BillerudKorsnäs develops and offers materials made from primary fibre and smart packaging solutions that add value all the way home to the customer.

**Innovation is our passion**
**Sustainability is our future**
SMART packaging solutions

BillerudKorsnäs challenges traditional packaging solutions with materials and services for a sustainable future.

Leading position
BillerudKorsnäs leads the way in developing primary fibre-based packaging materials.

Renewable raw material
The raw material is renewable and comes from responsibly managed forests.

High-performance materials
A broad product portfolio of high-quality papers and boards meets the needs of demanding customers in several different industries.

Smarter solutions
Materials, services and a global network combine to give each customer an optimum packaging solution.

Sustainable innovation
Major resources are invested in product development. The sustainable packaging of the future is created in close collaboration with customers and partners, maintaining a focus on materials, solutions and the distribution chain.

Growing markets
The global packaging market is expected to grow by over 3% per year, or more in certain segments.

Consumers demand sustainable packaging.
We challenge conventional packaging for a sustainable future

BillerudKorsnäs is one of the world’s leading suppliers of high-quality packaging materials based on primary fibre. The wood raw material comes from responsibly managed forests and manufacturing takes place at the Group’s own environmentally efficient, integrated production units.

The company has a broad product portfolio and enjoys close collaborations with brand owners, packaging manufacturers and partners all over the world, which constantly brings valuable knowledge and new insights.

Smart packaging solutions made from paper or board from BillerudKorsnäs reduce the impact on the climate, cut the use of resources at every level and contribute to a sustainable future.

Demand is driven by global megatrends. Consumer segments, primarily food, account for 75% of sales. Europe is the core market, although BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

“An urban lifestyle is increasing demand for smart and environmentally friendly packaging.”
BillerudKorsnäs is active in the global market via three business areas:

PACKAGING PAPER
The Packaging Paper business area offers premium quality kraft and sack paper, coupled with smart solutions for customers’ manufacturing processes and applications. Examples include carrier bags and packaging for food, industrial purposes and medical applications.

Sustainable and efficient

CONSUMER BOARD
The Consumer Board business area delivers high-quality cartonboard for beverages, yoghurt, refrigerated and frozen food products and other consumer goods. Smart solutions in terms of function, design and material selection add value for the customer.

Pure and safe

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

Strong and light

SEK 19.5 BILLION net sales 2013
SEK 1.1 BILLION operating profit 2013
The acquisition of Paccess strengthens BillerudKorsnäs’ presence in Asia.

We shall lead and drive forward the development of smart and sustainable packaging solutions for the future.

Environmental benefits at every stage.
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%
• **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.

**2013 IN BRIEF**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share, SEK</th>
<th>Dividend payout ratio, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2.25</td>
<td>&lt; 0.9</td>
</tr>
<tr>
<td>2012</td>
<td>2.25</td>
<td>50%</td>
</tr>
</tbody>
</table>

**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**

**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%**
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.

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.

<30 kg/tonne

Fossil free production
Emissions of fossil CO₂ 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 CO₂ 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.

Solna, March 2014

Per Lindberg
President and CEO

We contribute to a sustainable everyday life for our customers and for millions of consumers around the world, day in day out.
The Group’s operations are built around packaging solutions based on materials that use pure, strong primary fibre from sustainable forestry. This is BillerudKorsnäs’ biggest competitive advantage.

FOCUS ON GROWTH
BillerudKorsnäs’ overall objective is sustainable and profitable growth. The target is to achieve organic growth of 15-20% by 2018. The Group will grow in selected niche segments where primary fibre makes a difference and the margins are high.

GROWTH MARKETS
Consumer sectors, chiefly food and beverages, account for around 75% of the Group’s sales. The customer focus is now being broadened from packaging manufacturers to also include brand owners and large supermarket and retail chains. BillerudKorsnäs is also increasing its presence in markets outside Europe, particularly selected growth markets, in order to benefit from generally higher growth, not least in the construction industry and food sector.

CUSTOMER-FOCUSED DEVELOPMENT
BillerudKorsnäs delivers added value for the customer by providing smart and sustainable solutions that make packaging stronger and more attractive, and production more cost-effective – packaging solutions that strengthen customers’ brands and reduce the environmental and climate impact throughout the distribution chain.

Much of the development work takes place in close collaboration with customers. We are boosting resources in research and development and strengthening our collaborations with partners for business development.

Read more about how BillerudKorsnäs works with innovation on pages 26-27.
GROWTH TARGETS AND STRATEGIES FOR THE BUSINESS AREAS
The Group’s business areas – Packaging Paper, Consumer Board and Containerboard – focus on different packaging materials and market segments. The targets and strategies for sustainable and profitable growth therefore differ across the business areas.

PACKAGING PAPER
Growth target: 0-4% per year.
Strategy: Selective growth – growth targeted on selected segments and balancing of further competing capacity.

CONSUMER BOARD
Growth target: 4-5% per year.
Strategy: Volume growth – increased volumes in the key markets.

CONTAINERBOARD
Growth target: 2-4% per year.
Strategy: Value growth – increased margins for the existing product portfolio.

Read more about each business area on pages 30-35.

BRAND STRATEGY
Strong brands boost growth and competitiveness. BillerudKorsnäs’ broad product portfolio, which comprises around 20 product and service brands, has gained a clear identity and link to the Group over the year.
Work on core values has begun in order to clarify the corporate culture and strengthen the trust and expectations of the market.

THINK NEW
Cooperate
Create value
Feel responsibility

CORE VALUES:
Our market is GROWING

All over the world, people are pouring into the cities, lifestyles and consumption patterns are changing rapidly and increasing trade requires **efficient and sustainable packaging**. This opens up great opportunities for BillerudKorsnäs.

---

1 Smithers Pira, 2013.
GLOBAL PACKAGING MARKET, TREND BY MATERIAL

Paper and board, 36%
Hard plastics, 22%
Flexible materials excl. paper, 16%
Metals, 14%
Glass, 7%
Other, 9%

1 Smithers Pira, 2013.
The market for packaging is growing the world over

Demand for efficient and sustainable packaging is being driven by population growth and global megatrends: urbanisation and a burgeoning middle-class who want to live comfortably, healthily and more in tune with the environment, and who demand resource-efficient, recyclable and climate smart packaging. International brand owners, retailers and supermarket chains with manufacturing and sales across the globe demand effective and smart packaging that protects the goods and strengthens the brand, all the way home to the end consumer.

For BillerudKorsnäs, one of the world’s leading suppliers of primary fibre-based packaging material, all this offers great potential.

GROWTH MARKETS EXPANDING

The packaging industry generally is expected to expand by 4.1% per year from 2013 to 2018, with a figure of 8-10% in the growth markets. Asia is the largest packaging market, with 37% of the total market, and it is growing rapidly, particularly China and India. Demand is also rising in Africa, although from a low base.

Middle-income families in the US and the EU currently account for around 50% of all consumption. In 30 years’ time, that figure is expected to have dropped to just over 10%, with Asia increasing its share to 70%.1

URBANISATION

All over the world, people are moving into the cities. Lifestyles and consumption patterns are changing and food is being purchased in supermarkets and convenience stores rather than at the local market. This places major pressures on packaging and distribution chains.

The cities are increasing their share of the population by 4% per year, rising from 2.4 billion in 2010 to 4.2 billion in 2025. Over that same period, the world’s population is set to increase from 6.8 to 7.9 billion.

INCREASED PROSPERITY AND NEW PATTERNS OF CONSUMPTION

Closely linked with urbanisation is the emergence of a global middle-class, both in absolute and relative terms. The new middle-class is showing the same consumption patterns as in Western Europe and the US. Larger incomes and purchasing power mean increased demand for all sorts of products, and a lifestyle in which convenience ranks highly. Small households require smaller packaging sizes, and busy adults working full-time want pre-packed and convenience food. Demand for small liquid packaging, for example, is expected to grow by 6% annually, and by as much as 8% in Asia and Africa.2

Brand owners are seeing the need and potential for increasing attractiveness and customer loyalty through user-friendly packaging that stands out in the store.

SUSTAINABILITY AT EVERY STAGE

Greater environmental awareness is reflected in the substantial increase in both production and sales of ecolabelled goods, with companies and products being more sustainable, with goods often containing components from different places.

Many consumers have concerns over the environmental impact of packaging. Paper packaging has a major advantage over packaging made from fossil plastics, and generally makes up an exceedingly low proportion of a product’s overall impact on the environment and the climate. The raw material from sustainable forests is a renewable resource and the end product is recyclable.

Liquid packaging board, for example, which is used primarily for milk and juice products, has a significant environmental advantage compared with both plastic and glass when it comes to CO₂ emissions. Fibres from high-quality packaging based on primary fibre can also be recycled up to six times.

COMPANIES AND PRODUCTS ARE BECOMING GLOBAL

In our daily lives, we are becoming increasingly dependent on goods and services that come from other parts of the world. Since 1970, the proportion of total production accounted for by world trade has trebled from just over 10% to over 30%. Many companies and products are truly global, with goods often containing components from several different countries.3 And that trend is set to continue. Global trade is expected to increase by up to 8% per year.4 Developing countries almost doubled their share of world trade, from 25% to 47%, between 1980 and 2010.5 The trend is driven by increased specialisation and digitalisation, which makes it possible to have international production networks for goods and services alike.

Brand owners, supermarkets and retail chains demand innovative, efficient and sustainable transport solutions that reduce losses and protect the goods along the whole distribution route to the end customer.

Global brand owners have to be able to guarantee the same purchasing experience no matter where the product was manufactured and where in the world the customer is based. This demands high standards of quality, efficiency and sustainability all the way along the delivery chain, from factory to customer.

Paccess, which is a wholly owned subsidiary of BillerudKorsnäs since August 2013, makes life a little easier for brand owners with production in Asia. Paccess is an expert in optimised, standardised and quality assured packaging solutions and has built a strong network of specialist suppliers across the region.

Its acquisition strengthens BillerudKorsnäs’ offer and presence in the major growth markets of Asia, while at the same time increasing the knowledge that Paccess possesses on sustainable, primary fibre-based packaging solutions.

And for customers, the whole process becomes easier, quicker and more reliable.
MARKET

SEGMENTS

FOOD & BEVERAGES 60% (57%)
– PROTECTING AND PRESERVING FLAVOUR AND NUTRITION

Used primarily for • Liquid packaging • Bread, sugar and flour bags • Cups • Trays • Corrugated boxes for fruit and vegetables • Take-away food and fresh food packaging

Food & Beverages is the largest packaging segment with 41% of the global market in 2012, amounting to around USD 318 billion¹. Europe is the biggest market, but in growth countries such as India the market is expected to expand by at least 10% per year over coming years.

INCREASED PROSPERITY AND NEW HABITS
Rising prosperity and urbanisation are contributing to increased consumption, major lifestyle changes and new food habits. This is increasing demand for new and more sophisticated packaging solutions, not least in the food sector. At the same time, environmental awareness is advancing and consumers increasingly prefer packaging made from renewable materials instead of fossil plastics. The packaging has to tolerate longer periods in transit and contribute to a good working environment and viable logistics, as well as reducing losses and waste of resources.

The packaging also has to be pure and safe, and protect and preserve its sensitive contents without affecting flavour or aroma.

To extend shelf life in stores and cut handling costs, supermarket chains are investing in pre-packaged fresh goods.

MORE CONVENIENCE FOOD
A higher proportion of employment, an increasing number of small households and requirements for greater convenience are driving demand for convenience food. This in turn is increasing demand for portion packaging for take-away food and beverages.

LARGEST SEGMENT
In 2013, Food & Beverages accounted for 60% of Billerud-Korsnäs’ sales.

The key customer groups are packaging manufacturers, brand owners and major retail and consumer chains.

¹ Smithers Pira, 2013.
CONSUMER & LUXURY GOODS 10% (11%)
– ADDING VALUE AND STRENGTHENING THE BRAND

Used primarily for • Carrier bags • Gift bags • Boxes and corrugated boxes for cosmetics, watches, shoes and drinks

Packaging for Consumer & Luxury Goods accounted for 14% of the global market in 2012, amounting to USD 110 billion. In global terms, the market is mainly driven by the growing middle-classes, who have high levels of consumption and reflect their own lifestyle in goods and brand choices.

PACKAGING STRENGTHENS THE BRAND
The shape and design of the packaging makes an immediate impression and has a large impact on the consumer’s purchasing decisions. The goods have to stand out on the shelf, which makes the packaging a vital element of the brand and its marketing. Brand owners are therefore placing an ever greater focus on packaging design with the power to differentiate and sell, and are demanding high-quality materials with good printability. Luxury items are usually sold in exclusive packaging.

CONSUMER SALES
In 2013, the segment accounted for 10% of BillerudKorsnäs’ sales. End-customers include leading international brand owners who market their products on a global scale.

MEDICAL & HYGIENE 6% (6%)
– MAXIMISING PURITY AND PERFORMANCE

Used primarily for • Medical packaging • Release liner for self-adhesive hygiene products • Paper for various sterilisation and packaging methods

Packaging for Medical & Hygiene accounted for 4% of the global packaging market in 2012, amounting to USD 31 billion. Growth in this segment is faster than the packaging market as a whole, and that pace of growth is expected to continue. The demand for medical and hygiene products is being driven primarily by rising prosperity, but also by the world’s ever expanding and ageing population. According to the UN, average life expectancy has risen from 53 in the early 1960s to 70 today.

FOCUS ON PURITY
Healthcare is a highly specialised segment governed by extensive regulation that demands safe, pure and reliable packaging. The sealing and opening properties are vital in keeping the contents sterile. The use of disposable packaging for medical products is rising sharply, due to instruments in many cases being sterilised in their packaging.

HIGHLY SPECIALISED PRODUCTS
In 2013, Medical & Hygiene accounted for around 6% of BillerudKorsnäs’ sales. End-customers include the medical technology industry and packaging manufacturers.

INDUSTRIAL 24% (26%)
– OPTIMISING DEMANDING PRODUCTION

Used primarily for • Sacks for cement and other powdered goods • Transport packaging • Steel interleaving • Speciality papers

Industrial end-users account for almost the same proportion of the global packaging market as segment Food & Beverages, 41% in 2012, which amounts to USD 313 billion. The largest market is Asia, which is expected to grow by more than 6% per year until 2018.

INCREASED EFFICIENCY AND A BETTER WORKING ENVIRONMENT
Investing in optimum packaging solutions brings benefits in the form of increased productivity, more efficient logistics and less loss and wastage. Smart packaging also contributes to a better working environment. Industrial demand is growing for suppliers who can offer products and services of high quality and who have an in-depth knowledge of processes.

CEMENT A KEY MARKET
In 2013, the segment accounted for 24% of BillerudKorsnäs’ sales. Sack paper is the biggest product area, and customers tend to be packaging manufacturers or cement producers with their own sack production. Around two thirds of BillerudKorsnäs’ sack paper is used for packaging building materials. BillerudKorsnäs QuickFill® has a strong competitive advantage due to the paper’s strength and deaeration properties, which significantly improves efficiency during filling.

1  Smithers Pira, 2013.
2  WHO/Gapminder.
## Market overview

### Key applications

<table>
<thead>
<tr>
<th>Packaging Paper</th>
<th>Consumer Board</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kraft paper</strong></td>
<td><strong>Liquid packaging board</strong></td>
</tr>
<tr>
<td>17% of sales volume</td>
<td>37% of sales volume is liquid packaging board and cartonboard</td>
</tr>
<tr>
<td><strong>Sack paper</strong></td>
<td></td>
</tr>
<tr>
<td>12% of sales volume</td>
<td></td>
</tr>
</tbody>
</table>

### Market segments

- **Packaging for Food & Beverages**, approx. 3/5 of volume
  - Packaging for flour, sugar, grain, etc.
  - Open bags, bread, etc.
  - Carrier bags
  - Flexible packaging
  - Formable packaging

### Trends and drivers

- **Greater environmental awareness and focus on sustainability** gives paper a competitive advantage over fossil plastics in consumer industries
- **Greater prosperity and a growing middle-class**
- **Urbanisation**
- **Demand for increased performance and function**
- **Growing interest in packaging design as a way of differentiating the product and strengthening the brand**

- **Strong underlying rise in demand due to increased construction in large parts of Asia and Africa**
- **Demand for increased performance, which favours high-quality paper**
- **An improved working environment demands smaller packaging sizes and high-performance paper that does not let through dust, for example**

- **Rising living standards and a growing middle-class, particularly in Asia, Africa and South America**
- **Growing demand for pure, high and consistent product quality**
- **Growing demand for high print quality**
- **Greater environmental awareness and focus on sustainability** gives paper a competitive advantage over fossil plastics in consumer industries
- **Urbanisation**

### BillerudKorsnäs’ position

- Leading producer of strong, high-quality kraft paper from primary fibre in Europe (2)
- Global leader in high-porosity sack paper from primary fibre (3)
- One of the world’s leading liquid packaging board suppliers (4)

### Main competitors

- The primary competition comes from plastic packaging solutions
- Other major kraft paper manufacturers include Mondi and several of Europe’s speciality paper manufacturers

- The primary competition comes from plastic sack solutions and bulk distribution (including ready-mixed cement direct from the truck)
- Other major sack paper manufacturers are Mondi, Canfor, Segezha and Smurfit Kappa

### BillerudKorsnäs’ products

- Kraft paper
- Sack paper
- Liquid packaging board

### Notes

1. Packaging Paper includes market pulp, which accounts for around 13% of the sales volume.
2. Based on statistics from Pöyry Management Consulting and Eurostat.
4. Based on statistics from Pöyry Management Consulting.
### Containerboard

<table>
<thead>
<tr>
<th>Cartonboard</th>
<th>Fluting</th>
<th>Liner</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Packaging for</strong></td>
<td><strong>Packaging for</strong></td>
<td><strong>Primary packaging for</strong></td>
</tr>
<tr>
<td>• Exclusive drinks</td>
<td>• Fruit and vegetables, about 2/3 of volume</td>
<td>• Exclusive drinks</td>
</tr>
<tr>
<td>• Beauty and healthcare products</td>
<td>• Components for the automotive industry, white goods and electronics</td>
<td>• Beauty and healthcare products</td>
</tr>
<tr>
<td>• Confectionery</td>
<td>• Transport</td>
<td>• Confectionery</td>
</tr>
<tr>
<td>• Home electronics and industrial goods</td>
<td></td>
<td>• Home electronics</td>
</tr>
<tr>
<td>• Chilled and frozen foods</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Quality** and market-leading producer in Europe in the top segment with a strong position in fruit and vegetables
- Market leader in Europe for pure white primary fibre-based liner and one of the leading suppliers of coated primary fibre-based liner globally

### Other suppliers of cartonboard in the premium segment
- Iggesund, Metsä Board, Stora Enso, MeadWestvaco, and International Paper
- Other major manufacturers include Metsä Board and Mondi

### Food & Beverages segment
- Growing interest in the appearance, design and feel of the packaging as a way of differentiating the product and strengthening the brand
- Greater demand for product safety in the food chain is increasing demand for primary fibre-based fluting
- Greater environmental awareness and focus on sustainability gives paper a competitive advantage over fossil plastics in consumer industries

### Industrial segment
- Increasing global trade
- A growing understanding of the impact packaging has on losses along the transport chain for fruit and vegetables
- High-quality fluting provides packaging solutions with low weight that cut transport costs
- Greater demand for product safety in the food chain is increasing demand for primary fibre-based fluting

### Consumer & Luxury Goods segment
- Growing interest in the appearance, design and feel of the packaging as a way of differentiating the product and strengthening the brand
- Greater demand for product safety in the food chain is increasing demand for primary fibre-based liner
- Greater environmental awareness and focus on sustainability gives paper a competitive advantage over fossil plastics in consumer industries
BillerudKorsnäs’ business model places the focus squarely on the customer. Our packaging solutions combine primary fibre-based materials with advice, services and the combined knowledge of a global network of packaging manufacturers, machine suppliers and researchers.

This is how we add value in close collaboration with customers.

Purchase of wood raw material

BillerudKorsnäs purchases its wood raw material from responsibly managed forests, primarily in Sweden, Norway, Finland and the Baltic.
Manufacture of paper and board

Paper and board manufacturing takes place at BillerudKorsnäs’ eight production units in Sweden, Finland and the UK. All of these hold quality and environmental certification. BillerudKorsnäs is self-sufficient in pulp, and uses primary fibre in its manufacturing to produce pure, strong and light products.

Solution services

BillerudKorsnäs helps customers to choose the right packaging solution for their products and logistics. Materials, form and functionality are tested in BillerudKorsnäs’ own laboratories.

Customers

BillerudKorsnäs’ products are sold to packaging manufacturers and, to an increasing extent, directly to global brand owners, and retail and supermarket chains.

Sales

BillerudKorsnäs provides around 2,000 customers in over 100 countries with products and services. The Group has sales offices in Bangkok, Barcelona, Dubai, Hamburg, Jakarta, Milan, Nottingham, Paris, Shanghai, Singapore and Stockholm.

End-users

Consumers around the globe encounter BillerudKorsnäs’ products at every turn – in stores and shopping centres, at home and at work, at breakfast, lunch, when making dinner or collecting a take-away from the local pizzeria.

A sustainable everyday life
Smarter packaging brings many benefits

Smarter packaging solutions deliver numerous benefits for the customer. We have grouped them into five different areas that take in the whole value chain, from choice of material to the strong brand experience.

**SHARPER BRANDS**  
**engaging and inspiring**
Packaging that is fun, interactive, intelligent, and delivers what it promises, that engages consumers and strengthens valuable brands.

**FRESHER THINKING**  
**shaping the future**
Packaging that was once unimaginable, that is expressive, unique and visual with a beautifully tactile feel.

**SMOOTHER JOURNEYS**  
**protecting and preserving**
Packaging solutions that protect and preserve products on long journeys through changing climates, extending the product’s shelf life and increasing opportunities to reach new markets.

**GREATER RESULTS**  
**increasing profitability**
Light, strong and optimised packaging solutions that increase productivity and guarantee product safety.

**BRIGHTER FUTURES**  
**being created together**
Using sustainable, recyclable and renewable materials cuts waste and the use of fossil plastics, showing that we take joint responsibility for our future and the world we live in.

**Smarter brands**
**Fresher thinking**
**SMOOTHER JOURNEYS**
**Greater results**
**BRIGHTER FUTURES**
For people to taste this fantastic food, they have to be able to find the products in the store. This is where the packaging comes in,” says Paolo Roberto, former professional boxer.
BillerudKorsnäs' broad range of kraft paper for food meets consumer demand for more eco-friendly, attractive and tactile packaging. All products are approved as food packaging. Strong carrier bags require kraft paper that will not break.

Healthcare has stringent requirements for safe and sterile packaging. BillerudKorsnäs develops paper that combines purity, strength and flexibility, and that is tailored to many different functions.

Interleaving kraft paper is highly absorbent for industrial use. It is strong, pure, absolutely free from particles and protects high-gloss steel, for example in the automotive industry. It has superior runnability and, despite its extreme thinness, its strength allows it to be re-used.
CARTONBOARD
BillerudKorsnäs’ cartonboard is neutral in terms of smell and taste, gives excellent printability and supports stable designs with windows, handles and smart hanging and closing solutions.

LIQUID PACKAGING BOARD
BillerudKorsnäs’ high-quality liquid packaging board protects and preserves. It has no effect on flavour or aroma and gives stable, easy-grip packaging.

FIBREFORM
BillerudKorsnäs FibreForm® challenges fossil plastics. With its remarkably high elasticity, it can be shaped into entirely new forms of packaging solution.

LINER
BillerudKorsnäs liner has a wealth of applications – from pizza boxes to packaging for chocolates, wines and beauty products.

FLUTING
One of the world’s strongest fluting products protects and packs fragile items and heavy goods, everything from crystal glasses to avocados.

SACK PAPER
QuickFill sack paper combines strength with good deaeration and is used in the premium segment for valve sacks.

CUP STOCK
Cup Stock has been specially developed for the manufacture of paper cups, an interesting area as the market for take-away food and drinks continues to grow.
Solution Services

BillerudKorsnäs’ customers – whether they are packaging manufacturers, brand owners or supermarket chains – receive help in finding the best packaging solution for their products and their logistics.

Solution Services help BillerudKorsnäs’ customers find the optimum packaging solution for their particular products and logistics, with a focus on sustainability and performance in material choice, design and construction. The solution has to ensure a good, safe working environment, efficient production and optimised distribution all the way to the store. Where it meets the consumer, the packaging is required to do as much as possible to increase sales and improve brand loyalty.

CUSTOMER-LED DEVELOPMENT
The customer-led approach generates valuable knowledge about selected market segments and helps to increase the proportion of premium products in areas where customers value the high quality and functionality that BillerudKorsnäs offers.

One exciting example is QuickFill, a sack paper that makes it possible to manufacture strong, sustainable sacks with fewer layers, and has proven a huge sales success in growth regions. Another is SoliQ, a unique service concept that ensures quality and reduces environmental impact during long and demanding distribution of fresh goods.

Our specialist teams work with key brand owners, usually companies with global production and sales. These have a strong focus on optimising logistics as a means of improving their competitiveness and profitability.

SUPPORT ALL THE WAY
Business development and innovation are conducted in cross-functional teams. BillerudKorsnäs’ development centres test prototypes and work on everything from optimising existing packaging to pure innovation processes. Alongside the development centres, technical support shares its expert knowledge of the material and how its potential can be exploited for the best possible results in each application and segment. The team educates, transfers expertise and also supports the manufacturing process on site with customers.

Read more about how BillerudKorsnäs works with innovation on pages 26-27.
How kiwis make it all the way from New Zealand

Transporting 86 million boxes of kiwi fruit from farms in New Zealand to end-consumers around the world places tough demands on the packaging solution. Zespri, the world’s largest exporter of kiwis, chose to work with BillerudKorsnäs and packaging manufacturer Orora Kiwi Packaging to come up with the optimum solution. The collaboration has resulted in a packaging that can be stacked and retains its stability under extremely tough conditions of long and demanding distribution, high air humidity and months in refrigeration. The material is based on BillerudKorsnäs’ extremely strong fluting, which is made from 100% primary fibre. The tests were successful and the new solution was up and running at full scale after only a couple of months.

The result is more efficient packaging, easier handling and fewer losses along the supply chain. And, crucially, the delicious and nutritious kiwi retains its flavour and quality all the way home to the consumer.

“I’m extremely pleased with the results. We have a robust solution that meets all our requirements,” says Janet Clendon, Global Packaging Manager, Zespri International Ltd.
Global network

Together with machine suppliers, packaging manufacturers and researchers the world over, BillerudKorsnäs works to offer innovative and safe packaging solutions with global reach.

BillerudKorsnäs works with a network of machine manufacturers, packaging manufacturers, design agencies, researchers and public agencies with a view to jointly offering brand owners global reach, high speed to market, quality assurance and reliable deliveries.

Customers and partners in over 100 countries provide access to a unique bank of knowledge and specialist expertise that can be used to find solutions to complex packaging challenges.

BillerudKorsnäs has a network of innovative and quality assured corrugated board manufacturers, for example, with the exclusive right to offer the SoliQ concept to the fruit export markets.

PACCESS BRINGS NEW EXPERTISE

BillerudKorsnäs’ subsidiary Paccess has added valuable expertise on packaging solutions for brand owners with global sales and manufacturing in Asia.

Paccess has access to quality assured networks of material and packaging manufacturers across the region.

Read more about what expertise Paccess brings and how it strengthens BillerudKorsnäs’ presence in Asia on page 11.

SoliQ is a unique service concept for optimising the fruit and vegetable delivery chain, all the way from grower to consumer. With BillerudKorsnäs’ primary fibre-based fluting, the packaging is able to meet all the demands placed on it in terms of humidity, temperature and ventilation during long and demanding distribution. Its lightness and stability reduces resource use and weight, which in turn keeps down freight costs. With SoliQ, the valuable contents stay fresh all the way to the store.
Close and creative cooperation

The cooperation between Tetra Pak and BillerudKorsnäs has been ongoing for over 60 years. Over the years the two companies have been involved in a number of joint development and improvement activities, obtaining results which would have been impossible for the companies to achieve individually.

To respond to market demands, Tetra Pak continually introduces new package shapes and sizes, extending the limits of what can be achieved with paperboard. The conversion process is much more complex today as the same board is used for many different applications. Making packages such as Tetra Prisma® Aseptic or Tetra Gemina® Aseptic requires board with special properties, in order to achieve best results during folding and forming in the filling machine.

Primarily, it needs to have a robust structure. This board strength also makes it possible to meet the requirements of new and bigger opening devices, as well as different types of packages. To enable increased printability, today’s board also needs to have a smooth printing surface.

“We have many common objectives, and we pursue them together in a very open, collaborative way. The results show what we can achieve.”

Sam Strömerstén,
Executive VP Supply Chain at Tetra Pak
Packaging has an important role to play in a sustainable society. Smarter packaging solutions cut resource use and costs, strengthen brands, and contribute to more efficient logistics and a better environment.

Fibre-based materials are already able to replace plastic, glass and metal in areas where this was previously unthinkable. And advances are being made all the time. Packaging is also becoming an increasingly essential tool for communicating with and marketing a product to consumers. All this increases demand for broad expertise in packaging innovation and strategies for the whole product life cycle.

BillerudKorsnäs works systematically to find the best solutions for the packaging needs of the future – solutions that also strengthen the customer’s competitiveness.

RESEARCH AND DEVELOPMENT EXPANDED

Strategic partnerships and access to a global network make BillerudKorsnäs an interesting innovation partner for packaging manufacturers and brand owners who see packaging as a competitive tool.

When it comes to the packaging of tomorrow, the aim is for BillerudKorsnäs to lead and drive development.

New knowledge creates new opportunities for us and our customers alike.

2013 saw a boost in resources for research and development within the framework of Strategic Development, with the R&D department in particular being expanded. This was accompanied by the formation of a new department for innovation and new business, which goes by the name of the New Business Lab.

OPEN INNOVATION

BillerudKorsnäs draws on external expertise and invites users, customers and suppliers to join in the innovation work. Open innovation has numerous advantages: it is easier to reach researchers and companies that operate in the same area, external knowledge and expertise bring new ideas and solutions, start-up time is shorter and joint projects speed up the whole process from idea to market.

RENEWABLE FIBRE SUPERIOR

All the development work is based around primary fibre from slow-growing coniferous forests, which lends the paper unique strength and formability. Fibre-based packaging is a good environmental choice, as consumers around the world are discovering, and renewable fibre is replacing fossil plastics in more and more areas, although the switch is only in its infancy. Today, for example, only 12% of food packaging in Europe is made from paper, while plastic and aluminium account for the rest.¹

A key aspect of the innovation work is about inspiring and influencing people, taking part in trade fairs and seminars and presenting companies and public agencies with solutions that are better for the environment.

NEW APPLICATIONS

BillerudKorsnäs is constantly launching new materials that successfully compete with plastics. One exciting example is the highly extensible kraft paper FibreForm®, which allows for innovative designs and has won several international awards.

Work is also under way to develop new materials that are even more formable, have greater torsional stiffness or are even more tolerant of moisture and grease.

In the future, forest raw materials are set to be applied in many new contexts: for example replacing cotton and synthetic materials in soft bags for hygiene products or sports goods, or as a replacement for metal cans for various purposes.

¹ PCI Films Consulting Ltd, 2010.
FOCUS ON THE HOME

The focus has long been on the store and how food is transported and stored there, but now there is increasing interest in handling and storage in the home. Billerud-Korsnäss is a long way ahead of the curve in developing new materials and packaging solutions that can cut losses and make life easier for consumers by being better adapted to the refrigerators and larders of the future.

Other key focus areas include innovative solutions for in-store handling and display, and packaging as an integral element of the brand experience.

FUTURE CONSUMERS

BillerudKorsnäss conducts its own investigations and qualitative studies into future consumer behaviour. There is a major challenge in changing many consumers’ perception of packaging as a waste of resources and showing that good packaging protects the contents, reduces losses and enables efficient distribution. Consumers want packaging that stands out on the in-store shelf, is easy to use and store, and is simple to reuse or recycle. It needs to be “good for me and good for the planet”.

Up to 30% saving in materials with the QuickFill® concept

BillerudKorsnäss’ QuickFill® concept offers an improved function with less material compared to conventional sacks. The solution means a smaller amount of paper but a stronger and cleaner sack. The end result weighs less, fills more quickly and more precisely and is also easier to handle during transport. Less dust is spread during filling, benefitting the work environment. QuickFill packaging can replace three-layer sacks with two-layer sacks, which means a material saving of up to 30%.

- Same strength with better filling performance
- Compact sacks are easy to handle
- A cleaner product means higher sales
- Less materials
- Cleaner work environment
Sustainable and smart packaging in materials that use strong primary fibre from responsibly managed forests has numerous environmental benefits.

The optimum packaging solution protects the goods and reduces losses. It simplifies handling and brings lower distribution costs. Practical and attractive packaging strengthens the brand and contributes to a sustainable everyday life. Simple recycling creates a natural eco-cycle.

Compared with PET and HDPE plastic bottles, liquid packaging board reduces the use of fossil resources and primary energy and generates considerably fewer emissions of fossil CO$_2$. As we know, strong environmental benefits are appreciated by companies and consumers all over the world.

Environmental benefits at every stage

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<tr>
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<th>CO$_2$ emissions</th>
<th>Fossil resources</th>
<th>Primary energy</th>
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<td>PET bottle</td>
<td>-45%</td>
<td>-57%</td>
<td>-36%</td>
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<tr>
<td>HDPE bottle</td>
<td>-34%</td>
<td>-56%</td>
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1 IFEU 2012.
PET Polyethylene terephthalate.
HDPE High-density polyethylene.
Business areas

Packaging Paper
pages 30 - 31

Consumer Board
pages 32 - 33

Containerboard
pages 34 - 35
PACKAGING PAPER
KRAFT AND SACK PAPER FOR CUSTOMERS WITH TOUGH DEMANDS

The Packaging Paper business area offers premium quality kraft and sack paper, coupled with smart solutions for customers’ manufacturing processes and applications. Examples include carrier bags and packaging for food, industrial purposes and medical applications.

Sustainable and efficient

SACK SOLUTIONS
BillerudKorsnäs’ sack solutions are able to reduce paper use by up to 30% and increase productivity during filling by up to 25%. A review of the customers’ value chains examines everything from construction, design and printing to manufacture, filling, distribution and end-use.

BAG SOLUTIONS
The Bag Solutions business segment offers materials and solutions for bagging dry foods such as flour, sugar and grain, but also service packaging such as carrier bags for food or fashion.

CONSUMER LAMINATES
BillerudKorsnäs has a well-established offer of uncoated kraft paper that contributes strength and stiffness to laminates for flexible food packaging. BillerudKorsnäs FibreForm® is a unique material with high formability that allows plastics to be replaced with sustainable and exciting packaging.

SPECIALITY PAPERS
A broad range of advanced kraft paper for various areas of use, including medical applications, interleaving for the steel industry and release liner for hygiene products. BillerudKorsnäs’ kraft paper is strong, pure and effective.

PULP
The pulp not used in BillerudKorsnäs’ own production of paper and board is sold on the open market as NBSK pulp, based on 100% primary fibre.

SHARE OF GROUP
NET SALES
37%
SEKm 7 300

SHARE OF GROUP
OPERATING PROFIT
26%
SEKm 280

NET SALES BY MARKET SEGMENT
- Industrial, 55%
- Food & Beverages, 23%
- Medical & Hygiene, 12%
- Consumer & Luxury Goods, 10%

NET SALES BY REGION
- Europe, 70%
- Asia, 14%
- Africa, 8%
- South America, 3%
- Middle East, 1%
- Other, 4%

Sustainable and profitable growth is to be achieved through selective growth in chosen segments, primarily the construction industry in growth markets, and the food sector.

To achieve this, the business area will focus on:
- Innovative product development with a clear focus on the value chain and an emphasis on system sales
- Remaining the quality leader in selected segments
- Flexible production capacity
- Expansion in growth markets, chiefly in Asia

Growth target
0 - 4% per year
KEY EVENTS

• BillerudKorsnäs entered into a joint venture with Italian machine supplier Curti to create FibreForm Packaging, which will develop customised concept solutions for brand owners, based entirely on FibreForm®

• An exciting collaboration with Bosch concerning packaging machines for tightly sealed paper packaging for dry goods

• A successful switch from plastic cement sacks to BillerudKorsnäs QuickFill sacks in Indonesia

• Development of innovative new concepts in Sack Solutions with market launches planned for 2014

2013 IN BRIEF

• Net sales increased by 6% to SEK 7,279 million

• Operating profit decreased with 19% to SEK 284 million. Mainly due to the extensive rebuild in Skärblacka during quarter three and four. Negative effect from less favorable currency situation was offset by improved prices in local currency

• The operating margin reached 4%, compared to 5% previous year

• The machines acquired in Finland in June 2012, had a positive impact on the operating profit

Advantage FibreForm Packaging

FibreForm Packaging is a joint venture between BillerudKorsnäs and the Italian machine supplier Curti. There is already considerable interest from brand owners, who gain their own complete production system comprising packaging machine, materials and service, all carefully adapted, tried and tested.

This makes it easy for the customer to simply and cost-effectively differentiate packaging in terms of shape and design. It is easy to switch format on the production line or add various embossing options. BillerudKorsnäs’ extremely formable FibreForm® has significant environmental benefits compared with plastic or metal.

The new concept is primarily aimed at dry foods such as sugar, salt and flour, but also snacks, tablets and vitamins. The first machines will be brought to market in autumn 2014.
The Consumer Board business area delivers high-quality cartonboard for beverages, yoghurt, refrigerated and frozen food products and other consumer goods. Smart solutions in terms of function, design and material selection add value for the customer.

**Pure and safe**

**LIQUID PACKAGING BOARD**
BillerudKorsnäs’ liquid packaging board is used for beverages in chilled or aseptic packaging and other food. The board is pure, taste-neutral, formable and stiff, with a good print surface, which produces stable, easily handled, attractive and recyclable packaging.

**CARTONBOARD**
Our cartonboard combines strength, low weight, high formability and an exclusive print surface in a manner that is unique in the market. This offers brand owners huge opportunities to promote and differentiate their packaging.

**CUP STOCK**
Cup Stock is a specially developed board for paper cups, although with its high stiffness, low weight and high purity, it is also suitable for paper plates and other products that come into direct contact with hot food and different types of drinks.

**Growth target**
4 - 5% per year

**STRATEGY**
Sustainable and profitable growth is to be achieved through volume growth in the key markets.

To achieve this, the business area will focus on:
- Growth markets around the world, combined with maintaining a strong position in Europe
- Investing in increased capacity to meet the rapidly growing demand in chosen market segments
- Innovative ways of working closely with the customer to create constantly improved materials and solutions, tailored to customer needs, with a focus on the whole value chain

**SHARE OF GROUP NET SALES**
36% SEKm 7 000

**SHARE OF GROUP OPERATING PROFIT**
50% SEKm 560

**NET SALES BY MARKET SEGMENT**
- Food & Beverages, 99%
- Consumer & Luxury Goods, 9%
- Medical & Hygiene, 1%
- Industrial, 0%

**NET SALES BY REGION**
- Europe, 67%
- Asia, 22%
- Middle East, 7%
- Africa, 2%
- South America, 1%
- Other, 1%
The finest chocolates in the **nicest box**

For the exclusive little chocolate-maker Mälarchocolaterie in Västerås, Sweden, the packaging is a key element of the overall concept. The company, which began ten years ago at home in the kitchen, received the International Excellence Award at the Salon du Chocolat in Paris in 2009. Mälarchocolaterie is owned and run by Elaine Chan and Thomas Brännström, who decided right from the beginning that they would make chocolates of the very best quality.

Proper chocolate made from cocoa butter requires a clean box and BillerudKorsnäs have helped to choose the right materials and packaging solutions. For the chocolate BillerudKorsnäs’ Light 290 gsm is used, an extremely strong carton with low-weight and taint and odour neutral. The white, coated surface offers excellent image printing and quality colour reproduction. Mälarchocolaterie’s dark-brown logo creates a lovely pattern on the unbleached inside of the box.

“The packaging is a crucial part of our identity, probably as important as the chocolates. BillerudKorsnäs have both the knowledge, resources and a strong interest in developing new packaging,” says Thomas Brännström, Mälarchocolaterie.

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**SHARPER BRANDS**

The finest chocolates in the **nicest box**

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**KEY EVENTS**

- The refit of the board machine in Frövi has created a platform for improved capacity and quality
- The decision to refit a board machine in Gävle will help to drive up cost-efficiency and product quality, as well as increasing machine capacity by around 10%
- The exclusive multilayer cartonboard Billerud-Korsnäs Artisan was relaunched with even better print surfaces

**2013 IN BRIEF**

- Net sales amounted to SEK 6 964 million
- Operating profit reached SEK 557 million. The result was negatively impacted by SEK 115 million by production problems in conjunction with the start-up of KM5 in Frövi after extensive remodeling, and two longer unplanned stops at the Frövi mill and a quality related problem in Gruvön with an impact of SEK 40 million and SEK 30 million respectively. Prices in local currency were stable compared to 2012
- The operating margin reached 8%
- Business area Consumer Board was formed 29 November 2012 with the combination with Korsnäs. The business area also includes Cup Stock and liquid packaging board, which was formerly part of business area Containerboard. No comparisons are therefore made with 2012
CONTAINERBOARD
STRONG FLUTING AND LINER ADD VALUE

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

Strong and light

FLUTING
BillerudKorsnäs’ fluting optimises packaging without compromising on strength, function and performance. Fluting based on primary fibre is perfect for corrugated boxes for fruit and vegetables, consumer goods and heavy or fragile goods.

LINER
BillerudKorsnäs’ white Liner and White Top Liner are strong, pure and hygienic with high printability. Applications include everything from pizza boxes to exclusive gift packaging for perfumes, beauty products and exclusive drinks.

PACCESS
The wholly owned subsidiary Paccess offers packaging and distribution solutions for brand owners with manufacturing in Asia and customers around the globe.

Sustainable and profitable growth is to be achieved through value growth, which means increasing margins for the existing product portfolio.

To achieve this, the business area will focus on:
• Expansion in new markets and applications that suit the product mix and allow for higher margins
• An innovative way of working that gives brand owners smarter packaging solutions based on superior material properties
• Investments with a focus on quality, plus continued expansion for Paccess
• Growing markets outside Europe

Growth target
2 - 4% per year

SHARE OF GROUP
NET SALES
16%
SEKm 3 100

SHARE OF GROUP
OPERATING PROFIT
29%
SEKm 320

NET SALES
BY MARKET SEGMENT

Food & Beverages, 83%
Consumer & Luxury Goods, 10%
Industrial, 6%
Medical & Hygiene, 1%

NET SALES
BY REGION
Europe, 83%
Asia, 8%
Africa, 6%
South America, 1%
Other, 2%
KEY EVENTS
• Purchase of the remaining 70% of shares in Paccess increase BillerudKorsnäs’ presence in Asia and strengthened the company’s offer in Solution Services
• The sales office in Dubai gained extra resources and a new office was opened in Bangkok
• A new material, Billerud Flute 220g, makes it possible to reduce the weight of packaging by using corrugated board instead of wood, for example, for heavy and demanding distribution
• A new recipe for coated liner provides improved printability and strength, meeting exacting standards for the weight and appearance of packaging

2013 IN BRIEF
• Net sales increased by 18% to SEK 3 073 million
• Operating profit increased with 45% to SEK 318 million, mainly due to better prices in local currency and inclusion of White Top Liner that was integrated in the business area with the merger with Korsnäs
• The operating margin reached 10%, compared to 8% previous year
• In August the remaining 70% of the shares in Paccess were acquired, which achieves a strong top line growth as well as increased gross margin

Bag-in-box for fine wines

The first wine boxes were launched in the 1960s and bag-in-box is now used for liquid products of many kinds, including fine wines. There are various reasons for the explosion in popularity: • Boxes are easy to carry, store and transport • The design ensures that an opened box stays fresh for a long time • It is easy to separate and recycle the packaging.

Wine producers around the world are making increasing use of bag-in-box even for more exclusive wines. Elegant packaging that strengthens the brand requires material with first-class image reproduction, that is also good for embossing, lacquering and foiling.

Smurfit Kappa, a major supplier of bag-in-box solutions for the Nordic market, uses coated liner from BillerudKorsnäs for its demanding customers.

BillerudKorsnäs Supreme, made from 100% primary fibre, is a perfect liner for our BiB solutions. It is strong and stiff, with excellent printability and consistently high quality,” says Carl-Oscar Carlsson, General Manager, Smurfit Kappa LithoPac
World-class process efficiency

The merger of Billerud and Korsnäs offers huge scope for more efficient and sustainable processes throughout the chain from purchasing to satisfied customers and consumers. The target for annual synergies and savings has been raised to SEK 530 million, a figure that is expected to be reached in 2014, one year ahead of schedule.
BillerudKorsnäs is improving systematic efficiency across all its processes in a drive to achieve Operational Excellence and ensure competitiveness that is sustainable in the long term.

**NEW WAY OF WORKING**
Process efficiency comes down to the interplay between machinery, motivated employees and the development of working patterns. Within the Group, several focused improvement programmes are under way, and work has begun on identifying best practice from each production unit and creating a Group-wide model for Operational Excellence. The model has to be adaptable to each unit’s unique circumstances. The development work began in 2013 with a focus on:

- Safety in every part of our business
- World-class maintenance, production and delivery chain
- Problem-solving and development through fact-based improvement work in cross-functional teams
- Operational management with rapid and efficient cycles for follow-up, control and improvement

The approach is built around the commitment and participation of employees in all the functions and at all the levels within BillerudKorsnäs – from problem-solving in teams to continuous improvements in everyday operations.

The way of working encompasses the entire flow: from purchasing wood raw material from sustainable forestry to satisfied customers all over the world.

**INTEGRATED PROCESS HAS MANY BENEFITS**
BillerudKorsnäs’ production takes place at eight efficient units, all of which are quality certified to ISO 9001 and environmentally certified to ISO 14001. Pulp manufacturing is largely integrated with the paper and board production, which brings several key advantages: Higher quality through complete control over the production process, lower transport costs and reduced energy consumption, since the pulp can be used immediately without drying. Pulp production also produces an energy surplus, which is used in the manufacture of the paper and board.

Furthermore, wood pellets are produced at three units in Latvia.

**INVESTMENT IN EFFICIENT AND ENVIRONMENTALLY ADAPTED PRODUCTION**
Energy represents one large single cost for BillerudKorsnäs, which is why the Group has gradually improved energy efficiency at all its production units. In 2013, energy consumption fell by a little over 10% per tonne of product, and the proportion of biofuel rose to 97%. Fossil CO₂ emissions decreased sharply as part of a vision to become entirely free from fossil fuels in the long term.

Skårblacka has undergone a major refit to improve its environmental credentials and energy efficiency. Totalling SEK 900 million and completed in 2013, the investment comprises a new evaporation plant, an upgraded flue gas cleaning system and a redeveloped recovery boiler.

A decision was taken during the year to refit a production line for long-fibre pulp in Gruvön. Installation of a lean gas system in Karlshög is expected to halve sulphur emissions from 140 to 70 tonnes per year.

The new bioenergy plant in Gävle, which is co-owned by the municipality, has now been tuned, helping to increase the overall amount of self-generated electricity. In 2013 self-generated electricity production within BillerudKorsnäs amounted to 1 381 GWh.

The decision was taken to invest SEK 220 million in the board machine PM4 in Gävle to improve capacity, cost-efficiency and print quality.

The board machine in Frövi was refitted over the year, providing a platform for greater capacity and quality.

**SYNERGIES EXCEEDING THE TARGET**
The work on integration and realising synergies and savings has exceeded the target. The focus areas are organisational structure, brand platform and values, plus common working methods and process development.

A large number of projects are involved and together they will have a significant impact on efficiency and profitability. Many employees are engaged in this work, at all levels and in all parts of the Group. The work has exceeded expectations, with synergies and savings corresponding to an annual pace of SEK 370 million realised in 2013, particularly in the supply of wood raw material, purchasing and production optimisation.

**A SAFE WORKPLACE**
Safety is an essential element of all activities within BillerudKorsnäs.

Employees in all the relevant functions are being trained in active safety behaviour. Systems and procedures are in place for risk analysis, incident reporting and follow-up. BillerudKorsnäs has a zero vision for work-related accidents that lead to sick leave. In 2013, there were 1.5 work-related accidents with sick leave per 100 employees, which is lower than in the previous year.

In order to promote continuous improvement and a shared approach to health and safety, seminars on this topic are planned for the whole Group, starting in 2014.

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**SWEDEN**
1. Stockholm (Head office)
2. Gävle, 700 ktonnes/year
3. Gruvön, 685 ktonnes/year
4. Frövi/Rockhammar, 450 ktonnes/year
5. Skårblacka, 400 ktonnes/year
6. Karlshög, 300 ktonnes/year

**FINLAND**
7. Pietarsaari, 200 ktonnes/year
8. Tervasaari, 100 ktonnes/year

**UNITED KINGDOM**
9. Beetham, 45 ktonnes/year

**LATVIA**
10. Latgrāna, 430 ktonnes/year
    - Jaunieglava
    - Jekabpils
    - Kraslava

Production capacity.
**Sustainability 2013**

This section is an extract from BillerudKorsnäs’ Sustainability Report 2013, which can be read in full at [www.billerudkorsnas.com/sustainability/reports](http://www.billerudkorsnas.com/sustainability/reports)

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**MORE SELF-GENERATED ELECTRICITY AND LOWER CO₂ EMISSIONS IN GÄVLE**

Now fully operational, the new biofuel-fired CHP plant co-owned by BillerudKorsnäs and Gävle municipality upped the overall amount of self-generated electricity. In total 424 GWh was generated, an increase over 30%, a figure that is expected to increase even further in 2014 once the plant is fine-tuned. Fossil CO₂ emissions for the plant fell by 85%.

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**INVESTMENT IN ENERGY, PRODUCTION AND THE ENVIRONMENT IN SKÄRBLACKA**

A brand new evaporation plant was brought on stream in 2013. the recovery boiler was also redeveloped and the flue gas cleaning system upgraded. the investment of SEK 900 million will ensure lower energy costs, reduced emissions and increased production capacity.

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**BILLERUDKORSNÄS ON THE WWF ENVIRONMENTAL PAPER COMPANY INDEX 2013**

“BillerudKorsnäs AB is recognised by WWF for its leadership in transparency for disclosing their ecological footprint in the WWF Environmental Paper Company Index 2013.”

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**ACTIVE ROLE IN COMMUNITY**

BillerudKorsnäs is a major employer in many places, with a major impact on the the local community. Interaction with local communities, is often wide-ranging in scope. It might be about supplying energy, but it might also be about sponsoring social initiatives, getting involved with schools or providing opportunities for young people to gain work experience.

In Örebro for example the company sponsored a nature and technology camp for girls in their teens. The girls visited four schools where they got to try out fun, exciting and educational nature and technology exercises.

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**ATTRACTIVE EMPLOYER**

BillerudKorsnäs works actively to create an attractive workplace and an innovative environment. Employees are encouraged to systematically develop operations, with methods in place for ongoing improvements.

---

**UK PACKAGING AWARDS**

FibreForm®, was declared the winner in the category “Innovation of the Year”. The unique material enables innovative shapes and embossing that could not previously be achieved, creating packaging that grabs consumers’ attention.

---

**FOSSIL FREE PRODUCTION**

The company is nearing a fossil free production. In 2013 the use of biofuel was 97%.

---

**DISTRIBUTION OF FUEL CONSUMPTION 2013**

<table>
<thead>
<tr>
<th>Black liquor, 68%</th>
<th>Internal biofuel, 14%</th>
<th>External biofuel, 8%</th>
<th>Tall oil, tar oil, etc., 7%</th>
<th>Fossil fuels, 3%</th>
</tr>
</thead>
</table>

---

**ENVIRONMENTALLY ADAPTED TRANSPORTS**

Transport of the end product is primarily by rail and by sea. This prioritising has lowered emissions of carbon dioxide progressively over the years.

---

**CO₂ EMISSIONS FROM PRODUCT TRANSPORTATION**

<table>
<thead>
<tr>
<th>CO₂/product, kg/tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>20</td>
</tr>
<tr>
<td>30</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>50</td>
</tr>
<tr>
<td>60</td>
</tr>
<tr>
<td>70</td>
</tr>
<tr>
<td>80</td>
</tr>
</tbody>
</table>

---

**TYPE OF TRANSPORT FROM PRODUCTION UNITS 2013**

<table>
<thead>
<tr>
<th>Railway, 56%</th>
<th>Road, 26%</th>
<th>Sea, 18%</th>
</tr>
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---

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</table>
Focus areas for sustainable development

BillerudKorsnäs prioritises six areas that together give great width to the sustainability work and are important to our stakeholders.

1. **Functional and resource-efficient packaging solutions**
   
   reduce consumption of resources in the form of raw materials and energy, and ensure rational and safe distribution of food and other goods for our customers

2. **Renewable raw materials from sustainable forestry**
   
   provide long-term access to wood raw materials whose origin takes into account the forest’s environmental assets and social functions

3. **Environmentally adapted production**
   
   reduces emissions to air and water, increases the company’s energy recovery, raises the proportion of renewable energy and cuts the use of fossil energy

4. **Committed employees in safe workplaces**
   
   contribute to the development of a profitable and sustainable company while at same time strengthening collaboration, competence, equality, safety and the working environment

5. **Doing business responsibly**
   
   reinforces trust in the company among all its stakeholders, encourages ethical conduct and lays the foundation for positive development at BillerudKorsnäs

6. **Active role in community**
   
   make a positive contribution to economic, environmental and social development of local communities and the wider world
Sustainability strategy in the value chain

BillerudKorsnäs will collaborate in the value chain to strengthen and develop the sustainability performance of the products.

- Sustainability is fundamental to BillerudKorsnäs’ business. For the future the priority is to help increase sustainability in the value chain of which the company is part.
- BillerudKorsnäs will have measurable targets for sustainability in both the short and long term, so that all stakeholders are clear about what the company wants to accomplish.
- BillerudKorsnäs’ performance and target fulfilment for sustainability will be reported and reviewed transparently in line with recognised and credible systems.
- Through its presence in key external arenas, BillerudKorsnäs will be known for its responsibility and good performance in the field of sustainability.

READ THE SUSTAINABILITY REPORT ON OUR WEBSITE

The Sustainability Report is independent of the financial reporting and can be found at www.billerudkorsnas.com
Income statement

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>19 533</td>
<td>10 427</td>
</tr>
<tr>
<td>Other income</td>
<td>129</td>
<td>27</td>
</tr>
<tr>
<td>Operating income</td>
<td>19 662</td>
<td>10 454</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-17 147</td>
<td>-9 256</td>
</tr>
<tr>
<td>Depreciation/Amortisation</td>
<td>-1 402</td>
<td>-709</td>
</tr>
<tr>
<td>Operating profit/loss</td>
<td>1 113</td>
<td>489</td>
</tr>
<tr>
<td>Net financial income and expenses</td>
<td>-285</td>
<td>-87</td>
</tr>
<tr>
<td>Profit/Loss before tax</td>
<td>828</td>
<td>402</td>
</tr>
<tr>
<td>Taxes</td>
<td>-142</td>
<td>275</td>
</tr>
<tr>
<td>Net profit/loss</td>
<td>686</td>
<td>677</td>
</tr>
</tbody>
</table>

Capital employed

<table>
<thead>
<tr>
<th></th>
<th>31 Dec</th>
<th>31 Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Non-current assets excluding interest-bearing receivables</td>
<td>17 492</td>
<td>17 549</td>
</tr>
<tr>
<td>Inventories</td>
<td>3 010</td>
<td>3 146</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2 380</td>
<td>2 244</td>
</tr>
<tr>
<td>Other current assets</td>
<td>829</td>
<td>943</td>
</tr>
<tr>
<td>Total operating assets</td>
<td>23 711</td>
<td>23 882</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>2 691</td>
<td>2 561</td>
</tr>
<tr>
<td>Non-interest-bearing provisions</td>
<td>108</td>
<td>84</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1 726</td>
<td>2 549</td>
</tr>
<tr>
<td>Other non-interest-bearing liabilities</td>
<td>1 579</td>
<td>1 158</td>
</tr>
<tr>
<td>Capital employed</td>
<td>17 607</td>
<td>17 530</td>
</tr>
</tbody>
</table>

Cash flow

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating surplus</td>
<td>2 582</td>
<td>1 282</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-336</td>
<td>132</td>
</tr>
<tr>
<td>Net financial income/expenses</td>
<td>-241</td>
<td>-59</td>
</tr>
<tr>
<td>Tax paid</td>
<td>-160</td>
<td>-353</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>1 845</td>
<td>1 002</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-1 181</td>
<td>-7 194</td>
</tr>
<tr>
<td>Cash flow after investing activities</td>
<td>664</td>
<td>-6 192</td>
</tr>
</tbody>
</table>

For a complete report, please see BillerudKorsnäs' Annual report 2013, www.billerudkorsnas.com
### Financial ratios

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Margins</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross margin, %</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td><strong>Return, rolling 12 months</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on capital employed, %</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Return on total capital, %</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Return on shareholders' equity, %</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Diluted return on shareholders’ equity, %</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td><strong>Capital structure at end of period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital employed, SEKm</td>
<td>17,607</td>
<td>17,530</td>
</tr>
<tr>
<td>Shareholders’ equity, SEKm</td>
<td>9,917</td>
<td>9,435</td>
</tr>
<tr>
<td>Interest-bearing net debt, SEKm</td>
<td>7,691</td>
<td>8,096</td>
</tr>
<tr>
<td>Capital turnover, multiple</td>
<td>1.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Interest coverage, multiple</td>
<td>3.7</td>
<td>5.0</td>
</tr>
<tr>
<td>Net debt/equity ratio, multiple</td>
<td>0.78</td>
<td>0.86</td>
</tr>
<tr>
<td>Diluted net debt/equity ratio, multiple</td>
<td>0.77</td>
<td>0.85</td>
</tr>
<tr>
<td>Share of risk-bearing capital, %</td>
<td>52</td>
<td>49</td>
</tr>
<tr>
<td>Equity ratio, %</td>
<td>41</td>
<td>38</td>
</tr>
<tr>
<td>Diluted equity ratio, %</td>
<td>41</td>
<td>39</td>
</tr>
<tr>
<td>Self-financing ratio, multiple</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Per share</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share, SEK</td>
<td>3.24</td>
<td>5.14</td>
</tr>
<tr>
<td>Diluted earnings per share, SEK</td>
<td>3.24</td>
<td>5.12</td>
</tr>
<tr>
<td><strong>Per share at end of period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity per share, SEK</td>
<td>47.68</td>
<td>45.47</td>
</tr>
<tr>
<td>Diluted shareholders’ equity per share, SEK</td>
<td>47.58</td>
<td>45.41</td>
</tr>
<tr>
<td>Dividend per share, SEK</td>
<td>2.25</td>
<td>2.00</td>
</tr>
<tr>
<td>Cash flow per share from operating activities, SEK</td>
<td>8.93</td>
<td>7.60</td>
</tr>
<tr>
<td>Operating cash flow per share, SEK</td>
<td>3.17</td>
<td>0.38</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in non-current assets, SEKm</td>
<td>1,277</td>
<td>965</td>
</tr>
<tr>
<td>Acquisitions, SEKm</td>
<td>-9</td>
<td>8,948</td>
</tr>
<tr>
<td><strong>Human Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of employees</td>
<td>4,270</td>
<td>2,548</td>
</tr>
</tbody>
</table>

1 Historic figures recalculated taking into account the 2012 rights issue.

For 2013, BillerudKorsnäs’ Board of Directors proposes a dividend of SEK 2.25 per share. The proposed dividend corresponds to 69% of net profit for 2013.
### Quarterly data

#### Quarterly Net Sales per Business Area and for the Group

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full year</td>
<td>Q 4 -13</td>
</tr>
<tr>
<td><strong>Packaging Paper</strong></td>
<td>7 279</td>
<td>1 758</td>
</tr>
<tr>
<td><strong>Consumer Board</strong></td>
<td>6 964</td>
<td>1 659</td>
</tr>
<tr>
<td><strong>Containerboard</strong></td>
<td>3 073</td>
<td>763</td>
</tr>
<tr>
<td><strong>Other units</strong></td>
<td>2 141</td>
<td>507</td>
</tr>
<tr>
<td><strong>Currency hedging, etc.</strong></td>
<td>76</td>
<td>26</td>
</tr>
<tr>
<td><strong>Group staff and eliminations</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Group</strong></td>
<td>19 533</td>
<td>4 713</td>
</tr>
</tbody>
</table>

#### Quarterly Operating Profit/Loss per Business Area and for the Group

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full year</td>
<td>Q 4 -13</td>
</tr>
<tr>
<td><strong>Packaging Paper</strong></td>
<td>284</td>
<td>91</td>
</tr>
<tr>
<td><strong>Consumer Board</strong></td>
<td>557</td>
<td>29</td>
</tr>
<tr>
<td><strong>Containerboard</strong></td>
<td>318</td>
<td>98</td>
</tr>
<tr>
<td><strong>Other units</strong></td>
<td>36</td>
<td>-4</td>
</tr>
<tr>
<td><strong>Currency hedging, etc.</strong></td>
<td>76</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total Group</strong></td>
<td>1 113</td>
<td>197</td>
</tr>
</tbody>
</table>

#### Quarterly Operating Margin per Business Area and for the Group

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td><strong>Packaging Paper</strong></td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td><strong>Consumer Board</strong></td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td><strong>Containerboard</strong></td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

#### Quarterly Sales Volumes per Business Area and for the Group

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ktonnes</td>
<td>Q 4 -13</td>
</tr>
<tr>
<td><strong>Packaging Paper</strong></td>
<td>1 080</td>
<td>263</td>
</tr>
<tr>
<td><strong>Consumer Board</strong></td>
<td>959</td>
<td>231</td>
</tr>
<tr>
<td><strong>Containerboard</strong></td>
<td>552</td>
<td>126</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 591</td>
<td>620</td>
</tr>
</tbody>
</table>
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 capital
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 shareholders’ 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 shareholders’ 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.

Shareholders’ equity
Shareholders’ equity at the end of the period.

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

Capital 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 shareholders’ equity.

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

Share of risk-bearing capital
Shareholders’ equity plus deferred tax liability as a percentage of total assets.

Equity ratio
Shareholders’ equity as a percentage of total assets.

Diluted equity ratio
Shareholders’ 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.

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

Shareholders’ equity per share
Shareholders’ 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.

Shareholders’ equity per share, diluted/full conversion
Shareholders’ 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 For number of shares, see section “The BillerudKorsnäs share”.

BILLEKUDKORSNÄS ANNUAL REVIEW 2013

FINANCIAL INFORMATION 45
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: 73 213

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
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: 6 600

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 Bergstugs AB. Product manager, Stora Gruvön.
Shareholding: 12 125

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
Year born: 1961
Other assignments: Board member of Bergteamet AB and AB Geveko.
Background: CEO of Korsnäs AB and Wermeland Paper AB. Member of the management team of Kinnevik. Chairman of the board of Grycksbo Paper Holding AB.
Shareholding: 18 000

PER LINDBERG

CHRISTER SIMRÈN

UNO BRINNEN

LENNART EBERLEH
Senior Vice President
Consumer Board
Education: MSc, Chalmers University of Technology, Gothenburg.
Year employed: 2009
Year born: 1962
Other assignments: Board member of Bomhus Energi Aktiebolag, Board member of SPCI (Svenska Pappers- och Cellulosa Ingenjörforeningen – 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: 4 000

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: 975

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

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 Axapatan AB.
Background: R & D Director Korsnäs AB, Research manager Korsnäs Development, Project area manager STFI.
Shareholding: 11 094

KARIN HÅGFELDT

JOHN NELLBECK

SUSANNE LITHANDER

ULF ELIASSON

HENRIK ESSÉN

MAGNUS WIKSTRÖM

Shareholding: 1 300

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

BILLERUDKORSNÄS ANNUAL REVIEW 2013

SENIOR MANAGEMENT TEAM 47
Board of Directors

• 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 Alter 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 Ahlolt, 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 Beteiligungsholding 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: 3 000
Independent/Not independent: Independent of the Company and management, independent of the Company’s major shareholders.

• 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.

• 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, Elva 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.

• 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, Nexen Chemical AB, Vigmeld Holding AB, Chamber Tech AB and Brunkeberg Systems AB. Board member of BioMass C Holding AB, Nattaro Labs AB, Hempel A/S and Zentrio 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 Erfangen-Numberg.
Year born: 1948
Other assignments: CEO of Frapag Beteiligungsholding AG. CEO, Frapag Industrie Holding 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
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: –

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: 1969
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

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).

HÉLÈN 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.
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 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 VOLUME**
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.

**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**
- Foreign shareholders, 29.4%
- Swedish mutual funds, 24.6%
- Swedish individuals incl. closely held companies, 23.6%
- Swedish institutions, 22.4%

**SHAREHOLDER CATEGORIES, VOTES**
- Sweden, 70.6%
- Austrian, 15.2%
- USA, 4.9%
- Norway, 3.7%
- United Kingdom, 2.0%
- Other, 3.6%

**10 BIGGEST SHAREHOLDERS**

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>No. of shares, millions</th>
<th>Share of votes, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frapag Beteiligungs holding AG</td>
<td>31.3</td>
<td>15.1</td>
</tr>
<tr>
<td>Nordea Funds</td>
<td>17.0</td>
<td>8.2</td>
</tr>
<tr>
<td>Swedbank Robur funds</td>
<td>13.4</td>
<td>6.5</td>
</tr>
<tr>
<td>AMF Insurance &amp; Funds</td>
<td>12.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Fourth Swedish National Pension Fund</td>
<td>11.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Alecta</td>
<td>8.1</td>
<td>3.9</td>
</tr>
<tr>
<td>SHB Funds</td>
<td>7.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Lannebo Funds</td>
<td>6.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Norges Bank Investment Management</td>
<td>5.9</td>
<td>2.8</td>
</tr>
<tr>
<td>DFA Funds (USA)</td>
<td>4.6</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Total top 10 shareholders **118.4** **57.2**

**OWNERSHIP STRUCTURE**

<table>
<thead>
<tr>
<th>Shareholding</th>
<th>No. of shares</th>
<th>%</th>
<th>No. of owners</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-100</td>
<td>1,379,808</td>
<td>0.7</td>
<td>23,877</td>
<td>23.3</td>
</tr>
<tr>
<td>101-500</td>
<td>16,414,277</td>
<td>7.9</td>
<td>63,905</td>
<td>62.5</td>
</tr>
<tr>
<td>501-1,000</td>
<td>23,216,419</td>
<td>11.1</td>
<td>13,899</td>
<td>13.6</td>
</tr>
<tr>
<td>10,001-50,000</td>
<td>8,490,805</td>
<td>4.1</td>
<td>439</td>
<td>0.4</td>
</tr>
<tr>
<td>50,001-</td>
<td>158,718,525</td>
<td>76.2</td>
<td>195</td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>208,219,834</td>
<td>100</td>
<td>102,315</td>
<td>100.0</td>
</tr>
</tbody>
</table>

1 Excluding the company’s own bought-back shares (1,500,145).
2 Including BillerudKorsnäs’ treasury shares.

Source: SIS Ägarservice, 30 December 2013.
**KEY FIGURES PER SHARE**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend (for each financial year), actual</td>
<td>2.25</td>
<td>2.00</td>
</tr>
<tr>
<td>Dividend (for each financial year), adjusted for effect of rights issue</td>
<td>2.25</td>
<td>2.00</td>
</tr>
<tr>
<td>Dividend as % of - share price (dividend yield)</td>
<td>2.8</td>
<td>3.3</td>
</tr>
<tr>
<td>- profit</td>
<td>69.4</td>
<td>61.0</td>
</tr>
<tr>
<td>- shareholders’ equity (closing balance)</td>
<td>4.7</td>
<td>4.4</td>
</tr>
<tr>
<td>Share price/closing balance of shareholders’ equity, %</td>
<td>170</td>
<td>134</td>
</tr>
<tr>
<td>P/E ratio, multiple</td>
<td>25.1</td>
<td>11.9</td>
</tr>
<tr>
<td>EV/EBITDA, multiple</td>
<td>9.7</td>
<td>17.3</td>
</tr>
<tr>
<td>Share price (closing price, last trading day)</td>
<td>81.25</td>
<td>61.25</td>
</tr>
</tbody>
</table>

1. Board’s proposal.
2. All figures are historically adjusted for the effect of the rights issues in 2012.

**ANALYSTS**

<table>
<thead>
<tr>
<th>Company</th>
<th>Analysts</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carnegie</td>
<td>Johan Sjöberg</td>
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<td>Harri Taittonen</td>
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<tr>
<td>Swedbank Markets</td>
<td>Ola Södermark</td>
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</tr>
</tbody>
</table>

**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.

**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.

**INTERIM REPORTS 2014**

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

**Aseptic packaging**
Aseptic packaging is sterilised before being filled with food treated at Ultra High Temperature (UHT), which produces products that last for over six months.

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

**CO₂**
Carbon dioxide.

**Corrugated board**
Made by gluing two usually flat layers (liner) around a wavy layer (fluting).

**Cup Stock**
Board specially designed for drink cups.

**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.

**FibreForm®**
Paper with high elasticity, which can be shaped to produce thermoformed and deep-drawn food and consumer packaging such as trays, blisterpacks, etc.

**Fluting**
The wavy middle layer of corrugated board. Made using either 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.

**ISO 14001**
The standard of the International Organisation for Standardisation (ISO) for an environmental management system.

**Liquid packaging board**
Board 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.

**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.

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

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BillerudKorsnäs Skärblacka
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Tel: +46 11 24 53 00

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Contact
Karin Slättborn
Assistant Investor Relations Manager
Tel: +46 8 553 335 73
ir@billerudkorsnas.com
BillerudKorsnäs develops and offers materials made from primary fibre and smart packaging solutions that add value all the way home to the customer.

Innovation is our passion
Sustainability is our future