BILLERUDKORSNÄS

ANNUAL REPORT 2013

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2013

A FIRST YEAR
– and **a real step forward**

When I look back over the first year of BillerudKorsnäs, I have to say I am pleased with what we have achieved. Our expectations of the new company were high and yet they were exceeded on several fronts – in particular the way we implemented the first and most extensive phase of the integration. In other respects things have been tougher, not least dealing with the combination of a strong Swedish krona and the continued weakness of the European economy.

SMOOTH INTEGRATION

The teamwork within every section of the company, at every level, is working exceedingly well. We have thus raised our target for synergies and savings from the acquisition of Korsnäs to SEK 530 million and we are now confident of reaching that in 2014, a year earlier than originally thought. All this points to an organisation that is ready for the task ahead and committed to delivering.

The integration is made up of many sub-projects, each with their own objectives, timeframes and project managers. Most of these projects are delivering beyond expectations. I must say I am extremely proud of the energy in the company and the fantastic work that is being put into creating a strong company for the long term. Naturally, there is still much to do, and during 2014 we will see a continued emphasis on integration, alongside an increased focus on production performance. In 2013 we unfortunately experienced a few too many production-related problems, but we have taken steps to rectify this and these issues will be high on the agenda over the next year.

SUSTAINABLE VALUE CREATION

BillerudKorsnäs is built for sustainable development for the future, to deliver considerable value to customers and shareholders. The acquisition of Korsnäs and UPM's packaging paper business in 2012 doubled sales and the company is now stronger than ever. We have reduced our exposure to the cyclical pulp market, we have cut our relative exposure to foreign currency fluctuations, we have a much broader product portfolio and we have a significantly higher share of sales in the consumer segment, 75%. All this paves the way for much greater stability and should also be able to ensure strong cash flow over time. Given this, I believe the results for 2013 do not truly reflect what the company is capable of in the future. The operating profit for the year was SEK 1 113 million, based on sales of SEK 19 533 million.

DIFFERING TRENDS FOR THE THREE BUSINESS AREAS

The Consumer Board business area is characterised by long-standing customer relations, high stability and a low dependence on the economic cycle. Despite some production problems, the business area delivered a high and stable margin for 2013 of 8%. I expect this to continue over coming years, having laid the foundations in 2013 by signing long-term agreements with all our major customers in liquid packaging board.

FINANCIAL TARGETS

>10%

Operating margin

Over a business cycle, the operating margin should on average exceed 10%. BillerudKorsnäs operates in an industry that historically has tracked a cyclical pattern, with corresponding variations in earning capacity.

OUTCOME 2013: 6%

>13%

Return on capital employed

Over a business cycle, the return on capital employed should on average exceed 13%. BillerudKorsnäs shall ensure a return corresponding to the shareholders' return expectations while the cost of the company's debt is covered with a margin.

OUTCOME 2013: 6%

2013 IN BRIEF

• **Net sales** amounted to SEK 19 533 million (10 427) • **Operating profit** increased to SEK 1 113 million • **The net debt/equity ratio** was 0.78 (0.86) • **A dividend** of SEK 2.25 per share is the Board's proposal to the Annual General Meeting 2014 • **Paccess** was acquired to 100% during the year • **Integration and synergies** are realised in a rapid pace and the target was increased to SEK 530 million in an annual run-rate reduction • **Expanded resources** in research and development • **New sales offices** in Asia were established and the sales force in USA was strengthened.

<0.9

Net debt/equity ratio

The net debt/equity ratio should be less than 0.9. BillerudKorsnäs' business is influenced to a large extent by general economic conditions, which means that the operating risk is considerable. Strengthening the financial position in good years is therefore essential in order to sustain the company in bad years.

OUTCOME 2013: 0.78

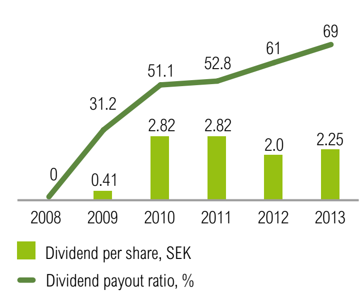
50%

Dividend policy

Over an economic cycle, the dividend should average out at 50% of net profit. The dividend paid to shareholders will depend on, for example, BillerudKorsnäs' level of profits, its financial position and its future development opportunities.

OUTCOME 2013: 69%

DIVIDEND



Our smart primary fibre-based packaging solutions offer customers sustainable alternatives, and the switch away from non-renewable materials such as plastic and metal is only in its infancy.

The Containerboard business area also maintained a positive trend. Focusing on customer value has brought greater stability and margins over time – the margin for 2013 was 10% – and despite increasing competition, I believe we will be able to continue defending our positions in this area.

The Packaging Paper business area has experienced a tough market position, with sizeable capacity being added to an already weak market. A substantial weakening of order books and a poorer product mix resulted in a historically low margin of 4% for 2013. It is highly likely to take a few quarters for conditions to significantly improve for the business area.

STRATEGIC GROWTH WITH PROFITABILITY

BillerudKorsnäs has set its sights on profitable growth. The overall target is to achieve organic sales growth of 15–20% by 2018. The Consumer Board business area is to grow by 4–5% per year, based on our long-term customer relations. This will require investments in both capacity and product development. Within Containerboard, the strategy is to continue developing products and customer value and thus generate growth of 2–4% per year in parallel with strong long-term margins.

In Packaging Paper, we need to be more selective when it comes to markets and investments in quality and product development. The market is growing by 0–4% per year depending on the segment, and our strategy is to focus on and develop profitable growth segments and gradually withdraw from less attractive areas in order to grow with the market.

When we are able to strengthen the balance sheet as planned, this will bring opportunities for further acquisitions, although that is a matter for the future. In 2014 the focus will be on increased margins and ensuring growth.

TARGETED INVESTMENTS

The ambition is to keep the pace of investment at around the same level as depreciation and amortisation, in order that the balance sheet does not expand. In order to pursue a return on capital employed of 13%, we only implement investments that offer this level of return, and we are also conducting a project to free up working capital. In the long term I believe that, coupled with profitable growth, this will drive the return up to the target level.

SUSTAINABILITY TARGETS

More sustainability targets in The Sustainability Report www.billerudkorsnas.com

<30 kg/tonne

Fossil free production

Emissions of fossil CO_2 from the manufacturing process will be a maximum of 30 kg per tonne of product by 2020.

The vision is an entirely fossil free production. 2013 amounted biofuel use to 97%.

OUTCOME 2013:
39 kg of fossil CO_2 per tonne of product

<5,50 MWh/tonne

Energy efficient production

Energy consumption will be a maximum of 5.50 MWh per tonne of product by 2014. In 2013 the energy consumption per tonne of product fell by more than 10% compared to the measuring period previous year.

OUTCOME 2013:
5.60 MWh per tonne of product

WE CHALLENGE CONVENTIONS
Over the year, we expanded our resources in research and development by 60% and launched a whole new innovation organisation in the form of the New Business Lab. Our aim is clear – we will challenge conventional materials, conventional solutions and, not least, plastics. We will drive and lead the trend towards renewable materials and solutions for the smart packaging of the future. By investing in new technology, new materials and continuous environmental improvements, we are able to offer the best value for brand owners and converters, while also future-proofing the company.

STRONGER PRESENCE IN GROWTH MARKETS
Our strategy expresses a need to look beyond our traditional market of Europe. Although there is a certain amount of growth to be found in Europe, we are focusing on markets with higher growth rates. In 2013 we opened new sales offices in Bangkok and Singapore to serve the South-East Asian markets, and we strengthened the sales force in USA to cover the markets of North and South America. We also increased staff numbers in Dubai to provide a better service for our customers in the Middle East.

In August we acquired the remaining 70% of shares in US company Paccess, this in order to strengthen our position in China and our standing with American and European brand owners. We are confident in our ability to continue developing Paccess as a platform initially for Containerboard, and then also for other business areas. The acquisition of Paccess enables us to offer global brand owners with manufacturing in Asia quality-assured packaging solutions for the whole region.

Our markets are growing by an average of 3-4% per year. This trend is being driven by rapid urbanisation around the world, increasing prosperity, new consumption patterns and greater environmental awareness. All this offers huge opportunities for our own growth. Our smart primary fibre-based packaging solutions offer customers sustainable alternatives, and the switch away from non-renewable materials such as plastic and metal is only in its infancy. We contribute to a sustainable everyday life for our customers and for millions of consumers around the world, day in day out.

INNOVATION IS OUR PASSION
Innovation is and will remain our driving force. Sustainability is our guiding light. We look forward towards the materials and solutions of tomorrow, we help our customers with smart solutions that work, and we build an open and creative environment, within a large network of customers, machine manufacturers, researchers and specialists of various kinds. This is our way of future-proofing BillerudKorsnäs, attracting the best employees and delivering value for our customers and shareholders.

Solna, March 2014

Per Lindberg
President and CEO

<1/100
<5,5/million

Safe workplaces

Number of occupational accidents resulting in sick leave will be less than 1 per 100 employees and a maximum of 5.5 per million hours worked in 2014 and 2020.

The vision is 0 work-related accidents resulting in sick leave.

OUTCOME 2013:
1.5 accidents per 100 employees
8.2 accidents per million working hours

We contribute to **a sustainable everyday life for our customers and for millions of consumers** around the world, day in day out.

DIRECTORS' REPORT

The Board and CEO of BillerudKorsnäs AB (publ), corporate identity number 556025-5001, herewith submit the annual report and the consolidated annual accounts for the 2013 financial year.

BillerudKorsnäs' operating profit improved in 2013 to SEK 1 113 million. This was SEK 624 million, or 128%, higher than in 2012. The increase was due primarily to the acquisitions of Korsnäs and UPM's packaging business in Pietarsaari and Tervasaari in 2012.

BillerudKorsnäs Corporate Governance Report appears on pages 54–63.

Market

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

During 2013 operations were divided into the three business areas: Packaging Paper, Consumer Board and Containerboard.

Packaging Paper corresponds to the former business area Packaging & Speciality Paper business area. Consumer Board includes the liquid and packaging board business that were part of the Korsnäs acquisition, together with the Cup Stock and liquid board products previously included in Packaging Boards business area. Containerboard corresponds to the previous business area of Packaging Boards excluding Cup Stock and liquid packaging board. Beginning on 29 November in 2012 White Top Liner was added, which was part of the Korsnäs acquisition, to the business area.

Order levels were normal during the year, and relatively stable for the businesses areas of Consumer Board and Containerboard. Prices in local currency were lower than in the preceding year. A less favourable currency situation resulted in further deterioration in prices in SEK. For further market information, see the relevant business area section.

In 2013, BillerudKorsnäs' total sales volume amounted to 2 591 000 tonnes, an increase of 63% from the previous year. The increase was primarily attributable to the two acquisitions made during 2012.

SALES VOLUMES BY BUSINESS AREA

ktonnes	2013	2012
Packaging Paper	1 080	1 011
Consumer Board	959	71
Containerboard	552	510
Total	**2 591**	**1 592**

NET SALES BY BUSINESS AREA

SEKm	2013	2012
Packaging Paper	7 279	6 837
Consumer Board	6 964	508
Containerboard	3 073	2 594
Other units	2 141	393
Currency hedging, etc.	76	95
Group staff and eliminations	–	–
Total	**19 533**	**10 427**

NET SALES BY REGION

SEKm	2013	2012
Germany	2 685	1 479
Italy	2 052	1 235
Sweden	2 510	905
United Kingdom	1 023	736
Spain	805	712
France	1 221	502
Rest of Europe	4 241	2 087
Rest of the world	4 996	2 771
Total	**19 533**	**10 427**

Sales and earnings

Net sales amounted to SEK 19 533 million, an increase of 87%, as a result of higher volumes.

Operating profit rose by SEK 1 113 million, primarily as a result of the two acquisitions that were carried out in 2012. An operating margin of 6% (5) was recorded.

Net financial items totalled SEK –285 million (–87). Profit before tax was SEK 828 million and estimated tax SEK –142 million. The lowering of the tax rate in Sweden from 26.3% to 22% had a positive impact of approximately SEK 17 million in 2013. Net profit totalled SEK 686 million.

SUMMARISED INCOME STATEMENT

	2013	2012
Net sales, SEKm	19 533	10 427
Operating profit/loss, SEKm	1 113	489
Operating margin, %	6	5
Profit/Loss before tax, SEKm	828	402
Net profit/loss, SEKm	686	677
Earnings per share, SEK	3.24	5.14

Return on equity for the period was 7% (13) and return on capital employed was 6% (8). A dividend of SEK 2.25 per share is proposed (2.00).

Figures for the preceding year are in parentheses – 2013 (2012).

OPERATING PROFIT/MARGIN PER BUSINESS AREA

	2013		2012	
	SEKm	%	SEKm	%
Packaging Paper	284	4	352	5
Consumer Board	557	8	35	7
Containerboard	318	10	219	8
Other units	36		48	
Currency hedging, etc.	76		95	
Group staff and eliminations	–158		–260	
Total	**1 113**	**6**	**489**	**5**

For quarterly data, see page 66.

Earnings per operating segment

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

Packaging Paper

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

The business area also sells any surplus of pulp that BillerudKorsnäs does not use in its own production. The business area Packaging Paper both purchases and sells pulp at market price. As of 1 August 2013, the business area's net exposure in market pulp is estimated to average approximately 150 ktonnes annually. The business area's largest markets are Europe and Asia.

Packaging Paper	Quarter			Full year	
SEKm	**Q4 -13**	**Q3 -13**	**Q4 -12**	**2013**	**2012**
Net sales	1 758	1 820	1 717	7 279	6 837
Operating expenses, net	–1 558	–1 702	–1 563	–6 527	–6 036
Depreciation and impairment losses	–109	–119	–115	–468	–449
Operating profit/loss	**91**	**–1**	**39**	**284**	**352**
Operating margin	5%	0%	2%	4%	5%
Sales volumes, ktonnes	**263**	**269**	**254**	**1 080**	**1 011**
of which packaging paper	***170***	***182***	***172***	***750***	***670***

Operating profit fell by SEK 68 million to SEK 284 million compared with 2012. The decrease was primarily due to the negative impact of the extensive rebuilding in Skärblacka during the third and fourth quarters of 2013. The rebuilding had a negative earnings impact of SEK 219 million in the third and fourth quarters. The negative effect of a poorer foreign exchange situation was offset by higher prices in local currency. Profit for 2013 was positively impacted compared with the previous year because the business in Finland acquired in June 2012 had an impact on the entire year.

Market Development

Orders received for white sack paper were lower than normal for the year. Orders received were normal for other product families. The prices in local currency were higher than the previous year. During the last quarter they fell slightly as a result of new market capacity.

The market for NBSK pulp improved steadily throughout the year. Prices in Europe rose to approximately USD 910 per tonne at year-end, compared with approximately USD 810 per tonne at the beginning of the year.

Consumer Board

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

Consumer Board	Quarter			Full year	
SEKm	**Q4 -13**	**Q3 -13**	**Q4 -12**	**2013**	**2012**
Net sales	1 659	1 716	508	6 964	508
Operating expenses, net	–1 452	–1 296	–414	–5 709	–414
Depreciation and impairment losses	–178	–176	–59	–698	–59
Operating profit/loss	**29**	**244**	**35**	**557**	**35**
Operating margin	2%	14%	7%	8%	7%
Sales volumes, ktonnes	**231**	**236**	**71**	**959**	**71**

Consumer Board has been a new business area in the Group since 29 November 2012. The business area includes the liquid and packaging board activities that were part of the Korsnäs acquisition, together with the sales of the Cup Stock and liquid board products that were previously included in the Containerboard business areas (formerly Packaging Boards).

Operating profit was SEK 557 million for full-year 2013. A comparison with 2012 would not be meaningful given that the business area was formed on 29 November 2012.

Market Development

Orders received for liquid and packaging board were stable and satisfactory during the year with normal seasonal variations. Prices in local currency were stable, compared with the preceding year.

Containerboard

The Containerboard business area offers corrugated board raw material that provides light but strong packaging for demanding transportation uses and primary packaging. An important part of the offering is consultation for packaging optimisation and efficient logistical flows. The business area also includes Paccess, which strengthens BillerudKorsnäs' position in offering packaging solutions to brand owners and is the next step in challenging conventional packaging.

At the start of the fourth quarter 2012, the Packaging Boards business area was renamed Containerboard. On 29 November 2012, the business area incorporated the White Top Liner business, part of the Korsnäs acquisition. At the same time, sales of the Cup Stock and liquid board products were transferred to the Consumer Board business area.

Containerboard	Quarter			Full year	
SEKm	**Q4 -13**	**Q3 -13**	**Q4 -12**	**2013**	**2012**
Net sales	763	755	623	3 073	2 594
Operating expenses, net	–620	–617	–554	–2 560	–2 200
Depreciation and impairment losses	–45	–49	–46	–195	–175
Operating profit/loss	**98**	**89**	**23**	**318**	**219**
Operating margin	13%	12%	4%	10%	8%
Sales volumes, ktonnes	**126**	**134**	**120**	**552**	**510**

Operating profit increased by SEK 99 million from the previous year due to more favourable price trends in local currency and the contribution by White Top Liner. Paccess reported strong sales growth and improved gross margin.

Market Development

The order situation was stable during most of the year. Sales prices in local currency was also stable during the year.

Investments and capital employed

Gross investments including company acquisitions amounted to SEK 1 268 million (9 913) in 2013. The reduction from the previous year was due to the acquisition of the two paper machines in Finland in June 2012 and the merger with Korsnäs in November 2012.

In late 2013, the board approved the initial investments in greater capacity in Frövi and Gävle in line with the company's growth plans in the attractive liquid packaging board market.

BillerudKorsnäs' capital employed at 31 December 2013 totalled SEK 17 607 million (17 530). Return on capital employed, calculated over the past 12-month period, amounted to 6% (8). If the effects of currency hedging are excluded, return on capital employed was 6% (5). Return on equity after tax was 7% (13).

Cash Flow and Financial Position

STATEMENT OF CASH FLOWS, SUMMARY

SEKm (positive figure indicates reduction in debt)	**2013**	**2012**
Operating surplus, etc.	2 582	1 282
Change in working capital, etc.	–336	132
Net financial items, taxes, etc.	–401	–412
Cash flow from operating activities	**1 845**	**1 002**
Current net investments	–1 190	–952
Operating cash flow	**655**	**50**

Cash flow from operating activities in 2013 amounted to SEK 1 845 million (1 002) and the operating cash flow was SEK 655 million (50). The reason was a higher operating surplus due to the total business having growth through acquisitions.

Net interest-bearing debt on 31 December 2013 was SEK 7 691 million (8 096). The Group's net debt/equity ratio at the end of the period was 0.78 (0.86). BillerudKorsnäs' financial target for its net debt/equity ratio is that it shall be less than 0.90.

Note 14 presents the effect of reporting BillerudKorsnäs' share of Bomhus Energi AB's income, expenses, assets and liabilities according to IFRS 11, which will take place from January 1, 2014. If the new policy had been applied in 2013, the net debt/equity ratio would have increased to a multiple of 0.85.

Significant risks and uncertainties

BillerudKorsnäs' products are generally dependent on the business cycle, in terms of both price development and potential sales volumes. The Group is exposed to currency fluctuations, since most revenues are invoiced in foreign currency, while a large part of operating expenses are in SEK.

For a more detailed description of risks and a sensitivity analysis, see pages 21–26.

Taxes

The Group's effective tax rate is estimated at about 22–23% normally. Effective 1 January 2013, Sweden's statutory tax rate was reduced from 26.3% to 22.0%. The tax rate in Finland was lowered from 24.5% to 20% as of 1 January 2014. The tax rate in the foreign subsidiaries is on average somewhat higher than the Swedish tax rate. The tax expense for 2013 is estimated at SEK 142 million, equivalent to a tax rate of 17.2%. The low tax rate is due primarily to the additional impact of the tax reduction in Sweden as of 1 January 2013 (SEK –17 million), and reversal of a previous tax provision that had not been realized (SEK –13 million).

Parent company

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

Net sales for 2013 amounted to SEK 3 816 million (4 160). Operating profit totalled SEK 205 million (203).

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. This result amounted to SEK 12 million (142) in 2013.

In 2013, investments in property, plant and equipment and intangible assets excluding shares totalled SEK 136 million (160). The average number of employees was 948 (941). Cash and bank balances and short-term investments amounted to SEK 292 million (556).

Environment and permit issues

BillerudKorsnäs has six operations in Sweden, two in Finland and one in the UK that require permits under environmental legislation. These permits apply to the production of pulp and paper. BillerudKorsnäs has all official permits necessary to conduct operations at the volumes produced in 2013. The environmental impact of operations is mainly in the form of emissions to air and water and the creation of waste and noise.

BillerudKorsnäs' Swedish production units have been awarded emission rights for carbon dioxide within the EU. The allocation for both the five-year period that began in 2008 and the eight-year period that began in 2013 exceeds total projected emissions.

Completed long-term incentive programme (LTIP 2010)

The AGM 2010 resolved to introduce a long-term incentive programme (LTIP 2010) for BillerudKorsnäs for 2010–2012. In accordance with the programme, 218 202 rights fell due, including the effect of the completed preferential rights issue. 75% of the performance targets for the programme were met. Dilution of outstanding shares was less than 0.1%. The total cost of the programme was expensed on an ongoing basis in 2010–2013.

Long-term incentive programme (LTIP 2011)

The 2011 AGM approved the introduction of a long-term incentive programme (LTIP 2011) for BillerudKorsnäs and in that connection a transfer of its own holding of its own shares. The purpose of LTIP 2011 is partly to increase BillerudKorsnäs' ability to retain its best talents for critical leadership positions, and partly to encourage those participating into greater efforts, by linking their interests and viewpoints with those of the shareholders. The programme extends to no more than 20 senior executives and other key people in the BillerudKorsnäs Group. LTIP 2011 has a term of three years starting in 2011 and the outcome depends on meeting different financial and share price performance requirements that are deemed to be of great significance in terms of the future development of the Group. To participate in LTIP 2011, a person must own BillerudKorsnäs shares referred to as "saving shares". Following a three-year vesting period that begins on the date the agreement for LTIP 2011 is entered into and ends when BillerudKorsnäs releases its interim report for the first quarter of 2014, those participating will be allocated at no charge one right to matching shares and three rights to performance shares for each saving share. These rights entitle holders to Billerud-

Korsnäs shares provided that certain criteria are met. For both rights, the participant must remain throughout the vesting period an employee of the BillerudKorsnäs Group and must not sell his/her saving shares. The rights are personal and cannot be transferred or pledged. They do not entitle shareholder rights and no adjustment for dividend is made. For the rights to performance shares, additional financial performance targets must be met. The requirements are based on: (a) BillerudKorsnäs' average operating margin for the period 2011–2013 in absolute terms; (b) BillerudKorsnäs' operating margin in relation to that of a benchmark group consisting of specially selected listed Nordic companies for the same period; (c) BillerudKorsnäs' total return for the period 2011–2013 in comparison with that of a benchmark group consisting of listed Nordic companies. The performance requirements (a) and (c) give shares on a straight-line basis between minimum and maximum levels, while performance requirement (b) involves a digital procedure.

On 31 December 2013 LTIP 2011 comprised 18 259 saving shares in total, which entails the allocation of in total no more than 91 295 BillerudKorsnäs shares. Moreover LTIP 2011 consists of an additional 64 000 BillerudKorsnäs shares that are related to shares that can be transferred by BillerudKorsnäs for the purpose of covering certain payments, chiefly social fees. Thus the maximum number of BillerudKorsnäs shares included in LTIP 2011 is 155 295, representing about 0.1% of the total number of BillerudKorsnäs shares outstanding and number of votes outstanding.

The cost of LTIP 2011 is estimated at about SEK 5 million, including SEK 2 million in social fees. The maximum cost of LTIP 2011 based on the above assumptions is estimated at about SEK 11 million, including SEK 7 million in social fees. In 2013, SEK 2 million was charged to operating profit.

For further details of LTIP 2011, see the press release dated 30 March 2011 and the documents for the 2011 AGM, which are available on the BillerudKorsnäs website.

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On 31 December 2013, LTIP 2012 comprised 44 214 saving shares in total, which entails the allocation of in total no more than 221 070 BillerudKorsnäs shares. Moreover LTIP 2012 consists of an additional 57 000 BillerudKorsnäs shares that are related to shares that can be transferred by BillerudKorsnäs for the purpose of covering certain payments, chiefly social fees. Thus the maximum number of BillerudKorsnäs shares included in LTIP 2012 is 278 070, representing about 0.1% of the total number of BillerudKorsnäs shares outstanding and number of votes outstanding.

Based on a theoretical assumption of an annual 20% increase in share price, from SEK 46.8 when the programme started, and a vesting period of three years, the cost of LTIP 2012 is estimated at about SEK 8 million, including social fees of SEK 4 million. The maximum cost of LTIP 2012 based on the above assumptions is estimated at about SEK 22 million, including SEK 15 million in social fees. In 2013, SEK 4 million was charged to operating profit.

For further details of LTIP 2012, see the press release dated 2 April 2012, as well as the documents for the 2012 AGM, which are available on the BillerudKorsnäs website.

Long-term incentive programme (LTIP 2013)

The 2013 AGM approved the introduction of a long-term incentive programme (LTIP 2011) for BillerudKorsnäs and in that connection a transfer of its own holding of its own shares. The purpose of LTIP 2013 is partly to increase BillerudKorsnäs' ability to retain its best talents for critical leadership positions, and partly to encourage those participating into greater efforts, by linking their interests and viewpoints with those of the shareholders. The programme extends to no more than 25 senior executives and other key people in the BillerudKorsnäs Group. LTIP 2013 has a term of three years starting in 2013 and the outcome depends on meeting different financial and share price performance requirements that are deemed to be of great significance in terms of the future development of the Group. To participate in LTIP 2013, a person must own BillerudKorsnäs shares referred to as "saving shares". Following a three-year vesting period that begins on the date the agreement for LTIP 2013 is entered into and ends when BillerudKorsnäs releases its interim report for the first quarter of 2016, those participating will be allocated at no charge one right to matching shares and three rights to performance shares for each saving share. These rights entitle holders to BillerudKorsnäs shares provided that certain criteria are met. For both rights, the participant must remain throughout the vesting period an employee of the BillerudKorsnäs Group and must not sell his/her saving shares. The rights are personal and cannot be transferred or pledged. They do not entitle shareholder rights and no adjustment for dividend is made. For the rights to performance shares, additional financial performance targets must be met. The requirements are based on: (a) BillerudKorsnäs' average operating margin for the period 2013–2015 in absolute terms; (b) BillerudKorsnäs' operating margin in relation to that of a benchmark group consisting of specially selected listed Nordic companies for the same period; (c) BillerudKorsnäs' total return for the period 2013–2015 in comparison with that of a benchmark group consisting of listed Nordic companies. The performance requirements (a) and (c) give shares on a straight-line basis between minimum and maximum levels, while performance requirement (b) involves a digital procedure.

On 31 December 2013, LTIP 2013 comprised 63 959 saving shares in total, which entails the allocation of in total no more than 289 304 BillerudKorsnäs shares. Moreover LTIP 2013 consists of an additional 76 000 BillerudKorsnäs shares that are related to shares that can be transferred by BillerudKorsnäs for the purpose of covering certain payments, chiefly social fees. Thus the maximum number of BillerudKorsnäs shares included in LTIP 2013 is 331 836, representing about 0.2% of the total number of BillerudKorsnäs shares outstanding and number of votes outstanding.

Based on a theoretical assumption of an annual 12% increase in share price, from SEK 60.50 when the programme started, and a vesting period of three years, the cost of LTIP 2013 is estimated at about SEK 10 million, including social fees of SEK 4 million. The maximum cost of LTIP 2013 based on the above assumptions is estimated at about SEK 33 million, including SEK 21 million in social fees. In 2013, SEK 2 million was charged to operating profit.

For further details of LTIP 2013, see the press release dated 30 March 2013 and the documents for the 2013 AGM, which are available on the BillerudKorsnäs website.

Product and process development

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

Seasonal factors

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

Maintenance shutdowns

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

Production unit	Estimated shutdown cost SEKm	Estimated distribution of shut-down cost by business area: Packaging Paper	Consumer Board	Container-board	Planned times for maintenance shutdowns: 2015	2014	2013
Gävle	~ 120	~ 5%	~ 80%	~ 15%	Q3	Q4	Q4
Gruvön	~ 120	~ 40%	~ 5%	~ 55%	Q2	Q2	Q4
Frövi	~ 65	0%	100%	0%	Q3	Q3	Q2
Skärblacka	~ 75	~ 85%	0%	~ 15%	Q2	Q3	Q3
Karlsborg	~ 55	100%	0%	0%	Q3	Q3	Q3
Jakobstad	~ 15	100%	0%	0%	Q3	Q2	Q4

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

Previously some of the costs were capitalized and written off until the next maintenance shutdown. As of 1 January 2013 all costs associated with maintenance stops will be expensed.

Early in the fourth quarter, production resumed in Skärblacka after an environmental and energy investment had been completed in connection with the annual maintenance shutdown.

Other seasonal effects

A considerable share of volumes for BillerudKorsnäs Flute® are used for packaging for exporting fruit from the Mediterranean area. Demand by this group of customers varies with the fruit export season and is ordinarily highest in September–March. A considerable share of BillerudKorsnäs' sack paper and QuickFill® sack paper goes to packaging for cement and building materials The demand for building materials in Europe is generally higher in May–October.

Financing

On 31 December 2013 interest-bearing loans amounted to SEK 7 532 million (8 105). Of this amount, utilisation of the syndicated credit facility (maximum: SEK 5 500 million) accounted for SEK 813 million (3 110), bond loans for SEK 1 644 million (675), utilisation of BillerudKorsnäs' commercial paper programme (maximum: SEK 3 000 million) for SEK 2 457 million (671) and other interest-bearing liabilities for SEK 2 618 million (3 649).

In 2013 the Group established a bond programme for Medium Term Notes (MTN) with a facility of SEK 5 000 million – two five-year bonds totalling SEK 1 500 million were issued in March. The commercial paper programme facility increased from SEK 1 500 million to SEK 3 000 million. The syndicated credit facility runs until November 2015.

CAPITAL STRUCTURE, SUMMARY

	31 Dec 2013	31 Dec 2012
Capital employed, SEKm	17 607	17 530
Financing:		
Interest-bearing net debt, SEKm	7 691	8 096
Shareholders' equity, SEKm	9 917	9 435
Net debt/equity ratio, multiple	0.78	0.86

Currency hedging

During 2013, net flows were hedged at EUR/SEK 8.68 (9.14), USD/SEK 6.65 (6.78) and GBP/SEK 10.32 (10.72). Currency hedging had an overall earnings impact of SEK 12 million (142) for 2013 (compared with if no hedging had taken place).

BillerudKorsnäs' outstanding forward exchange contracts on 31 December 2013 had a market value of SEK –16 million. Of this amount, SEK –14 million had an impact on valuation of accounts receivable. Other contracts had a market value of SEK –2 million.

For its Swedish operations, BillerudKorsnäs hedges around 50% of forecast net flows over the next 12-month period, but in line with its financial policy the Company also has the possibility to increase currency hedging to 100% of net flows over the next 15 months.

The hedged amount of currency flows and the SEK exchange rates for EUR, USD and GBP at 31 December 2013 are shown in the table below.

BillerudKorsnäs Beetham Ltd hedges a certain amount of its net inflow of USD and EUR against GBP. For 2014, the company has increased its currency hedging for EUR to 100% of the forecast net flow at an exchange rate of SEK 8.94.

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

Currency		Q1 -14	Q2 -14	Q3 -14	Q4 -14	Total 12 months
EUR	Proportion of net flow	100%	100%	100%	100%	100%
	Exchange rate	8.79	8.91	8.99	9.05	8.94
USD	Proportion of net flow	90%	60%	33%	17%	50%
	Exchange rate	6.58	6.63	6.62	6.59	6.60
GBP	Proportion of net flow	90%	60%	35%	15%	50%
	Exchange rate	10.26	10.40	10.44	10.64	10.36
Market value of currency contracts[1]		**–19**	**–4**	**1**	**6**	**–16**

1 The table shows the situation on 31 December 2013.

Share structure

On 31 December 2013, the share capital totalled SEK 1 537 642 793, represented by 208 219 834 shares. The number of shares on the market totalled 206 719 689.

No shares have been bought back since year-end 2004.

ALLOCATION OF SHARES

	31 Dec 2013
Registered number of shares at beginning of the year	208 219 834
Bought-back shares in Company ownership	–1 500 145
Shares on the market	**206 719 689**

Financial targets

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

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

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

The BillerudKorsnäs share

The share capital of BillerudKorsnäs AB is represented by 208 219 834 ordinary shares, of which 1 500 145 are owned by BillerudKorsnäs AB. Each share carries an entitlement to one vote at the AGM. Transfer of shares is not restricted by law or by the Company's articles of association. The 2013 Annual General Meeting (AGM) authorised the Board of Directors to decide as to any transfer of shares held by the Company, hold in order to cover the allocation during the approved long-term incentive programs.

The largest shareholder, Frapag Beteiligungsholding AG, owned 31 300 000 shares, corresponding to 15.1% of shares in the market. No other shareholder owned 10% or more of the total number of shares on 31 December 2013. The Company knows of no agreements between shareholders that may restrict the right to transfer shares. Appointment and dismissal of Board members, and changes to the articles of association, are subject to approval by the AGM. Agreements exist between the Company, other Group companies and senior executives that entail compensation if they were to resign, be dismissed without reasonable grounds or if their employment were to end due to a public bid to acquire shares in the Company. These agreements are described in note 24. Agreements between the Company and other employees that regulate their own resignation or dismissal by the Company accord with normal labour market practice.

Guidelines for remuneration to senior executives

The Board proposes that the 2014 AGM approve the following guidelines for remuneration to senior executives. Senior management includes the CEO and other members of the Senior Management Team.

BillerudKorsnäs shall apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a management team that has the high level of competence and capacity to achieve set goals. Remuneration forms shall motivate Group management to do its utmost in the best interests of the Company's shareholders. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results compared to explicit targets, up to a maximum percentage of a fixed annual salary that may vary between 30% and 70%. However, variable salary shall be paid only if the Company makes an operating profit. Long-term incentive programmes at the Company shall primarily be linked to certain predetermined financial and share price performance requirements. The programmes shall ensure long-term commitment to the development of the Company and shall be implemented on commercial terms. Long-term incentive programmes shall have a term of at least three years. For further details of the existing long-term incentive programmes adopted by the 2011, 2012 and 2013 AGMs, see the Company's website and the sections "Long-term incentive programme (LTIP 2011)", "Long-term incentive programme (LTIP 2012)" and "Long-term incentive programme (LTIP 2013)".

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

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

The Board of Directors of BillerudKorsnäs is entitled to deviate from these guidelines if there is good reason in individual cases. See note 24 for 2013 guidelines.

Risk management in parent company

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

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

Customer credit

The parent company's accounts receivable represent more than 90% of the Group's accounts receivable, because a large share of the production units accounts receivable are taken over by the parent company after invoicing and the monies collected by the parent company. However, the risk of any bad debts remains with the invoicing company. Of total provision within the Group for doubtful accounts receivable in 2013, SEK 3 million (6) was attributable to the parent company.

Exchange-rate exposure

All forward foreign exchange contracts for the Swedish operations are taken out by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish production units. Exposure for the parent company is thus lower than that of the forward contracts signed. This applies up to the invoicing date, because the parent company takes over the accounts receivable for the Swedish production units. At year-end 2013, foreign exchange contracts not yet recognised in profit/loss totalled a nominal SEK 3 721 million (2 679) and all foreign exchange contracts will be recognised in profit/loss in 2014.

Interest rate risk

The Group's borrowing is conducted primarily via the parent company and accounted for 82% of the Group's total borrowing on 31 December 2013. As a result, the parent company has largely the same exposure to changes in interest rates as the Group. All interest derivatives are attributable to the parent company.

Costs

Energy

The parent company is the contracted party in all electricity hedging contracts, which are based on electricity consumption at the six Swedish production facilities. The parent company's exposure is therefore less than the total hedged amounts. However, when the contract is settled, any profit or loss on the contract is distributed in proportion to the forecast consumption of each production unit. Consequently the parent company's earnings are only affected by the amount corresponding to the parent company's (Gruvön production unit) electricity consumption. During 2013, the Company had no electricity hedging contracts.

Proposed allocation of profit

As shown on page 52 of this annual report, non-restricted equity in the parent company, BillerudKorsnäs AB, amounted to SEK 5 334 million on 31 December 2013.

According to BillerudKorsnäs' financial targets, the dividend shall equal 50% of the net earnings per share over a business cycle and the net debt/equity ratio shall be less than 0.90 over a business cycle. At the end of 2013, the Company's net debt/equity ratio was 0.78, 0.08 lower than at the end of 2012. BillerudKorsnäs' Board of Directors proposes that, of the earnings per share of SEK 3.24, SEK 2.25 per share be paid to shareholders and that the remaining amount be carried forward.

Events after the close of the financial year

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

Outlook

- The outlook for all business areas appears to be stable for the first quarter of 2014. For the remainder of 2014, the market outlook for the business areas of Packaging Paper and Containerboard is more uncertain.
- Prices in local currency are anticipated to stay on current level for the next quarter for all business areas. Business areas Containerboard and Packaging Paper are anticipating some pressure on prices in local currency beyond the first quarter.
- Wood prices during the first half of 2014 are expected to remain at the same level as at the end of 2013.
- The target of approximately SEK 530 million in annual synergies and savings is unchanged and is expected to be reached by the end of 2014.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

SEKm	Note	2013	2012
	1		
Net sales	2, 34	19 533	10 427
Other operating income	3	129	27
Total operating income		**19 662**	**10 454**
Operating expenses			
Change in inventories		–43	77
Raw materials and consumables		–10 181	–5 413
Other external costs	4	–3 980	–2 268
Employee benefits expense	5	–2 956	–1 654
Depreciation and impairment of non-current assets	10, 11	–1 402	–709
Result from participations in associated companies	14	13	2
Total operating expenses		**–18 549**	**–9 965**
Operating profit/loss	2, 34	**1 113**	**489**
Financial items	6		
Financial income		19	13
Financial expenses		–304	–100
Net financial items		**–285**	**–87**
Profit/loss before tax		**828**	**402**
Tax	8	–142	275
Profit/loss for the period		**686**	**677**
Profit/loss attributable to:			
Parent company shareholders		671	677
Non-controlling interests		15	–
Profit/loss for the period		**686**	**677**
Earnings per share, SEK	9	3.24	5.14
Diluted earnings per share, SEK	9	3.24	5.12

Dividend per share is shown in note 17.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2013	2012
Net profit/loss for the period	**686**	**677**
Items that cannot be transferred to profit or loss		
Revaluation of defined-benefit pensions	89	–6
Tax that can be attributed to items that cannot be transferred to profit/loss for the period	–20	–2
Total items that cannot be transferred to profit or loss	**69**	**–8**
Items that have been transferred or can be transferred to profit or loss		
Differences arising from the translation of foreign operations' accounts for the period	67	–56
Changes in fair value of available-for-sale financial assets during the period	51	8
Changes in fair value of available-for-sale financial assets during the period transferred to profit/loss for the year	–7	–
Change in fair value of cash flow hedges	–35	–134
Change in fair value of cash flow hedges transferred to profit/loss for the year	12	142
Tax attributable to cash flow hedges in other comprehensive income	5	–2
Total items that have been transferred or can be transferred to profit or loss	**93**	**–42**
Total comprehensive income for the period	**848**	**627**
Attributable to:		
Parent company shareholders	831	627
Non-controlling interests	17	–
Total comprehensive income for the period	**848**	**627**

CONSOLIDATED BALANCE SHEET

SEKm	Note	31 Dec 2013	31 Dec 2012[1]	1 Jan 2012[1]
ASSETS	1, 23			
Non-current assets				
Intangible fixed assets	11	2 657	2 691	52
Property, plant and equipment	10	13 797	13 854	5 054
Participations in associated companies and joint ventures	14	253	265	29
Other holdings	15	781	737	30
Deferred tax assets	8	1	1	1
Long-term receivables from associated companies	30	89	95	–
Long-term receivables		3	2	342
Total non-current assets		**17 581**	**17 645**	**5 508**
Current assets				
Inventories	16	3 010	3 146	1 135
Tax assets		205	78	17
Accounts receivable	2	2 359	2 244	1 391
Receivables from associated companies	30	21	19	3
Prepaid expenses and accrued income		209	235	76
Other receivables		416	611	276
Cash and cash equivalents	25	484	745	929
Total current assets		**6 704**	**7 078**	**3 827**
Total assets		**24 285**	**24 723**	**9 335**
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 23			
Shareholders' equity	17			
Share capital		1 537	1 029	774
Additional contributed capital		4 484	4 950	903
Reserves		33	–58	–16
Profit brought forward incl. profit/loss for the year		3 802	3 470	3 161
Total shareholders' equity attributable to parent company shareholders		**9 856**	**9 391**	**4 822**
Non-controlling interests		61	44	1
Total shareholders' equity		**9 917**	**9 435**	**4 823**
Non-current liabilities				
Interest-bearing liabilities	20	4 574	5 405	819
Provisions for pensions	18	732	832	290
Other provisions	19	42	83	36
Deferred tax liabilities	8	2 691	2 561	1 449
Total non-current liabilities		**8 039**	**8 881**	**2 594**
Current liabilities				
Interest-bearing liabilities	20	2 958	2 700	–
Accounts payable		1 691	2 527	1 210
Liabilities to associated companies	30	35	22	17
Tax liabilities		18	27	171
Accrued expenses and deferred income	22	1 383	938	435
Other liabilities		178	192	84
Provisions	19	66	1	1
Total current liabilities		**6 329**	**6 407**	**1 918**
Total liabilities		**14 368**	**15 288**	**4 512**
Total shareholders' equity and liabilities		**24 285**	**24 723**	**9 335**

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

1 The opening and closing balance for 2012 has been changed as a result of an amendment to IAS 19 Employee Benefits and has affected items in shareholders' equity, pension provisions, deferred tax liabilities and other liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

SEKm	Note	Share capital	Other contributed capital	Conver-sion reserve	Fair value reserve	Hedging reserve	Profit brought forward incl. profit/loss for the year	Total	Non-controlling interests	Total shareholders' equity
		Equity attributable to shareholders of the parent company								
Opening balance 1 Jan 2012	17	774	903	–16	–	–	3 210	4 871	1	4 872
Revaluation of defined-benefit pensions							–49	–49		–49
Adjusted opening balance, 1 Jan 2012		**774**	**903**	**–16**	**–**	**–**	**3 161**	**4 822**	**1**	**4 823**
Total comprehensive income for the year				–56	8	6	669	627	–	627
Acquisition of partly owned subsidiaries in which previous had non-controlling interest									43	43
Dividends paid							–361	–361		–361
Share-based payments to be settled in equity instruments, IFRS 2							1	1		1
Directed issue		255	2 112					2 367		2 367
New share issue in progress			1 935					1 935		1 935
Closing balance, 31 Dec 2012		**1 029**	**4 950**	**–72**	**8**	**6**	**3 470**	**9 391**	**44**	**9 435**

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Note	2013	2012
	25		
Operating activities			
Profit/Loss after financial items		828	402
Adjustments for items not included in the cash flow		1 561	821
Tax paid		–160	–353
Cash flow from operating activities before changes in working capital		**2 229**	**870**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		44	88
Increase (–)/Decrease (+) operating receivables		82	–463
Increase (+)/Decrease (–) in operating liabilities		–510	507
Cash flow from operating activities		**1 845**	**1 002**
Investment activities			
Acquisition of intangible assets		–	–
Acquisition of property, plant and equipment		–1 274	–955
Sale of property, plant and equipment		87	13
Acquisition of businesses/acquisition of company	31	–	–1 073
Acquisition of subsidiaries, net effect on cash and cash equivalents	31	9	–5 508
Acquisition of financial fixed assets		–3	–10
Sale of financial fixed assets		–	339
Cash flow from investment activities		**–1 181**	**–7 194**
Cash flow after investment activities		**664**	**–6 192**
Financing activities			
Changes in interest-bearing receivables		6	–46
New borrowings		3 281	6 022
Repayment of borrowings		–3 862	–1 534
Dividend		–413	–361
New share issue		42	1 954
Issue expenses		–	–19
Cash flow from financing activities		**–946**	**6 016**
Cash flow for the year		**–282**	**–176**
Cash and cash equivalents, beginning of year		**745**	**929**
Translation difference in cash and cash equivalents		**21**	**–8**
Cash and cash equivalents at year-end		**484**	**745**

PROFIT AND LOSS ACCOUNTS FOR PARENT COMPANY

SEKm	Note	2013	2012
	1		
Net sales	2	3 816	4 160
Change in inventories		–16	–343
Other operating income	3	41	39
Total operating income		**3 841**	**3 856**
Operating expenses			
Raw materials and consumables		–1 652	–1 721
Other external costs	4	–1 000	–996
Employee benefits expense	5	–712	–660
Depreciation and impairment of non-current assets	10, 11	–272	–276
Total operating expenses		**–3 636**	**–3 653**
Operating profit/loss		**205**	**203**
Financial items	6		
Profit/Loss from participations in Group companies		5	22
Profit/Loss from other participations		1	–
Interest income and similar profit/loss items		12	17
Interest expense and similar profit/loss items		–209	–57
Total financial items		**–191**	**–18**
Profit after financial items		**14**	**185**
Appropriations	7	–1 231	1 438
Profit/Loss before tax		**–1 217**	**1 623**
Tax	8	272	–318
Net profit/loss for the period		**–945**	**1 305**

STATEMENT OF COMPREHENSIVE INCOME FOR PARENT COMPANY

SEKm	2013	2012
Net profit/loss for the period	**–945**	**1 305**
Other comprehensive income		
Other comprehensive income for the period	–	–
Total comprehensive income	**–945**	**1 305**

BALANCE SHEET FOR PARENT COMPANY

SEKm	Note	31 Dec 2013	31 Dec 2012
	1, 23		
ASSETS			
Subscribed capital unpaid		**–**	**42**
Non-current assets			
Intangible fixed assets	11	4	6
Property, plant and equipment	10	2 330	2 464
Shares in Group companies	12	10 637	10 612
Participations in associated companies and joint ventures	14	4	1
Other holdings	15	26	26
Long-term receivables Group companies	13, 30	96	1 501
Other long-term receivables		12	12
Total non-current assets		**13 109**	**14 622**
Current assets			
Inventories	16	322	342
Accounts receivable	2	2 047	1 470
Receivables from Group companies	13, 30	1 897	1 115
Receivables from associated companies	30	2	4
Prepaid expenses and accrued income		54	52
Other receivables		238	168
Cash and bank	25	291	553
Total current assets		**4 851**	**3 704**
Total assets		**17 960**	**18 368**
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 23		
Shareholders' equity	17		
Restricted shareholders' equity			
Share capital (244 220 818 ordinary shares)		1 537	1 029
New share issue in progress		–	508
Statutory reserve		149	149
Total restricted shareholders' equity		**1 686**	**1 686**
Unrestricted shareholders' equity			
Share premium reserve		4 408	4 408
Profit/Loss brought forward		1 871	979
Net profit/loss for the year		–945	1 305
Total non-restricted shareholders' equity		**5 334**	**6 692**
Total shareholders' equity		**7 020**	**8 378**
Untaxed reserves	26	**2 135**	**346**
Provisions			
Provisions for pensions and similar commitments	18	207	210
Deferred tax liability	8	266	549
Other provisions	19	14	–
Total provisions		**487**	**759**
Non-current liabilities			
Syndicated loans	21	813	3 110
Bond loans	21	1 644	150
Other interest-bearing non-current liabilities	21	800	800
Liabilities to Group companies	13, 30	1 110	781
Total non-current liabilities		**4 367**	**4 841**
Current liabilities			
Liabilities to credit institutions	21	2 957	2 698
Accounts payable		193	303
Liabilities to Group companies	30	463	749
Liabilities to associated companies	30	6	5
Tax liabilities		–	7
Accrued expenses and deferred income	22	321	261
Other liabilities		11	21
Total current liabilities		**3 951**	**4 044**
Total shareholders' equity and liabilities		**17 960**	**18 368**
Pledged assets and contingent liabilities of the parent company			
Pledged assets	29	12	12
Contingent liabilities	29	45	43

STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

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

		Restricted shareholders' equity			Unrestricted shareholders' equity			
SEKm	Note	Share capital	New issue in progress	Statutory reserve	Share premium reserve	Profit/Loss brought forward	Profit/Loss for the year	Total share-holders' equity
Opening balance, 1 Jan 2012	17	**774**	**–**	**149**	**827**	**1 804**	**–464**	**3 090**
Previous year's profit/loss brought forward						–464	464	–
Profit/loss for the year							1 305	1 305
Directed issue		255			2 112			2 367
New share issue in progress			508		1 469			1 977
Dividends paid						–361		–361
Closing balance, 31 Dec 2012		**1 029**	**508**	**149**	**4 408**	**979**	**1 305**	**8 378**

CASH FLOW STATEMENT FOR PARENT COMPANY

SEKm	Note	2013	2012
	25		
Operating activities			
Profit/Loss after financial items		14	185
Adjustments for items not included in the cash flow		315	321
Tax paid		–120	–319
Cash flow from operating activities before changes in working capital		**209**	**187**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		20	48
Increase (–)/Decrease (+) operating receivables		–767	–259
Increase (+)/Decrease (–) in operating liabilities		64	254
Cash flow from operating activities		**–474**	**230**
Investment activities			
Acquisition of property, plant and equipment		–136	–160
Acquisition of shares in subsidiaries		–40	–7 040
Disposal of shares in subsidiaries		1	–
Acquisition of financial fixed assets		–3	–1
Disposal of financial fixed assets		–	340
Change in financial receivables		1 404	–1 500
Cash flow from investment activities		**1 226**	**–8 361**
Cash flow after investment activities		**752**	**–8 131**
Financing activities			
New borrowings		4 110	6 081
Repayment of borrowings		–4 325	–864
Dividend		–413	–361
New share issue		42	1 954
Issue expenses		–	–19
Settled Group contributions		–428	1 051
Cash flow from financing activities		**–1 014**	**7 842**
Cash flow for the year		**–262**	**–289**
Cash and cash equivalents, beginning of year		**553**	**842**
Cash and cash equivalents at year-end		**291**	**553**

RISK MANAGEMENT AND SENSITIVITY ANALYSIS

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

BillerudKorsnäs seeks actively to minimise risk through preventive measures. Where preventive measures are not possible, the risk can be hedged or insured against. Many of the risks discussed below can influence BillerudKorsnäs both positively and negatively.

Risk management is governed on overall level by the Board of Directors and audit committee, and on operational level by the CEO, Senior Management Team and other staff. Risk management pays special attention to ensure that a balance is struck between control activities and the development of an effective control environment with individual accountability throughout the organisation.

OPERATIONAL RISKS

DESCRIPTION OF RISKS	RISK MANAGEMENT	COMMENTS ON 2013
Variations in market prices and volumes for BillerudKorsnäs' products BillerudKorsnäs' products are generally dependent on the business cycle, in terms of both price development and sales volumes. BillerudKorsnäs' operations, financial position and earnings are affected by the economy in general in Europe, the USA and the rest of the world. Negative changes in the economy in Europe, the USA and the rest of the world may have a negative impact on Billerud-Korsnäs' turnover, financial position and earnings.	The customer base is constantly subject to change. A high proportion of BillerudKorsnäs' customer agreements are informal and principally contain indicative volumes and agreements in respect of payment and stock terms and conditions, which is common practice in the industry. Customer agreements that contain detailed provisions in respect of agreement term and termination rarely occur. In many cases, customer agreements are renegotiated regularly on a six-month or annual basis. However, the majority of customer agreements in respect of Liquid Packaging Board, which constituted a significant proportion of Billerud-Korsnäs' sales during 2013, do not adhere to this rule. Many agreements in this sector run for several years, usually specifying agreed volumes, prices and payment terms. The Group's single biggest customer, a customer for Liquid Packaging Board, accounted for a substantial share of the Group's sales. The agreement with this customer runs for a limited period. BillerudKorsnäs focuses continually on process efficiency to adapt its costs in order to counteract the negative influence that lower market prices have on BillerudKorsnäs' operating profit. The Group also works continuously to develop product differentiation based on customers' needs and to boost the proportion of sales to consumer-related industries, e.g. in order to reduce cyclical fluctuations.	During 2013, the Group's sales volume increased by 1 million tonnes to 2 591 kilotonnes (1 592), primarily as the result of the acquisition of Korsnäs. Turnover increased to SEK 19 533 million (10 427). The operating margin improved to 5.7% (4.7), but was still negatively impacted by the prevailing economic climate and exchange rates. The Group's ongoing synergies programme experienced better than plan development, which had a positive effect on costs.

OPERATIONAL RISKS (cont.)

DESCRIPTION OF RISKS | **RISK MANAGEMENT** | **COMMENTS ON 2013**

Customer dependence and customer credit risk

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

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

The granting of credit to customers varies, depending on the market and the product. The Group has developed guidelines to control customer credit, in which the basic policy is to ensure that all customer credit that is insurable. Exemptions are made for certain major long-standing customers and buyers of raw timber. In certain markets, where it is not possible to insure customer credit, letters of credit, advance payments or bank guarantees are used to guarantee payments.

At year-end 2013, accounts receivable totalled SEK 2 359 million, representing an average customer credit period of about 45 days. As at 31 December 2013, approximately 80% of outstanding accounts receivable was insured via credit insurance. Bad debts totalled SEK 7 million in 2013. During 2013, organisational functions for credit control were coordinated in order to enable increased focus on the payment process.

PROVISION FOR BAD DEBTS

Group, SEKm	2013	2012
Provision at beginning of year	41	20
Acquisitions	–	15
Provision for anticipated bad debts	3	6
Confirmed bad debts	–7	–
Provision at year-end	**37**	**41**

BREAKDOWN OF ACCOUNTS RECEIVABLE BY AGE

	2013			2012			
Group, SEKm	Gross	Impairment	Net	Gross	Acquisitions	Impairment	Net
Accounts receivable not due	1 953	–	1 953	2 070	–	–6	2 064
Accounts receivable overdue 0–30 days	360	–1	359	180	–	–	180
Accounts receivable overdue >30–90 days	42	–1	41	20	–1	–	19
Accounts receivable overdue >90–180 days	11	–3	8	5	–5	–	–
Accounts receivable overdue >180–360 days	16	–15	1	–	–1	–1	–2
Accounts receivable overdue >360 days	14	–17	–3	10	–8	–19	–17
Total	**2 396**	**–37**	**2 359**	**2 285**	**–15**	**–26**	**2 244**

Compliance with conditions for the merger of Billerud and Korsnäs

On 6 June 2013, an agreement was signed with Swedpaper AB concerning the takeover of Gävle-based PM2. This marked compliance with the conditions set out by the EU's competition authority for the approval of the merger between Billerud and Korsnäs. The sale of products from PM2 corresponded to around 2% of the Group's total sales.

The sale of PM 2 includes the sale of an integrated machine, for which BillerudKorsnäs will provide certain inputs. The methodology and implementation is in many ways similar to the Group's 2012 acquisition of UPM's packaging paper business.

PM 2 was sold to Swedpaper as of 6 June 2013. Deliveries of raw goods and services to Swedpaper units followed applicable agreements after the sale.

Risks related to facilities

BillerudKorsnäs has production facilities for paper and cardboard production in eight sites in three countries. Sudden and unforeseen disruptions may affect each facility's capacity to produce in accordance with plan, which may affect customer relationships and the company's long term competitiveness.

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

In 2013, BillerudKorsnäs signed a new long-term insurance policy for property and breakdown protection for all production facilities.

Supplies of wood raw materials

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

Purchases are made from a small number of major suppliers, as well as from a large number of private landowners. Approximately 23% (20) of the Company's timber requirements are imported, mainly from the Baltic countries. The company has signed supply agreements on a commercial basis regarding timber purchases from companies and organisations including Bergvik Skog, Holmen, Mellanskog, Stora Enso, Sveaskog and the Federation of Swedish Family Forest Owners. BillerudKorsnäs takes the view that its partnership with major suppliers will remain in place for the foreseeable future.

The availability of wood fibre raw material was good during 2013.

OPERATIONAL RISKS (cont.)

DESCRIPTION OF RISKS | **RISK MANAGEMENT** | **COMMENTS ON 2013**

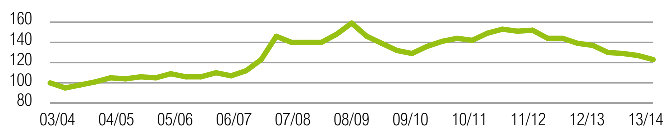
Wood price risk

Market prices for wood vary over time, which can affect Billerud-Korsnäs' earnings. The price curve of raw wood has taken a dip over the past three years. Prices are influenced by demand from the pulp industry, indicating that changes in output for the pulp industry as a whole in the Nordic countries may have long term consequences for the costs of wood raw materials. Increased use of, for example, sawn timber and wood as a combustion material, especially in connection with the use of biofuels for electricity and heat generation, may also indirectly affect the price of pulp wood. Changes in customs duties may also impact on the price of imported timber.

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

WOOD PRICE INDEX

Source: BillerudKorsnäs.



The cost of wood to BillerudKorsnäs has fallen over the past three years thanks to reduced demand from the pulp industry, which has resulting in good stocks coniferous and deciduous wood.

Energy price risk

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

The biggest factor affecting energy costs is the price of electricity in the STO (SE3) electricity area. Areas LUL (SE1) and HEL (Fi) also have production units that pose a certain electricity price risk. In total, BillerudKorsnäs consumes around 3,2 TWh/year, 1.4 TWh/year of which is production in the company's own back pressure facilities, and 1.8 TWh/year is bought in.

BillerudKorsnäs has a self-sufficiency rate of approximately 47%. In principle, all in-company electricity generation is biofuel-based, which is why the cost of in-company generation generally follows the price curve of biofuel.

In May 2007, BillerudKorsnäs signed a 10-year fixed price electricity supply agreement with Vattenfall. The agreement covers basic power requirements of around 0.4 TWh per year for the period 2008–2017. Through this agreement and its own power generation capacity, BillerudKorsnäs has secured approximately two-thirds of its electricity energy requirement in a satisfactory manner, with a balanced combination of in-company generation and long-term supply agreements. The remainder of the external energy requirement will be bought on the spot market.

The company is also actively working to make energy efficiencies and is part of the Swedish Energy Agency's Energy Efficiency Programme.

Trading in electricity futures may occur in order to secure a fixed price level for the variable part of consumption.

In 2013, total electricity consumption in the company's Swedish units was about 2.95 TWh (3.10), of which approximately 46.9% (43.6) was generated in-company, approximately 14.9% (14.1) was basic power purchased at fixed prices from Vattenfall and approximately 38.2% (42.3) was purchased on the spot market.

Electricity certificates impacted operating profit by SEK 68 million (140) in 2013.

During the year, the company invested in a new evaporation facility in Skärblacka, thereby reducing the use of oil and biofuels.

Costs of procured services

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

In 2012, the EU Council of Ministers approved an amendment of Directive 1999/32/EC in respect of the sulphur content of marine fuels. According to the amendment, the sulphur content of marine fuels in the Sulphur Emission Control Area (SECA) (comprising the Baltic Sea, North Sea and English Channel) is to be limited to 0.10% effective January 2015. The direct effects of this are that the cost of marine transports in the SECA area will increase due to the higher price of low sulphur fuel. Indirect effects are that the price of diesel used in trucks will probably increase as, to all intents and purposes, it is the same fuel that will be used by ships. This will result in an increase in the cost of road haulage.

Shipping costs are fixed annually via agreements. Fluctuations in shipping costs are affected by competition between shipping companies, changes in energy prices, environmental regulations and wage costs. Continuous oversight and change of selected transport solutions are implemented as a means of reducing costs.

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

In 2013, customer shipping accounted for 10% (11) of BillerudKorsnäs' total operating costs. Shipments by rail accounted for 33% (28) of shipping costs incurred by BillerudKorsnäs' production units, while shipments by sea accounted for 35% (39) and road freight 26% (26).

During the year, other procured services accounted for 4% (6) of BillerudKorsnäs' total operating costs.

Risks related to employees

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

Personnel costs constitute the second largest expense item.

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

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

During 2013, the company instituted a new trainee programme that would begin during 2014 with the aim of ensuring good supply of skills in the long term. Billerud-Korsnäs also focuses on "Employer Branding", which aims to profile the company as an employer.

In the past three years, wage costs have through agreements risen by around 3% per year.

OPERATIONAL RISKS (cont.)

DESCRIPTION OF RISKS

Environmental impact and renewal of licenses

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

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

In Sweden, licenses in accordance with the Swedish Environmental Code are required. Similar regulations apply in the rest of the EU. Operating licences in Sweden are issued by Land and Environmental Courts following a comprehensive legal review during which the government's interests are safeguarded by the Swedish Environmental Protection Agency and the County Administrative Board. The ruling handed down specifies which investments are required to protect people and the environment if operations under the licence are to be conducted.

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

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

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

The EU's Industrial Emissions Directive, which was implemented in Swedish legislation during 2013, has introduced industry-wide emissions limits throughout the EU. The emission limits are set on the basis of what is considered achievable with the best available technology. Local conditions are not taken into account. At present, only one proposal has been presented for general emission limits for the pulp and paper industry, and these limits will only become binding four years after being adopted, which will probably happen during 2014. There is a risk that one or more BillerudKorsnäs units will be compelled to undertake new investments or implement other measures to satisfy future requirements.

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

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

In the event of closure of an operation or part of an operation, the area shall be restored, at which point the costs of treatment become an issue. BillerudKorsnäs may also be ordered to investigate or undertake clean-ups of land contamination in properties that the Company no longer owns or conducts operations in.

Finally, the Group is impacted by various economic instruments in the environmental field, including energy taxes, carbon emission trading scheme, carbon dioxide taxes and waste management taxes, which may generate both income and expense. Future rule changes may affect BillerudKorsnäs' sales and earnings.

RISK MANAGEMENT

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

The production units work together in an environmental network. Employees at BillerudKorsnäs have undergone training in basic environmental knowledge, and this also forms part of the induction training for new employees. Key staff are given more in-depth environmental training to enable them to tackle ongoing environmental issues. If necessary, potential environmental investments are incorporated into the Group's investment plan.

BillerudKorsnäs actively works on reducing its impact on the climate by cutting down on its use of fossil fuels, thus reducing emissions of greenhouse gases not only in production and in transportation, but also via more efficient energy use. You can read more about this work in BillerudKorsnäs' Sustainability Report, which is a complement to this Annual Report.

COMMENTS ON 2013

Environmental work was successfully carried out during 2013. Fossil oil consumption was again lower than in the previous year, primarily thanks to the operation of the new biofuel boiler in Gävle and the commissioned investment in a new evaporator in Skärblacka.

During 2013, Rockhammar received official approval to increase production from 90 000 tonnes CTMP per year to 110 000 tonnes per year.

For more information, see our Sustainability Report.

FINANCIAL RISKS

BillerudKorsnäs' financial risk management policies, which correspond to the policies that were adopted before and during 2013, are described below.

DESCRIPTION OF RISKS | **RISK MANAGEMENT** | **COMMENTS ON 2013**

Currency risk – transaction exposure

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

Nominal amount of foreign exchange derivatives	2013	2012
EUR million	388	180
USD million	130	113
GBP million	31	33

Market value of interest derivatives, SEKm		
Forward foreign exchange contracts	–16	41

To reduce the consequences of currency exposure, BillerudKorsnäs continuously hedges forecast net flows in foreign currencies. The financial policy adopted by the Board states guidelines for currency hedging, which means that between 35% and 65% of net flows over the coming 12-month period must always be hedged. However, this figure may rise to 100% of net flows over the coming 15 months if it is deemed appropriate with regard to profitability and the currency situation.

Control of BillerudKorsnäs' business areas is based on exchange rates current at any one time, in order to continually adjust commercial terms to the prevailing currency situation. The main target for each business area is the operating margin, which is measured net of the earnings effects of hedging currency flows. Since 2007, the earnings effects of exchange rate changes in operating capital have been managed centrally and matched against earnings for currency hedging.

At year-end 2013, foreign exchange contracts not yet recognised in profit/loss totalled a nominal SEK 3 721 million (1 827), of which foreign exchange contracts representing SEK 3 721 million (1 827) will be recognised in profit/loss in 2014. The corresponding net currency flows for the Group in 2014 are estimated at around SEK 5 900 million (5 600).

At year-end, the forecast net flows in EUR were 100% hedged. Of the net flows in USD and GBP, around 50% were hedged.

As per 31 December 2013, the market value of BillerudKorsnäs' outstanding forward currency contracts was SEK –16 million.

Currency risk – translation exposure

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

SEKm	Capital employed	Net borrowings	Net assets
GBP	143	5	138
EUR	1 378	–360	1 738
USD	22	–25	47
Other currencies	12	12	0
Total	**1 555**	**–368**	**1 923**

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

As per 31 December 2013, total capital employed in foreign currency was SEK 1 555 million (1 396), of which SEK 1 923 million (1 647) was financed by shareholders' equity. Of the net assets in GBP, SEK 138 million (142), 44% (43) was hedged through loans raised by the parent company. No hedging was arranged for net assets in other currencies. Earnings are affected when the earnings of subsidiaries are translated at an exchange rate that differs from the one on the balance sheet date. This reduced earnings in 2013 by SEK 5 million (2).

Financing risk

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

In order to ensure that the Group always has access to external financing, the finance department must ensure a supply to short and long-term credit commitments. Maximum cost-efficiency within established limits shall be the goal.

The lender base shall also be reasonably diversified to avoid excessive dependency on individual sources of financing. The repayment structure for the Group's loans shall be arranged such that the loan maturity is evenly spread over the period.

The Group's loan portfolio was changed during 2013. It established a bond programme for Medium Term Notes (MTN) with a loan frame of SEK 5 000 million, of which SEK 1 500 was issued in March. The frame of the commercial paper programme was increased from SEK 1 500 million to SEK 3 000 million. During the year, bond loans of a total nominal amount of SEK 525 million became due and were repaid. As per 31 December 2013, outstanding bond loans, including MTN, totalled SEK 1 650 million and commercial paper SEK 2 480 million. In addition to the above loans, there is also a syndicated credit facility of SEK 5 500 million, which runs to November 2015, of which SEK 813 million had been used as per 31 December 2013. Furthermore, the Group has bilateral loans totalling SEK 2 500 million and a bond loan of SEK 150 million. For more information, see note 20.

As per 31 December 2013, BillerudKorsnäs' net interest-bearing debt amounted to SEK 7 691 million (8 096).

BILLERUDKORSNÄS

FINANCIAL RISKS (cont.)

Interest rate risk

DESCRIPTION OF RISKS

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

Nominal value of interest rate derivatives, SEKm	2013	2012
Interest rate swaps:		
Duration less than 1 year	–	375
Duration 1–2 years	–	–
Duration more than 2 years	1 850	150
Total	**1 850**	**525**

Market value of interest derivatives, SEKm		
Interest rate swaps	–13	–13

Nominal amount, fixed interest loans		
Duration more than 2 years	500	0

RISK MANAGEMENT

To ensure cost-effective financing for the Group and avoid excessive impacts on earnings from large negative changes in interest rates, the norm for the Group is that the average refixing period for the loan stock shall be 18 months, with a permitted deviation of +/–12 months. The fixed interest term for an individual loan or interest rate swap may not exceed 10 years. To achieve this norm, interest rate derivatives, preferably interest rate swaps and fixed interest loans, are used. Price risk is defined as the effect on earnings that may be caused by changes in the price of outstanding capital instruments. Investments are made with minimal refixing of interest rates, and rate-related risks in investments are therefore limited.

COMMENTS ON 2013

If the Group's entire borrowing portfolio had a variable interest rate, the effect on earnings for one year from a 1 percentage point change in interest rates would be SEK 76 million (81), based on liabilities of SEK 7 532 million at year-end.

The Group's average interest rate refixing period was around 15 months (3) at year-end. A change of 1 percentage point in interest rates would have an annualised effect of SEK 52 million (65) on earnings, given the current refixing period.

Financial credit risk

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

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

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

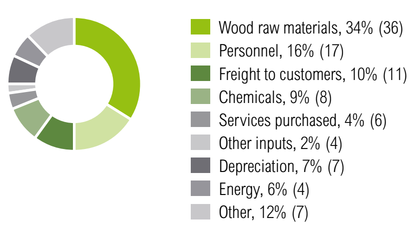
At year-end, total credit exposure was SEK 767 million (842).

SENSITIVITY ANALYSIS

Variable	Change	SEKm
Sales volume	+/– 10%	+/–750
Exchange rates, SEK [1]	+/– 10%	+/–600
Price of wood	+/– 10%	–/+500
Price of electricity	+/– 10%	–/+460
Interest rate on loans [2]	+/– 1 percentage point	–/+52

1 Excluding effects of currency hedging.
2 Excluding effects of interest hedging.

BREAKDOWN OF OPERATING COSTS



NOTES AND ACCOUNTING POLICIES

(Amount in SEKm unless stated otherwise)

1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of measurement in preparing the financial reports

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

Functional and presentation currencies

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

Use of estimates and judgments in the financial reports

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

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

Judgements made by the Company's management when applying IFRS that have a significant impact on financial reports and estimates made that may involve significant adjustments to subsequent financial reports are described in more detail in note 32.

Accounting policies applied in the reports

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

Changes in accounting policies

The following new and amended standards and interpretations are applicable from 2013.

- IFRS 7 Financial instruments: Disclosures – amendment
  Under the new disclosure requirements disclosure is required for financial assets and financial liabilities that are offset in the statement of financial position and/or subject to master netting arrangements or similar agreements that allow offsetting. See note 23 for more information.

- IFRS 13 Fair Value Measurement
  The standard contains uniform rules for the calculation of fair value where other standards require recognition or disclosures of the fair values of assets and liabilities. New disclosures must be made to clarify which valuation techniques are applied and the input data used in these models, as well as the effects of the valuation on the result. The standard has not affected BillerudKorsnäs' fair value calculations, but has led to some expansion of the supplementary disclosures.

- IAS 1 Presentation of financial statements – amendment
  The amendment entails changes to the grouping of transactions reported under other comprehensive income. Items that are recognised in profit and loss are to be recognised separately from those items that are not recognised in profit and loss. The proposal does not change the actual content of other comprehensive income, only the way it is presented.

- IAS 19 Employee benefits – amendment
  Deferred recognition of actuarial gains and losses, the "corridor" approach, can no longer be applied; instead, these must be recognised in other comprehensive income on a running basis. Estimated liabilities for payroll tax that were previously recognised as other current liabilities and provisions are included beginning in 2013 in provisions for pensions. Corresponding changes in other comprehensive income and the balance sheet have been made for the comparative year 2012.

- IAS 36 Impairment of assets – amendment
  The amendment to IAS 36 removes the requirement to disclose the recoverable amount for all cash-generating units to which goodwill has been allocated, which was introduced in connection with the implementation of IFRS 13 Fair Value Measurement. Instead, the amendment introduces additional disclosure requirements about fair value when the recoverable amount of an impaired asset is based on fair value less costs of disposal. The amendment will apply from 1 January 2014, but BillerudKorsnäs has elected to early adopt the amendment in 2013.

- Annual improvements of IFRS standards 2009–2011
  Minor amendments and clarifications of five standards. The amendments have had no impact on BillerudKorsnäs' financial statements.

New IFRS and interpretations coming into effect in 2014 or later

The following new or amended standards and interpretations are applicable from 2014, except for IFRS 9, for which the effective date has yet to be determined. Of the following new or amended standards, IFRS 11 Joint Arrangements has been judged to have a significant impact on the financial reports, while the others have been judged to have limited effects on the financial reports.

- IFRS 9 Financial Instruments
  This standard is part of a comprehensive revision of the existing standard IAS 39

Financial Instruments: Recognition and Measurement. The standard entails a reduction in the number of measurement categories for financial assets and was supplemented with rules for hedge accounting in November 2013. Rules for impairment will be added to the standard at a later date.

- IFRS 10 Consolidated financial statements and amendment to IAS 27 separate financial statements
  IFRS 10 supersedes the section in IAS 27 dealing with the preparation of consolidated financial statements. What remains in IAS 27 concerns the management of subsidiaries, joint ventures and associated companies in separate financial statements. The rules concerning the preparation of consolidated financial statements remain unchanged. Rather, the amendment concerns how a company is to go about deciding whether it has a controlling interest and thus whether a company is to be consolidated.

- IFRS 11 Joint Arrangements and amendment to IAS 28 Associates and joint ventures
  IFRS 11 addresses the accounting for joint arrangements, defined as an agreement in which two or more parties have joint control. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Contribution of non-monetary assets from a joint ownership to a jointly controlled entity. Beginning in 2014, ownership in Bomhus Energi AB will be reported as a joint operation in accordance with IFRS 11 and where BillerudKorsnäs recognises its share of Bomhus Energi's revenue, expenses, assets and assets and liabilities. For the impact on the financial statements, see Note 14.

- IFRS 12 Disclosure of interests in other entities
  The standard includes expanded disclosure requirements for interests in subsidiaries, associates, joint arrangements and structured entities.

- IAS 32 Financial instruments: Classification – amendment
  The amendment to IAS 32 inserts a clarification in the "Application Guidance" regarding offsetting of financial assets and financial liabilities. The amendment clarifies what is meant by a "legal right to offset" and what is meant by "settling on a net basis" in different situations.

- IFRIC 21 Levies (Expected to be approved by the EU during the second quarter of 2014)
  The interpretation clarifies when to report a liability for "levies". "Levies" are fees/taxes that government or equivalent bodies impose on entities in compliance with laws/regulations, with the exception of income taxes, penalties and fines. The interpretation states that a liability should be recognised when the entity has an obligation to pay the levy as a result of a past event. A liability is recognised progressively if the obligating event occurs over a period of time. If a certain minimum threshold is to be achieved for the obligation to arise, the liability is only recognised when this level is reached.

Classifications etc.

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

Operating segments

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

Basis of consolidation

Subsidiaries

Subsidiaries are companies in which BillerudKorsnäs AB has a controlling influence. Controlling influence means the right to formulate, directly or indirectly, the company's financial and operating strategies in order to obtain financial advantages. This usually means that BillerudKorsnäs controls more than 50% of the voting rights. An assessment of whether or not a controlling influence exists must consider potential vote-entitling shares that can be utilised or converted without delay.

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

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

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

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

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

Associated companies and joint ventures

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

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

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

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

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

Beginning in 2014, investment which under the rules of IFRS 11 are deemed joint arrangements will be recognised as a joint operation and where BillerudKorsnäs recognises its share of the joint operation's revenue, expenses, assets and assets and liabilities.

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

Hedging of net investments in foreign operations

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

Revenue

Sale of goods and performance of services

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

Government support

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

Leasing

Operating leases

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

Finance leases

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

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

Financial income and expenses

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

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

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

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

Taxes

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

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

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

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

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

Financial instruments

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

Recognition on, and removal from, the balance sheet

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

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

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

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

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

Classification and measurement

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

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

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

Cash and cash equivalents comprise cash and funds immediately available at banks and similar institutions as well as current investments with terms of less than three months at the acquisition date and which are exposed to an insignificant risk for changes in value.

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

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

Loan receivables and accounts receivable

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Other financial liabilities

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

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

Derivatives and hedge accounting

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

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

Receivables and liabilities denominated in foreign currencies

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

Hedging of foreign currency – cash flow hedging

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

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

When a hedging instrument expires, is sold, terminated or exercised, or the company revokes the designation of the hedge relationship before the hedged transaction occurs and the forecast transaction is still expected to occur, the accumulated profit/loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

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

Hedging of fixed interest – cash flow hedging

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

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

Hedging of fair value

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

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

Hedging of fixed interest – fair value hedging

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

Hedging of net investments

See the description above for foreign currencies.

Electricity derivatives

BillerudKorsnäs buys electricity from external suppliers. To continually hedge the electricity price, BillerudKorsnäs enters into derivative contracts for electricity. Electricity derivatives that protect the forecast outward flow of electricity expenses are recognised in the balance sheet at fair value. Changes in value are recognised in other comprehensive income and accumulate in the hedge reserve in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction.

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

Property, plant and equipment

Owned assets

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

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

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

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

The accounting policies for impairment are explained below.

Leased assets

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

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

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

Subsequent costs

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

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

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

Depreciation policies

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

The following depreciation periods are applied:

Industrial buildings	20–33 years
Residential and office buildings	30–50 years
Land improvements	20–25 years
Machinery used for pulp and paper	20–25 years
Other machinery	10 years
Vehicles, equipment and components	1–5 years

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

Intangible assets

Goodwill

Goodwill is measured at acquisition cost less any accumulated impairment. Goodwill is distributed among cash-generating units and tested for impairment at least once a year (see the accounting policies for Impairment of property, plant and equipment and intangible assets as well as participations in subsidiaries and associated companies). Goodwill arising upon the acquisition of associated companies is included in the carrying amount of the participations.

Research and development

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

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

Other intangible assets

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

Electricity certificates

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

Emission rights

BillerudKorsnäs' Swedish production units have been awarded emission rights for carbon dioxide within the EU. The allotment for the allocation periods 2005–2007 and 2008–2012 exceeded the actual total emissions. The allotment for 2013–2020 also somewhat exceeded the expected emissions. When emission rights are received, they are recognised at market value as current intangible assets under other receivables in the balance sheet and as grants received on the liabilities side.

As emissions are released, they are expensed at the value at receipt, while this expense is reduced for the utilised portion of the received contribution. When a surplus is sold or when a surplus with reasonable certainty can be established, revenue is recognized in operating income.

Subsequent costs

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

Depreciation policies

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

The expected useful life is:

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

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

Inventories

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

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

Impairment losses

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

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

If there is an indication that an asset is impaired, the recoverable amount of the asset is calculated (see below). For goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually or as soon as the need is indicated.

If it is not possible to establish significantly independent cash flows for an individual asset, and if its fair value less selling costs cannot be used, the assets are grouped to test impairment at the lowest level at which it is possible to identify significantly independent cash flows (a cash-generating entity).

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

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

Impairment of financial assets

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

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

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

Reversal of impairment losses

Impairment of assets covered by IAS 36 is reversed if there is an indication that impairment no longer exists and there has also been a change in the assumptions on which the estimate of recoverable value was based. However, impairment recognised on goodwill is never reversed. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, minus appropriate depreciation, if no impairment loss had been recognised.

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

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

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

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

Capital payments to shareholders

Buy-back of own shares

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

Dividends

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

Earnings per share

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

Employee benefits

Defined-contribution plans

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

Defined-benefit plans

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

In the determination of the present value of the commitment, actuarial gains or losses may arise. They arise either because the fair value deviates from earlier assumptions or because the assumptions change. From 2013 BillerudKorsnäs applies the EU-approved amendment to IAS 19 Employee Benefits. This amendment eliminates the "corridor method". Beginning in 2013 actuarial gains and losses are recognised in other comprehensive income. Estimated liabilities for payroll tax, which arise due to differences between the pension cost recognised in the separate financial statements of an entity and in the consolidated financial statements, were previously recognised as other current liabilities and provisions, and are included beginning in 2013 in provisions for pensions. Corresponding changes in other comprehensive income and the balance sheet have been made for the comparative year 2012.

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

The commitments for retirement and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. This is a multiemployer defined-benefit plan. BillerudKorsnäs has not had access to information for the 2013 financial year to enable it to disclose this plan as a defined-benefit plan. ITP pension plans secured via insurance with Alecta are therefore disclosed as defined-contribution plans.

Other long-term employee benefits

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

Termination benefits

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

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

Short-term benefits

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

Share-based payments

The share incentive programmes introduced between 2010 and 2013 are recognised as share-based payments settled with equity instruments in accordance with IFRS 2.

This means that their fair value is calculated based on forecast achievement of targets set for the measurement period. The value is distributed over the vesting period. Once the fair value has been determined, it is not revalued, except for changes in the number of shares resulting from the condition on continued employment during the vesting period no longer being fulfilled.

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

Provisions

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

A provision is made based on the best estimate of what will be required to settle the existing commitment at the end of the reporting period. In cases where the effect of when in time the payment is made is material, the amount of the provision is calculated by discounting forecast cash flows using a pre-tax interest rate that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

Warranties

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

Restructuring

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

Recovery of contaminated land

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

Contingent liabilities

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

Parent Company's accounting policies

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

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

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

Classification and measurement

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

Subsidiaries and associated companies

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

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

Financial instruments and hedge accounting

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

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

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

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

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

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

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

Anticipated dividends

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

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

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

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

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

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

2 NET SALES PER MARKET AND OPERATING PROFIT/LOSS PER BUSINESS AREA

SEKm	Packaging Paper	Consumer Board	Container-board	Other units	Other and elimi-nations	Total
2013						
Group						
Sweden	364	641	179	1 250	76	2 510
Other EU countries	4 245	3 431	2 263	880		10 819
Rest of Europe	497	581	120	10		1 208
Total Europe	**5 106**	**4 653**	**2 562**	**2 140**	**76**	**14 537**
Other markets	2 173	2 311	511	1		4 996
The Group, total	**7 279**	**6 964**	**3 073**	**2 141**	**76**	**19 533**

Of net sales of SEK 19 533 million (10 427), SEK 21 million (17) was sales of services. Income in the Group related to the exchange of goods and services totalled SEK 582 million (234). Net sales by business area, see note 34. The Group has one customer that accounts for more than 10 percent of the Group's sales.

SEKm	Packaging Paper	Consumer Board	Container-board	Other units	Other and elimi-nations	Total
Parent company						
Sweden	107	18	94		50	269
Other EU countries	725	52	1 535			2 312
Rest of Europe	99	22	103			224
Total Europe	**931**	**92**	**1 732**	**0**	**50**	**2 805**
Other markets	444	172	395			1 011
Parent company total	**1 375**	**264**	**2 127**	**0**	**50**	**3 816**

Of net sales of SEK 3 816 million (4 160), SEK 0 million (0) was sales of services.

For information on accounts receivable please see Risk management and sensitivity analysis page 22.

SEKm	Packaging Paper	Consumer Board	Container-board	Other units	Other and elimi-nations	Total
2012						
Group						
Sweden	302	47	143	318	95	905
Other EU countries	3 981	255	1 831	74		6 141
Rest of Europe	446	26	137	1		610
Total Europe	**4 729**	**328**	**2 111**	**393**	**95**	**7 656**
Other markets	2 108	180	483			2 771
Group total	**6 837**	**508**	**2 594**	**393**	**95**	**10 427**
Parent company						
Sweden	91	1	115		421	628
Other EU countries	816	6	1 551		–2	2 371
Rest of Europe	136	1	113			250
Total Europe	**1 043**	**8**	**1 779**	**0**	**419**	**3 249**
Other markets	441	14	456			911
Parent company total	**1 484**	**22**	**2 235**	**0**	**419**	**4 160**

NOTE 2 (CONT.)

Operating profit/loss by business area

	Group		Parent company	
SEKm	**2013**	**2012**	**2013**	**2012**
Packaging Paper	284	352	86	58
Consumer Board	557	35	–1	6
Containerboard	318	219	301	216
Other units	36	48	11	8
Other and eliminations				
Currency hedging, etc.	76	95	50	60
Group staff and eliminations	–158	–260	–242	–145
Group total	**1 113**	**489**	**205**	**203**

Business area earnings are reported excluding the effects of currency hedging and also beginning in 2007 excluding the impact on earnings of revaluing accounts receivable in foreign currencies and currency effects in connection with payments. These effects are reported separately on the line "Currency hedging, etc.". The portion of foreign currency exposure attributable to changes in invoicing rates will continue to be included in business area earnings.

Non-current assets and capital investments cannot be broken down by operating segment, because the business areas are highly integrated in terms of production.

3 OTHER OPERATING INCOME

SEKm	2013	2012
Group		
Services sold	34	6
Other	95	21
Group total	**129**	**27**
Parent company		
Services sold	7	5
Commissions	30	27
Other	4	7
Parent company total	**41**	**39**

4 FEES AND REMUNERATION TO AUDITORS

	Group		Parent company	
SEKm	**2013**	**2012**	**2013**	**2012**
Ernst & Young				
Auditing assignments [1]	3	2	1	1
Audit activities besides audit assignments	1	–	–	–
Tax consultancy	–	–	–	–
Other services [2]	7	8	8	8
Total	**11**	**10**	**9**	**9**
Other auditors				
Auditing assignments [1]	1	–	–	–
Tax consultancy	1	–	–	–
Other services	–	1	–	–
Total	**2**	**1**	**–**	**–**

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

2 Other services on behalf of Ernst & Young consist above all of work performed in connection with acquisitions in 2012.

5 EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

Average number of employees	2013	Men, %	2012	Men, %
Parent company				
Sweden	943	80	937	80
Other countries	5	100	4	100
Parent Company total	**948**	**80**	**941**	**80**
Subsidiary				
Sweden	2 636	85	1 253	83
Finland	185	86	102	84
Germany	28	46	23	43
Netherlands	2	100	1	–
France	15	47	12	33
Italy	11	45	10	60
Spain	10	40	11	36
United Kingdom	155	90	154	90
Switzerland	1	100	–	–
China	34	41	9	33
USA	7	57	–	–
Lithuania	6	17	6	17
Latvia	231	81	25	84
Estonia	1	100	1	100
Subsidiaries total	**3 322**	**83**	**1 607**	**82**
Group total	**4 270**	**83**	**2 548**	**81**

	Group		Parent company	
SEKm	**2013**	**2012**	**2013**	**2012**
Employee benefits expense				
Wages, salaries and other remuneration				
Board, CEO and management teams [1]	109	70	52	31
including bonus	14	7	9	4
Other employees	1 966	1 109	442	427
including bonus	56	29	14	14
Total salaries and other remuneration	**2 075**	**1 179**	**494**	**458**
Social security costs				
Contractual pensions to the CEO and management groups [1]				
Defined-benefit pensions	7	4	4	2
Defined-contribution pensions	12	8	6	4
Contractual pensions, other				
Defined-benefit pensions	49	15	11	12
Defined-contribution pensions	138	72	26	28
Other social security costs	675	376	171	156
Total social security costs	**881**	**475**	**218**	**202**
Total employee benefits expense	**2 956**	**1 654**	**712**	**660**

1 For the Group, CEO includes all staff with the chief executive role in any Group company. Board includes the members of all Boards of Group companies. Management teams includes all management teams in Group companies. In total, CEOs, Boards and management teams comprise 160 (121) people.

Number of women in management positions, %	2013	2012
Group		
Boards	15	12
CEO and management teams	24	21
Parent company		
The Board	30	30
CEO and management teams	17	18

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

6 NET FINANCIAL ITEMS

SEKm	2013	2012
Group		
Dividend	9	–
Interest income on cash and investments in securities	10	13
Financial income	**19**	**13**
Interest expense for financial liabilities measured at amortised cost	–262	–85
Interest expense for pension provision	–25	–9
Net change in exchange rates	1	13
Other financial expenses	–18	–19
Financial expenses	**–304**	**–100**
Net financial items	**–285**	**–87**
Parent company		
Profit/Loss from participations in Group companies		
Dividend	18	37
Discount profit/loss from sale of subsidiaries	1	–
Impairment losses	–14	–15
Parent company total	**5**	**22**
Profit/Loss from other participations		
Dividend	1	–
Parent company total	**1**	**–**
Interest income and similar profit/loss items		
Interest income, Group companies	9	4
Interest income, other	3	13
Parent company total	**12**	**17**
Interest expense and similar profit/loss items		
Interest expenses, Group companies	–	–
Interest expense for pension provision	–8	–7
Interest expense, other	–211	–83
Net interest on derivatives in hedge accounting	26	35
Net change in exchange rates	–1	17
Other financial expenses	–15	–19
Parent company total	**–209**	**–57**
Net financial items	**–191**	**–18**

7 APPROPRIATIONS

SEKm	2013	2012
Parent company		
Group contributions received	560	–
Group contributions paid	–2	–428
Tax allocation reserve	–9	–131
Difference between scheduled and recognised depreciation/amortisation		
Plant and equipment	–1 780	1 997
Parent company total	**–1 231**	**1 438**

At year-end 2013, the parent company switched from the residual value method to the accounting method for tax depreciation of plant and equipment.

8 TAX

	Group		Parent company	
SEKm	**2013**	**2012**	**2013**	**2012**
Profit/Loss before tax				
Sweden, Group companies	636	309	–1 217	1 623
Rest of world, Group companies	192	93	–	–
Total profit/loss before tax	**828**	**402**	**–1 217**	**1 623**
Tax expense				
Current tax				
Tax expense for the period	–28	–128	–10	–102
Tax attributable to previous period	–	–	–	–
Total current tax	**–28**	**–128**	**–10**	**–102**
Deferred tax				
Deferred tax income/expense related to temporary differences	–114	403	282	–216
Total tax expense	**–142**	**275**	**272**	**–318**
%				
Reconciliation, effective tax rate				
Swedish income tax rate	22.0	26.3	22.0	26.3
Effect of other tax rates for foreign subsidiaries	–0.6	–		
Tax-exempt dividends	–0.2	–	0.3	–0.6
Tax attributable to previous period	–	0.4		–
Impairment of shares			–0.3	
Tax effect of non-deductible expenses	0.1	7.7	–0.1	0.5
Tax effect of tax-exempt income	–	–	0.1	–
Reversal of previous tax provision	–1.5			
Tax deficit not recognised	0.5			
Tax on profit/loss in associated companies	–0.3			
Tax on activities subject to commissions	0.4			
Deductions for allocation of shares in incentive programmes	–0.4		0.2	
Tax effects due to new tax rates in Sweden, Finland and the UK	–2.8	–103.0		–6.6
Effective tax rate according to profit and loss accounts	**17.2**	**–68.6**	**22.2**	**19.6**

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

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

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 4 million.The assessment was made based on uncertainty about whether this tax asset can be claimed, even though there are no time limits.

NOTE 8 (CONT.)

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

SEKm	Opening balance 1 Jan 2012	Reported in the profit and loss accounts	Company acquisitions	Reported directly in equity	Closing balance 31 Dec 2012
Group					
Deferred tax liability					
Other current assets	1 448	–418	1 536		2 566
Tax allocation reserve	57	19			76
Hedging reserve	1			1	2
Total deferred tax liability	**1 506**	**–399**	**1 536**	**1**	**2 644**
Deferred tax assets					
Buildings and land	26	–6	10		30
Inventories	1	14	–17		–2
Accounts receivable	6	1	–		7
Provisions	7	–5	31		33
Loss carry-forwards	–	–			–
Total deferred tax asset	**40**	**4**	**24**	**–**	**68**
Total net deferred tax liability	**1 466**	**–403**	**1 512**	**1**	**2 576**
Portion recognised as deferred tax asset					1
Portion recognised as deferred tax liability					2 577

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 13 million. The assessment was made based on uncertainty about whether this tax asset can be claimed, even though there are no time limits.

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

SEKm	Opening balance 1 Jan 2013	Reported in the profit and loss accounts	Closing balance 31 Dec 2013
Parent company			
Deferred tax liability			
Other non-current assets	559	–282	277
Total deferred tax liability	**559**	**–282**	**277**
Deferred tax assets			
Buildings and land	5	–	5
Accounts receivable	1	–	1
Provisions	4	1	5
Loss carry-forwards	–	–	–
Total deferred tax asset	**10**	**1**	**11**
Total net deferred tax liability	**549**	**–283**	**266**

There are no significant temporary differences in participations in subsidiaries.

SEKm	Opening balance 1 Jan 2012	Reported in the profit and loss accounts	Closing balance 31 Dec 2012
Parent company			
Deferred tax liability			
Other non-current assets	350	209	559
Total deferred tax liability	**350**	**209**	**559**
Deferred tax assets			
Buildings and land	6	–1	5
Accounts receivable	2	–1	1
Provisions	9	–5	4
Loss carry-forwards	–	–	–
Total deferred tax asset	**17**	**–7**	**10**
Total net deferred tax liability	**333**	**216**	**549**

There are no significant temporary differences in participations in subsidiaries.

9 EARNINGS PER SHARE

	2013	2012
Basic earnings per share		
Profit/Loss for the period, SEKm	671	677
Weighted number of outstanding ordinary shares	206 631 569	131 852 149
Earnings per share before dilution, SEK	**3.24**	**5.14**
Earnings per share after dilution		
Profit/loss for the period, SEKm	671	677
Adjusted profit/loss, SEKm	671	677
Weighted number of outstanding ordinary shares	206 631 569	131 852 149
Adjustment for assumed dilution through incentive programme	419 555	305 054
No. of shares included in calculation of earnings per share	207 051 124	132 157 203
Earnings per share after dilution, SEK	**3.24**	**5.12**

10 PROPERTY, PLANT AND EQUIPMENT

2013 SEKm	Buildings and land	Machines and inventories[1]	Leased fixed assets	New buildings in progress	Total
Group					
Acquisition value					
Opening balance, 1 Jan 2013	3 793	28 606	14	1 057	33 470
Investments	30	520		724	1 274
Investment through business combinations		1			1
Reclassification	86	855		–949	–8
Sales and disposals	–89	–584		–3	–676
Translation difference	4	45		3	52
Closing balance, 31 Dec 2013	**3 824**	**29 443**	**14**	**832**	**34 113**
Accumulated depreciation					
Opening balance, 1 Jan 2013	–2 303	–15 390	–7	–	–17 700
Business combinations					–
Depreciation/Amortisation	–111	–1 200	–1		–1 312
Reclassification					–
Sales and disposals	87	532			619
Translation difference	–1	–6			–7
Closing balance, 31 Dec 2013	**–2 328**	**–16 064**	**–8**	**–**	**–18 400**
Accumulated impairment losses					
Opening balance, 1 Jan 2013	–111	–1 805	–	–	–1 916
Impairment losses					–
Sales and disposals					–
Closing balance, 31 Dec 2013	**–111**	**–1 805**	**–**	**–**	**–1 916**
Reported value on the balance sheet, 31 Dec 2013	**1 385[2]**	**11 574**	**6**	**832**	**13 797**
Parent company					
Acquisition value					
Opening balance, 1 Jan 2013	810	7 348	–	21	8 179
Investments	4	53		79	136
Reclassification	1	15		–17	–1
Sales and disposals		–17			–17
Closing balance, 31 Dec 2013	**815**	**7 399**	**–**	**83**	**8 297**
Accumulated depreciation					
Opening balance, 1 Jan 2013	–533	–4 284	–	–	–4 817
Depreciation/Amortisation	–26	–243			–269
Reclassification					–
Sales and disposals		17			17
Closing balance, 31 Dec 2013	**–559**	**–4 510**	**–**	**–**	**–5 069**
Accumulated impairment losses					
Opening balance, 1 Jan 2013	–	–898	–	–	–898
Sales and disposals					–
Closing balance, 31 Dec 2013	**–**	**–898**	**–**	**–**	**–898**
Reported value on the balance sheet, 31 Dec 2013	**256[3]**	**1 991**	**–**	**83**	**2 330**

NOTE 10 (CONT.)

2012 SEKm	Buildings and land	Machines and inventories[1]	Leased fixed assets	New buildings in progress	Total
Group					
Acquisition value					
Opening balance, 1 Jan 2012	1 803	12 496	–	49	14 348
Investments	18	348	1	588	955
Investment through business combinations	1 972	15 172	13	512	17 669
Reclassification[4]	4	842		–92	754
Sales and disposals	–2	–206			–208
Translation difference	–2	–46			–48
Closing balance, 31 Dec 2012	**3 793**	**28 606**	**14**	**1 057**	**33 470**
Accumulated depreciation					
Opening balance, 1 Jan 2012	–1 080	–6 298	–	–	–7 378
Business combinations	–1 169	–7 912	–7		–9 088
Depreciation/Amortisation	–56	–610			–666
Reclassification[4]		–762			–762
Sales and disposals	2	185			187
Translation difference		7			7
Closing balance, 31 Dec 2012	**–2 303**	**–15 390**	**–7**	**–**	**–17 700**
Accumulated impairment losses					
Opening balance, 1 Jan 2012	–111	–1 805	–	–	–1 916
Impairment losses					–
Sales and disposals					–
Closing balance, 31 Dec 2012	**–111**	**–1 805**	**–**	**–**	**–1 916**
Reported value on the balance sheet, 31 Dec 2012	**1 379[2]**	**11 411**	**7**	**1 057**	**13 854**
Parent company					
Acquisition value					
Opening balance, 1 Jan 2012	803	6 539	–	21	7 363
Investments	6	139		15	160
Reclassification[4]	1	776		–15	762
Sales and disposals		–106			–106
Closing balance, 31 Dec 2012	**810**	**7 348**	**–**	**21**	**8 179**
Accumulated depreciation					
Opening balance, 1 Jan 2012	–507	–3 376	–	–	–3 883
Depreciation/Amortisation	–26	–244			–270
Reclassification[4]		–762			–762
Sales and disposals		98			98
Closing balance, 31 Dec 2012	**–533**	**–4 284**	**–**	**–**	**–4 817**
Accumulated impairment losses					
Opening balance, 1 Jan 2012	–	–898	–	–	–898
Sales and disposals					–
Closing balance, 31 Dec 2012	**–**	**–898**	**–**	**–**	**–898**
Reported value on the balance sheet, 31 Dec 2012	**277[3]**	**2 166**	**–**	**21**	**2 464**

1 Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.
2 Of which land is SEK 73 million (73).
3 Of which land is SEK 15 million (15).
4 2012 reclassification includes correction of identified difference in fixed assets register with SEK 762 million in BillerudKorsnäs AB.

Operating leases

Future contractual lease commitments for the Group totalled SEK 265 million, SEK 75 million of which payable within one year and SEK 129 million within 1–5 years. The corresponding figure for the parent company amounted to SEK 74 million, SEK 25 million of which is payable within one year and SEK 24 million within 2–5 years. Leasing costs in the Group in 2013 amounted to SEK 80 million. For the parent company, the total corresponding costs were SEK 27 million.

11 INTANGIBLE ASSETS

2013 SEKm	Acquired intangible assets Goodwill	Customer contract	Brand	Other intangible assets	Total
Group					
Acquisition value					
Opening balance, 1 Jan 2013	2 072	567	66	99	2 804
Investments				–	–
Investment through business combinations	55			1	56
Reclassification					–
Translation differences					–
Closing balance, 31 Dec 2013	**2 127**	**567**	**66**	**100**	**2 860**
Accumulated depreciation					
Opening balance, 1 Jan 2013	–	–5	–1	–77	–83
Depreciation/Amortisation		–71	–8	–10	–89
Translation differences					–
Closing balance, 31 Dec 2013	**–**	**–76**	**–9**	**–87**	**–172**
Accumulated impairment losses					
Opening balance, 1 Jan 2013	–30	–	–	–	–30
Impairment losses	–1				–1
Closing balance, 31 Dec 2013	**–31**	**–**	**–**	**–**	**–31**
Reported value on the balance sheet 31 Dec 2013	**2 096**	**491**	**57**	**13**	**2 657**
Parent company					
Acquisition value					
Opening balance, 1 Jan 2013	–	–	–	28	28
Investments					–
Reclassification				1	1
Sales					–
Closing balance, 31 Dec 2013	**–**	**–**	**–**	**29**	**29**
Accumulated depreciation					
Opening balance, 1 Jan 2013	–	–	–	–22	–22
Depreciation/Amortisation				–3	–3
Closing balance, 31 Dec 2013	**–**	**–**	**–**	**–25**	**–25**
Reported value on the balance sheet, 31 Dec 2013	**–**	**–**	**–**	**4**	**4**
2012					
Group					
Acquisition value					
Opening balance, 1 Jan 2012	31	–	–	90	121
Investments				–	–
Investment through business combinations	2 041	567	66		2 674
Reclassification				9	9
Translation differences					–
Closing balance, 31 Dec 2012	**2 072**	**567**	**66**	**99**	**2 804**
Accumulated depreciation					
Opening balance, 1 Jan 2012	–	–	–	–59	–59
Depreciation/Amortisation		–5	–1	–17	–23
Translation differences				–1	–1
Closing balance, 31 Dec 2012	**–**	**–5**	**–1**	**–77**	**–83**
Accumulated impairment losses					
Opening balance, 1 Jan 2012	–10	–	–		–10
Impairment losses	–20				–20
Closing balance, 31 Dec 2012	**–30**	**–**	**–**	**–**	**–30**
Reported value on the balance sheet, 31 Dec 2012	**2 042**	**562**	**65**	**22**	**2 691**

NOTE 11 (CONT.)

2012 SEKm	Acquired intangible assets Goodwill	Customer contract	Brand	Other intangible assets	Total
Parent company					
Acquisition value					
Opening balance, 1 Jan 2012	–	–	–	28	28
Investments					–
Sales					–
Closing balance, 31 Dec 2012	**–**	**–**	**–**	**28**	**28**
Accumulated depreciation					
Opening balance, 1 Jan 2012	–	–	–	–16	–16
Depreciation/Amortisation				–6	–6
Closing balance, 31 Dec 2012	**–**	**–**	**–**	**–22**	**–22**
Reported value on the balance sheet, 31 Dec 2012	**–**	**–**	**–**	**6**	**6**

Of consolidated goodwill of SEK 2 096 million, SEK 2 057 million is attributable to the acquisition of Korsnäs.

Goodwill from the Korsnäs acquisition was allocated to the Consumer Board business area, which is a cash-generating unit in line with the BillerudKorsnäs organisational structure. The recoverable amount has been calculated using the discounted present value of future cash flows.

The calculations use cash flow based on the multiyear plan approved by the Company's management for the period 2014–2018. An annual growth rate of 2% was used to extrapolate cash flows beyond 2018. The discount rate before tax that was used is 10%. An impairment test was performed and no need for impairment was identified.

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

Other goodwill relates to the recent acquisition of Paccess and is based on a preliminary acquisition balance sheet. Impairment testing was not carried out.

12 PARTICIPATIONS IN GROUP COMPANIES

SEKm	2013	2012
Acquisition value		
Opening balance 1 January	10 757	1 350
Investments [1]	40	9 407
Sales [2]	–1	–
Liquidations [3]	–7	–
Closing values at year-end	**10 789**	**10 757**
Accumulated impairment losses		
Opening balance 1 January	–145	–130
Impairment losses [4]	–7	–15
Closing values at year-end	**–152**	**–145**
Reported value on the balance sheet	**10 637**	**10 612**

1 Investment mainly relates to the acquisition of BillerudKorsnäs Latvia SIA from BillerudKorsnäs Skog & Industri AB. The acquired company has merged with Billerud Wood Supply SIA.

2 Sales relates to the sale of BillerudKorsnäs Skog AB to BillerudKorsnäs Skog & Industri AB.

3 Relates to the liquidation of Billerud Sales Ltd.

4 Relates to impairment of the investment in Nine AB.

NOTE 12 (CONT.)

Specification of parent company's participations in Group companies

Subsidiary/Registered office/Corp. ID no.	Number of shares	Holding in %[1]	Book value
Fresh Services AB, Stockholm 556459-7572	1 000	100	–
BillerudKorsnäs Sweden AB, Stockholm 556876-2974	2 000	100	1 040
Nine AB, Stockholm 556724-5658	766	76,6	–
BillerudKorsnäs Asia Holding, Hong Kong	–	100	–
Billerud Tenova Bioplastics AB, Stockholm 556639-6197	2 500	100	17
BillerudKorsnäs Beetham Ltd, Cumbria	3 500 000	100	81
Billerud Benelux B.V., Amsterdam	200	100	3
BillerudKorsnäs France S.A.S., Paris	25 401	100	–
BillerudKorsnäs Germany GmbH, Hamburg	–	100	1
BillerudKorsnäs Spain S.L, Barcelona	–	100	1
BillerudKorsnäs Italy S.r.l, Milano	–	100	–
Billerud Trading Co Ltd, Shanghai	–	100	4
BillerudKorsnäs Lithuania UAB, Klaipeda	200	100	14
BillerudKorsnäs Estonia OÜ, Pärnu	1	100	–
BillerudKorsnäs Latvia SIA, Juanjelgava	5 620	100	43
Billerud Incorporated, Delaware	100	100	26
BillerudKorsnäs Finland OY, Helsinki	2 500	100	1 167
BillerudKorsnäs Skog & Industri AB, Gävle 556023-8338	53 613 270	100	8 240
Reported value, 31 Dec 2013			**10 637**

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

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

Subsidiary/Registered office/Corp. ID no.	Holding in %[1]
BillerudKorsnäs Rockhammar AB, Lindesberg 556761-2436	100
Diacell AB, Gävle 556155-2786	100
Korsnäs Sågverks AB, Gävle 556024-8477	100
Korsnäs Advanced Systems AB, Gävle 556560-8627	100
AB Stjermsunds Bruk, Gävle 556028-6881	100
Trävaru AB Dalarne, Gävle 556044-3920	100
Korsnäs Ltd, Stowe	100
BillerudKorsnäs Schweiz AG, Brugg	100
Latgran Biofuels AB, Gävle 556811-4184	75
SIA Latgran, Jekabpils	75
SIA Freja, Riga	100
Paccess LLC, Delaware	100
Paccess International Trading, Shenzhen	100
Korsnäs Shanghai Trading Ltd, Shanghai	100

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

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

SEKm	2013	2012
Parent company		
Receivables from Group companies		
Carrying amount, 1 January	1 545	–
Change for the year	–1 449	1 545
Reported value, 31 December	**96**	**1 545**
Liabilities to Group companies		
Carrying amount, 1 January	492	48
Change for the year	–49	444
Reported value, 31 December	**443**	**492**

Interest-bearing receivables and liabilities refers to Group cash pools carrying intra-group interest and interest-bearing fixed-term loans and investments.

14 PARTICIPATIONS IN ASSOCIATED COMPANIES AND JOINT VENTURES

SEKm	2013	2012
Group		
Carrying amount, 1 January	265	29
Acquisitions of associated companies	3	234
Reclassification as subsidiary[1]	–28	–
Participations in associated companies' profit/loss after tax	13	2
Carrying amount at end of the year	**253**	**265**

Associated companies

SEKm	Country	Income	Earnings	Assets	Liabilities	Equity	Proportion owned, %	Carrying amount
2013								
FibreForm Packaging AB	Sweden	–	–2	1	–	1	35	3
ScandFibre Logistics AB	Sweden	964	–	126	115	11	40	2
Bomhus Energi AB[2]	Sweden	331	28	1 965	1 484	481	50	240
Trätåg AB	Sweden	185	–	33	33	–	50	–
Industriskog AB	Sweden	–	–	–	–	–	33	–
Fastighetsbolaget Marma Skog 31	Sweden	–	–	7	–	7	50	8
Totalt		**1 480**	**26**	**2 132**	**1 632**	**500**		**253**
2012								
ScandFibre Logistics AB	Sweden	1 078	–	161	150	11	40	3
Paccess LLC	USA	263	4	80	70	10	30	27
Bomhus Energi AB	Sweden	4	–	1 885	1 432	453	50	227
Trätåg AB	Sweden	196	–	33	33	–	50	–
Industriskog AB	Sweden	–	–	–	–	–	33	–
Fastighetsbolaget Marma Skog 31	Sweden	–	–	7	–	7	50	8
Totalt		**1 541**	**4**	**2 166**	**1 685**	**481**		**265**

SEKm	2013	2012
Parent Company		
Acquisition cost		
At start of year	1	1
Capital contribution to FibreForm Packaging AB	3	–
Closing balance	**4**	**1**

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

Company, CIN and reg. office	Votes and capital, %	Carrying amount
31 December 2013		
Associated company		
FibreForm Packaging AB, 556928-2873, Norrköping	35	3
ScandFibre Logistics AB, 556253-1474 Örebro	20	1
Parent Company total		**4**
31 December 2012		
Associated company		
ScandFibre Logistics AB, 556253-1474 Örebro	20	1
Parent Company total		**1**

1 BillerudKorsnäs' subsidiary Billerud Inc. increased its participating interest in Paccess LLC from 30% to 100% in 2013 and was consolidated as a subsidiary.

2 Beginning in 2014, ownership in Bomhus Energi AB will be reported as a joint operation in accordance with IFRS 11 and where BillerudKorsnäs recognises its share of Bomhus Energi's revenue, expenses assets and liabilities.

Application in 2013 would have affected operating profit by SEK 24 million and financial items by SEK –24 million. Capital employed would have increased by SEK 664 million and interest-bearing net debt by SEK 664 million. Return on capital employed would have been affected only marginally, while the net debt/equity ratio would have risen from a multiple of 0.78 to 0.85. Cash flow from operating activities would have been affected by SEK 38 million, investments by SEK –60 million and operating cash flow by SEK –22 million.

15 OTHER HOLDINGS

SEKm Name / Corp. ID no.	Number of shares	Holding in %	Reported value
31 Dec 2013			
Group			
Two tenant-owners right			2
Innventia AB, 556023-1109	12	11	–
BasEl i Sverige AB, 556672-5858	100	10	1
VindIn AB, 556713-5172	200	10	29
Kalix Vindkraft AB, 556686-1729	20 000	10	5
BioBag International AS, 966 534 281	360	10	9
Bergvik Skog AB, 556610-2959	353	5	735
Gävle-Sandviken Flygfält AB, 556160-1625	20	3	–
Radio Skog AB, 556137-8506	400	10	–
RK Returkartong AB, 56483-8828	28	4	–
Associated company Nya Norrköping AB, 556364-0480	10	7	–
Marknadsbolaget i fjärde storstadsregionen, 556757-7647	115	5	–
Total			**781**
Parent company			
One tenant-owners right			2
Innventia AB, 556023-1109	12	11	–
BasEl i Sverige AB, 556672-5858	50	5	–
VindIn AB, 556713-5172	100	7	24
Total			**26**
31 Dec 2012			
Group			
Two tenant-owners right			2
BasEl i Sverige AB, 556672-5858	100	10	1
VindIn AB, 556713-5172	200	10	29
Kalix Vindkraft AB, 556686-1729	20 000	10	5
BioBag International AS, 966 534 281	360	10	9
Bergvik Skog AB, 556610-2959	353	5	691
Gävle-Sandviken Flygfält AB, 556160-1625	20	3	–
Radio Skog AB, 556137-8506	400	10	–
RK Returkartong AB, 56483-8828	28	4	–
Associated company Nya Norrköping AB, 556364-0480	10	7	–
Marknadsbolaget i fjärde storstadsregionen, 556757-7647	115	5	–
Total			**737**
Parent company			
One tenant-owners right			2
BasEl i Sverige AB, 556672-5858	50	5	–
VindIn AB, 556713-5172	100	7	24
Total			**26**

16 INVENTORIES

	Group		Parent company	
SEKm	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Raw materials and consumables	873	1 149	92	95
Finished goods	1 962	1 751	230	247
Work in progress	–	27	–	–
Advances to suppliers	175	219	–	–
Total	**3 010**	**3 146**	**322**	**342**

Operating costs include SEK 18 million (42) for impairment of inventories. Of the inventory of finished goods, SEK 60 million (130) has been measured at net realisable value.

17 EQUITY

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

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

Provisions
Translation reserve

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

Fair value reserve

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

Hedging reserve

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

Profit brought forward
Profit brought forward including profit/loss for the year includes profit earned by the parent company and its subsidiaries and associated companies. Previous allocations to the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

Shares bought back
Shares bought back includes the acquisition cost of the Company's own shares held by the parent company. On 31 December 2013, the Group's holdings of its own shares totalled 1 500 145 (1 718 947).

Dividend
After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 2.25 per ordinary share, totalling SEK 465 million. This proposal will be voted on at the AGM on 06 May 2014.

	2013	2012
Dividend, SEKm	465	413
Recognised dividend per ordinary share, SEK	2.25	2.00

Parent company

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

Share capital
The share capital at year-end consists of 208 219 834 (208 219 834) ordinary shares with a quotient value of SEK 7.38 (7.38) and entitling holders to one vote per share. In 2012, a directed issue was carried out, increasing the number of ordinary shares by 34 551 592. In addition, a rights issue was carried out that increased the number of shares by 68 833 629.

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

Non-restricted equity
Share premium reserve

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

Profit brought forward

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

18 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

BillerudKorsnäs has defined-benefit pension plans for white-collar workers in Sweden (ITP plan) and to some extent for employees in the German subsidiary BillerudKorsnäs GmbH. These plans are unfunded. Some pension commitments for white-collar workers in Sweden are secured through provisions on the balance sheet in accordance with the FPG/PRI system. BillerudKorsnäs also has defined-contribution pension plans. Some pension commitments for white-collar workers in Sweden are secured through insurance with Alecta. Alecta cannot provide sufficient information to recognise the ITP plan as a defined-benefit plan, so the plan is recognised as a defined-contribution plan in accordance with UFR 3. The fee for pension insurance with Alecta totalled SEK 59 million (34) for the year.

From 2013 BillerudKorsnäs applies the EU-approved amendment to IAS 19 Employee Benefits. This amendment eliminates the "corridor method". Beginning in 2013 actuarial gains and losses are recognised in Other comprehensive income. Estimated liabilities for payroll tax that were previously recognised as Other current liabilities and provisions are included beginning in 2013 in Provisions for pensions. Corresponding changes in other comprehensive income and the balance sheet have been made for the comparative year 2012. Actuarial losses as of 1 January 2012 that had not been reported earlier came to SEK 54 million, while unrecognised liabilities for special employer's contributions were an estimated SEK 13 million, for a total of SEK 67 million. Previously recognised liabilities for special employer's contributions that had been reported as Other current liabilities and provisions as of 1 January 2012 (SEK 4 million) have been transferred to Provisions for pensions. Actuarial losses as of 31 December 2012 that had not been reported earlier came to SEK 59 million, while unrecognised liabilities for special employer's contributions were an estimated SEK 14 million, for a total of SEK 73 million. Previously recognised liabilities for special employer's contributions that had been reported as Other current liabilities and provisions as of 31 December 2012 (SEK 2 million) have been transferred to Provisions for pensions.

SEKm	31 Dec 2013	31 Dec 2012
Present value of unfunded defined-benefit commitments	732	832
Adjustments:		
Accumulated unrecognised actuarial gains (+) and losses (–)	–	–
Carrying amount, 31 December	**732**	**832**
The amount is recognised in the following item on the balance sheet:		
Provisions for pensions and similar commitments	**732**	**832**
The net amount is divided among plans in the following countries:		
Sweden	732	823
Germany	–	9
Commitments recognised on balance sheet	**732**	**832**

SEKm	2013	2012
Pension costs		
Group		
Cost of defined-benefit plans earned during the year	56	25
Interest expense	25	9
Cost of defined-benefit plans	**81**	**34**
Cost of defined-contribution plans	150	80
Payroll tax	50	22
Total cost of remuneration after employment ends	**281**	**136**
The cost is recognised in the following items in the profit and loss account:		
Employee benefits expense	256	127
Financial expenses	25	9
Total cost of remuneration after employment ends	**281**	**136**

Reconciliation of provisions for pensions on the balance sheet

The following table indicates how provisions for pensions on the balance sheet changed during the period.

	2013	2012
Commitments on the balance sheet at start of year	832	289
Company acquisitions	–	539
Cost of defined-benefit plans	22	9
IFRS adjustment, 2013	14	5
Actuarial gains, 2013	–88	–
Pensions paid	–48	–10
Commitments on the balance sheet at year-end	**732**	**832**

	31 Dec 2013	31 Dec 2012
Actuarial assumptions		
The following material actuarial assumptions have been used in the calculation of commitments: (weighted average)		
Discount rate	3.75%	3.0%
Future salary increases	3.0%	3.0%
Future increases in pensions	2.0%	2.0%
Employee turnover	5.0%	5.0%
Expected remaining period of service	10 years	10 years

SEKm	2013	2012
Parent company		
Present value of pension commitments		
Present value of pension commitments related to retirement under the management of the Company at the beginning of the year	189	182
Cost excluding interest expense charged to earnings	–1	8
Interest expense	8	7
Pensions paid	–9	–8
Present value of pension commitments related to retirement under the management of the Company at year-end	187	189
Commitments paid to pension insurance held by BillerudKorsnäs	12	12
Other provisions	8	9
Commitments recognised on the balance sheet	**207**	**210**
Of which covered by credit insurance with FPG/PRI	187	189

	2013	2012
Parent company		
Pension costs		
Direct pensions		
Cost excluding interest expense	–1	8
Interest expense	8	7
Total cost of direct pensions	**7**	**15**
Insurance-based pensions		
Insurance premiums paid	50	37
Provision for future premiums	–	–
Dissolution of provision for future premiums	–	–
Sub-total	**50**	**37**
Tax on returns from pension funds	–	1
Special payroll tax on pension costs	13	12
Cost of credit insurance	1	1
Pension cost for the year	**71**	**66**

	31 Dec 2013	31 Dec 2012
Group		
Assets pledged for pension commitments		
Endowment insurance	18	19
Group total	**18**	**19**
Parent company		
Assets pledged for pension commitments		
Endowment insurance	12	12
Parent company total	**12**	**12**
Group		
Amount of provision expected to be paid within 12 months	48	50
Amount of provision expected to be paid beyond 12 months	684	782
Parent company		
Amount of provision expected to be paid within 12 months	19	22
Amount of provision expected to be paid beyond 12 months	188	188

NOTE 18 (CONT.)

Sensitivity analysis Actuarial assumptions

Parameter	Change	Impact on pension provision
Discount rate	+0.5%	–41
Discount rate	–0.5%	46
Inflation	+0.5%	56
Inflation	–0.5%	–50
Lifetime	+1 year	37
Lifetime	–1 year	–37

19 PROVISIONS

SEKm	2013	2012
Group		
Provisions that are non-current liabilities		
Severance pay, redundancy pay	7	48
Costs of environmental measures	35	34
Group total	**42**	**82**
Provisions that are current liabilities		
Severance pay, redundancy pay	65	–
Costs of restructuring measures	1	1
Group total	**66**	**1**
Costs of restructuring measures		
Reported value, 1 January	1	1
Provisions made during the year	1	–
Amount utilised during the year	–1	–
Reported value, 31 December	**1**	**1**
Severance pay, redundancy pay		
Reported value, 1 January	48	3
Acquisitions	–	23
Provisions made during the year	59	42
Unutilised amount reversed during the year	–3	–1
Amount utilised during the year	–32	–19
Reported value, 31 December	**72**	**48**
Costs of environmental measures		
Reported value, 1 January	34	33
Provisions made during the year	1	1
Reported value, 31 December	**35**	**34**
Group's total provisions		
Total reported value, 1 January	83	37
Acquisitions	–	23
Provisions made during the year	61	43
Unutilised amount reversed during the year	–3	–1
Amount utilised during the year	–33	–19
Total reported value, 31 December	**108**	**83**
Of which total non-current portion of provisions	42	53
Of which total current portion of provisions	66	30
Parent company		
Severance pay, redundancy pay	13	–
Costs of restructuring measures	1	–
Parent company total	14	–
Costs of restructuring measures		
Reported value, 1 January	–	–
Provisions made during the year	2	–
Amount utilised during the year	–1	–
Reported value, 31 December	**1**	**–**
Severance pay, redundancy pay		
Reported value, 1 January	–	–
Provisions made during the year	13	–
Reported value, 31 December	**13**	**–**

NOTE 19 (CONT.)

SEKm	2013	2012
Parent company's total provisions		
Total reported value at start of period	–	–
Provisions made during the year	15	–
Amount utilised during the period	–1	–
Total reported value at end of period	**14**	**–**
Of which total non-current portion of provisions	–	–
Of which total current portion of provisions	14	–

Payments, SEKm	31 Dec 2013	31 Dec 2012
Group		
Amount of provision expected to be paid beyond 12 months	42	34
Parent company		
Amount of provision expected to be paid beyond 12 months	–	–

20 INTEREST-BEARING LIABILITIES

	31 Dec 2013		31 Dec 2012	
SEKm	Book value	Fair value	Book value	Fair value
Group				
Non-current liabilities				
Syndicated loans	813	813	3 110	3 110
Bilateral loans	2 000	2 000	2 000	2 000
Bond loans	1 644	1 613	150	150
Other interest-bearing liabilities	117	117	145	145
Reported value, 31 December	**4 574**	**4 543**	**5 405**	**5 405**
Current liabilities				
Syndicated loans	–	–	1 500	1 500
Current portion of bond loans	–	–	525	525
Commercial paper	2 457	2 457	671	671
Bilateral loans	500	500	–	–
Other interest-bearing liabilities	1	1	4	4
Reported value, 31 December	**2 958**	**2 958**	**2 700**	**2 700**

Repayment periods and future interest payments on agreed loans (number of from 31 Dec 2013)	0–1	1–2	2–	Total
Syndicated loans	–	813	–	813
Bilateral loans	500	–	2 000	2 500
Bond loans	–	–	1 644	1 644
Commercial paper	2 457	–	–	2 457
Other interest-bearing liabilities	1	117	–	118
Group total	**2 958**	**930**	**3 644**	**7 532**
Future interest payments	**107**	**60**	**147**	**314**

All liabilities are due for payment within 5 years after the closing date.

The difference between book value and fair value is due to the liabilities not being market valued in the balance sheet but instead being reported at accrued acquisition value. The Group has no loans measured at fair value through the profit and loss accounts. The fair value of interest-bearing liabilities is established according to level 2 of the value hierarchy. For a definition of value hierarchy please see note 23.

Terms and repayment periods

The agreements for the syndicated loans and bilateral loans contain financial covenants which must be met for them to be available. These covenants are Net debt/equity ratio and Interest coverage ratio. The covenants were met throughout 2013. The syndicated loans, which are a revolving credit facility of SEK 5 500 million, of which SEK 813 million was utilized as of 31 December 2013, fall due in November 2015. The bilateral loans fall due in 2017. The syndicated loans and bilateral loans have variable interest rates.

BillerudKorsnäs has three bond loans, two of which total SEK 1 494 million (nominal SEK 1 500 million, including SEK 1 000 million at a variable rate and SEK 500 million at a fixed rate) issued under the MTN program, established in 2013. These fall due in 2018. A bond of SEK 150 million, which has a variable interest rate, was issued in 2006 and matures in 2016.

The commercial papers run under the program that was originally established in 2003. In 2013 it was increased from SEK 1 500 million to SEK 3 000 million. The commercial papers shall run for at least one day and at most one year. Per 31 Dec 2013 commercial papers equivalent to SEK 2 457 million (nominally SEK 2 480) were issued.

21 LIABILITIES TO CREDIT INSTITUTIONS

SEKm	31 Dec 2013	31 Dec 2012
Parent company		
Non-current liabilities		
Syndicated loans	813	3 110
Bilateral loans	800	800
Bond loans	1 644	150
Reported value, 31 December	**3 257**	**4 060**
Current liabilities		
Syndicated loans	–	1 500
Current portion of bond loans	–	525
Commercial paper	2 457	671
Other interest-bearing liabilities	500	2
Reported value, 31 December	**2 957**	**2 698**

Repayment times (years from 31 Dec 2013)	**0–1**	**1–2**	**2–**	**Total**
Syndicated loans	–	813	–	813
Bilateral loans	500	–	800	1 300
Bond loans	–	–	1 644	1 644
Commercial paper	2 457	–	–	2 457
Other interest-bearing liabilities	–	–	–	–
Total	**2 957**	**813**	**2 444**	**6 214**

All liabilities due for payment within 5 years after the closing date.

22 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent company	
SEKm	**2013**	**2012**	**2013**	**2012**
Employee benefit expenses, including social costs	511	543	170	167
Excise duties	6	5	1	1
Delivery expenses	143	130	71	66
Wood expenses	434	65	–	–
Energy expenses	53	38	–	–
Other	236	157	79	27
Total	**1 383**	**938**	**321**	**261**

23 FINANCIAL ASSETS AND LIABILITIES

SEKm	Derivatives in hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities valued at accrued cost	Total carrying amount	Fair value
Valuation classification	*Level 2*		*Level 3*			
Group 2013						
Other shares and participations			781		781	781
Long-term receivables		92			92	92
Accounts receivable		2 380			2 380	2 380
Other receivables	27	323			350	350
Cash and cash equivalents [1]		484			484	484
Total	**27**	**3 279**	**781**		**4 087**	**4 087**
Long-term interest-bearing liabilities				4 574	4 574	4 543
Current interest-bearing liabilities				2 958	2 958	2 958
Accounts payable				1 726	1 726	1 726
Other liabilities	41			137	178	178
Total	**41**			**9 395**	**9 436**	**9 405**
Parent Company 2013						
Other shares and participations			26		26	26
Other long-term receivables		12			12	12
Accounts receivable		2 049			2 049	2 049
Other receivables		65			65	92
Cash and bank balances [2]		291			291	291
Total		**2 417**	**26**		**2 443**	**2 470**
Bond and syndicated loan				2 457	2 457	2 426
Other interest-bearing non-current liabilities				800	800	800
Liabilities to credit institutions				2 957	2 957	2 957
Accounts payable				199	199	199
Other liabilities				11	11	52
Total				**6 424**	**6 424**	**6 434**

NOTE 23 (CONT.)

SEKm	Derivatives in hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities valued at accrued cost	Total carrying amount	Fair value
Valuation classification	*Level 2*		*Level 3*			
Group 2012						
Other shares and participations			737		737	737
Long-term receivables		97			97	97
Accounts receivable		2 244			2 244	2 244
Other receivables	29	480			509	509
Cash and cash equivalents [1]		745			745	745
Total	**29**	**3 566**	**737**		**4 332**	**4 332**
Long-term interest-bearing liabilities				5 405	5 405	5 405
Current interest-bearing liabilities				2 700	2 700	2 700
Accounts payable				2 550	2 550	2 550
Other liabilities	20			171	191	191
Total	**20**			**10 826**	**10 846**	**10 846**
Parent Company 2012						
Other shares and participations			26		26	26
Other long-term receivables		12			12	12
Accounts receivable		1 474			1 474	1 474
Other receivables		101			101	130
Cash and bank balances [2]		553			553	553
Total		**2 140**	**26**		**2 166**	**2 195**
Bond and syndicated loan				3 260	3 260	3 260
Other interest-bearing non-current liabilities				800	800	800
Liabilities to credit institutions				2 698	2 698	2 698
Accounts payable				308	308	308
Other liabilities				20	20	40
Total				**7 086**	**7 086**	**7 106**

Net changes in the value of cash flow hedges recognised in the profit and loss accounts totalled SEK 12 million (142) in 2013, of which SEK 12 million (142) is recognised in Net sales.

Investments in securities etc. are classified as Cash and cash equivalents when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.
Investments in securities etc. are classified as Cash and bank balances when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

Fair value hierarchy

Level 1. Valuation based on fully observable data, unadjusted listed prices on an active market for identical assets and liabilities that the company has access to on the valuation date.

Level 2. Valuation based on data other than listed prices in level 1 that are directly or indirectly observable.

Level 3. Valuation is based essential on non-observable data for the asset or liability.

Reconciliation of fair values in level 3	2013	2012
Group		
Carrying amount, 1 January	737	30
Acquisitions		699
Change in fair value recognised in other comprehensive income	51	8
Fair value transferred to profit/loss for the year	–7	
Carrying amount at end of the year	**781**	**737**

Valuation of other shares and participations is based primarily on the proportion of the company's equity. In this item includes holding in Bergvik Skog AB, SEK 735 million (691), equity contains valuation of biological assets performed by an external party based on generally accepted valuation methods.

For a more detailed description of hedging please see the hedging section in the Directors' report, page 11.

24 REMUNERATION TO SENIOR MANAGEMENT

Remuneration for the Board of Directors

The Chairman and members of the Board receive remuneration in accordance with resolutions of the annual general meeting. Additional fees are paid for work on committees. The Chairman of the Board received SEK 1 000 thousand in 2013, as well as SEK 100 thousand for committee work. Total remuneration to other Board members was SEK 3 200 thousand, of which SEK 400 thousand was for committee work.

Board fees SEK thousand Name	Annual fee 2012–2013 [1]	Annual fee 2013–2014	Fee Audit committee 2012–2013	Fee Audit committee 2013–2014	Fee Remuneration committee 2012–2013	Fee Remuneration committee 2013–2014	Fee Integration committee 2012–2013	Fee Integration committee 2013–2014	Fee paid 2012	Fee paid 2013
Michael M.F. Kaufmann	400	400			25	25			442	425
Gunilla Jönsson	270/400	400							313	400
Hannu Ryöppönen	1 000	1 000			50	50	50	50	115	1 100
Lennart Holm	270/400	400	75	75			50	50	207	525
Jan Homan	270/400	400	75	75					201	475
Wilhelm Klingspor	400	400							42	400
Mikael Larsson	400	400	150	150					57	550
Mia Brunell Livfors	400	400			25	25			44	425

The fees decided by the Annual General Meetings in 2012 as well as the Extraordinary General Meeting in 2012 include both outgoing and incoming members in 2012.

Remuneration to the CEO and senior management

The 2013 Annual General Meeting established the following guidelines for remuneration to senior managers. Senior management includes the CEO and other members of the Senior Management Team. BillerudKorsnäs shall apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a management team that has the high level of competence and capacity to achieve set goals. Remuneration forms shall motivate Group management to do its utmost in the best interests of the Company's shareholders. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results compared to explicit targets, up to a maximum percentage of a fixed annual salary that may vary between 30% and 50%. However, variable salary shall be paid only if the Company makes a profit. The incentive programme shall primarily be related to financial performance criteria, ensure long-term commitment to the development of the Company and be implemented on commercial terms. For more information about the current incentive programmes adopted by the 2010, 2011, 2012 and 2013 AGMs, respectively, see the Company's website. Pension benefits shall either be defined-benefit or defined-contribution plans and will normally give a pension entitlement after age 65. In certain cases, the age may be reduced but never lower than 62. Notice of termination is normally 6–12 months if the Company gives notice. Remuneration and other employment terms for the CEO are prepared by the remuneration committee and ruled on by the Board. Remuneration and other employment terms for members of the Senior Management Team are determined by the CEO following approval by the remuneration committee.

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

In 2013, the actual variable remuneration was 33% for the CEO and an average of 21% for the Senior Management Team.

Remuneration and benefits to the CEO

SEK thousand	Year	Gross salary	Bonuses	Other benefits	Pension expenses	Total
Per Lindberg	2013	7 561 [1]	2 365	2 519 [3]	2 112	14 557
Per Lindberg	2012	5 631 [2]	1 987	246	1 325	9 189

Remuneration and benefits to rest of Senior Management Team during the year

Senior Management Team [4)]	2013	23 878	4 799	2 638 [5]	5 875	37 190
Senior Management Team [6)]	2012	14 528	3 177	799	2 686	21 190

1 This amount includes holiday pay supplement, allowances for expenses and lunch coupons totalling SEK 349 thousand in addition to fixed salary.

2 This amount includes holiday pay supplement, allowances for expenses and lunch coupons totalling SEK 110 thousand in addition to fixed salary.

3 This amount includes the benefit value of the outcome of the long-term incentive programme (LTIP) in 2010 totalling SEK 2 285 thousand.

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

5 This amount includes the benefit value of the outcome of the long-term incentive programme (LTIP) in 2010 totalling SEK 2 146 thousand. The opening amounts refer to the period that the persons were members of the Senior Management Team.

6 These amounts include remuneration and other benefits for one person who left the Senior Management Team in 2012 as well as five new people in conjunction with the formation of BillerudKorsnäs. The opening amounts refer to the period that person was a member of the Senior Management Team.

Comments

- The variable remuneration for 2013 refers to amounts to be paid out in 2014 but charged to 2013, while the variable remuneration for 2012 refers to remuneration paid out in 2013 but charged to 2012. The actual amounts are based on financial and individual targets linked to the development of the business and based on profit for 2012 and 2013.
- Other benefits include company car, housing and other taxable benefits.
- Pension plans are of the defined-benefit and defined-contribution types. Pension costs refers to the costs charged to profit/loss for the year.
- In BillerudKorsnäs' long-term incentive programmes (LTIP 2010, LTIP 2011 and 2013) participants are allocated a certain number of BillerudKorsnäs shares free of charge after a three-year vesting period, provided certain criteria are met.
  In LTIP 2013, the CEO participates with 11 837 BillerudKorsnäs shares, referred to as "saving shares".
  Other members of the Senior Management Team participate with 31 038 saving shares.
  All participants can achieve a 4:1 exchange ratio. Each saving share entitles the holder to:
  1 right to matching shares
  3 rights to performance share (one share right for the operating margin, one share right for the relative margin and one share right for total return)

25 ADDITIONAL INFORMATION FOR THE CASH FLOW STATEMENT

	Group		Parent company	
SEKm	**2013**	**2012**	**2013**	**2012**
Interest paid and received and dividend				
Interest and dividends received	19	15	31	56
Interest paid	–260	–76	–183	–52
Total	**–241**	**–61**	**–152**	**4**
Adjustments for items not included in the cash flow, etc.				
Depreciation, amortisation and impairment of assets	1 402	709	272	276
Interest adjustment	44	27	25	24
Impairment of shares in subsidiaries			14	15
Pensions and other provisions	–10	10	3	–1
Unrealised earnings, electricity certificates and emissions rights	79	–		
Realised surplus value inventory	48	35		
Adjustments acquisition costs Group	2	34		
Profit/Loss from participations in associated companies	–13	–2		
Share-based payments	5	–		
Capital gains/losses	4	8	1	7
Total	**1 561**	**821**	**315**	**321**
Cash and cash equivalents [1]				
The following are included in cash and cash equivalents:				
Short-term investments	2	–	–	–
Cash and bank	482	745	291	553
Total	**484**	**745**	**291**	**553**

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

26 UNTAXED RESERVES

SEKm	**2013**	**2012**
Parent company		
Tax allocation reserve		
Carrying amount, 1 January	346	215
Change for the year in addition to plan	9	131
Carrying amount, 31 December	**355**	**346**
Accumulated additional depreciation		
Plant and equipment		
Carrying amount, 1 January	–	1 997
Change for the year in addition to plan	1 780	–1 997
Carrying amount, 31 December	**1 780**	**–**
Total untaxed reserves	**2 135**	**346**

27 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

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

28 INVESTMENT COMMITMENTS

Group

In 2013, the Group signed agreements to acquire property, plant and equipment for SEK 351 million (438). Of these undertakings, it is expected that SEK 351 million (437) will be settled in 2014.

Parent company

In 2013, the parent company signed agreements to acquire property, plant and equipment for SEK 141 million (33). Of these undertakings, it is expected that SEK 141 million (33) will be settled in 2014.

29 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent company	
SEKm	**2013**	**2012**	**2013**	**2012**
Pledged assets for own liabilities and provisions				
Pledged endowment insurance	18	19	12	12
Pledged shares, associated companies	240	227	–	–
Total pledged assets	**258**	**246**	**12**	**12**
Contingent liabilities				
Guarantee commitment, FPG/PRI	12	13	4	4
Other guarantees	27	10	12	10
Guarantees for associated companies	5	5	–	–
Guarantees for Group companies	–	–	29	29
Total contingent liabilities	**44**	**28**	**45**	**43**

30 RELATED PARTIES

Relationships

The parent company has relationships with its subsidiaries, see note 12. During the year the Company has had a related party relationship with Investment AB Kinnevik. No significant financial transactions have occurred between the companies.

Summary of related party transactions

SEKm	**Year**	**Sales of goods and services to related parties**	**Procurement of goods and services from related parties**	**Liabilities to related parties**	**Receivables from related parties**
Group					
Relationship					
Associated companies and joint ventures	2013	4	615	35	110
Associated companies and joint ventures	2012	5	342	22	114
Parent company					
Relationship					
Subsidiary	2013	16	1 157	1 573	1 993
Subsidiary	2012	8	1 233	1 530	2 616
Associated companies and joint ventures	2013	4	140	6	2
Associated companies and joint ventures	2012	2	131	5	4

Transactions with key individuals in executive positions

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

31 BUSINESS COMBINATIONS

2013

The preliminary acquisition balance sheet for the acquisition of Korsnäs AB that formed the basis of the annual accounts 2012 has been adjusted after the sale of PM2, which was conditional on the European Commission and entailed a loss of SEK –32 million, as well as final regulation of the Korsnäs acquisition, which entailed a reduction of the purchase consideration by SEK 1 million. For the final acquisition balance sheet, see the table below.

On 20 August 2013, the subsidiary Billerud Inc. acquired the remaining 70% of the former associated company Paccess LLC. The purchase consideration totalled USD 3.7 million. Indirect acquisition costs of USD 0.3 million were also incurred. See the acquisition balance sheet below.

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

Paccess is active mainly in China and the US.

Paccess' core competency is development of packaging for production and delivery in Asia. This investment represents yet another step in our endeavour to contribute to a sustainable future by challenging conventional packaging – and thus achieve innovative leadership in the packaging industry. With our expertise in renewable materials and Paccess' customer base and expertise in packaging development, we create a strong platform for continued growth, which justifies the goodwill that arose in the preliminary acquisition balance sheet. Investigation is underway to allocate the excess value of identifiable assets.

2012

On 1 June 2012 Billerud Finland Oy, a wholly owned subsidiary of Billerud AB, acquired two paper machines from UPM and a certain portion of related working capital. The acquisition cost amounted in all to SEK 1 039 million (EUR 116 million), of which machinery and equipment accounted for SEK 877 million and working capital for SEK 162 million. Indirect acquisition costs of SEK 34 million (EUR 4 million) were also incurred.

The transaction significantly reduces BillerudKorsnäs' pulp exposure and strengthens its offering in the packaging paper area. It also reduces the Group's currency exposure.

The business acquired was consolidated as of 1 June 2012 and is included in the Packaging Paper business area. Effective 1 July 2012, sales of market pulp are not accounted for separately but are included in the Packaging Paper business area.

On 29 November 2012, BillerudKorsnäs AB acquired all shares outstanding in Korsnäs AB from Kinnevik at a cost of SEK 8 199 million, and assumed operational control and a controlling interest in Korsnäs AB. The consideration paid for Korsnäs consists of newly issued shares in BillerudKorsnäs (directed issue) and a preliminary cash payment. The cash payment is to be adjusted according to the actual levels of external net debt, working capital and level of investment on the day of taking possession, and on 29 November a preliminary cash payment of SEK 5 332 million was made on the basis of estimates of the above-mentioned items on the day of taking possession (including compensation to Kinnevik in settlement of Korsnäs' SEK 2 579 million claim on Kinnevik). In addition, a seller's promissory note for SEK 500 million was issued. Of the purchase consideration, SEK 324 million consisted of cash and cash equivalents acquired, and interest-bearing liabilities of SEK 3 264 million were taken over. On the day of taking possession, the directed issue was valued at SEK 2 367 million. Korsnäs has been part of the BillerudKorsnäs Group with effect from 29 November 2012.

The operations of Billerud and Korsnäs complement each other very well. The combination creates a strong and focused player in packaging materials and packaging solutions. BillerudKorsnäs secures a strong platform for further expansion into new markets, with competitive products and solutions.

One condition for European Commission approval of Billerud's acquisition of Korsnäs was that the paper machine used for manufacturing white kraft and sack paper at the Gävle production unit (PM2) should be divested. Because this operation represents a minor proportion of the new group's total combined income statement and balance sheet, it is not accounted for separately as a fixed asset group for sale. Net sales and operating profit from PM2 at the Gävle production unit have been accounted for under Other units.

At the acquisition of Korsnäs, differences were identified between fair value and the carrying amount for tangible assets, inventories and defined-benefit pension liability. In addition, at acquisition customer contracts and brands had been measured at fair value and recognised as separate intangible assets. Because the aggregated purchase consideration exceeds the net value of all assets and liabilities acquired, goodwill is recognised. This goodwill has been calculated preliminarily at SEK 1 162 million and is made up of assets and future cash flows (such as synergies via coordination of raw material supply and other purchases and via optimisation of development, production, logistics and sales), see table Preliminary Acquisition Balance Sheet. The impact of the acquisition on external net sales in 2012 amounted to SEK 657 million, while the impact on operating profit was SEK 40 million, based on operating result SEK 88 million, amortisation of surplus values SEK –12 million and realised surplus value in inventory acquired SEK –36 million. Profit for 2012 was also charged with indirect acquisition costs of SEK –42 million. Korsnäs' net sales for the full year of 2012 amounted to SEK 8 980 million. The company's operating profit totalled SEK 920 million.

ACQUISITION BALANCE SHEET, KORSNÄS GROUP

	Preliminary 2012			Adjustment 2013	
SEKm	**Carrying amount for the Korsnäs Group**	**Fair value adjustment**	**Fair value reported for the BillerudKorsnäs Group**	**Fair value adjustment**	**Fair value reported for the BillerudKorsnäs Group**
Goodwill	879	1 162	2 041	16	2 057
Customer contract	–	567	567		567
Brands	–	66	66		66
Property, plant and equipment	6 339	1 417	7 756	–4	7 752
Financial assets	972	–	972		972
Inventories	1 842	84	1 926	–28	1 898
Accounts receivable and other receivables	920	–	920	11	931
Cash and cash equivalents	324	–	324		324
Non-controlling interests	–44	–	–44		–44
Interest-bearing liabilities	–2 802	–	–2 802		–2 802
Pensions	–482	–73	–555		–555
Accounts payable and other liabilities	–1 416	–	–1 416		–1 416
Other provisions	–44	–	–44		–44
Deferred tax liability	–1 059	–453	–1 512	4	–1 508
Net identifiable assets and liabilities	5 429	2 770	8 199	–1	8 198
Purchase consideration excluding indirect acquisition costs			**8 199**	**–1**	**8 198**
Less direct issue			–2 367		–2 367
Cash and cash equivalents (acquired)			–324		–324
Net effect on cash and cash equivalents			**5 508**	**–1**	**5 507**

NOTE 31 (CONT.)

PRELIMINARY ACQUISITION BALANCE SHEET PACCESS LLC

SEKm	Carrying amount for the Paccess Group	Fair value adjust-ment	Fair value reported for the Group
Goodwill		39	39
Property, plant and equipment	2		2
Financial assets	1		1
Accounts receivable and other receivables	58		58
Cash and cash equivalents	34		34
Accounts payable and other liabilities	–84		–84
Other provisions			0
Deferred tax liability			0
Net identifiable assets and liabilities	11	39	50
Purchase consideration excluding indirect acquisition costs			**50**
– acquired in 2011			–25
Cash and cash equivalents (acquired)			–34
Net effect on cash and cash equivalents			**–9**

32 KEY ESTIMATES AND ASSESSMENTS

The audit committee has discussed the application of the Group's accounting policies and made assessments and estimates in connection with the application of these policies. The following key estimates and assessments require further explanation.

Pension liabilities

The discount rate for calculating the commitment related to BillerudKorsnäs' defined-benefit pension plans was raised, from 3.0% in 2012, to 3.75% in 2013, which is consistent with the nominal Government interest rate on Sweden's 10-year secured housing bond. For other actuarial assumptions, see note 18.

Valuation of other holdings

Bergvik Skog AB has been reported at BillerudKorsnäs' proportion of equity, or SEK 735 million (691). Bergvik Skog AB's equity includes valuation of biological assets performed by an external party based on generally accepted valuation methods. Changes in the valuation of Bergvik Skog are reported in other comprehensive income.

Property, plant and equipment

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

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

Goodwill

Impairment testing was conducted with respect to goodwill. No need for impairment was identified, see also Note 11.

33 INFORMATION ABOUT THE PARENT COMPANY

BillerudKorsnäs AB is a Swedish limited liability company with a registered office in Stockholm. The shares of the parent company are registered with NASDAQ OMX Stockholm AB. The address of the head office is Box 703, SE-169 27 Solna, Sweden. The consolidated accounts for 2013 are for the parent company and its subsidiaries, which form the Group. The Group also includes owned participations in associated companies.

34 OPERATING SEGMENTS

	Packaging Paper		Consumer Board		Containerboard		Currency hedging, etc		Other		Total Group	
SEKm	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Net sales	7 279	6 837	6 964	508	3 073	2 594	76	95	2 141	393	19 533	10 427
Other income	15	7	59	2	15	8			40	10	129	27
Operating expenses, other	–6 542	–6 043	–5 768	–416	–2 575	–2 208			–2 275	–591	–17 160	–9 258
Depreciation and impairment losses	–468	–449	–698	–59	–195	–175			–41	–26	–1 402	–709
Profit/Loss from participations in associated companies	–	–	–	–	–	–			13	2	13	2
Operating profit/loss	**284**	**352**	**557**	**35**	**318**	**219**	**76**	**95**	**–122**	**–212**	**1 113**	**489**
Operating margin	4%	5%	8%	7%	10%	8%					6%	5%
Financial items											–285	–87
Tax											–142	275
Earnings for the period											**686**	**677**

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

Currency hedging etc. includes results from hedging of the Group's net currency flows and revaluation of accounts receivable and payments from customers. The part of currency exposure relating to changes in invoicing rates is included in the business area's profit or loss. Other includes other units, Group staff and eliminations. Other units include wood supply, sales organisations, Tenova Bioplastics AB, Nine AB, Billerud Inc., Diacell AB, the Latgran Group, white kraft and sack paper at the Gävle production unit (PM2) and dormant companies. Group staff and eliminations comprise Group-wide functions and Group eliminations. Group eliminations also include shares in profits/losses from participations in associated companies.

PROPOSED ALLOCATION OF PROFIT

Non-restricted equity in the parent company consists of:

SEK	
Unrestricted retained earnings from previous year	6 692 720 867
Dividend for 2012	–413 001 774
Net profit/loss for the year	–945 484 649
Total	**5 334 234 444**

The Board proposes that:

SEK	
A dividend of 2.25 per share to be paid to shareholders	465 119 300
and that the remaining amount be carried forward	4 869 115 144
Total	**5 334 234 444**

The undersigned affirm that the consolidated accounts and the annual accounts, respectively, have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices and give a true and fair view of the financial position and results for the Group and parent company, respectively. The directors' report for the Group and parent company, respectively, provides a true and fair view of the Group's and parent company's operations, position and performance, and describes material risks and uncertainties faced by the parent company and Group companies.

The annual accounts and consolidated accounts were approved for publication by the Board on 24 March 2014. The consolidated statement of comprehensive income and consolidated balance sheet as well as the statement of comprehensive income for the parent company and balance sheet for the parent company will be subject to adoption by the Annual General Meeting of Shareholders on 6 May 2014.

Solna, 24 March 2014

Hannu Ryöppönen
Chairman

Mia Brunell Livfors
Member

Lennart Holm
Member

Jan Homan
Member

Gunilla Jönson
Member

Michael M.F. Kaufmann
Member

Wilhelm Klingspor
Member

Mikael Larsson
Member

Helén Gustafsson
Member

Kjell Olsson
Member

Per Lindberg
CEO

Our audit report was issued on 24 March 2014

Ernst & Young AB

Lars Träff
Authorised Public Accountant

AUDITORS' REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of BillerudKorsnäs AB (publ) for the year 2013, except for the corporate governance statement on pages 54–63. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 6–52.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 54–63. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of BillerudKorsnäs AB (publ) for the year 2013. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

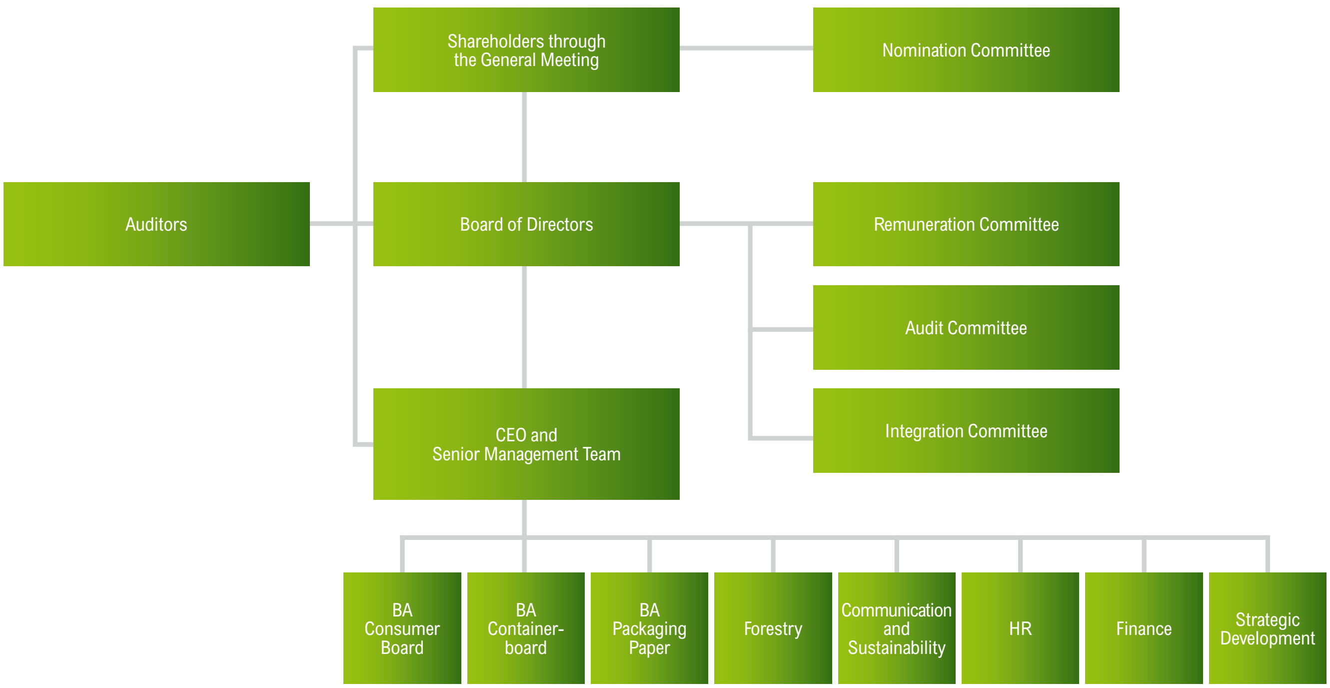
A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, 24 March 2014
Ernst & Young AB

Lars Träff
Authorised Public Accountant

CORPORATE GOVERNANCE IN BILLERUDKORSNÄS IN 2013

This report on corporate governance in the BillerudKorsnäs Group in 2013 has been prepared in accordance with regulations in the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. BillerudKorsnäs has been applying the Code since 2005. The report has been drawn up by the Company's Board of Directors and been reviewed by the Company's auditors.



Corporate governance in BillerudKorsnäs

Primary external regulations affecting BillerudKorsnäs' governance:
- the Swedish Companies Act
- NASDAQ OMX Stockholm AB Rulebook for issuers
- the Swedish Code of Corporate Governance

Corporate governance in BillerudKorsnäs is based on applicable law, the Company's articles of association, NASDAQ OMX's Rulebook for Issuers, the Swedish Code of Corporate Governance ("the Code"), other relevant laws and regulations, and internal policies and guidelines. The Code is based on the principle of "comply or explain". This means that a company that applies the Code may deviate from particular rules but will then have to provide an explanation giving the reasons for the deviation. In 2013, BillerudKorsnäs applied the Code in all respects, except for the following deviation. Prior to the 2014 Annual General Meeting (AGM), Board member Michael M.F. Kaufmann was appointed chairman of the Nomination Committee. This deviates from the rule in the Code that no Board member shall act as chairman of the Nomination Committee. The deviation is in accordance with the resolutions passed by the AGM in 2013 regarding rules on composition of the Nomination Committee. According to these resolutions, the chairman of the Nomination Committee shall be the Board member representing the largest shareholder. The resolutions are in the best interests of the Company and all shareholders, and a natural consequence of Michael M.F. Kaufmann's association with the Company's largest shareholder.

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

OWNERSHIP STRUCTURE AND SHARES

BillerudKorsnäs' shares are listed on NASDAQ OMX Stockholm. At year-end 2013, the total number of shareholders was 102 315, compared to 104 625 at the previous year-end. Every share carries an entitlement to one vote. The proportion of foreign ownership was 29.4% (34.4) of the number of shares in the market. Other groups of shareholders consist of private individuals in Sweden, 23.6% (25.9), and legal entities in Sweden, 47% (39.7). Further details of the Company's shares, shareholders and the like are presented in the 2013 Annual Report, under The BillerudKorsnäs share, and on the Company's website.

GENERAL MEETING

Rules for shareholders' meetings

Under the Swedish Companies Act, the shareholders' meeting is the Company's ultimate decision-making body. Shareholders exercise their voting rights at the meeting. All shareholders entered in the share register on the record date who have notified the Company in time are entitled to participate in the meeting and vote for their total holdings of shares. Shareholders attending the Annual General Meeting (the AGM) also have the opportunity to ask questions about the Group's activities. Notice of shareholders' meetings will be posted on the Company's website and published as an advertisement in Post och Inrikes Tidningar. An announcement that the notice has been issued is published simultaneously in Svenska Dagbladet. The AGM shall be held in Stockholm within six months of the end of the financial year. Normally, the AGM is held in April or May. The AGM decides on matters such as whether to adopt the Company's annual accounts, how to appropriate the Company's profit/ loss and whether to discharge the members of the Board and the CEO from liability for the year. The AGM also elects members of the Board and auditors and votes on the establishment of a Nomination Committee, fees for the Board of Directors and auditors and guidelines for determining the salaries and other compensation for the CEO and Senior Management Team. Resolutions are usually passed at a shareholders' meeting by simple majority except in those cases when the Companies Act stipulates a higher proportion of shares represented and votes cast at the meeting. Resolutions passed at a shareholders' meeting are made public after the meeting in a press release, and the minutes of the meeting are published on the Company's website. The AGM is held in Swedish and simultaneously translated into English.

2013 Annual General Meeting

The 2013 AGM took place on 7 May 2013 at Hotel Rival in Stockholm, and addressed matters customarily dealt with at the AGM. The AGM resolved inter alia to re-elect Board members Hannu Ryöppönen, Mia Brunell Livfors, Jan Homan, Lennart Holm, Gunilla Jönson, Michael M.F. Kaufmann, Wilhelm Klingspor and Mikael Larsson. The AGM resolved to re-elect Hannu Ryöppönen to be the Chairman of the Board. The AGM also resolved to introduce a long-term incentive programme (LTIP 2013), to authorise the Board to take a decision on a transfer of its own shares and on certain editorial amendments to the Articles of Association. The minutes from the AGM are available on the Company's website.

2014 Annual General Meeting

The 2014 AGM will take place at 2 p.m. on 6 May 2014 at Hotel Rival, Mariatorget 3, Stockholm. A full text of the notice of the 2014 AGM, including details of how to register for attendance at the meeting, is posted on the Company's website.

NOMINATION COMMITTEE

According to the Code, the Company is required to have a Nomination Committee, the main task of which is to prepare the AGM's decisions on elections and fees. The Company's AGM resolves on procedures determining how the members of the Nomination Committee are appointed and guidelines for the committee's work on drafting proposals to be considered at the next AGM. Under the guidelines adopted by the 2013 Annual General Meeting, the Nomination Committee for the 2014 AGM consists of four people appointed by the Company's major shareholders. Due to significant changes in ownership of the Company in December 2013 certain changes were made in the Nomination Committee in relation to the original Nomination Committee, which was announced in connection with the Company's 2013 third quarter report. Please see the table below for the final composition of the Nomination Committee for the 2014 AGM.

One task of the Nomination Committee is to produce proposals for Board of Directors and auditor, as well as for fees for such persons, and proposals for a chairman for the AGM, prior to the 2014 AGM. Before the 2014 AGM, the Nomination Committee held physical meetings and kept in contact by phone and e-mail. Shareholders have been welcome to submit proposals and opinions to the Nomination Committee by e-mail or mail. On the Company's website, a separate section entitled "Nomination Committee" in the corporate governance section provides information to shareholders regarding how they can submit proposals to the committee. No separate remuneration was paid to the Chairman or any other members of the Nomination Committee.

BOARD OF DIRECTORS

Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs shall consist of no less than six members and no more than ten members, with no more than six deputies. Board members are appointed for one year at a time. At the 2013 AGM it was resolved that the Board of Directors should consist of eight members elected by the Meeting, without deputies, to serve until the end of the 2014 AGM. The Board of Directors consists of Hannu Ryöppönen (Chairman), Mia Brunell Livfors, Jan Homan, Lennart Holm, Gunilla Jönson, Michael M.F. Kaufmann, Wilhelm Klingspor and Mikael Larsson. In addition, the employee organisations have appointed two employee representatives to serve on the Board. These are Helen Gustafsson and Kjell Olsson with deputies Kurt Lindvall and Tobias Söderholm. Other than the employee representatives and their deputies, none of the Board members are employed by the Group. The composition of the Board meets the Code's requirements as to independence in relation to the Company, the Company's management and the Company's major shareholders. For more information on the independence of the Board members, their duties outside the Group and their holdings of shares in BillerudKorsnäs, see the section "Board of Directors" on pages 60–61. The Board of Directors has appointed the Group's Legal Counsel Andreas Mattsson as Board secretary.

Organisation of the work of the Board

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

The work of the Board follows written rules of procedure to ensure that the Board obtains information on all issues, and that all aspects of the Company's activities relating to the Board are addressed. The Board has

COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATION COMMITTEE

Representative	Shareholder	Share of voting power, % [1]
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	15.1
Mathias Leijon	Nordea Funds	8.2
Björn Franzon	Swedbank Robur Funds	6.5
Peder Hasslev	AMF Försäkring	6.2

1 As of 30 December 2013.

also established a number of general policies for the Company's activities. They include the Company's business code, which summarizes the Company's responsibilities, guidelines, procedures, values and goals. Other key policy documents are the Company's operational policy, finance policy, credit policy, and communication policy.

The Board follows an annual cycle in order for it to optimally accomplish its tasks. At the beginning of the year, the Board considers the year-end report and the annual accounts, as well as the issues that are to be submitted to the AGM. At the end of the year, the Board considers the budget for the year ahead. Every quarter, the Board reviews the Group's results, and interim reports are approved for publication. A statutory Board meeting is held in connection with the AGM at which members of the Board's committees are appointed and the Board decides on matters such as the right to sign on behalf of the Company. Once a year, the Board has a meeting primarily dedicated to strategy issues.

Work of the board in 2013

The Board met 13 times in 2013, including two per capsulam meetings. Board members Lennart Holm and Jan Homan were absent from two meetings, and Board members Michael M.F. Kaufmann and Mia Brunell Livfors were absent from one meeting. Other ordinary members of the Board were present at all Board meetings.

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

Particular focus has been dedicated to integration issues associated with the combination with Korsnäs, investments in research and development, growth issues, sustainability and cost savings.

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

Assessment

BillerudKorsnäs has routines for assessing the work of the Chairman and members of the Board each year. The assessment serves as input for an action plan for improvements and as background to the Nomination Committee's work as they assemble a Board. In 2013 all Board members responded to written questionnaires about their own performance, the Board's work in general, work in the Board's committees and about the work of the Chairman of the Board. The Board also continually evaluates the work of the CEO. Once a year an assessment is made of the CEO without the CEO being present.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, the Company auditor reports directly to the Board and the audit committee on certain occasions. It continually reports the results of its work, in the form of observations, recommendations and proposed resolutions and corrective actions, to the Board, which must make any decisions that result from the committee's work. The audit committee consists of members Mikael Larsson (Chairman), Lennart Holm, Jan Homan and Kurt Lindvall.

Work in 2013

The committee held eight meetings in 2013. All committee members were present at these meetings. During the year the committee addressed various auditing issues, the audit plans for 2013, risk analysis, internal controls and tax issues. The committee met ahead of the publication of each interim report and the year-end report, when the members dealt with accounting and reporting issues related to the reports. The chairman of the audit committee regularly reported to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal control and risk management for financial reporting in 2013".

REMUNERATION COMMITTEE

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

Work in 2013

The committee held four meetings in 2013. All directors were present at these meetings, with the exception of Mia Brunell Livfors and Michael M.F. Kaufmann, who were absent from one meeting each. In 2013, the committee considered actual variable salaries in 2012, and salary reviews for the Senior Management Team in 2013. Further, the committee addressed the evaluation of the LTIP 2013 incentive programme and the structure of the LTIP 2014 incentive programme. The principles for remuneration to the CEO and other senior executives, as well as the actual figures, are contained in note 24 of the 2013 Annual Report.

INTEGRATION COMMITTEE

The board may also resolve that issues may be rendered by ad hoc committees dealing with specific matters and, due to

the combination between Billerud and Korsnäs in 2012, has established an integration committee of temporary nature. The primary task of the Integration Committee is to monitor and evaluate integration between the former Billerud and the former Korsnäs and how it has been planned, how resources have been allocated and how the various integration sub-projects have been carried out.

The integration committee consists of members Lennart Holm (chairman) and Hannu Ryöppönen.

Work in 2013

The committee held five meetings in 2013. All committee members were present at these meetings. The Committee addressed matters related to integration between the former Billerud and former Korsnäs in 2013.

AUDITORS

The Company's auditors are appointed by the AGM. At the 2013 AGM, audit firm Ernst & Young AB, with lead auditor Lars Träff, was elected as the Company's auditor for the period until the end of the 2014 AGM. Lars Träff is an authorised public accountant and has experience of auditing at several other listed companies. Lars Träff is also currently serving as auditor in Boliden, Scania, Lantmännen, the ÅF Group, and Intrum Justitia.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing interim reports and the year-end accounts in order to assess their accuracy and comprehensiveness and compliance of the accounts with generally accepted accounting practices and relevant accounting policies. Duties also include informing the Board about services provided over and above auditing services, the compensation for such services, and other circumstances affecting the independence of the auditors. To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, BillerudKorsnäs' auditors met with the audit committee on four occasions and with the Board on one occasion in 2013.

CEO AND SENIOR MANAGEMENT TEAM

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

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

The CEO chairs SMT meetings and makes decisions in consultation with the other senior executives. The SMT usually meets monthly to review the financial performance of the preceding month, update forecasts and plans, as well as to discuss strategic issues. In addition, the SMT meets as needed.

For further information about the members of the SMT, see pages 58–59.

An Extended Management Team (EMT) was established in connection with the change in the structure of the Senior Management Team in 2013. The EMT focuses on integration and on coordination between production and market. In addition to the members of the SMT, the EMT includes the heads of group functions Supply Chain and Operational Excellence, as well as the production unit managers for Finland, Frövi, Gruvön, Gävle, Skärblacka and Karlsborg.

PRINCIPLES FOR COMPENSATION TO SENIOR MANAGEMENT

At the 2013 AGM, guidelines on compensation to senior management in the Group were adopted. The guidelines state for example that BillerudKorsnäs shall apply market-related compensation levels and employment terms that are appropriate in order to recruit and retain a Senior Management Team with a high level of competence and capacity to achieve set goals. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results measured against detailed targets, up to a maximum percentage of a fixed annual salary. The maximum percentage is between 30 and 50 percent. However, variable salary shall be paid only if the Company makes an operating profit. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay shall be a maximum of 12 months' salary.

For the complete resolution on principles for remuneration, see note 24 of the 2013 Annual Report. The Board's proposal for guidelines in 2014 is presented in the Directors' report.

SENIOR MANAGEMENT TEAM

The Group's Senior Management Team was changed over the year **in a drive to focus on profitable growth.** In addition, an Extended Management Team was established to focus on integration and coordination. The EMT includes the mill managers.

President and CEO
Education: MSc and PhD, Chalmers University of Technology, Gothenburg.
Year employed: 2005
Year born: 1959
Other assignments: Board member of SP Technical Research Institute of Sweden, Bergvik Skog AB and Middlepoint AB. Member of IVA Royal Swedish Academy of Engineering Sciences Division VIII – Forest Technology.
Background: Managing Director, Korsnäs AB. Vice President, Investment AB Kinnevik. Management and strategy consultant, Applied Value Corporation, US.
Shareholding[1]: 73 213

PER LINDBERG

Executive Vice President, COO
Education: MSc and PhD, Chalmers University of Technology, Gothenburg. MBA, School of Business, Economics and Law, Gothenburg University.
Year employed: 2008[2]
Year born: 1961
Other assignments: Board member of Bergteamet AB and AB Geveko.
Background: CEO of Korsnäs AB and Wermland Paper AB. Member of the management team of Kinnevik. Chairman of the board of Grycksbo Paper Holding AB.
Shareholding[1]: 18 000

CHRISTER SIMRÉN

Senior Vice President Forestry
Education: MSc, forestry, Sweden's Agricultural University, Umeå. Licentiate Degree in Forestry, Swedish University of Agricultural Sciences, Garpenberg.
Year employed: 2001[2]
Year born: 1956
Other assignments: Board member of Future Position X Service AB, Svenska FSC, Skogforsk and ACE, Brussels. Member of KSLA.
Background: Director of forestry, Korsnäs AB.
Shareholding[1]: 6 600

UNO BRINNEN

Senior Vice President Containerboard
Education: MSc, Technische Universität Carolo Wilhelmina Braunschweig, Germany. Executive MBA, Mgruppen.
Year employed: 2001
Year born: 1969
Other assignments: –
Background: Sales Manager, Stora Enso Gruvön. Stora Support Team, Stora Kopparberg Bergslags AB. Product manager, Stora Gruvön.
Shareholding[1]: 12 125

LENNART EBERLEH

Senior Vice President
Consumer Board
Education: MSc, Chalmers University of Technology, Gothenburg.
Year employed: 2009 [2]
Year born: 1962
Other assignments: Board member of Bomhus Energi Aktiebolag, Board member of SPCI (Svenska Pappers- och Cellulosa Ingenjörsföreningen – Swedish Society of Paper and Cellulose Engineers).
Background: Mill Director Korsnäs AB, Vice President & Site Manager Rolls-Royce AB, Senior Vice President & CEO Stora Enso Skoghall AB.
Shareholding [1]: 5 000

ULF ELIASSON

Senior Vice President
Communication and Sustainability
Education: MSc in Engineering, Royal Institute of Technology, Stockholm.
Year employed: 2011
Year born: 1974
Other assignments: –
Background: Senior consultant at ÅF AB and Pöyry Forest Industry Consulting AB.
Shareholding [1]: 1 300

HENRIK ESSÉN

Senior Vice President
Corporate Human Resources
Education: Human Resource Management programme, Umea University. Executive MBA, Stockholm School of Economics.
Year employed: 2011
Year born: 1970
Other assignments: –
Background: HR Lead Global Supply Chain & Strategy, AstraZeneca. Head of HR Sweden Operations, AstraZeneca. HR Manager, Ericsson.
Shareholding [1]: 4 000

KARIN HÅGFELDT

CFO
Education: MBA, School of Business, Economics and Law, Gothenburg University.
Year employed: 2011
Year born: 1961
Other assignments: Board member of Acando AB.
Background: CEO, Mercuri International Group. Executive Vice President & Head of Advisory Services, BU Global Services, Ericsson AB. Executive Vice President Finance & Operational Development, BU Global Services, Ericsson AB. Executive Vice President & Head of Business Operations, Ericsson Inc., TX, USA.
Shareholding [1]: 975

SUSANNE LITHANDER

Senior Vice President
Packaging Paper
Education: B. Sc. in Business Administration, Uppsala University. Executive MBA, Mgruppen.
Year employed: 2006
Year born: 1964
Other assignments: Board member of CEPI Eurokraft.
Background: Regional Sales Director, Tele2 Stockholm. Managing Director, AssiDomän Kraft Products Nordic Sales AB. Sales Manager, AssiDomän Scandinavia.
Shareholding [1]: 10 000

JOHAN NELLBECK

Senior Vice President Technology, Strategic Development
Education: MSc and PhD in Engineering, Royal Institute of Technology, Stockholm. Executive MBA, Mgruppen.
Year employed: 2006
Year born: 1963
Other assignments: Board member of Innventia AB, Board member of Awapatent AB.
Background: R & D Director Korsnäs AB, Research manager Korsnäs Development, Project area manager STFI.
Shareholding [1]: 11 094

MAGNUS WIKSTRÖM

1 Own and closely related persons' shareholdings as of 15 March 2014.
2 Relates to year employed at former Korsnäs.

BOARD OF DIRECTORS

HANNU RYÖPPÖNEN

MIA BRUNELL LIVFORS

LENNART HOLM

JAN HOMAN

GUNILLA JÖNSON

MICHAEL M.F. KAUFMANN

• HANNU RYÖPPÖNEN
Chairman of the board since 2012 as well as chairman of remuneration committee and member of the integration committee
Education: Msc, Swedish School of Economics and Business Administration, Helsinki, Finland.
Year born: 1952
Other assignments: Board member of Altor Private Equity Funds. Board member of Novo Nordisk A/S, Amer Sport Corporation Oyj and Value Creation Investments Ltd.
Background: CFO and Executive Vice President, Stora Enso Oyj and Royal Ahold, CFO IK Investment Partners and the IKEA group. Chairman of the board of Hakon Invest AB. Board member of Korsnäs AB, Neste Oil OYj and Rautaruukki OYj.
Shareholding [1]: 13 440
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

• JAN HOMAN
Board member since 2012 and member of the Audit Committee
Education: Business studies, University of Commerce, Vienna, Austria.
Year born: 1947
Other assignments: Chairman of the board of Frapag Beteilungsholding AG. Board member of Constantia Flexibles Group, Allianz Elementar Versicherungs AG, Erste Group Bank AG and Slovenska Sporitelna. Head of European Aluminium Foil Association and Flexible Packaging Europe.
Background: CEO of Constantia Flexibles Group and CEO of Constantia Teich Group.
Shareholding [1]: –
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

• MIA BRUNELL LIVFORS
Board member since 2012 and member of the remuneration committee
Education: Business studies, Stockholm University.
Year born: 1965
Other assignments: President and CEO, Investment AB Kinnevik. Board member of Tele 2 AB, Millicom International Cellular S.A., Modern Times Group MTG AB, Efva Attling Stockholm AB and CDON Group AB.
Background: Various management positions in Modern Times Group MTG AB, Board member of Korsnäs AB.
Shareholding [1]: –
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders [2].

• GUNILLA JÖNSON
Board member since 2003
Education: MSc and PhD in mechanical engineering, Chalmers University of Technology, Gothenburg.
Year born: 1943
Other assignments: Senior Professor in Packaging Logistics, Engineering Faculty LTH, and senior advisor to the Vice Chancellor of Lund University. Chairman of International Institute for Industrial Environmental Economics (IIIEE). Board member of SIK, Invest in Skåne AB, and Chalmers Industriteknik.
Background: Dean of Faculty of Engineering, Lund University
Various executive and other positions at SCA Packaging. Research Director, Swedish Packaging Research Institute.
Shareholding [1]: 3 528
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

• LENNART HOLM
Board member since 2012 and member of the Audit Committee and chairman of the integration committee
Education: MSc in chemical engineering, Chalmers University of Technology, Gothenburg. Degree in Finance, University of Gothenburg.
Year born: 1960
Other assignments: Chairman of the board of Vida AB, Nexam Chemical AB, Vigmed Holding AB, Chamber Tech AB and Brunkeberg Systems AB. Board member of BioMass C Holding AB, Nattaro Labs AB, Hempel A/S and Zenterio AB. Deputy chairman of SOS Children's Villages Sweden.
Background: Chairman of the Board and CEO of the Perstorp Group, active at Stora Enso and partner in PAI Partners SAS.
Shareholding [1]: 3 000
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

• MICHAEL M.F. KAUFMANN
Board member since 2005 and member of the remuneration committee
Education: MBA, Universities of Stuttgart and Erlangen-Nürnberg.
Year born: 1948
Other assignments: CEO of Frapag Beteiligungsholding AG. CEO, Frapag Industrieholding AG. Chairman of its subsidiary. CEO, HKW Privatstiftung.
Background: Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.
Shareholding [1]: 9 500
Independent/Not independent: Independent of the Company and management, not independent of the Company's major shareholders.

Successful integration, profitable growth and a business that is sustainable in the long term are critical issues for BillerudKorsnäs that have featured strongly in the work of the Board over the year.

WILHELM KLINGSPOR

MIKAEL LARSSON

HELÉN GUSTAFSSON

KJELL OLSSON

KURT LINDVALL

TOBIAS SÖDERHOLM

• WILHELM KLINGSPOR
Board member since 2012
Education: Degree in Forest Management, Swedish University of Agricultural Sciences, Skinnskatteberg and business studies.
Year born: 1962
Other assignments: Board member and CEO of Hellekis Säteri AB. Board member of Investment AB Kinnevik, Handelsbanken in Lidköping, Utvecklingsaktiebolaget Ullersbro and Apotek Vita Hästen AB.
Background: Board member of Korsnäs and assignments within the Kinnevik Group.
Shareholding [1]: –
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders [3].

• KJELL OLSSON
Board member since 2012, employee representative Pappers
Year born: 1959
Other assignments: Works full-time as chairman of Pappers Avd 3 trade union in Gävle.
Background: –
Shareholding [1]: 45
Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

• MIKAEL LARSSON
Board member since 2012 and chairman of the Audit Committee
Education: Degree in business administration, Uppsala University.
Year born: 1968
Other assignments: CFO, Investment AB Kinnevik. Board member of Transcom WorldWide S.A. Various assignments within the Kinnevik Group.
Background: Various assignments within the Kinnevik and Korsnäs Groups.
Shareholding [1]: 3 000
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders [4].

• KURT LINDVALL
Deputy Board member since 2001, member of the Audit Committee, employee representative Pappers
Year born: 1951
Other assignments: Works full-time as chairman of Pappers Avd 165 trade union in Karlsborg.
Background: –
Shareholding [1]: –
Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

• HELÉN GUSTAFSSON
Board member since 2010, employee representative PTK
Education: Degree in engineering, chemical engineering, Institute of Technology, Linköping University.
Year born: 1971
Other assignments: Works as production engineer/supervisor at BillerudKorsnäs.
Background: –
Shareholding [1]: 517
Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

• TOBIAS SÖDERHOLM
Board member since 2012, employee representative PTK
Education: Chemical engineering, Chalmers University of Technology, Gothenburg.
Year born: 1975
Other assignments: Works as project manager, R & D, at BillerudKorsnäs.
Background: –
Shareholding [1]: –
Independent/Not independent: Independent of management and the Company's major shareholders, not independent of the Company (employed).

1 Own and closely related persons' shareholdings as of 15 March 2014.
2 Until 9 December 2013, when Investment AB Kinnevik sold its 25.1% shareholding in BillerudKorsnäs, Mia Brunell Livfors was not independent of the company's major shareholders.
3 Until 9 December 2013, when Investment AB Kinnevik sold its 25.1% shareholding in BillerudKorsnäs, Wilhelm Klingspor was not independent of the company's major shareholders.
4 Until 9 December 2013, when Investment AB Kinnevik sold its 25.1% shareholding in BillerudKorsnäs, Mikael Larsson was not independent of the company's major shareholders.

INTERNAL CONTROL AND RISK MANAGEMENT FOR FINANCIAL REPORTING 2013

The report on internal control related to financial reporting for financial year 2013 was prepared and submitted by the Board in compliance with the Swedish Code of Corporate Governance and the guidelines drawn up by FAR SRS and the Confederation of Swedish Enterprise and through the application of the instructions for 2007 issued by the Swedish Corporate Governance Board. The report describes how internal control related to financial reporting is organised. This year's report is presented below.

INTERNAL CONTROL

BillerudKorsnäs has set the following goals for its internal control.

1. Compliance with rules

Internal control shall ensure that BillerudKorsnäs complies with applicable laws and regulations.

2. Financial reporting

Internal control shall ensure that BillerudKorsnäs' financial reporting is reliable and provides managers, the Board and shareholders with information adequate for assessing the Company's performance and development.

3. Operational activities

Internal control shall ensure that the Company's operational activities are effective, efficiently organised and performed in such a way that the risk of the business not achieving its financial and operational targets is assessed and dealt with continually. To achieve these goals, work is carried out in a process based on the framework for internal control. The process pays special attention to ensure that the application of internal controls achieves a balance between the control activities and the development of an effective control environment with individual accountability throughout the organisation.

PRIORITY AREAS IN 2013

Financial year 2013 was characterized by the integration process and handling risks in the financial reporting that arose in conjunction with the combination with Korsnäs.

Financial processes within the Group were analysed in 2013 while common processes were gradually implemented. To ensure efficient, integrated handling of financially processes, a Shared Service Centre for the Swedish units was set up in Gävle during the second half of the year. The centre manages reporting, accounts payable, accounts receivable, payroll and other financial procedures. These procedures were taken over from the Swedish units at year-end, with the exception of Karlsborg where the transition will be made during the first half of 2014.

Integration of IT structure and systems after the merger with Korsnäs was also a priority. Common payroll, reporting and accounts payable systems were implemented in 2013. Pilot studies were launched to establish common systems for purchasing, maintenance and order-inventory invoicing.

EXTERNAL FINANCIAL REPORTING

The following report has been prepared in accordance with the Swedish Code of Corporate Governance and current instructions to the Code and constitutes the Board's report on internal control for financial reporting. The purpose of internal control for financial reporting is to provide suitable safeguards as to the reliability of external financial reports in the form of interim reports, year-end reports and annual reports and to ensure that external financial reports are prepared in compliance with all laws, applicable accounting standards and other requirements on listed companies.

Monitoring structure

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

The Senior Management Team reports regularly to the Board based on predetermined procedures. In addition, reports come from the audit committee. The Senior Management Team is responsible for ensuring that internal control is implemented as necessary to manage significant risks in day-to-day activities. This includes guidelines for how the individual employee shall understand his or her role in maintaining good internal control.

Risk assessment and control activities

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

For information regarding financial risk and important items subject to appraisal and assessment, please see the section Risk management and sensitivity analysis and note 32 in the 2013 annual report.

Information and communication

Key guidelines, manuals and the like that are significant to financial reporting are kept up-to-date and communicated continually to the staff involved. Both formal and informal information channels carry important information from staff to the Senior Management Team and the Board. Guidelines for external communication ensure that the Company meets the strict requirements on accurate information for financial markets.

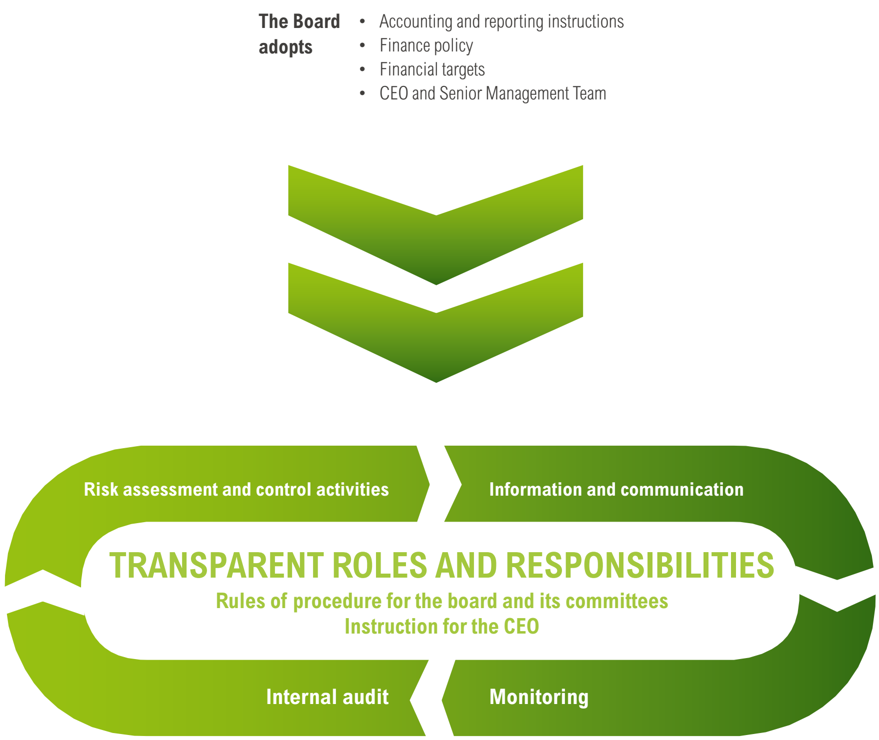
Monitoring

The audit committee prepares information that the Senior Management Team and auditors submit prior to the Board's assessment. The audit committee's tasks include ensuring, on behalf of the Board, that actions are taken concerning the errors and proposed actions identified in the external audit.

Internal audit

Considering the monitoring performed by the accounting and controller organisation and the organisation for internal control, the Board has decided that a special internal audit or review function is not necessary at present.

CONTROL ENVIRONMENT



AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

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

It is the board of directors who is responsible for the corporate governance statement for the year 2013 on pages 54–63 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Stockholm, March 24, 2014
Ernst & Young AB

Lars Träff
Authorised Public Accountant

FIVE-YEAR SUMMARY

PROFIT AND LOSS ACCOUNTS, SUMMARY

SEKm	2013	2012	2011	2010	2009
Net sales	19 533	10 427	9 343	8 828	7 760
Other income	129	27	18	85	32
Operating income	19 662	10 454	9 361	8 913	7 792
Operating expenses	–17 147	–9 256	–7 769	–7 266	–6 931
Depreciation/Amortisation	–1 402	–709	–614	–610	–561
Operating profit/loss	1 113	489	978	1 037	300
Net financial income and expenses	–285	–87	–45	–77	–114
Profit/Loss before tax	828	402	933	960	186
Taxes	–142	275	–250	–255	–21
Net profit/loss	**686**	**677**	**683**	**705**	**165**

CAPITAL EMPLOYED, SUMMARY

SEKm	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Non-current assets, excluding interest-bearing receivables	17 492	17 549	5 166	5 271	5 555
Inventories	3 010	3 146	1 135	1 070	1 065
Accounts receivable	2 380	2 244	1 391	1 412	1 152
Other current assets	829	943	372	447	491
Total operating assets	**23 711**	**23 882**	**8 064**	**8 200**	**8 263**
Less:					
Deferred tax liabilities	2 691	2 561	1 467	1 434	1 357
Non-interest-bearing provisions	108	84	36	27	27
Accounts payable	1 726	2 549	1 227	1 157	1 056
Other non-interest-bearing liabilities	1 579	1 158	695	790	676
Capital employed	**17 607**	**17 530**	**4 639**	**4 792**	**5 148**

STATEMENT OF CASH FLOWS, SUMMARY

SEKm	2013	2012	2011	2010	2009
Operating surplus	2 582	1 282	1 604	1 625	862
Change in working capital	–336	132	–113	–147	116
Net financial income and expenses	–241	–59	–39	–73	–128
Tax paid	–160	–353	–180	–12	4
Cash flow from operating activities	**1 845**	**1 002**	**1 272**	**1 393**	**854**
Cash flow from investing activities	–1 181	–7 194	–591	–592	–292
Cash flow after investing activities	**664**	**–6 192**	**681**	**801**	**562**

FINANCIAL RATIOS

	2013	2012	2011	2010	2009
Margins					
Gross margin, %	13	11	17	19	11
Operating margin, %	6	5	10	12	4
Return (rolling 12 months)					
Return on capital employed, %	6	8	20	21	6
Return on total capital, %	5	4	11	12	3
Return on shareholders' equity, %	7	13	14	17	5
Diluted return on shareholders' equity, %	7	13	14	17	5
Capital structure at end of period					
Capital employed, SEKm	17 607	17 530	4 639	4 792	5 148
Shareholders' equity, SEKm	9 917	9 435	4 872	4 637	3 995
Interest-bearing net liabilities, SEKm	7 691	8 096	–233	155	1 152
Capital turnover, multiple	1.1	1.4	2.0	1.8	1.4
Interest coverage, multiple	3.7	5.0	14.9	12.8	2.6
Net debt/equity ratio, multiple	0.78	0.86	–0.05	0.03	0.29
Diluted net debt/equity ratio, multiple	0.77	0.85	–0.05	0.03	0.29
Share of risk-bearing capital, %	52	49	68	66	59
Equity ratio, %	41	38	52	50	44
Diluted equity ratio, %	41	39	52	50	44
Self-financing ratio, multiple	1.8	1.5	2.5	2.5	3.3
Per share[1]					
Earnings per share, SEK	3.24	5.14	5.34	5.52	1.64
Diluted earnings per share, SEK	3.24	5.12	5.33	5.51	1.64
Per share at end of period[1]					
Shareholders' equity per share, SEK	47.68	45.47	38.10	36.27	31.29
Diluted shareholders' equity per share, SEK	47.58	45.41	37.99	36.19	31.25
Dividend per share, SEK	2.25	2.00	3.50	3.50	0.50
Cash flow per share from operating activities, SEK	8.93	7.60	9.94	10.90	8.50
Operating cash flow per share, SEK	3.17	0.38	5.96	8.31	5.60
Investments					
Investments in non-current assets, SEKm	1 277	965	512	334	271
Acquisitions, SEKm	–9	8 948	–	–	35
Human Resources					
Average number of employees	4 270	2 548	2 277	2 240	2 232

1 Historic figures recalculated taking into account the 2012 and 2009 rights issues.

QUARTERLY DATA

BillerudKorsnäs' net sales and operating profit/loss by business area are presented below. The results of the business areas are reported excluding the effects of currency hedging and excluding the effect on profit/loss of the translation of trade receivables in foreign currency and currency effects in connection with payments. These effects are reported separately on the line Currency hedging, etc. The part of the currency exposure that relates to changes in invoicing rates is included in the business area's profit/loss.

QUARTERLY NET SALES PER BUSINESS AREA AND IN TOTAL

	2013					2012				
SEKm	**Full year**	**Q4 -13**	**Q3 -13**	**Q2 -13**	**Q1 -13**	**Full year**	**Q4 -12**	**Q3 -12**	**Q2 -12**	**Q1 -12**
Packaging Paper	7 279	1 758	1 820	1 846	1 855	6 837	1 717	1 925	1 668	1 527
Consumer Board	6 964	1 659	1 716	1 784	1 805	508	508	–	–	–
Containerboard	3 073	763	755	758	797	2 594	623	634	674	663
Other units	2 141	507	437	547	650	393	183	52	79	79
Currency hedging, etc.	76	26	–13	38	25	95	37	17	19	22
Group staff and eliminations	–	–	–	–	–	–	–	–	–	–
Total Group	**19 533**	**4 713**	**4 715**	**4 973**	**5 132**	**10 427**	**3 068**	**2 628**	**2 440**	**2 291**

QUARTERLY OPERATING PROFIT/LOSS PER BUSINESS AREA AND TOTAL

	2013					2012				
SEKm	**Full year**	**Q4 -13**	**Q3 -13**	**Q2 -13**	**Q1 -13**	**Full year**	**Q4 -12**	**Q3 -12**	**Q2 -12**	**Q1 -12**
Packaging Paper	284	91	–1	76	118	352	39	84	145	84
Consumer Board	557	29	244	126	158	35	35	–	–	–
Containerboard	318	98	89	66	65	219	23	73	67	56
Other units	36	–4	11	–5	34	48	9	20	9	10
Currency hedging, etc.	76	26	–13	38	25	95	37	17	19	22
Group staff and eliminations	–158	–43	–27	–45	–43	–260	–118	–33	–79	–30
Total Group	**1 113**	**197**	**303**	**256**	**357**	**489**	**25**	**161**	**161**	**142**

QUARTERLY OPERATING MARGIN PER BUSINESS AREA AND TOTAL

	2013					2012				
%	**Full year**	**Q4 -13**	**Q3 -13**	**Q2 -13**	**Q1 -13**	**Full year**	**Q4 -12**	**Q3 -12**	**Q2 -12**	**Q1 -12**
Packaging Paper	4	5	0	4	6	5	2	4	9	6
Consumer Board	8	2	14	7	9	7	7	–	–	–
Containerboard	10	13	12	9	8	8	4	12	10	8
Group	**6**	**4**	**6**	**5**	**7**	**5**	**1**	**6**	**7**	**6**

QUARTERLY SALES VOLUMES PER BUSINESS AREA AND TOTAL

	2013					2012				
ktonnes	**Full year**	**Q4 -13**	**Q3 -13**	**Q2 -13**	**Q1 -13**	**Full year**	**Q4 -12**	**Q3 -12**	**Q2 -12**	**Q1 -12**
Packaging Paper	1 080	263	269	273	275	1 011	254	283	242	232
Consumer Board	959	231	236	242	250	71	71	–	–	–
Containerboard	552	126	134	142	150	510	120	130	132	128
Total	**2 591**	**620**	**639**	**657**	**675**	**1 592**	**445**	**413**	**374**	**360**

KEY FIGURE DEFINITIONS

MARGINS

Gross margin
Operating profit before depreciation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales.

Operating margin
Operating profit as a percentage of net sales

RETURN

Return on capital employed
Operating profit as a percentage of average capital employed.

Return on total assets
Operating profit as a percentage of average total capital.

Return on equity
Profit/loss for the year, attributable to parent company shareholders, as a percentage of average equity, attributable to parent company shareholders.

Diluted return on equity
Profit/loss for the year, attributable to parent company shareholders, as a percentage of average equity, attributable to parent company shareholders, plus the effect of estimated participation in the incentive programme

CAPITAL STRUCTURE

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

Equity
Equity at the end of the period.

Diluted equity
Equity at the end of the period plus the effect of estimated participation in the incentive programme.

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

Asset turnover rate
Net sales divided by average capital employed.

Interest coverage ratio
Operating profit plus financial income divided by financial expenses.

Net debt/equity ratio
Interest-bearing net debt divided by equity.

Diluted net debt/equity ratio
Interest-bearing net debt divided by equity plus the effect of estimated participation in the incentive programme.

Proportion shareholders' funds
Equity plus deferred tax liability as a percentage of total assets.

Equity ratio
Equity as a percentage of total assets

Diluted equity ratio
Equity plus the effect of estimated participation in the incentive programme, as a percentage of total assets plus the effect of estimated participation in the incentive programme.

Self-financing ratio
Cash flow from operating activities, excluding paid and received financial items and tax paid, divided by investments in non-current assets.

PER-SHARE DATA [1]

Earnings per share
Profit/loss for the year, attributable to parent company shareholders, divided by the average number of shares on the market.

Earnings per share after dilution
Profit/loss for the year, attributable to parent company shareholders, divided by the average number of shares on the market after estimated participation in the incentive programme.

Equity per share
Equity at the end of the period, attributable to owners of the parent company, divided by the number of shares on the market at the end of the period.

Equity per share, diluted/full conversion
Equity at the end of the period, attributable to parent company shareholders, plus the effect of estimated participation in the incentive programme, divided by the number of shares on the market at the end of the period plus the effect of estimated participation in the incentive programme.

Cash flow from operating activities per share
Cash flow from operating activities divided by the average number of shares on the market during the period.

Operating cash flow per share
Cash flow after investing activities adjusted for acquisition/divestment of financial assets divided by the average number of shares on the market during the period.

P/E ratio
Share price at year-end divided by earnings per share.

EV/EBITDA
Market capitalisation plus interest-bearing net debt, divided by operating profit before depreciation, amortisation and impairment losses (EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation).

1 Number of shares – see section on the BillerudKorsnäs share.

THE BILLERUDKORSNÄS SHARE

THE SHARE

The BillerudKorsnäs share has been listed since 20 November 2001 and is traded on the Large Cap list of NASDAQ OMX Stockholm. The share's ticker symbol is BILL.

On 30 December 2013, the share capital totalled SEK 1 537 642 793, represented by 208 219 834 shares.

The number of shares on the market totalled 206 719 689. Each share on the market entitles its holder to an equal right in the Company's earnings and capital.

SHARE PRICE PERFORMANCE

The BillerudKorsnäs share closed at SEK 81.25 on 30 December 2013, corresponding to a market capitalisation of SEK 16.8 billion. BillerudKorsnäs' share price rose by 33% during 2013. Over the same period, the NASDAQ OMX Stockholm forestry and paper products index (Forestry & Paper_PI) rose by 30%, while the NASDAQ OMX Stockholm All Share Index (OMX Stockholm_PI) rose by 23%.

In 2013, the share recorded its highest closing price, SEK 81.85, on 27 December, and its lowest closing price, SEK 55.5, on 22 April.

TRADING

During 2013, 77 million BillerudKorsnäs shares were traded on NASDAQ OMX Stockholm, corresponding to a value of approximately SEK 5 billion. The average number of shares traded each trading day was about 309 000, corresponding to a value of SEK 20 million. On average, about 802 trades were made each trading day.

SHAREHOLDER STRUCTURE

At year-end 2013, the total number of shareholders was 102 315 (104 625). The proportion of foreign ownership was 29.4% (34.4), excluding BillerudKorsnäs' bought-back treasury shares (1 500 145). The largest groups of shareholders registered outside Sweden are in Austria and the United States, representing 15.2% and 4.9% of the votes, respectively. Other groups of shareholders consist of private individuals in Sweden, 23.6% (25.9), and legal entities in Sweden, 47.0% (39.7).

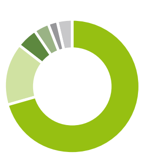
DIVIDEND

The goal is for the dividend to average 50% of net profit over a business cycle. The dividend paid to shareholders will depend on, for example, BillerudKorsnäs' level of profits, its financial position and its future development opportunities. BillerudKorsnäs' Board of Directors proposes a dividend of SEK 2.25 per share for 2013. The proposed dividend corresponds to around 69% of net profit for 2013.

SHAREHOLDER CATEGORIES, VOTES

Excluding the company's bought-back treasury shares (1 500 145).

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS, VOTES



DISTRIBUTION OF SHARES AT 30 DECEMBER 2013

Registered number of shares	208 219 834
Bought-back shares in Company treasury	–1 500 145
Shares on the market	**206 719 689**

NUMBER OF SHARES ON THE MARKET

	2013	2012	2011	2010
Average	206 631 569	131 852 149	127 860 805	127 795 993
Average after dilution	207 051 124	132 157 203	128 222 784	128 033 579
Closing date	206 719 689	206 500 887 [1]	127 860 805	127 860 805
Closing date after dilution	207 139 244	206 805 941 [1]	128 222 784	128 098 391

1 Corresponds to the number of shares on the market following completion of rights issue.

10 TOP SHAREHOLDERS

Shareholder	No. of shares, millions	Share of votes, %
Frapag Beteiligungsholding AG	31.3	15.1
Nordea Funds	17.0	8.2
Swedbank Robur funds	13.4	6.5
AMF Insurance and Funds	12.8	6.2
Fourth AP Fund	11.7	5.7
Alecta	8.1	3.9
SHB Funds	7.6	3.7
Lannebo funds	6.0	2.9
Norges Bank Investment Management	5.9	2.8
DFA funds (USA)	4.6	2.2
Totalt 10 största aktieägarna	**118.4**	**57.2**

OWNERSHIP STRUCTURE [1]

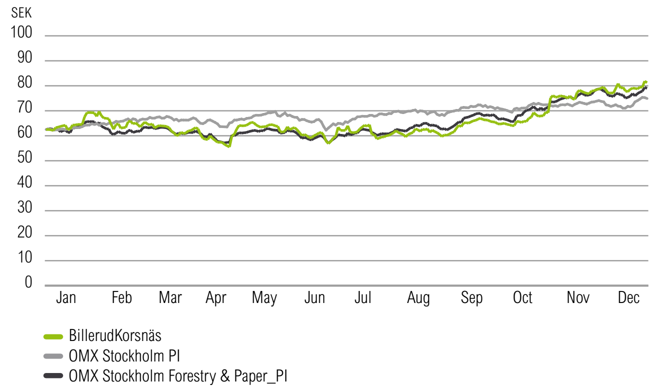
Shareholding	No. of shares	%	No. of owners	%
1–100	1 379 808	0.7	23 877	23.3
101–500	16 414 277	7.9	63 905	62.5
501–10,000	23 216 419	11.1	13 899	13.6
10,001–50,000	8 490 805	4.1	439	0.4
50,001–	158 718 525	76.2	195	0.2
Total	**208 219 834**	**100**	**102 315**	**100**

1 Including BillerudKorsnäs' treasury shares.

Source: SIS Ägarservice, 30 December 2013.

SHARE PRICE PERFORMANCE 20 NOVEMBER 2001–30 DECEMBER 2013

SHARE PRICE PERFORMANCE 2013



FINANCIAL DATA PER SHARE

SEK per share, unless stated otherwise [1]	2013	2012	2011	2010	2009
Earnings	3.24	5.14	5.34	5.52	1.64
Diluted earnings	3.24	5.12	5.33	5.51	1.64
Dividend (for each financial year), actual	2.25 [2]	2.00	3.50	3.50	0.50
Dividend (for each financial year), adjusted for effect of new share issue	2.25 [2]	2.00	2.82	2.82	0.41
Dividend as % of					
– share price (dividend yield)	2.8	3.3	6.0	6.0	0.9
– profit	69.4	61.0	52.8	51.1	31.2
– Equity (closing balance)	4.7	4.4	7.4	7.8	1.3
Cash flow from operating activities	8.93	7.60	9.94	10.9	8.5
Operating cash flow	3.17	0.38	5.96	8.31	5.6
Equity	47.68	45.47	38.10	36.27	31.29
Diluted equity	47.58	45.41	37.99	36.19	31.25
Share price/closing balance of equity, %	170	134	124	130	137
P/E ratio, multiple	25.1	11.9	8.8	8.5	26.1
EV/EBITDA, multiple	9.7	17.3	3.7	3.7	7.7
Share price (closing price, last trading day)	81.25	61.25	47.08	46.88	42.85

1 All figures are historically adjusted for the effect of the new share issues in 2009 and 2012, unless otherwise indicated.
2 Board's proposal.

ANALYSTS COVERING BILLERUDKORSNÄS

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Carnegie	Johan Sjöberg	+46 8 676 87 55	Nordea	Harri Taittonen	+358 9 16 55 99 24
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GLOSSARY

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

Carbon footprint
The amount of greenhouse gases that a product releases or sequesters during its lifetime determines its carbon footprint.

Climate change
Also known as the greenhouse effect. Human activity is contributing to global warming, which is raising temperatures, causing unexpected weather patterns and causing polar ice to melt.

CO_2
Carbon dioxide.

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

CTMP (Chemo Thermo Mechanical Pulp)
Pulp with chemically treated fibres.

Cup Stock
Board specially designed for drink cups.

Energy management system
Standard that provides guidance for how an organisation can document energy use in a structured way and record implementation of energy-saving measures.

Environmental Management System
Part of the main management system that describes the structure, principles, procedures and resources for systematic implementation of the Company's environmental policy.

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

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

Liquid packaging board
Liquid packaging board is used to manufacture packaging for beverages and other liquid foods.

Market pulp
Pulp that is sold to paper mills that do not produce their own pulp.

Micro corrugated board
Very thin corrugated board.

Nitrogen (N)
A chemical element naturally present in wood. Too much nitrogen in water can cause nutrient enrichment (eutrophication) in lakes, leading to oxygen deficiency when dead plants decompose.

Nitrogen oxides (NOx)
A group of gases composed of nitrogen and oxygen and formed during combustion. In damp air, nitrogen oxides are converted to nitric acid, which causes acid precipitation. Also acts as a fertilising agent.

Pulpwood
In Sweden this is primarily softwood (spruce and pine) and birch used to make paper.

Recycled fibre
Fibre material that has previously been used in a paper or board product.

Sack paper
Paper with high strength properties and used for the production of sacks. Made from softwood sulphate pulp.

Sulphate pulp
Chemical pulp produced by cooking wood under high pressure and at a high temperature in cooking liquor, known as white liquor (sodium hydroxide and sodium sulphide). Sulphate pulp is also known as kraft pulp.

Sustainable development
Basing decision-making on three combined factors – economic growth, social viability and environmental awareness – so that society can meet current demands without compromising its future.

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SHAREHOLDER INFORMATION AND KEY DATES

ANNUAL GENERAL MEETING
BillerudKorsnäs AB's Annual General Meeting will be held at 2:00 p.m. on Tuesday 6 May 2014 at Hotel Rival, Mariatorget 3, Stockholm, Sweden.

Notice of the 2014 Annual General Meeting is posted on the Company's website at www.billerudkorsnas.com.

NOTIFICATION OF ATTENDANCE
Shareholders wishing to take part in the AGM must be registered in the shareholders' register maintained by Euroclear by no later than 29 April 2014 and must notify the Company by no later than 4:00 p.m. on Tuesday 29 April 2014.

Notification can be made by telephone to +46 8 402 90 62, via the Company's website at www.billerudkorsnas.com/anmalan or by post to BillerudKorsnäs AB, Årsstämman, Box 7841, SE-103 98 Stockholm, Sweden.

To be able to participate at the meeting, shareholders whose shares are registered in the name of a nominee must request that their own names are temporarily registered in the shareholders' register kept by Euroclear. This procedure, referred to as voting right registration, must be completed by 29 April 2014, which means that the shareholder must inform the nominee well before this date.

DIVIDEND
BillerudKorsnäs' Board of Directors proposes a dividend of SEK 2.25 per share for 2013. The proposed dividend corresponds to around 69% of net profit for 2013.

FINANCIAL INFORMATION
All financial information is available in both Swedish and English and is published on BillerudKorsnäs' website at www.billerudkorsnas.com. The year's review is distributed to shareholders and other interested parties who have registered their interest, either through the Company's website or by the form received by each new shareholder. The annual report and other financial reports are available on the website. There is also an html version, including Excel files for downloading.

OTHER INFORMATION
ISIN code SE0000862997
The share's ticker symbol is BILL.

INTERIM REPORTS 2014

January–March 2014	24 April
January–June 2014	21 July
January–September 2014	28 October

BillerudKorsnäs' Annual Review combines with its Annual Report and Sustainability Report to form the Group's comprehensive reporting for 2013.

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