KORSNÄS AB

Corporate registration number
556023-8338

Annual Report 2009

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Board of Directors, Senior Executives and Auditors

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

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

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

Edvard von Horn
Board member between 1991-2000 and since 2002.
Degree in Agricultural Rural Management, Alnarp, Swedish University of Agricultural Sciences and B.Sc. Lund University, born 1943. Member of the Board of Investment AB Kinnevik 2004-2007 and Industriförvaltnings AB Kinnevik 1992-2004. Chairman of the Board of Mellersta Sveriges Lantbruks AB.

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

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

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

Cristina Stenbeck
Board member since 2003.
B.Sc. Georgetown University, Washington DC, USA, born 1977. Chairman of the Board of Investment AB Kinnevik since 2007. Vice Chairman of Investment AB Kinnevik 2004-2007 and Industriförvaltnings AB Kinnevik 2003-2004. Chairman of Emesco AB since 2002. Member of the Board of Metro International S.A., Modern Times Group MTG AB, Tele2 AB and Transcom WorldWide S.A. since 2003.

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

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

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

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

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

Auditors

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

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

Board of Directors’ report

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

The financial reports were approved by the Board on 22 February 2010 and the Board of Directors and CEO herewith present the annual and consolidated financial statements for the financial year 2009. The balance sheets and the income statements for the Group and Parent Company will be presented at the Annual General Meeting to be held on 23 February 2010 for approval.

Key date (SEK million)	2009	2008 [1]
Revenue	8 039	7 396
Operating profit, EBIT	851	500
Investments in tangible fixed assets	740	171
Depreciation	-611	-624
Operational capital employed, average	7 849	8 175
Return on operational capital employed	10,8%	6,1%
Number of employees	1 811	1 867

[1] Excluding restructuring costs of SEK 71 million.

History

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

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

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

Key events during 2009

The investment project pertaining to a new evaporation plant in Gävle, which commenced in autumn 2008, continued. Of the total anticipated investment amount of SEK 570 million, SEK 329 million was paid during the year. The evaporation plant is scheduled to be put into production in May 2010.

In April, Korsnäs acquired the operation in Rockhammars Bruk from Rottneros for a purchase consideration of SEK 147 million. The purpose of the acquisition was to make Korsnäs self-sufficient in terms of pulp for the entire Group’s paper and cartonboard production

In December, a decision was made to invest in a bioenergy plant in Gävle. For Korsnäs, this means that about SEK 320 million will be invested in shares and debenture loans, corresponding to 50%, in a jointly owned company, Bomhus Energi AB. In addition to this investment, Korsnäs will be spending about SEK 145 million on energy saving investments in its existing facilities. Overall, the total environmental impact from Korsnäs Gävle, including the new evaporation plant under construction, will decrease from the existing level of 125,000 tons to 10,000 tons of CO2 per year.

Consolidated earnings

Total revenue for the year amounted to SEK 8,039 million, compared with SEK 7,396 million in the preceding year.

Operating profit amounted to SEK 851 million (429). The profit for 2008 includes costs for the restructuring programme of SEK 71 million. Other financial income and expenses amounted to a net expense of SEK 64 million (expense of 251), of which net interest expenses were SEK 101 million (expense of 259) and exchange rate differences were a loss of SEK 0 million (loss of 16). The reduced net interest was due to positive cash flow and lower interest rates.

Profit after financial items amounted to SEK 787 million (177).

Reported tax expense amounted to SEK 197 million (income of 42)

Cashflow and investments

The Group’s cash flow from current operations excluding change in working capital amounted to SEK 1,461 million (895) during the year. The improved cash flow is attributable mainly to increased operating profit and lower tax payments compared to the previous year. Working capital decreased by SEK 337 million (increase 234). This year’s change in working capital includes the positive effect of a reduction in inventories of SEK 298 million, which is primarily explained by a lower level of finished goods and pulpwood.

Investments in tangible fixed assets amounted to SEK 642 million (171) during the year, of which SEK 329 million related to the on-going investment project for a new evaporation plant at the pulp mill in Gävle.

Investments in subsidiaries amounted to SEK 147 million.

Liquidity and financing

The Group's available liquidity, including short-term investments and available credit facilities, totaled SEK 632 million on 31 December, 2009 and SEK 608 million at 31 December, 2008.

The Group's interest-bearing net debt amounted to SEK 2,504 million at 31 December, 2009 and SEK 4,096 million at 31 December, 2008. All loans have fixed interest terms of no longer than three months and carry an interest rate according to Stibor or similar base rate and an average margin of 0.8%. Of the Group's interest expenses and other financial costs of SEK 116 million (expense of 347), interest expenses amounted to SEK 109 million (expense of 318) and exchange rate differences was SEK 0 million (negative 9). This means that the average interest rate for the year was 1.7% (5.6%) (calculated as interest expense in relation to average interest-bearing liabilities).

On 31 December, the average remaining duration for all credit facilities amounted to 1.4 years. The Group's borrowing is primarily arranged in SEK. On an annual basis, the net flow in foreign currencies is a net inflow of about SEK 600 million, comprised mainly of Korsnäs' sales in Euro.

Korsnäs Industrial

Key data (SEK million)	2009	2008 [1]
Revenue	7 098	6 608
Operating profit, EBIT	826	472
Investments in tangible fiixed assets	721	167
Depreciation	-605	-618
Operational capital employed, average	7 411	7 746
Return on operational capital employed	11,1%	6,1%
Number of employees	1 571	1 590

[1] Excluding restructuring costs of SEK 71 million.

The global recession resulted in continued general weak demand in 2009. However, the downturn leveled out during the year and demand stabilized. Despite the weak market, Korsnäs succeeded in increasing its delivery volumes for cartonboard and paper products by 4.1% to a total of 1,034,000 tons in 2009, compared with 993,000 tons in 2008.

Customers today are increasingly demanding various types of products and delivery solutions and Korsnäs is seeking to meet these demands using high quality and lower overall customer cost. Korsnäs' long-term strategy of focusing on growth markets and offering differentiated, niche products that meet stringent requirements in terms of strength, printability, formability and runnability in converting, proved successful during the year with increasing volumes within prioritized growth areas. Thus, the targeted focus on highly refined products in selected segments will continue.

Production for 2009 amounted to 1,025,000 tons, compared with 1,052,000 tons in 2008. The decline was attributable primarily to market related production shutdowns of individual paper machines during the first quarter (approximately 20,000 tons) and during the fourth quarter (approximately 6,000 tons). The purpose of the marketrelated production shutdowns was to reduce capital tied-up in inventories. Cartonboard production in Frövi amounted to 396,000 tons (398,000), while cartonboard and paper production in Gävle amounted to 629,000 tons (654,000).

In conjunction with the maintenance shutdown in Gävle in the second quarter, the drying and press section of Paper Machine 5 was rebuilt for approximately SEK 65 million. The investment resulted in anticipated improvements in product properties and better production economy.

In the autumn of 2008, a decision was made to invest in a new evaporation plant at the pulp mill in Gävle, which will reduce oil consumption by around 50% at the Gävle plant. The investment is expected to total SEK 570 million, of which SEK 329 million has been paid in 2009. The investment project is proceeding according to plan and the evaporation plant is scheduled to be put into operation in May 2010.

In November 2008, an earnings-enhancement program was launched to restore Korsnäs' profitability to an operating margin of more than 10% (actual 2009 10.6%). The program, which entails staff reductions of 125 positions, is proceeding according to plan and had a positive impact on operating profit and tied-up capital in 2009.

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

In December, a decision was made to, in cooperation with Gävle municipality establish a jointly owned company named Bomhus Energi AB, and invest SEK 1.8 billion in a bio-energy plant in the Korsnäs industrial area in Gävle. For Korsnäs, the investment will total approximately SEK 320 million consisting of shares and debenture loans, corresponding to a holding of 50% in Bomhus Energi AB. In addition to this investment, Korsnäs will be spending approximately SEK 145 million on energy investments in its existing plant for the delivery of waste heat to Gävle Energi AB. The objective of the investments is to, from 2013, secure delivery of environmentally compatible electricity and steam to the Korsnäs plant, as well as district heating to Gävle Energi's customers. The investments will enable a significant reduction in Korsnäs' oil consumption, while increasing electricity production and the use of waste heat from Korsnäs' plant. As a result of the investments, Korsnäs Gävle will raise the proportion of internally produced electricity from 38% till 45%. The investments will also lead to a decreased oil consumption of 21,000 m3 per year. On the whole, with the new evaporation plant, the oil consumption will reduce from the current level of 44,000 m3 per year to 4,000 m3 per year and will thus reduce the total environmental impact from Korsnäs Gävle from the current level of 125,000 tons to 10,000 tons of CO2 per year. The new bioenergy plant will be ready for operation during the autumn 2012. The investments totalling approximately SEK 465 million will impact Korsnäs' cash flow during 2010-2012. The investment decision is subject to the signing of the definitive agreements by the parties and to Bomhus Energi AB securing the necessary external financing.

Korsnäs Industrial's revenues for the year amounted to SEK 7,098 million (6,608), with an operating profit of SEK 826 million (401). The comparative figure for 2008 includes restructuring expenses of SEK 71 million. Reduced costs for pulpwood and external pulp of about SEK 285 million and higher sales prices, including currency effects, of about SEK 190 million had a positive impact on earnings. Lower production volumes and a change in product mix had a negative impact on earnings of about SEK 15 million. Other items negatively affecting profitability included higher costs for energy, chemicals and salaries of about SEK 105 million.

Liquid Packaging Board

Liquid Packaging Board is used to manufacture packaging, primarily for dairy products and other beverages, a market that is continuing to grow, mainly in Asia and Eastern Europe. Primarily, coated Liquid Packaging Board is showing growth, as a result of end-users' increased demand for print quality on the finished packaging. The global market for Liquid Packaging Board usually increases at an annual rate of 2-3%, but growth for 2009 is estimated to have been about 1%. For 2009, Korsnäs Liquid Packaging Board deliveries remained at the same level as 2008. Price increases were implemented in accordance with the multi-year agreements that Korsnäs has with a number of customers regarding Liquid Packaging Board deliveries. Other major suppliers of Liquid Packaging Board include Stora Enso and Klabin. There is also competition from other packaging materials, primarily plastic bottles.

Cartonboard

Korsnäs cartonboard is used primarily in selected segments for packaging cosmetics, luxury drinks, confectionery and frozen food. The cartonboard market in Europe generally grows 2-3% annually, but declined by about 6% in 2009. Cartonboard capacity was reduced during the year in Europe through the shutdown of a number of machines. European imports, primarily from Brazil, continued to rise. Despite lower demand and continued tough competition, Korsnäs succeeded in increasing delivery volumes marginally, with retained prices. Deliveries of cartonboard with white reverse side, Korsnäs White, increased during the year in accordance with the company's goal, while deliveries of cartonboard with brown reverse side, Korsnäs Light and Korsnäs Carry, decreased marginally. Cartonboard competitors include Stora Enso, M-Real and Holmen.

White Top Kraft Liner (WTL)

WTL is used as the surface layer on corrugated packaging. The WTL market in Europe declined by about 1% in 2009 compared with 2008, which shall be compared with growth that is usually about 2-3%. The first half year was marked by weak demand and falling prices. During the second half year, demand strengthened, leading to the implementation of price increases. Korsnäs' total deliveries of WTL increased in 2009, which was primarily attributable to deliveries of coated WTL increasing in line with the company's long-term strategy. There are a number of suppliers in the market, with M-Real as the main competitor.

Sack and kraft paper

Sack and kraft paper are used for sacks, carrier bags and food packaging. Following a weak start to 2009, demand for sacks, carrier bags and food packaging gradually improved during the year. The market for white paper, the segment on which Korsnäs has focused for the past several years, is in better balance between supply and demand than for brown paper. Korsnäs' deliveries of sack paper increased in 2009, compared with the preceding year, of which brown paper accounted for the majority of the increase. Supported by the strong demand, Korsnäs announced price increases during the fourth quarter. Billerud and UPM Kymmene are the main competitors in this area. Korsnäs' market position is highlighted primarily by its high-strength products offering favorable converting potential.

Korsnäs Forestry

Key data (SEK million)	2009	2008
Revenue	941	788
Operating profit, EBIT	25	28
Investments in tangible fixed assets	19	4
Depreciation	-6	-6
Operational capital employed, average	438	429
Return on operational capital employed	5,7%	6,5%
Number of employees	240	277

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

From a weak start of the year, with continued declining prices for pulpwood, the timber market turned upwards during the second and third quarters, with increased demand and higher prices for sawtimber. During the fourth quarter, pulpwood prices began to rise, first in southern and northern Sweden to also include Korsnäs' catchment areas by the end of the year.

During the year, Korsnäs Forestry succeeded in its program to reduce capital tied-up in inventories of felling rights and pulpwood.

Korsnäs Forestry's revenue, excluding internal sales to Korsnäs Industrial, amounted to SEK 941 million (788) for the year. Operating profit amounted to SEK 25 million (28).

Research and development

Korsnäs' work with renewal of the product portfolio continued during 2009, whereby a number of new products were introduced. Within existing segments, work was dominated by product care and improved profitability. Competency groups were created within three strategically important future areas, with the task of monitoring the technical development, controlling external research and development within the area, as well as generating product ideas. During the year, the development organization was reorganized with a focus on customer orientation and cooperation with production units. Korsnäs' spent a total of SEK 49 million (58) on research and development during the year.

Environmental work

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

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

Certified forestry management

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

The customers' interest in the environmental work in the forest and the certified products from Korsnäs has increased significantly. Consequently, Korsnäs conducts customer visits in the forest, where customers can take a closer look at what certified, environmentally-adapted forest management entails. Korsnäs' certified products are made of raw materials from certified, well-managed forests, where consideration has been given to the environment, economic forest production and social aspects.

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

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

Climate impact

Korsnäs conduct industrial operations in Gävle, Frövi and Rockhammar requiring permits from relevant authorities with threshold limit values regarding environmental impact on air and water, which is followed-up and disclosed on a regular basis. The current permit for Gävle covers 700 thousand tons of pulp and 755 thousand tons of end products in the form of paper and cartonboard. For Frövi the Environmental Court approved a new permit in the end of 2008 for 300 thousand tons of kraft pulp production, of which 140 thousand tons may be bleached. During 2009, Korsnäs has successfully maintained a healthy margin between limits and emission levels.

Application pertaining to a new production permit for the facility in Rockhammar was submitted to the Environmental Court in 2009. In the beginning of 2010 the Environmental Court is expected to grant permission to increase production at the plant from 60,000 tons to 90,000 tons CTMP pulp annually.

During the past 20-year period, Korsnäs has significantly decreased the fossil carbon-dioxide impact from the manufacturing process of pulp, paper and cartonboard. Between 1990 and 2007, the fossil carbon-dioxide impact dropped by 57% through more efficient energy utilization and lower consumption of fossil fuel. This was accomplished simultaneously with an increase of more than 30% in production volume.

The development of Korsnäs' environmental work has, during 2009, been focused on areas like life cycle analysis (analysis of the environmental impact in all stages of production including energy and other resources), projects to decrease the climate impact and increased energy efficiency.

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

In the autumn of 2008, a decision was made to invest in a new evaporation plant at the pulp mill in Gävle. The plant, which is under construction and scheduled for completion in the spring of 2010, will reduce oil consumption by about 19,000 m3 per year.

In December 2009, a decision was made to, in cooperation with Gävle municipality establish a jointly owned company named Bomhus Energi AB, and invest SEK 1.8 billion in a bio-energy plant in the Korsnäs industrial area in Gävle. For Korsnäs, the investment will total approximately SEK 320 million consisting of shares and debenture loans, corresponding to a holding of 50% in Bomhus Energi AB. In addition to this investment, Korsnäs will be spending approximately SEK 145 million on energy investments in its existing plant for the delivery of waste heat to Gävle Energi AB. The objective of the investments is from 2013, to secure delivery of environmentally compatible electricity and steam to the Korsnäs plant, as well as district heating to Gävle Energi's customers. The investments will enable a significant reduction in Korsnäs' oil consumption, while increasing electricity production and the use of waste heat from Korsnäs' plant. As a result of the investments, Korsnäs Gävle will raise the proportion of internally produced electricity from 38% till 45%. The new bioenergy plant will be ready for operation during the autumn 2012.

On the whole, with the new evaporation plant, the oil consumption will reduce from the current level of 44,000 m3 per year to 4,000 m3 per year and will thus reduce the total environmental impact from Korsnäs Gävle from the current level of 125,000 tons to 10,000 tons of CO2 per year. The decrease corresponds to the annual consumption of more than 10,000 oil-fired, single-family homes.

Risk management

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

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

The risk that customers fail to fulfill their payment obligations is limited by means of credit checks, whereby all customers are analyzed by sales managers and a credit council quarterly. Customers are also monitored continuously by the credit function using, for example, information from Dun & Bradstreet. Deviations in relation to concluded agreements are managed on an ongoing basis by the credit council.

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

Korsnäs' net purchases of power during 2009 totaled 902 GWh. In addition, 546 GWh of in-house generated power was consumed. Since the Nordic electricity market was deregulated, financial hedging has been used to reduce exposure to temporary fluctuations in electricity prices. At the end of 2009, a decision was made to cease financial hedging since most other cost items, as well as a large portion of revenue, are immediately impacted by changes in market prices, and that electricity costs represent a small, and – following the conclusion of ongoing energy investments – ever smaller portion of the company's cost base. Consequently, no new hedging contracts will be signed and the result of the portfolio held at year-end will be recognized as they fall due. As of 31 December, the market value of financial hedges amounted to a negative SEK 22 million (negative 103), and comprises 77% of the estimated net power purchases in Sweden for 2010, 44% for 2011 and 17% for 2012.

With regard to the purchase of pulpwood during 2009, approximately half of Korsnäs' pulpwood consumption was supplied from Bergvik Skog and Sveaskog, and split between them almost equally. The remaining pulpwood derives from purchases in Sweden and from Åland and the Baltic States. Most of the Swedish wood consists of softwood fiber, with most of the imported material consisting of hardwood fiber. Korsnäs' agreement with Bergvik is long-term and prices are updated continually.

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

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

Employees and organization

Korsnäs' work on developing the company's competency, working methods and organization, which are key issues for meeting global development as well as ensuring a modern and cost-efficient organization, continued during the year.

Within the framework of the implemented earnings-enhancement program, extensive negotiations were conducted and personnel changes were implemented according to plan and without initiating termination negotiations. During the year, personnel changes were implemented in conjunction with the integration of Korsnäs Rockhammar.

To secure the long-term competency requirements in management and in key positions, a trainee program consisting of seven individuals commenced during the year.

As part of a more long-term recruitment strategy, but also part of assuming social responsibility, pupils and students are offered insight into and experience of the company on different levels. During the year, work has been conducted to increase the attraction and effect of this exchange.

Work to harmonize the HR operations between Korsnäs Gävle and Korsnäs Frövi continues and during the year, Korsnäs Rockhammar was also included. Within the area of occupational health and safety, Korsnäs Frövi and Korsnäs Rockhammar implemented a change in direction to the more preventive form of corporate healthcare, which already exists at Korsnäs Gävle. In connection with this, extensive training courses were conducted for managers, safety representatives and union representatives.

Parent company

During 2009 the wholly-owned subsidiary Korsnäs Frövi AB was merged into the parent company. Revenues and costs are included in the figures for the parent company from 1 January 2009.

The Parent Company's revenue for the year amounted to SEK 7,776 million (4,611). Operating profit amounted to SEK 778 million (236).

Dividends received amounted to SEK 21 million (6). The net of other financial income and expenses amounted to an expense of SEK 104 million (expense of 306).

The Parent Company's earnings after financial items amounted to a loss of SEK 695 million (loss of 64).

Investments in tangible fixed assets amounted to SEK 611 million (115).

The Parent Company's interest-bearing external liabilities amounted to SEK 4,449 million (4,006).

Future development

For 2010, the market situation remains somewhat uncertain with short visibility in terms of demand. Implemented earnings-enhancement program is expected to continue having a positive impact, as will the commissioning of the new evaporation plant in Gävle in May. The price increase of SEK 25 per m3 fub of pulpwood in Korsnäs' catchment area, which was announced in December 2009, will have a negative impact on results of about three to six months' delay.

Events after the end of the reporting period

During January and February 2010, production in Gävle as well as Frövi were affected by unscheduled shutdowns of the recovery boilers, which caused a production loss of about 14,000 tons of paper and cartonboard products.

Proposed treatment of unappropriated earnings

The following amounts are at the disposal of the Parent Company's Annual General Meeting:

Unrestricted equity, SEK	780,861,545

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

Carried forward	780,861,545
Total	780,861,545

Consolidated Statement of Income

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

	Note	2009	2008
Revenue	2	8 039	7 396
Cost of goods and services		-6 821	-6 737
Gross profit		**1 218**	**659**
Selling costs		-144	-137
Administration costs		-202	-176
Research and development costs		-49	-58
Other operating income	3	224	222
Other operating expenses	3	-196	-82
Operating profit	2, 3, 4	**851**	**429**
Dividends received	5	6	4
Change in fair value of financial assets	6	40	33
Interest income and other financial income	7	7	59
Interest expenses and other financial expenses	7	-116	-347
Profit after financial items		**787**	**177**
Taxes	8	-197	42
Net profit for the year		**590**	**219**
Attributable to equity holders of the Parent Company		590	219
Earnings per share before and after dilution, SEK		11	4
Proposed dividend per share, SEK		-	-
Average number of shares outstanding before/after dilution		53 613 270	53 613 270

Consolidated Statement of Comprehensive Income

for the period 1 January-31 December (SEK million)	2009	2008
Net profit for the year	590	219
Other comprehensive income for the year		
Translation reserve	-10	14
Cash flow hedging transer to income statement	78	102
Cash flow hedging transfer to other comprehensive income	3	-314
Actuarial profit/loss	-1	-59
Tax attributable to other comprehensive income	-21	72
Total other comprehensive income for the year	**50**	**-184**
Total comprehensive income for the year	**640**	**35**
Total comprehensive invome for the year attributable to:		
Equity holders of the Parent Company	640	35

Consolidated Balance Sheet

31 December (SEK million)

	Note	2009	2008
ASSETS			
Fixed assets			
Intangible assets	10	771	734
Tangible and biological fixed assets	10	5 985	5 858
Financial assets accounted at fair value through profit and loss	11	502	460
Receivables from Group company	11	2 415	246
Investment in companies accounted for using the equity method	12	1	1
Other fixed assets		-	0
Total fixed assets		**9 674**	**7 299**
Current assets			
Inventories	14	1 635	1 916
Trade and other receivables	15,16	852	871
Prepayments	17	23	38
Cash and cash equivalents	18	81	206
Total current assets		**2 591**	**3 031**
TOTAL ASSETS		**12 265**	**10 330**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	19		
Shareholders' equity attributable to equity holders of the Parent Company			
Share capital		54	54
Other contributed capital		17	17
Reserves		-14	-65
Retained earnings including net profit for the year		4 170	2 866
Total shareholders' equity		**4 227**	**2 873**

	Note	2009	2008
Long-term liabilities			
Interest-bearing loans	20	4 458	4 003
Liabilities to Group company		-	4
Provisions for pensions	21	541	537
Other provisions	22	41	87
Deferred tax liability	8	1 139	1 201
Total long-term liabilities		**6 179**	**5 832**
Short-term liabilities			
Interest-bearing loans	20	1	9
Provisions	22	54	22
Liabilities to Parent company		390	303
Trade creditors and other payables	23	1 264	1 289
Income tax payable		150	2
Total short-term liabilities		**1 859**	**1 625**
Total liabilities		**8 038**	**7 457**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**12 265**	**10 330**
Pledged assets	25		
Contingent liabilities	26		

Movements in Shareholders´ equity of the Group

	Share capital	Other contributed capital	Hedging reserve	Translation reserve	Retained earnings including net profit for the year	Total share-holders' equity
Group Company						
Opening balance, 1 January 2008	54	17	78	-2	3 414	3 561
Other comprehensive income	-	-	-153	13	-43	-183
Profit for the year					219	219
Total comprehensive income for the year	**-**	**-**	**-153**	**13**	**176**	**36**
Other changes in shareholders`equity						
Effect of employee share saving programme					0	0
Effect of cash dividend [1]					-500	-500
Group contribution					-310	-310
Tax on Group contribution					87	87
Closing balance, 31 December 2008	**54**	**17**	**-75**	**11**	**2 866**	**2 873**
Other comprehensive income	-	-	60	-10	0	50
Profit for the year					590	590
Total comprehensive income for the year	**-**	**-**	**60**	**-10**	**590**	**640**
Other changes in sharholders` equity						
Effect of employee share saving programme					1	1
Shareholder` contribution					1 000	1 000
Group contibution					-390	-390
Tax on Group contribution					103	103
Closing balance, 31 December 2009	**54**	**17**	**-16**	**1**	**4 170**	**4 227**

[1] The Annual General Meeting held on 15 maj 2008, resolved in favor of paying a cash diividend of SEK 9,33 per share, a total of SEK million.

Consolidated Statement of Cash Flow

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

	Note	2009	2008
Operations			
Operating profit for the year		851	429
Adjustment for depreciation		611	624
Change in restructuring reserve		-13	-3
Other non-cash items		-5	1
Taxes paid		17	-155
Cash flow from operations before change in working capital		**1 461**	**895**
Change in inventories		298	-285
Change in accounts receivable and other operating assets		-12	154
Change in accounts payable and other operating liabilities		51	-103
Cash flow from operations		**1 798**	**661**
Investing activities			
Acquisition of subsidiaries	31	-147	-201
Investments in tangible and biological fixed assets		-642	-171
Sales of tangible and biological fixed assets		0	14
Investments in shares and other securities		-1	-3
Change in long-term receivables		-2	10
Dividends received		6	4
Interest received		2	6
Cash flow from investing activities		**-784**	**-340**
Financing activities			
Borrowing		450	-
Amortization of loans		-3	-617
Change in intra-Group balances		-1 472	751
Interest paid		-114	-316
Cash flow from financing activities		**-1 139**	**-182**
Cash flow for the year		**-125**	**139**
Exchange rate differences in liquid funds		0	5
Cash and bank, opening balance		**206**	**62**
Cash and bank, closing balance	18	**81**	**206**

Parent Company's financial statements

Parent Company Statement of Income for the period 1 January-31 December (SEK million)

	Note	2009	2008
Revenue	2	7 776	4 611
Cost of goods and services		-6 674	-4 241
Gross profit		**1 102**	**370**
Selling costs		-107	-54
Administrations costs		-180	-108
Research and development costs		-49	-30
Other operating income	3	207	138
Other operating expenses	3	-195	-80
Operating profit	2, 3, 4	**778**	**236**
Dividends received	5	21	6
Interest income and other financial income	7	8	39
Interest expenses and other financial expenses	7	-112	-345
Profit after financial items		**695**	**-64**
Change of untaxed reserves	9	124	93
Profit before taxes		**819**	**29**
Taxes	8	-231	-18
Net profit for the yeare		**588**	**11**

Parent Company Balance Sheet 31 December (SEK million)

	Note	2009	2008
ASSETS			
Fixed assets			
Intangible fixed assets	10	636	104
Tangible fixed assets	10		
Forest and agricultural property		3	3
Buildings, land and land improvements		710	559
Machineries and tecchnical plants		4 537	2 374
Equipment, tools, fixtures and fittings		33	36
Financial leasing		3	4
Constructions in progress and advance payments regarding tangible fixed assets		535	79
Total intangible/tangible fixed assets		**6 457**	**3 159**
Financial fixed assets			
Shares och participation in Group companies	13	69	3 561
Receivables from Group companies	13	2 556	-
Shares in associated companies	13	1	0
Receivables from associated companies		2	2
Other investments held as fixed assets	13	182	181
Other long-term non interets receivables		-	8
Total financial fixed assets		**2 809**	**3 752**
Total fixed assets		**9 267**	**6 911**
Current assets			
Inventories	14	1 526	1 319
Account receivables	15	584	363
Receivables from Group companies	16	46	31
Tax receivables	16	-	39
Accrued income	16	148	106
Other receivables	16	91	67
Prepayments	17	19	29
Cash and cash equivalents	18	96	20
Total current assets		**2 510**	**1 974**
TOTAL ASSETS		**11 776**	**8 885**

	Note	2009	2008
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders´equity			
Restricted equity			
Share capital (53 613 270 shares of SEK 1,00 each))		54	54
Premium reserv		11	11
		64	64
Unrestricted equity			
Retained earnings		193	915
Net profit for the year		588	11
		781	**925**
Total shareholders´ equity		**845**	**990**
Untaxed reserves	33	**3 999**	**2 435**
Long-term liabilities			
Interest-bearing	20	4 449	3 999
Non interest-bearing	20	1	1
Provisions for pensions	21	479	459
Other provisions	22	39	49
Deferred tax	8	93	-
Liabilities to Group companies	20	3	122
Total long-term liabilities		**5 064**	**4 630**
Short-term liabilities			
Interest-bearing	20	-	8
Provisions for pensions	21	1	1
Other provisions	22	50	20
Tax payables		148	-
Liabilities to Group companies		479	55
Trade creditors and other liabilities	23	1 190	747
Total current liabilities		**1 867**	**831**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**11 776**	**8 885**
Pledged assets	**25**	**2 708**	**2 680**
Contingent liabiliities	**26**	**75**	**23**

Movements in Shareholders' equity of the Parent Company (SEK million)

	Share capital	Premium reserve	Unrestricted equity	Total
Opening balance, 1 January 2008	54	11	1 451	1 515
Cash dividend [1]			-500	-500
Group contribution, net			-15	-15
Tax on Group contribution			4	4
Merger loss			-26	-26
Net profit for the year, 2008			11	11
Closing balance, 31 December 2008	**54**	**11**	**925**	**990**
Shareholders´ contribution			1 000	1 000
Group contribution, net			-431	-431
Tax on Group contribution			113	113
Merger loss			-1 417	-1 417
Employee share saving programme			2	2
Net profit for the year, 2009			588	588
Closing balance, 31 December 2009	**54**	**11**	**781**	**845**

[1] The annual General Meeting held on 15 may 2008 resolved in favour of a dividend of SEK 9,33 per share, a total of SEK 500 million.

Parent Company Statement of Cash Flow for the period 1 January-31 December (SEK million)

	Note	2009	2008
Operations			
Operating profit for the year		778	236
Adjustment for depreciation		670	353
Change in restructuring reserve		-18	21
Other non-cash items		-12	17
Taxes paid		18	-75
Cash flow from operations before change in working capital		**1 436**	**552**
Change in inventories		341	-219
Change in accounts receivable and other operating assets.		0	120
Change in accounts payable and other operating liabilities		41	-125
Cash flow from operations		**1 818**	**328**
Investing activities			
Acquisition of subsidaries		0	-201
Investment in tangible and biological fixed assets		-611	-115
Sales of tangible and biological fixed assets		0	11
Investment in shares and other securities		-3	-3
Dividends received		21	6
Interest received		2	3
Cash flow from investing activities		**-590**	**-299**
Financing activities			
Borrowing		450	1
Amortization of loans		-4	-600
Change in intra-Group balances		-1 651	864
Interest paid		-112	-301
Cash flow from financing activities		**-1 317**	**-36**
Cash flow for the year		**-89**	**-7**
Cash and bank, opening balance		**19**	**26**
Cash and bank transfer from merger		166	-
Exchange rate differences in liquid funds		-	-
Cash and bank, closing balance	18	**96**	**19**

Notes

Note 1 Summary of significant accounting policies

Statement of compliance

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

Since the Parent Company is a company that is active in the EU, only EU-approved IFRS are applied. The consolidated accounts have also been prepared in accordance with Swedish law, with application of the Swedish Financial Reporting Board's recommendation RFR 1.2 Supplementary accounting regulations for Groups.

The Parent Company's annual accounts have been prepared in accordance with Swedish law, and with application of the Swedish Financial Reporting Board's recommendation RFR 2.2 Reporting for legal entities, which replaces the Financial Accounting Standards Council's recommendation RR 32.06.

The Parent Company's accounting principles depart from the principles governing consolidated accounting in respect of the valuation of financial instruments and pension liabilities. The Parent Company applies RFR 2.1 in respect of the option not to observe IAS 39. Financial instruments are thus not valued at fair value as in the Group but at their acquisition cost. Pension liabilities are reported in accordance with Swedish principles.

New and revised standards 2009

The revised IAS 1 Presentation of financial statements has been applied for the Group from 1 January 2009 with additional information regarding comprehensive income specified as a separate report directly after Consolidated Income Statement and a new Report of changes in equity for the Group. The Group also applies IFRS 7, which entails additional supplementary disclosures. Other new or revised IFRS principles and interpretations of the IFRIC have not had any effect on the financial position, results or additional information for the Group or the Parent Company.

Basis of preparation of consolidated accounts

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. The consolidated financial statements include the Parent Company and all companies in which the Parent controls more than 50% of the votes or in any other way exercises a controlling influence. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the result for the part of the reporting year during which the Group has control. The consolidated accounts are prepared using the purchase method. The difference between the acquisition value of shares in a subsidiary and the fair value of identifiable assets and liabilities of that subsidiary at the time of acquisition is reported as goodwill. Intercompany transactions, balance sheet items and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated, unless the transaction evidences the need to write down the transferred asset.

Foreign currency translation

The functional and presentation currency of the Parent Company and its Swedish subsidiaries is Swedish kronor (SEK). Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. Realized and unrealized exchange gains/losses on receivables and liabilities of an operating nature are reported in operating income, while exchange rate differences on financial assets and liabilities in foreign currencies are reported among financial items. Korsnäs has elements of its borrowing in foreign currency, which is aimed at balancing net exposure of current receivables and liabilities. The translation differences of these loans are recognized in operating profit. As at the reporting date, the assets and liabilities of subsidiaries that have not the same functional currency as the Parent Company are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date. Their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken in other comprehensive income and as a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the income statement. Long-term monetary balances between the Parent Company and subsidiaries may be deemed to represent an extension or a contraction of the Parent Company's net investment in the subsidiary. Foreign currency differences arising on such balances are therefore charged as other comprehensive income as a translation difference.

Intangible assets

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

Tangible and biological assets

Tangible assets are shown as an asset in the balance sheet if probability implies future financial benefits for the group, and the asset's acquisition value can be estimated in a reliable manner. Tangible assets are recognized at cost less deduction of accumulated depreciation and any impairment. The cost includes the purchase price, as well as expenses directly attributable to the asset being put into position and in working order for utilization according to the purpose of the acquisition. In cases where tangible assets consist of parts with different useful lives they will be treated as separate tangible asset components and depreciation will be based on their useful lives. The reported value for a tangible asset is excluded from the balance sheet when disposed of, or when no future financial benefits are expected from usage. Profit or loss that arises during sale or disposal of an asset consists of the difference between the sale price and the asset's recorded value with deduction for direct sales costs. Forest and other biological assets are recorded at their fair value.

Additional expenses

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

Impairment

Assets are assessed with respect to the reduction in their value whenever events or changes in circumstances indicate that the reported value might not be recoverable. To calculate the impairment requirement, assets are grouped in cash-generating units. An impairment loss is done in the amount by which the assets' reported value exceeds its recovery value. The recovery value is the higher of an assets' fair value, less the cost of sale and the value in use.

Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the Company becomes a party to the instrument's contractual terms. Accounts receivable are recognized when the invoice is sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been sent. A financial asset is derecognized from the balance sheet when the rights in the contract are realized, expired or the Company loses control over them. The same applies for a portion of a financial asset. A financial liability is derecognized from the notes for the Group balance sheet when the obligation in the contract is met or in some other manner is extinguished. The same applies for a portion of a financial liability. Acquisition and divestment of financial assets are reported on the transaction date, which is the date on which the Company commits to acquire or divest the assets, except in the case the Company acquires or divests listed securities when settlement date reporting is applied.

Financial assets

Financial assets, with the exception of loan receivables and trade receivables, are valued at their fair value through profit and loss. The fair value of financial instruments traded on an active market is based on the market prices listed on the closing date. The listed market price used for the Group's financial assets is the current bid price. When establishing the fair value of other financial instruments, methods that in every individual case are assumed to provide the best estimation of fair value have been used. For assets and liabilities maturing within one year, a nominal value adjusted for interest payments and premiums is assumed to provide a good approximation to fair value.

Associates

Companies in which the Group has significant influence and which is not a subsidiary are regarded as associated companies. Unlisted associated companies are accounted for using the equity method. Adjustments for intra-group profits/losses arising out of transactions with associated companies are made in connection with the calculation of the Group's consolidated interest in earnings and capital. Elimination of such intra-groups profits/losses occurs in pace with their realization through the sale of the particular assets to external parties and/or by reduction of the Group's ownership interest in the associated company.

Loan receivables and trade receivables

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

Financial liabilities

Financial liabilities not held for trading are measured at accrued acquisition value, which is determined based on the effective interest rate calculated when the liability was assumed. This means that surplus and deficit values as well as direct costs in conjunction with assuming of loans are distributed over the term of the liability. Long-term liabilities have an expected term of exceeding one year, while current liabilities have a term of less than one year. Trade payables have short expected term and are valued at nominal value.

Accounting for derivaties and hedging

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

Inventories

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

Employee remuneration

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

Share-based remuneration

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

Other provisions

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

Revenue recognition

Sale of products

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

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

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

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

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

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

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

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

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

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

New accounting rules
The following standards and amendments to standards, which came into effect as of 1 January 2010 or later, have not been applied for 2009 but are expected to have effect on the consolidated financial statements, apart from additional information:
- Changes to IFRS 3 involve a number of changes in the reporting of business combinations, which will impact the size of reported goodwill, reported earnings for the period when the acquisition occurred, and future reported earnings (starting in 2010). Other new standards, changes in standards and interpretation of standards are deemed to not be applicable to Korsnäs operations.

Significant judgments and assumptions
The preparation of the annual financial statements and consolidated financial statements includes a number of estimates and assumptions. The application of these estimates and assumptions affects the reporting and disclosures. Accounting policies that require more significant judgments by the Board and the management in the application of IFRS, and assumptions and estimations in matters that are inherently uncertain, are summarized below. Actuarial assumptions and other assumptions and estimations when estimating the provisions for pensions (Note 21) and other provisions (Note 22) could have a material impact on the financial statements. The estimates used are based on experience, market information and practice, and are regularly reviewed.

Note 2 Segment reporting

The segment reporting consists of two business areas, Korsnäs Industrial and Korsnäs Forestry. This distribution coincides with management's internal structure for controlling and monitoring the Group's operations. The accounting policies for the business segments coincide with the Group's accounting policies. The operations in the business areas are:

1. Korsnäs Industrial – following the acquisition of Frövi – conducts operations at two facilities: Korsnäs Gävle and Korsnäs Frövi, with annual capacity of 1,125,000 tons of paper and board products. Paperboard is the largest product area in terms of volume with Folding Carton, Liquid Packaging Board used for packaging beverages and White Top Kraft Liner used as the outer layer in corrugated board packaging.
2. Korsnäs Forestry supplies Korsnäs Industrial's pulp and paper mill with wood harvested from purchased felling rights, and wood purchased from outside suppliers, as well as pursuing forestry in line with external wood delivery agreements.

Segment reporting 2009

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

Segment reporting 2008

	Korsnäs Industrial	Korsnäs Forestry	Parent Company, holding-company, elimina-tions	Total
Revenue				
External	6 607	789		7 396
Internal		1 436	-1 436	0
Total revenue	**6 607**	**2 225**	**-1 436**	**7 396**
Profit/loss				
Operating profit	400	28	0	429
Dividends received			4	4
Change in fair value of financial assets			33	33
Financial net			-288	-288
Profit/loss after financial items				**177**
Tax expense for the year			42	42
Net profit for the year				**219**
Assets and liabilities				
Operating assets	8 668	750	0	9 419
Financial fixed assets			706	706
Short-term investments, cash and cash equivalents			206	206
Total assets				**10 330**
Operating liabilities	1 165	238	0	1 402
Provision for pensions			539	539
Deferred tax liability			1 201	1 201
Short-term liabilites to Parent company			303	303
Interest-bearing loans			4 012	4 012
Total liabilities				**7 457**
Depreciation	**-618**	**-6**		**-624**
Investment in tangible				
fixed assets	**167**	**4**		**171**
Investment in intangible				
fixed assets	**116**			**116**

Revenue comprises total sales proceeds net of sales discounts, VAT and other taxes directly connected to the revenue. Of total revenue of SEK 8,039 million (7,396), SEK 7,956 million (7,323) is attributable to sale of goods and SEK 83 million (79) to sale of services. Sales to one single customer represented 51% and 53% respectively, of total revenue for the years 2009 and 2008. External revenue cover sales to all parties other than the Parent Company and its subsidiaries. For information on sales to related parties, refer to Note 29. Internal sales prices are set in the same manner as external sales, that is, on commercial terms. Operating assets entail intangible and tangible fixed assets, investment in companies accounted for using the equity method, inventories and short-term non interest-bearing receivables. Operating liabilities entail other provisions and short-term non interest-bearing liabilities.

	Parent Company	
	2009	2008
Net sale by business area		
Korsnäs Forestry		
External	716	564
Internal	1 643	1 436
Total Korsnäs Forestry	**2 359**	**2 000**
Korsnäs Industrial		
External	7 059	4 047
Internal	0	0
Total Korsnäs Industrial	**7 059**	**4 047**
Eliminations	-1 643	-1 436
Total	**7 776**	**4 611**
Operating profit/loss by business area		
Parent Company		
Korsnäs Forestry	23	22
Korsnäs Industrial	755	214
Total	**778**	**236**

Revenue distributed by geographic market

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

	Group		Parent Company	
	2009	2008	2009	2008
Sweden	1 542	1 400	1 593	950
Other Nordic countries	151	152	151	77
Rest of Europe	4 805	4 433	4 491	2 346
North and South America	21	33	21	33
Asia	1 354	1 134	1 354	1 127
Africa	166	244	166	78
	8 039	**7 396**	**7 776**	**4 611**

Distribution of assets by geographic market

	Group	
	2009	2008
Operating assets		
Sweden	9 114	9 285
Rest of Europe	151	133
Other assets		
Financial fixed assets	2 919	706
Short-term investments, cash and cash equivalents	81	206
	12 265	**10 330**

Distribution of investments in tangible and intangible assets by geographic market

	Group	
	2009	2008
Sweden	660	283
Rest of Europe	19	4
	679	**287**

Note 3 Other operating income and other operating expenses

	Group		Parent Company	
	2009	2008	2009	2008
Exchange gains on operating receivables/liabilities	192	117	192	108
Capital gains on disposal of tangble fixed assets	1	15	0	11
Freighting of external goods	0	2	0	2
Change in value of forest	0	-	-	-
Other	30	88	15	16
Other operating income	**224**	**222**	**207**	**138**

Other operating expenses

	Group		Parent Company	
	2009	2008	2009	2008
Exchange losses on operating receivables/liabilities	-194	-79	-194	-79
Capital losses on disposal of tangible fixed assets	-1	-3	-1	0
Other	-1	-	-	-
Other operating expenses	**-196**	**-82**	**-195**	**-80**

Note 4 Depreciation

Operating profit/loss includes depreciation as follows:

	Group		Parent Company	
	2009	2008	2009	2008
Goodwill	-	-	-72	-12
Buildings, land and land improvements	-56	-55	-52	-40
Machinery and other technical plant	-541	-553	-533	-286
Equipment and tools	-12	-15	-11	-14
Leased assets	-1	-1	-1	-1
	-611	**-624**	**-670**	**-353**

Depreciation is split per cost category as follows:

	Group		Parent Company	
	2009	2008	2009	2008
Cost of goods and services	-603	-616	-663	-346
Selling costs	-1	-1	0	0
Administration costs	-4	-5	-4	-5
Research and development costs	-2	-3	-2	-3
	-611	**-624**	**-670**	**-353**

Note 5 Dividends received

	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Group companies				
Diacell	-	-	13	2
Korsnäs GmbH	-	-	2	
	-	**-**	**15**	**2**
Other companies				
Bergvik Skog	4	4	4	4
Gävle Sjöfart	1	-	1	-
Gävle Stuveri	1	-	1	-
	6	**4**	**6**	**4**
	6	**4**	**21**	**6**

Note 6 Change in fair value of financial assets

	Group 2009	Group 2008
Bergvik Skog	40	33
	40	**33**

Valuation has been done by third party according to established valuation method.

Note 7 Financial income and expenses

	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Interest income from third-parties	1	23	2	3
Interest income from Group companies	6	36	6	36
Financial income	**7**	**59**	**8**	**39**
Interest expenses to third-parties	-87	-267	-87	-251
Interest expenses PRI	-20	-21	-17	-24
Interest expenses to Group companies	-2	-31	0	-31
Loss in liquidation of Group companies	-	-	-	-13
Exchange-rate differences	-	-16	-	-13
Other financial expenses	-7	-13	-7	-14
Financial expenses	**-116**	**-347**	**-112**	**-345**
Net financial income/expenses	**-109**	**-288**	**-104**	**-306**

Note 8 Taxes

	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Distribution of profit/loss after finacial items				
Sweden	782	167	819	29
Outside Sweden	5	10	-	-
	787	**177**	**819**	**29**
Distribution of current tax expense				
Sweden	-280	-93	-290	-17
Outside Sweden	-1	-2	-	-
Distribution of deferred tax expense				
Sweden	84	137	59	-1
Outside Sweden	-	-	-	-
Total tax charge for the year	**-197**	**42**	**-231**	**-18**
Current tax expense				
Tax expense on group contribution	-103	-80	-113	-4
Tax expense for the period	-177	-15	-176	-14
Adjustment of tax expense for previous years	-1	0	-1	0
	-281	-95	-290	-17
Deferred tax expense				
Deferred tax related to temporary differences	84	137	59	-1
	84	**137**	**59**	**-1**
Total tax expense for the year	**-197**	**42**	**-231**	**-18**

	Group 2009	%	2008	%	Parent Company 2009	%	2008	%
Reconciliation of effective tax rate								
Profit/loss before tax	787		177		819		29	
Income tax at statutory rate of Parent Company, 26,3% (28%)	-207	-26,3%	-50	-28%	-215	-26,3%	-8	-28%
Foreign tax rate differential	1	0%	1	1%	-	-	-	-
Change in fair value of financial assets	11	1%	9	5%	-	-	-	-
Non-taxable dividends received	2	0%	1	1%	5	1%	2	6%
Tax attributable to previous years	-1	0%	0	-	-1	0%	0	1%
Effect of non-deductible costs and non-taxable revenues	-1	0%	0	0%	-1	0%	-8	-27%
Tax loss carryforwards	-	0%	-	0%	-	0%	-	0%
Non-deductible depreciation	-	-	-	-	-19	-2%	-	-
Effect of changed company tax rate	-	-	81	46%	-	-	-1	-3%
Other	-1	0%	-1	1%	-	-	-3	-10%
Effective tax/tax rate	**-197**	**-25%**	**42**	**24%**	**-231**	**-28%**	**-18**	**-61%**

	Group		Parent Company	
	2009	2008	2009	2008
Deferred tax assets				
Pensions and other provisions	40	32	19	17
	40	**32**	**19**	**17**
Provisions for deferred tax				
Tangible and biological assets	-1 179	-1 233	-112	-9
Net	**-1 139**	**-1 201**	**-93**	**8**

On deferred tax liabilities of SEK 1.179 million (1.233) for tangible and biological fixed assets, SEK 1.064 million (1.086) is attributable to untaxed reserves in the form of accumulated excess depreciation.

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

Deferred tax assets and liabilities relates to companies in Sweden..

Not 9 Untaxed reserves

	2009	2008
Parent Company		
Difference between tax depreciation and depreciation according to plan	60	102
Change of tax allocation reserve	64	-9
	124	93

Note 10 Intangible and tangible fixed assets

Intangible fixed assets, Goodwill

	Group		Parent Company	
	2009	2008	2009	2008
Opening book value	734	618	116	-
Transferred value from merger			604	-
Investments for the year	37	116	-	116
Closing acquisition value	**771**	**734**	**719**	**116**
Opening accumulated depreciation	-	-	-12	-
Depreciation for the year	-	-	-72	-12
Closing accumulated depresiation	**0**	**0**	**-84**	**-12**
Closing book value	**771**	**734**	**636**	**104**

Goodwill arising as a result of corporate acquisitions is distributed between two cashgenerating units: Korsnäs Industrial in respect of the acquisition of Frövi, Karskär Energi and Rockhammar and Korsnäs Forestry in respect of the acquisition of Latsin Sia in Latvia. A test to identify any impairment requirements was conducted at the end of 2009. The value in use for Korsnäs and Latsin Sia was calculated on the basis of discounted cash flows, assuming an annual growth rate of 2%, and based on the budget for 2010 for both units and a pretax discount interest rate of 10%, corresponding to the companies' average cost of capital. No impairment requirement for the goodwill on these units was identified. Nor did a sensitivity analysis, whereby the discount interest rate was increased by one percentage point and cash flow was reduced by 10%, give rise to any impairment requirement.

Cash-generating units

	Group		Parent Company	
	2009	2008	2009	2008
Korsnäs Industrial	756	719	636	104
Korsnäs Forestry	15	15	-	-
	771	**734**	**636**	**104**

Tangible and biological fixed assets

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

Industrial buildings	20 – 67 years
Office buildings	20 – 67 years
Residential buildings	20 – 67 years
Land improvements	25 – 30 years
Machinery and equipment	3 – 25 years

Group 2009

	Buildings, land, land improvements	Forest, agricultural properties	Machinery, technical plants	Equipment, tools	Finance lease regarding machinery	Construction in progress, advances	Total
Opening acquisition values	1 700	9	10 443	324	6	101	12 585
Assets in acquired operations	24	-	75	-	-	0	100
Investments for the year	7	-	0	2	-	632	642
Disposals/scrapping for the year	0	-	-11	-2	-	0	-13
Reclassification for the year	22	-	146	9	-	-177	0
Revaluation to fair value for the year	-	-	-	-	-	0	0
Translation difference	-2	-	-2	0	-	0	-5
Closing acquisition values	**1 752**	**9**	**10 650**	**333**	**6**	**556**	**13 308**
Opening accumulated depreciation	-930	0	-5 507	-286	-1	0	-6 726
Deductible assets in liquidated operations	-	-	-	-	-	-	-
Disposals/scrapping for the year	0	-	10	1	-	-	12
Depreciation for the year	-56	-	-541	-12	-1	-	-611
Reclassification for the year	0	-	0	-	-	-	0
Translation difference	1	-	2	-	-	-	3
Closing accumulated depreciation	**-985**	**0**	**-6 036**	**-297**	**-2**	**0**	**-7 323**
Closing residual value	**767**	**9**	**4 614**	**36**	**3**	**556**	**5 985**
Tax assessment value, buildings	1 151	9					
Tax assessment value, land	233	44					

Group 2008

	Buildings, land, land improvements	Forest, agricultural properties	Machinery, technical plants	Equipment, tools	Finance lease regarding machinery	Construction in progress, advances	Total
Opening acquisition values	1 619	8	10 228	329	6	128	12 318
Assets in acquired operations	25	-	47	0	-	46	119
Investments for the year	0	0	33	1	0	137	171
Disposals/scrapping for the year	-2	0	-16	-9	-	0	-27
Reclassification for the year	52	-	146	2	-	-200	0
Revaluation to fair value for the year	-	1	-	0	-	-10	-8
Translation difference	6	0	6	1	-	0	13
Closing acquisition values	**1 700**	**9**	**10 443**	**324**	**6**	**101**	**12 585**
Opening accumulated depreciation	-874	0	-4 962	-282	0	0	-6 118
Deductible assets in liquidated operations	-	-	-	0	-	0	0
Disposals/scrapping for the year	1	-	14	9	-	-	24
Depreciation for the year	-55	-	-553	-15	-1	-	-624
Reclassification for the year	-1	-	-2	2	-	-	0
Translation difference	-2	-	-4	-1	-	-	-7
Closing accumulated depreciation	**-930**	**0**	**-5 507**	**-286**	**-1**	**0**	**-6 726**
Closing residual value	**769**	**9**	**4 935**	**38**	**5**	**101**	**5 858**
Tax assessment value, buildings	1 129	7					
Tax assessment value, land	222	36					

Parent Company 2009

	Buildings, land, land improvements	Forest, agricultural properties	Machinery, technical plants	Equipment, tools	Finance lease regarding machinery	Construction in progress, advances	Total
Opening acquisition values	1 420	3	7 172	281	79	6	8 962
Transferred value from merger	180	-	3 219	-	22	-	3 421
Investments for the year	-	-	-	-	611	-	611
Assets in acquired operations	-	-	-	-	-	-	0
Disposals/scrapping for the year	-	--	-6	-1	-	-	-7
Reclassification for the year	22	-	146	9	-177	-	0
Closing acquisition values	**1 622**	**3**	**10 531**	**288**	**535**	**6**	**12 986**
Opening accumulated depreciation	-861	0	-4 799	-246	-	-1	-5 907
Transferred value from merger	-	-	-667	-	-	-	-667
Disposals/scrapping for the year	-	-	5	1	-	-	6
Reclassification for the year	-	-	-	-	-	-	0
Depreciation for the year	-52	-	-533	-11	-	-1	-598
Closing accumulated depreciation	**-913**	**0**	**-5 994**	**-256**	**0**	**-2**	**-7 166**
Closing residual value	**710**	**3**	**4 537**	**33**	**535**	**3**	**5 821**
Tax assessment value, buildings	1 132	9					
Tax assessment value, land	216	29					

Parent Company 2008

	Buildings, land, land improvements	Forest, agricultural properties	Machinery, technical plants	Equipment, tools	Finance lease regarding machinery	Construction in progress, advances	Total
Opening acquisition values	1 345	3	7 016	287	98	6	8 756
Investments for the year	-	-	0	0	115	0	115
Assets in acquired operations	25	-	47	0	46	-	120
Disposals/scrapping for the year	-2	0	-7	-9	-10	-	-28
Reclassification for the year	52	-	116	2	-170	-	0
Closing acquisition values	**1 420**	**3**	**7 172**	**281**	**79**	**6**	**8 962**
Opening accumulated depreciation	-822	0	-4 518	-243	-	-	-5 582
Disposals/scrapping for the year	1	-	7	9	-	-	17
Reclassification for the year	-1	-	-2	2	-	-	0
Depreciation for the year	-40	-	-286	-14	-	-1	-342
Closing accumulated depreciation	**-861**	**0**	**-4 799**	**-246**	**0**	**-1**	**-5 907**
Closing residual value	**559**	**3**	**2 374**	**36**	**79**	**4**	**3 055**
Tax assessment value, buildings	815	7					
Tax assessment value, land	193	29					

Note 11 Financial assets accounted at fair value through profit and loss and financial receivables in Parant Company

Group 2009

	Reg. no.	Registered office	Number of shares	Capital/ voting (%)	Book value
Other companies					
Bergvik Skog AB	556610-2959	Falun	353	5	493
VindIn AB	556713-5172	Stockholm	100	7	4
Financial receivables in other associated companies					3
Other					1
					502
Other financial assets					
Financial receivables in Parent company					2 415
					2 415
Total					**2 916**

Group 2008

	Reg. no.	Registered office	Number of shares	Capital/ voting (%)	Book value
Other companies					
Bergvik Skog AB	556610-2959	Falun	353	5	453
VindIn AB	556713-5172	Stockholm	100	7	3
Financial receivables in other associated companies					3
Other					1
					460
Other financial assets					
Financial receivables in Parent company					246
					246
Total					**706**

Reconciliation of book value

	Shares in other companies	Other financial assets	Total
Opening balance, 1 January 2009	457	249	706
Change in value of financial assets, Note 6	40		40
Investment VindIn AB	1		1
Change in receivables Group companies	0	2 169	2 169
Other	-	1	1
Closing balance, 31 December 2009	**498**	**2 419**	**2 916**

Note 12 Investments in companies accounted for using the equity method

Group 2009

	Reg. no.	Registered office	Number of shares	Capital/ voting (%)	Book value
Scand Fibre Logistics	556253-1474	Stockholm	2 000	20	1
					1

Group 2008

	Reg. no.	Registered office	Number of shares	Capital/ voting (%)	Book value
Scand Fibre Logistics	556253-1474	Stockholm	2 000	20	1
					1

The Group's share of the associates' balance sheet

	2009	2008
Current assets	25	18
Fixed assets	0	0
Short-term liabilities	-22	-16
Long-term liabilities	0	0
Net assets	**3**	**2**

The Group's share of the associates' revenue and profit

	2009	2008
Revenue	245	170
Net profit	0	1

Note 13 Financial assets in Parent Company

Shares and participations in direct-owned subsidiaries

	Reg. no.	Registered office	Number of shares	Capital/ voting (%)	Book value
AB Stjernsunds Bruk	556028-6881	Gävle	100	100	0
Diacell AB	556155-2786	Gävle	40 000	100	7
Korsnäs Advanced Systems AB	556560-8527	Gävle	1000	100	5
Korsnäs GmbH		Germany		50	0
Korsnäs Latvia Sia		Latvia	29 174	100	52
Korsnäs Sales Ltd		UK	5 000	100	0
Korsnäs Sågverks AB	556024-8477	Gävle	7 000	100	1
Marma Skog 31 AB	556580-2203	Gävle		100	0
Korsnäs Schweiz AG		Switzerland			1
Korsnäs Rockhammar AB	556761-2436	Örebro	1 000	100	0
Korsnäs France SAS		France			1
Kosnäs Limited		UK			3
AssiDomän Ibérica S.L		Spain		100	0
Korsnäs Asia Holding Ltd		China			0
					69

Reconciliation of book value of shares in subsidiaries

Opening balance 1 January 2009	3 561
Merger of subsidiary	-3 496
Transferred value from merger	4
Acquisition	0
Closing balance, 31 December 2009	**69**

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

	Registered office	Share capital (%)	Votes %
Latsin Sia	Latvia	100	100
Sia Freja	Latvia	100	100
Trävaru AB Dalarna	Gävle	100	100
Latsin Rus	Russia	100	100
Sillender Ou under liquidation	Estonia	100	100

Receivables from Group companies

	2009	2008
Accumulated acquisition value		
At beginning of year	-	1 439
Changes for year	2 556	-1 439
At year-end	**2 556**	**-**

Participations in associated companies

	2009	2008
Accumulated acquisition value		
At beginning of year	0	15
Transferred value from merger	1	-
Changes for year	-	-15
At year-end	**1**	**0**

Shares and participations in associated companies

	Reg. no.	Registered office	Number of shares	Capital/ voting (%)	Book value
Industriskog AB	556193-9470	Falun	7 500	33	0
Trätåg AB	556116-2719	Falun	250	50	0
Scand Fibre Logistics AB	556253-1474	Stockholm	2 000	20	1
					1

Other long-term non-interest bearing receivables

	2009	2008
Accumulated acquisition value		
At beginning of year	181	178
Transferred value from merger	0	-
Investments during the year	1	3
At year-end	**182**	**181**

Note 14 **Inventories**

	Group		Parent Company	
	2009	2008	2009	2008
Raw materials and consumables	615	638	532	401
Felling rights	44	36	14	19
Work in progress	56	50	56	50
Finished products and goods for resale	738	956	742	613
Other	182	237	182	237
	1 635	**1 916**	**1 526**	**1 319**

SEK 29 million (36) of the inventories are valued at net sales value. The rest of the inventories are valued at aquisition value.

Note 15 **Trade receivables**

	Group		Parent Company	
	2009	2008	2009	2008
Trade receivables	609	599	591	369
Reserve for doubtful accounts	-13	-11	-7	-6
	596	**588**	**584**	**363**

Trade receivables overdue more than 90 days, but not provided for, amounts to SEK 1 million (2).

Bad debt losses

	Group		Parent Company	
	2009	2008	2009	2008
Bad debt losses, opening balance ,1 January	11	15	6	11
Transferred value from merger			3	
Provisions during the year	8	2	3	
Confirmed losses	-5	-5	-5	-5
Recovery of previous provisions	-1	-1	0	-
Exchange rate differences	0	-1	0	-1
Bad debt losses, closing balance 31 december	**13**	**11**	**7**	**6**

Note 16 **Other receivables**

	Group		Parent Company	
	2009	2008	2009	2008
Receivables from Group companies	12	9	46	31
Tax receivables	2	48	-	39
Accrued income	148	137	148	106
Other receivables	94	89	91	67
	256	**283**	**285**	**243**

Accrued income

	Group		Parent Company	
	2009	2008	2009	2008
Accrued sales revenue	101	79	101	79
Other accrued income	47	58	47	27
	148	**137**	**148**	**106**

Note 17 **Prepaid expenses**

	Group		Parent Company	
	2009	2008	2009	2008
Prepaid rents	2	3	-	-
Prepaid insurance premiums	7	8	6	6
Other	15	27	13	23
	23	**38**	**19**	**29**

Note 18 **Cash and cash equivalents**

	Group		Parent Company	
	2009	2008	2009	2008
Cash at banks	81	206	96	20
	81	**206**	**96**	**20**

In addition to cash and cash equivalents reported above, the Group had on 31 December undrawn credit facilities of SEK 551 million (402).

Note 19 Shareholders' equity

Share capital

Korsnäs AB's share capital as of 31 December 2009 was distributed among 53,613,270 shares with a par value of SEK 1 per share, which is unchanged compared to 31 December 2008.
There is only one class of shares

Other contributed capital

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

Hedging reserve

The hedging reserve which is fully attributual to power supplies reported against shareholders' equity totaling a loss of SEK -22 million at 31 December 2009, before deduction of deferred tax, are estimated to yield outcomes of negative SEK 14 in 2010, negative SEK 11 in 2011 and positive SEK 3 in 2012..

	Gross	Tax	Net
Opening balance 1 January 2008	109	-31	78
Transferred to the income statement	102	-27	75
Change for the year	-314	84	-230
Closing balance 31 December 2008	**-103**	**27**	**-75**
Transferred to the income statement	78	-21	57
Change for the year	3	0	3
Closing balance 31 December 2009	**-22**	**6**	**-16**

Translation reserve

Refers to the translation of foreign subsidiaries..

Retained earnings including net profit for the year.

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

Capital

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

Note 20 **Interest-bearing loans**

Interest-bearing long-term loans

	Group		Parent Company	
	2009	**2008**	**2009**	**2008**
Liabilities to credit institutions	4 457	4 003	4 449	4 000
Accrued financing costs	-4	-6	-4	-6
Loan finance lease	4	5	4	5
Liabilities to Group companies	-	-	3	122
Other	1	1	1	-
	4 458	**4 003**	**4 452**	**4 120**

Non interest-bearing long-term loans

	Group		Parent Company	
	2009	**2008**	**2009**	**2008**
Liabilities to Group companies	-	-	1	1

Interest-bearing short-term loans

	Group		Parent Company	
	2009	**2008**	**2009**	**2008**
Liabilities to credit institutions	1	9	-	8
Liabilities to Group companies	-	-	4	-
	1	**9**	**4**	**8**

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

A summary of maturities and other terms and conditions pertaining to liabilities to credit institutions is presented below. On 31 December 2009, the average remaining maturity for all credit facilities amounted to 1,4 (2,4) years. All loans have a maximum interest maturity of three months and carry interest at STIBOR or a similar basic interest rate plus an average margin of 0.8%.

Capitalised borrowing costs totaled SEK 0 million (0) for the year.

Lending institution SEK million	Credit facility as per 31 Dec 2009	Utilised amount 31 Dec 2009	Unutilised amount 31 Dec 2009	Currency	Maturity
Long-term loans					
Parent Company					
The Bank of Nova Scotia [1]	5 000	4 449	551	SEK/EUR	May 18, 2011
Total Parent Company	**5 000**	**4 449**	**551**		
Other Group companies					
Nordea Bank Finland	9	9	-	SEK	January 2010
Other	1	1	0	SEK	
Total Group	**5 010**	**4 458**	**551**		
Short-term loans					
Other Group companies					
Other	1	1			
Total Group	**1**	**1**			
Total liabilities to credit institutions, Group	**5 011**	**4 460**	**551**		

[1] Syndicated facility with Bank of Nova Scotia (facility agent), Calyon Bank Stockholm Branch, DnB Nor Bank ASA, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ) as participating banks. The facility agreement includes certain financial covenants, for financial key ratios for Korsnäs, net debt to EBITDA and EBITDA in relation to net interest payables. As of 31 December 2009 Korsnäs complied with all financial covenants.

Note 21 **Provisions for pensions**

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

	Sweden	
	2009	**2008**
Opening balance	537	493
Benefits paid	-28	-37
Cost recognised in the income statement	31	22
Actuarial profit/losses for the year	1	59
Net obligation for defined-benefit plans as at 31 December	**541**	**537**

Net cost of defined benefit pension plans

	Sweden	
	2009	**2008**
Earned during the year	10	2
Interest component in the increase during the year of the present value of the pension commitment	21	20
Reported pension cost, net	**32**	**22**

Reported provision at the end of the year

	Sweden	
	2009	**2008**
Commitments	541	537
Unreported actuarial net losses	-	-
Reported provision 31 December	**541**	**537**

Primary assumptions used in setting the pension undertaking (%)

	Sweden	
	2009	**2008**
Discount rate	3,75	4,00
Future pay increases	3,00	3,00
Future pension increases	1,75	1,75

Some of the defined benefit pension commitments on behalf of salaried employees within Korsnäs in Sweden are secured by means of insurance policies with Alecta. As Alecta cannot provide sufficient information to permit the ITP plan to be stated in the accounts as defined benefit it is stated in accordance with UFR 6 as defined contribution. Fees paid during the year for pension insurance policies covered by Alecta amount to SEK 5 million (6). Alecta's surplus may be distributed to policyholders and/or the insured. At year-end 2009, Alecta's surplus in form of collective solvency ratio was 141% (112%).

The cost of all defined contribution plans amounted to SEK 67 million (48) for the Group (including premiums paid to Alecta).

The Group's payments into the defined benefit plan in 2010 are expected to amount to SEK 33 million.

Provisions for pensions Parent company

	Sweden	
	2009	**2008**
Pensions credit insured through FPG/PRI	447	427
Other provisions for pensions	33	33
	480	**460**

Fees paid during the year for pension insurance policies covered by Alecta ((reported as a defined contributuion plan) amount to SEK 2 million (2). Alecta´s surplus may be distributed to policyholders and/or the insured. At year-end 2009, Alecta´s surplus in form of collective solvency ratio was 141% (112%).

Note 22 **Other provisions**

	Group		Parent Company	
	2009	**2008**	**2009**	**2008**
Severance pay	95	109	89	69
Other	0	0	0	0
	95	**109**	**89**	**69**
Long-term	41	87	39	49
Short-term	54	22	50	20
	95	**109**	**89**	**69**

Reconciliation of the book value

	Group		Parent Company	
	2009	**2008**	**2009**	**2008**
Opening balance, 1 January 2009	109	111	69	48
Transferred value of merger	-	-	38	-
Severance pay completed	-36	-77	-34	-35
New provision for severance pay	22	82	16	59
Release of other provisions	0	-7	0	-3
Closing balance, 31 December	**95**	**109**	**89**	**69**

Not 23 **Trade creditors and other liabilities**

	Group		Parent Company	
	2009	**2008**	**2009**	**2008**
Trade creditors	655	658	626	348
Accrued expenses for purchase of goods	152	146	152	146
Total trade creditors	**807**	**804**	**778**	**494**
Accrued expenses	367	338	355	221
Derivates, cash flow hedging power supplies	23	103	-	-
Other liabilities	68	43	57	32
	1 264	**1 289**	**1 190**	**747**

Accrued expenses

	Group		Parent Company	
	2009	**2008**	**2009**	**2008**
Accrued personnel expenses	224	210	215	121
Accrued agent provisions	1	1	1	1
Accrued interest expenses	0	19	0	19
Other	141	108	139	80
	367	**338**	**355**	**221**

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

Note 24 Leasing agreements

Group companies have concluded a number of agreements covering the rental of premises and other fixed assets. During 2009 SEK 17 miillion (13) was paid in accordance with operational leasing agreements. Future minimum payments for agreements concluded for leased assets as of 31 December.

Parent Company

	2009 Premises and other fixed assets	2008 Premises and other fixed assets
2009	-	14
2010	18	9
2011	10	4
2012	9	3
2013	8	3
2014	6	1
2015 and later	5	-
	56	**34**

Group

	2009 Premises and other fixed assets	2008 Premises and other fixed assets
2009	-	14
2010	18	9
2011	10	4
2012	9	3
2013	8	3
2014	6	1
2015 and later	5	-
	56	**34**

The Group had financial leasing agreements of SEK 5 million (6) reported in the balance sheet on 31 December 2009.

Note 25 Pledged assets

	Group		Parent Company	
	2009	2008	2009	2008
For own liabilities				
For liabilities to credit institutions				
Real estate mortgages	1 900	1 903	1 900	1 903
Shares in other companies	177	177	177	177
Chattel mortgages	600	600	600	600
Cash and cash equivalents	32	138	32	0
	2 708	**2 818**	**2 708**	**2 680**

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

Note 26 Contingent liabilities

	Group		Parent Company	
	2009	2008	2009	2008
Sureties and guarantees	57	23	57	0
Sureties and guarantees for subsidiaries	9	14	9	14
Guarantee commitments, FPG	9	9	9	9
	75	**46**	**75**	**23**

Note 27 Personnel

Average number of employees

	2009		2008	
	men	women	men	women
Group				
Sweden	1 381	222	1 372	232
Germany	4	1	3	1
Latvia	161	28	195	28
UK	6	-	6	-
France	4	1	4	1
Russia	1	1	21	3
Switzerland	1	-	1	-
	1 559	253	1 602	265
Total number of employees		**1 811**		**1 867**
Parent Company				
Gävle	869	133	878	137
Frövi	473	86	-	-
		1 561		**1 015**

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

	2009		2008	
	men	women	men	women
Board members				
Elected by the AGM	6	2	6	2
Employee representatives, ordinary	2	-	2	-
Employee representatives, deputies	2	-	2	-
Other senior executives	9	1	9	2
	19	**3**	**19**	**4**

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

	2009		2008	
	men	women	men	women
Board members				
Elected by the AGM	6	2	6	2
Employee representatives, ordinary	2	-	2	-
Employee representatives, deputies	2	-	2	-
Other senior executives	9	1	9	2
	19	**3**	**19**	**4**

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

	2009		2008	
	Board and CEO	Other employ-ees	Board and CEO	Other employ-ees
Group				
Sweden	6 901	756 508	6 237	759 021
Outside Sweden	3 055	43 241	2 542	38 369
Total salaries and other remuneration	**9.956**	**801 050**	**8 779**	**797 390**
Social security expenses	6 770	325 143	4 591	337 513
Of which, pension expense	3 895	82 135	2 118	81 885

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

	2009		2008	
	Board and CEO	Other employ-ees	Board and CEO	Other employ-ees
Parent Company				
Salaries and other remuneration	6 901	740 065	6 237	490 027
Social security expenses	6 063	307 462	4 140	209 764
Of which, pension expense	3 895	78 166	2 118	52 174

Salaries, other remuneration and social sucurity expenses include SEK 36 million (77) in paid remuneration, which relate to restructuring costs expensed earlier and have not charged the net profit/loss for the year.

Pension obligations and similar benefits for former Board members and CEOs for the parent company amounts to total SEK 41,260,000 (41,256,000) and for the Group 41,260,000 (41,256,000). These amounts are included among liabilities in the balance sheets of the Group.

Principles

The Annual General Meeting decides the total fee to ordinary members of the Board, while the Board decides the allotment of fees. Remuneration to the CEO and other senior executives consists of fixed salary, variable salary, and customary benefits and pension. Variable salary may not exceed 50% of the fixed salary. By other senior executives within Korsnäs is meant the ten individuals, who together with the President, forms the management group of the company. As regards the CEO of the Parent Company and other senior executives in the management group of the company there are the customary pension commitments within the frame-work of the public pension plan, which provides entitlement to retirement at the age of 65. Pension premiums are paid to insurance companies or is included in provisions for pensions. In the event of termination of employment initiated by the company, the CEO is entitled to a salary during a notice period of 18 months. Any salary received from new employment during the notice period reduces salary received from Korsnäs during the notice period. In the event of termination of employment initiated by the CEO, the notice period is 9 months. In the event of termination of employment initiated by the company, other senior executives are entitled to a salary over a notice period of a minimum 6 and a maximum 12 months. Any salary received from new employment during the notice period reduces salary received from Korsnäs during the notice period.

Board fees

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

Incentive plan

There are long-term incentive plan (the "Plans") for senior executives and other key employees in the Kinnevik Group that requires participants to own shares in Kinnevik. 9 senior executives within Korsnäs participate in the Plan. For each share held under the Plans, the participants will be granted retention rights and performance rights by Kinnevik. Subject to fulfillment of certain retention- and performance-based conditions during the individual periods Included In the Plans (1 April 2008 – 31 March 2011 and 1 April 2009 - 31 March 2012, the "Measure Period"), the participant maintaining the employment of the Kinnevik. Group at the date of the release of the interim reports for the January – March 2011 and January - March 2012 periods , and subject to the participant retaining the invested shares, each retention right and performance right will entitle the participant to receive one class B share in the Company. The number of shares the employee will receive depends on the fulfillment of defined retention- and performance-based conditions during the Measure Period based on.

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

In order to equalize participants' interests with shareholders, the company will compensate for forfeited dividends by increasing the number of shares and rights to which they are entitled. For members of Korsnäs' management group, the Plan established in 2008, with a Measure period of 1 April 2008 - 31 March 2011 is estimated to comprise up to 6,800 shares held by the employees entitling up to 29,450 rights, of which 6,800 retention rights and 22,650 performance rights. For the President of Korsnäs the plan encompasses up to 1,500 invested shares and 5.5 rights per invested share and for other members of Korsnäs' management group up to 700 invested shares and 4 rights per invested share. The participants maximum profit is limited to SEK 570 per right. For members of Korsnäs' management group, the Plan established in 2009, with a Measure period of 1 April 2009 - 31 March 2012 is estimated to comprise up to 11,000 shares held by the employees entitling up to 37,500 rights, of which 11,000 retention rights and 37,500 performance rights. For the President of Korsnäs the plan encompasses up to 3,000 invested shares and 5.5 rights per invested share and for other members of Korsnäs' management group up to 100 invested shares and 4 rights per invested share. The participants maximum profit is limited to SEK 320 per right. The plan could result in expenses for the Korsnäs Group in the form of social security costs upon utilization, as well as personnel costs during the vesting period. This year's cost amounts to a total of SEK 1 million (1) and is calculated according to anticipated outcome should all participants remain employed at the end of the Measure Period.

Remuneration for the CEO and other senior executives

	2009		2008	
	CEO	Other senior executi-ves	CEO	Other senior executi-ves
Fixed salaries	3 542	11 789	4 287	11 469
Variable salaries	1 680	3 206	300	2 064
Benefits	229	483	201	491
Pension expenses	597	2 769	437	3 417

Information regarding sick leave, Parent company

	2009	2008
Sick leave for women	3,2%	3,4%
Sick leave for men	2,6%	3,3%
Sick leave for employees under 30 years of age	2,4%	2,0%
Sick leave for employees between 30 -49 yrs. of age	2,3%	2,7%
Sick leave for employees above 49 years. of age	3,4%	4,3%
Sick leave for each above group is given in per cent of the groups´ total regular working hours		
Total sick leave	2,7%	3,3%
Long-term sick leave	0,8%	1,0%

Total sick leave is given in per cent of employees total regular working hours. Long-term sick leave is the part of the sick leave that refers to a continuing period of time of 60 days or more..

Regular working hours is defined as the working hours according to union agreement or other agreement with employee. Vacation and leave of absence is included in regular working hours..

Note 28 **Auditors' fees**

	Group		Parent Company	
	2009	2008	2009	2008
Audit assignments, Ernst & Young	1,3	1,5	1,0	0,9
Other assignments, Ernst & Young	0,9	0,3	0,9	0,3

Other assignments to Ernst & Young refer to consultation in connection with internal control, questions regarding IFRS and tax advice.

Note 29 **Related-party transactions**

During 2009 and 2008, Korsnäs engaged in transactions with following related companies.

Related companies	**Relationship**
Tele2 AB ("Tele2")	Associated company of Kinnevik.
Metro International S.A ("Metro")	Associated company of Kinnevik
Audit Value S.A. ("Audit Value")	Parties related to Kinnevik own shares in Audit Value, providing considerable influence over Audit Value.
Sia Latgran	Kinnevik owns 51% of the shares.

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

Commercial agreement with related parties

- Korsnäs buys telephony services from Tele2 and Tele2 rent office premises from Korsnäs.
- Korsnäs buys internal audit services from Audit Value..
- Korsnäs has bought advertisement from Metro.
- Korsnäs sales raw-material for pellets to Sia Latgran.

Financial loan transactions with related parties

None.

The following is a summary of Korsnäs revenues, expenses, receivables and liabilities to and from related parties..

Revenue

	Group		Parent Company	
	2009	2008	2009	2008
Tele2	0,8	0,6	0,8	0,6
Latgran	62,0	128,0	62,0	128,0
	62,8	128,6	62,8	128,6

Operating expenses

	Group		Parent Company	
	2009	2008	2009	2008
Metro	-	0,0	-	0,0
Audit Value	0,1	-0,1	-	-0,1
Tele2	-3,1	-2,5	-3,1	-2,5
	-3,0	**-2,6**	**-3,1**	**-2,6**

Trade creditors and other non-interest bearing liabilities

	Group		Parent Company	
	2009	2008	2009	2008
Tele2	0,1	0,1	0,1	0,1

Note 30 **Financial risk management**

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

- the interest rate risk resulting from changes in market interest rates
- the exchange rate risk comprising transaction exposure and translation exposure
- liquidity and refinancing risk, meaning the risk that the cost of financing opportunities will increase or that such opportunities will be limited when loans are renegotiated, and that payment obligations cannot be met due to insufficient liquidity.

Interest rate risk

The Group´s policy is to maintain short interest periods because the Company believes that this leads to lower interest expense over time. The Group has no borrowing subject to periods of fixed interest exceeding three months. On 31 December 2009, all of Korsnäs' liabilities to credit institutions, SEK 4,452 million, was exposed to interest rate changes, of which SEK 4,221 million to changes in Stibor, SEK 228 million to changes in Euribor and the rest against interest rates in other currencies. It would take three months for an increase in short-term interest rates to gain its full impact on Korsnäs' interest expense. Accordingly, if the interest rate will rise with 1%, the interest expense on an annualized basis will rise by SEK 45 million. According to Korsnäs, effects of any increase of the interest rate is managed efficiently via the operating cash flow

Exchange rate risk

Transaction exposure

The Group's revenues and operating expenses arise mainly in SEK and EUR. The Group's policy is to endeavour to match revenues and costs in the same currency. The net flow of the Group's inflow and outflow in foreign currency amounted to a net inflow of approximately SEK 600 million (800) for the year, which consisted mainly of EUR. The Group's policy is not to hedge this transaction exposure by using, for example, forward contracts. The reason for this approach is that the Group is dealing with a continuously even net inflow of foreign currency for which, over time, hedging measures would also be affected by exchange rate changes. A change in the EUR/SEK rate by SEK 0.10 would have affected consolidated profit in 2009 by approximately SEK 6 million.

Translation exposure
Translation exposure arises when the earnings and shareholders' equity of foreign subsidiaries are translated into SEK, and insofar as capital employed within the Group is financed in a currency other than the capital employed in the particular company. The Group´s policy is to use external borrowing in various currencies to finance capital employed in the same currency. If this is not possible and significant temporary currency exposures exist, the Group's finance policy permits the use of forward contracts. On 31 December 2009, there were no outstanding forward contracts. Translation exposure arising from the translation of the foreign subsidiaries' earnings and shareholders' equity is not hedged since the exposure is considered being of no material importance to Korsnäs.

Liquidity and refinancing risk
The Group's refinancing risk is limited by having loans from a number of different credit institutions maturing at different times as well as striving for refinancing all loans at least six months prior to maturity. On 31 December 2009, the available credit facility amounts from credit institutions totaled SEK 5,011 (4,414) million and the average remaining term to maturity was 1.4 (2.4) years.

Note 31 Business combinations

2009

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

2008

Karskär Energi AB
Having previously held 41% of the shares in Karskär Energi AB, Korsnäs acquired the remaining 59% in January 2008 from E.ON Sverige AB for the purchase price of SEK 200 million. The transaction encompasses a combined heating and power plant that has been in the Korsnäs industrial area in Gävle since 1971. Karskär Energi produces 350 GWh of electricity a year and the acquisition implies that from now on Korsnäs will produce 38% of the annual electricity consumption internally at its plants in Gävle and Frövi. Karskär Energi has been fully consolidated with the Group since 1 January 2008 and, according to the purchase price allocation, the transaction generated SEK 116 million in goodwill after Karskär Energi's book value of tangible fixed assets had been adjusted by SEK 31 million, provisions increased by SEK 14 million, and a deferred tax liability of SEK 5 million had been reported. In the purchase price allocation the total value of Karskär SEK 254 million, including previously held shares SEK 54 million, was allocated to : Goodwill SEK 116 million, tangible fixed assets SEK 120 million, current assets SEK 165 million whereof cash and bank SEK 0 million, provisions SEK 14 million, deferred tax liability SEK 33 million and liabilities SEK 100 million. The goodwill is entirely assignable to expected synergy effects. Karskär Energi is expected to contribute approximately SEK 40 million a year in profit, the full effect of which will appear once the operations have been fully integrated with Korsnäs Industrial during 2009. During 2008 Karskär Energi AB was merged into Korsnäs AB.

Not 32 Financial assets and liabilities allocated by catagory

Group 2009	Financial assets accounted at fair value through profit and loss	Loan receivables and trade receivables	Cash flow hedging	Financial liabilities	Total book value
Financial assets accounted at fair value	502	502			502
Receiivables from Group companies		2 415			2 415
Trade receivables		596			596
Other current assets		279			279
Cash at bank	81				81
Total financial assets	**583**	**3 290**	**0**	**0**	**3 873**
Interest-bearing liabilities				4 459	4 459
Liabilities to Group companies				390	390
Trade creditors				1 017	1 017
Other liabilities			23		23
Total financial liabilities	**0**	**0**	**23**	**5 866**	**5 889**

Group 2008	Financial assets accounted at fair value through profit and loss	Loan receivables and trade receivables	Cash flow hedging	Financial liabilities	Total book value
Financial assets accounted at fair value	459				459
Receivables from Parent company		247			247
Other fixed assets		0			0
Trade receivables		588			588
Other current assets		321			321
Cash at bank	206				206
Total financial assets	**665**	**1 156**	**0**	**0**	**1 821**
Interest-bearing liabilities				4 012	4 012
Liabilities to Group companies				307	307
Trade creditors				658	658
Other liabilities			103	317	420
Total financial liabilities	**0**	**0**	**103**	**5 294**	**5 397**

Fair value

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

Parent Company 2009	Financial assets acccounted for at cost	Loan receivables and trade receivables	Financial liabilities	Total book value
Receivables from Group companies		1 599		1 599
Receivables from associated companies		2		2
Shares and participation in other companies	183			183
Trade receivables		584		584
Interest bearing receivables				0
Other receivables		258		258
Cash at bank	96			96
Total financial assets	**279**	**2 443**	**0**	**2 722**
Interest-bearing liabilities			4 449	4 449
Liabilities to Group companies			479	479
Trade creditors			778	778
Other liabilities			197	197
Total financial liabilities	**0**	**0**	**5 903**	**5 903**

Parent Company 2008	Financial assets acccounted for at cost	Loan receivables and trade receivables	Financial liabilities	Total book value
Receivables from Group companies		31		31
Receivables from associated companies		2		2
Shares and participation in other companies	181			181
Trade receivables		363		363
Interest bearing receivables				0
Other receivables		241		241
Cash at bank	20			20
Total financial assets	**201**	**637**	**0**	**838**
Interest-bearing liabilities			4 007	4 007
Liabilities to Group companies			55	55
Trade creditors			348	348
Other liabilities			278	278
Total financial liabilities	**0**	**0**	**4 688**	**4 688**

Fair value

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

Note 33 Untaxed reserves

	Parent Company	
	2009	2008
Additional depreciation, machinery and equipment	3 741	2 097
Additional depreciation, buildings	248	263
Additional depreciation, land improvments	10	11
Tax allocation reserve	-	64
Total untaxed reserves	**3 999**	**2 435**

Note 34 Merger of subsidiary

On May 15, 2009, the wholly-owned subsidiary Korsnäs Frövi AB, with corporate identity number 556004-5097 was merged into the parent company Korsnäs AB. The complete income statement of the transferring company for 2009 is included in the income statement of the takeover company and is recorded in each income statement item. The balance sheet as per January 1, 2009 transferred through the merger is shown as follows, including goodwill on consolidation and adjusted subsidiary shares.

Assets	
Shares in Subsidiary companies	-3 496
Goodwill	604
Tangible fixed assets	2 754
Financial fixed assets	16
Inventories	548
Short-term receivables	364
Cash at bank	166
Total assets	**956**
Shareholders` equity and liabilities	
Shareholders` equity	-1 416
Untaxed reserves	1 688
Provisions	68
Deferred tax liability	171
Long-term liabilities	1
Short-term liabilities	444
Total sharholders`equity and liabilities	**956**

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

Gävle, 22 February 2010

Vigo Carlund
Chairman of the Board

Leif Brodén
Member of the Board

Mia Brunell Livfors
Member of the Board

Ola Hallberg
Member of the Board,
Employee representative

Edward von Horn
Member of the Board

Ole Kjörrefjord
Member of the Board

Wilhelm Klingspor
Member of the Board

Per Eriksson
Member of the Board
Employee representative

Stig Nordin
Member of the Board

Cristina Stenbeck
Member of the Board

Christer Simrén
CEO

Our Audit Report was issued on 22 February 2010
Ernst & Young AB

Thomas Forslund
Authorized Public Accountant

Audit Report

To the annual meeting of the shareholders of Korsnäs AB

Corporate identity number 556023-8338

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Korsnäs AB for the financial year 2008. The company's annual accounts and consolidated accounts are included in this document on page 3-34. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group´s financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

damöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Stockholm, 22 February 2010
Ernst & Young AB

Thomas Forslund
Authorized Public Accountant

Definitions of financial key ratios

Return on shareholders' equity
Net profit divided by average shareholders' equity.

Equity/assets ratio
Shareholders' equity, including minority holding as a percentage of total assets.

Net debt
Interest-bearing liabilities including provisions for pensions less total interest-bearing receivables, short-term investments and cash and cash equivalents.

Earnings per share
Income for the year, attributable to equity holders of the Parent Company, divided by average number of shares.

Shareholders' equity per share
Shareholders' equity, attributable to equity holders of the Parent Company, divided by number of shares.

Dividend per share
Proposed dividend per share adjusted for share issues and splits.

Operational capital employed
Average intangible and tangible fixed assets, investment in companies accounted for using the equity method, inventory and current non-interest-bearing receivables after deductions for other provisions and short-term non interest-bearing liabilities.

Return on operational capital employed
Operating income divided by average operational capital employed.