our operations can be linked to the UN's 17 global Sustainable Development Goals (SDG). We reached the conclusion that BillerudKorsnäs has the greatest opportunity to influence and contribute towards SDGs 8, 12, 13, 14 and 15. The connection between our sustainability goals and the SDG subgoals can be found on page 28.



External networks

BillerudKorsnäs is a member of a number of networks of various kinds to learn from, contribute towards and influence development in the forest industry, packaging and sustainability, but also for society as a whole. Working together produces results.

BillerudKorsnäs is represented on the boards of or helps to fund the following networks:

- Alliance for Beverage Cartons and the Environment (ACE) – European platform for beverage carton manufacturers and their carton suppliers on environmental issues affecting the industry
- Asian Corrugated Carton Association (ACCA) – international organisation for the corrugated carton industry
- CEPI Eurokraft – the European organisation for producers of kraft paper for sacks and packaging
- Confederation of European Paper Industries (CEPI) – European industry organisation for the pulp and paper industry
- Energiforsk – network for Swedish energy research.
- European Federation of Corrugated Board Manufacturers (FEFCO) – European industry organisation for producers of corrugated board.
- RISE Research Institutes of Sweden AB – state-owned company for Swedish industrial research institutions

- The Bioeconomy division carries out research in areas such as paper, packaging and fuels.
- Miljöpack – business group within Innventia that works for resource-efficient packaging.
- Normpack – business group within Innventia that works for safe food packaging.
- Paper Province – company cluster for forest bioeconomy
- Returkartong – materials company for paper packaging covered by producer responsibility in Sweden.
- Returkartong is one of the owners of the Packaging and Newspaper collection service, FTI
- Skogforsk – Swedish forest industry research organisation
- The Swedish Forest Industries Federation – Swedish industry organisation for the pulp, paper and wood mechanical industry
- SSG Standard Solutions Group – a knowledge centre that helps industry to be more efficient and safer in the field of asset management
- Svenska FSC – Sweden's initiative for the Forest Stewardship Council
- Wallenberg Wood Science Center – a research centre in the new materials sector with the forest as a raw material

Management systems and certificates

Company-wide systems

Today the majority of the production units have their own certificates for quality, the environment, traceability of wood raw material, energy, food safety and health and safety. Work is in progress to coordinate joint processes in management systems. What was done in 2017:

- Quality (ISO 9001) and environment (ISO 14001). The focus during the year was on implementing new requirements in ISO 9001 and ISO 14001 Energy (ISO 50001). Work aimed at strengthening the common processes has continued; in particular an overall joint description of operations for energy management has been prepared.
- Food safety (FSSC 22000). Karlsborg worked on the introduction of processes for the certification of food safety during the year and will conduct an audit during Q1 2018.
- Forestry (FSC® FM/PEFC™ FM) and traceability (FSC® CoC/PEFC™ CoC). An evaluation of whether BillerudKorsnäs should have a company-wide multisite certificate to further rationalise work began in 2017.

Data security

In 2017 the company continued to implement data security. The work has been pursued with a special focus on personal data and the General Data Protection Regulation. Roles and responsibilities in information and IT security have been enhanced and the skills requirements have been clarified. Remaining deficiencies in information security continued to be addressed during the year.

Development group

Work on management systems is coordinated by the management system development group. It includes representatives of each production unit, Supply Chain, Forestry and central responsible officers at the Operational Excellence unit. The group also follows up work on environmental and quality management. Other management systems

Policies and guidelines

Alcohol and drug policy
Health and safety policy
Purchasing policy and guidelines
Climate strategy
Communication policy
Pay policy
Data security policy
Policy for compliance with international sanctions
Policy for compliance with competition law
Whistleblower policy

Anti-corruption policy
Policy for Risk Management
Guidelines on health work
Credit guidelines
Guidelines for diversity work
Travel guidelines
Guidelines wood procurement
Guidelines and actions to handle harassment
Tax policy
Treasury policy
Code of Conduct
Operational policy

and forest certification are followed up in more competence-based groupings.

Certificates at BillerudKorsnäs 2017¹

| | ISO 9001 | ISO 14001 | ISO 50001 | FSSC 22000/ ISO 2000 | OHSAS 18001 | FSC® FM/ PEFC™ FM | FSC® CoC/ PEFC™ CoC |
|-------------|----------|-----------|-----------|-------------------------|----------------|----------------------|------------------------|
| Frövi | X | X | X | X | | | X |
| Gruvön | X | X | X | X | | | X |
| Gävle | X | X | X | X | | | X |
| Karlsborg | X | X | X | | | | X |
| Skärblacka | X | X | X | X | | | X |
| Pietarsaari | X | X | | X | X | | X |
| Beetham | X | X | | | X | | X |
| Forestry | X | X | | | | X | X |

¹ Today there are two differences in the company's certification. All the Swedish production units have energy management systems, but the others do not. These others instead carry health and safety certification, which the Swedish plants do not. For the Swedish production units the motivation for introducing energy management systems was both financial and environmental, while the Swedish Work Environment Agency's regulations for systematic work environment work have been seen as sufficiently rigorous to attain ambitious work environment targets. Not all units need food safety certificates, and this therefore varies.

Stakeholder dialogue

What did stakeholders think? BillerudKorsnäs reviews the aspects and indicators that are of vital importance to the business and stakeholder decision-making on an annual basis. We use GRI Standards – international guidelines for sustainability reporting – as our starting point.

Stakeholder dialogue

BillerudKorsnäs' key stakeholders are investors, customers, suppliers, employees and society. To ensure that the sustainability report covers all material areas, BillerudKorsnäs conducted a new materiality analysis

ahead of the year's reporting. The analysis was based on these two materiality criteria:

- Relevance to BillerudKorsnäs given the operations the company carries out and the sustainability impact the company has.
- Relevance to the company's stakeholders in their decision-making.

Our ongoing stakeholder dialogue

| Stakeholder groups | Definition | Dialogue forum | Questions/focus | Response/outcome |
|--------------------------|--|---|---|---|
| Investors | Shareholders Analysts Potential investors | Website, annual and sustainability report, materiality analysis, quarterly reports, investor meetings, analyst meetings, external reporting systems, questionnaires from analysts and investors, questionnaires from ethical and environmental funds. | Economic value development sustainable in the long term, strategies, challenges, risk management, climate change, environmental impact, labour practices, health and safety, ethics, Code of Conduct, human rights in the supply chain. | Sustainability report, reporting climate work, water and forestry in CDP, sustainability ranking by analysts, Code of Conduct based on UN Global Compact, Science Based Targets, inclusion in Dow Jones Sustainability World Index. |
| Customers | Existing customers Potential customers Brand owners End-consumers | Meetings, daily contact, network collaboration on liquid packaging board, fairs, seminars, customer surveys, external reporting systems, questionnaires from customers, materiality analysis. | Sustainable business, Code of Conduct, economics, environmental issues (e.g. carbon dioxide emissions, biodiversity, life cycle assessments, product labelling and emissions), working conditions (e.g. safety in the workplace, human rights in the supply chain). | Sustainability Report, sales support and sustainability training, product development, responses to questionnaires, life cycle assessments for products, Gold CSR ranking EcoVadis, projects with WWF on biodiversity, EUTR report. |
| Employees | Current employees | Workplace meetings, management meetings, internal training, employee surveys, cooperation council, incident follow-up, performance reviews, materiality analysis. | Code of Conduct, business ethics issues, performance management, health and safety, cooperation, fitness measures, diversity, work-life balance. | Sustainability Report, strategic platform, performance management, model for improvement work, health and safety working group, health and safety policy, whistleblower policy, action plan on victimisation, responses to questionnaires, web-based training on anti-corruption, partnership with ActionAid. |
| | Union representatives | Local collaborative meetings, collaborative forum at Group level, European Works Council, analysis, pay survey, diversity group. | Health and safety, performance management, economics, terms of employment, human rights, diversity. | Open and constructive dialogue, pay surveys, diversity work. |
| Business partners | Partners | Close contacts and development projects. | Developing sustainable and resource-efficient packaging, business models, Code of Conduct, reduced environmental impact.. | Sustainability Report, launching new products, new business models. |
| | Existing suppliers | Procurement, supplier evaluations, materiality analysis, meetings. | Code of Conduct, requirements regarding internationalisation, finance, reduced environmental impact, safety in the workplace. | Sustainability Report, new supplier assessment model and manual. |
| | Lenders | Personal meetings, financial communication. | Economic value development sustainable in the long term. | Strategic platform |
| Society | Local residents, local societies | External viewpoints, information meetings. | Emissions to air and water, events and plans for the future at plants, planning forestry, nature conservation issues. | Sustainability Report, dialogue for understanding, measures to reduce disruptions, sponsorship of local activities, collaboration projects. |

| Stakeholder groups | Definition | Dialogue forum | Questions/focus | Response/outcome |
|--|------------|--|--|--|
| Schools Universities Future employees | | Regular contacts and cooperation, labour market days at universities and colleges, study visits, lectures, degree projects and essays, competitions, networks, social media, website, Forest in Schools initiative. | Needs for skills, training content, work placements, company strategies, talent management activities, industry issues customer requirements, sustainability focus, certification, environmental impact, energy, ethics, working conditions, employment opportunities, sustainable products and innovation, diversity, corporate culture. | School-industry dialogue, strengthened basis for recruitment, increased range of technical training, designing upper secondary school programmes, sustainability report, sponsorship, trainee programme, work placements, summer jobs, degree projects, ranking of the company, employer branding strategy, employee reporting, Tekniksprånget technology project, IGEday. |
| Agencies Ministries | | Contacts with county administrative boards/municipalities, statutory environmental reports, scrutiny for production permits, consultation, harvesting reports, decision-makers in the EU and the Swedish Government Offices. | Dialogue on current political issues of significance to the business, e.g. environmental, industrial and transport policy. Locally with a focus on emissions to air and water, noise, energy, land issues, waste, use of chemicals, protecting the natural and cultural environment in forestry, delimiting nature conservation initiatives. | Greater understanding of the conditions under which we operate. This may involve points of view on environmental issues, new production permits, clarification on key biotopes from Swedish Forest Agency. |
| External auditors Certification bodies | | Audits, social issues in working groups for standard audits. | Legislation and criteria of the standard in question. | Certification for operations, designing new standards. |
| Industry organisations | | Working groups, directorships, inquiries, information meetings, development work, producing opinions on relevant policy issues. | Legislation, energy and climate, research issues, standardisation, circular economy, waste directive, bio-based products, industry targets, policies and strategies. | Industry information, shared targets, development activities, representation in EU working groups, response to consultation, designing new standards. |

External evaluation

BillerudKorsnäs is assessed continuously by numerous customers and analysts through surveys concerning performance and work methods. This is fully in line with our ambition to provide stakeholders with a solid basis for their evaluation of our business. Below are the major, public reviews carried out in 2017.

Dow Jones Sustainability World index. BillerudKorsnäs was included for the first time in DJSI World and for the second time in DJSI Europe. The company was named Sustainability Leader in Containers & Packaging.

EcoVadis. A system for annual sustainability assessment of around 20,000 suppliers to global enterprises. For the fourth year in succession, BillerudKorsnäs was rated 'Gold'.

The UN Global Compact. In the 'Communication on Progress' report, which highlights progress in the work with the UN Global Compact, BillerudKorsnäs is classed as 'Advanced'.

WWF Environmental Paper Company Index. Environmental Paper Company Index (EPCI) is a WWF tool to promote transparency and continuous improvement in the global pulp, paper and packaging sector. BillerudKorsnäs has taken part in WWF EPCI since 2011.



Examples of reporting for external evaluation

| External systems or initiatives | The focus of reporting |
|---|---|
| Global Reporting Initiative (GRI) | Sustainability Report |
| UN Global Compact | Sustainability Report |
| CDP – Driving Sustainable Economies | Three reports: Climate, Forestry and Water |
| Oekom Research | Environmental and social aspects |
| Environmental Product Declaration (EPD) | Environmental Product Declarations for 9 products |
| WWF Environmental Paper Company Index 2015. | Environmental performance for the whole of BillerudKorsnäs |
| WWF Check Your Paper | Environmental data for three unbleached sack papers |
| EcoVadis | Working conditions, the environment, supply chain |
| Sedex (Supplier Ethical Data Exchange) | Working conditions, environment for individual production units |
| EU Ecolabel and Nordic Ecolabel | Pulp from Gruvön and Karlsborg |
| Dow Jones Sustainability Index | Economic, environmental and social aspects |

Assurance report

Auditor's Limited Assurance Report on BillerudKorsnäs AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To BillerudKorsnäs AB (publ)

Introduction

We have been engaged by the Board of Directors of BillerudKorsnäs AB (publ) to undertake a limited assurance engagement of BillerudKorsnäs' Sustainability Report for the year 2017. The sustainability report is accompanied by a separate GRI Index in English available on <http://billerudkorsnas.com/Sustainability/>. BillerudKorsnäs has defined the scopes of the Sustainability Report and the Statutory Sustainability Report on page 112 in this document.

Responsibilities of the Board of Directors and the Group Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 112 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12 The auditor's opinion regarding the Statutory Sustainability

Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of BillerudKorsnäs in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 22 March 2018

KPMG AB

Ingrid Hornberg Román Torbjörn Westman
 Authorized Public Accountant Expert Member of FAR

Five-year summary and Alternative performance measures (APM)

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APM) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures in accordance with IFRS. In note 6 items affecting comparability are presented, which also make it possible to adjust the result to better show the underlying business performance.

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 comparison years have been restated.

Summary income statement

| SEKm | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 22 345 | 21 657 | 21 814 | 20 853 | 19 689 |
| Other income | 220 | 155 | 594 | 118 | 130 |
| Operating income | 22 565 | 21 812 | 22 408 | 20 971 | 19 819 |
| Operating expenses | -18 805 | -18 206 | -18 405 | -17 692 | -17 243 |
| EBITDA | 3 760 | 3 606 | 4 003 | 3 279 | 2 576 |
| Depreciation/amortisation | -1 519 | -1 561 | -1 417 | -1 378 | -1 439 |
| Operating profit/loss | 2 241 | 2 045 | 2 586 | 1 901 | 1 137 |
| Net financial items | -138 | -108 | -175 | -248 | -309 |
| Profit/loss before tax | 2 103 | 1 937 | 2 411 | 1 653 | 828 |
| Tax | -465 | -419 | -443 | -352 | -142 |
| Net profit/loss | 1 638 | 1 518 | 1 968 | 1 301 | 686 |

Capital employed

| SEKm, 31 December | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total assets | 28 196 | 25 854 | 25 083 | 25 709 | 24 940 |
| Accounts payable | -3 294 | -3 049 | -2 679 | -2 502 | -1 742 |
| Other liabilities and provisions | -1 551 | -1 514 | -1 577 | -1 612 | -1 662 |
| Other provisions | -227 | -252 | -45 | -43 | -42 |
| Deferred tax liabilities | -3 392 | -3 410 | -3 186 | -2 987 | -2 691 |
| Non-current interest-bearing assets | -16 | -15 | -11 | - | - |
| Cash and cash equivalents | -168 | -708 | -188 | -737 | -497 |
| Capital employed | 19 548 | 16 906 | 17 397 | 17 828 | 18 306 |

Working capital

| SEKm, 31 December | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|
| Inventories | 2 912 | 3 142 | 2 842 | 3 145 | 3 029 |
| Accounts receivable | 2 713 | 2 612 | 2 512 | 2 601 | 2 394 |
| Other current assets | 899 | 681 | 1 004 | 925 | 849 |
| Accounts payable | -3 294 | -3 049 | -2 679 | -2 502 | -1 742 |
| Other operating liabilities (excl. provisions) | -1 527 | -1 428 | -1 463 | -1 589 | -1 595 |
| Tax liabilities, net | 57 | -1 | 27 | -294 | -187 |
| Working capital | 1 760 | 1 957 | 2 243 | 2 286 | 2 748 |

Interest-bearing net debt

| SEKm, 31 December | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|
| Non-interest-bearing provisions | 784 | 778 | 783 | 772 | 732 |
| Non-current interest-bearing liabilities | 3 586 | 2 687 | 3 027 | 4 672 | 5 197 |
| Current interest-bearing liabilities | 1 551 | 1 142 | 1 368 | 2 417 | 2 957 |
| Non-current interest-bearing assets | -16 | -15 | -11 | - | - |
| Cash and cash equivalents | -168 | -708 | -188 | -737 | -497 |
| Interest-bearing net debt | 5 737 | 3 884 | 4 979 | 7 124 | 8 389 |

FIVE-YEAR SUMMARY

Summary statement of cash flows

| SEKm | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|--------------|--------------|--------------|--------------|--------------|
| Operating surplus | 3 650 | 3 781 | 3 622 | 3 234 | 2 656 |
| Change in working capital | 241 | 332 | 120 | 238 | -452 |
| Net financial items | -103 | -86 | -168 | -233 | -265 |
| Tax paid | -472 | -285 | 84 | -124 | -160 |
| Cash flow from operating activities | 3 316 | 3 742 | 3 658 | 3 115 | 1 779 |
| Cash flow from investing activities | -4 244 | -1 647 | -760 | -1 376 | -1 250 |
| Cash flow after investing activities | -928 | 2 095 | 2 898 | 1 739 | 529 |

Key financial ratios

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|--------|--------|--------|--------|--------|
| Margins | | | | | |
| Gross margin, % | 17 | 17 | 18 | 16 | 13 |
| Operating margin, % | 10 | 9 | 12 | 9 | 6 |
| Return (rolling 12 months) | | | | | |
| Return on capital employed, % | 12 | 12 | 15 | 11 | 6 |
| Return on equity, % | 12 | 12 | 16 | 13 | 7 |
| Capital structure at end of period | | | | | |
| Capital employed, SEKm | 19 548 | 16 906 | 17 397 | 17 828 | 18 306 |
| Working capital, SEKm | 1 760 | 1 957 | 2 243 | 2 286 | 2 748 |
| Equity, SEKm | 13 811 | 13 022 | 12 418 | 10 704 | 9 917 |
| Interest-bearing net debt, SEKm | 5 737 | 3 884 | 4 979 | 7 124 | 8 389 |
| Net debt/equity ratio, multiple | 0.42 | 0.30 | 0.40 | 0.67 | 0.85 |
| Interest-bearing net debt/operating profit before depreciation/amortisation, multiple | 1.5 | 1.1 | 1.2 | 2.2 | 3.3 |
| Investments | | | | | |
| Investments in non-current assets, SEKm | 4 261 | 1 645 | 1 710 | 1 384 | 1 337 |
| Acquisitions, SEKm | - | 6 | - | - | -9 |
| Other key figures | | | | | |
| Capital turnover, multiple | 1.2 | 1.2 | 1.2 | 1.2 | 1.1 |
| Working capital as a percentage of sales | 9 | 11 | 10 | 11 | 14 |
| Human Resources | | | | | |
| Average number of employees | 4 395 | 4 274 | 4 223 | 4 194 | 4 272 |

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 | 2017 | | | | | 2016 | | | | |
|------------------------|---------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| | Full year | Q 4 -17 | Q 3 -17 | Q 2 -17 | Q 1 -17 | Full year | Q 4 -16 | Q 3 -16 | Q 2 -16 | Q 1 -16 |
| Packaging Paper | 8 529 | 2 147 | 2 090 | 2 151 | 2 141 | 8 339 | 2 067 | 2 100 | 2 085 | 2 087 |
| Consumer Board | 8 189 | 1 943 | 2 019 | 2 099 | 2 128 | 8 015 | 1 988 | 1 975 | 2 028 | 2 024 |
| Corrugated Solutions | 3 856 | 1 011 | 1 012 | 902 | 931 | 3 620 | 989 | 913 | 839 | 879 |
| Other | 1 807 | 437 | 422 | 483 | 465 | 1 647 | 463 | 400 | 421 | 363 |
| Currency hedging, etc. | -36 | 27 | 1 | -35 | -29 | 36 | -39 | 5 | 66 | 4 |
| Total Group | 22 345 | 5 565 | 5 544 | 5 600 | 5 636 | 21 657 | 5 468 | 5 393 | 5 439 | 5 357 |

Quarterly operating profit/loss before depreciation/amortisation (EBITDA) per business area and for the Group

| SEKm | 2017 | | | | | 2016 | | | | |
|------------------------|--------------|------------|--------------|------------|------------|--------------|------------|--------------|------------|--------------|
| | Full year | Q 4 -17 | Q 3 -17 | Q 2 -17 | Q 1 -17 | Full year | Q 4 -16 | Q 3 -16 | Q 2 -16 | Q 1 -16 |
| Packaging Paper | 1 499 | 401 | 394 | 312 | 392 | 1 486 | 421 | 441 | 266 | 358 |
| Consumer Board | 1 767 | 363 | 466 | 498 | 440 | 1 723 | 336 | 424 | 479 | 484 |
| Corrugated Solutions | 834 | 212 | 269 | 163 | 190 | 829 | 241 | 241 | 130 | 217 |
| Other | -303 | -78 | -80 | -75 | -70 | -469 | -267 | -74 | -82 | -46 |
| Currency hedging, etc. | -37 | 25 | 2 | -35 | -29 | 37 | -38 | 5 | 66 | 4 |
| Total Group | 3 760 | 923 | 1 051 | 863 | 923 | 3 606 | 693 | 1 037 | 859 | 1 017 |

Gross margin (EBITDA, %) quarterly gross margin per business area and for the Group

| % | 2017 | | | | | 2016 | | | | |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Full year | Q 4 -17 | Q 3 -17 | Q 2 -17 | Q 1 -17 | Full year | Q 4 -16 | Q 3 -16 | Q 2 -16 | Q 1 -16 |
| Packaging Paper | 18 | 19 | 19 | 15 | 18 | 18 | 20 | 21 | 13 | 17 |
| Consumer Board | 22 | 19 | 23 | 24 | 21 | 21 | 17 | 21 | 24 | 24 |
| Corrugated Solutions | 22 | 21 | 27 | 18 | 20 | 23 | 24 | 26 | 15 | 25 |
| Group | 17 | 17 | 19 | 15 | 16 | 17 | 13 | 19 | 16 | 19 |

QUARTERLY DATA

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

| SEKm | 2017 | | | | | 2016 | | | | |
|------------------------|--------------|------------|------------|------------|------------|--------------|------------|------------|------------|------------|
| | Full year | Q 4 -17 | Q 3 -17 | Q 2 -17 | Q 1 -17 | Full year | Q 4 -16 | Q 3 -16 | Q 2 -16 | Q 1 -16 |
| Packaging Paper | 1 035 | 285 | 278 | 196 | 276 | 990 | 298 | 316 | 143 | 233 |
| Consumer Board | 983 | 168 | 270 | 299 | 246 | 964 | 148 | 234 | 287 | 295 |
| Corrugated Solutions | 656 | 168 | 226 | 117 | 145 | 647 | 194 | 197 | 84 | 172 |
| Other | -396 | -125 | -95 | -88 | -88 | -593 | -391 | -75 | -82 | -45 |
| Currency hedging, etc. | -37 | 25 | 2 | -35 | -29 | 37 | -38 | 5 | 67 | 3 |
| Total Group | 2 241 | 521 | 681 | 489 | 550 | 2 045 | 211 | 677 | 499 | 658 |

Quarterly operating margin per business area and for the Group

| % | 2017 | | | | | 2016 | | | | |
|----------------------|-----------|----------|-----------|----------|-----------|-----------|----------|-----------|----------|-----------|
| | Full year | Q 4 -17 | Q 3 -17 | Q 2 -17 | Q 1 -17 | Full year | Q 4 -16 | Q 3 -16 | Q 2 -16 | Q 1 -16 |
| Packaging Paper | 12 | 13 | 13 | 9 | 13 | 12 | 14 | 15 | 7 | 11 |
| Consumer Board | 12 | 9 | 13 | 14 | 12 | 12 | 7 | 12 | 14 | 15 |
| Corrugated Solutions | 17 | 17 | 22 | 13 | 16 | 18 | 20 | 22 | 10 | 20 |
| Group | 10 | 9 | 12 | 9 | 10 | 9 | 4 | 13 | 9 | 12 |

Quarterly sales volumes per business area and for the Group

| ktonnes | 2017 | | | | | 2016 | | | | |
|----------------------|--------------|------------|------------|------------|------------|--------------|------------|------------|------------|------------|
| | Full year | Q 4 -17 | Q 3 -17 | Q 2 -17 | Q 1 -17 | Full year | Q 4 -16 | Q 3 -16 | Q 2 -16 | Q 1 -16 |
| Packaging Paper | 1 152 | 282 | 289 | 288 | 293 | 1 167 | 285 | 292 | 295 | 295 |
| Consumer Board | 1 081 | 252 | 265 | 279 | 285 | 1 051 | 257 | 261 | 268 | 265 |
| Corrugated Solutions | 542 | 132 | 145 | 121 | 144 | 554 | 147 | 140 | 129 | 138 |
| Total | 2 775 | 666 | 699 | 688 | 722 | 2 772 | 689 | 693 | 692 | 698 |

BillerudKorsnäs shares

The shares

BillerudKorsnäs shares have been publicly listed since 20 November 2001 and are traded on the Large Cap list of Nasdaq Stockholm. The share ticker symbol is BILL. At 31 December 2017, the share capital totalled SEK 1 537 642 792, represented by 208 219 834 shares. The number of shares on the market totalled 206 956 668. 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 140.50 on 29 December 2017, corresponding to a market capitalisation of around SEK 29.1 billion. BillerudKorsnäs' share price fell by 8.2% in 2017. Over the same

period, the Nasdaq Stockholm forestry and paper products index (OMX Stockholm Forestry & Paper PI) rose by 24%, while the Nasdaq Stockholm All Share Index (OMX Stockholm PI) rose by 6.4%. In 2017, the shares recorded their highest closing price, SEK 154.90, on 3 January and their lowest closing price, SEK 124.5, on 18 and 29 August.

Trading

In 2017, 157.2 million BillerudKorsnäs shares were traded, corresponding to a value of approximately SEK 22 billion. The average number of shares traded each trading day was about 624 000, corresponding to a value of SEK 87 million. On average, about 2 338 trades were made each trading day.

Dividend

The target is for the dividend to be 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 4.30 per share for 2017. The proposed dividend corresponds to approximately 54% of net profit for 2017.

Shareholder categories, votes, %



- Foreign shareholders, 39.1
- Swedish mutual funds, 21.7
- Swedish individuals incl. closely held companies, 20.8
- Swedish institutions, 18.4

Geographical distribution of shareholders, votes %



- Sweden, 60.9
- Austria, 15.1
- USA, 7.5
- United Kingdom, 1.8
- Norway, 1.5
- Other, 13.2

Distribution of shares at 31 December 2017

| | |
|--|--------------------|
| Registered number of shares | 208 219 834 |
| Repurchased shares in Company treasury | -1 263 166 |
| Shares on the market | 206 956 668 |

Number of shares on the market

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|
| Average number of shares | 207 113 788 | 207 037 234 | 206 888 635 | 206 761 898 | 206 631 569 |
| Average number of shares after dilution | 207 455 852 | 207 509 333 | 207 408 656 | 207 297 990 | 207 051 124 |
| Number of shares at end of period | 206 956 668 | 207 089 336 | 206 951 152 | 206 788 161 | 206 719 689 |
| Number of shares at end of period after dilution | 207 298 732 | 207 561 435 | 207 471 173 | 207 324 253 | 207 139 244 |

The 10 largest shareholders

| Shareholder | No. of shares, millions | Share of votes, % |
|----------------------------------|-------------------------|-------------------|
| FRAPAG Beteiligungsholding AG | 31.3 | 15.1 |
| AMF Insurance & Funds | 20.4 | 9.8 |
| Swedbank Robur funds | 9.8 | 4.7 |
| Fourth AP Fund | 8.0 | 3.9 |
| Alecta | 7.1 | 3.5 |
| SEB funds | 4.4 | 2.1 |
| Vanguard | 4.2 | 2.0 |
| Handelsbanken funds | 3.1 | 1.5 |
| Dimensional Fund Advisors | 3.1 | 1.5 |
| AFA Insurance | 3.0 | 1.4 |
| Total top 10 shareholders | 94.4 | 45.5 |

Ownership structure¹

| Shareholding | No. of shares | % | No. of owners | % |
|----------------|--------------------|------------|---------------|------------|
| 1-100 | 1 414 932 | 0.7 | 25 419 | 26 |
| 101-500 | 14 702 443 | 7.1 | 57 080 | 59 |
| 501-10 000 | 23 873 365 | 11.5 | 14 392 | 15 |
| 10 001-100 000 | 11 598 445 | 5.6 | 475 | - |
| 100 001- | 156 630 649 | 75.2 | 103 | - |
| Total | 208 219 834 | 100 | 97 469 | 100 |

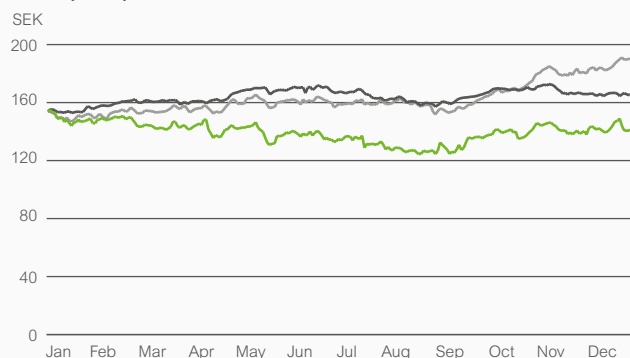
¹ Including the company's own bought-back shares (1 263 166).

Share price performance 2007–2017



— BillerudKorsnäs
 — OMX Stockholm PI
 — OMX Stockholm Forestry & Paper PI

Share price performance in 2017



— BillerudKorsnäs
 — OMX Stockholm PI
 — OMX Stockholm Forestry & Paper PI

Key figures per share

| SEK per share, unless stated otherwise | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-------------------|--------|--------|--------|-------|
| Earnings | 7.91 | 7.33 | 8.75 | 6.18 | 3.24 |
| Diluted earnings | 7.90 | 7.31 | 8.73 | 6.16 | 3.24 |
| Dividend (for each financial year), actual | 4.30 ¹ | 4.30 | 4.25 | 3.15 | 2.25 |
| Dividend as % of | | | | | |
| – share price (dividend yield) | 3.1 | 2.8 | 2.7 | 2.8 | 2.8 |
| – profit | 54.3 | 58.7 | 48.6 | 51.0 | 69.4 |
| – Equity (closing balance) | 6.4 | 6.8 | 7.2 | 6.1 | 4.7 |
| Cash flow from operating activities | 16.01 | 18.07 | 17.68 | 15.07 | 8.61 |
| Operating cash flow | –4,55 | 10.15 | 9.46 | 8.41 | 2.56 |
| Shareholders' equity | 66.74 | 62.88 | 59.21 | 51.34 | 47.68 |
| Diluted equity | 66.63 | 62.73 | 59.06 | 51.20 | 47.58 |
| Share price/closing balance of equity, % | 211 | 243 | 265 | 219 | 170 |
| P/E ratio, multiple | 17.8 | 20.9 | 18.0 | 18.2 | 25.1 |
| EV/EBITDA, multiple | 10.8 | 9.9 | 9.4 | 9.3 | 9.8 |
| Share price (closing price, last trading day) | 140.5 | 153.00 | 157.20 | 112.50 | 81.25 |

¹ Board's proposal.

Analysts covering BillerudKorsnäs

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|-------------------------------|------------------|----------------------|
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| Pareto Securities | Gustaf Hansson | +46 (8) 402 50 00 |
| SEB Enskilda | Linus Larsson | +46 (8) 5222 9701 |

Key figure definitions

Earnings

EBITDA

Operating profit before depreciation and amortisation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation). EBITDA is a measure of operating profit or loss, which is close to operational cash flow.

Margins

Gross margin (EBITDA, %)

Operating profit before depreciation and amortisation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales. This key performance indicator is used both in follow-up of profit and loss and in comparison with comparable companies.

Operating margin

Operating profit as a percentage of net sales. The operating margin shows the percentage of revenue remaining after taking account of operating expenses. This key performance indicator is used both in follow-up of profit and loss and in comparison with comparable companies.

Return

Return on capital employed

Operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter. Return on capital employed is a measure indicating how effectively total net operating assets are used to generate return in the business. This key performance indicator takes account of capital invested in the business and is used in following up profit and loss and in comparison with comparable companies.

Return on equity

Profit/loss for the period, calculated over 12 months, attributable to parent company shareholders, as a percentage of average equity calculated per quarter, attributable to parent company shareholders. This measure represents total profitability compared with equity invested by parent company shareholders.

Capital structure

Asset turnover rate

Net sales divided by average capital employed. This measure shows effectively capital employed is used in the business.

Capital employed

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets. Capital employed is used to quantify net assets used in operational activity, to which operating profit or loss can be related.

Diluted equity

Equity at the end of the period plus the effect of estimated participation in the incentive programme.

Interest-bearing net debt

Interest-bearing provisions and liabilities less interest-bearing assets. This key ratio defines financing via financial liabilities taken account of financial assets, and is used as an element in the assessment of financial risk.

Interest-bearing net debt/EBITDA

Interest-bearing net debt at the end of the period divided by operating profit before depreciation/amortisation for the past 12 months. This key figure shows the relationship between interest-bearing net debt and repayment capacity. A higher (lower) ratio indicates a higher (lower) risk.

Net debt/equity ratio, multiple

Interest-bearing net debt divided by equity. This ratio shows the mix between interest-bearing net debt and financing through equity. A higher ratio signifies higher financial leveraging and may have a positive impact on return on equity, but at the same time signifies a higher financial risk.

Shareholders' equity

Equity at the end of the period.

Working capital

Inventories, accounts receivable and other operating assets less accounts payable and other operating liabilities. This amount shows the net figure for current assets and current liabilities used in the business. Together with non-current assets, working capital constitutes the capital employed operationally to generate a return.

Working capital as a percentage of net sales

Average working capital for the past three months divided by net sales for the full year or for part of the year, net sales on an annual basis (net sales for the quarter times four). This key figure shows how effectively working capital is used. A lower percentage means

that less capital has been tied up to generate particular revenue, and a higher ability to finance internally growth and return for shareholders.

Per-share data¹

Cash flow per share 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 period, attributable to parent company shareholders, 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.

Diluted shareholders' equity per share

Equity at the end of the period, attributable to parent company shareholders, 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.

Earnings per share

Profit/loss for the period, attributable to parent company shareholders, divided by the average number of shares on the market.

Equity per share

Equity at the end of the period, attributable to parent company shareholders, 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 and amortisation (EBITDA).

Operating cash flow per share

Cash flow from operating activities including net investments in property, plant and equipment and non-current intangible assets and acquisition of non-current financial assets, divided by the average number of shares on the market during the period.

PIE ratio

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

¹ For number of shares, see section "BillerudKorsnäs shares".

Glossary

Biofuels

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

CDP

Carbon Disclosure Project.

Fluting

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

Pulpwood

In Sweden this is primarily softwood (spruce and pine) and birch used to make paper pulp.

MF kraft paper

Machine-finished kraft paper.

MG kraft paper

Machine-glazed kraft paper.

NBSK

Northern Bleached Softwood Kraft.

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.

Sack paper

Paper with high strength properties and used for the production of sacks. Made from softwood sulphate pulp.

Liquid packaging board

Board used to manufacture packaging for beverages and other liquid foods.

Corrugated board

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

Shareholder information and key dates

Annual General Meeting

BillerudKorsnäs AB's Annual General Meeting will be held at 3:00 p.m. on Tuesday 15 May 2018 at Hotel Rival, Mariatorget 3, Stockholm, Sweden.

Notice of the 2018 Annual General Meeting is posted on the Company's website at 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 8 May 2018 and must notify the Company by no later than Tuesday 8 May 2018.

Notification of attendance can be made by telephone on +46 8 402 90 62, at www.billerudkorsnas.se/anmalan or by post to BillerudKorsnäs AB, Årsstämman, c/o Euroclear Sweden AB, Box 191, SE-101 23 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 8 May 2018, which means that shareholders must inform the nominee well before this date.

Financial information

All financial information is available in both Swedish and English and is published on BillerudKorsnäs' website at www.billerudkorsnas.com.

The Annual Report and Sustainability Report 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 Sustainability Report and other financial reports are available on the website.

Interim reports

| | |
|------------------------|------------|
| January–March 2018 | 20 April |
| January–June 2018 | 18 July |
| January–September 2018 | 16 October |

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We challenge conventional packaging for a sustainable future

THIS IS BILLERUDKORSNÄS

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

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

Demand is driven by global megatrends, particularly rising urbanisation, a greater focus on sustainability and changing consumption patterns. Consumer segments, primarily food and beverages, account for 76% of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

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



BILLERUDKORSNÄS