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

ANNUAL REVIEW 2014

CONTENTS

BillerudKorsnäs’ Annual Review combines with its Annual Report and Sustainability Report to form the Group’s comprehensive reporting for 2014. The Sustainability Report is externally audited in accordance with the standard GRI G4.
This is BillerudKorsnäs

BillerudKorsnäs is one of the world’s leading suppliers of high-quality, packaging materials based on renewable raw material. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units.

Our customers are packaging manufacturers, brand owners and large retail and supermarket chains. Through close collaboration with customers and partners all over the world, we are able to offer a customised and broad product portfolio that features a high degree of innovation.

Demand is driven by global megatrends, particularly rising urbanisation, a greater focus on sustainability and changing consumption patterns. Consumer segments, primarily food and beverages, account for 75% of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

Smart packaging solutions using paper or board from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.
We focus on **sustainability, innovation and service** in three business areas

### Packaging Paper
The Packaging Paper business area offers premium quality kraft and sack paper, coupled with smart solutions for customers in the industrial, medical and consumer segments.

- **NET SALES**: 20.9 SEK BILLION
- **OPERATING PROFIT**: 1.9 SEK BILLION
- **NUMBER OF EMPLOYEES**: 4 300

### Consumer Board
The Consumer Board business area delivers packaging solutions in high-quality cartonboard for beverages, food products and various other consumer goods.

- **NET SALES BY REGION**
  - Europe 73% (74%)
  - Asia 16% (14%)
  - Africa 5% (5%)
  - Middle East 3% (3%)
  - South America 2% (2%)
  - Other 1% (2%)

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

- **NET SALES BY BUSINESS AREA**
  - Packaging Paper, 39%
  - Consumer Board, 36%
  - Containerboard, 15%

- **NET SALES BY MARKET SEGMENT**
  - Food & Beverages, 59%
  - Industrial, 25%
  - Consumer & Luxury Goods, 10%
  - Medical & Hygiene, 6%
High-performance materials
The renewable raw material comes from responsibly managed forests in the north. A broad product portfolio of high-quality papers and boards meets the needs of demanding customers in different industries.

Smarter solutions
The sustainable packaging solutions of the future are created in close collaboration with customers and partners. Materials, guidance and services as well as a global network combine to give each customer an optimum packaging solution.

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

Growing markets
We operate in the growing global packaging market, where the interest in renewable materials and recyclable packaging is increasing.

Sustainable innovation
BillerudKorsnäs contributes to a sustainable future through a holistic approach to the entire packaging value chain, from raw material all the way to the end-customer and recycling.

BillerudKorsnäs delivers innovative and sustainable packaging solutions for a growing global market.
2014 in brief

We achieved the synergy target

SEKm 530

During 2014, we achieved our synergy target of an annual rate of around SEK 530 million, over a year earlier than planned. The whole organisation has played its part in achieving this target.

Innovation Agenda shows the way

Three areas are in focus as BillerudKorsnäs concentrates efforts on an Innovation Agenda:
Green material technologies, Service and logistics and Innovative business models.

New sales and service offices in

Miami

Singapore

New Delhi

We continued our focus on sales offices in Asia and America. Singapore and Miami became operational over the year and we are now establishing a presence in New Delhi.

Winning concept for Spotify

A pop-up shop in BillerudKorsnäs’ material, custom-built for fuel stations, turned out to be a winning concept when students at Berghs School of Communication entered a competition on how the digital music service Spotify could physically meet people.
BillerudKorsnäs is involved in SAVE FOOD, a global UN-supported initiative to combat food losses and wastage. Through its smart packaging solutions, BillerudKorsnäs makes a significant contribution to reducing food waste.

**SAVE FOOD 2014**

**THE NEW CEMENT SACK THAT DISAPPEARS WITHOUT A TRACE**

BillerudKorsnäs won this year’s product development award for its new sack solution at the Lafarge Global Supplier Awards 2014. Lafarge and BillerudKorsnäs jointly developed a paper sack for cement that can be dissolved in the water when the concrete is being mixed.

**BILLION IN INVESTMENTS**

2014 saw decisions taken on several major investments to increase production capacity, quality and environmental performance, with a total value of SEK 1 790 million.

**ECOVADIS GIVES TOP MARKS**

BillerudKorsnäs is given Gold by EcoVadis in its ranking of 150 suppliers in the same industry.

EcoVadis collects sustainability performance data in an international evaluation system that includes the environment, working conditions, corporate social responsibility and suppliers.

**1.8**

**18% less fossil CO₂ per tonne of product**

BillerudKorsnäs’ direct emissions of greenhouse gases from the use of fuel in production fell to 31 kg per tonne produced, thanks to investments in plants and more efficient processes.
We are building a world-leading company

CEO’s statement

It is not every day that I have cause to be truly proud, happy and satisfied. But looking back on 2014, that is just how I feel.

We did exactly what we said we would – we delivered to our shareholders, customers and partners.

I also have no doubt that this is how most people in the company feel, pride and pleasure in what we have created over the year, and in what we are building together over the longer term.

Our sales were up 6%, from SEK 19.7 billion to SEK 20.9 billion, and growth was 6%, which is above our growth target of 3–4% per year. The operating profit rose by 67% from SEK 1 137 million to SEK 1 901 million, spread evenly across the quarters. Capital efficiency also grew, while working capital fell by almost SEK 500 million, and ROCE improved from 6% to 11%. This represents a good, stable trend.

PROFITABLE GROWTH

We are building a world-leading company with an offer that adds value for customers, partners and society as a whole. Following the merger and acquisitions, we said that the focus for 2013 and 2014 would primarily be on consolidation, i.e. realising synergies and reducing debt.

We have now done that. We aimed to reach SEK 330 million in synergies by the end of 2015, but this was changed in 2013 to SEK 530 million. However, looking back, that also proved to be a conservative assessment. We reached SEK 530 million in the third quarter of 2014. This just goes to show the strength and commitment that exists within the company.

A strong operating cash flow of SEK 1 739 million, compared with SEK 529 million in 2013, has enabled us to reduce the indebtedness of the company. The debt-equity ratio is now down at 0.67 and we once again have a strong balance sheet.

We have now the tools for new investments and potentially also for new acquisitions. We have said that we will grow by 15–20% up until 2018, and we are well on the way. Our growth in 2014 reached 6%.

During the year, we decided on a number of investments in production capacity and efficiency, we opened sales offices in Singapore, New Delhi and Miami, we invested heavily in training and we made the company better prepared for increased internationalisation.

We are also actively on the lookout for acquisition opportunities, but they have to fit in with and complement our structure in terms of products, geography and the value chain. And we have high standards.

SUSTAINABLE AND SPECIALISED OFFER

The long-term strength of BillerudKorsnäs lies in our product portfolio and our customer offer. We are currently the only major company globally to offer packaging materials based purely on primary fibre, with no assets in writing and printing paper, no dependence on converting and no major capital tied up in forest ownership.

Our overriding ambition is to challenge conventional packaging – for a sustainable future.

Our packaging materials are part of the solution for the future. Renewable raw materials and recyclable packaging preserve the planet’s resources. We work on continuous product development and intensive innovation in order to develop better materials and smarter solutions, never being satisfied and always challenging existing ways of thinking and collaborating.

I have no doubt that this is vital. For too long now, our industry has been driven by an ideal of efficiency and economies of scale. Of course these are both fundamentally important, but without innovation, new approaches and real customer benefit, we will not be capable of adding value moving forward. We will simply be one of the crowd. And that is not what we want, it is simply not in our DNA.

Innovation is a long-term, systematic task that requires resources. Since the merger of Billerud and Korsnäs in late 2012, we have practically doubled the resources that we put into R&D, and in 2014 we began a consolidation of our innovation work under our Innovation Agenda. The aim is to build brand new technology, service and business platforms that will drive development in line with our established targets and market positions. This is a very exciting process and I look forward to seeing the results, perhaps as soon as 2015.

THREE GLOBAL BUSINESS AREAS

Our three business areas have strong product portfolios and market positions in almost all the segments in which we operate. And all three are showing growth and good profitability.

PACKAGING PAPER

Packaging Paper is our biggest and most diversified business area. It covers several different segments and product areas, with varying growth of 0 to 4% per year. The strategy is to grow selectively in certain segments, regions and product areas, and to gradually reduce dependence on others. Our sights are set on growth outside Europe as a means of exploiting exciting opportunities in South-East Asia, the Middle East and North Africa, and North and South America. Our new sales offices in the USA and Asia, combined with an interesting and evolving portfolio of brand new system offers, will contribute to continued profitable growth in the business area.

CONSUMER BOARD

Consumer Board is enjoying stable and unequivocal global growth of 4–5% per year. Here again, the growth is greatest outside Europe. Advanced products, a good understanding of customers and access to strong Nordic fibre allow us to compete globally with products manufactured in Sweden. The strategy up until 2018 is therefore to achieve organic growth in volumes. Over the year, we took several major decisions that will substantially increase capacity in Gävle and Frövi. This will enable us to defend or increase our market share in several strategically important markets.

CONTAINERBOARD

Containerboard is our smallest business area, and the area that has improved its profitability most over the past few years through a consistent focus on value-based sales. We will be sticking to this strategy in order to continue growing the business area.
The subsidiary Paccess, with its focus on brand owners, packaging solutions and South-East Asia, is one of the keys to this strategy. 2014 saw a certain amount of internal restructuring for Paccess and the company is now ready to make a strong contribution to the business area’s growth in 2015 and beyond. The business model for Paccess means that we are able to quickly deliver solutions to customers practically anywhere in the world, providing a prime example of how we can drive innovative business development. To further reinforce our position as market and quality leader, in spring we decided on a major investment in PM6 in Gruvön.

**GREAT FUTURE OPPORTUNITIES**
I think BillerudKorsnäs is a company with fantastic opportunities. Our business is sustainable in every sense. Smart primary fibre-based packaging solutions offer major benefits to packaging manufacturers, brand owners and retail chains in both existing and new markets. Another way of putting it, is that we are future-proofed. Our ambition is to continue building value for customers, shareholders and partners. 4 300 employees in our markets around the world are working together to achieve our targets and contribute to a sustainable future.

You are more than welcome to join us on the journey!

Solna, March 2015

Per Lindberg,
President and CEO

---

• **Net sales** amounted to SEK 20 853 million (19 689), an increase of 6%
• **Operating profit** amounted to SEK 1 901 million (1 137), an increase of 67%
• **Return on capital employed** was 11% (6%)
• **The net debt/equity ratio** was 0.67 (0.85)
• **A dividend** of SEK 3.15 (2.25) per share is the Board’s proposal to the Annual General Meeting 2015

Our packaging materials are part of the solution for the future.

Renewable raw materials and recyclable packaging preserve the planet’s resources.
Strategic focus

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

PROFITABLE GROWTH

POSITION
Expand geographically and in value chain.

INNOVATION
Increase industry lead.

SUSTAINABILITY
Drive throughout value chain.

EFFICIENCY
Improve continuously.

PEOPLE DRIVE CHANGE
Think new – Feel responsibility – Cooperate – Create value
BillerudKorsnäs aims to be the challenger that delivers innovative and sustainable packaging solutions to a global market. The starting point is the pure, strong, light primary fibre from sustainable forestry in the north and our considerable expertise in process and packaging technology, design and logistics.

BillerudKorsnäs’ overall objective is sustainable and profitable growth. Sales are to grow organically by 15–20%1 up until 2018, which equates to a figure of around SEK 24 billion in sales. We are also continuously evaluating possible acquisitions in order to further strengthen and improve our position. We are now building a strong and stable platform for sustainable and profitable growth. Our strategy is based on five areas that all interact:

**POSITION**
We want to expand our business. The growth will be achieved through growing markets and segments where our expertise and our unique material base add value. Europe remains our main market, but we are strengthening our presence in the major growth markets, particularly in Asia. We are also increasing our collaboration with players further along the value chain, such as brand owners, and retail and supermarket chains, as this provides valuable insights and better grounds for developing the packaging of the future.

**INNOVATION**
We want to offer innovative solutions that sharpen our offer and increase customer benefit at every level. We develop new materials and solutions in close collaboration with customers and partners. Innovation is a natural part of our corporate culture that is integrated into our way of working. Continuous improvement and product development revitalises our product portfolio, while radical innovations can change business models and open up whole new markets. This future-proofs our business.

**SUSTAINABILITY**
We see a strong link between profitable growth and sustainable business. Packaging solutions from BillerudKorsnäs are challenging other less environmental friendly materials in more and more applications, and improving sustainability along the whole value chain, from purchasing raw material to eco- and climate-smart recovery and recycling. BillerudKorsnäs’ sustainable offer is a valuable part of our – and our customers’ – brand.

**EFFICIENCY**
Underpinning BillerudKorsnäs’ strong platform is world-class process efficiency. We are putting significant resources into strategic investments, focusing on increased production capacity, improved environmental performance, product quality, maintenance and safety. New approaches and methods are conserving valuable resources and increasing productivity via continuous improvement throughout the organisation. Customers and employees alike are to be involved in our drive for operational excellence, based on continuous improvement along the whole value chain.

**EMPLOYEES**
We are convinced that change is driven by and through the people in the organisation. We are building a learning organisation by means of skills development, exchange of experiences and collaboration at all levels. BillerudKorsnäs is to be an attractive employer for everyone who wishes to contribute and develop in an international environment. Our corporate culture is to feature a passion for continuous improvement, with a focus on efficiency, innovation and sustainability.

1 Base year 2013.

---

**CORE VALUES**
Think new
Feel responsibility Cooperate
Create value

---

**Packaging Paper**
**GROWTH TARGET: 0–4% PER YEAR**
**SELECTIVE GROWTH**
– growth focused on selected segments.

**Consumer Board**
**GROWTH TARGET: 4–5% PER YEAR**
**VOLUME GROWTH**
– increased growth in the key markets.

**Containerboard**
**GROWTH TARGET: 2–4% PER YEAR**
**VALUE GROWTH**
– increased margins for the existing product portfolio.
For BillerudKorsnäs, a sustainable future means operations and value chains built entirely on responsible business practices, focused on products that create value for many people, sustainable production, safe and attractive workplaces, and social wellbeing.

We take a long-term perspective, and our current investments in sustainable business are investments in the future. Nine commitments will guide us in the drive to realise our objective of a sustainable future.

**ECONOMIC**

**Responsible business for products that add value in many ways**

1. Drive development for responsible value chains
2. Develop innovative and safe packaging solutions
3. Deliver profitability that creates added value

**ENVIRONMENTAL**

**Renewable and sustainably produced materials in a sound environment**

1. Manage forestry and wood supply sustainably
2. Environmentally adapt and develop resource-efficient production
3. Environmentally adapt transport

**SOCIAL**

**Safe, attractive workplaces and social wellbeing**

1. Promote commitment, safety and social standards for attractive workplaces
2. Support development initiatives for young people and society
3. Work for ethical responsibility and human rights
SUSTAINABILITY

Paper reduces environmental impact

IVL Swedish Environmental Research¹ performed a life cycle analysis on BillerudKorsnäs’ products – a cement sack, pasta bag and bottle. The environmental impact of the paper products was compared, for four parameters, with the impact of corresponding plastic products. Overall, the results showed considerably less of an environmental impact for the paper products, including 50–70% lower emissions of greenhouse gases.

Environmental impact of paper packaging compared with plastic

Life cycle analyses¹, from material extraction to end-customer, excluding the recycling phase

<table>
<thead>
<tr>
<th>Application</th>
<th>Cement sack</th>
<th>Pasta bag</th>
<th>FibreForm Packaging bottle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gases (CO₂ eq.)</td>
<td>55% lower</td>
<td>65% lower</td>
<td>72% lower</td>
</tr>
</tbody>
</table>

¹ Life cycle assessment, Comparative study of virgin fibre based packaging products with competing plastic materials. IVL, 2015.

See the entire survey in our Sustainability Report at www.billerudkorsnas.com
We are expanding our value chain by working directly with brand owners and major retail and supermarket chains, as well as packaging manufacturers. This gives us a deep understanding of the customers’ differing needs. Innovation and sustainability drive development along the whole chain from raw material to end-customer.

**RAW MATERIAL FROM RESPONSIBLY MANAGED FORESTS**

BillerudKorsnäs bases practically all its production on primary fibre and purchases wood raw material from responsibly managed forests, largely in Scandinavia. Felling rights and wood raw material are purchased from forests that are certified under FSC® or PEFC™ or from other sources controlled according to FSC® Chain of Custody/Controlled Wood. We work with suppliers and transport companies to ensure that raw materials are transported as cost-effectively and with as little environmental impact as possible.

Primary fibre from forests in the north has unique qualities that provide pure, strong and light products.

**SUSTAINABLE MANUFACTURING**

The manufacture of pulp, paper and board takes place at BillerudKorsnäs’ eight production units in Sweden, Finland and the UK. All of these hold quality and environmental certification. Processes are continuously improved regarding resource efficiency, quality and environmental performance. Major investments are made to increase capacity and improve quality, and at the same time they contribute to efficiency and environmental improvements of various kinds. All the Swedish plants integrate pulp manufacturing with paper and board production, and the production is based on a very high proportion of self-generated bioenergy from the process residues. Several of the plants deliver their surplus as district heating to their local communities.

**VALUABLE SERVICE**

Products and services are evaluated in dialogue with customers. More and more companies are striving for a sustainable business and for BillerudKorsnäs, the sustainability performance of the products is a key competitive tool.

Customers are helped to choose the right packaging solution for their products and logistics. Materials, form and functionality are tested in BillerudKorsnäs’ own laboratories. The whole logistics chain is simulated in order to reveal weaknesses and enable improvements – with a focus on material, transport and sustainability. The right packaging reduces waste and conserves valuable resources.

**GLOBAL CUSTOMERS**

Approximately 2,000 customers in over 100 countries – packaging manufacturers, global brand owners and major retail and supermarket chains – provide a great depth of knowledge about the need for packaging solutions in the chosen market segments. A local presence strengthens the offer and improves the service. There are sales offices in Bangkok, Barcelona, Dubai, Hamburg, Jakarta, Miami, Milan, New Delhi, Nottingham, Paris, Shanghai, Singapore and Stockholm.

Through subsidiary Paccess, BillerudKorsnäs is able to offer global brand owners and retail chains with manufacturing in Asia sustainable and cost-effective packaging and logistics solutions that reduce distribution costs, strengthen the brand and guarantee the quality all the way to the store and consumer.

**SATISFIED CONSUMERS**

In 2014, the consumer sector, primarily food and beverages, accounted for 75% of sales. 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.

Industrial customers, primarily in the construction sector, accounted for 25% of sales. BillerudKorsnäs’ offer contributes to increased productivity and to a better and safer working environment.
Production in **four countries**

BillerudKorsnäs produces paper, board and pulp at eight plants.

Five in Sweden (Gävle, Gruvön, Frövi/Rockhammar, Skärblacka and Karlsborg), two in Finland (Pietarsaari and Tervasaari) and one in the UK (Beetham). Four production plants for wood pellets are located in Latvia (subsidiary Latgran).

**INVESTMENT DECISIONS 2014**

In 2014, major investment decisions were taken concerning increased production capacity, quality and the environment.

- Frövi/Rockhammar, approx. SEK 900 million
- Gävle, approx. SEK 450 million
- Skärblacka, approx. SEK 260 million
- Gruvön, approx. SEK 180 million

**SKÄRBLACKA CUTS ITS ENVIRONMENTAL IMPACT**

Over a two-year period, SEK 900 million has been invested in environmental and energy improvement measures in Skärblacka. The consumption of external biofuel is down by 80% and fuel oil by 5 000 tonnes, which makes emissions of fossil carbon dioxide 50% lower than before the investment. Emissions of dust from the recovery boiler are also 75% lower. In addition, the working environment has improved and production capacity increased.

Sights have now been set even higher, with an investment of SEK 260 million in improving quality and increasing production of sack paper.

**OUR PRODUCTION UNITS**

**SWEDEN**

1. Stockholm (head office)
2. Gävle, 725 ktonnes
3. Gruvön, 685 ktonnes
4. Frövi/Rockhammar, 450 ktonnes
5. Skärblacka, 400 ktonnes
6. Karlsborg, 300 ktonnes

**FINLAND**

7. Pietarsaari, 200 ktonnes
8. Tervasaari, 100 ktonnes

**UNITED KINGDOM**

9. Beetham, 45 ktonnes

**LATVIA**, (Latgran)

10. Gulbene, Jaunjelgava, Jekabpils, Kraslava, 600 ktonnes

1 All figures relate to production capacity 2014
2 Pellets

**FRÖVI TO BE THE BIGGEST OF ITS KIND IN THE WORLD**

In 2014, BillerudKorsnäs decided to invest SEK 900 million in Frövi to increase capacity for high-quality cartonboard and liquid packaging board to 550 000 tonnes per year. Rockhammar will increase its capacity to 150 000 tonnes of CTMP pulp per year for Frövi’s production. The application process has begun with a view to bringing the increased production on stream in 2017.

**GÄVLE CUTS EMISSIONS TO WATER**

The new investment of SEK 450 million in Gävle aims to cut emissions to water and reduce energy use. The quality of the end-product will also be improved. The investment covers a new sedimentation pond, refitting of the pulp mill and various measures to reduce waste and water use. The new measures will begin taking effect in 2015.
Financial targets

**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.

**2014** The operating margin reached 9%, compared with 6% in 2013.

**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’ expectations while the cost of the company’s debt is covered with a margin.

**2014** Return on capital employed amounted to 11%, compared with 6% in 2013.

**NET DEBT/EQUITY RATIO**
The net debt/equity ratio should be less than 0.9. BillerudKorsnäs’ business is influenced 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.

**2014** The net debt/equity ratio was 0.67, compared with 0.85 in 2013.

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

**2014** The Board’s proposal to the Annual General Meeting 2015 is for a dividend of SEK 3.15 per share, which corresponds to around 51% of net profit.

---

**Target level >10%**  **Outcome 9%**

**Target level >13%**  **Outcome 11%**

**Target level <0.9**  **Outcome 0.67**

**Target level 50%**  **Outcome 51%**
Sustainability targets

**FOSSIL CARBON DIOXIDE**
Emissions of fossil CO$_2$ from the manufacturing process will be a maximum of 25 kg per tonne of product by 2020. The vision is for entirely fossil free production.

2014 Emissions were 31 kg per tonne of product, a decrease of 18% compared with emissions of 38 kg in 2013. The use of biofuel increased slightly and amounted to 97.4% compared with 97% in 2013.

**ENERGY CONSUMPTION**
Energy consumption will be a maximum of 5.00 MWh per tonne of product by 2020.

2014 Energy consumption per tonne of product was 5.30 MWh, compared with 5.42 MWh in 2013.

**SUSTAINABILITY IN THE VALUE CHAIN**
By 2020, 75% of the purchase value is to be covered by supplier assessments on a rolling three-year schedule.

2014 Physical supplier assessments numbered 23 within Purchasing and Supply Chain, compared with 10 in 2013. In addition, selected suppliers reported 95 self-assessments. Overall, the assessments covered 40% of the purchase value for Purchasing, Pulp and Supply Chain.

For all sustainability targets, see the Sustainability Report 2014.
Global megatrends drive market demand for sustainable packaging solutions

A rapidly growing middle-class and changing consumption patterns place new demands on future packaging solutions.

The global economy will be much larger in 2030 than it is today. The population is expected to increase by 1.2 billion to a total of 8.4 billion¹ and, despite generally lower growth, GDP is expected to increase by 70% up until 2030². Economic development varies significantly between different countries and regions, but the majority expect generally higher living standards and a continued decrease in poverty around the world.

The global packaging industry grew by 4% and had sales of USD 829 billion in 2014. The market in China is expected to grow by 9% per year and India by 11% per year until 2018.

**SUSTAINABLE GROWTH**
This growth is driven by strong forces: demographic changes, improved infrastructure and rapid urbanisation. The major challenge for countries, companies and individuals is to simultaneously work towards economic, ecological and social sustainability. Innovative and sustainable packaging solutions have a key role to play in this respect. The global market for packaging is affected by the same megatrends: chiefly the emergence of an urban middle-class with new consumption patterns, increased international trade, growth in e-commerce and a strong focus on sustainability.

**THE URBAN REVOLUTION**
Over half of the world’s population now lives in cities and that figure is rising. By 2030, 60%³ of the global population will live in cities and the urban population will reach 5 billion, with the greatest increase in the cities of Asia, Africa and Latin America. Smaller cities, with up to a million inhabitants, are seeing the fastest growth. The global middle-class is expected to grow by

---

over a billion to 3.2 billion by 2020 and 4.9 billion by 2030.

The urban lifestyle, which for many involves long commutes, makes leisure time extra valuable. Ever more people prefer to shop for food once a week at large supermarkets. Supermarket and retail chains are making inroads into new markets and they require packaging that is easy to handle, has a long shelf-life and attracts consumers.

The number of single-person households is rising all over the world, above all in the cities, which is contributing to increasing demand for fast food, convenience food, small packs and practical on-the-go packaging.

**FOCUS ON THE PACKAGING**

The packaging of a product is becoming increasingly important as more and more products crowd the shelves and compete for attention. Brand owners take great care to create packaging that gives a positive customer experience and strengthens the brand.

There is a growing trend for large retail chains to invest heavily in their own private label brands at various price points. Their premium products are now competing with strong international brands, which places high demands on the materials and packaging design.

**RISING GLOBAL TRADE**

Global trade has changed dramatically over the past 20 years. The growth markets now account for 42% of global exports, compared with 19% in 1990. China has overtaken the USA as the biggest trading nation, and Asia is at the centre of global supply chains, where products are assembled using parts from many other countries – they are "Made in the world". This trend is driven by lower transport costs, fewer barriers to trade and more efficient and cheaper communication technology.

---

**GLOBAL PACKAGING MARKET, BY MATERIAL**

- Paper and board, 36%
- Hard plastics, 22%
- Flexible materials excl. paper, 16%
- Metals, 14%
- Glass, 7%
- Other, 5%

Paper and board are the most commonly used packaging materials, accounting for 36% (36%) of the total in 2014. Surveys show that consumers prefer paper and board packaging, which is seen as a more eco-friendly alternative.

---

5 Global trade unbundled, Standard Chartered Bank 2014 6 Smithers Pira, 2014...
The global packaging market grew by around 4% and turned over approximately USD 829 billion in 2014.

**E-COMMERCE SETS NEW REQUIREMENTS**

Over 40%¹ of the world’s population currently has access to the internet, and the rise in e-commerce is radically changing the paradigm for marketing and sales of both goods and services. Asia and the Pacific region, primarily China, Japan and South Korea, have surpassed North America² as the largest online market. Almost half of all e-commerce consumers are located in this territory. China stands in a class of its own, with online sales of consumer goods up 50% in 2014³.

Ever more goods are available on the internet, and growing e-commerce increases demand for customised packaging and logistics services. The purchase is not completed until the product has been received and approved by the customer. The need for safe, strong and smart packaging that is also easy to open and re-seal for returns, is on the rise.

E-commerce is growing by 20% annually and in 2014 it was worth a total of over USD 1 300 billion⁴.

**SUSTAINABLE PACKAGES**

The message from politicians, public authorities, companies and consumers around the world is: “reduce, reuse and recycle”. The EU has long been at the forefront of advanced packaging legislation and many countries are following its lead. The USA and China are also strengthening their legislation on packaging and waste management. Regulations and controls are becoming tougher and this places new requirements on the whole life cycle of packaging.

Paper and board have major advantages over glass, metal, and plastic – in terms of manufacturing, distribution and consumption. BillerudKorsnäs’ paper, based on pure, strong primary fibre, can be recycled 5–6 times, and the material can be broken down in nature or used as an energy source.

Demand for food packaging is expected to rise 3.6% annually, with even higher growth in Asia, the Middle East and Africa.

Sustainable packaging solutions have a key task in this respect, preserving and protecting the content all the way to the consumer. Throwing away food is an enormous waste and a global problem. There are many reasons for this waste, but around a quarter of the waste generated during long periods in transit occurs due to weak packaging.

Packaging also has to meet food safety standards and be appropriate for a system of recycling and waste management.

New ways of improving packaging, increasing sustainability and keeping food fresh are being investigated. One example is Tetra Recart, the world’s first board-based packaging for food that was traditionally packed in tins. The specially developed packaging material and a custom method for sterilisation of the content in its packaging combines to provide a long shelf-life without the need for preservatives or refrigeration.


Our markets are growing

Demand for BillerudKorsnäs products is growing globally. It is driven by strong trends: mainly urbanisation with new patterns of consumption, increased international trade, growing e-commerce, as well as a strong focus on sustainability.
Sustainable quality that stands out from the crowd

Strong brands stand out even more with innovative retail packaging. Primus, one of the world’s biggest brands in outdoor cooking, with stoves, saucepans, mugs and other accessories for everyone who loves the great outdoors, chose Paccess as a partner to implement new packaging design, quality assure it and deliver it to manufacturers in China.

The intensive collaboration involved Primus, the Paccess design lab, customer services, technology and project management at Paccess in Shenzhen and Paccess’ production partner in China.

Now all the packaging maintains consistently high quality through Paccess delivering directly to the manufacturers. This has made things easier and more reliable for Primus, with just the one contact point:

“We now have a partner that ensures the same high quality throughout the chain, from manufacturer to store. And the new packaging is guaranteed to stand out on the shelf,” says Johan Sollenberg of Primus.

Paccess develops and offers global packaging solutions that strengthen the brands and reduce costs along the whole distribution chain.
Strong focus on **consumer** sectors

75% Food & Beverages, Consumer & Luxury Goods, Medical & Hygiene

### Food & Beverages 59% (60%)

- **PROTECTING AND PRESERVING FLAVOUR AND NUTRITION**
  - Liquid packaging
  - Bread, sugar and flour bags
  - Cups
  - Trays
  - Corrugated boxes for fruit and vegetables
  - Take-away food and fresh food packaging

In 2014, Food & Beverages accounted for 59% of BillerudKorsnäs’ sales, and is the biggest segment. The key customer groups are packaging manufacturers, brand owners and major retail and consumer chains with their own private label products.

**FOOD PACKAGING**

Food packaging has to be pure and safe, and protect and preserve the content, without the appearance, taste, smell or nutritional content deteriorating. Retail requires packaging that can tolerate longer periods in transit and contribute to a good working environment and viable logistics, as well as reducing losses and waste of resources along the whole chain.

**CONVENIENCE FOOD AND SMALL PACKS**

Higher employment, more single-person households and a desire for greater convenience are driving demand for time-saving products and packaging. The range of convenience food, take-away food and portion packaging to consume on-the-go is growing for food and beverages.

**PRIVATE LABEL**

More and more retail and supermarket chains are investing heavily in their own private label products, with a particular focus on design and packaging. In Western Europe, private label products account for 36% of overall sales in retail. The proportion varies greatly, however, between different countries and product groups.

### Consumer & Luxury Goods 10% (10%)

- **ADDING VALUE AND STRENGTHENING THE BRAND**
  - Carrier bags
  - Gift bags
  - Boxes and corrugated boxes for cosmetics, watches, shoes and drinks
  - Exclusive chocolate boxes

Consumer & Luxury accounted for 10% of BillerudKorsnäs’ sales in 2014. Customers include packaging manufacturers and leading international brand owners who market their products on a global scale.

**PACKAGING THAT SELLS**

The shape and design of the packaging makes an immediate impression and has a large impact on the consumer’s purchasing decisions. In the competition for attention, the packaging becomes a vital element of the brand and its marketing, whether selling in-store or online. Brand owners are therefore placing an ever greater focus on packaging design with the power to differentiate and sell, and are demanding sustainable, high-quality materials with good printability – in all markets.

Exclusive products in areas such as fashion, cosmetics and electronics are often sold in lavish packaging, which strengthens the sense of luxury and extends the buying experience.
Medical & Hygiene 6% (6%)
– MAXIMISING PURITY AND SAFETY
• Medical packaging • Release liner for self-adhesive hygiene products • Paper for various sterilisation and packaging methods

In 2014, Medical & Hygiene accounted for around 6% of Billerud-Korsnäs’ sales. End-customers include the medical technology industry and packaging manufacturers.

GROWING INTEREST IN HEALTH
Increasing prosperity, a growing interest in health and wellbeing and rising numbers of older people are driving demand for hygiene products and pharmaceuticals. The number of older people is growing, not only in the Western world, but also in China, for example, where the number of people over 65 is expected to rise to 171 million by 2020 and 400 million by 2050.

Incorrect dosage is a major health issue that new, smart packaging can prevent. A growing problem is counterfeit pharmaceuticals, an area that is growing exponentially and that poses major health risks. The EU’s Falsified Medicines Directive includes several requirements concerning the design and labelling of the packaging in particular.

TOUGH REQUIREMENTS
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, and it also has to be immediately obvious when the packaging has been opened. There is a demand for innovative packaging solutions that can fulfil the ever tougher safety requirements.

Industrial 25% (24%)
– OPTIMISING AND IMPROVING EFFICIENCY
• Sacks for cement and other powdered goods • Transport packaging • Steel interleaving • Speciality papers

In 2014, Industrial accounted for 25% 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.

SUSTAINABILITY A GROWING TREND
Investing in optimum, sustainable packaging solutions brings benefits in the form of reduced resource use, 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. Sustainability is a growing trend in both the manufacturing and transport industries.

SACK PAPER TOP
Around two thirds of BillerudKorsnäs’ sack paper is used for packing building materials. BillerudKorsnäs QuickFill® has a strong competitive advantage due to the paper’s strength and deaeration properties, which significantly improve efficiency during filling.
Market overview

<table>
<thead>
<tr>
<th><strong>Packaging Paper</strong></th>
<th><strong>Consumer Board</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BillerudKorsnäs products</strong></td>
<td><strong>LIQUID PACKAGING BOARD</strong></td>
</tr>
<tr>
<td><strong>KRAFT PAPER</strong></td>
<td>38% of the sales volume is liquid packaging board and cartonboard</td>
</tr>
<tr>
<td>17% of sales volume</td>
<td></td>
</tr>
<tr>
<td><strong>SACK PAPER</strong></td>
<td></td>
</tr>
<tr>
<td>12% of sales volume</td>
<td></td>
</tr>
<tr>
<td><strong>Key applications</strong></td>
<td><strong>Packaging for</strong></td>
</tr>
<tr>
<td><strong>BillerudKorsnäs products</strong></td>
<td>• Milk</td>
</tr>
<tr>
<td><strong>KRAFT PAPER</strong></td>
<td>• Juice</td>
</tr>
<tr>
<td>Packaging for Food &amp; Beverages, approx. 1/2 of volume</td>
<td>• Other drinks and liquid foods</td>
</tr>
<tr>
<td>• Packaging for flour, sugar, grain, etc.</td>
<td>• Preserved foods</td>
</tr>
<tr>
<td>• Open bags, bread, etc.</td>
<td></td>
</tr>
<tr>
<td>• Carrier bags</td>
<td></td>
</tr>
<tr>
<td>• Flexible packaging</td>
<td></td>
</tr>
<tr>
<td>• Formable packaging</td>
<td></td>
</tr>
<tr>
<td><strong>SACK PAPER</strong></td>
<td></td>
</tr>
<tr>
<td>Packaging for building materials, industrial minerals and chemicals, approx. 2/3 of volume</td>
<td></td>
</tr>
<tr>
<td>Packaging for food and animal feed, etc., approx. 1/3 of volume</td>
<td></td>
</tr>
<tr>
<td>The majority of BillerudKorsnäs’ white sack paper is sold in Europe, while around 3/4 of brown sack paper is sold to growth regions outside Europe, predominantly North Africa and South-East Asia</td>
<td></td>
</tr>
<tr>
<td><strong>Other applications, approx. 1/2 of volume</strong></td>
<td><strong>Market segments</strong></td>
</tr>
<tr>
<td>• Medical packaging</td>
<td><strong>Trends and drivers</strong></td>
</tr>
<tr>
<td>• Release liner for self-adhesive material</td>
<td>• Greater prosperity and a growing middle-class</td>
</tr>
<tr>
<td>• Steel interleaving</td>
<td>• Urbanisation</td>
</tr>
<tr>
<td><strong>Other applications, approx. 1/2 of volume</strong></td>
<td>• Demand for increased performance, which favours high-quality paper</td>
</tr>
<tr>
<td>• Formable packaging</td>
<td>• An improved working environment</td>
</tr>
<tr>
<td>• Formable packaging</td>
<td>• Strong underlying rise in demand due to increased construction in large parts of Asia and Africa</td>
</tr>
<tr>
<td>• Formable packaging</td>
<td>• A growing understanding of the impact packaging has on losses along the transport chain</td>
</tr>
<tr>
<td>• Formable packaging</td>
<td>• Rising living standards and a growing middle-class, particularly in Asia, Africa and South America</td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>• Urbanisation</td>
</tr>
<tr>
<td>The primary competition comes from plastic packaging solutions</td>
<td><strong>BillerudKorsnäs’ position</strong></td>
</tr>
<tr>
<td>Other major kraft paper manufacturers include Mondi and several of Europe’s specialty paper manufacturers</td>
<td><strong>Leading producer of strong, high-quality kraft paper from primary fibre in Europe</strong></td>
</tr>
<tr>
<td>The primary competition comes from plastic sack solutions and bulk distribution (including ready-mixed cement direct from the truck)</td>
<td><strong>Global leader in high-porosity sack paper from primary fibre</strong></td>
</tr>
<tr>
<td>Other major sack paper manufacturers are Mondi, Canfor, Segezha and Smurfit Kappa</td>
<td><strong>One of the world’s leading liquid packaging board suppliers</strong></td>
</tr>
</tbody>
</table>

---

1 Packaging Paper includes market pulp, which accounts for around 13% of the sales volume.
2 Based on statistics from Pöyry Management Consulting and Eurokraft.
3 BillerudKorsnäs’ assessment.
4 Based on statistics from Pöyry Management Consulting.
5 World Containerboard Organisation, www.wco-containerboard.org
The primary competition comes from other major sack paper manufacturers: Smurfit Kappa, Other major suppliers of liquid packaging materials, mainly plastic, are Stora Enso, Klabin, Other major kraft paper manufacturers include Mondi and several of Europe’s.

Competition also comes from recycled fibre (based on recycled fibre).

Greater demand for product safety in the food chain is increasing demand for primary fibre-based liner.

Containerboard

**CARTONBOARD**

Packaging for
- Exclusive drinks
- Beauty and healthcare products
- Confectionery
- Home electronics and industrial goods
- Chilled and frozen foods

**FLUTING**

13% of sales volume

Packaging for
- Fruit and vegetables, about 2/3 of volume
- Components for the automotive industry, white goods and electronics
- Transport

**LINER**

7% of sales volume

Primary packaging for
- Exclusive drinks
- Beauty and healthcare products
- Confectionery
- Home electronics

Secondary packaging for
- Consumer goods
- Shelf-ready packaging

**Segment**
- Food & Beverages
- Consumer & Luxury Goods
- Medical & Hygiene
- Industrial

Key applications
- Packaging for food & beverages, products
- Kraft paper from primary fibre
- Steel interleaving
- Release liner for self-adhesive material
- Medical packaging
- Formable packaging
- Carrier bags
- Open bags, bread, etc.
- Packaging for flour, sugar, grain, etc.
- Packaging for building materials, plastics, etc., approx. 1/3 of volume
- Packaging for food and animal feeds, etc., approx. 1/3 of volume
- Packaging for industrial minerals and chemicals, approx. 2/3 of volume
- Packaging for building materials, foods, etc., approx. 1/3 of volume
- Packaging for medical & hygiene, approx. 1/2 of volume
- Packaging for consumer & luxury goods, approx. 1/2 of volume
- Kraft paper from primary fibre
- 1/2 of volume

**MARKET**

- 21

One of the largest producers of primary fibre-based cartonboard for the premium segment in Europe.

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.

• Growing interest in the design and appearance of the packaging as a way of differentiating the product and strengthening the brand
• Rising living standards and an expanding middle-class are driving growth in the premium 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 liner

Other suppliers of cartonboard in the premium segment are Iggesund, Metsä Board, Stora Enso, MeadWestvaco and International Paper.

The competition comes from recovered fibre-based fluting and other materials such as plastic and wood.

Other major manufacturers of primary fibre-based fluting are Stora Enso, Mondi and Powerflute.

Competition also comes from coated and uncoated white top testliner (based on recycled fibre).

Other major manufacturers include Metsä Board and Mondi.
BUSINESS MODEL

Materials

HIGH-PERFORMANCE MATERIAL FROM SUSTAINABLE FORESTRY
Our products are based on fibre from responsibly managed forests in the north. Slow-growing fibre, predominantly from pine and spruce, has many unique properties that make it possible to replace fossil plastic, for example, in more and more areas. In addition, the fibres can be recycled 5–6 times before they are sent for energy recovery.

BillerudKorsnäs manufactures kraft paper, sack paper, fluting and liner, plus liquid packaging board and cartonboard in a wide range of grades: super light, strong, pure and formable. The production units are quality and environmentally certified, while work on sustainability spans the whole value chain.

BillerudKorsnäs is one of the world’s largest suppliers of liquid packaging board and when it comes to food and beverages, hygiene products and medical packaging, there is no purer wood fibre. Light and strong corrugated board protects goods, simplifies handling and reduces distribution costs along the whole chain to the customer and end-user. Elegant packaging enables complicated printing, stands out on the shelf and strengthens valuable brands. Strong and flexible FibreForm kraft paper can be thermoformed and embossed in the same way as plastic.

In collaboration with customers and partners, BillerudKorsnäs is constantly developing new, technically advanced grades with specific properties for a host of different applications that demand high levels of quality, performance and sustainability.

Solution Services

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

This may involve anything from small improvements to material technology or business innovations. We look at the sustainability and performance of the material choices, design and construction. The aim is for our solutions to contribute to more efficient production, a safer and more secure working environment, simpler handling and sustainable transport solutions all the way to the store. Where it meets the consumer, the packaging is required to help increase sales and improve brand loyalty.

CUSTOMER-LED DEVELOPMENT
BillerudKorsnäs’ own packaging laboratories help customers with material choices, construction and design, production of prototypes, performance testing and production support and training.

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 function that BillerudKorsnäs offers.

Network

GLOBAL REACH
BillerudKorsnäs collaborates with a network of machine suppliers, packaging manufacturers, design agencies and universities, researchers and public authorities to jointly offer innovative and sustainable packaging solutions with global reach. Key competitive advantages include fast, quality-assured and reliable deliveries.

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

Quality-assured corrugated board producers deliver BillerudKorsnäs’ SoliQ concept in South Africa and in Kenya. A SoliQlabelled box helps to reduce losses in the export of fruit and flowers, bringing major cost savings and reduced manual handling along the whole delivery chain.

The wholly owned subsidiary Paccess offers valuable expertise on packaging solutions for brand owners with global sales and manufacturing in Asia. Paccess has access to a well established network of knowledgeable material and packaging manufacturers across the region and coordinates complex packaging and logistics chains.

Our business model is based on high-performance materials from forests in the north, advice, service and the collective knowledge held by a global network of machine suppliers, packaging manufacturers, researchers and design agencies.

Innovative packaging solutions are developed in close collaboration with customers all over the world that demand the highest standards of quality, performance and sustainability. This is how we add value to our customers’ products and processes.

Read more about how each business area applies the business model on pages 31–43.
BillerudKorsnäs works with a strong global network of customers and partners in over 100 countries, giving us access to a unique knowledge bank. Our own personnel in important and growing markets guarantee the right solutions and customised technical support. We have sales offices in 13 countries. In 2014 new offices were opened in Singapore, New Delhi and Miami.
In an open and creative environment, we work systematically to find the best and most effective packaging solutions for the needs of today and tomorrow. Employees at all levels make their contribution to processes that cover the full customer offer – material, service and solutions.

Sustainable innovation adds value for us and for our customers.

Regularly reviewing and optimising packaging solutions is an investment that quickly brings profitability. There are considerable opportunities here to increase sales, improve sustainability, reduce waste, eliminate the risk of counterfeiting, not least in the pharmaceuticals industry, and cut the cost of transport, storage and distribution.

The packaging is the first thing the customer encounters in the store, and it plays an important role when it comes to marketing and exposure. For the brand owner, which uses the packaging to strengthen its brand, minor changes to the design and material choice can have a major impact.

Burgeoning e-commerce is placing new demands on the packaging industry. The consumer requires shopping online to be convenient, reliable and safe, the packaging has to stand up to automated handling and potential return, and the buying experience has to be just as positive as in the physical store.

A KEY ROLE IN SUSTAINABLE SUPPLY CHAINS

Smart and sustainable packaging, made from renewable material that is recyclable and biodegradable, has a key role to play in future sustainable supply chains: it conserves valuable resources, reduces environmental impact and increases the efficiency of production and distribution. The packaging can also contribute to better health and quality of life. Food waste, a significant problem all over the world, can be cut by up to 50% through smarter packaging. Companies are increasingly looking for more sustainable solutions, a trend that is driven by both consumers and politicians.

BillerudKorsnäs works actively to provide inspiration and information on the many advantages of fibre-based packaging over plastics, glass and metal.

MORE RESOURCES FOR INNOVATION

Since innovation is an important part of BillerudKorsnäs’ strategy for profitable growth, the resources put into our innovation work were increased and improved in 2014.

The New Business Lab is the engine for BillerudKorsnäs’ innovation development. Its task is to apply a Group perspective in following trends and technologies, evaluating new ideas and establishing strategic collaborations for new business concepts, both internally and externally.

Group-wide projects are conducted as part of a priority focus on testing, commercialising and launching new products and concepts. The R&D organisation has been made stronger and broader, involving employees from Marketing, Production and Supply Chain. A strong culture of innovation is one of the cornerstones of BillerudKorsnäs’ core values.

CONTINUOUS IMPROVEMENTS AND RADICAL INNOVATIONS

Continuous upgrades of the product portfolio, adding new and updated products, is the basis for BillerudKorsnäs’ product development.

At the same time, we are boosting our resources in order to work on radical innovations. It may be a question of a new application for an existing material, or developing a brand new material for new markets. A classic example is Terra Recart, a challenger to the traditional tin can that is based on recyclable liquid packaging board and gives food a shelf-life of up to 24 months without refrigeration. BillerudKorsnäs FibreForm is another example, an extremely formable material that provides packaging designers with exciting new three-dimensional possibilities and offers a climate-smart alternative to conventional plastic packaging.

INNOVATION AGENDA SHOWS THE WAY FORWARD

BillerudKorsnäs’ Innovation Agenda sets out clear priorities for the innovation work. The focus is on three particular areas: Green material technologies, Service and logistics and Innovative business models.

Green material technologies

Our business is based on primary fibre from sustainable forestry in the north. The tough climate produces unique wood fibre with various great properties: the fibres are long, strong, pure, durable and extensible.

The product portfolio is constantly being developed in close collaboration with customers. We are making the material lighter, stronger and stiffer, improving barrier properties and printability, and so on.

In parallel, we are developing our technology platform and adding new materials. Microfibrillated cellulose (MFC) is an exciting material, with unique properties, that is now being tested in full-scale production. See separate article on page 27.

Services and logistics

BillerudKorsnäs is strengthening its collaboration with packaging manufacturers, by developing its service functions and improving the precision of deliveries. Having our own offices in all the key markets provides proximity to the customer and an understanding of local needs and requirements.

Our specialist packaging laboratories test and develop materials and solutions together with customers and partners.

As our centre for consumer packaging, Pack Lab is the place where we measure the strength of carrier bags, sugar bags and flour bags, for example. We can simulate the whole logistics chain all the way to the store shelf and home to the customer, in order to identify weaknesses and potential improvements. Box Lab tests corrugated boxes and corrugated board in order to optimise weight and properties to ensure that they are capable of protecting fragile goods such as fruit and vegetables during demanding distribution. Sack Lab develops high-tech packaging solutions largely for industrial applications.

Innovative business models

BillerudKorsnäs is challenging existing business models and creating new offers aimed at players outside the traditional parameters. One example is the acquisition of Paccess, which now allows BillerudKorsnäs to offer customised packaging solutions for brand owners with manufacturing in Asia and customers all over the world. Another current example is FibreForm Packaging, a collaboration with Italian machine manufacturer Curti aimed directly at brand owners with complete systems – materials, machines and services – for the in-house production of unique packaging based on BillerudKorsnäs FibreForm.
A high level of innovation is one of BillerudKorsnäs' sustainability targets. In 2014, new products accounted for 14% of sales. This year, the company launched its next generation of cartonboard, which is lighter and whiter, with improved printability.
The new cement sack that disappears without a trace

The right sack solution saves both time and money, simplifies work processes and improves the working environment.

In a collaborative project with Lafarge, a top ranking player in the cement industry, BillerudKorsnäs has developed a brand new sack for packing cement. The purpose of the project was to design packaging that disappears or blends into the concrete mix – the dream being that empty sacks would no longer need to be taken care of, saving money and reducing environmental impact.

After more than two years of development, the sack was launched in spring 2015. The new premium sack solution D-Sack™ comprises two layers of a new grade of white QuickFill paper, and includes a patented moisture barrier which enables the sack to disintegrate fully when subjected to mechanical action and water in the concrete mixer.

The target audience is primarily the construction industry, where the demands for efficiency and sustainability are high.
New material in full-scale testing

Microfibrillated cellulose, which is extracted from wood fibre, is an exciting material with fantastic potential in many different areas. Added to paper and board, it produces stronger and lighter products. Microfibrillated cellulose can also be used as an effective and sustainable barrier instead of plastic or aluminium in packaging for drinks, food, hygiene and healthcare products.

In summer 2014, BillerudKorsnäs decided to join forces with Swedish research bodies Innventia and VINNOVA to build a portable demonstration factory in order to test the material in full-scale paper production.

“We expect great things from this new material,” says Mikael Ankerfors, project manager at BillerudKorsnäs. “Microfibrillated cellulose gives paper new and improved properties, making it stronger, lighter and less porous. In the future, we also aim to offer our customers this new material in products other than paper.”

Microfibrillated cellulose (MFC) is extracted from wood fibre in a water-based process that draws out the strongest components of the fibre. MFC is fully biodegradable and has huge potential in a host of different applications.
Together we make a difference

Our approach is based on collaboration, exchange of experience and continuous improvement on an everyday basis. Always with the focus on the customer.

The employee survey 2014 indicates a strong perception that Billerud-Korsnäs has a good working climate and shows that employees identify with the company’s core values. Our employees are valuable ambassadors for BillerudKorsnäs.

**TRUST GENERATES GOOD BUSINESS**

Good business is about more than offering products with the right properties and qualities. Just as importantly, customers need to feel that they can trust us, that we are friendly and professional towards them and that our deliveries are highly reliable. The goal is clear – On Time in Full. Ida Ferone leads a team at the Customer Service Centre in Milan that handles 16,000 orders each year, amounting to 228,000 tonnes. She knows how to build lasting customer relations:

“I am in daily contact with production planning and we do everything we can to deliver what the customer has asked for. Trust is key both within the company and in the relationship with the customer, and we achieve that by being flexible and resolving customers’ problems.”

**SAFETY AND TEAMWORK ENSURE SUCCESSFUL SHUTDOWNS**

Maintenance shutdowns are a natural part of operations at all BillerudKorsnäs’ production plants. They provide time for inspections, maintenance work, installations and cleaning of the entire unit. The goal is for a shutdown to be completed safely, quickly and at as low cost as possible. This requires meticulous planning, with all the jobs prepared in advance, materials purchased and services procured. Thomas Nilsson, maintenance manager at Gruvön, works on continuous improvement:

“We have a healthy exchange of experience between the different production units and we learn from each other. The stoppages are an important part of the operation, as they allow us to introduce the innovations that make it possible for us to deliver even smarter packaging material to our customers.”

**TEAM-BASED INNOVATION**

Sack Solutions works to support sellers and customers with regard to material choice and packaging solutions. Assisting them is Sack Lab in Karlsborg, the world’s most advanced laboratory of its kind and a hub for high-tech packaging solutions. Here, a consistent way of working is just as important as access to advanced equipment. Sack Lab focuses on team-based innovation, with team members drawn from different parts of the business. The goal is always to simplify and improve things for the end-user. Jonas Almkvist is head of idea and concept development:

“We’ve developed an extremely fast process, where we can go from idea to prototype in an hour and then evaluate the packaging solution within 24 hours, in terms of deaeration, filling, drop testing and so on. This is a strong competitive advantage.”
INSPIRING TRAINEE PROGRAMME

Trainees at BillerudKorsnäs get to combine a secure home base with exciting encounters across the Group. The programme includes themed days focusing on subjects such as leadership, strategy, internationalisation, financial targets, innovation and business development. The participants also visit several production units and are stationed at a sales office outside Sweden for one month. The aim is to create an understanding of the entire business, while also gaining a broad and valuable network for a future career within the company. Fifteen new recruits began their training on 1 September. Tim Paradis, who has a job in HR in Solna, is one of the participants:

“I’m really enjoying it, everyone I meet is welcoming and helpful. We work together across job boundaries and we are always trying to do things a little better. The best thing about the training is that you get to see the whole value chain. Not having a technical background, for me it’s particularly exciting and educational to visit the production units.”
New concept opens up new markets

Together with Bosch, one of the world’s leading manufacturers of packaging machines, BillerudKorsnäs is developing a whole new concept that can replace plastic with paper packaging. The main applications are dry foods such as flour, rice, sugar and pasta.

The packaging machine is a variation on the regular Vertical Form Fill and Seal (VFFS) machine and the paper is Billerud-Korsnäs’ pure, strong kraft paper Axello® ZAP, which was developed specifically for this purpose. The system gives a closure that is completely sealed.

The target group is essentially all brand owners looking for a sustainable and cost-effective alternative to plastic. The leading growth markets, which are seeing the development of new delivery chains for food products, constitute large and important markets.

“A highly successful collaboration, built on exchange of knowledge and ideas,” says Marcus Velezmoro, Sales Manager, Bosch Packaging Technology.
3

BUSINESS AREAS

Packaging Paper
Kraft and sack paper for customers with tough demands

Consumer Board
Liquid packaging board and cartonboard with unique properties

Containerboard
Strong fluting and liner add value
Packaging Paper
Kraft and sack paper for customers with tough demands

The Packaging Paper business area offers kraft and sack paper of premium quality plus smart solutions for customers in the industrial, medical and consumer segments.

Sustainable and efficient

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

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 an example of a unique material with high formability that allows plastics to be replaced with sustainable and exciting packaging made from renewable fibre.

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.

Bag Solutions
The Bag Solutions business segment offers a broad range of sustainable materials and solutions for attractive bagging of dry foods such as flour, sugar and grain, as well as carrier bags for food or fashion.

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.
We’re seeing a fantastic response as customers understand how our materials and solutions can improve the cost-efficiency of their processes and improve environmental performance.

Johan Nellbeck, SVP Packaging Paper

STRATEGY
Sustainable and profitable growth is to be achieved through selective growth in chosen segments, primarily dry foods and medical, plus the construction industry in growth markets.

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 outside Europe

Growth target: 0–4% per year

SELECTIVE GROWTH

BUSINESS MODEL
Materials
BillerudKorsnäs’ sack paper and kraft paper are strong, pure, and certain products are formable, with numerous desirable properties that challenge plastic and other materials in a host of different applications.

Sack paper
Sack paper is used primarily for industrial purposes, for example in cement sacks. High-quality paper has major advantages over plastic. BillerudKorsnäs’ premium grade QuickFill combines strength and porosity, saving up to 30% on material, while also enabling an increase in the filling speed of potentially as much as 25%.

Kraft paper
Many consumers prefer eco-friendly alternatives to fossil plastics and more and more countries are banning the use of thin plastic carrier bags. Their use in the EU, for example, is to be cut by 80% by the year 2025. To meet the growing demand for sustainable paper carrier bags and paper bags more generally, 2014 saw the launch of new product families with a good environmental profile and superb strength and printability.

Medical kraft paper
Kraft paper for medical packaging has been specifically developed to meet healthcare standards for packaging and sterilising methods. BillerudKorsnäs is actively involved in developing more efficient sterile barriers for single-use items and multi-use items in the healthcare sector. BillerudKorsnäs Sterikraft® lets through the sterilising medium and acts as an effective long-term barrier against microorganisms, so that as long as the packaging remains unopened, the product is kept sterile for five years. Several exciting development projects are under way concerning medical applications, including testing of a reinforced paper that can replace plastic packaging for heavier implements with sharp edges, plus a paper with antimicrobial properties that inhibits bacterial growth by over 99 percent.

Solution Services
Packaging manufacturers and brand owners are given help in tailoring materials and solutions to their particular needs. As one of the world’s most advanced sack laboratories, BillerudKorsnäs’ Sack Lab tests materials, construction and design to ensure that the printability, durability, permeability, filling capacity and barrier properties are suitable for a specific use. The results are then used to optimise and develop new, efficient sacks.

Pack Lab is our development centre for consumer packaging, where we measure the strength of carrier bags and bags for dry foods such as flour, sugar, rice and grain, amongst other tasks. We can simulate the whole logistics chain all the way to the store shelf and home to the consumer, in order to identify weaknesses and potential improvements.

Pack Lab also develops packaging solutions using BillerudKorsnäs’ uniquely formable FiberForm®. A Multivac line for prototype testing checks forming, filling and sealing in industrial production.

BillerudKorsnäs has its own barrier lab that measures the barrier properties of different material combinations and how they affect the shelf-life of a product.

Network
BillerudKorsnäs collaborates in various constellations to keep itself at the leading edge of development.

Innovative products and solutions are often created in close collaboration with a strong network of machine manufacturers, packaging producers, brand owners and research institutes.

One current example is the collaboration with Lafarge, one of the world’s biggest suppliers of building materials, which has resulted in a brand new packaging solution for cement sacks.

Read more on page 26.

In partnership with Bosch, a whole new concept for packaging dry foods is under development. Both the machine and the paper, BillerudKorsnäs Axello® ZAP, are developed specifically for the purpose. The system gives a closure that is completely sealed. The new concept challenges plastic and is aimed primarily at brand owners and the major growth markets, where new delivery chains are being developed for food products.

Read more on page 30.

NET SALES BY REGION

Europe 71% (70%)
Asia 13% (14%)
Africa 8% (8%)
South America 4% (3%)
Middle East 2% (1%)
Other 2% (4%)
MARKETS

BillerudKorsnäs is a world leader in sack paper for sack solutions for building materials, industrial minerals, chemicals and other powdered products.

The market is fragmented, with many manufacturers and customers. The market trend for sack paper was positive over the year, driven by the construction industry in many markets in Europe, but above all by the major growth markets in Asia and Latin America. These markets still largely use sacks made from plastic or recovered fibre. An increased focus on sustainability and the working environment is a strong sales argument for high-quality paper sacks.

BillerudKorsnäs is strengthening its presence and service in the growing markets of Asia, with its own sales and service offices in Singapore and New Delhi. An office has also been opened in Miami as a means of getting closer to the markets of North and Latin America.

The market for kraft paper for consumer products is competitive, particularly when it comes to simpler applications, with an increasing range being offered in recovered paper and from manufacturers that are switching from newsprint to packaging materials. At the same time, demand for all kinds of packaging and fibre-based material, as a replacement for fossil plastic in particular, continues to grow.

BillerudKorsnäs is strengthening its position in the growing market for medical applications, which is characterised by high entry thresholds, long-term relationships and high-quality deliveries.

FIBREFORM PACKAGING

FibreForm Packaging is a joint venture with the Italian machine manufacturer Curti. Brand owners get a complete system for manufacturing sustainable, effective, functional and extremely formable packaging solutions.

The offer is based on BillerudKorsnäs FibreForm, and makes it possible to replace plastic, glass or metal with attractive and exciting packaging in a fully renewable material.

The new concept has been launched in Europe, the USA and Asia. The opportunity to strengthen a brand with entirely unique packaging has received an extremely positive response, with around 10 projects launched in 2014. A letter of intent has been signed with brand owners in Europe and in Asia, for delivery over the course of the next year.

2014 IN BRIEF

• Net sales increased by 11% to SEK 8 101 million
• Operating profit increased by SEK 417 million to SEK 701 million
  This increase was due to larger volumes in Skärblacka, following the extensive refit in 2013, higher pulp prices and a favourable exchange rate.
• The operating margin was 9%, compared with 4% in the previous year.

KEY EVENTS

• The decision was taken to invest SEK 260 million in the production unit in Skärblacka as part of the selective growth strategy for Packaging Paper. The investment is being made in order to increase the production volume and quality of brown sack paper for the construction sector, where we see major potential for growth.
• New offices were set up in Singapore, New Delhi and Miami.
It can be difficult enough to open the parcel – and then there is the almost impossible task of releasing the toy, which is so securely fixed with robust ties. This creates frustration in children and adults alike. Not to mention unnecessary waste. But now BillerudKorsnäs has a solution.

The major British department store Marks & Spencer had long been looking for an alternative to plastic and metal ties that is just as strong but easier to tear apart, while also meeting the company’s strict environmental requirements. Together with a team from Design Futures, they discovered BillerudKorsnäs’ strong and extensible FibreForm. And the rest is – not history – but the future. The new packaging is already in the stores and the response has been very positive.

“Our design team discovered a strong new paper material that could be used to keep products in place in their packaging. The material now makes it easier to open the packaging, while also benefiting the environment. It has been exciting to see how M&S has developed our idea and taken it to the market.”

John Kirkby, Creative Director, Design Futures
Consumer Board

Liquid packaging board and cartonboard with unique properties

The Consumer Board business area delivers packaging solutions made from high-quality cartonboard for beverages, foods and other consumer goods.

**Pure and safe**

**Cup stock**

Cup stock is board for paper cups and paper plates that require high stiffness, low weight and high purity. It is also suitable for products that come into direct contact with hot food and all kinds of drinks.

**Liquid packaging board**

BillerudKorsnäs’ high-quality liquid packaging board is used for beverages in chilled or aseptic packaging and other foods. 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.
We’re following our customers out into the world. Strategic investments in increased capacity and improved products and services position us for continued growth in a global market.

Ulf Eliasson, SVP Consumer Board

STRATEGY
Sustainable and profitable growth is to be achieved through volume growth in the key markets. 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 ever better materials and solutions, tailored to customer needs, with a focus on the whole value chain

Growth target: 4–5% per year

VOLUME GROWTH

BUSINESS MODEL
Materials
Liquid packaging board
Considerable resources are being put into research and technical development of liquid packaging board in close collaboration with customers. Customers have high demands in terms of product safety, sustainability and materials that are able to offer exclusive printing options, exciting forms and high production efficiency. This requires strong, pure fibre from slow-growing forests. Over the year, the decision was taken to invest a total of SEK 900 million in Frövi/Rockhammar for even better product quality and higher volumes.

Cartonboard
BillerudKorsnäs’ unique cartonboard is used primarily for exclusive consumer goods such as cosmetics, confectionery and beverages. The product’s competitive edge lies in its superior material properties, with excellent formability, surface finish and printability, combined with a high service level.

In 2014 BillerudKorsnäs launched the next generation of cartonboard. The range has also been expanded to include grades of lower weight that are suitable for smaller pack sizes – an adaptation to the global trend towards more small households and single-person households.

Solution Services
Product development is key and BillerudKorsnäs’ labs support customers in developing packaging solutions. Material choice, construction and design help to increase attractiveness and customer loyalty. Delivery precision is also becoming increasingly important.

Liquid packaging board is being developed in close and creative collaboration with customers in development and improvement activities large and small. The board has to withstand fast conversion processes and be customisable for specific applications.

Carton Solutions is BillerudKorsnäs’ knowledge centre for cartonboard, with a strong emphasis on relationships and personal service. The focus here is on creating innovative solutions that optimise the packaging for high efficiency along the whole value change.

Network
BillerudKorsnäs holds a strong position in the European market for primary fibre-based cartonboard and is growing in the Asian market.

The market for cartonboard is fragmented as regards both supply and demand. The strong demand for exclusive cartonboard is driven by the status of the packaging as a brand carrier with a growing role in companies’ market communications and sales.

MARKETS
BillerudKorsnäs is one of the world’s leading suppliers of liquid packaging board and has longstanding agreements with major customers with sales and production all over the world.

A growing population, increased prosperity and changing consumption patterns are driving up demand for packaged beverages all over the world. Consumption of dairy products, for example, is expected to rise 36% globally by 2024.

The market is dominated by a small number of large players that work together in integrated value chains, with high demands in terms of quality, product development and reliability of deliveries.

BillerudKorsnäs holds a strong position in the European market for primary fibre-based cartonboard and is growing in the Asian market.

The market for cartonboard is fragmented as regards both supply and demand. The strong demand for exclusive cartonboard is driven by the status of the packaging as a brand carrier with a growing role in companies’ market communications and sales.

NET SALES BY REGION

Europe 67% (67%)
Asia 24% (22%)
Middle East 5% (7%)
Africa 2% (2%)
South America 1% (1%)
Other 1% (1%)
2014 IN BRIEF
• Net sales increased by 7% to SEK 7 436 million.
• Operating profit increased by SEK 358 million to SEK 915 million. The main causes are volume increases, price rises in local currency and more favourable exchange rates.
• The operating margin reached 12%, compared to 8% in the previous year.

KEY EVENTS
• The refit of a board machine at the production unit in Gävle increased capacity by around 10% and helped to drive up cost-efficiency and product quality.
• The decision was taken to invest SEK 900 million in the production units in Frövi and Rockhammar to increase capacity and improve product quality.
• Launch of the next generation of cartonboard, with superb print results for brands that want to stand out in retail environments.

GOLD AWARD
DuPont Design Innovation Awards Delaware, USA

NO. 1, 
German Packaging Award 2012

The audience award category 
Best New Product Convenience 
Biofach in Nürnberg, Germany, 2013

The audience award 
category 
Best New Product (chilli flavour) 
Biofach in Nürnberg, Germany, 2013
Spätzle is a German speciality, noodles made with egg, flour, water and salt. The tastiest version has to be home-made, according to Frizle’s founders, Martin Sluk and Thomas Spieler, who have created a brand new product and a new way to cook spätzle. Frizle’s “spätzle press” in board is filled with fresh dough that is pressed out through small holes directly into boiling water.

The challenge was to create packaging that ensured a long shelf-life, while also retaining the great taste. The packaging also had to be easy to open and to handle. And – last but not least – it had to shout “organic product”.

In close collaboration with packaging designer Thomas Reissig of VerDeSoft, converter Spiegel Verpackungen and BillerudKorsnäs, the material chosen was BillerudKorsnäs Light 250 g.

“The smart packaging has received a great deal of attention and won several prestigious awards. The most important thing for us is that it reinforces Frizle’s organic brand,” says Martin Sluk, CEO of Frizle.
Containerboard
Strong fluting and liner add value

SHARE OF GROUP
NET SALES

SEKm
3 100 (3 100)
15% (16%)

SHARE OF GROUP
OPERATING PROFIT

SEKm
420 (320)
22% (29%)

NET SALES BY
MARKET SEGMENT

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

Strong and light materials from the Containerboard business area are used in corrugated boxes for fragile goods and demanding distribution systems. Supply chain solutions for packaging optimisation are a key component of the offer.

Strong and light

Liner

BillerudKorsnäs’ white liner and coated 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 beverages.

Fluting

BillerudKorsnäs’ strong 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.

Of the fruit and vegetables transported in Europe, around 10% never reaches consumers. BillerudKorsnäs’ strong fluting and liner reduce waste by optimising the whole delivery chain – from farm to supermarket. SoliQ™ packaging uses the right materials and the right design for this specific job, with sensors that monitor conditions while in transit.
We look at what we can offer further along the chain in order to exploit the full potential of the materials and the concepts. There are huge opportunities to optimise the whole and provide sustainable solutions.

Lennart Eberleh, SVP Containerboard

**STRATEGY**

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

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**

**VALUE GROWTH**

**BUSINESS MODEL**

**Materials**

The Containerboard business area offers high-quality liner and fluting for the production of light and strong corrugated boxes. The materials are developed and improved in collaboration with customers and partners. BillerudKorsnäs has enviable expertise and a complete concept that covers the whole process. In a drive to further improve the qualities of the materials, particularly with regard to strength, the decision was taken in 2014 to invest SEK 180 million in quality improvements and higher production volumes.

**Fluting**

BillerudKorsnäs’ fluting is extremely strong and durable, with the capability to withstand heat and high humidity. Billerud Flute, made using 100% primary fibre from Nordic birch, is the world’s strongest fluting, making it ideal for extremely demanding applications such as heavy goods or transport of fruit and vegetables in a warm and humid climate. The boxes need to protect the content, stand up to stacking and look smart in the stores, even after long periods in transit.

**Liner**

BillerudKorsnäs’ 2-layer liner is perfect for printing and meets stringent requirements concerning food packaging. The main target applications are those that require high standards of design or purity. Coated liner was further enhanced over the year, particularly with regard to printability.

**Solution Services**

BillerudKorsnäs is moving closer to the market and to the end-customer. By having its own staff in key markets we get a local presence that increases understanding of customers’ needs. It also provides greater opportunities to highlight the benefits and added value, as well as providing technical support.

The company’s own Box Lab tests materials and designs, and adapts each solution to the customer’s specific needs. A customer-focused approach leads to sustainable packaging solutions that reduce use of materials, increase productivity and cut waste along the whole value chain. Box Lab is able to simulate the whole logistics chain, in order to test and improve the performance of the corrugated box.

**Network**

BillerudKorsnäs has built up the Fresh Box Alliance, a network of quality-assured suppliers of packaging solutions for products such as cut flowers, fruit and vegetables. The members deliver BillerudKorsnäs’ SoliQ, a unique service concept that optimises the delivery chain for fruit and vegetables from producer countries, primarily in Africa, to markets in Europe. Corrugated boxes are subject to strict quality requirements. Combining BillerudKorsnäs’ fluting with the right design makes it possible to reduce the use of materials by around 15% and waste by around 10%.

**MARKETS**

BillerudKorsnäs holds a strong position as market leader in the European market for primary fibre-based fluting and liner and is consolidating its position in the major growth markets of Asia, with its own offices in Bangkok and Dubai.

The market for fluting is driven largely by increased international trade, a greater environmental focus and demand for sustainable packaging that withstands the rigours of long journeys. BillerudKorsnäs’ unique fluting grades are a huge marketing success and demand is rising.

White liner is subject to increased price competition, mainly as a result of increased capacity in the market – as printing paper manufacturers switch to packaging materials – and the fall in recovered paper prices.

**NET SALES BY REGION**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>76% (83%)</td>
</tr>
<tr>
<td>Asia</td>
<td>12% (8%)</td>
</tr>
<tr>
<td>Africa</td>
<td>6% (6%)</td>
</tr>
<tr>
<td>South America</td>
<td>1% (1%)</td>
</tr>
<tr>
<td>Other</td>
<td>5% (2%)</td>
</tr>
</tbody>
</table>

BILLERUDKORSNÄS ANNUAL REVIEW 2014
PACCESS STRENGTHENS THE OFFER

Paccess, which has been a wholly owned subsidiary of BillerudKorsnäs since 2013, offers packaging and distribution solutions to brand owners and major retail chains that have manufacturing in Asia and global customers. Paccess simplifies and quality assures the whole supply chain from design to production and distribution. It has offices in Portland (USA), Stockholm (Sweden) and Shenzhen (China), with an Indian office also in the pipeline. The company works with over 2,000 OEM factories in China and South-East Asia.

Paccess simplifies the customer's processes, saves money and resources, improves sustainability performance and drives up revenues. Having the right packaging from the start saves on time and resources.

2014 saw the launch of a new packaging mainly for textiles, where the traditional plastic liner is replaced with an integrated moisture barrier. The aim is to grow along with existing customers, but also to attract new business.

2014 IN BRIEF

• Net sales increased by 2% to SEK 3,148 million.

• Operating profit increased by SEK 98 million to SEK 416 million. Lower production costs, combined with more favourable exchange rates, were partially offset by a lower volume of sales.

• The operating margin was 13%, compared with 10% in the previous year.

KEY EVENTS

• The decision was taken to invest SEK 180 million in Gruvön, with a view to increasing capacity and further improving the quality of the next-generation fluting

• Paccess is broadening its platform in Asia by establishing a presence in India.

To show how smart our packaging solutions are, we conducted a really tough test. Six delicate crystal glasses were sent across Europe, then on to America and Asia, before returning to Sweden.

How did it go? Not a crack or a scratch to be seen – proof of the strength in combining the world's strongest paper with smart design and construction.
Strong corrugated boxes for the automotive industry

Thousands of suppliers are involved in the automotive industry’s global distribution chains, which place high demands on the quality and precision of deliveries. Wooden crates, which have long been the standard for transporting heavy components, have not always proven ideal, but there has been a shortage of alternatives.

Together with a German corrugated board producer, BillerudKorsnäs has developed an extremely strong fluting that makes it possible to replace wooden crates, even for heavy freight. This brings numerous benefits: lower weight results in easier handling, reduced environmental impact and lower transport costs, the material offers better printability, plus it absorbs shocks and is easy to recycle.

The new material is a prime example of customer-driven product development with a focus on innovation and sustainability.

“We’re very pleased with the collaboration. The new material makes it possible to construct corrugated boxes that can handle 5 000 kilos. This will allow us to expand into entirely new markets,” explains the German packaging producer.
We take a long-term perspective, and our current investments in sustainable business are investments in the future.
## Income statement

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>20,853</td>
<td>19,689</td>
</tr>
<tr>
<td>Other income</td>
<td>118</td>
<td>130</td>
</tr>
<tr>
<td>Operating income</td>
<td>20,971</td>
<td>19,819</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-1,378</td>
<td>-1,439</td>
</tr>
<tr>
<td>Operating profit/loss</td>
<td>1,901</td>
<td>1,137</td>
</tr>
<tr>
<td>Net financial income and expenses</td>
<td>-248</td>
<td>-309</td>
</tr>
<tr>
<td>Profit/loss before tax</td>
<td>1,653</td>
<td>828</td>
</tr>
<tr>
<td>Taxes</td>
<td>-352</td>
<td>-142</td>
</tr>
<tr>
<td>Net profit/loss</td>
<td>1,301</td>
<td>686</td>
</tr>
</tbody>
</table>

## Capital employed

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2014</th>
<th>31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets, excluding interest-bearing receivables</td>
<td>18,301</td>
<td>18,170</td>
</tr>
<tr>
<td>Inventories</td>
<td>3,145</td>
<td>3,029</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,601</td>
<td>2,394</td>
</tr>
<tr>
<td>Other current assets</td>
<td>925</td>
<td>849</td>
</tr>
<tr>
<td><strong>Total operating assets</strong></td>
<td><strong>24,972</strong></td>
<td><strong>24,442</strong></td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>2,986</td>
<td>2,691</td>
</tr>
<tr>
<td>Non-interest-bearing provisions</td>
<td>67</td>
<td>108</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>2,502</td>
<td>1,742</td>
</tr>
<tr>
<td>Other non-interest-bearing liabilities</td>
<td>1,589</td>
<td>1,595</td>
</tr>
<tr>
<td><strong>Capital employed</strong></td>
<td><strong>17,828</strong></td>
<td><strong>18,306</strong></td>
</tr>
</tbody>
</table>

## Cash flow

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating surplus</td>
<td>3,234</td>
<td>2,656</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>238</td>
<td>-452</td>
</tr>
<tr>
<td>Net financial income/expenses</td>
<td>-233</td>
<td>-265</td>
</tr>
<tr>
<td>Tax paid</td>
<td>-124</td>
<td>-180</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td><strong>3,115</strong></td>
<td><strong>1,779</strong></td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-1,376</td>
<td>-1,250</td>
</tr>
<tr>
<td><strong>Cash flow after investing activities</strong></td>
<td><strong>1,739</strong></td>
<td><strong>529</strong></td>
</tr>
</tbody>
</table>
BillerudKorsnäs’ Board of Directors proposes a dividend of SEK 3.15 per share for the financial year 2014. The proposed dividend corresponds to 51% of net profit for 2014.

## Key financial ratios

<table>
<thead>
<tr>
<th>Margin</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin, %</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>9</td>
<td>6</td>
</tr>
</tbody>
</table>

### Return, rolling 12 months

<table>
<thead>
<tr>
<th>Return</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on capital employed, %</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Return on shareholders’ equity, %</td>
<td>13</td>
<td>7</td>
</tr>
</tbody>
</table>

### Capital structure at end of period

<table>
<thead>
<tr>
<th>Capital</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital employed, SEKm</td>
<td>17,828</td>
<td>18,306</td>
</tr>
<tr>
<td>Working capital, SEKm</td>
<td>2,286</td>
<td>2,748</td>
</tr>
<tr>
<td>Shareholders’ equity, SEKm</td>
<td>10,704</td>
<td>9,917</td>
</tr>
<tr>
<td>Interest-bearing net debt, SEKm</td>
<td>7,124</td>
<td>8,389</td>
</tr>
<tr>
<td>Net debt/equity ratio, multiple</td>
<td>0.67</td>
<td>0.85</td>
</tr>
<tr>
<td>Interest-bearing net debt/operating profit before depreciation/amortisation, multiple</td>
<td>2.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>

### Investments

<table>
<thead>
<tr>
<th>Investments in non-current assets, SEKm</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>1,384</td>
<td>1,337</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>-9</td>
</tr>
</tbody>
</table>

### Other key-figures

<table>
<thead>
<tr>
<th>Key-figure</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital turnover, multiple</td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Working capital as a percentage of sales</td>
<td>12</td>
<td>14</td>
</tr>
</tbody>
</table>

### Human Resources

<table>
<thead>
<tr>
<th>Average number of employees</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,194</td>
<td>4,272</td>
</tr>
</tbody>
</table>
## Quarterly data

### Quarterly net sales per business area and in total

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEKm</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging Paper</td>
<td>8 101</td>
<td>1 959</td>
<td>2 058</td>
<td>2 016</td>
<td>2 068</td>
<td>7 279</td>
<td>1 758</td>
<td>1 820</td>
<td>1 846</td>
<td>1 855</td>
</tr>
<tr>
<td>Consumer Board</td>
<td>7 436</td>
<td>1 768</td>
<td>1 897</td>
<td>1 822</td>
<td>1 949</td>
<td>6 964</td>
<td>1 659</td>
<td>1 716</td>
<td>1 784</td>
<td>1 805</td>
</tr>
<tr>
<td>Containerboard</td>
<td>3 148</td>
<td>816</td>
<td>773</td>
<td>767</td>
<td>792</td>
<td>3 073</td>
<td>763</td>
<td>755</td>
<td>758</td>
<td>797</td>
</tr>
<tr>
<td>Other units</td>
<td>2 197</td>
<td>609</td>
<td>487</td>
<td>512</td>
<td>589</td>
<td>2 297</td>
<td>549</td>
<td>470</td>
<td>579</td>
<td>699</td>
</tr>
<tr>
<td>Currency hedging, etc.</td>
<td>-29</td>
<td>-28</td>
<td>-24</td>
<td>11</td>
<td>12</td>
<td>76</td>
<td>26</td>
<td>-13</td>
<td>38</td>
<td>25</td>
</tr>
<tr>
<td>Group staff and eliminations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Group</strong></td>
<td>20 853</td>
<td>5 124</td>
<td>5 191</td>
<td>5 128</td>
<td>5 410</td>
<td>19 689</td>
<td>4 755</td>
<td>4 748</td>
<td>5 005</td>
<td>5 181</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEKm</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging Paper</td>
<td>701</td>
<td>183</td>
<td>158</td>
<td>169</td>
<td>191</td>
<td>284</td>
<td>91</td>
<td>-1</td>
<td>76</td>
<td>118</td>
</tr>
<tr>
<td>Consumer Board</td>
<td>915</td>
<td>186</td>
<td>243</td>
<td>253</td>
<td>233</td>
<td>557</td>
<td>29</td>
<td>244</td>
<td>126</td>
<td>158</td>
</tr>
<tr>
<td>Containerboard</td>
<td>416</td>
<td>120</td>
<td>120</td>
<td>59</td>
<td>117</td>
<td>318</td>
<td>98</td>
<td>89</td>
<td>66</td>
<td>65</td>
</tr>
<tr>
<td>Other units</td>
<td>166</td>
<td>28</td>
<td>45</td>
<td>35</td>
<td>58</td>
<td>136</td>
<td>21</td>
<td>36</td>
<td>20</td>
<td>59</td>
</tr>
<tr>
<td>Currency hedging, etc.</td>
<td>-29</td>
<td>-28</td>
<td>-24</td>
<td>11</td>
<td>12</td>
<td>76</td>
<td>26</td>
<td>-13</td>
<td>38</td>
<td>25</td>
</tr>
<tr>
<td>Group staff and eliminations</td>
<td>-268</td>
<td>-29</td>
<td>-92</td>
<td>-77</td>
<td>-70</td>
<td>-234</td>
<td>-62</td>
<td>-64</td>
<td>-62</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Group</strong></td>
<td>1 901</td>
<td>460</td>
<td>450</td>
<td>450</td>
<td>541</td>
<td>1 137</td>
<td>203</td>
<td>309</td>
<td>262</td>
<td>363</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging Paper</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>4</td>
<td>5</td>
<td>-</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Consumer Board</td>
<td>12</td>
<td>11</td>
<td>13</td>
<td>14</td>
<td>12</td>
<td>8</td>
<td>2</td>
<td>14</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Containerboard</td>
<td>13</td>
<td>15</td>
<td>16</td>
<td>8</td>
<td>15</td>
<td>10</td>
<td>13</td>
<td>12</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>6</td>
<td>4</td>
<td>7</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ktonnes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging Paper</td>
<td>1 167</td>
<td>275</td>
<td>288</td>
<td>294</td>
<td>310</td>
<td>1 080</td>
<td>263</td>
<td>269</td>
<td>273</td>
<td>275</td>
</tr>
<tr>
<td>Consumer Board</td>
<td>1 004</td>
<td>235</td>
<td>252</td>
<td>249</td>
<td>268</td>
<td>959</td>
<td>231</td>
<td>236</td>
<td>242</td>
<td>250</td>
</tr>
<tr>
<td>Containerboard</td>
<td>528</td>
<td>134</td>
<td>127</td>
<td>128</td>
<td>139</td>
<td>552</td>
<td>126</td>
<td>134</td>
<td>142</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 699</td>
<td>644</td>
<td>667</td>
<td>671</td>
<td>717</td>
<td>2 591</td>
<td>620</td>
<td>639</td>
<td>657</td>
<td>675</td>
</tr>
</tbody>
</table>
Key figure definitions

**MARGINS**

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

- **Operating margin**
  Operating profit as a percentage of net sales.

**RETURN**

- **Return on capital employed**
  Operating profit as a percentage of average capital employed. (ROCE)

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

**CAPITAL STRUCTURE**

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

- **Capital turnover rate**
  Net sales divided by average capital employed.

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

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

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

1 For number of shares, see page 54.

**PER SHARE DATA**

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

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

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

- **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.
Senior Management Team

Top row, from left: Christer Simrén, Lennart Eberleh, Susanne Lithander, Johan Nellbeck, Ulf Eliasson. Bottom row, from left: Magnus Wikström, Karin Hägfeldt, Per Lindberg, Uno Brinnen and Henrik Essén.
PER LINDBERG
President and CEO
Education: MSc and PhD, Chalmers University of Technology, Gothenburg.
Year employed: 2005
Year born: 1956
Other assignments: Board member of CEPI Eurokraft.
Background: Regional Sales Director, Tele2 Stockholm. Managing Director, AssiDomän Kraft Products Nordic Sales AB. Sales Manager, AssiDomän Scandinavia.
Shareholding 1:

CHRISTER SIMRÉN
Executive Vice President, CFO
Education: MSc and PhD, Chalmers University of Technology, Gothenburg. MSc in Economics and Business, School of Business, Economics and Law, Gothenburg University.
Year employed: 2012
Year born: 1961
Other assignments: –
Background: CEO of Korsnäs AB and Wermland Paper AB. Member of the management team of Kinnevik. Chairman of the Board of Grycksbo Paper Holding AB.
Shareholding 1: 25 200

UNO BRINNEN
Senior Vice President Forestry
Education: MSc in Forestry, Sweden’s Agricultural University, Umeå. Licentiate Degree in Forestry, Swedish University of Agricultural Sciences, Garpenberg.
Year employed: 2012
Year born: 1956
Other assignments: –
Background: Senior consultant at AF AB and Pöyry Forest Industry Consulting AB.
Shareholding 1: 6 700

LENNART EBERLEH
Senior Vice President Containerboard
Education: MSc in Engineering, Technische Universität Carolo Wilhelmina Braunschweig, Germany. Executive MBA, Mgruppen.
Year employed: 2001
Year born: 1969
Other assignments: –
Background: Sales Manager, Stora Enso Gruvön, Stora Support Team, Stora Kopparg bergslags AB. Product Manager, Stora Gruvön.
Shareholding 1: 18 125

ULF ELIASSON
Senior Vice President Consumer Board
Education: MSc in Engineering, Chalmers University of Technology, Gothenburg.
Year employed: 2012
Year born: 1962
Other assignments: Board member of Bornhus Energi Aktiebolag, Board member of SPCI (Swedish Society of Paper and Cellulose Engineers), Board member of ACE (Alliance for Beverage Cartons and the Environment).
Background: Mill Director Korsnäs AB, Vice President & Site Manager Rolls-Royce AB, Senior Vice President & CEO Stora Enso Skoghall AB.
Shareholding 1: 6 500

HENRIK ESSÉN
Senior Vice President Communication and Sustainability
Education: MSc in Engineering, Royal Institute of Technology, Stockholm.
Year employed: 2011
Year born: 1974
Other assignments: –
Background: Senior consultant at AF AB and Pöyry Forest Industry Consulting AB.
Shareholding 1: 2 800

KARIN HÅGFELDT
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 1: 5 875

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

JOHAN NELLBECK
Senior Vice President Packaging Paper
Education: MSc in Economics and Business, Uppsala University. Executive MBA, Mgruppen.
Year employed: 2006
Year born: 1964
Other assignments: Board member of CEPI Eurokraft.
Background: Regional Sales Director, Tele2 Stockholm. Managing Director, AssiDomän Kraft Products Nordic Sales AB. Sales Manager, AssiDomän Scandinavia.
Shareholding 1: 16 000

MAGNUS WIKSTRÖM
Senior Vice President Technology & Strategic Development
Education: MSc and PhD in Engineering, Royal Institute of Technology, Stockholm. Executive MBA, Mgruppen.
Year employed: 2006
Year born: 1963
Other assignments: Board member of Innventia AB, Board member of Awapatent AB.
Background: R&D Director Korsnäs AB, Research Manager Korsnäs Development, Project Area Manager STFL.
Shareholding 1: 16 719

1 Own and closely related persons’ shareholdings as of 6 March 2015.
Board of Directors

1. LENNART HOLM
Chairman of the Board since 2014, Board member since 2012, chairman of the investment committee, member of the remuneration committee
Education: MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg, Degree in Finance, University of Gothenburg.
Year born: 1960
Other assignments: Chairman of the Board of Vida AB, Nexam Chemical Holding AB, Chamber Tech AB, Brunkeberg Systems AB, Tigmed Holding AB and Hammarkrogen i Helsingborg Holding AB. Board member of BMC Management AB, Chamber Bygg Sweden AB, Dermazip AB, Hempel A/S, Lennart Holm Development AB, Necco Norden AB, Prevent Försäkrings AB and SOS Barnbyar Sverige.
Background: Chairman of the Board and CEO of the Perstorp Group, active at Stora Enso and partner in P&I Partners SAS.
Shareholding: 3,000
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

2. BENGT HAMMAR
Board member since 2014 and member of the investment committee
Education: BA and MA in International Economy and Politics, Princeton University, New Jersey, United States
Year born: 1951
Other assignments: Director and senior adviser, Pöyry Capital Ltd.
Background: Managing Director, Head of Global Forest Products & Packaging, Barclays De Zoete Wedd Ltd. Executive Director, Head of European Forest Products & Packaging, Morgan Stanley & Co. Int.
Shareholding: 1,100
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

3. MIKAEL HELLBERG
Board member since 2014, chairman of the remuneration committee, member of the audit committee
Education: BSc in Economics, University of Minnesota, United States. Studies at Stockholm School of Economics.
Year born: 1954
Other assignments: Chairman of the Board of Delicato Bakverk AB, Berntson Brands AB and Wallvision AB. Board member of Cederroth International AB, Lomond Industrier AB and Fresk Försäljning AB.
Background: CEO of Wasabrid AB, Pripps Bryggerier/Carlsberg Sverige AB, Alcro-Beckers AB and Nordic Head of Procter & Gamble HABC. Chairman of the Board of several companies, including AB Anna Pepparkakor, Björnkläder AB, NCS Colour AB, Moebo AB and Anticimex AB.
Shareholding: 20,000
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

4. 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 Triach Group.
Shareholding: 3528
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

5. GUNILLA JÖNSON
Board member since 2003 and member of the investment committee
Education: MSc and PhD in Mechanical Engineering, Chalmers University of Technology, Gothenburg.
Year born: 1943
Other assignments: Senior Professor in Packaging Logistics, Engineering Faculty LTH, 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. Member of IVA Royal Swedish Academy of Engineering Sciences, Division VIII – Forest Technology.
Background: Dean of Faculty of Engineering, Lund University. Various executive and other positions at SCA Packaging, Research Director, Swedish Packaging Research Institute.
Shareholding: 3,528
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.
6. MICHAEL M.F. KAUFMANN
Board member since 2005, member of the remuneration committee
Education: MBA, Universities of Stuttgart and Erlangen-Nürnberg.
Year born: 1948
Other assignments: CEO, Frapag Beteiligungsholding AG, CEO, HKW Privatstiftung.
Background: Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.
Shareholding 1:  9500
Independent/Not independent: Independent of the Company and management, not independent of the Company’s major shareholders.

7. KRISTINA SCHAUMAN
Board member since 2014, chairman of the audit committee
Education: MSc in Economics and Business, Stockholm School of Economics
Year born: 1965
Other assignments: Board member of ÅF AB, Livförsäkringsbolaget Skandia, Orexo AB and Apoteket AB. Member of Save the Children’s advisory board in Sweden.
Background: Various financial managerial positions in Stora Enso, ABB and Investor and top executive positions in OMX AB, Carnegie Investment bank and Apoteket AB.

8. KJELL OLSSON
Board member since 2012, employee representative Pappers
Year born: 1959
Other assignments: 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).

9. KURT LINDVALL
Deputy Board member since 2001, employee representative Pappers
Year born: 1951
Other assignments: Operator at BillerudKorsnäs.
Background: –
Shareholding 1: 517
Independent/Not independent: Independent of management and the Company’s major shareholders, not independent of the Company (employed).

10. HELÉN GUSTAFSSON
Board member since 2010, employee representative PTK
Education: Degree in Chemical Engineering, Institute of Technology, Linköping University.
Year born: 1971
Other assignments: Production Technician/Personnel Supervisor at BillerudKorsnäs.
Background: –
Shareholding 1: 517
Independent/Not independent: Independent of management and the Company’s major shareholders, not independent of the Company (employed).

11. TOBIAS SÖDERHOLM
Deputy Board member since 2012, member of the audit committee, employee representative PTK
Education: MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg.
Year born: 1975
Other assignments: 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 6 March 2015.
The BillerudKorsnäs share has been listed since 20 November 2001 and is traded on the Large Cap list of Nasdaq Stockholm. The share's ticker symbol is BILL.

On 30 December 2014, the share capital totalled SEK 1,537,642,793, represented by 208,219,834 shares.

The number of shares on the market totalled 206,788,161. Each share on the market entitles its holder to an equal right in the Company’s earnings and capital.

SHARE PRICE PERFORMANCE
The BillerudKorsnäs share closed at SEK 112.50 on 30 December 2014, corresponding to a market capitalisation of around SEK 23.3 billion. BillerudKorsnäs’ share price rose by 38% during 2014. Over the same period, the Nasdaq Stockholm forestry and paper products index (OMX Stockholm Forestry & Paper PI) rose by 22%, while the Nasdaq Stockholm All Share Index (OMX Stockholm PI) rose by 12%.

In 2014, the share recorded its highest closing price, SEK 112.70, on 29 December, and its lowest closing price, SEK 77.45, on 4 February.

TRADING
During 2014, 92.5 million BillerudKorsnäs shares were traded on Nasdaq Stockholm, corresponding to a value of approximately SEK 9 billion. The average number of shares traded each trading day was about 372,000, corresponding to a value of SEK 36 million. On average, about 967 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, for example, on BillerudKorsnäs’ level of profits, its financial position and its future development opportunities.

BillerudKorsnäs’ Board of Directors proposes a dividend of SEK 3.15 per share for 2014. The proposed dividend corresponds to around 51% of net profit for 2014.

SHAREHOLDER CATEGORIES, VOTES
- Foreign shareholders: 34.8%
- Swedish institutions: 21.9%
- Swedish mutual funds: 21.0%
- Swedish individuals incl. closely held companies: 21.6%

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS, VOTES
- Sweden: 65.0%
- Austria: 15.2%
- USA: 9.0%
- Norway: 3.2%
- UK: 2.3%
- Other: 4.7%

10 LARGEST SHAREHOLDERS

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>No. of shares, millions</th>
<th>Share of votes, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frapag Beteiligungholding AG</td>
<td>31.3</td>
<td>15.1</td>
</tr>
<tr>
<td>AMF Insurance &amp; Funds</td>
<td>20.1</td>
<td>9.7</td>
</tr>
<tr>
<td>Swedbank Robur Funds</td>
<td>10.9</td>
<td>5.2</td>
</tr>
<tr>
<td>Nordea Funds</td>
<td>10.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Lannebo Funds</td>
<td>7.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Fourth Swedish National Pension Fund</td>
<td>7.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Alecta</td>
<td>5.4</td>
<td>2.6</td>
</tr>
<tr>
<td>SHB Funds</td>
<td>5.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Norges Bank Investment Management</td>
<td>5.2</td>
<td>2.5</td>
</tr>
<tr>
<td>DFA Funds (USA)</td>
<td>4.4</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Total top 10 shareholders</strong></td>
<td><strong>108.2</strong></td>
<td><strong>52.1</strong></td>
</tr>
</tbody>
</table>

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>1,389,445</td>
<td>0.7</td>
<td>23,589</td>
<td>24.0</td>
</tr>
<tr>
<td>101–500</td>
<td>15,757,773</td>
<td>7.5</td>
<td>61,390</td>
<td>62.3</td>
</tr>
<tr>
<td>501–10,000</td>
<td>21,114,257</td>
<td>10.1</td>
<td>12,920</td>
<td>13.1</td>
</tr>
<tr>
<td>10,001–50,000</td>
<td>8,433,680</td>
<td>4.1</td>
<td>408</td>
<td>0.4</td>
</tr>
<tr>
<td>50,001–181,619</td>
<td>161,546,279</td>
<td>77.6</td>
<td>226</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>208,219,834</strong></td>
<td><strong>100.0</strong></td>
<td><strong>98,533</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

1 Including BillerudKorsnäs’ treasury shares.

Source: SIS Ägarservice, 30 December 2014.
### Key Figures Per Share

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend (for each financial year), actual</td>
<td>3.15</td>
<td>2.25</td>
</tr>
<tr>
<td>Dividend as % of share price (dividend yield)</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>- profit</td>
<td>51.0</td>
<td>69.4</td>
</tr>
<tr>
<td>- shareholders’ equity (closing balance)</td>
<td>6.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Share price/closing balance of shareholders’ equity, %</td>
<td>219</td>
<td>170</td>
</tr>
<tr>
<td>P/E ratio, multiple</td>
<td>18.2</td>
<td>26.1</td>
</tr>
<tr>
<td>EV/EBITDA, multiple</td>
<td>9.3</td>
<td>9.8</td>
</tr>
<tr>
<td>Share price (closing price, last trading day)</td>
<td>112.50</td>
<td>81.25</td>
</tr>
</tbody>
</table>

1 Board’s proposal.

### Shareholder Information

#### Annual General Meeting
BillerudKorsnäs AB’s Annual General Meeting will be held at 2:00 p.m. on Tuesday 5 May 2015 at Hotel Rival, Mariatorget 3, Stockholm, Sweden. Notice of the 2015 Annual General Meeting is posted on the Company’s website at www.billerudkorsnas.com.

#### Notification of Attendance
Shareholders wishing to take part in the AGM must be registered in the shareholders’ register maintained by Euroclear by no later than 28 April 2015 and must notify the Company by no later than 4:00 p.m. on Tuesday 28 April 2015. Notification can be made by telephone to +46 8 402 90 62, via the Company’s website at www.billerudkorsnas.com/anmalan or by post to BillerudKorsnäs AB, Årstättenman, Box 7841, SE-103 98 Stockholm, Sweden.

To be able to participate in the meeting, shareholders whose shares are registered in the name of a nominee must request that their own names are temporarily registered in the shareholders’ register kept by Euroclear. This procedure, referred to as voting right registration, must be completed by 28 April 2015, which means that the shareholder must inform the nominee well before this date.

#### Financial Information
All financial information is available in both Swedish and English and is published on BillerudKorsnäs’ website at www.billerudkorsnas.com.

The year’s review is distributed to shareholders and other interested parties who have registered their interest, either through the Company’s website or via the form received by each new shareholder.

The annual report and other financial reports are available on the website. There is also an html version, including Excel files for downloading.

### Analysts

<table>
<thead>
<tr>
<th>Company</th>
<th>Analyst</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABG</td>
<td>Martin Melbye</td>
<td>+47 220 161 37</td>
</tr>
<tr>
<td>Carnegie</td>
<td>Fredrik Wirz</td>
<td>+46 8 568 687 47</td>
</tr>
<tr>
<td>Danske Bank</td>
<td>Oskar Lindström</td>
<td>+46 8 568 806 12</td>
</tr>
<tr>
<td>DNB</td>
<td>Johan Sjöberg</td>
<td>+46 8 473 48 31</td>
</tr>
<tr>
<td>Handelsbanken Capital Markets</td>
<td>Mikael Doepel</td>
<td>+358 10 444 2450</td>
</tr>
<tr>
<td>Kepler Cheuvreux</td>
<td>Mikael Johansson</td>
<td>+46 8 723 51 71</td>
</tr>
<tr>
<td>Nordea</td>
<td>Harri Taittonen</td>
<td>+358 9 1655 9924</td>
</tr>
<tr>
<td>SEB Enskilda</td>
<td>Linus Larsson</td>
<td>+46 8 522 297 01</td>
</tr>
<tr>
<td>Swedbank Markets</td>
<td>Ola Södermark</td>
<td>+46 8 585 902 40</td>
</tr>
</tbody>
</table>

### Share Price Performance

#### Share Price Performance 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>SEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>70</td>
</tr>
<tr>
<td>2005</td>
<td>80</td>
</tr>
<tr>
<td>2006</td>
<td>90</td>
</tr>
<tr>
<td>2007</td>
<td>100</td>
</tr>
<tr>
<td>2008</td>
<td>110</td>
</tr>
<tr>
<td>2009</td>
<td>120</td>
</tr>
</tbody>
</table>

#### Share Price Performance 2004 – 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>SEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>70</td>
</tr>
<tr>
<td>2005</td>
<td>80</td>
</tr>
<tr>
<td>2006</td>
<td>90</td>
</tr>
<tr>
<td>2007</td>
<td>100</td>
</tr>
<tr>
<td>2008</td>
<td>110</td>
</tr>
<tr>
<td>2009</td>
<td>120</td>
</tr>
</tbody>
</table>

### Interim Reports

- **January–March 2015**: 21 April
- **January–June 2015**: 20 July
- **January–September 2015**: 21 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**
Corrugated board is manufactured by gluing together two flat layers of paper (liner) with a rippled layer (fluting) in the middle.

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

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

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

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

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

**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 pulp.

**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.
BillerudKorsnäs is one of the world’s leading suppliers of high-quality, packaging materials based on renewable raw material. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units. Our customers are packaging manufacturers, brand owners and large retail and supermarket chains. Through close collaboration with customers and partners all over the world, we are able to offer a customised and broad product portfolio that features a high degree of innovation.

Demand is driven by global megatrends, particularly rising urbanisation, a greater focus on sustainability and changing consumption patterns. Consumer segments, primarily food and beverages, account for 75% of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

Smart packaging solutions using paper or board from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.
BillerudKorsnäs is one of the world’s leading suppliers of liquid packaging board. The board is pure and taste-neutral, making it ideal for packaging drinks and food products. Formable and stiff, it is suitable for complex printing and high-speed processes. The fibre can be recycled 5–6 times, after which the material can be broken down in nature or used as an energy source.

BillerudKorsnäs has manufactured liquid packaging board for over 40 years, and the material has been improved and adapted for new needs and new generations of consumers.

Innovative packaging is constantly being developed through long and close customer relationships. Our liquid packaging board is highly appreciated by packaging manufacturers. It is also good for the environment. Studies show that liquid packaging board causes around 40% lower CO₂ emissions than a PET bottle.