KORSNÄS AB

Corporation registration number
556023-8338

Annual report 2010

Board of Directors, Senior Executives and Auditors

Vigo Carlund
Chairman
Board member since 2001 and Chairman since 2002.
Born 1946. Member of the Board of Investment AB Kinnevik since August 2006, President and CEO of Kinnevik 1999-2006. Chairman of the Board of Tele2 AB since 2006 and member of the board since 1995. Member of the Board of Academic Work Solutions AB since 2006 and Net Entertainment NE AB since 2008. CEO of Korsnäs 1998-2000.

Mia Brunell Livfors
Board member since 2006.
Studied Business Administration at Stockholm University, born 1965. President and CEO of Investment AB Kinnevik since August 2006. Chairman of the Board of Metro International S.A. since 2008, member of the board since 2006. Member of the Board of Mellersta Sverige Lantbruks AB since 2006, Tele2 AB since 2006, Transcom WorldWide S.A. since 2006, Millicom International Cellular S.A. since 2007, Modern Times Group MTG AB since 2007 and H & M Hennes & Mauritz since 2008.

Leif Brodén
Board member since 2007.
International Economics, Gothenburg School of Economics and MBA Stockholm School of Economics, born 1960. President and CEO of Södra Skogsägarna. Chairman of the Swedish Forest Industries Federation. Chairman of the Board of Södra Cell, Södra Timber and Gapro. Member of the Board of Växjö University.

Ole Kjörrefjord
Board member since 2004.
MBA Harvard Business School, USA, born 1955. Chairman of the Board of Hector Rail AB, Fleetech AB and Fleet 101 AB. CEO of EuroMaint AB.

Wilhelm Klingspor
Board member 1999-2000 and since 2003.
Forest Engineer, Skinnskatteberg, Swedish University of Agricultural Sciences, born 1962. Member of the Board of Investment AB Kinnevik since 2004, Industriförvaltnings AB Kinnevik 1999-2004. CEO of Hellekis Säteri AB.

Stig Nordin
Board member between 1992-2000 and since 2004.
M.Sc. Engineering, Chalmers University of Technology, born 1943. Member of the Board of Investment AB Kinnevik, since 2004 and Industriförvaltnings AB Kinnevik 1992-2004. President and CEO of Industriförvaltnings AB Kinnevik 1992-1999 and CEO of Korsnäs 1993-1998.

Hannu Ryöppönen
Board member since 2010.
Business Administration, Gothenburg School of Economics, born 1952. Deputy CEO at Stora Enso oyj until March 2009. Former Financial Director of Ahold, Industrikapital and IKEA. Chairman of the Board of Altors Private Equity funds and Tiimari Oyj, Boardmember for Amer Sport Corporation Oyj, Novo Nordisk A/S, Neste Oil Oyj and Vice Chairman of the Board of Rauta ruukki.

Ola Hallberg
Employee representative/Board member since 2007 and Employee representative/Deputy since 2006.
Timber controller, born 1965.

Bo Myrberg
Employee representative/Deputy since 2009 and Employee representative Board Member since 2008.
Process operator, born 1967. Employee representative/Board member in Investment AB Kinnevik since 2009 and was Employee representative/Deputy 2008.

Hans Holmén
Employee representative/Deputy since 2007.
Mechanic, born 1955.

Per Eriksson
Employee representative/Board member since 2009 and Employee representative/Deputy since 2006.
Assistant boiler-man, born 1955.

Christer Simrén
Chief Executive Officer.
(Not a member of the board)
Dr Science Industrial Management and Economics and M.Sc. Electral & Computer Engineering at Chalmers University of Technology, BA Accounting and Financial Control at Gothenburg School of Economics, born 1961. Started present position as Chief Executive Officer of Korsnäs on September 1, 2008. Previously President and CEO of Mediabricks (today Handmark US), vice President and CEO of Korsnäs 1999 2001, Managing Director Applied Value Scandinavia, Managing Director CHAMPS (Chalmers Advanced Management Programs). Chairman of the Board of Sia Latgran. Member of the Board of AB Gevenko.

Auditors
At the Annual General Meeting 2008 the Audit firm Ernst & Young AB with Thomas Forslund as auditor in charge, was appointed Company auditor for the period extending to the close of 2012 Annual General Meeting.

Thomas Forslund
Authorized Public Accountant, born 1965.
Thomas Forslund has audit engagements in a number of listed companies such as Feelgood, Systemair and WeSC.

Board of Directors´ Report

Korsnäs AB is a wholly-owned subsidiary of Investment AB Kinnevik 556023-8338, corporate registration number 556047-9742 with registered office in Stockholm.

The financial reports were approved by the Board on 25 March 2011 and the Board of Directors and CEO here with present the annual and consolidated financial statements for the financial year 2010. The balance sheets and the income statements for the Group and Parent Company will be presented at the Annual General Meeting to be held on 2 May 2011 for approval.

Key date (SEK million)	2010	2009
Revenue	8 178	8039
Operating profit, EBIT	926	851
Investments in tangible fixed assets	604	740
Depreciation	-602	-611
Operational capital employed, average	7 810	7849
Return on operational capital employed	11,9%	10,8%
Number of employees	1 760	1811

History

Korsnäs was established as a company in 1855, with sawmill operations commencing in 1858 in Korsnäs in the province of Dalarna. In 1899, operations moved to Gävle and in 1910 pulp manufacturing got under way at the Korsnäs mill in Gävle, followed in 1925 by the installation of the company's first paper machine. Paperboard and paper manufacturing were steadily expanded to become Korsnäs' primary operations and Korsnäs Industrial is today one of the leading manufacturers of virgin fiber-based packaging materials, primarily for consumer products. As part of the expansion in packaging materials, Korsnäs acquired the Frövi paperboard mill in 2006. The industrial operations center on the Korsnäs mill in Gävle and on the production facility in Frövi with annual capacity of 700 thousand tons and 425 thousand tons, respectively, of paper and paperboard products. The company currently has four production machines: Paper Machine ("PM") 2, 4 and 5 in Gävle as well as the Board Machine ("BM") 5 in Frövi. The plant in Gävle is self-sufficient in pulp, while the annual pulp capacity in Frövi is 300 thousand tons. In 2009, Korsnäs acquired a facility for production of CTMP pulp in Rockhammar. After implementation of existing plans to increase production in Rockhammar, Korsnäs will become self-sufficient in pulp for its entire production of paper and cartonboard.

Korsnäs has long pursued a targeted strategy of focusing on highly processed products. As a result, paperboard has become the largest product area in terms of volume, with liquid packaging board used for beverage packaging and White Top Kraft Liner ("WTL") used as the outer layer in corrugated packaging, while cartonboard is used primarily for packaging cosmetics, luxury drinks, confectionery and frozen food.

In 2002 Korsnäs terminated its involvement in the sawmill business by selling the Kastet sawmill. During 2002 and 2004, Swedish forest holdings were also sold via two transactions. In 2002, more than a third of the forest holdings were sold to Sveaskog and in 2004 the remainder was transferred to Bergvik Skog, a newly established company in which Korsnäs holds 5% of the shares. After these divestments, Korsnäs Swedish forest holdings consist of about 15,000 hectares of special land and rights.

Consolidated earnings

Total revenue for the year amounted to SEK 8,178 million, compared with SEK 8,039 million in the preceding year.

Operating profit amounted to SEK 926 million (851). Other financial income and expenses amounted to a net expense of SEK -7 million (-64), of which net interest expenses were SEK 64 million (expense of 101) and exchange rate differences were SEK 0 million (0). The reduced net interest was due to positive cash flow and lower interest rates.

Profit after financial items amounted to SEK 919 million (787).

Reported tax expense amounted to SEK -218 million (-197).

Explanation to change in operating profit (SEK m)	Jan-Dec
Operating profit 2009	851
Delivery and production volumes and changed in product mixture	21
Cost changes for chemicals	35
Cost changes for pulpwood and external pulp	3
Cost changes for energy	-80
Sales prices including currency effects	15
Change in fixed costs	-13
Received strike renumeration	84
Other	10
Operating profit 2010	**926**

Cashflow and investments

The Group's cash flow from current operations excluding change in working capital amounted to SEK 1,201 million (1,461) during the year. The decreased cash flow is mainly due to increased tax payments amounting to SEK 270 millions during 2010. Working capital decreased by SEK 133 millons (337). Working capital includes an positive effect from a reduced inventory of SEK 59 million (298).

Investments in tangible fixed assets amounted to SEK 604 million (642) during the year, of which SEK 190 millions relates to new evaporation plant in Gävle.

Investments in subsidiaries amounted to SEK 0 million (147) and investments in shares and other securities amounted to SEK 115 millions (1).

Liquidity and financing

The Group's available liquidity, including short-term investments and available credit facilities, totaled SEK 792 million on 31 December, 2010 and SEK 632 million at 31 December, 2009.

The Group's interest-bearing net debt amounted to SEK

2,322 million at 31 December, 2010 and SEK 2,504 million at 31 December, 2009.

The groups interest bearing net debt, as of the same date, amounted to SEK 2.322 m and SEK 2.504 respectively. During the second quarter an agreement of financing and extention of some current credit facilities amounting to total SEK 5.200 m which replaced previous credit facilities of SEK 5.200 m. After the refinancing the loans carry an interest rate according to Stibor or similar base rate and an average margin of 1,7%. All loans have fixed interest terms of no longer than three months.

Of the Group's interest expenses and other financial costs of SEK 135 million (expense of 116), interest expenses amounted to SEK 125 million (expense of 109). This means that the average interest rate for the year was 2,5% (1,7%) (calculated as interest expense in relation to average interest-bearing liabilities).

The Group's borrowing is primarily arranged in SEK. On an annual basis, the net flow in foreign currencies is a net inflow of about SEK 600 million, comprised mainly of Korsnäs' sales in EUR.

Korsnäs Industrial

Key data (SEK million)	2010	2009
Revenue	7 148	7098
Operating profit, EBIT	879	826
Investments in tangible fiixed assets	595	721
Depreciation	-596	-605
Operational capital employed, average	7 458	7411
Return on operational capital	11.8%	11,1%
Number of employees	1 627	1571

Key events during 2010

Market

During 2010, the demand for paper and cartonboard has strengthened significantly compared to 2009. During the autumn, the demand has leveled out and reached a more normalised level. During the year, sales of paper and cartonboard products amounted to 1,021,000 tons, compared with 1,034,000 tons in 2009. The strike in the second quarter in conjunction with production disruptions in both the first and fourth quarter meant that the delivered volumes for the year did not correctly reflected the increased demand over the year. Korsnäs has, in line with its competitors, been able to increase prices in all product areas during the year. The effects of the price increases during the year were however offset by the strong SEK in the product areas in which invoicing occur in currencies other than SEK.

As of today customers are increasingly demanding various types of products and delivery solutions and Korsnäs is seeking to meet these demands using high quality and lower overall customer cost. Korsnäs´ long-term strategy of focusing on growth markets and offering differentiated, niche products that meet high standard requirements in terms of strength, printability, formability and runnability in converting, proved successful during the year with increase volumes within prioritized growth areas

Liquid Packaging Board

Liquid Packaging Board is used to manufacture packaging, primarily for dairy products, fruit juices and other beverages, a market that is continuing to grow, mainly in the BRIC countries (Brazil, Russia, India and China). Primarily, coated Liquid Packaging Board is showing growth, as a result of end-users' increased demand for print quality on the finished packaging. The global market for liquid packaging board normally increases 2-3% annually, but growth for 2010 is estimated to approximately 6%, with double-digit percentages for Asia. Korsnäs' deliveries of Liquid Packaging Board in 2010 followed production capacity. Price increases occurred in accordance with the multi-year agreements between Korsnäs and a number of customers for the delivery of Liquid Packaging Board. Other major suppliers of Liquid Packaging Board include Stora Enso and Klabin. There is also competition from other packaging materials, primarily plastic bottles.

Cartonboard

Korsnäs cartonboard is used primarily in selected segments for packaging cosmetics, luxury drinks, confectionery and frozen food.Within cartonboard the deliveries has increased with 12% compared with 2009 in a market that is estimated to have increased approximately 9% in Europe. Price increases were implemented on two occasions during the year. Deliveries of cartonboard with white reverse side, Korsnäs White, increased with 22%, in line with the company´s target. Cartonboard competitors include Stora Enso, M-Real and Holmen.

White Top Kraft Liner (WTL)

WTL is used as the surface layer on corrugated packaging. The WTL market rose approximately 1% during 2010. Despite the relatively low market growth, demand was higher than supply and resulted in Korsnäs increasing prices three times in 2010. Korsnäs' total deliveries of WTL declined somewhat during the year to the benefit of other more profitable products. However, deliveries of coated WTL increased in line with the company's long-term strategy. There are a number of suppliers in the market, with M-Real as the main competitor.

Sack and kraft paper

Sack and kraft paper are used for sacks, carrier bags and food packaging. Demand for sack and kraft paper was strong throughout 2010 and Korsnäs raised prices on two occasions. The market for white paper, which is the segment on which Korsnäs has been focusing for a couple of years, is currently experiencing a satisfactory balance between supply and demand. Korsnäs' sales of white paper increased slightly during 2010, while the total volume of sack and kraft paper decreased somewhat as a result of lost volumes of brown paper as a result of the strike in April. Billerud and UPM Kymmene are the main competitors in this area. Korsnäs' market position is highlighted primarily by its high-strength products offering favorable converting potential.

Production

Production for the full year 2010 amounted to 1,019,00 tons compared to 1,025,000 tons in 2009.

Production during the first quarter of 2010 was affected by unplanned stops of operations in the recovery boilers in both Gävle and Frövi, which resulted in a total production loss of about 14 Ktons of paper and cartonboard products.

In February Korsnäs obtained permission from Miljödomstolen to increase the production of thermo-mechanical pulp, CTMP, in Rockhammar from 60 tonnes to 90 tonnes per year. Due to this capacity increase, which was executed in March, Korsnäs is self-sufficient in pulp to the entire group production of paper and paperboard production.

In April, Korsnäs Gävle and five other Swedish paper mills were involved in a strike called by the Swedish Pulp and Paper Workers' Union, which resulted in production losses of approximately 24,000 tons. The direct financial costs of the strike were although compensated by Svenskt Näringsliv. Korsnäs received SEK 84 m in compensation, which is included in the operating profit for the year.

During the fourth quarter, Korsnäs' deliveries were negatively affected by production problems at the plant in Gävle, following the start-up after the annual maintenance stop in October and a fire in a power station in December. The total production loss amounted to approximately 21,000 tons. The problems have been analyzed and measures taken to prevent further disruptions.

Investments and maintenance stoppages

In March 2010, Korsnäs signed an agreement with Gävle kommun to invest in Bomhus Energi AB ("Bomhus"), a jointy owned company which will perform the construction of a new bioenergy facility at the Korsnäs plant in Gävle. The aim of the new bioenergy facility is to, from 2013, assure delivery of eco-friendly electricity and steam to Korsnäs' plant in Gävle as well as district heating to Gävle Energi's customers. All main components have been purchased within the project's budget and construction is proceeding as planned. For Korsnäs, the investment of 50% of the shares and subordinated loans in Bomhus will amount to approximately SEK 320 m, of which SEK 115 m was paid during 2010. In addition to investments in Bomhus, Korsnäs will make further energy investments of about SEK 145 m in the existing plant for delivery of waste heat to Gävle Energi, of which SEK 66 m were paid during 2010. The investments will enable a significant reduction in Korsnäs' oil consumption, while increasing electricity production and the use of waste heat from Korsnäs' plant. As a result of the investments, Korsnäs Gävle will raise the proportion of internally produced electricity from 38% to 45%. The new bioenergy plant will be ready for operation during the autumn 2012. The investments totalling approximately SEK 465 m will impact Korsnäs' cash flow during 2010-2012.

In May, a new evaporation plant for the pulp mill in Gävle was put in operation. The investment amounted to a total of about SEK 550 m, of which SEK 190 m has affected cash flow during 2010. The new evaporation plant is expected to reduce Korsnäs' oil consumption by about 17,000 m3 per year, thus resulting in lower energy costs.

In connection with the annual maintenance stop at the plant in Gävle in October, the paper-waste and backwater system at paper machine 5 was rebuilt for approximately SEK 75 m. The rebuild is expected to improve product quality, increase efficiency and reduce water emission.

During the fourth quarter, it was decided to install a third sheet machine in Frövi for approximately SEK 30 m. The commissioning is scheduled for October 2011.

Korsnäs Forestry

Key data (SEK million)	**2010**	**2009**
Revenue	1030	941
Operating profit, EBIT	47	25
Investments in tangible fixed assets	9	19
Depreciation	-5	-6
Operational capital employed, average	352	438
Return on operational capital employed	13,4%	5,7%
Number of employees	233	240

Korsnäs Forestry is responsible for the purchase of wood and fiber for Korsnäs' pulp and paper mills and for the performance of forestry services in line with agreements with Bergvik Skog. Korsnäs Forestry's external customers are primarily sawmills and spruce fiber users in central Sweden and Latvia.

Pulpwood prices within Korsnäs' catchment area increased during 2010 by SEK 25/m3fub in January and from 14 May by SEK 30/m3fub for coniferous pulpwood and SEK 25/m3fub for deciduous pulpwood. From 1 January 2011, prices increased by an additional SEK 10-30/m3fub depending on range and catchment area. The price increases in pulpwood have a negative impact on Korsnäs' operating income with a delay of approximately three to six months. Following the recent price increase, pulpwood prices are just under the price level prevailing prior to the 2008 financial crisis.

Research and development

During the year, Korsnäs has intensified the cooperation with its largest customers. The development work has been focusing on a coating concept in all coated segments, concentrating on customized improvements in each end-use area. The improvements were successively implemented which will also continue in coming years. A new easily-coated product was launched within folding cartonboard.

Work on the added-value concept has been expanded to include all end-use areas. Several concepts were produced during the year for future qualifications and launches. Korsnäs spent a total of SEK 50 m (49) on research and development during the year.

Environmental work

For Korsnäs, the environmental work is an improvement process that is always in progress. Korsnäs goal is to operate in a sustainable balance with nature.

All Korsnäs' products are based on renewable raw materials from the forest. This places demands on the environmental considerations in the company's forest operations, where, without being a major forest owner, Korsnäs nevertheless has a major impact through its forest management organization, as well as in the production of cartonboard and paper.

Certified forestry management

Korsnäs has extensive experience in working with environmental issues within forestry and was the first forest company to be certified according to ISO 14001 in 1997, from plants to end products.

The customers' interest in the environmental work in the forest and the certified products from Korsnäs has increased significantly. Consequently, Korsnäs conducts customer visits in the forest, where customers can take a closer look at what certified, environmentally-adapted forest management entails.

Korsnäs' certified products are made of raw materials from certified, well-managed forests, where consideration has been given to the environment, economic forest production and social aspects. The company's traceability certification demonstrates that all raw materials derive from legal logging, where no high natural values were threatened and any serious social conflicts occurred. Consequently, by purchasing certified products, Korsnäs supports a positive trend pertaining to, for example, long-term finance, biological diversity, working conditions and local communities' utilization of the forest.

Korsnäs is certified according to the systems of the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification (PEFC), which both strive for responsible and sustainable forest management worldwide. The company can thus offer customers the product labeling in which they are interested. Korsnäs purchases certified pulpwood from many different suppliers to satisfy customers' requirements. However, all forest land in Sweden is not certified. Consequently, Korsnäs tries to motivate suppliers to certify their forest management or their timber supply and has also obtained permission to group-certify small, private, forest owners to contribute to increasing certified forest land areas. There is a connection between today's sustained forest management and the market's increased interest in the environment.

Climate impact

Korsnäs conduct industrial operations in Gävle, Frövi and Rockhammar requiring permits from relevant authorities with threshold limit values regarding environmental impact on air and water, which is followed-up and disclosed on a regular basis. The current concession for Gävle covers 700 thousand tons of pulp and 755 thousand tons of end products in the form of paper and carton board. For Frövi did Miljödomstolen approve a new concession in the end of 2008 for 300 thousand tons of kraft pulp production, of which 140 thousand tons may be bleached. During 2010, Korsnäs has performed a successful work in maintaining a solid margin between limits and emission levels. For the plant in Gävle was 2010 a troublesome year where disturbances in the production had an negative impact on the environment compared to prior year. A troublesome area was the affluent of sulfur that with a tight margin managed to not exceed the environmental limits. During the autum there where also an affluent of lye that currenly are under investigation by an environmental prosecutor.Current assessment are that this will not have any impact ot the result for Korsnäs why no provisions as a result of this has been accounted for.

In the beginning of 2010 the Environmental Court gave Korsnäs permission to increase production at the the facility in Rockhammar from 60,000 tons to 90,000 tons CTMP pulp annually.

During the past 20-year period, Korsnäs has significantly decreased the fossil carbon-dioxide impact from the manufacturing process of pulp, paper and cartonboard.

The development of Korsnäs' environmental work has, during 2010, been focused on areas like life cycle analysis (analysis of the environmental impact in all stages of production including energy and other resources), projects to decrease the climate impact and increased energy efficiency.

In 2007, Korsnäs set a target to reduce the CO2 impact by an additional 25%, per unit of produced end product by 2020. As a result of two major investments, it appears that this target will be exceeded both in size and time.

During spring was a new evaporation plant at the plant in Gävle completed. The plant will reduce oil consumption by about 17,000 m3 per year equaling 51,000 ton carbon dioxid..

The objective of the investment in Bomhus Energi AB is, as of 2013, to secure delivery of environmentally compatible electricity and steam to the Korsnäs plant, as well as district heating to Gävle Energi's customers. The investments will enable a significant reduction in Korsnäs' oil consumption, while increasing electricity production and the use of waste heat from Korsnäs' plant. As a result of the investments, Korsnäs Gävle will raise the proportion of internally produced electricity from 38% till 45%.

In 2010, Korsnäs reports for the first time in accordance to Global Reporting Initiative (GRI), one of the worlds most widely used tool for sustainability reporting. To analyze which keyratios the company would use, Korsnäs made a careful analysis among its most important stakeholders how they rank the different keyratios. Among these stakeholders were owners, employees, relevant authorities, customers, suppliers, local authorities, NGOs and trade associations. As a result most of the keyratios are focusing on environmental-keyratios, an area where Korsnäs strive for continous improvements.

Korsnäs complete GRI-report can be found at www.korsnas.com.

Risk management

The Group's financing and management of financial risks is centralized within Kinnevik's finance function and is conducted on the basis of a finance policy established by the Board of Directors. The Group's operational risks are primarily evaluated and managed within the particular business area and then reported to the Board.

The group has a model for handling financial risks which aims at identifying, controlling and reducing risks. Identified risks and respons to these are reported quarterly to the Board of directors.

Korsnäs' operational risks consist primarily of customer relations in respect of payment capacity and the risk of losing established relationships, as well as with suppliers in terms of reliability, quality and price, in addition to major accidents in the production. Korsnäs conducts regular surveys of customers and suppliers and undertakes extensive checks and maintenance to minimize the risk of production disruptions.

The risk that customers fail to fulfill their payment obligations is limited by means of credit checks, whereby all customers are analyzed by sales managers and a credit council quarterly. Customers are also monitored continuously by the credit function using, for example, information from Dun &

Bradstreet. Deviations in relation to concluded agreements are managed on an ongoing basis by the credit council.

In production operations, risk inventories are conducted with the focus on areas that could be expected to give rise to serious production disruptions. For identified risk areas, plans are drawn up regarding how these can be prevented as far as possible and how the management of abnormal situations is to be done. A corresponding inventory is also made for safety purposes and the work environment.

Korsnäs' net purchases of power during 2010 totaled 925 GWh. In addition, 518 GWh of in-house generated power was consumed. Since the Nordic electricity market was deregulated, financial hedging has been used to reduce exposure to temporary fluctuations in electricity prices. At the end of 2009, a decision was made to cease financial hedging since most other cost items, as well as a large portion of revenue, are immediately impacted by changes in market prices, and that electricity costs represent a small, and – following the conclusion of ongoing energy investments – ever smaller portion of the company's cost base. Consequently, no new hedging contracts will be signed and the result of the portfolio held at year-end 2009 will be recognized as they fall due. As of 31 December 2010, the market value of financial hedges amounted to a positive SEK 75 m (negative 22), and comprises 44% of the estimated net power purchases in Sweden for 2011 and 17% for 2012.

With regard to the purchase of pulpwood during 2010, approximately half of Korsnäs' pulpwood consumption was supplied from Bergvik Skog and Sveaskog. The remaining pulpwood derives from purchases in Sweden and from Åland and the Baltic States. Most of the Swedish wood consists of softwood fiber, with most of the imported material consisting of hardwood fiber. Korsnäs' agreement with Bergvik is long term and prices are updated continually.

On an annual basis, Korsnäs' net flow in foreign currencies is a net inflow of about SEK 600 m, comprised mainly of sales in Euro. The Group's policy is not to hedge this transaction exposure. The reason for this approach is that the Group is dealing with a continuously even net inflow of foreign currency for which, over time, hedging measures would also be affected by exchange rate changes.

For a more detailed description of the management of financial risks, refer to Note 30

Employees and organization

Korsnäs work to secure the long term need of right competence and an efficient organization is a key issue for the ability to be able to meet the global challenges.

Personell changes within the earnings-enhancement program has been finilized during the year. The harmonization of the HR processes and the mutual view of carrer coaching has been further developd and is now also used for some employees under collective agreement.

During 2010 an employee survey for the entire company was performed which revealed an improved result for value creating capital and leadership index compared to to prior serveys. The servey is a followup of previous serveys as well as the startingpoint to measure the effects of, among other things, the planning and implementation of a new metology for target management and quality improvement KOM (Korsnäs Operative Target Management). Other focus areas are leadership training and coaching for individuals and groups with the aim to prepare the leaders and coworkers of the company for the future challenges and demands.

To secure the long term need of competence at the production plants, a group wide trainee program including 15 has been initiated during the year.

Parent Company

The Parent Company's revenue for the year amounted to SEK 7,933 million (7,776). Operating profit amounted to SEK 713 million (778).

Dividends received amounted to SEK 4 million (21). The net of other financial income and expenses amounted to an expense of SEK 79 million (104).

The Parent Company's earnings after financial items amounted to a profit of SEK 638 million (695).

Investments in tangible fixed assets amounted to SEK 577 million (611).

The Parent Company's interest-bearing external liabilities amounted to SEK 4,473 million (4,449).

Future developments

Facing 2011 the demand has leveled out and approached a normal position. Conducted performance improvement program is expected to continue to affect earnings positively, as well as the new evaporation plant in Gävle, which became operational in May 2010. Increased sales prices will affect earnings positively but is reduced by the stronger Swedish currency. The price increase of SEK 10-30 per m3 fub of pulpwood active from January 1 will affect Korsnäs earnings negatively within approximately 3-6 months.

Event after the end of the reporting period

No significant events affecting the Company's financial position have occurred after the end of the reporting period.

Proposed treatment of unappropríated earning

The following amount in SEK are at disposal of the Parent Company's annual general meeting:

Unrestricted earnings	918,319,445

The board and the CEO propose that the unappropriated earnings and share premium at the disposal of the Annual General Meeting be disposed of as follows:

Carried forward	918,319,445
Total	**918,319,445**

Consolidated Statement of Income

For the period 1 January-31 December (SEK million)

	Note	2010	2009
Revenue	2	8 178	8 039
Cost of goods and services		**-7 026**	-6 821
Gross profit		**1 152**	1 218
Selling costs		**-144**	-144
Administration costs		**-185**	-202
Research and development costs		**-50**	-49
Other operating income	3	**311**	224
Other operating expenses	3	**-158**	-196
Operating profit	2, 3, 4	**926**	851
Dividend received	5	**4**	6
Change in fair value of financial assets	6	**64**	40
Interest income and other financial income	7	**61**	7
Interest expenses and oher financial expenses	7	**-135**	-116
Proft after financial items		**919**	787
Taxes	8	-218	-197
Net profit of the year		**701**	590
Attributables to equity holders oft the Parent Company		701	590
Earning per share before and after dilution, SEK		13	11
Proposed dividend per share, SEK		0	0
Average number of shares outstanding before/after dilution		53 613 270	52 613 270

Consolidated Statement of Comprehensive Income

for the period 1 January-31 December (SEK million)	2010	2009
Net profit of the year	701	590
Other comprehensive Income for the year		
Translation reserve	-14	-10
Cash flow hedging transfer to income statement	-46	78
Cash flow hedging transfer to other comprehensive income	143	3
Actuarial profit/loss	6	-1
Tax attributable to other comprehensive income	-27	-21
Total other comprehensive income for the year	**62**	**50**
Total comprehensive income for the year	**763**	**640**
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company:	763	640

Consolidated Balance Sheet

31 December (SEK million)

ASSETS

	Note	2010	2009
Fixed assets			
Intangible assets	10	771	771
Tangible assets and biological fixed assets	10	5980	5985
Financial assets accounted at fair value through profit and loss	11	564	502
Receivables from Group company	11	2577	2415
Investment in companies accounted for using the equity method	12	115	1
Total fixed assets		**10 007**	**9 674**
Current assets			
Inventories	14	1 576	1 635
Trade and other receivables	15,16	1 009	852
Prepayments	17	37	23
Cash and cash equivalents	18	86	81
Total current assets		**2 708**	**2 591**
TOTAL ASSETS		**12 715**	**12 265**
SHARE HOLDERS´ EQUITY NAD LIABILITIES			
Shareholders´ equity	19		
Shareholders´ equity attributable to equity holders of the Parent Company			
Share capital		**54**	**54**
Other contributed capital		**17**	**17**
Reserves		**42**	**-14**
Retained earnings including net profit for the year		**4 491**	**4 170**
Total shareholders´ equity		**4 605**	**4 227**
Long-term liabilities			
Interest-bearing loans	20	4 481	4 458
Provisions for pensions	21	504	541
Other provisions	22	22	41
Deffered tax liability	8	1 115	1 139
Total long-term liabilities		**6 122**	**6 179**
Short-term liabilities			
Interest-bearing loans	20	0	1
Provisions	22	36	54
Liabilities to Parent company		530	390
Trade creditors and other payable	23	1 395	1 264
Income tax payable		27	150
Total short-term liabilities		**1 988**	**1 859**
Total liabilities		**8 110**	**8 038**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**12 715**	**12 265**
Pledged assets	25		
Contingent liabilities	26		

Movements in Shareholders´ equity of the Group

	Share capital	Other contributed capital	Hedging reserve	Translation reserve	Retaind earn-ings including net profit for the year	Total share-holders´ equity
Opening balance, 1 January 2009	**54**	**17**	**-75**	**11**	**2866**	**2873**
Other comprehensive income	-	-	60	-10	0	50
Profit for the year					590	590
Total comprehensive income for the year	**-**	**-**	**60**	**-10**	**590**	**640**
Other changes in shareholders equity						
Effect of employee share saving programme					1	1
Shareholder contribution					1000	1000
Group contribution					-390	-390
Tax on group contribution					103	103
Closing balance, 31 December 2009	**54**	**17**	**-16**	**1**	**4 170**	**4 227**
Other comprehensive income	-	-	-71	-14	5	62
Profit for the year					701	701
Total comprehensive income for the year	**-**	**-**	**71**	**-14**	**706**	**763**
Effect of employee share saving programme					2	2
Group contribution					-525	-525
Tax on group contribution					138	138
Closing balance, 31 December 2010	**54**	**17**	**55**	**-13**	**4 491**	**4 605**

Consolidated Statement of Cash Flow

For the period 1 January-31 December (SEK million)

	Not	2010	2009
Operations			
Operating profit for the year		**926**	851
Adjustment for depreciation		**602**	611
Change in restructuring reserve		**-38**	-13
Other non-cash items		**-36**	-5
Taxes paid		**-253**	17
Cash flow from operations before change in working capital		**1201**	**1461**
Change in inventories		**59**	298
Change in accounts receivables and other operating assets		**-96**	-12
Change in account payable and other operating liabilities		**150**	51
Cash flow from operations		**1 314**	**1 798**
Investing activities			
Acquisition of subsidiaries	31	**-**	-147
Investments in associated companies		**-115**	-
Iinvestments in tangible and biological fixed assets		**-604**	-642
Sales of tangible and biological fixed assets		**7**	0
Investments in shares and other securities		**-**	-1
Change in long-term receivables		**2**	-2
Dividends received		**4**	6
Interest received		**1**	2
Cash flow from investing activities		**-705**	**-784**
Financing activities			
Borrowing		**290**	450
Amortization of loans		**-268**	-3
Change in intra-Group balances		**-492**	-1 472
Interest paid		**-134**	-114
Cash flow from financing activities		**-604**	**-1 139**
Cash flow for the year		**5**	**-125**
Exchange rate differences in liquid funds		**0**	0
Cash and bank, opening balance		**81**	**206**
Cash and bank, closing balance	18	**86**	**81**

Parent Company's Statement of Income

for the period 1 January-31 December (SEK million)

	Note	2010	2009
Revenue	2	7 933	7 776
Cost of goods and services		**-6 988**	-6 674
Gross profit		**945**	1 102
Selling costs		**-106**	-107
Administration costs		**-177**	-180
Research and development costs		**-50**	-49
Other operating income	3	**259**	207
Other operating expenses	3	**-158**	-195
Operating profit	2, 3, 4	**713**	778
Dividends received	5	**4**	21
Interest income and other financial income	7	**61**	8
Interest expenses and other financial expenses	7	**-140**	-112
Profit after financial items		**638**	695
Change of untaxed reserves	9	**4**	124
Profit before taxes		**642**	819
Taxes	8	**-186**	-231
Net profit for the year		**456**	588

Parent Company Balance Sheet

31 December (SEK million)

ASSETS	Note	2010	2009
Fixed assets			
Intangible fixed assets	10	**564**	636
Tangible fixed assets	10		
Forest and agricultural property		**3**	3
Buildings, land and land improvements		**728**	710
Machineries and technical plants		**4 696**	4 537
Equipment, tools, fixtures and fittings		**32**	33
Financial leasing		**4**	3
Constructions in progress and advance payments regarding tangible fixed assets		**346**	535
Total intangible/tangible fixed assets		**6 373**	**6 457**
Financial fixed assets			
Shares and participation in Group companies	13	**69**	69
Receivables from Group companies	13	**2 635**	2 556
Shares in associated companies	13	**115**	1
Receivables from associated companies		**2**	2
Deffered tax	**8**	**-**	-
Other investments held as fixed assets	13	**182**	182
Total financial fixed assets		**3 003**	2 809
Total fixed assets		**9 376**	9 267
Current assets			
Inventories	14	**1 463**	1 526
Account receivables	15	**640**	584
Receivables from Group companies	16	**114**	46
Accrued income	16	**150**	148
Other receivables	16	**120**	91
Prepayments	17	**32**	19
Tax receivables	8	**-**	-
Cash and cash equivalents	18	**63**	96
Total current assets		**2 582**	2 510
TOTAL ASSETS		**11 958**	11 776

SHAREHOLDERS´ EQUITY AND LIABILITIES		2010	2009
Shareholders´ equity			
Restricted equity			
Share capital (53 613 270 shares of SEK 1,00 each)		**54**	54
Premium reserv		**11**	11
		64	64
Unrestricted equity			
Retained earnings		**463**	193
Net profit for the year		**456**	588
		919	781
Total shareholders´ equity		**983**	845
Untaxed reserves	33	**3 995**	3 999
Long-term liabilities			
Interest-bearing	20	**4 473**	4 449
Non interest-bearing	20	**1**	1
Provisions for pensions	21	**464**	479
Other provisions	22	**21**	39
Deffered tax	8	**38**	93
Liabilities to Group companies	20	**3**	3
Total long-term liabilities		**5 000**	5 064
Short-term liabilities			
Provisions for pensions	21	**1**	1
Other provisions	22	**34**	50
Tax payable		**22**	148
Liabilities to Group comapnies		**577**	479
Trade creditors and other liabilities	23	**1 347**	1 190
Total current liabilities		**1 980**	1 867
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**11 958**	11 776
Pledged assets	25	**2 792**	2 708
Contingent liabilities	26	**38**	75

Movements in Shareholders´equity of the parent company (SEK million)

	Share capital	Premium reserve	Unrestricted equity	Total
Parent company				
Opening balance, 1 January 2009	**54**	**11**	**925**	**990**
Shareholder contribution			1000	1000
Group contribution, net			-431	-431
Tax on group contribution			113	113
Profit/Loss from merger			-1417	-1417
Employee share saving programme			2	2
Net profit for the year, 2010			588	588
Closing balance, 31 December 2009	**54**	**11**	**781**	**845**
Group contribution, net			-434	-434
Tax on group contribution			114	114
Employee share saving programme			2	2
Net profit for the year, 2011			456	456
Closing balance, 31 December 2010	**54**	**11**	**919**	**983**

Parent Company Statement of Cash Flow

for the period 1 January-31 December (SEK million)

	Note	2010	2009
Operations			
Operating profit for the year		713	778
Adjustment for depreciation		659	670
Change in restructuring reserve		-34	-18
Other non-cash items		-10	-12
Taxes paid		-253	18
Cash flow from operations before change in working capital		**1 075**	**1 436**
Change in inventories		63	341
Change in accounts receivables and other operating assets		-102	0
Change in accounts payable and other operating liabilities		152	41
Cash flow from operations		**1 188**	**1 818**
Investing activities			
Acquistion of subsidaries		-	**0**
Investment in tangible and biological fixed assets		-577	-611
Sales of tangible and biological fixed assets		6	0
Investments in intangible fixed assets		-115	-
Changes in loan receivables		-	-3
Dividend received		3	-
Interest received		4	21
Cash flow from investing activities		1	2
		-677	**-590**
Financing activities			
Borrowing		4 750	450
Amortization of loans		-4 727	-4
Change in Intra-Group balances		-427	-1 651
Interest paid		-140	-112
Cash flow from financing activities		**-544**	**-1 317**
Cash flow for the year		**-33**	**-89**
Cash and bank, opening balance		**96**	**19**
Cash transfer by merger		**-**	**166**
Exchange rate differences in liquid funds		**-**	**-**
Cash and bank, closing balance	18	**63**	**96**

Note 1 Summary of significant accounting policies

Statement of compliance
The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

Since the Parent Company is a company that is active in the EU, only EU-approved IFRS are applied. The consolidated accounts have also been prepared in accordance with Swedish law, with application of the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting regulations for Groups. No new or revised standards have been used to prepare the financial reports for 2010.

The Parent Company's annual accounts have been prepared in accordance with Swedish law, and with application of the Swedish Financial Reporting Board's recommendation RFR 2 Reporting for legal entities.

The Parent Company's accounting principles depart from the principles governing consolidated accounting in respect of the valuation of financial instruments and pension liabilities. The Parent Company applies RFR 2 in respect of the option not to observe IAS 39. Financial instruments are thus not valued at fair value as in the Group but at their acquisition cost. Pension liabilities are reported in accordance with Swedish principles.

New and revised standards 2010
No new or revised standards entered into force that affected Korsnäs to any major extent.

Future IFRS amendments
There are no new accounting standards enters in to force during 2011 that will affect Korsnäs accounting in year 2011.

Basis of preparation of consolidated accounts
The consolidated financial statements have been prepared on a historical cost basis, except for investments in forest and other biological assets, derivative financial instruments and certain financial assets valued at fair value through profit and loss. The consolidated statements are presented in Swedish kronor (SEK) and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group as of 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

The consolidated financial statements include the Parent Company and all companies in which the Parent Company controls more than 50% of the votes or in any other way exercises a controlling influence.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the result for the part of the reporting year during which the Group has control.

The consolidated accounts are prepared using the purchase method. The difference between the acquisition value of shares in a subsidiary and the fair value of identifiable assets and liabilities of that subsidiary at the time of acquisition is reported as goodwill.

Intercompany transactions, balance sheet items and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated, unless the transaction evidences the need to write down the transferred asset.

Foreign currency translation
The functional and presentation currency of the Parent Company and its Swedish subsidiaries is Swedish kronor (SEK). Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. Realized and unrealized exchange gains/losses on receivables and liabilities of an operating nature are reported in operating income, while exchange rate differences on financial assets and liabilities in foreign currencies are reported among financial items. Korsnäs has elements of its borrowing in foreign currency, which is aimed at balancing net exposure of current receivables and liabilities. The translation differences of these loans are recognized in operating profit.

As at the reporting date, the assets and liabilities of subsidiaries that have not the same functional currency as the Group are translated at the rate of exchange ruling at the balance sheet date. Their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken in other comprehensive income and as a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation are recognized in the income statement through Other comprehensive income.

Long-term monetary balances between the Parent Company and subsidiaries may be deemed to represent an extension or a contraction of the Parent Company's net investment in the subsidiary. Foreign currency differences arising on such balances are therefore charged as other comprehensive income as a translation difference.

Intangible assets
Intangible assets with a finite useful life are measured on initial recognition at cost and are then carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life.

Goodwill consists of the amount by which the acquisition value exceeds the fair value of the Group's share in the identifiable net assets of the acquired subsidiary/associated company at the time of acquisition. Goodwill from the acquisition of subsidiaries is reported as intangible assets. Intangible assets including goodwill are tested for impairment annually to identify any possible need of a write-down and is reported at its acquisition value less accumulated write-downs. Gains or losses on the divestment of a unit include the remaining reported value of the goodwill relating to the divested unit. Goodwill is distributed among cash-generating units when it is tested with respect to a possible need for a write-down.

Tangible assets
Tangible assets are recognized at cost less deduction of accumulated depreciation and any impairment. The cost includes the purchase price, as well as expenses and borrowing costs directly attributable to the asset being put into position and in working order for utilization according to the purpose of the acquisition. Depreciation is calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life. The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end.
Forest and other biological assets are recorded at their fair value.

Additional expenses
Additional expenses are added to the acquisition value only if probability implies future financial benefits associated therewith will be bestowed the group, and the acquisition value can be estimated in a reliable manner. All other additional expenses are reported as a cost in the period they arise. A decisive factor in assessing when an additional expense is added to the acquisition value is if the expense concerns exchange of identifiable components or parts thereof, in which case they can be treated as assets. The expense is also added to the acquisition value when new components are created. Any possible remaining reported value on replaced components or parts thereof, are disposed of and are written off in connection to the replacement. Repairs are written off currently.

Impairment
Assets are assessed with respect to the reduction in their value whenever events or changes in circumstances indicate that the reported value might not be recoverable.
To calculate the impairment requirement, assets are grouped in cash-generating units. An impairment loss is done in the amount by which the assets' reported value exceeds its recovery value. The recovery value is the higher of an assets' fair value, less the cost of sale and the value in use. The value in use comprises the present value of deposits and disbursements attributable to the asset during the time it is expected to be in use in operations, plus the present value of the net sales value at the end of the useful life.

Financial instruments
A financial asset or financial liability is recognized in the balance sheet when the
Company becomes a party to the instrument's contractual terms. Accounts receivable are recognized when the invoice is sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been sent.

A financial asset is derecognized from the balance sheet when the rights in the contract are realized, expired or the Company loses control over them. The same applies for a portion of a financial asset. A financial liability is derecognized from the balance sheet when the obligation in the contract is met or in some other manner is extinguished. The same applies for a portion of a financial liability.

Acquisition and divestment of financial assets are reported on the transaction date, which is the date on which the Company commits to acquire or divest the assets, except in the case the Company acquires or divests listed securities when settlement date reporting is applied.

Financial assets
Financial assets, with the exception of loan receivables, trade receivables and assets held to maturity, are valued at their fair value through profit and loss.

The fair value of financial instruments traded on an active market is based on the market prices listed on the closing date. The listed market price used for the Group's financial assets is the current bid price. For companies with two classes of shares the market price for the most liquid share class is used.

Associates

Companies in which the Group has significant influence and which is not a subsidiary are regarded as associated companies. In accordance with IAS 28 point 1, listed and unlisted holdings in associated companies within the business areas Major Listed Holdings and New Ventures are reported at their fair value. When establishing the fair value of holdings in associates the same methods as for financial instruments are used.

Other unlisted associated companies are accounted for using the equity method. Adjustments are made to bring into line any dissimilar accounting policies that may exist before the Group's interest in earnings is calculated.

Adjustments for intra-group profits/losses arising out of transactions with associated companies are made in connection with the calculation of the Group's consolidated interest in earnings and capital. Elimination of such intra-group profits/losses occurs in pace with their realization through the sale of the particular assets to external parties and/or by reduction of the Group's ownership interest in the associated company.

Joint ventures

Joint ventures are defined as companies over which Korsnäs, through partnership agreements with one or more parties, exercises a joint controlling influence over the operational and financial control. Korsnäs account for joint ventures using the equity method.

Loan receivables and trade receivables

Loan receivables and other receivables are non-derivative financial assets with defined or definable payments and defined maturities that are not listed on an active market. The values established are amortized cost, and the valuation is based on the effective interest method (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument). Trade receivables, which generally have 30-90 day terms, are recognized and carried at invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Trade receivable pertain to a large number of customers mainly in Sweden and the rest of Europe. The Group deals solely with well-established and creditworthy counterparties, which reduces the credit risk. Credit risks pertaining to the Group's other financial assets, which include cash and cash equivalents, are the risks of failure to pay by counterparties. The maximum risk corresponds to the financial instruments' reported value.

Financial liabilities

Financial liabilities not held for trading are measured at accrued acquisition value, which is determined based on the effective interest rate calculated when the liability was assumed. This means that surplus and deficit values as well as direct costs in conjunction with assuming of loans are distributed over the term of the liability.

Long-term liabilities have an expected term of exceeding one year, while current liabilities have a term of less than one year. Trade payables have short expected term and are valued at nominal value.

Accounting for derivatives and hedging

The Group's derivative instruments consist primarily of futures contracts to cover the risk of changes in power prices. All derivatives are reported initially and continually at their fair value in the balance sheet. Changes in the value of derivatives categorized as a cash flow hedge are reported as other comprehensive income and are reversed to the income statement in pace with effect of the hedge cash flow on earnings. Any ineffective portion of the change in value is reported directly in the income statement.

Electricity certificates

Certificates whose purpose is to promote the production of electricity from renewable sources is accounted for at fair value set as the average market price for electricity certificates in the month as the energy production occurs.

At closing date, held certificates is valued at the lower of cost or market value.

Emission rights

Through the European system of emissions rights Korsnäs is allocated emission rights for relevant facilities for free. Allocated emissions are recognized at zero cost. Potential purchased emission rights are recognized at cost, which occasionally is reduced with accumulated impairment losses, as inventories. If emission commitments and the need for emission rights exceeds the current holding emission rights a debt provision corresponding to the required number of emissions rights at market value are made.

Inventories
Inventory of raw materials, consumables, work in progress and finished goods are valued at the lower of cost and net sales value. Inventory is valued on a First-In, First-Out (FIFO) basis.
Felling rights, representing the cost to acquire the right to fell timber on land that the Group does not own, are valued at acquisition cost and are expensed when the corresponding wood is used in production or sold. Felling rights are reclassified as raw materials (logs and timber) as the timber is harvested based on the relationship between the remaining book value of the felling rights and the estimated volume of recoverable timber.
The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than VAT), and transport, handling and other costs directly attributable to the acquisition of inventories. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.
Net sales value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Employee remuneration
Pension commitments are reported as a liability in the balance sheet. The liability is calculated on the basis of company-specific actuarial assumptions, with due consideration of such features as the estimated future pension increases.
The Group has one defined benefit multi-employer plan, which is insured with the mutual insurance company Alecta (ITP plan). There is a lack of information to permit the reporting of the Group's proportional share of the defined benefit commitment and of the plan assets and costs associated with this plan. Consequently, the plan is reported as if it were a defined contribution plan, which means that the expenses incurred are reported as a cost. In addition, the Group has one defined benefit pension plan covering employees in Sweden. The cost of providing benefits in accordance with this plan is determined via the Projected Unit Credit Method (PUCM method) on the basis of actuarial assumptions. Deviation from the actual pension expenses and return represent actuarial gains and losses. All actuarial gains and losses, plus any supplements for payroll taxes, are charged to other comprehensive income.

Share-based remuneration
Kinnevik has share saving programmes for which the fair value, calculated at the date of allotment, of the allotted share-based instruments is expensed over the vesting period and is recognized directly in equity. The cost is based on the Group's assessment of the number of shares that will be allotted. Fair value is restated on every balance-sheet date, to reflect calculations of social security costs expensed continuously over the vesting period in the various companies.

Other provisions
Provisions are reported when the Group has a legal or contractual obligation to fulfill the obligation, when it is likely that a payment or some other form of compensation is required to settle the undertaking and a reliable estimate of the amount can be made. Provisions are reported at their discounted present value when the time horizon exceeds two years. A provision for restructuring is reported when the Group has presented a detailed plan for the implementation of the measures and the plan has been communicated to the parties involved and soundly based anticipation is created.

Revenue recognition

Sale of products
Revenue from the sale of products, net of allowance for returns and discounts, is recognized when products are delivered and significant risks and benefits associated with ownership of the goods are transferred and can be reliably measured.

Rendering of services
Revenue from the sale of services is recognized at the time the service is rendered to the customer, after deductions for discounts.

Interest
Revenue is recognized as the interest accrues to the net carrying amount of the financial assets.

Dividends received
Dividends received are recognized when the shareholders' right to receive the payment is assessed as certain.

Research and Development costs
Research and development costs are charged to the income statement during the year they arise, unless the Company can demonstrate that the amount will be able to generate future economic benefit.

Marketing costs
Advertising costs and other marketing activities are expensed as they arise.

Income tax
The total tax on the year's income consists of current and deferred tax. Taxes are stated in the income statement except when the underlying transaction is charged to other comprehensive income or directly against equity, in which case the related tax effect is also stated in equity. Current tax expense is the tax that is to be paid or received for the year in question, plus correction of tax expense for earlier periods. Deferred tax is calculated on the basis of the temporary differences between the book values of assets and liabilities and their value for tax purposes. The amounts are calculated on the basis of how these differences can be expected to be evened out and using the tax rates and rules in effect or announced as of the closing date. Temporary differences are not recorded in the case of differences attributable to interests in subsidiaries and associated companies that are not expected to be taxable in the foreseeable future. In the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity. The deferred tax asset component of deductible temporary differences and tax loss carry forwards is only recorded in so far as it is likely that these will result in a lower tax payment in the future.

Dividends paid
For dividends in kind, the net assets market value is recorded as dividend. Cash dividends to shareholders are recorded in the accounting period the dividend is approved.

Leases
Leases are classified in the consolidated accounts as financial leases or operational leases. A financial lease is when the financial risk and benefits are associated with the ownership of an item is essentially transferred from the lessee to the lessor, regardless of whether or not the lessee retains the legal right of ownership of the asset. For financial leases, the leasing asset is reported as an asset and the obligation for future payments as a liability in the balance sheet. An operating lease is a lease that does not fulfill the conditions for financial leases. For operating leases, the rental expense is reported in the lessee's accounts distributed equally over the period during which the asset is used, even if the payments are made according to some other schedule.

Cash flow statement
For purposes of the Parent Company and the consolidated cash-flow statements, the Group include cash and investments with original duration of maximum three months among cash and bank. The book value of these items corresponds to fair value.

Significant judgments and assumptions
The preparation of the annual financial statements and consolidated financial statements includes a number of estimates and assumptions. The application of these estimates and assumptions affects the reporting and disclosures. Accounting policies that require more significant judgments by the Board and the management in the application of IFRS, and assumptions and estimations in matters that are inherently uncertain, are summarized below.

Actuarial assumptions and other assumptions and estimations when estimating the provisions for pensions (Note 21) and other provisions (Note 22) could have a material impact on the financial statements. The estimates used are based on experience, market information and practice, and are regularly reviewed.

Fair value on financial assets valued to fair value through the income statement are based on a valuation from a third party based on generally accepted valuation methods for biological assets.

Note 2 Segment Reporting

The segment reporting consists of two business areas, Korsnäs Industrial and Korsnäs Forestry. This distribution coincides with management's internal structure for controlling and monitoring the Group's operations. The accounting policies for the business segments coincide with the Group's accounting policies. The operations in the business areas are:
1. Korsnäs Industrial – following the acquisition of Frövi – conducts operations at two facilities: Korsnäs Gävle and Korsnäs Frövi, with annual capacity of 1,125,000 tons of paper and board products. Paperboard is the largest product area in terms of volume with Folding Carton, Liquid Packaging Board used for packaging beverages and White Top Kraft Liner used as the outer layer in corrugated board packaging.
2. Korsnäs Forestry supplies Korsnäs Industrial's pulp and paper mill with wood harvested from purchased felling rights, and wood purchased from outside suppliers, as well as pursuing forestry in line with external wood delivery agreements.

Segment reporting 2010

2010	**Korsnäs Industrial**	**Korsnäs Forestry**	**Parent Company, Holding Companyt, eliminations**	**Total**
Revenue				
External	7 148	1 030		**8 178**
Internal		1 785	-1 785	**0**
Total revenue	**7 148**	**2 815**	**-1 785**	**8 178**
Profit/Loss				
Operating Profit	879	47	0	**926**
Dividends received			4	**4**
Change in fair value of financial assets			64	**64**
Financial net			-75	**-75**
Profit/Loss after financial items				**919**
Tax expense for the year			-218	**-218**
Net profit for the year				**701**
Assets and liabilities				
Operating assets	8 816	673	0	**9 489**
Financial fixed assets			3 140	**3 140**
Short-term investments, cash and cash equivalents			86	**86**
Total assets				**12 715**
Operating liabilities	1 180	303	0	**1 483**
Provision for pensions			504	**504**
Deffered tax liability			1 115	**1 115**
Short-term liabilities to Parent Company			525	**525**
Interest-bearing loans			4 483	**4 483**
Total liabilities				**8 110**
Depreciation	-596	-5		**-602**
Investments in tangible fixed assets	595	9		**604**

Segment Reporting 2009

	Korsnäs Industrial	Korsnäs Forestry	Parent company, Holding Company, eliminations	Total
Revenue				
External	7 098	941		**8 039**
Internal		1 701	-1 701	**0**
Total revenue	**7 098**	**2 642**	**-1 701**	**8 039**
Profit/Loss				
Operating Profit	826	25	0	**851**
Dividends received			6	**6**
Change in fair value of financial assets			40	**40**
Financial net			-109	**-109**
Profit/Loss after financial items				**787**
Tax expense for the year			-197	**-197**
Net profit for the year				**590**
Assets and liabilities				
Operating assets	8 676	589	0	**9 265**
Financial fixed assets			2 919	**2 919**
Short-term investments, cash and cash equivalents			81	**81**
Total assets				**12 265**
Operating liabilities	1 268	241	0	**1 509**
Provision for pensions			541	**541**
Deffered tax liability			1 139	**1 139**
Short-term liabilities to Parent Company			390	**390**
Interest-bearing loans			4 459	**4 459**
Total liabilities				**8 038**
Depreciation	-604	-6		**-611**
Investments in tangible fixed assets	721	19		**740**
Investment in intangible fixed assets	37			**37**

Revenue comprises total sales proceeds net of sales discounts, VAT and other taxes directly connected to the revenue. Of total revenue of SEK 8,178 million (8,039), SEK 8,090 million (7,956) is attributable to sale of goods and SEK 88 million (83) to sale of services. Sales to one single customer represented 51% of total revenue for the years 2009 and 2010. External revenue cover sales to all parties other than the Parent Company and its subsidiaries. For information on sales to related parties, refer to Note 29. Internal sales prices are set in the same manner as external sales, that is, on commercial terms. Operating assets entail intangible and tangible fixed assets, investment in companies accounted for using the equity method, inventories and short-term non interest-bearing receivables. Operating liabilities entail other provisions and short-term non interest-bearing liabilities.

	Parent company	
Net sale by business area	**2010**	**2009**
Korsnäs Forestry		
External	819	716
Internal	1 697	1 643
Total Korsnäs Forestry	**2 516**	**2 359**
Korsnäs Industrial		
External	7 111	7 059
Internal	3	0
Total Korsnäs Industrial	**7 114**	**7 059**
Eliminations	-1 697	-1 643
Total	**7 933**	**7 776**
Operating profit/loss by business area		
Parent Company		
Korsnäs Forestry	**19**	23
Korsnäs Industrial	**694**	755
Total	**713**	**778**

Revenue distributed by geographic market

The geographic distribution of revenue is based upon the geographic location of the buyer.

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Sweden	1 714	1 542	1 802	1 593
Other Nordic countries	134	151	134	151
Rest of Europe	4 822	4 805	4 486	4 491
North and South America	18	21	18	21
Asia	1 330	1 354	1 333	1 354
Africa	160	166	160	166
	8 178	**8 039**	**7 933**	**7 776**

Distribution of assets by geographic market

	Group	
	2010	**2009**
Operating assets		
Sweden	9 321	9 114
Rest of Europe	163	151
Asia	5	-
Other assets		
Financial fixed assets	3 140	2 919
Short-term investment, cash and cash equivalents	86	81
	12 715	**12 265**

Distribution of investments in tangible and intangible assets by geographic market

	Group	
	2010	2009
Sweden	596	660
Rest of Europe	8	19
	604	**679**

Note 3 Other operating income and other operating expenses

Other operating income

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Exchange gains on operating receivables/liabilities	**144**	192	**143**	192
Capital gains on disposal of tangible fixed assets	**7**	1	**6**	0
Freighting of external goods	**1**	0	**1**	0
Change in value of forest	**0**	0	**-**	-
Strike compensation	**84**	-	**84**	-
Other	**75**	30	**25**	15
Other operating income	**311**	**224**	**259**	**207**

Other operating expenses

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Exchange losses on operating receivables/liabilities	**-147**	-194	**-147**	-194
Capital losses on disposal of tangible fixed assets	**-11**	-1	**-11**	-1
Other		-1	**-**	-
Other operating expenses	**-158**	**-196**	**-158**	**-195**

Note 4 Depreciation

Operating profit/loss includes depreciation as follows

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Goodwill	**-**	-	**-72**	-72
Buildings, land and land improvements	**-57**	-56	**-53**	-52
Machinery and other technical plant	**-532**	-541	**-523**	-533
Equipment and tools	**-11**	-12	**-10**	-11
Leased assets	**-1**	-1	**-1**	-1
	-602	**-624**	**-659**	**-670**

Depreciation is split per cost category as follows:

	Group		Parent company	
	2010	**2009**	**2010**	**2010**
Cost of goods and services	**-594**	-603	**-652**	-663
Selling costs	**-1**	-1	**-**	0
Administration costs	**-3**	-4	**-3**	-4
Research and development costs	**-3**	-2	**-3**	-2
	-602	**-611**	**-659**	**-670**

Note 5 Dividends received

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Group Companies				
Diacell	-	-	-	13
Korsnäs GmbH	-	-	-	2
Korsnäs Sales	-	-	1	-
			1	**15**
Other Companies				
Bergvik Skog	4	4	4	4
Gävle Sjöfart	-	1	-	1
Gävle Stuveri	-	1	-	1
	4	**6**	**4**	**6**
	4	**6**	**4**	**21**

Note 6 Change in fair value of financial assets

	Group	
	2010	**2009**
Bergvik Skog	64	40
	64	**40**

Valuation has been done by an external part according to an established valuation method, note 32.

Note 7 Financial income and expenses

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Interest income from third parties	1	1	1	2
Interest income from Group comapnies	61	6	61	6
Financial income	**61**	**7**	**61**	**8**
Interest expenses to third parties	-108	-87	-108	-87
Interest expenses Pri	-16	-20	-22	-17
Interest expenses to Group companies	-1	-2	0	0
Loss in liquidation of Group companies	0	-	0	-
Other financial expenses	-10	-7	-10	-7
Financial expenses	**-135**	**-116**	**-140**	**-112**
Net financial income/expenses	**-75**	**-109**	**-79**	**-104**

Note 8 Taxes

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Distribution of profit/loss after financial items				
Sweden	891	782	642	819
Outside Sweden	28	5	-	-
	919	**787**	**642**	**819**
Distribution of current tax expense				
Sweden	-267	-280	-241	-290
Outside Sweden	-2	-1	-	-
	-269	**-281**	**-241**	**-290**
Distribution of deffered tax expense				
Sweden	51	84	55	59
Total tax charge for the year	**-218**	**-197**	**-186**	**-231**
Current tax expense				
Tax expense on group contribution	-138	-103	-114	-113
Tax expense for the period	-134	-177	-130	-176
Adjustment of tax expense for previous years	4	-1	3	-1
	-268	**-281**	**-241**	**-290**
Deffered tax expense				
Deffered tax related to temporary differences	51	84	55	59
	51	**84**	**55**	**59**
Total tax expense for the year	**-218**	**-197**	**-186**	**-231**

	Group				Parent Company			
	2010	**%**	**2009**	**%**	**2010**	**%**	**2009**	**%**
Reconciliation of effective tax rate								
Profit/Loss before tax	919		787		642		819	
Income tax at statutory rate of Parent Company, 26,3%	-242	- 26,3%	-207	26,3%	-169	-26,3%	-215	26,3%
Foreign tax rate differential	5	1%	1	0%	-	-	-	-
Change in fair value of financial assets	17	2%	11	1%	-	-	-	-
Non-taxable dividends recieved	1	0%	2	0%	1	0%	5	1%
Tax attributable to previous years	4	0%	-1	0%	3	0%	-1	0%
Effect of non-deductible costs and non taxable revenues	-2	0%	-1	0%	-2	0%	-1	0%
Tax loss carryforwards	-	-	-	-	-	-	-	0%
Non-deductible depreciation	-	-	-	-	-19	-3%	-19	-2%
Other	-1	0%	-1	0%	-	-	-	-
Effective tax/tax rate	**-218**	**-24%**	**-197**	**-25%**	**-186**	**-29%**	**-231**	**-28%**

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Deffered tax assets				
Pensions and other provisions	5	40	14	19
	5	40	14	19
Provisions for deffered tax				
Tangible and biological assets	-1 121	-1 179	-52	-112
Net	**-1 115**	**-1 139**	**-38**	**-93**

On deferred tax liabilities of SEK 1.121 million (1.179) for tangible and biological fixed assets, SEK 1.065 million (1.064) is attributable to untaxed reserves in the form of accumulated excess depreciation.

Deferred tax is not stated for associated companies an subsidaries, as any dividend paid by these companies will not give rise to a tax liability, and divestments may be made without giving rise to capital gains taxation.

Deferred tax assets and liabilities relates to Sweden.

Note 9 Untaxed reserves

Parent company	**2010**	**2009**
Difference between tax depreciation and depreciation according to plan	4	60
Change of tax allocation reserve	-	64
	4	**124**

Note 10 Intangible and tangible fixed assets

Intangible fixed assets, Goodwill

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Opening book value	771	734	719	116
Transferred value från merger			-	604
Investments for the year		37	-	-
Closing acquisition value	771	771	719	719
Opening accumulated depreciation	-	-	-83	-12
Depreciation for the year	-	-	-72	-72
Closing accumulated depreciation	0	0	-155	-84
Closing book value	**771**	**771**	**564**	**636**

Goodwill arising as a result of corporate acquisitions is distributed between two cashgenerating units: Korsnäs Industrial in respect of the acquisition of Frövi, Karskär Energi and Rockhammar and Korsnäs Forestry in respect of the acquisition of Latsin Sia in Latvia. A test to identify any impairment requirements was conducted at the end of 2010. The value in use for Korsnäs and Latsin Sia was calculated on the basis of discounted cash flows, assuming an annual growth rate of 2%, and based on the budget for 2011 for both units and a pretax discount interest rate of 10% (10%), corresponding to the companies' average cost of capital. No impairment requirement for the goodwill on these units was identified. Nor did a sensitivity analysis, whereby the discount interest rate was increased by one percentage point and cash flow was reduced by 10%, give rise to any impairment requirement.

Cash-generating units

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Korsnäs Industrial	756	756	564	636
Korsnäs Forestry	15	15	-	-
	771	**771**	**564**	**636**

Tangible and biological fixed assets

For purposes of calculating depreciation, fixed assets are classified on the basis of their estimated useful economic lives according to the following categories:

Industrial buildings	33 years
Office buildings	50 years
Residential buildings	50 years
Land improvements	25 years
Machinery and equipment	3 – 25 years

Group 2010	Buildings, land, land-improvements	Forest and Agricultural properties	Machinery technical plants	Equipment, tools	Finance lease regarding machinery	Construction in progress, advances	Total
Opening acqusition value	1 752	9	10 650	333	6	556	13 308
Investments for the year	8	1	24	1	2	578	604
Disposals/scrapping for the year	0	-	-6	-1	-1	-	-7
Reclassification for the year	72	-	701	9	-	-782	0
Translation difference	-5	-	-5	-1	-	-1	-12
Closing aquisition values	**1 827**	**10**	**11 356**	**341**	**7**	**351**	**13 894**
Opening accumulated depreciation	-985	0	-6 036	-297	-2	0	-7 322
Disposals/scrapping for the year	-	-	3	1	1	-	4
Depreciation for the year	-57	-	-532	-11	-1	-	-602
Translation difference	2	-	3	1	-	-	6
Closing accumulated depreciation	**-1 039**	**0**	**-6 563**	**-307**	**-3**	**0**	**-7 914**
Closing residual value	**788**	**10**	**4 793**	**34**	**4**	**351**	**5 980**
Tax assessment value, buildings	1 071	9					
Tax assessment value, land	228	38					

Group 2009	Buildings, land, land-improvements	Forest and Agricultural properties	Machinery, technical plants	Equipment, tools	Financial lease regarding machinery	Construction in progress, advances	Total
Opening acqusition value	1700	9	10443	324	6	101	12 585
Assets in aquired operations	24		75			0	100
Investments for the year	7	-	0	2	-	632	642
Disposals/scrapping for the year	0	-	-11	-2	-	-	-13
Reclassification for the year	22	-	146	9	-	-177	0
Translation difference	-2	-	-2	0	-	-	-5
Closing aquisition values	**1752**	**9**	**10650**	**333**	**6**	**556**	**13 308**
Opening accumulated depreciation	-930	0	-5 507	-286	-1	0	-6 726
Disposals/scrapping for the year	0	-	10	1	-	-	12
Depreciation for the year	-56	-	-541	-12	-1	-	-611
Translation difference	-1	-	2	0	-	-	3
Closing accumulated depreciation	**-985**	**0**	**-6 036**	**-297**	**-2**	**0**	**-7 323**
Closing residual value	**767**	**9**	**4 614**	**36**	**3**	**556**	**5 985**
Tax assessment value, buildings	1151	9					
Tax assessment value, land	233	44					

Parent Company 2010	Buildings, land, land-improvements	Forest and agricultural properties	Machinery technical plants	Equipment, tools	Construction in progress, advances	Finance lease regarding machiner	Total
Operning acqusition value	1 622	3	10 531	288	535	6	12 986
Investments for the year	-	-	-	-	576	2	577
Disposals/scrapping for the year	0	-	-2	0	-	-1	-4
Reclassification for the year	72	-	684	9	-765	-	0
Closing aquisition values	**1 694**	**3**	**11 212**	**297**	**346**	**7**	**13 560**
Opening accumulated depreciation	-913	0	-5 994	-256	0	-2	-7 166
Disposals/scrapping for the year	0	-	0	0	-	1	2
Depreciation for the year	-53	-	-524	-10	-	-1	-588
Closing accumulated depreciation	**-966**	**0**	**-6 516**	**-266**	**0**	**-3**	**-7 752**
Closing residual value	**728**	**3**	**4 696**	**32**	**346**	**4**	**5 809**
Tax assessment value, buildings	1 050	9					
Tax assessment value, land	215	29					

Parent Company 2009	Buildings, land, land-improvements	Forest and Agricult-ural properties	Machinery technical plants	Equipment tools	Finance lease regarding machinery	Construction in progress, advances	Total
Opening acqusition value	1420	3	7172	281	79	6	8962
Transferred value from merger	180	-	3219	-	22	-	3421
Investments for the year	-	-	-	-	611	-	611
Disposals/scrapping for the year	-	-	-6	-1	-	-	-7
Reclassification for the year	22	-	146	9	-177	-	0
Closing aquisition values	**1622**	**3**	**10531**	**288**	**535**	**6**	**12985**
Opening accumulated depreciation	-861	0	-4799	-246	-	-1	-5907
Transferred value from merger	-	-	-667	-	-	-	-667
Disposals/scrapping for the year	-	-	5	1	-	-	6
Depreciation for the year	-52	-	-533	-11	-	-1	-598
Closing accumulated depreciation	**-913**	**0**	**-5994**	**-256**	**0**	**-2**	**-7166**
Closing residual value	**710**	**3**	**4537**	**33**	**535**	**3**	**5821**
Tax assessment value, buildings	1132	9					
Tax assessment value, land	216	29					

Not 11 Financial assets accounted at fair value through profit and loss and financial receivables in Parent Company

Group 2010

	Reg. No	Registered office	Number of shares	Capital/ voting (%)	Book value
Other companies					
Bergvik Skog AB	556610-2959	Falun	353	5	557
VindIn AB	556713-5172	Stockholm	100	7	4
					561
Other financial assets					
Financial receivables in Parent Company					2 577
Financial receivables in other associated companies					2
Övrigt					1
					2 580
Total					**3 141**

Group 2009	**Reg. No**	**Registered office**	**Number of shares**	**Capital/ voting (%)**	**Book Value**
Bergvik Skog AB	556610-2959	Falun	353	5	493
VindIn AB	556713-5172	Stockholm	100	7	4
Other financial assets					
Financial receivables in Parent Company					2415
Financial receivables in other associated companies					3
Other					1
Total					**2916**

Reconciliation of book value

	Shares in other companies	**Other financial assets**	**Total**
Opening balance, 1 january 2010	498	2 419	2916
Change in value of financial assets, note 6	64		64
Change in receivables Group companies		162	162
Other		-1	-1
Closing balance, 31 december 2010	**562**	**2580**	**3141**

Note 12 Investments in companies accounted for using the equity method

Group 2010

Type of company	Company	Reg. No	Registred office	Number of shares	Capital/ voting (%)	Book value
Intressebolag	Scand Fibre Logistics	556253-1474	Stockholm	2 000	20	**1**
Joint venture	Bomhus Energi	556793-5217	Gävle	458 500	50	**115**
						115

Group 2009

Type of company	Company	Reg. No	Registred office	Number of shares	Capital/ voting (%)	Book value
Intressebolag	Scand Fibre Logistics	556253-1474	Stockholm	2000	20	**1**
						1

The group shares of the joint ventures´ balance sheet

	2010	2009
Current assets	**161**	-
Fixed assets	**147**	-
Short-term liabilities	**-93**	-
Long-term liabilities	**-100**	-
Net assets	**115**	-

The Group's share of the joint ventures´ revenue and cost

	2010	**2009**
Revenue	**0**	-
Costs	**0**	-

Note 13 Financial assets in Parent Company

Shares and participants in direct-owned subsidiaries	Reg. No	Registered office	Number of shares	Capital/ voting (%)	Book value
AB Stjernsunds Bruk	556028-6881	Gävle	100	100	**0**
Diacell AB	556155-2786	Gävle	40000	100	**7**
Korsnäs Advanced Systems AB	556560-8527	Gävle	1000	100	**5**
Korsnäs GmbH		Germany		100	**0**
Korsnäs Latvia Sia		Latvia	29 174	100	**52**
Korsnäs Sales Ltd		UK	5 000	100	**0**
Korsnäs Sågverks AB	556024-8477	Gävle	7000	100	**1**
Marma Skog 31 AB	556580-2203	Gävle		100	**0**
Korsnäs Schweiz AG		Switzerland		100	**1**
Korsnäs Rockhammar AB	556761-2436	Lindesberg	1000	100	**0**
Korsnäs France SAS		France		100	**1**
Kosnäs Ltd		UK		100	**3**
AssiDomän Ibérica S.L		Spain		100	**0**
Korsnäs Asia Holding Ltd		China		100	**0**
					69

Reconciliation of book value of shares in subsidiaries

Opening balance 1 january 2010	69
Closing balance, 31 december 2010	**69**

Besides the direct-owned shares and participations of the Parent Company the following companies are included in the Group

	Parent Company	Registered Office	Share capital (%)	Votes (%)
Latsin Sia	Korsnäs Latvia Sia	Latvia	100	100
Sia Freja	Kornsä Latvia Sia	Latvia	100	100
Trävaru AB Dalarna	AB Stjernsunds Bruk	Gävle	100	100
Silender Oj under likvidation	Mama Skog 31	Estonia	100	100
AB Marmaskog 75	Marma Skog 31	Gävle	100	100
AB Marmaskog 76	Marma Skog 31	Gävle	100	100
AB Marmaskog 77	Marma Skog 31	Gävle	100	100
Korsnäs Shanghai Trading Ltd	Korsnäs Asia Holding Ltd	China	100	100

Receivables from Group Companies

	2010	2009
Accumulated acquisition value		
At beginning of year	2 556	-
Change for year	79	2 556
At year-end	**2 635**	**2 556**

Participations in associated companies

	2010	2009
Accumulated acquisition value		
At beginning of year	1	0
Transferred value from merger		1
Change for year	115	-
At year-end	**115**	**1**

Shares and participations in associated companies

	Reg. No	Registered office	Number of shares	Capital/ voting (%)	Book value
Industriskog AB	556193-9470	Falun	7500	33	0
Trätåg AB	556116-2719	Falun	250	50	0
Scand Fibre Logistics AB	556253-1474	Stockholm	2000	20	1
Bomhus Energi AB	556793-5217	Gävle	458500	50	115
					115

Other long-term non-interest bearing receivables

	2010	2009
Accumulated acquisition value		
At beginning of year	182	181
Transferred value from merger		0
Change for year	-	1
At year-end	**182**	**182**

Note 14 Inventories

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Raw materials and consumables	615	615	535	532
Felling rights	81	44	38	14
Work in progress	57	56	57	56
Finished products and goods for resale	643	738	653	742
Other	180	182	180	182
	1 576	**1635**	**1 463**	**1526**

SEK 1 million (14) of the inventories are valued at net sales value. The rest of the inventories are valued at acqusition value.

Note 15 Trade receivables

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Trade receivables	664	609	645	591
Reserve for doubtful accounts	-8	-13	-5	-7
	656	**596**	**640**	**584**

Trade receivables overdue more than 90 days, but not provided for, amounts to SEK 4 million (1).

Bad debt losses	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Bad debt losses, opening balance 1 January	13	11	7	6
Transferred value from merger	-		-	3
Provisions during the year	1	8	0	3
Confirmed losses	-2	-5	-1	-5
Recovery of previous provisions	-2	-1	-	0
Exchange rate differences	-1	0	0	0
Bad debt losses, closing balance 31 December	**8**	**13**	**5**	**7**

Note 16 Other receivables

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Receivables from Group companies	6	12	114	46
Tax receivables	2	2	-	-
Accrued income	150	148	150	148
Derivatives,cash flow hedging power supplies	75			
Other receivables	121	94	120	91
	353	**256**	**384**	**285**

Accrued income

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Accrued sales revenue	118	101	118	101
Accrued insurance compensation	3		3	
Other accrued income	29	47	29	47
	150	**148**	**150**	**148**

Note 17 Prepaid expenses

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Prepaid rents	1	2	-	-
Prepaid insurance premiums	6	7	6	6
Other	30	15	27	13
	37	**23**	**32**	**19**

Note 18 Cash and cash equivalents

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Cash at banks	86	81	63	96
	86	**81**	**63**	**96**

In addition to cash and cash equivalents reported above, the Group had on 31 December undrawn facilities of SEK 706 million (551).

Note 19 Shareholders´ equity

Share capital
Korsnäs AB’s share capital as of 31 December 2010 was distributed among 53,613,270 shares with a par value of SEK 1 per share, which is unchanged compared to 31 December 2009. There is only one class of shares

Other contributed capital
Other contributed capital consists of the Parent Company`s share premium reserve of SEK 11 million. The remainder consists of paid-in capital to the business in Latvia.

Hedging reserve

The hedging reserve which is fully attributual to power supplies reported against shareholders' equity totaling of SEK 75 million at 31 December 2010, before deduction of deferred tax, are estimated to yield outcome with SEK 65 million during 2011 and with SEK 10 million during 2012.

	Gross	Tax	Net
Opening balance 1 January 2009	-103	27	-75
Transferred to the income statement	78	-21	57
Change for the year	3	0	3
Closing balance 31 december 2009	-22	6	-16
Transferred to the income statement	-46	12	-34
Change for the year	143	-38	105
Closing balance 31 december 2010	**75**	**-20**	**55**

Translation reserve

Refers to the translation of foreign subsidiaries.

Retained earnings including net profit for the year.

Retained earnings that are reported in the Group include the current and preceding year`s profit

Capital

Korsnäs managed capital consists of shareholder´s equity. Changes in managed shareholder´s capital appear in table above. There are no other external capital requirements, other than what is specified in the Swedish Companies Act.

Note 20 Interest-bearing loans

Interest-bearing long-term loans

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Liabilities to credit institutions	4 503	4457	4 498	4449
Accrued financing costs	-30	-4	-30	-4
Loan finance lease	4	4	4	4
Liabilities to Group companies	-	-	3	3
Other	4	1	1	1
	4 481	**4458**	**4 476**	**4452**
Non interest-bearing long-term loans				
Liabilities to Group companies	0	-	1	1
Interest-bearing short-term loans				
Liabilities to credit institutions	0	1	-	-
Liabilities to Group companies	-	-	-	4
	0	1	0	4

For assets pledged as security for external interest-bearing loans, refer to Note 25.

A summary of maturities and other terms and conditions pertaining to liabilities to credit institutions is presented below. On 31 december 2010, the average remaining maturity for all credit facilities amounted to 4,9 (1,4) years. All loans have a maximum interest of three months and carry interest at STIBOR or a similar basic interst rate plus an average margin of 1,7%. Capitalised borrowing costs totaled SEK 30 million (0) for the year.

Lending institution SEK million	Credit facility as per 31 Dec 2010	Utilized amount per 31 Dec 2010	Unutilized amount 31 dec 2010	Currency	Maturity
Long-term loans					
Parent Company					
DnB NOR Bank ASA as facility agent 1)	4 000	3 298	702	SEK/EUR	June 3, 2015
Nordea Bank AB (publ)	600	600		SEK	June 3, 2017
Svensk Exportkredit AB	600	600		SEK	June 3, 2017
Total Parent Company	**5 200**	**4 498**	**702**		
Other Group companies					
Nordea Bank Finland	9	5	4		
Other	4	4	0	SEK	
Total Group	**5 213**	**4 507**	**706**		
Short-term loans					
Other Group companies					
Other Group companies	0	0	0		
Total Group	0	**0**	**0**		
Total liabilities to credit institutions, Group	**5 214**	**4 508**	**706**		

1) Syndicated facility with DnB NOR Bank ASA (facility agent), Credit Agricole Corporate & Investment Bank (France) Sweden Branch, DnB NOR Bank ASA London Branch, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) Svenska Handelsbanken AB (publ) and Swedbank AB (publ) as participating banks. The facility agreement includes certain financial covenants for some for financial key mainly relating to ratios for Korsnäs, net debt to operating profit before depreciation (EBITDA). As of 31 December 2011 Korsnäs complied with all financial covenants.

Note 21 Provisions for pensions

Changes in the net obligation for defined-benefit plans recognised in the balance sheet.

	Sweden	
	2010	**2009**
Opening balance	541	537
Benefits paid	-31	-28
Cost recognised in the income statement	0	32
Actuarial profit/losses for the year	-6	0
Net obligation for defined-benefit plans as at 31 December	**504**	**541**

Net cost of defined benefit pension plans

	Sweden	
	2010	**2009**
Earned during the year	**0**	10
Reduction of pension commitments	**-16**	-
Interest component in the increase during the year of the present value of the pension commitment	**16**	21
Reported pension cost, net	**0**	32

Reported provision at the end of the year

	Sweden	
	2010	**2009**
Commitments	**504**	541
Plan assets	**-**	-
Reported provision 31 December	**504**	541

Primary assumptions used in setting the pension undertaking (%)

	Sweden	
	2010	**2009**
Discount rate	3,90	3,75
Future pay increases	N/A	3,00
Future pension increases	1,75	1,75

Some of the defined benefit pension commitments on behalf of salaried employees within Korsnäs in Sweden are secured by means of insurance policies with Alecta. As Alecta cannot provide sufficient information to permit the ITP plan to be stated in the accounts as defined benefit it is stated in accordance with UFR 6 as defined contribution. Fees paid during the year for pension insurance policies covered by Alecta amount to SEK 18 million (5). Alecta's surplus may be distributed to policyholders and/or the insured. At year-end 2010, Alecta's surplus in form of collective solvency ratio was 146% (141%).

The cost of all defined contribution plans amounted to SEK 84 million (67) for the Group (including premiums paid to Alecta). The Group's payments into the defined benefit plan in 2011 are expected to amount to SEK 15 million.

Provision for pensions Parent Company

	2010	**2009**
Pensions credit insured through FPG/PRI	**432**	447
Other provisions for pensions	**33**	33
	465	480

Fees paid during the year for pension insurance policies covered by Alecta ((reported as a defined contributuion plan) amount to SEK 18 million (2). Alecta´s surplus may be distributed to policyholders and/or the insured. At year-end 2010, Alecta´s surplus in form of collective solvency ratio was 146% (141%).

Note 22 Other provisions

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Severance pay	57	95	55	89
Other	0	0	0	0
	57		55	89
Long-term	22	41	21	39
Short-term	36	54	34	50
	57	95	55	89

Reconciliation of the book value

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Opening balance, 1 January 2011	95	109	89	69
Transferred value of merger	-	-	-	38
Severence pay completed	-53	-36	-49	-34
New provision for severance pay	16	22	16	16
Release of other provisions	-1	0	-1	0
Closing balance, 31 December 2011	**57**	**95**	**55**	**89**

Note 23 Trade creditors and other liabilities

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Trade creditors	725	655	696	626
Accrued expenses for purchase of goods	212	152	212	152
Total trade creditors	937	807	908	778
Accrued expenses	389	367	378	355
Derivates, cash flow hedging and power supplies	-	23	-	-
Other liabilities	69	68	61	57
	1 395	1264	1 347	1190

Accrued expenses

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Accrued personnel expenses	221	224	213	215
Accrued agent provisions	2	1	2	1
Accrued interest expenses	8	0	8	0
Other	158	141	156	139
	389	367	378	355

Trade creditors is non interest-bearing and usually will be paid in 30 days. For trade creditors and other liabilities to related parties refer to Note 29.

Note 24 Leasing agreements

Group companies have concluded a number of agreements covering the rental of premises and other fixed assets. During 2010 SEK 19 miillion (18) was paid in accordance with operational leasing agreements. Future minimum payments for agreements concluded for leased assets as of 31 December.

Parent Company

	2010 Premises and other fixed assets	**2009** Premises and other fixed assets
2010		18
2011	18	10
2012	14	9
2013	13	8
2014	11	6
2015	10	5
2016 and later	10	
	76	**56**

Group

	2010 Premises and other fixed assets	**2009** Premises and other fixed assets
2010		18
2011	18	10
2012	14	9
2013	13	8
2014	11	6
2015	10	5
2016 and later	10	
	76	**56**

The Group had financial leasing agreements of SEK 4 million (6) reported in the balance sheet on 31 December 2010.

Note 25 Pledged assets

	Group		**Parent Company**	
	2010	**2009**	**2010**	**2009**
For own liabilities				
For liabilities to credit institutions				
Real estate mortgages	1 900	1900	1 900	1900
Shares in other companies	177	177	177	177
Chattel mortgages	600	600	600	600
Cash and cash equivalent	-	32	-	32
	2 677	**2708**	**2 677**	**2708**
Obligations for Bomhus Energi				
Shares in Bomhus Energi	**115**	**-**	**115**	**-**
	2 792	**2708**	**2 792**	**2708**

A mortgage deed of SEK 1,900 million in fixed assets and a chattel mortgage of SEK 600 million in Korsnäs is included as a general security related to Korsnäs' syndicated bank loan.

Note 26 Contingent liabilities

	Group		Parent Company	
	2010	2009	2010	2009
Sureties and guarantees	29	66	20	57
Sureties and guarantees for subsidiaries	-	1	9	9
Guarantess commitments, FPG	9	9	9	9
	38	**75**	**38**	**75**

Note 27 Personnel

Average number of employee

	2010		2009	
	men	**women**	**men**	**women**
Group				
Sweden	1 352	216	1382	222
Germany	3	1	4	1
Latvia	146	28	161	28
UK	6	-	6	-
France	4	1	4	1
Russia	0	0	1	1
Switzerland	1	-	1	-
Asia	1	1	-	-
	1 513	247	1559	253
Total number of employees		**1 760**		**1812**
Parent Company				
Gävle	841	132	869	133
Frövi	470	82	473	86
		1 525		**1561**

Distribution of women and men on the Board and in the management group, Group

	2010		2009	
	men	**women**	**men**	**women**
Board members				
Elected by the AGM	6	1	6	2
Employee representatives, ordinary	2	-	2	-
Employee representatives, deputies	2	-	2	-
Other senior executives	10	2	10	1
	20	**3**	**20**	**3**

Distribution of women and men on the Board and in the management group, Parent Company

	2010		2009	
	men	women	men	women
Board members				
Elected by the AGM	6	1	6	2
Employee representatives, ordinary	2	-	2	-
Employee representatives, deputies	2	-	2	-
Other senior executives	10	2	9	1
	20	**3**	**19**	**3**

Salaries, other remuneration and social security expenses, Group (SEK 000s)

	2010		2009	
	Board and CEO	Other employees	Board and CEO	Other employees
Group				
Sweden	7 649	781 192	6 901	756 508
Outside sweden	2 288	35 673	3 055	43 241
Total salaries and other remuneration	**9 937**	**816 865**	**9 956**	**799 749**
Social security expenses	10 023	337 130	6 770	325 143
Of which, pension expenses	7 068	87 974	3 895	82 135
Parent Company				
Sweden				
Salaries and other remuneration	7 649	760 381	6 901	740 065
Social security expenses	9 471	317 693	6 063	307 462
Of which, pension expenses	7 068	81 999	3 895	78 166

Salaries, other remuneration and social security expenses include SEK 53 million (36) in paid remuneration, which relate to restructuring costs expensed earlier and have not charged the net profit/loss for the year.

Pension obligations and similar benefits for former Board members and CEOs for the parent company amounts to total SEK 34,192,000 (41,260,000) and for the Group 34,192,000 (41,260,000). These amounts are included among liabilities in the balance sheets of the Group.

Principles
The Annual General Meeting decides the total fee to ordinary members of the Board, while the Board decides the allotment of fees. Remuneration to the CEO and other senior executives consists of fixed salary, variable salary, and customary benefits and pension. Variable salary may not exceed 40% of the fixed salary. By other senior executives within Korsnäs is meant the ten individuals, who together with the President, forms the management group of the company. As regards the CEO of the Parent Company and other senior executives in the management group of the company there are the customary pension commitments within the frame-work of the public pension plan, which provides entitlement to retirement at the age of 65. Pension premiums are paid to insurance companies or is included in provisions for pensions. In the event of termination of employment initiated by the company, the CEO is entitled to a salary during a notice period of 18 months. Any salary received from new employment during the notice period reduces salary received from Korsnäs during the notice period. In the event of termination of employment initiated by the CEO, the notice period is 9 months. In the event of termination of employment initiated by the company, other senior executives are entitled to a salary over a notice period of a minimum 6 and a maximum 12 months. Any salary received from new employment during the notice period reduces salary received from Korsnäs during the notice period.

Board fees
Board members in the Parent Company's Board received fees amounting in total to SEK 1,550,000 (1,450,000).

Incentive plan
There are long-term incentive plan (the "Plans") for senior executives and other key employees in the Kinnevik Group that

requires participants to own shares in Kinnevik.

Twelve senior executives within Korsnäs participate in the Plan.

For each share held under the Plans, the participants will be granted retention rights and performance rights by Kinnevik. Subject to fulfillment of certain retention- and performance-based conditions during the individual periods Included In the Plans (1 April 2008 – 31 March 2011,1 April 2009 - 31 March 2012, 1 April 2010-31 March 2013 and 1 April 2011-31 March 2014, the "Measure Period"), the participant maintaining the employment of the Kinnevik. Group at the date of the release of the interim reports for the January – March 2011, January - March 2012, January - March 2013 and January - March 2014 periods , and subject to the participant retaining the invested shares, each retention right and performance right will entitle the participant to receive one class B share in the Company. The number of shares the employee will receive depends on the fulfillment of defined retention- and performance-based conditions during the Measure Period based on.

– Total return on the Kinnevik class B share
– Average yearly development of the net asset value, including dividends
– Average return on operational capital employed at Korsnäs
– Average EBITDA margin at Korsnäs in relation to a peer group

In order to equalize participants' interests with those of shareholders, the Company will compensate for forfeited dividends by increasing the number of shares and rights to which they are entitled.

For Korsnäs management group is the Plan that was established in 2008, with a Measure Period of 1 April 2008 - 31 March 2011, totaling 7.100 shares held by employees entitling a maximum allotment of 30.650 rights, of which 7.100 retention share rights and 23.500 performance share rights. For the CEO of Korsnäs the plan encompasses up to 1.500 invested shares and 5.5 rights per invested share and for other members of Korsnäs' management group up to 700 invested shares and 4 rights per invested share.

For Korsnäs management group is the Plan that was established in 2009, with a Measure Period of 1 April 2009 - 31 March 2012, totaling 11,000 shares held by employees entitling a maximum allotment of 48,500 rights, of which 11,000 retention share rights and 37,500 performance share rights. For the CEO of Korsnäs the plan encompasses up to 3,000 invested shares and 5.5 rights per invested share and for other members of Korsnäs' management group up to 1000 invested shares and 4 rights per invested share.

The participant's maximum profit is limited to SEK 320 per right.

For members of Korsnäs' management group, the Plan established in 2010, with a Measure period of 1 April 2010 - 31 March 2013 is estimated to comprise up to 9,500 shares held by the employees entitling up to 41,000 rights, of which 9,500 retention rights and 31,500 performance rights. For the CEO of Korsnäs the plan encompasses up to 2,000 invested shares and 5.5 rights per invested share and for other members of Korsnäs' management group up to 750 invested shares and 4 rights per invested share.

The participant's maximum profit is limited to SEK 573 per right.

The plan could result in expenses for the Korsnäs Group in the form of social security costs upon utilization, as well as personnel costs during the vesting period. This year's cost amounts to a total of SEK 2 million (1) and is calculated according to anticipated outcome should all participants remain employed at the end of the Measure Period.

Remuneration for the CEO and other senior executives

	2010		**2009**	
	CEO	**Other senior executives**	**CEO**	**Other senior executives**
Fixed salaries	**4 607**	**14 106**	3 542	11 789
Variable salaries	**1 260**	**4 075**	1 680	3 206
Benefits	**231**	**489**	229	483
Pension expenses	**912**	**4 089**	597	2 769

Note 28 Auditors´ fees

	Group		**Parent Company**	
	2010	**2009**	**2010**	**2009**
To Ernst & Young				
Audit assignments	1,2	1,3	0,9	1,0
Tax services	0,1	0,2	0,1	0,2
Other services	0,8	0,7	0,8	0,7

Other services to Ernst & Young refer to consultations regarding internal control and questions regarding IFRS.

Note 29 Related-party transactions

During 2010 and 2009, Korsnäs engaged in transactions with following related companies.

Related companies	Relationship
Tele2 AB (”Tele2”)	Associated company of Kinnevik.
Metro International S.A (”Metro”)	Associated company of Kinnevik
Audit Value S.A. (”Audit Value”)	Parties related to Kinnevik own shares in Audit Value, providing considerable influence over Audit Value.
Sia Latgran	Kinnevik owns 51% of the shares.
Investment AB Kinnevik	Parent company of Korsnäs AB
Bomhus Energi AB	Korsnäs owns 50% of the shares.

All transactions with related parties have taken place at arm`s length basis, i.e on market conditions. In connection with acquisitions and divestment independent valuations were used as a basis for negoliations on the final price. in all agreements relating to good and service prices are compared witrh up-to-date prices from independent suppliers in the market to ensure that all agreement are entered into on market conditions.

Commercial agreement with related parties

– Korsnäs buys telephony services from Tele2 and Tele2 rent office premises from Korsnäs.
– Korsnäs buys internal audit services from Audit Value..
– Korsnäs has bought advertisement from Metro.
– Korsnäs sells raw-material for pellets to Sia Latgran.
- Korsnäs buys management and financial services from Kinnevik
- Bomhus installs a bioenergy facility at Korsnäs Industrial
- Korsnäs sells consulting services to Bomhus

Financial loan transactions with related parties

	Group		Parent Company	
Revenue	**2010**	**2009**	**2010**	**2009**
Tele2	0,1	0,8	0,1	0,8
Latgran	98,0	62,0	98,0	62,0
Bomhus Energi	4,5	-	4,5	-
	102,6	**62,8**	**102,6**	**62,8**
Operating expenses	**2010**	**2009**	**2010**	**2009**
Metro	-0,2	-	-0,2	-
Audit Value	-	0,1		-
Tele2	-2,8	-3,1	-2,8	-3,1
Kinnevik	-12,0	-12,0	-12,0	-12,0
	-15,0	**-15,0**	**-15,0**	**-15,1**

Trade creditors and other non-interest bearing liabilities

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Tele2	**-0,1**	0,1	**-0,1**	0,1
Trade creditors				
Bomhus Energi	**2,8**	-	**2,8**	-

Note 30 Financial risk management

The Group’s financing and management of financial risks is centralized within Kinnevik’s finance function and is conducted on the basis of a finance policy established by the Board of Directors. The Group has established a model for risk management, the aims of which are to identify, control and reduce risks. The identified risks and how they are managed are reported to the Kinnevik Board on a quarterly basis. Korsnäs is exposed to financial risks mainly in respect of

– the interest rate risk resulting from changes in market interest rates

– the exchange rate risk comprising transaction exposure and translation exposure

– liquidity and refinancing risk, meaning the risk that the cost of financing opportunities will increase or that such opportunities will be limited when loans are renegotiated, and that payment obligations cannot be met due to insufficient liquidity.

Interest rate risk
The Group´s policy is to maintain short interest periods because the Company believes that this leads to lower interest expense over time. The Group has no borrowing subject to periods of fixed interest exceeding three months. On 31 December 2011, all of Korsnäs’ liabilities to credit institutions, SEK 4,387 million, was exposed to interest rate changes, of which SEK 4,200 million to changes in Stibor, SEK 179 million to changes in Euribor and the rest against interest rates in other currencies. It would take three months for an increase in short-term interest rates to gain its full impact on Korsnäs’ interest expense. Accordingly, if the interest rate will rise with 1%, the interest expense on an annualized basis will rise by SEK 44 million. According to Korsnäs, effects of any increase of the interest rate is managed efficiently via the operating cash flow

Exchange rate risk

Transaction exposure
The Group’s revenues and operating expenses arise mainly in SEK and EUR. The Group’s policy is to endeavour to match revenues and costs in the same currency. The net flow of the Group’s inflow and outflow in foreign currency amounted to a net inflow of approximately SEK 600 million (600) for the year, which consisted mainly of EUR. The Group’s policy is not to hedge this transaction exposure by using, for example, forward contracts. The reason for this approach is that the Group is dealing with a continuously even net inflow of foreign currency for which, over time, hedging measures would also be affected by exchange rate changes. A change in the EUR/SEK rate by SEK 0.10 would have affected consolidated profit in 2011 by approximately SEK 7 million.

Translation exposure
Translation exposure arises when the earnings and shareholders’ equity of foreign subsidiaries are translated into SEK, and insofar as capital employed within the Group is financed in a currency other than the capital employed in the particular company. The Group´s policy is to use external borrowing in various currencies to finance capital employed in the same currency. If this is not possible and significant temporary currency exposures exist, the Group’s finance policy permits the use of forward contracts. On 31 December 2011, there were no outstanding forward contracts. Translation exposure arising from the translation of the foreign subsidiaries’ earnings and shareholders’ equity is not hedged since the exposure is considered being of no material importance to Korsnäs.

Liquidity and refinancing risk
The Group’s refinancing risk is limited by having loans from a number of different credit institutions maturing at different times as well as striving for refinancing all loans at least six months prior to maturity. On 31 December 2011, the available credit facility amounts from credit institutions totaled SEK 5,214 (5,214) million and the average remaining term to maturity was 3.9 (4.9) years.

Note 31 Business combinations

2010
No acquisitions during 2010.

2009
Korsnäs Rockhammar AB
In March, Korsnäs signed an agreement to acquire operations in Rockhammar Mill from Rottneros. Rockhammar Mill was at the time it was acquired licensed to produce 60,000 tons of chemical thermo-mechanical pulp, CTMP, annually, and has a present application for permission to increase production to 90,000 tons annually. The production increase in Rockhammar will enable Korsnäs to become self-sufficient in pulp for its entire production of paper and cartonboard, which is expected to reduce production costs. The purchase consideration, including transaction costs, amounted to SEK 147 million. The acquisition was made through a recently formed subsidiary, Korsnäs Rockhanmmar AB. According to the acquisition analysis, the acquisition cost is distributed as follows: goodwill in the amount of SEK 37 million, tangible assets SEK 100 million, inventories 17 million and accrued personnel costs SEK 6 million. Korsnäs Rockhammar has contributed to the Group's result with a SEK 10 million since the transaction was completed on 1 April. The result includes costs in relation to the integration work between Rockhammar and the plant in Frövi, which entails a staff reduction negotiated with the trade union organizations. The entire volume produced in Rockhammar after the acquisition has been sold internally within the Korsnäs Group. If Korsnäs Rockhammar had been included in the Group from 1 January, it is estimated that profit would have been approximately SEK 8 million higher

Note 32 Financial assets and liabilities allocated by category

Group 2010	**Financial Assets accounted at fair value**	**Loan receivables and trade recievables**	**Cash flow hedging**	**Financial liabilities**	**Total book value**
Financial assets accounted at fair value, le	564				564
Receivables Parent company		2577			2577
Other fixed assets					0
Trade recievables		656			656
Other current assets		390	75		465
Cash at bank		86			86
Total financial assets	**564**	**3709**	**75**	**0**	**4348**
Interest-bearing liabilities				4481	4481
Liabilities to Group companies				530	530
Trade creditors				937	937
Other liabilities				229	229
Total financial liabilities	**0**	**0**	**0**	**6177**	**6177**

Group 2009	Financial Assets accounted at fair value	Loan receivables and trade recievables	Cash flow hedging	Financial liabilities	Total book value
Financial assets accounted at fair value, le	502	502			502
Receivables Parent company		2415			2415
Other fixed assets					
Trade recievables		596			596
Other current assets		279			279
Cash at bank	0	81			81
Total financial assets	**502**	**3371**	**0**	**0**	**3873**
Interest-bearing liabilities				4459	4459
Liabilities to Group companies				390	390
Trade creditors				1017	1017
Other liabilities			23	-	23
Total financial liabilities	**0**	**0**	**23**	**5866**	**5889**

Parent Company 2010	Financial Assets accounted at fair value	Loan receivables and trade recievables	Cash flow hedging	Financial liabilities	Total book value
Receivables Group company		2 635			2 635
Receivables associated cor		2			2
Shares and participations in other comp	182				182
Trade receivables		640			640
Interest bearing receivables					0
Other receivables		602			602
Cash at bank		63			63
Total financial assets	**182**	**3942**	**0**	**0**	**4 124**
Interest-bearing liabilities				4 476	4 476
Liabilities to Group companies				577	577
Trade creditors				908	908
Other liabilities				219	219
Total financial liabilities		**0**	**0**	**6 180**	**6 180**

Parent Company 2009	Financial Assets accounted at fair value	Loan receivables and trade recievables	Cash flow hedging	Financial liabilities	Total book value
Receivables Group company		1599			1599
Receivables associated company		2			2
Shares and participations in other comp	183				183
Trade receivables		584			584
Interest bearing receivables					0
Other receivables		258			258
Cash at bank		96			96
Total financial assets	**183**	**2539**	**0**	**0**	**2722**
Interest-bearing liabilities				4449	4449
Liabilities to Group companies				479	479
Trade creditors				778	778
Other liabilities				197	197
Total financial liabilities		**0**	**0**	**5903**	**5903**

Fair value

Fair value of all financial assets and liabilities correspond with book value.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilites

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Note 33 Untaxed reserves

	Parent Company	
	2010	**2009**
Additional depreciation, machinery and equipment	3 751	3741
Additional depreciation, buildings	235	248
Additional depreciation, land and improvements	9	10
Total untaxed reserves	**3 995**	**3 999**

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Board of Director's Report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties that the Group companies face.

Gävle,25 March 2011

Vigo Carlund
Chairman of the Board

Leif Brodén
Member of the Board

Mia Brunell Livfors
Member of the Board

Ola Hallberg
Member of the Board,
Employee representative

Ole Kjörrefjord
Member of the Board

Wilhelm Klingspor
Member of the Board

Stig Nordin
Member of the Board

Per Eriksson
Member of the Board
Employee representative

Hannu Ryöppönen
Member of the Board

Christer Simrén
CEO

Our Audit Report was issued on 25 March 2011
Ernst & Young AB

Thomas Forslund
Authorized Public Accountant