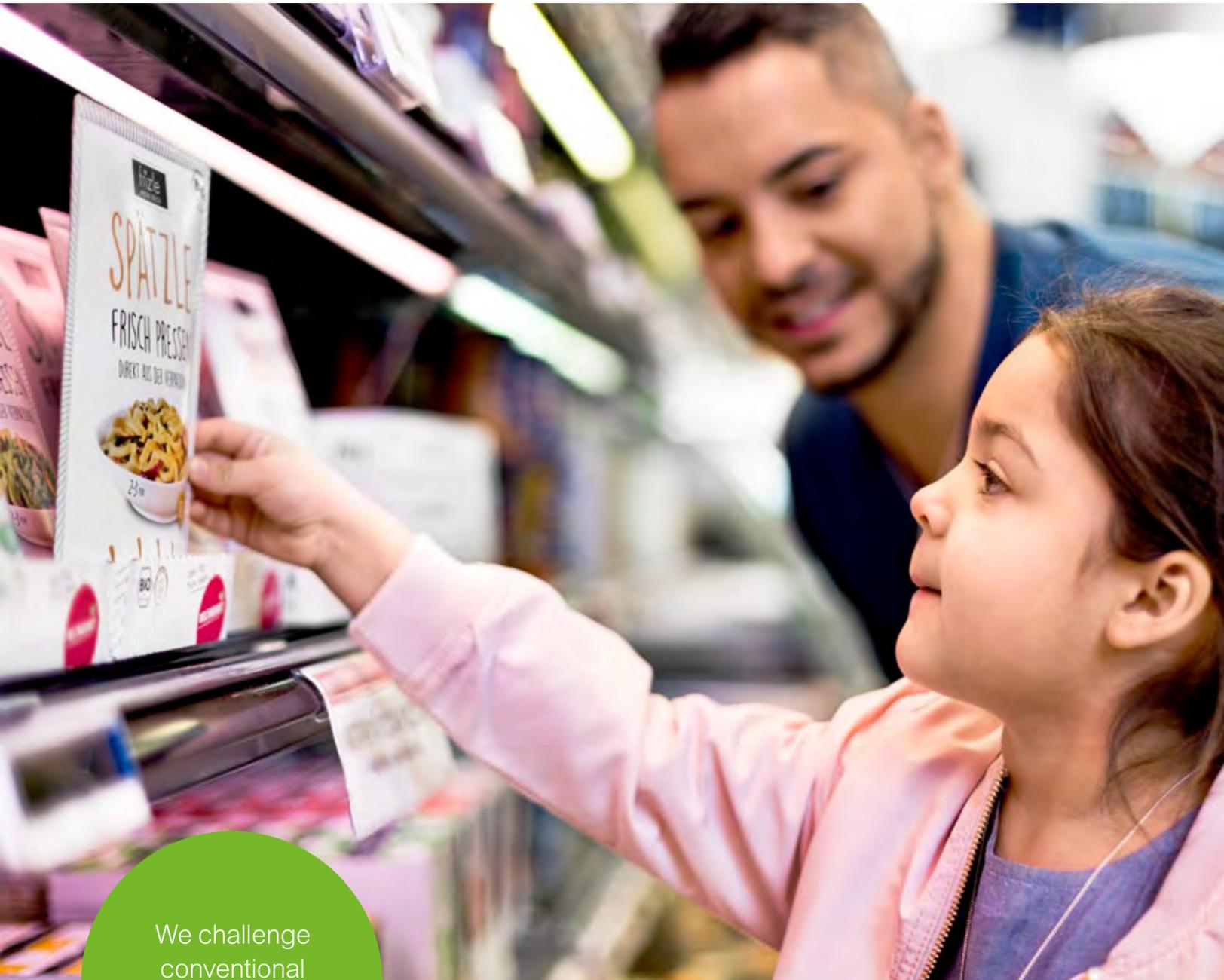




BILLERUDKORSNÄS

Annual and Sustainability Report 2019



We challenge
conventional
packaging for a
sustainable future

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BillerudKorsnäs' mission to challenge conventional packaging for a sustainable future clearly sets out why we exist and how we view our role in society. Challenging the conventional and thinking outside the box are essential if we are to develop the innovative and sustainable packaging solutions our planet needs, hand in hand with our customers and partners.

This year's Annual and Sustainability Report

BillerudKorsnäs reports the Group's financial and non-financial information in a joint report. The report reflects BillerudKorsnäs' mission and integrates financial, sustainability and corporate governance information to provide a full and cohesive description. BillerudKorsnäs' statutory annual report, which includes the Directors' report and financial statements, can be found on pages 53–119.

The BillerudKorsnäs sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards version, and is externally audited. It comprises pages 34–51, 74–79, 123–130, plus the GRI index which is available at <http://billerudkorsnas.com/sustainability>.

Sustainability reporting also includes the statutory sustainability report under Chapter 6, Section 11 of the Annual Accounts Act.



A leading and innovative packaging company

BillerudKorsnäs offers innovative packaging solutions and sustainable packaging materials made from natural cellulose fibre. We are a leading producer and create value through our deep knowledge of materials and optimally designed packaging. The business is run across three divisions, with sales mainly focusing on consumer sectors.

Net sales, SEK bn

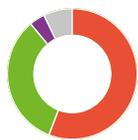
24.4

EBITDA, SEK bn

2.8

Number of employees, approx.

4 500



Net sales by division, %

- Division Board, 56
- Division Paper, 33
- Division Solutions, 4
- Other, 7



EBITDA split by division¹, %

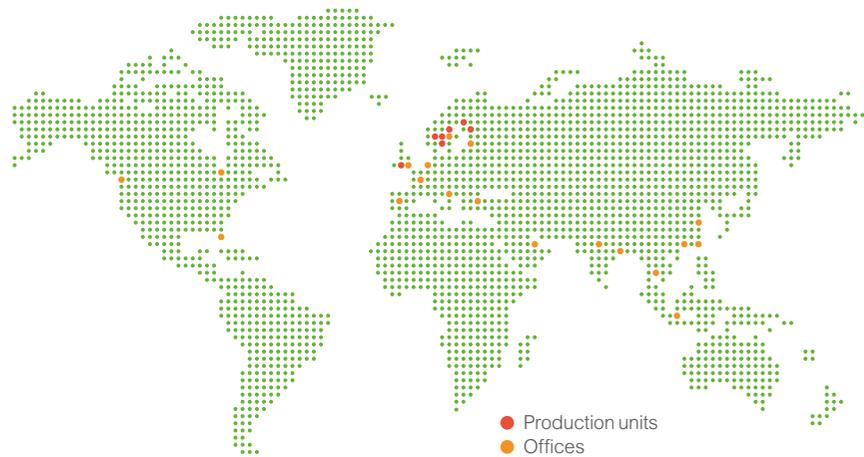
- Division Board, 61
- Division Paper, 37
- Division Solutions, 2

¹Excluding distribution from other, currency hedging, etc.

Global market

We have around 2 000 customers in over 100 countries. These customers are packaging manufacturers, brand owners and large retail and supermarket chains. While Europe is the core market, we are gradually strengthening our presence in the leading growth markets of Asia, as well as in the Americas.

Our wood raw material comes from responsibly managed forests and the manufacturing takes place at eight resource-efficient production units with a total capacity to manufacture over three million tonnes of material per year.



Net sales by region, %

- Europe, 68
- Asia, 22
- America, 5
- Africa, 4
- Other, 1



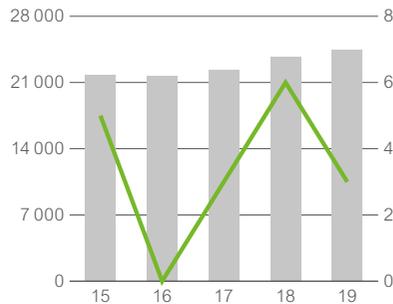
Net sales by market segment, %

- Food & Beverages, 56
- Industrial, 24
- Consumer & Luxury Goods, 13
- Medical & Hygiene, 7

Financial development

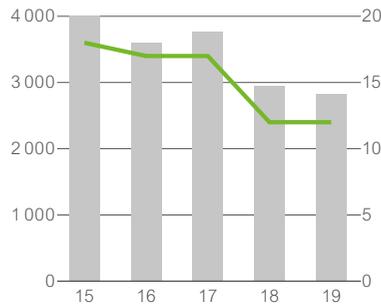
Net sales increased and the EBITDA margin was unchanged compared with the previous year. The successful sale of Bergvik Skog Öst led to very strong profits for the year.

Net sales, SEKm and growth, %



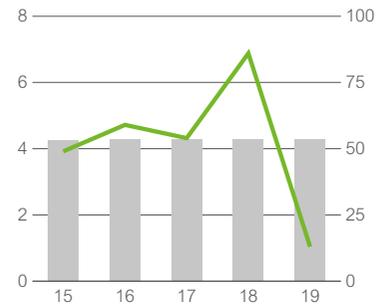
Net sales increased by 3%, primarily as a result of positive currency effects.

EBITDA, SEKm and EBITDA margin, %



EBITDA decreased due to higher raw material costs and the start-up of the new board machine at Gruvön.

Dividend per share, SEK and dividend payout, %



The Board proposes a share dividend of SEK 4.30 per share, which corresponds to 13% of the net profit.

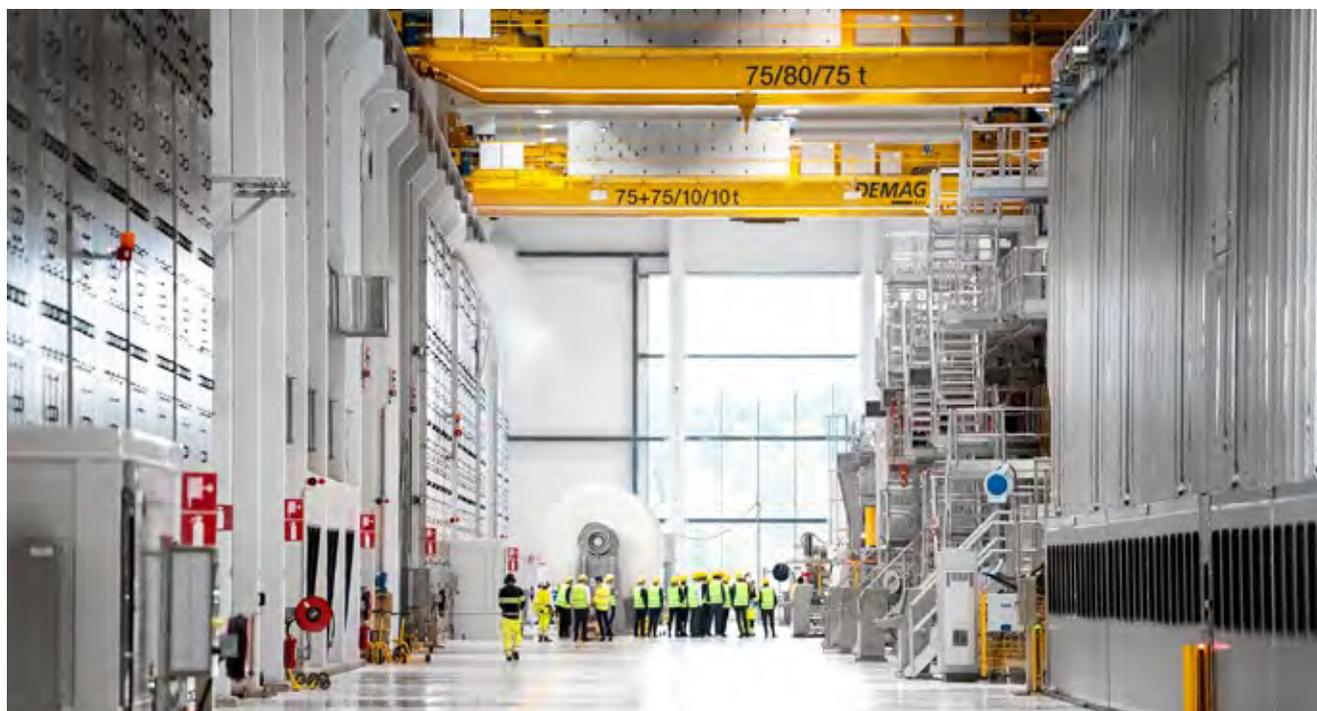
Key figures

	2019	2018	2017	2016	2015
Net sales, SEKm	24 445	23 692	22 345	21 657	21 814
Operating profit before depreciation/amortisation (EBITDA), SEKm	2 830	2 943	3 760	3 606	4 003
Gross margin (EBITDA margin), %	12	12	17	17	18
Operating profit, SEKm	1 086	1 430	2 241	2 045	2 586
Operating margin, %	4	6	10	9	12
Capital employed, SEKm	24 938	23 687	19 548	16 906	17 397
Return on capital employed, %	4	7	12	12	15
Profit before tax, SEKm	1 265	1 341	2 103	1 937	2 411
Net profit, SEKm	6 720 ¹	1 037	1 638	1 518	1 968
Earnings per share, SEK	32.50 ¹	5.01	7.91	7.33	8.75
Dividend per share, SEK	4.30 ²	4.30	4.30	4.30	4.25
Cash flow from operating activities, SEKm	2 319	2 502	3 316	3 742	3 658
Gross investments, SEKm	2 926	5 142	4 261	1 645	1 710
Interest-bearing net debt/EBITDA, multiple	1.9	3.2	1.5	1.1	1.2
Average number of employees	4 596	4 502	4 395	4 274	4 223

¹ Including profit from discontinued operations of SEK 5 709 million, corresponding to SEK 27.61 per share.

² Board's proposal.

Key events



Production begins on KM7 in Gruvön

After several years of intensive work, summer 2019 saw the start of production with the new board machine KM7 at Gruvön, our biggest investment ever. This board machine is the world's most modern with a production capacity of 550 000 tonnes

per year, making BillerudKorsnäs well positioned to meet the increasing demand for sustainable packaging solutions. Customers have responded positively to the material from KM7 and the production volumes will gradually be ramped up over time.

Joint venture to develop a paper bottle

BillerudKorsnäs and ALPLA, a bottle manufacturer, formed a joint venture called Paboco® with a view to combining resources and know-how in order to develop and commercialise a bio-based and recyclable paper bottle. Also participating in the development project are a network of brands: Carlsberg, Absolut, L'Oréal and Coca-Cola.



Sale of Bergvik Skog Öst

On 24 June, BillerudKorsnäs announced that it had agreed to sell 89.9% of Bergvik Skog Öst to the pension company AMF for a price corresponding to an enterprise value of SEK 12.2 billion on a debt-free basis. The divestment was completed on 30 August, resulting in a cash flow effect of around SEK 7.7 billion and a significantly stronger financial position. In conjunction with the sale, BillerudKorsnäs signed a long-term agreement to be the sole purchaser of the wood volumes from Bergvik Skog Öst's forests.

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Industry leader in sustainability

During 2019, Dow Jones declared BillerudKorsnäs industry leader in the Containers & Packaging category for the second year in succession. Since 2017, BillerudKorsnäs has been listed on the Dow Jones Sustainability World Index, one of the world's most prestigious indexes, which features the top 10% of the world's most sustainable companies.

Focus on delivery and value creation

2019 was an eventful and challenging year. We sold a majority share of Bergvik Skog Öst and the new board machine at Gruvön was commissioned and started delivering material to customers. The second half of the year saw a weakening in the market for several of our products. As acting CEO since the beginning of November, I have focused on delivering on our immediate targets with the aim of creating value for our various stakeholders.

Net sales increased primarily as a result of positive currency effects, but we also benefitted from price rises in certain product segments. Operating profit was weighed down by higher raw material costs as well as negative effects of around SEK 640 million from the start-up of our new board machine and the three older machines that were thus shut down in Gruvön. In the second half of the year, we were forced to recognise a significant downturn in the market situation for Division Paper, which impacted negatively on the results.

Successful sale of Bergvik Skog Öst

One of the year's key events was the divestment of Bergvik Skog Öst. The process began with us buying back forest land as part of dividing up Bergvik Skog AB. Our core business is packaging material, which is why the Board judged that we should not tie up capital in low yielding forest assets; we believe the best returns are achieved by focusing on our core business, where we already have an extremely strong position. As a consequence of this, we sold around 90% of Bergvik Skog Öst to AMF at the end of August. At the same time, we secured a long-term supply agreement for wood from this forest holding, which accounts for around a tenth of our annual wood needs.

The sale of Bergvik Skog Öst lay behind the year's strong net profit, and a very solid balance sheet. The year-end report presented the Board's proposal for an ordinary dividend of SEK 4.30 per share and an extra dividend of the same amount. However, in view of the increased uncertainty resulting from the coronavirus outbreak, the Board of Directors decided on 25 March 2020 to prioritise the company's strong financial position and maneuverability, and therefore to withdraw the proposal for an extra dividend. The Board's proposal for a dividend of SEK 4.30 remains, as does the proposal that a mandate be granted for the buy-back of the company's own shares. Provided that the uncertainty has decreased and the visibility in the market has improved, the Board of Directors has the ambition to summon the shareholders to an extraordinary general meeting later this year to resolve on an extra dividend.

As regards capital requirements going forward, we intend to rein in large-scale investments in our facilities over the next few years and focus on delivery from recently completed investments, which are expected to contribute positively to operating cash flow.

Value creation rooted in sustainability

Although we achieved our targets concerning growth and financial position, we cannot be satisfied with the underlying operating profit. In the future, we can and must become better at benefiting from the growth potential that undoubtedly exists. BillerudKorsnäs has a historic opportunity to capture a share of the increasing demand for high-quality packaging materials. With sustainability and quality as the foundation, we will capitalise on the potential for growth and create value for customers, shareholders and other stakeholders. Our mission – to challenge conventional packaging for a sustainable future – is more timely and relevant than ever. The concept of sustainability is an integral part of our strategy and we support the ten principles of the UN Global Compact. We are proud to once again have been named industry leader in the Container & Packaging category and one of the 10% most sustainable companies in the world in the Dow Jones Sustainability Index.

Over the next few years, our stated goal is to optimize the use of the company's resources and benefit from investments already completed, with the target of returning to an EBITDA margin of over 17%. Profitability is to be improved by maximising customer value, cutting costs, driving up efficiency and increasing production.

World-class board machine

The continued ramping up of KM7 at our Gruvön production unit is our foremost priority for 2020. We can conclude that the project to build the world's most modern board machine has proved a resource-intensive challenge. 2019 marked the completion of all the construction and installation work, allowing the new machine to begin operating. KM7 is an enormous, highly

automated and flexible board machine with a production capacity of 550 000 tonnes per year, which equates to around 100 million milk cartons every 24 hours. On 3 October, proud employees, suppliers and customers celebrated the commissioning of the machine with a joyous launch show, making it a day to remember.

KM7 reinforces our leading position in liquid packaging board and cartonboard, creates the conditions for profitable growth and an optimised production structure, and secures jobs in Grums for many years to come. During the first half of 2020, we will begin production of more high-quality grades, alongside the process of certifying materials for liquid packaging board. KM7 is also going to impact negatively on the current financial year. However, as production volumes and the proportion of high-value products grow, KM7 is expected to make a steadily increasing contribution to profits.

Safe and stable production

We attach a great deal of importance to high levels of safety in our workplaces. In recent years, we have conducted structured safety work with focused targets, and that work is continuing at full throttle. Every employee shares responsibility for making the working environment safe, and we are convinced that all accidents are preventable.

This intensified safety work also underpins our initiatives to ensure efficient and stable production. The aim is for each unit and machine to run under conditions that are as near optimum as possible in terms of production volume, quality and product mix, for as many hours of the year as possible. Ensuring that our employees have the right conditions, that we are working proactively on preventive maintenance work and that we have structured cooperation between our mills will enable us to further enhance availability on the production lines.

Efficiency in a tougher market

The market for liquid packaging board and premium cartonboard remained stable during the year, but the second half of the year saw growing uncertainty in the global market and market conditions for several of our product segments deteriorated. This applied in particular to sack paper and certain grades of kraft paper – areas in which both volumes and prices saw significant drops.

We have introduced a cost reduction and efficiency programme in order to ensure long-term efficiency and profitability. Scheduled to run until the end of 2021, the programme involves personnel reductions, purchasing savings and efficiency improvements across the entire business, and is expected to generate savings of SEK 250 million in 2020.

Outlook

At the time of writing, the pandemic of the virus disease Covid-19 and its consequences is a major cause of concern for our industry, our employees and the society at large. As a consequence of Covid-19 the planned maintenance shutdown at Gruvön, which would have taken place in March, has been postponed until the third quarter of 2020, which is expected to have a negative effect



on earnings of around SEK 140–200 million during the current year. Other financial effects of Covid-19 have so far been relatively limited, but we must assume that it can have a significant impact in 2020. It is currently impossible to assess the extent to which Covid-19 will affect BillerudKorsnäs' operations, but our strong balance sheet makes us well-equipped to meet any difficulties that may arise. Our strong position in relatively resilient market segments such as packaging materials for consumer goods, medical and hygiene also provides a certain degree of stability in times of increased uncertainty and economic downturn.

2020 is set to be a challenging, but also exciting year. We are facing a tougher market with lower price levels for the product segments in Division Paper than at the beginning of last year, but the company's success is also largely in our own hands. Our focus will be on delivering our strategy, the three key priorities of which are ramping up production on KM7, initiatives to ensure a safe and stable production, and actions across the whole business to strengthen profits and efficiency. What makes us likely to succeed is our knowledgeable and dedicated employees as well as supporting customers and suppliers. Together, we will take on the challenges with confidence.

Lennart Holm
Acting President and CEO

Multi-dimensional value creation

We are convinced that partnerships and collaborations are the way forward in resolving the global challenges we face. Through responsible use of our key resources, we add value for customers, employees, shareholders and business partners, not to mention society and the environment.

Five key factors globally

1. Demand for sustainable packaging is growing
2. Sustainability requirements are becoming stricter
3. Digitalisation is opening up opportunities
4. New ground rules as the value chain changes
5. Growing interest in the forest as a source of raw material

Read more on how the packaging industry is affected on pages 8–11. [➔](#)

OUR PURPOSE

We challenge conventional packaging for a sustainable future

Constituent resources

- Around 4 500 committed employees and in-depth expertise in fibre-base materials (pp. 45–47, 126 [➔](#))
- 8 efficient production units that produce premium materials (pp. 24, 28, 48 [➔](#))
- More than 10 million cubic metres of wood raw material per year from responsibly managed forests (pp. 40–43, 124 [➔](#))
- About 15 TWh energy per year (pp. 48, 124 [➔](#))
- Long-term relations with stakeholders all along the value chain plus a customer base of around 2 000 customers (pp. 13–18 [➔](#))
- Strong brand known for innovative and sustainable packaging solutions (pp. 18, 38 [➔](#))

A sustainable business model

BillerudKorsnäs provides packaging manufacturers and brand owners with high-quality and sustainable packaging materials and packaging solutions. We create customer value through our capacity to combine in-depth expertise in fibre-based materials with efficient production units in close proximity to the wood raw material. With strong partnerships all along the value chain, the material is transformed into sustainable packaging solutions.

Four strategic priorities



Drive performance



Accelerate the speed in innovation



Drive profitable growth by creating customer value



Expand in the value chain

Read about our strategy on pages 13–20. [➔](#)

Three divisions

Division Board

Develops, manufactures and sells liquid packaging board and cartonboard, plus fluting and liner.

#2 Liquid packaging board, globally

#1 Coated primary fibre-based liner, Europe

#1 Primary fibre-based NSSC¹ fluting, Europe

Read more on pages 22–25. [↗](#)

Division Paper

Develops, manufactures and sells high-performance, premium-grade kraft and sack paper.

#2 Kraft paper, globally

#1 Kraft paper, Europe

#2 Sack paper, globally

Read more on pages 26–29. [↗](#)

Division Solutions

Drives sales of packaging solutions. Managed Packaging offers services relating to custom packaging solutions for full control over the entire supply chain, while other Solutions focuses on sales of innovative packaging solutions with a strong knowledge component.

Read more on pages 30–33. [↗](#)

¹ NSSC is a semi-chemical pulp used as the raw material for fluting.

Our value creation in 2019

approx.
2 670

thousands of tonnes of fibre-based premium material were sold to our customers during the year.

10%

of total sales related to new products (New Product Ratio).

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approx.
890

SEKm were paid out in dividend to shareholders.

34

Customer relations were strengthened. The Net Promotor Score increased to 34 (23).

78%

Employee commitment remained high. The employee engagement index was 78% (79).

approx.
1 640

SEKm was invested during the year in the new board machine KM7 at Gruvön.

Read about targets and outcomes on page 12. [↗](#)

Sustainability vital for the packaging solutions of the future

Global external trends affect the packaging industry and contribute to our strategy going forward. The overall development shows that our mission to challenge conventional packaging for a sustainable future is more relevant than ever.

Demand for packaging is rising as a consequence of urbanisation and digitalisation. At the same time, sustainability is a strong driver, which means future packaging will need to be designed so that it does not impact our climate.

The requirements on packaging have never been higher, and we are barely at the beginning of the transformation that is required for the packaging industry to make a positive contribution. The capacity to analyse the whole value chain and understand where the industry's impact lies, and which solutions add value with low or no carbon emissions, will be a critical long-term competitive advantage in the packaging industry.

Strong global drivers

Demographic changes are affecting the industry. Today, over half the planet's population lives in cities, and that figure is rising. The emerging economies are expanding and a booming middle class is creating greater demand. At the same time, there is a growing global awareness that we must not exceed the limit of what our planet can tolerate, which poses challenges for nations, politicians and the business world. Rapid advances in technology and expertise offer enormous opportunities. Digitalisation and sustainability must go hand in hand, in order for the advanced technology to promote responsible solutions.

Five key factors globally

1 Demand for sustainable packaging is growing

- More goods being packaged
- Packaging must be durable and sustainable

2 Sustainability requirements are becoming stricter

- Fighting climate change on every front
- More solutions need to be renewable or circular

3 Digitalisation is opening up opportunities

- Efficient and automated processes
- New business models, digital services and tools

4 New ground rules as the value chain changes

- New business models and actors make an impact
- E-commerce places new demands on the distribution chain
- Integration up and downstream

5 Growing interest in the forest as a source of raw material

- Alternative fibre use is increasing



There is growing demand for prepackaged food, drinks and consumer goods, along with convenient on-the-go and stay-fresh packaging.

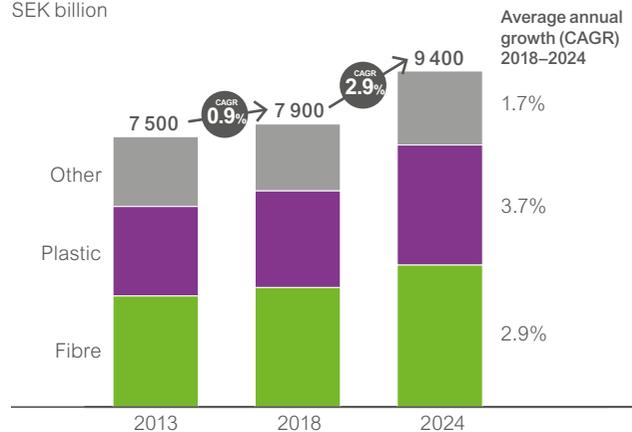
1 Demand for sustainable packaging is growing More goods being packaged

With a growing proportion of the planet's population moving from rural areas into cities, people are increasingly far removed from raw materials and local food supplies. Goods thus need to be packaged and distributed to the cities to an increasing extent. At the same time, there is growing urban demand for prepackaged food, drinks and consumer goods, along with convenient on-the-go and stay-fresh packaging. In several segments, particularly food and medicines, the packaging is subject to additional quality requirements, including food safety standards.

Packaging must be durable and sustainable

First and foremost, packaging must be safe and effective, so that it protects its contents in transit. But to avoid the carbon emissions generated by cities threatening our planet, there are growing demands for packaging to be sustainable from an environmental and climate perspective. The future will be all about packaging that are renewable, can be recycled or reused, in order to meet cities' need for renewable solutions and circular material flows. Using premium materials, made from forest raw material, that are strong and durable enough to reduce the amount of packaging material while retaining performance, reduces the amount of packaging material required.

Global growth for packaging
SEK billion



The global packaging market is expected to see annual growth of around 3% during 2018–2024, with Asia forecast to grow most. Fibre-based packaging currently accounts for more than 40% of the total packaging market. Plastic is expected to outpace fibre-based packaging, despite the sharp global focus on sustainable solutions.

Source: Smithers, McKinsey, BillerudKorsnäs analysis.

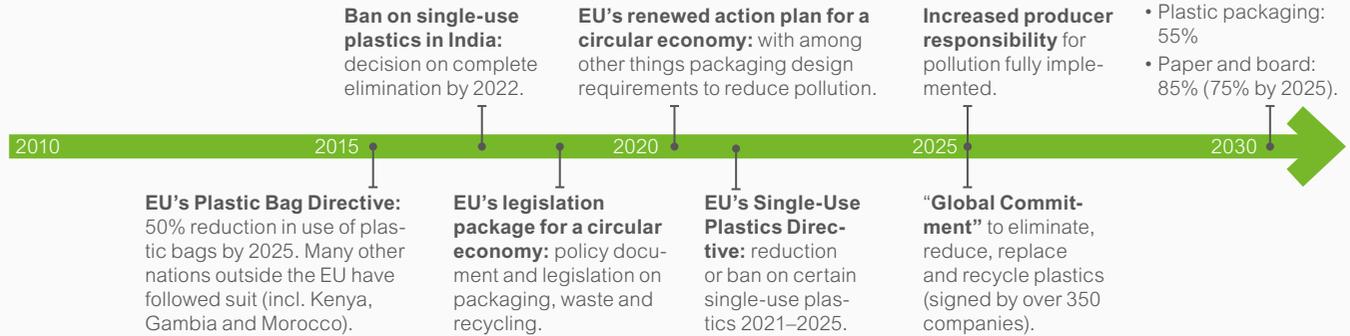
2 Sustainability requirements are becoming stricter

Fighting climate change on every front

The UN's Sustainable Development Goals (SDGs) to combat climate change, the global climate agreement adopted in Paris in 2015 and growing awareness and debate about the climate are driving society in a carbon neutral direction. Naturally, the regulatory frameworks are heading in the same direction, with manufacturing companies expected to take responsibility not only for their products, but for how they are packaged. Eco-aware consumers are lobbying hard and brand owners are raising their sustainability ambitions to also include packaging.

A turning point for the packaging industry

Examples of regulations and market initiatives linked to sustainability and packaging



More solutions need to be renewable and circular

Future sustainable packaging solutions must not contribute negatively to climate change and need to be designed and constructed so that they fit better into a circular economy. A shortage of natural resources and a growing problem of plastic pollution are driving regulatory changes, as well as demand for packaging that is renewable and recyclable or reusable. The EU's Single-Use Plastics Directive, which was adopted during the year, will for example affect our packaging during the 2020s.

within material production and to adapt packaging for automated warehouses, driverless vehicles, robots and so on.

New business models, digital services and tools

Furthermore, digitalisation creates opportunities for new, built-in functionality in packaging, for example via integral sensors that measure temperature and moisture in real time. This can improve the safety of goods such as food and medicines and help to reduce food waste, which saves money and the environment.

Sensors can also be used for tracking along the whole distribution chain. A full track-and-trace chain and uniquely identifiable packaging increases safety levels. A unique ID

A high degree of digitalisation and access to data in real time are challenging the traditional value chain and creating opportunities for new business, logistics and distribution models.

3 Digitalisation is opening up opportunities

Efficient and automated processes

Digitalisation is opening up opportunities to improve and automate processes along the whole of the packaging industry's value chain. Digitalisation of forestry, for example, can ensure more effective management of the forest, with an eye to conservation and growing the right products. Digitalisation also offers opportunities to digitalise steps and processes



also cuts the risk of fakes and forgeries. A recent example is the European legislation introduced in February 2019, which means that by law medical packaging must have special safety closures and a unique code (“serialisation”). This secures a safe medication chain from manufacture via distribution and the pharmacy to the patient. If the energy source in the packaging could also be renewable, interactive packaging could be produced without placing further stresses on the planet’s finite resources.

Another area of digitalisation is communication-enabled packaging, where scannable codes allow brand owners to communicate with consumers.

4 New ground rules as the value chain changes

New business models and actors make an impact

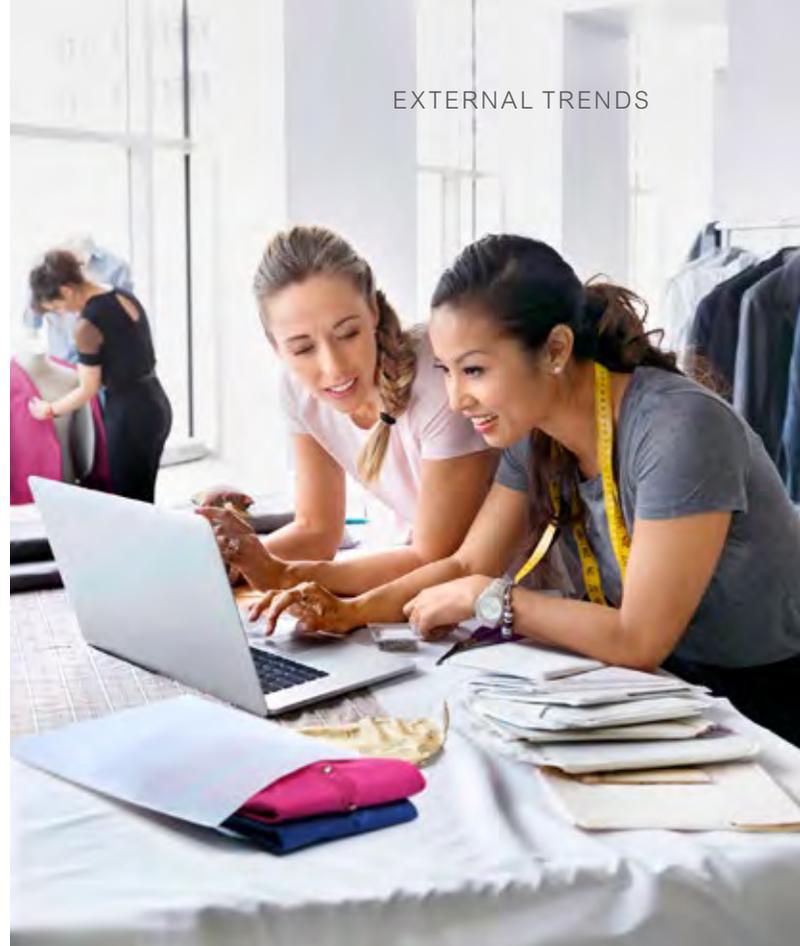
The new ground rules of the industry, with its high degree of digitalisation and access to data in real time, challenge the traditional value chain and create opportunities for new business, logistics and distribution models. A prime example is Managed Packaging within BillerudKorsnäs, which works with a network of production partners instead of having its own production units. Other areas include transport, recycling or sales, where digital interfaces provide opportunities to effectively reach large numbers of customers.

E-commerce places new demands on the distribution chain

Digitalisation and globalisation are underlying drivers of e-commerce expansion, which in turn increases the need for packaging materials. Durable packaging that protects the goods in transit, can be optimised in terms of capacity, and at same time offers a positive unboxing and returns experience for the recipient, requires high standards of material, function and design. The packaging needs to be optimised in terms of size to accommodate the contents, but also from a logistics perspective, depending on how the item will be transported. Unused capacity in or between packs entails an unnecessary environmental and climate impact when goods are packaged and transported. Maintaining the right temperature during storage and distribution is another key dimension, particularly when transporting foods.

Integration up and downstream

Nowadays, many packaging companies have integrated operations both up and downstream, which means long value chains. It has become increasingly common for companies to own the forest, manufacture the materials and convert those materials into packaging. Services associated with the products also tend to be included. This shift has developed over recent years, with businesses operating in only one specific part of the chain beginning to broaden their horizons.



E-commerce creates tougher demands regarding packaging materials, function and design. The packaging needs to be optimised in terms of space so as not to place an unnecessary burden on the climate and the environment.

5 Growing interest in the forest as a source of raw material

Alternative fibre use is increasing

Forest has increased in value and is being integrated into value chains to an ever greater extent. Wood raw material is the most important resource in renewable material production. Technical advances now mean that the wood raw material can also be used in more operations than before, including as a biofuel or for the production of bio-based fuels or cellulose-based chemicals, and in the production of fibre-based composite materials. Done properly, every part of the tree is put to optimum use in the most appropriate area. For example, residual waste from harvesting, sawmills and pulp or paper manufacture is ideal for bio-based energy production. In the construction sector, cross-laminated timber is becoming increasingly popular, paving the way to construct solid solutions using smaller dimensions of timber than before. In summary, this is increasing competition for wood raw material, as more businesses identify potential applications.

Targets and target fulfilment

To support BillerudKorsnäs' target for profitable growth and a good return for shareholders, the company has established five financial targets, and highlights three targets related to sustainable development.

Growth target Target 3–4%



Outcome 3%

Our long-term target is for growth of 3–4% per year. The target was reached for 2019. Net sales rose by 3% as a result of positive currency effects and higher prices.

¹ For comparable units.

EBITDA margin Target >17%



Outcome 12%

The EBITDA margin should exceed 17%. The target was not achieved for 2019 due to higher raw material costs and negative effects from the start-up of the new board machine at Gruvön.

Return on capital employed Target >13%



Outcome 4%

The target is that return on capital employed (ROCE) should exceed 13%. The target was not reached for 2019, primarily due to the major investment in the new board machine at Gruvön.

Interest-bearing net debt/EBITDA Target <2.5



Outcome 1.9

Interest-bearing net debt to adjusted EBITDA shall be less than 2.5. The target was reached in 2019. The sale of Bergvik Skog Öst strengthened the financial position substantially.

Dividend policy Target 50%



Outcome 13%

The dividend shall amount to 50% of the net profit. The proposed dividend for 2019 is SEK 4.30. This corresponds to 13% of the net profit, which was positively affected by the sale of Bergvik Skog Öst.

Lower emissions Target 2030: 59%



Outcome 3%

The target is to reduce the total greenhouse gas emissions from production and sourced energy by 59% until 2030. For 2019 the outcome remained at 3%. In 2020 we continue to analyse measures and investments that need to be made until 2030.

Workplace safety Target <4.3



Outcome 7.3

The number of accidents resulting in absence per million hours worked (LTIFR) shall decrease. In 2019 the outcome worsened marginally compared with the previous year. Safety work has been stepped up and is given the highest priority.

Share of new products (New Product Ratio) Target 15%



Outcome 10%

The target is for new products to make up 15% of net sales (NPR). The target could not be achieved in 2019 due to certain delayed product launches.

Read about sustainability targets on page 123. [↗](#)

Towards greater profitability and long-term growth

A review of our strategy was conducted during the year in order to achieve the company's full potential. The focus moving forward is on delivering on concrete priorities and initiatives for profitable growth.

Over 100 employees within BillerudKorsnäs were involved in the process of analysing challenges and opportunities, and strengthening the implementation of the strategy. The work resulted in four strategic priorities and a total of 11 clear initiatives for the next five years. Some of the initiatives are shorter in nature, while others are longer, but the purpose of each is to achieve set group targets.

Strong position and improvement work

The investments of recent years have resulted in greater production capacity and good general conditions for optimising our product portfolio. We must make the most of these strengths and our leading positions in primary fibre-based premium segments, as we meet growing demand for sustainable packaging. At the same time there is scope to improve the

company's efficiency, in part through stable production, structured working practices and competitive purchasing of wood and other inputs.

Knowledge drives long-term value creation

With our broad and in-depth knowledge of how the material can be used and how packaging should be designed and constructed to best serve its purposes, we have excellent opportunities to add value for our customers. We are increasing the pace of innovation and are developing new applications as well as new offers of packaging solutions and services. We have a strong position in sustainability, and the strategic importance of such a position has never been more vital. The sustainability issues that are critical for our competitiveness are fully integrated into the strategy.

Strategic priorities



Drive performance

- Safe and stable production
- Cost and efficiency programme
- Harmonising processes and procedures
- Lower climate footprint
- Competitive wood supply



Drive profitable growth by creating customer value

- Focus our offering where we can maximise both customer value and profitability
- Increase production capacity



Accelerate the speed in innovation

- Increase speed to market
- Complete our flagship projects



Expand in the value chain

- Growth in packaging solutions and services, both organically and through acquisitions



Drive performance

BillerudKorsnäs is undergoing a process of change aimed at improving production stability, safety and profitability, reducing our climate footprint and securing a competitive wood supply. The first strategic priority gathers initiatives for improved efficiency and performance.

Safe and stable production

A key element of the strategy involves realising the potential that exists within our production structure and the investments carried out in recent years. Despite several production records, production stability has not been satisfactory over the past few years. There is also a correlation between work-related accidents and unplanned production stoppages. By setting new standards, and developing behaviours and shared working practise, we will improve safety and achieve more stable production.

Accident-free workplace enhances efficiency

Within our goal-oriented efficiency work, it is important to point out that safety is always given the highest priority. Our attitude is that all incidents can be avoided. We also believe that striving for an accident-free workplace goes hand in hand with work towards efficient, disruption-free production.

In 2018, our safety work focused on two parallel tracks: keeping things clean and tidy with the help of robust rules and procedures for carrying out tasks, and developing attitudes and behaviours so that everyone acts for the benefit of their own and their colleagues' safety. In May 2019 a safety consultant was hired to further enhance the conditions for improved safety in our workplaces. Representatives from each of the units were involved in the work of drawing up three key standards for safety, which are to apply to all units.

Over the year, the Group updated its safety policy to clarify its commitment to a safe and productive workplace.

Communicating the safety policy and the three standards, and getting everyone to work to the set principles and rules, will be a focus of important implementation work in the years ahead. All employees have a responsibility to comply with the rules, and the managers have a particularly important role in contributing to a working environment and culture where the rules are taken absolutely seriously. Read more on page 39.

Full potential of the production units

There is assessed to be room for improvement in production stability and 2018 saw the launch of a programme to improve availability and efficiency. The aim is to increase the availability in production by finding improvements that enable each

machine to run at its optimum speed and deliver high quality for as many hours of the day as possible.

Key aspects of this work include analysing the root causes of unplanned production stoppages and identifying what can be done more efficiently and with higher quality. Where losses have been identified, areas for improvement are being prioritised and action plans drawn up. The improvement team, which includes representatives from all the units, continually examines status reports, analyses deviations, and shares and implements examples of best practice. One example of a new solution is the collaboration between BillerudKorsnäs and SKF at Karlsborg. SKF's analysis centre has access in real time to 480 connected condition monitoring points, providing our operators with the expert knowledge they need to make quick decisions and so improve efficiency.

The improvement programme has seen positive results over the year, although the company's Overall Equipment Efficiency (OEE, see next page) was down due to unforeseen disruptions in the first half of the year. The ambition is still for the Group's OEE to improve by 2 percentage points per year for the next few years.

Deliver on implemented capacity increases

The large-scale investments of recent years in our production units in Skärblacka and Gruvön provide opportunities to increase volumes and to optimise the product mix for the best profitability. The focus going forward will be to deliver on these completed investments.

The new machine in Skärblacka, PM10, can at full capacity utilization produce 90 000 tonnes of white machine glazed (MG) kraft paper per year. Customer feedback has been good, with the material meeting expectations concerning strength, surface properties and appearance. The upgrading of the machine PM7 in Skärblacka provides scope to broaden the product portfolio with the focus being on surface-coated products with uses in food packaging and medical packaging. There was already another machine producing MG paper at Skärblacka, and with these three machines, the plant is now a large-scale world leader in the supply of MG paper. Two new laboratories – a microbiology lab that supports medical paper and a lab for packaging development that can investigate how the material affects the conversion process, also contributes to BillerudKorsnäs as a world's leading centre of MG expertise.



Cost and efficiency programme

To ensure long-term efficiency and profitability, Billerud-Korsnäs launched a cost and efficiency programme in the autumn 2019. The programme is expected to generate savings of approximately SEK 600 million by the end of 2021, of which approximately SEK 250 million is expected to affect the result in 2020. The measures include personnel reductions of up to 300 positions, as well as procurement savings and efficiency improvements throughout the business.

Procurement savings will be achieved through increased coordination within the Group and more qualified suppliers. In the coming years, savings will be generated from more efficient purchasing in categories such as chemicals and spare parts. The efficiency drive across the entire business covers everything

The new machine in Skärblacka, PM10, can at full capacity utilization produce 90 000 tonnes of white MG kraft paper per year.

from optimising warehouse flexibility in order to handle changes in demand, and process improvements for efficient material supply, to realising synergies within customer service.

Harmonising processes and procedures

We believe that clear roles and responsibilities, harmonised core processes and an efficient IT infrastructure will have a positive effect on our ability to deliver in the future. Ensuring

Improved production stability for greater profitability

Overall Equipment Efficiency (OEE), percentage points

Time

X

Speed

X

Material

=

OEE



optimal processes and procedures for managing and monitoring our operations sets the groundwork for efficiency, while also contributing to stability. Over the year, we have begun work on optimising and standardising our IT platform to reduce its complexity and make it more user-friendly. We have also implemented a review of our core financial reporting processes with a view to strengthening harmonisation, as a means of simplifying reporting and analysis at various levels. Organisationally, roles have been clarified in line with the division structure introduced in October 2018.

Lower climate footprint

We see it as natural to support the principles of the UN Global Compact and our climate targets are approved by the Science Based Targets initiative. Over the long term, the aim is to free our own production from any use of fossil fuels. The scenario analyses developed as part of the survey of our climate-related risks and opportunities, in line with the Task Force on Climate-related Disclosures (TCFD), will play a key role in making future strategic choices concerning investments in our production structure. We know that the right investments and measures aimed at replacing fossil fuels with biofuels, and so on, can help to reduce costs. Efficiency and sustainability go hand in hand, and when our business operates effectively, it is also at its most sustainable, since disruptions to production, for example, cost not only money but also valuable resources.

Competitive wood supply

BillerudKorsnäs is Sweden's biggest purchaser of wood, at over 10 million cubic metres per year, with the total cost of wood and pulp accounting for around 36% of the company's

Playing an active role in forest management ensures that we can meet our own wood raw material needs, as well as guaranteeing sustainable forestry.

operating expenses. A competitive, long-term wood supply is therefore of the utmost importance for profitability and value creation. Wood costs are affected not only by the price of the raw material itself, but also by currency fluctuations for wood purchased abroad and by the cost of logistics.

Long-term relationships and partnerships are crucial in securing a long-term sustainable and competitive wood supply. Playing an active role in forest management ensures that we can meet our own raw material needs, as well as guaranteeing sustainable forestry. The wood is purchased from forest companies, sawmills and private forest owners. With an eye on low costs and emissions, we strive to optimise the links in the value chain, for example through efficient transport from the forest to our units and good stock control.

An important, long-term wood supply agreement was secured in conjunction with our sale of a majority stake in Bergvik Skog Öst to AMF in 2019. The divestment of Bergvik Skog Öst was carried out against the backdrop that our focus is on challenging conventional packaging for a sustainable future, not owning forest. Under the agreement, over the next 15 years Billerud-Korsnäs will be the sole purchaser of the wood volumes from Bergvik Skog Öst's forests, equating to around a tenth of our total wood need. This establishes a solid foundation for a long-term, stable and cost-effective wood supply for our mills.



Drive profitable growth by creating customer value

We are constantly working to improve our offering and increase the competitiveness of our customers. When we maximise customer value, our profitability will rise.

Offers focused on customer value

By increasing our understanding of our customers' needs, and also of their customers' needs, we can maintain and strengthen our market positions, deliver high customer value and so ensure good profitability. The ambition is clear: we will grow in attractive market segments where the end products have high added value.

Our leading positions exist largely in premium segments, which is ideal from a customer value and profitability perspective. Across the whole company, we work on value-based sales and meet high customer expectations regarding factors such as quality, service level and reliable deliveries. We conduct regular customer surveys, the latest of which, in 2019, showed that BillerudKorsnäs' Net Promotor Score has risen from 23 to 34.

We assess our product mix on an ongoing basis and adapt sales initiatives and production on the basis of set parameters, such as the primary fibre-based raw material and the prevailing demand situation. We work constantly to develop new niche products, often in collaboration with our customers. A clear example of this is our premium positioning in white kraftliner. During the year, we launched a product in the white kraftliner segment, Pure Performance, which has a three-layer structure offering maximum strength and durability over time, and also under constant load in tough climatic conditions. The material is particularly good for creating packaging that both catches the eye and weighs less, for convenience food, electronics and so on.

Better product mix and greater production capacity

Our new board machine at Gruvön, KM7, is expected to generate considerable cash flow, making it an important part of the plan for profitable growth. As KM7 was brought online in 2019, three older machines were shut down at Gruvön (PM1, PM2 and PM5). These changes have a negative impact over the short term, but in a few years' time the profits from the new board machine will make a significant contribution to the bottom line – not only through the substantial increase in production capacity, but also by an improved product mix with a higher proportion of premium grades and an increased flexibility, which makes us better able to handle fluctuations in demand. Over the long term, the investment has strengthened our competitiveness in the market for sustainable packaging materials.

Work on achieving the new board machine's full potential will be a major focus of the years ahead. During the first half of 2020, the machine will begin producing coated grades and we will initiate the process of certifying the material for different areas of use in liquid packaging board products, one of the main product categories for this machine for which we are seeing stable, long-term growth in demand. The process of gradually increasing the proportion of higher-value premium grades and upping the production speed is scheduled to continue until 2023.

As part of the initiative to increase production capacity, we constantly review opportunities for capacity increases and optimisation of the production structure.



Accelerate the speed in innovation

Demand is growing for sustainable packaging solutions that minimise the carbon footprint and fit into a circular economy. We are working in close collaboration with customers and partners to develop innovative solutions that improve the use of the earth's resources.

Collaboration to solve challenges

We consider collaboration both internally and with external industry actors and partners to be essential in driving successful research and development work. A holistic approach to packaging is necessary if we are jointly to develop safe, durable, resource-efficient and low-carbon packaging solutions that help to reduce food waste and minimise pollution, while at the same time boosting consumers' perceptions and experience of the packaged product.

Improving the recyclability of packaging is one example of an area in which we and others in the industry need to increase the pace. During the year, we joined forces with four other actors to set up GRACE (Global Recycling Alliance for Beverage Carton and the Environment), a network for jointly advancing key issues within recycling and strengthening the positioning of liquid packaging board, with both low carbon footprint and a strong link to a circular economy.

Bring innovations to market more quickly

Advanced material development of our already high-quality materials, combined with upscaling to industrial processes, forms the basis of our product innovation. Our materials are based on renewable forest raw material, which puts us in an enviable position to meet future demand for materials that are even lighter, stronger and stiffer, with improved barrier and print performance.

The technologies deemed to be strategically important to our growth are new functionalities in packaging surfaces and the structure of the fibre material. Our tech centres and product development departments are strategically sited alongside our biggest production units.

Now that our major investments at Gruvön and Skärblacka are complete and the division structure, with decentralised product development, has bedded in, we see good opportunities to take the next step and increase the pace of our innovation work, so that we can speed up the process from concept to market launch. We are accelerating the pace of innovation, and our target is for new products to account for 15% of our sales. Read more on page 38.

Flagship projects with potential

In addition to our continual development of materials, we are working to devise entirely new, sustainable packaging solutions. Our focus on flagship projects involves prioritising innovation projects that are committed to speedy progression, in order to bring solutions to market as quickly as possible, usually as next-generation launches.

Chosen with great care, our flagship projects have the potential to change the market, improve use of resources and promote profitable growth. These projects are from day one integrated with customers, brand owners and strategic partners, which is an essential prerequisite for the products to be commercially viable.

New offers and business models

Looking beyond product innovation, we are also seeing business innovation increase in importance. Business innovation is about the development of the packaging industry and commercialisation of new offerings, hand in hand with implementing new business models thus generated. Our Managed Packaging business is a prime example of this. Read more on page 30.

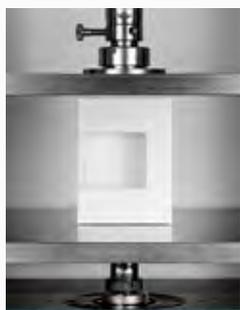
Our flagship projects

Sustainable barriers

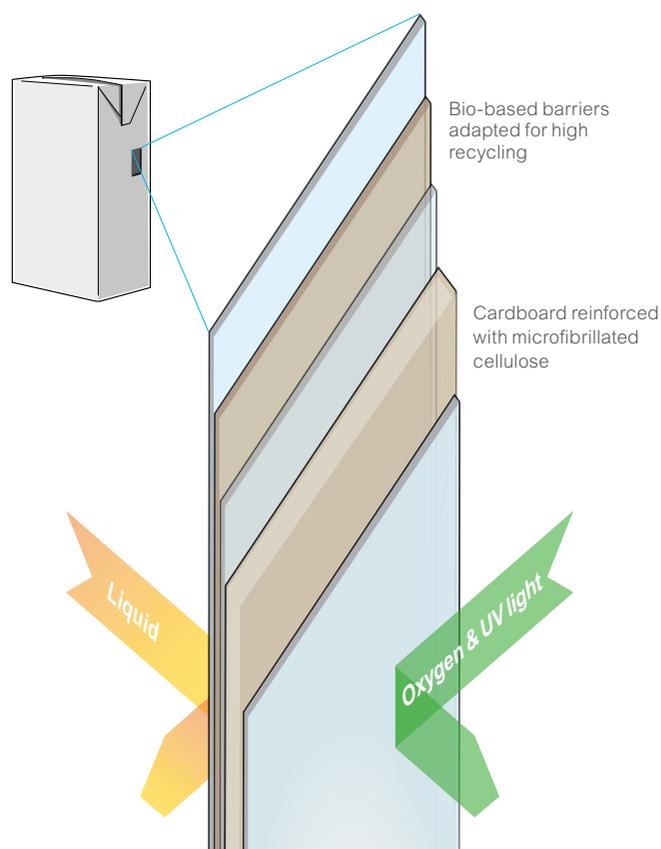
Bio-based barriers have the potential to revolutionise the market, replacing plastic and aluminium barriers in packaging for food, drinks and medical products. “Bio-barriers for liquid packaging board” is for example one of our flagship projects, in which we are working with customers to develop the next generation of board packaging for drinks. Another flagship project in this area is “Recyclable flow wrap”, which involves us working with machine manufacturers and universities to develop a paper-based barrier solution for products such as chocolate wrappers.

Lighter and stronger materials

A further flagship project focuses on developing board properties with the help of microfibrillated cellulose (MFC), aimed at achieving the same strength and dura-



bility with less material consumption. Our involvement in the national research platform Treesearch, with its emphasis on finding new methods and processes for adding value to Swedish forest raw material, offers opportunities for further innovations based on microfibrillated cellulose.



The paper bottle

During the year, BillerudKorsnäs and ALPLA, a leading bottle manufacturer, formed a joint venture called Paboco® (the paper bottle company), with a view to creating the world's first fully recyclable and biodegradable paper bottle for carbonated drinks, and other content.

The brands that have so far signed up to the collaborative programme are Carlsberg, Absolut, L'Oréal and Coca-Cola. In October, Carlsberg launched the latest research prototype of the Green Fibre Bottle, which is a clear step in the right direction. We are now pushing forward with our partners on the next step in the innovation process, to overcome the remaining technical challenges and launch a commercially viable bottle within just a few years.

The paper battery

The development of electrode materials for batteries, based on the paper manufacturing process, has the long-term potential to establish smart, interactive packaging, with both the packaging and the battery based on renewable

materials. BillerudKorsnäs has partnered with one of Sweden's leading research teams at Uppsala University to develop the paper battery. Important progress was made in the spring, when the first test production was performed on a pilot paper machine at industrial speed.



Expand in the value chain

Our ability to add value for our customers and their customers will determine the success of our strategic repositioning, with all three divisions expanding along the value chain in various ways.

We have the potential to challenge more of the conventional packaging options and we are seeking to increase our sales of packaging solutions in the years ahead.

Sales growth linked to our materials

For Division Board and Division Paper, this strategic priority involves the identification of new applications that exploit the full potential of our primary fibre-based material, thus driving additional sales.

By spotting early on how our materials can meet future packaging needs, we can increase the value of our production assets and expand in the value chain. One example is this year's launch of Xpression E-Com, a primary fibre-based mailing bag that has been developed in partnership with a machine manufacturer. The product is an alternative to plastic bags or bulky corrugated board boxes, providing a solution that meets the rising demand from global e-commerce operators for sustainable packaging. The material is renewable, recyclable and biodegradable. Functionally, the bag has a visually attractive appearance and makes returns easier with its practical resealing solution.

Offers closer to brand owners

Within Division Solutions, the expansion along the value chain means a focus on service-driven systems and holistic solutions for brand owners, based on materials produced by us and others. There is potential to grow organically, and down the line the acquisition of businesses in related areas may also become relevant.

Our amassed expertise in packaging solutions provides excellent opportunities to develop what we offer brand owners who need cost-effective solutions for packaging their products. Managed Packaging also has a large network of production partners in China and Southeast Asia.

There is growing pressure on brand owners to have control over their entire value chain. An added value service forming an increasingly important part of Managed Packaging's business is brand protection, whereby we take responsibility for ensuring regulatory compliance and responsibility by coordinating suppliers, conducting quality checks and measuring performance all the way along the value chain. With one point of contact, customers gain full transparency and full control over their whole packaging chain. Our expanded network of production partners also gives customers confidence, since we have quality assured all the suppliers and are able to select the most appropriate one, based on the customer's specific needs.



Xpression E-com is a renewable alternative with the potential to replace conventional plastic mailing bags.



Three divisions for increased customer value

Our business is run across three divisions with full profit and loss responsibility: Division Board, Division Paper and Division Solutions.

World-class board machine meeting demand

With a focus on safe and stable production, we work purposefully to secure customer deliveries and our own profitability and growth. The start of production on our new board machine in Gruvön was an important milestone during the year.

Within Division Board, we produce primary fibre-based premium material for liquid packaging board, cartonboard, fluting and liner at four integrated mills in Sweden.

Our investment in a new board machine in Gruvön, KM7, is crucial in providing customers with the materials that best meet their needs. The new machine is highly automated, offering considerable flexibility, and once it is up to speed it will be able to produce a mix of profitable products in our segments. In 2019, KM7 largely produced white top kraftliner and the customer response was positive. The focus of the next few years will be on steadily ramping up production volumes and increasing the proportion of premium-quality products in order to meet customer demand. The plan is to begin the certification process for liquid packaging board materials in the first half of 2020. By 2023, the machine is expected to reach its full capacity utilization of 550 000 tonnes of board annually.

Sales and earnings for the year

Net sales rose 8% compared with the previous year, primarily driven by increased sales volumes and positive currency effects. EBITDA fell by 19%. The lower results were mainly due to start-up effects of KM7 attributed to a negative change in product mix. As a consequence of KM7 coming on line, the first half of the year saw the closure of three older machines

in Gruvön with a total production capacity of around 215 000 tonnes.

Safe and climate-smart liquid packaging board

Liquid packaging board currently accounts for 55% (56) of Division Board's sales and around a third of BillerudKorsnäs' total sales. We supply taste and odour-neutral liquid packaging board to the world's leading packaging manufacturers,

Food safety is essential when delivering material for food packaging that offers optimum protection and preserves the content for the whole of its life. Many markets also require extended durability. With over 60 years' experience in developing liquid packaging board for both aseptically packed and chilled foods, we have an excellent foundation for continued development of the material and drive up both customer value and our own sales.

Since the board is based on primary fibre from responsibly managed forests, liquid packaging board is a low-carbon choice compared with fossil-based solutions, in part because the raw material is renewable, but also because primary fibre-based liquid packaging board is so strong that the weight of the packaging can be reduced compared with other materials. The primary focus of our product development and innovation in liquid packaging board is on maximising the benefits

Division Board manufactures and sells liquid packaging board and cartonboard, plus fluting and liner. The material is sold primarily to packaging manufacturers. The size and requirements of customers vary, but they all demand high quality and expect materials and service solutions that add value. Surplus paper pulp is sold on the open market.

4–5%
is the annual growth target

56%
of net sales (SEKm 13 692)

1 986
SEKm, EBITDA



of the material's strength and making the barriers, that are currently based on plastic and aluminium, more sustainable. In order to further improve our sustainability performance we work on the development of new, sustainable barriers.

Packaging recycling is an area that will be increasingly important in solving the environmental and climate challenges ahead. The EU has stated that 85% of all board must be recycled by 2030, which has prompted brand owners to seek out packaging solutions that are easy to recycle, with as few material combinations as possible. Read more on pages 9–10.

Cartonboard for premium products

Cartonboard accounts for 11% (10) of the division's sales, with a focus on board for premium packaging that forms a natural part of the brand. Formability, outstanding print surfaces with first-class colour reproduction and the capacity to create uniquely tactile surfaces are properties that brand owners value in their drive to clearly differentiate their products. The fact that the packaging is renewable and recyclable, and that all our board types are so strong that the weight can be reduced without jeopardising the performance of the packaging, is a competitive advantage in view of consumers' heightened environmental awareness and focus on sustainability. The sharp rise in e-commerce is another factor driving demand for attractive quality packaging, with the sustainability profile and the visual unboxing experience both influencing consumers' perceptions of the brand. Billerud-Korsnäs offers specialist knowledge and advanced laboratory equipment to help brand owners, packaging manufacturers



“Our already leading position has been further consolidated by our new machine at Gruvön. From the start of production in June to the year end, KM7 produced over 90 000 tonnes of white top kraftliner and cup stock. The next step in the ramp-up is to begin manufacturing coated materials and to initiate the certification for materials for liquid packaging board in partnership with our customers.”

Mikael Andersson
Executive Vice President Division Board

Key figures

SEKm	2019	2018
Net sales	13 692	12 679
of which liquid packaging board	7 583	7 154
of which cartonboard	1 467	1 279
of which fluting and liner	3 626	3 412
Operating expenses, net	-11 706	-10 223
EBITDA	1 986	2 456
<i>EBITDA margin</i>	<i>15%</i>	<i>19%</i>
Operating profit	811	1 469
<i>Operating margin</i>	<i>6%</i>	<i>12%</i>
<i>Return on capital employed</i>	<i>5%</i>	<i>10%</i>
Sales volumes, ktonnes	1 815	1 720

Focus 2020

- Ensure ramp-up of KM7 in Gruvön
- Safe and stable production
- Lower variable and fixed costs
- Draw commercial benefits from a strong product portfolio and set a new market standard
- Continue to create customer value from fibre to packaging
- Quickly meet increased regulatory requirements for packaging in prioritised growth markets

Production units	Production split 2019	
	<p>Gruvön Produces liner, fluting, cup stock, liquid packaging board and formable paper. Also produced kraft paper and sack paper in the first half of 2019. The new board machine KM7 has expanded the plant's capacity, with production currently being ramped up. Gruvön has a development centre with expert knowledge of packaging optimisation.</p>	<p>870 000 tonnes per year capacity Around 850 employees</p> <p>Fluting and liner: 63% Liquid packaging board: 13% Cup stock: 5% Kraft paper: 1% Sack paper 1% Market pulp: 17%</p>
	<p>Gävle Produces liquid packaging board and white top kraftliner, the outer, printable layer of corrugated board boxes. Each day the plant produces material for 200 million drink packages (single portion size), which means that a quarter of the portioned drinks in the world use liquid packaging board made by BillerudKorsnäs in Gävle.</p>	<p>755 000 tonnes per year capacity Around 740 employees</p> <p>Liquid packaging board: 83% Fluting and liner: 9% Market pulp: 8%</p>
	<p>Frövi/Rockhammar Produces liquid packaging board and cartonboard. Rockhammar produces unbleached and bleached CTMP¹ for delivery in baled form to Frövi. Frövi/Rockhammar also has a development centre and laboratory that offers expert help with packaging optimisation, printing support and converting support.</p>	<p>500 000 tonnes per year capacity Around 580 employees</p> <p>Liquid packaging board: 69% Cartonboard: 31%</p>

¹ Chemo Thermo Mechanical Pulp.

and creative design agencies realise their ideas for competitive, unique packaging solutions.

World-class fluting and liner

Primary fibre-based fluting and liner accounts for 26% (27) of Division Board's sales, with the customers – corrugated board manufacturers – demanding strong, light and pure materials that can stand up to the rigours of demanding distribution along the whole supply chain. Pure packaging material made from 100% primary fibre also meets national regulations or recommendations for contact with food, including those overseen by the FDA in the USA and BfR in Germany.

During the year, we launched an additional white kraftliner, Pure Performance, which has exceptional strength and durability over time, making it able to handle constant loads even in tough climatic conditions.

Market and position

The market for liquid packaging board remains stable even during periods of economic downturn. BillerudKorsnäs is

one of the leading material manufacturers in this segment. The demand is to some extent driven by our work with our customers, with whom we have long-standing relationships, to find new areas of use and applications for the material. Demand is growing in developing markets due to urbanisation and the establishment of a cohesive food supply chain.

The global demand for high-quality cartonboard is expected to continue to grow, with South and South-East Asia as the fastest growing markets geographically. The greatest growth is expected to come from our white cartonboard, which is used in premium packaging for products in beauty and health-care, cosmetics, luxury drinks and confectionery. We also see potential for growth in the American market for high-quality cartonboard, a market that currently accounts for a relatively small percentage of our sales.

In the global market for fluting and liner, BillerudKorsnäs is a niche supplier in the high-quality product segments semi-chemical fluting and white kraftliner.

Division Board sells

Applications

Liquid packaging board

Liquid packaging board is used primarily in packaging for beverages and other liquid foods.

Competition: Primary fibre-based liquid packaging board competes mainly with plastic but also with other packaging materials.

Other major manufacturers: Stora Enso and Klabin.

Long-life ambient¹
#1
globally

All packaging types
#2
globally



- Milk
- Juice
- Sports drinks
- Smoothies
- Preserved foods such as chopped tomatoes, beans and sauces

Cartonboard

Cartonboard is used for products in premium segments, where the packaging is often part of the brand's image. Materials and surfaces that allow for unique designs and graphics, print quality, flexibility and moisture resistance are just some of the functions that are in demand.

Competition: Other packaging materials, mainly plastic.

Other major manufacturers: Iggesund and Metsä Board.

Pure white primary fibre-based liner
#2
Europe

Coated primary fibre-based liner
#1
Europe



- Exclusive drinks
- Perfumes
- Beauty and healthcare products
- Confectionery
- Household products and industrial goods in the premium segment
- Fashion articles
- Food in the premium segment

Fluting and liner

Fluting is the wavy layer in corrugated board, which is used for fragile and heavy industrial products and in food packaging. Liner is used in cartonboard and is the outer, printable layer on corrugated board boxes.

Competition: Recycled fibre-based fluting and other materials in plastic and wood compete with primary fibre-based fluting. In liner, the competition comes from recycled fibre-based coated and uncoated white top testliner.

Other major manufacturers: Mondi and Metsä Board.

Primary fibre-based NSSC² fluting
#1
Europe



- Fruit and vegetables
- Exclusive drinks
- Beauty and healthcare products
- Confectionery
- Heavy components for the automotive industry, white goods and electronics
- Home electronics
- Secondary or store packaging for consumer goods

¹ Packaging with long shelf life at room temperature.

² NSSC is a semi-chemical pulp used as the raw material for fluting.

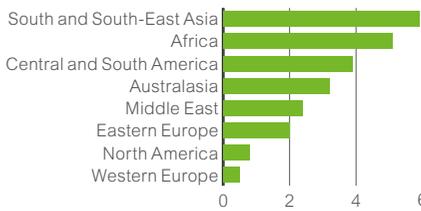
Annual estimated growth in demand for liquid packaging board

Annual volume growth 2016–2024¹, %



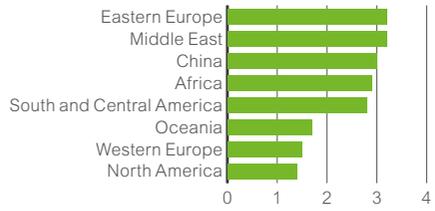
Annual estimated growth in demand for cartonboard

Annual volume growth 2017–2022², %



Annual estimated growth in demand for corrugated materials (fluting and liner)

Annual volume growth 2016–2030³, %



¹ BillerudKorsnäs analysis, Pöyry, Vision Hunters, Zenith. ² Smithers: The Future of Folding Cartons to 2022. ³ Pöyry: World Paper Market 2017.

Strong position and new business opportunities

With a strong market position and our world-leading MG centre in Skärblacka, we are well placed to continue creating value for our customers, launching new products with high added value and thus optimising the product mix.

Within Division Paper, we produce primary fibre-based and high-quality kraft paper and sack paper for a wide range of applications in both consumer-facing segments and manufacturing. Our two largest production units, Skärblacka and Karlsborg, are integrated, which means that they have their own pulp production, while our plants in Pietarsaari and Beetham are pure paper mills.

Through investment in the Skärblacka plant in 2018, we have established a world-leading centre for machine glazed (MG) paper, which is used for medical and food packaging that has to be of the highest standard. The project involved a spectacular move for one of the largest MG machines in the world from our previous plant in Tervasaari to Skärblacka. The machine is now integrated with the pulp line to secure lower production costs. 2018 also saw investment to improve the capacity for surface treatment on an existing machine in Skärblacka. With a total of three machines and two new development and test laboratories, the completed investment establishes improved functionality that strengthens our offering. Customer response to the properties of the material has been very positive and in 2019, new barrier-coated products with greater added value were introduced.

During the year, our production platform received an additional boost as our Beetham plant obtained strategic ISO 22000 certification for food safety, giving us a competitive edge in the sale of premium paper for food packaging and packaging for the healthcare industry. In addition, Karlsborg was granted a permit to increase production capacity. To obtain the permit, improvements regarding environmental impact, a cut in emissions and risk reductions in production were required.

Sales and earnings for the year

Net sales fell by 4% compared with the previous year, primarily due to lower volumes, a less favourable product mix and lower pulp prices. EBITDA decreased by 21% compared with the previous year. The lower results were due to reduced demand, a less favourable product mix and higher fibre costs.

Kraft paper with a bright future

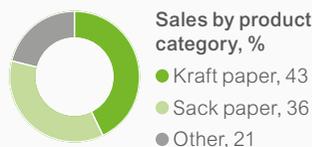
Kraft paper accounts for around 43% (42) of Division Paper's sales and we supply both machine glazed (MG) paper and machine finished (MF) paper. Our paper grades are used for everything from dry food packaging, medical packaging and carrier bags to interleaving in the manufacturing industry. Food packaging and medical packaging demand particularly high standards of food safety, purity and flexibility.

Division Paper manufactures and sells high-performance, premium-grade kraft and sack paper to selected segments in the manufacturing, medical equipment and consumer sectors. The core areas of use are dry food, medical applications and the construction industry. The material is sold primarily to packaging manufacturers. Surplus paper pulp is sold on the open market.

0–2%
is the annual growth target

33%
of net sales (SEKm 8 142)

1 196
SEKm, EBITDA



In conjunction with the investment in Skärblacka as a world-leading MG centre, two new laboratories have been set up – a microbiology lab and a lab for packaging development. We assess that these will play an important role in our customers’ business and our own global competitiveness. The new microbiology lab allows us to control the level of microorganisms and ensure that our products are optimised for medical packaging, where purity is of the utmost importance. The new packaging development lab, where we can investigate how the properties of our papers affect the customers’ conversion processes, improves our capacity to quickly develop new and existing products.

During the year, we developed Xpression E-Com, a paper grade specially designed for the manufacture of strong mailing bags for e-commerce operators. The renewable bags have the potential to replace the single-use plastic bags and bulky corrugated board boxes commonly used today. The new kraft paper works in existing converting machines and the bags have been developed jointly with a machine manufacturer. They are available either in white, for good printability, or brown for the brand owners who prefer a natural look.

Another product innovation launched at the end of 2019 is Repel Pure, a grease-resistant and fluorine-free kraft paper that can be used for food such as burgers and fries. Repel Pure is able to replace other greaseproof paper products that have a fluoropolymer barrier, and is good for the environment since its plant-based barrier is fully biodegradable in nature, in contrast to the fluorine-based option.



“Our focus is on maximising customer value through both new products and new applications. The second half of the year saw market conditions weaken in certain segments, particularly sack paper. When demand falls, we adapt our production accordingly and focus on efficiency measures.”

Helene Biström
Executive Vice President Division Paper

Key figures

SEKm	2019	2018
Net sales	8 142	8 523
of which sack paper	2 918	3 279
of which kraft paper	3 504	3 586
Operating expenses, net	-6 946	-7 007
EBITDA	1 196	1 516
<i>EBITDA margin</i>	<i>15%</i>	<i>18%</i>
Operating profit	752	1 090
<i>Operating margin</i>	<i>9%</i>	<i>13%</i>
<i>Return on capital employed</i>	<i>14%</i>	<i>20%</i>
Sales volumes, ktonnes	882	941

Focus 2020

- Develop customer value
- Safe and stable production
- Streamline the cost base
- Take advantage of business opportunities where sack and kraft paper can replace plastic

Production units	Production split 2019		
	<p>Skärblacka Produces high-quality machine glazed kraft paper, brown sack paper, fluting and market pulp. It has two laboratories, with expertise in barriers and various types of sealing system, for the development of packaging for food and medical products.</p>	<p>460 000 tonnes per year capacity Around 670 employees</p>	<p>Sack paper 34% Kraft paper: 26% Fluting: 22% Market pulp: 18%</p>
	<p>Karlsborg Produces kraft paper and sack paper plus market pulp. It has a Packaging Development Center that offers value adding expertise and services in the optimisation of pulp and the development of bags and sack packaging.</p>	<p>335 000 tonnes per year capacity Around 380 employees</p>	<p>Sack paper 28% Kraft paper: 6% Market pulp: 66%</p>
	<p>Pietarsaari Produces kraft and sack paper. The Pietarsaari plant also produces advanced, high-performance paper grades for a range of technical applications such as abrasive papers and reel and ream wrapping.</p>	<p>200 000 tonnes per year capacity Around 120 employees</p>	<p>Kraft paper: 77% Sack paper 23%</p>
	<p>Beetham Produces paper for packaging of medical equipment, food packaging and other types of industrial applications. Specific applications include grease-resistant paper for the fast-food industry and direct-seal sterile barrier paper.</p>	<p>45 000 tonnes per year capacity Around 160 employees</p>	<p>Kraft paper: 100%</p>

Strong and sustainable sack paper

Sack paper, both brown and white, accounts for 36% (38) of Division Paper's sales. The combination of high strength and elasticity is an important competitive advantage, with the sacks having to tolerate any environment and stand up to tough climate and handling challenges. The brown sack paper is used primarily to bag up building materials such as cement. The white sack paper is amongst other things used for DIY materials in the European consumer market and for animal feed. Good printability is one of the advantages of the white sack paper.

Our Packaging Development Center at Karlsborg is an important asset in the creation of new packaging solutions based on our renewable sack paper grades. Design and functionality can both be improved through advanced testing, simulation and analysis. Our existing product portfolio includes the award-winning D-Sack®, a soluble sack for cement and other building materials that has a positive impact on the climate. QuickFill® is another example of a sack paper whose extreme strength and porosity enables a switch to fewer layers of paper

and high-speed conversion. Sacks made from QuickFill combine high strength and rapid air release in the filling process. This enables a high filling speed while also minimising losses.

Market and position

Demand for kraft paper is being driven primarily by demographic changes that see more goods having to be packed and distributed into the cities. BillerudKorsnäs is one of the world's leading kraft paper manufacturers. In the areas where kraft paper is used, competition comes mainly from plastic packaging, and in many cases it is possible to replace the plastic by introducing new areas of use for kraft paper. Growing awareness of sustainability and tighter regulations on plastic use, for example, are driving up demand for sustainable packaging solutions that are low-carbon, recyclable and circular.

Demand for sack paper is also driven by megatrends such as urbanisation, particularly in growth markets outside Europe. BillerudKorsnäs is one of many actors in the global market for brown sack paper, but we are one of the leading suppliers of

Division Paper sells

Applications

Kraft paper

Kraft paper is used primarily in packaging for medical equipment and food packaging aimed at users that require very high standards of purity, printability, sterilisation, flexibility and strength.

Competition: The primary competition comes from plastic packaging solutions.

Other major manufacturers: Mondi and Heintel Papier.

#2 globally

#1 Europe



- Dry foods such as flour, sugar and grain
- Carrier bags
- Medical packaging
- Flexible and formable packaging
- Steel interleaving
- Bread bags
- Greaseproof paper
- Release liner for hygiene products

Sack paper

High strength is crucial for competitiveness in this market. The sack paper can be filled without splitting or creating dust, which not only protects the content but also contributes to a clean and healthy work environment.

Competition: Mainly sack solutions in plastic and bulk distribution.

Other major manufacturers: Mondi and Segezha.

#2 globally

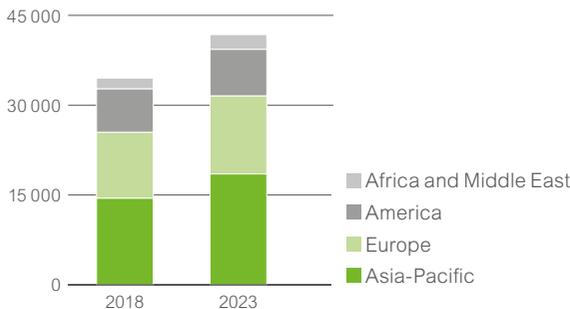


- Building materials (e.g. cement)
- Industrial minerals
- Chemicals
- Food
- Animal feed

white sack paper in Europe. The sack paper market is affected to some extent by investments in construction, which in turn are influenced by macroeconomic factors such as interest rates and property prices. The renovation trend among European consumers has had a positive impact on demand, in a market

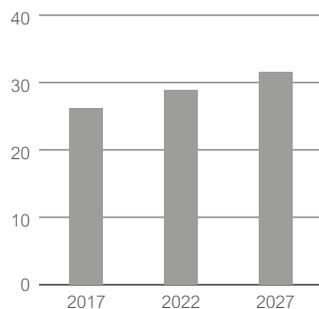
that is also driven by the increasing environmental awareness among converters, brand owners and consumers around the globe, with sack paper offering significant benefits over materials that are not biodegradable.

Estimated growth in consumption value of sack and kraft paper in the food sector¹
MUSD



¹ Smithers: The Future of Sack and Kraft Paper to 2023.

Estimated global demand for industrial sack paper¹
billion sacks



¹ Freedonia: Global Sack Kraft Paper, 2018.

Knowledge in solutions creates growth

Our collective expertise in functional and sustainable packaging solutions makes us well equipped to develop business and create value further up the value chain.

Division Solutions focuses on sales of packaging solutions with a large element of services and business development. The division includes Managed Packaging, which offers services regarding custom packaging solutions and services for global brand owners and retail chains with production in Asia. Other Solutions develops optimised packaging solutions for brand owners in close partnership with machine manufacturers and converters.

The division was established in 2018 and over the past year we have continued to develop our offering for brand owners. The basic aim is to make full use of BillerudKorsnäs' accrued know-how on sustainable and functional packaging solutions, where we see major growth potential for the future. Over the coming years, we expect to see growth via new customers for Managed Packaging, the development of new offerings for brand owners and supplementary acquisitions of businesses in related areas.

Sales and earnings for the year

Net sales rose 1% compared with the previous year, mainly driven by positive currency effects and an improved sales mix. EBITDA increased to SEK 64 million (14). Earnings were strengthened by an improved sales mix and positive currency effects. A favourable outcome of a technical complaint which occurred in 2018 also had a positive impact.

Total solutions for global brands

Managed Packaging accounts for the majority of the division's sales. Our customers need efficient packaging solutions and

through our packaging design expertise, we develop optimised solutions for lower resource utilisation, both in materials and transport. We create transparency and control over the entire packaging chain, and simplify the work of brand owners by acting as their only point of contact in packaging matters in a complex production system. In general terms, packaging solutions can be divided into transport packaging, which is optimised to reduce transport and handling costs, and consumer packaging, where the packaging also forms part of the brand.

Managed Packaging holds a strong position in the customer segment for clothing and shoes, and has over 80 production partners in China, Vietnam, Indonesia, Cambodia, Bangladesh and India. The large production network is a strength, as it enables the management of complex programmes over a large geographical area, which is unique to BillerudKorsnäs. Qualifications and reviews of our packaging suppliers guarantee that customers get the right material and that it is produced in a responsible manner. Compliance and responsibility are vital factors in protecting customers' brands and we work constantly to further reinforce this area. Read more on page 44.

Profitable growth for a business that spans three continents is contingent on efficient processes and tools that enable our teams in Europe, the USA and Asia to make effective use of shared infrastructure across different time zones. BillerudKorsnäs has for example three development centres, with value-creating packaging design usually conducted in Portland

Division Solutions meets brand owners' growing demand for sustainable and effective packaging solutions and systems. Managed Packaging offers services relating to custom packaging solutions, while other Solutions focuses on sales of innovative packaging solutions with a strong knowledge component. Division Solutions' customers are primarily brand owners.

15–25%
is the annual growth target

4%
of net sales (SEKm 990)

64
SEKm, EBITDA



and Gruvön. Our Chinese development centre in Shenzhen also offers design services, expertise in packaging performance and high-tech equipment, but its particular role lies in adjusting and completing the design, optimising material specifications and maximising production efficiency. Shenzhen is also geographically closer to the manufacturers of the products and the local packaging suppliers.

Future packaging systems that challenge plastic

In other Solutions, we develop and sell mainly primary fibre-based packaging solutions and packaging systems that are optimised for brand owners and developed in close collaboration with machine manufacturers and converters. The rising demand for sustainable and innovative packaging solutions is driven primarily by consumers’ raised awareness of sustainability, demographic changes in growth markets and a growing on-the-go culture in food and drink.

FibreForm®

The majority of sales in other Solutions relate to FibreForm, a renewable, biodegradable and food-safe paper with extraordinary elasticity. The material’s properties give great scope for unique packaging in various forms, with the possibility of a ten times deeper embossing than regular paper. Since the paper is also cold-formable, energy consumption is lower than for plastic converting. A life cycle analysis shows that FibreForm has 71% lower carbon emissions than conventional alternatives that tend to be made of plastic. FibreForm can be used for many different applications and the packaging manufacturer is often able to use their existing packaging machines.



“We are constantly developing our offerings of functional and sustainable packaging solutions for brand owners, and we see good opportunities to increase growth, both organically and via acquisitions. We ensure profitable growth by prioritising selected market segments and optimising the customer portfolio.”

Anders Lundin
Executive Vice President Division Solutions

Key figures

SEKm	2019	2018
Net sales	990	980
of which Managed Packaging	822	839
of which Solutions Other	168	141
Operating expenses, net	-926	-966
EBITDA	64	14
<i>EBITDA margin</i>	6%	1%
Operating profit	54	1
<i>Operating margin</i>	5%	0%

Focus 2020

- Expand collaboration with brand owners
- Growth for Managed Packaging via new customers
- Continued commercialisation of new applications for FibreForm
- Assessment of potential acquisitions

The U-Bend Straw is a renewable alternative with the potential to replace conventional plastic straws.

- Recent years have seen customers in food and consumer goods, who previously lacked access to renewable materials for deep drawing, making trays and blister packs using FibreForm.
- In 2019 BillerudKorsnäs and The Paper Straw Company jointly registered a patent for the U-Bend Straw, a paper straw made from FibreForm. The U-Bend Straw can be bent 180° and is used on cartons of juice, for example.
- During the year, we introduced a reusable carrier bag in FibreForm to British supermarket chains. The bag is strong enough to handle a weight of up to 27 kg.

Sealed Paper Packaging

The packaging system Sealed Paper Packaging, which uses BillerudKorsnäs' Axello ZAP material, offers an effective alternative to plastic packaging for dry foods. Sealed Paper Packaging with Axello ZAP is amongst other things used for pasta packaging in Europe. The paper packaging is climate smart, recyclable and impervious to dust and insects.



According to a life cycle analysis, Axello ZAP packaging generates 65% lower carbon emissions than the equivalent plastic packaging. The concept was launched in 2016 in partnership with Bosch Packaging Technology. Our kraft paper Axello ZAP is tailored for the ZAP module from Bosch, and the paper's natural strength, elasticity and surface properties make it perfect for use in the demanding Vertical Form, Fill and Seal (VFFS) process.

Innovative new solutions

Through our subsidiary BillerudKorsnäs Venture, we invest in promising innovation companies in the field of packaging solutions that could expand our offering. An accelerated pace of innovation is one of our strategic priorities, and we are forging ahead with a holistic approach to packaging, working with other actors and partners to find climate-smart solutions. We offer long-term commitment to the portfolio companies, supporting them during development and commercialisation with the help of our expertise in packaging, commercial reach and technical capacity.

Paboco®, the jointly owned company formed by BillerudKorsnäs and bottle manufacturer ALPLA, is one such investment. Paboco is working to develop and commercialise the paper bottle. The brands Coca-Cola, Absolut, Carlsberg and L'Oréal have joined us on this development journey.

Another investment relates to the company Kezzler, which specialises in digitalised packaging. Kezzler has developed software that allocates packaging a unique code, paving the way for many applications to improve transparency in logistical flows and communication between brand owners and consumers.



Award-winning packaging solution replaces plastic

Each year around 350 million tennis balls are sold around the world, most of them packaged in plastic. When Wilson developed a new tennis ball, they also wanted to create a more sustainable packaging solution. After 18 months of work with a team from Managed Packaging, Wilson's new tennis balls now have a packaging solution based entirely on primary fibre and manufactured at Frövi. The packaging solution secured second place in the Plastic-Free category of the Dieline Awards.

A circular and sustainable society as the driving vision

BillerudKorsnäs' purpose is to challenge conventional packaging for a sustainable future. We do this by driving proactive work on sustainability that increases our capacity to take responsibility throughout the value chain, create greater customer value and contribute to the transition to a circular economy based on renewable and recyclable raw material.



PURPOSE

We challenge conventional packaging for a sustainable future

Focus areas

– vital to our future competitive strength

- Climate impact
- Materials for the future
- Sustainable innovation
- Safety first

Read more on pages 36–39 

Sustainability foundation

– the foundation of a sustainable and responsible value chain

- Sustainable wood supply
- Responsible supply chain
- Engaging workplaces
- Resource-efficient production
- Community engagement
- Responsible business

Read more on pages 40–51 

Four focus areas clearly point the way

A review of our most important sustainability aspects was carried out as part of Group-wide strategic work (read more on pages 13–20 ). The review identified four focus areas, all of which are strategically crucial to our future competitive strength and to our ability to make a real difference. The

focus areas are supported by ongoing work on sustainability which encompasses a number of fundamental sustainability issues that we need to tackle, follow up and report on in all manner of ways. We will be issuing updated sustainability targets in 2020.

The climate and other sustainability issues are high on the global agenda, generating plenty of green investment, development of green technology and political initiatives to contribute towards a sustainable transition. All this benefits us and our sustainable packaging solutions. In 2019 BillerudKorsnäs was designated the industry leader in the category Containers & Packaging and is included in the Dow Jones Sustainability World Index (DJSI) among the 10% most sustainable companies in the world.

However, many challenges still remain, not least mitigating climate change and fostering the transition to a circular economy based on renewable and recyclable raw materials.

BillerudKorsnäs has chosen to meet these challenges by acting as one of the front-runners in the global packaging industry. Based on the Paris Agreement, we have adopted a science-based climate target as part of the Science Based Targets initiative (read more on page 36), to actively help to limit global warming, ideally to below 1.5°C.

In many ways, the circular economy is a key to a resource-efficient, more climate friendly and sustainable economy. There is therefore a rapidly growing need for sustainable circular solutions. With the aim of creating new solutions for a climate-neutral economy, BillerudKorsnäs is now reinforcing the strategic link between innovation and the circular economy.

Our contribution to the 2030 Agenda

At BillerudKorsnäs, we are convinced that we can contribute towards the solutions to several of the major challenges facing our planet. We are uniquely placed to drive the transition to a climate-neutral and circular future based on renewable and recyclable resources. We see the UN's Sustainable Development Goals (SDGs) as a framework for the future that enables us to adapt our business model and our value creation in the run-up to 2030.

Starting out from our strategy and operations, we have chosen six of the SDGs and a number of their concrete targets that show where we have the greatest opportunity to make a difference, create lasting value and drive the transformation of our industry. The goals and targets are integrated in our strategy and are followed up through the Group's sustainability targets.

Read more about the targets and how we are maximising our positive contribution and minimising our negative impact – locally and globally – in the respective sustainability section on the following pages.



Climate impact

Combatting climate change is the critical issue of our time. BillerudKorsnäs' ambitious climate targets for 2030 and 2050 clearly set out how we intend to take responsibility, playing our part in the transition to a climate-neutral society.

Target 2030 ¹	Target	Outcome
Scope 1 and 2: Reduction of total greenhouse gas emissions from production and purchased energy, %	59	3
Scope 3: Reduced emissions of greenhouse gases from sources not owned or controlled by BillerudKorsnäs, %	30	28

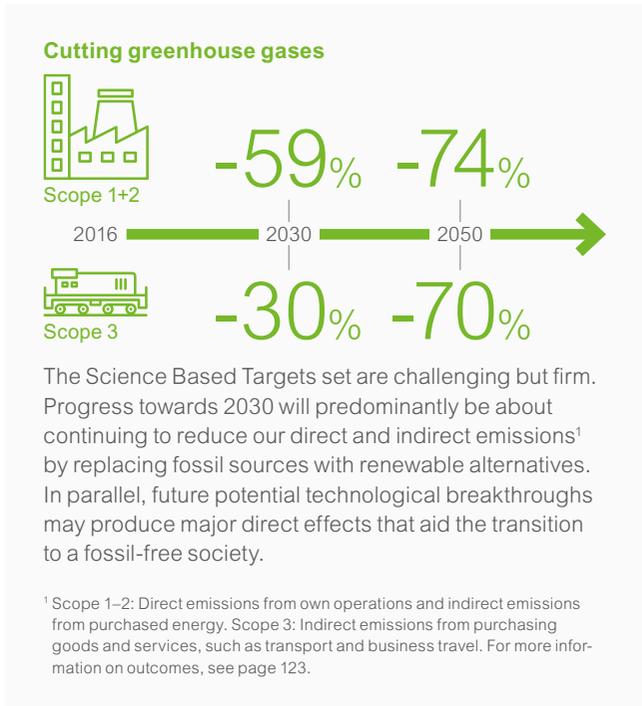
¹ Base year is 2016, outcome is measured as reduction compared to base year and target year is 2030.

Minimising the fossil carbon dioxide emissions that arise along the value chain is a vital strategic priority for BillerudKorsnäs. Our starting point is favourable, as our products are manufactured from renewable fibres from forest raw material. Renewable packaging material and solutions also increase our customers' opportunities to reduce their climate footprint by replacing material based on fossil plastic, aluminium and glass. Smart solutions mean we also decrease the amount of air in our packaging, so enabling better use of the transport space, with lower emissions as a positive effect.

Packaging that preserves the contents well, reduces waste and enables efficient recycling of the material also allows consumers to make a greater contribution towards more sustainable development. This means that our business can help to reduce fossil dependence and aid the transition to a climate-neutral society.

Ambitious climate targets to combat climate change

In 2017, BillerudKorsnäs decided on a number of long-term climate targets to be attained by 2030 and 2050 in line with Science Based Targets. The aim is to drive efforts to reduce emissions at the pace demanded to mitigate climate change. In 2019, our climate footprint was an important aspect in evaluating our strategic priorities. This work will continue in 2020, as we analyse in detail the measures that need to be put in place and the investments that need to be made by 2030. Read more about our work for a fossil-free production on page 48 and reduced greenhouse gas emissions from transports on page 44.



Further steps in tackling climate risks

In line with the voluntary initiative TCFD's¹ recommendations, during the year BillerudKorsnäs continued its work to analyse the climate risks caused by climate change and quantify their consequences for the Group's future profitability in financial terms. Taken together, these scenario analyses provide important input for the company's strategic choices and increase transparency, enabling stakeholders to make a fair assessment of our long-term opportunities to achieve profitable growth. One conclusion from BillerudKorsnäs' analysis is that the financial opportunities outweigh the risks due to an estimated increase in market potential. For more information on TCFD, see page 130.

Our contribution to Agenda 2030 (target 9.4, 13.1)

- ⊕ We take an active role in efforts to switch the industry and the market to climate-smart production.
- ⊖ Paper manufacturing is an energy-intensive process, even though today we use 97% renewable fuels.

¹ Task Force on Climate-related Financial Disclosures.

Materials for the future

BillerudKorsnäs is well placed to drive the transition to a circular economy. Therefore we prioritise to further contribute to improvements of packaging recyclability and a continued development of sustainable alternatives to fossil packaging material.

Target 2019	Target	Outcome
Proportion of customers who consider that BillerudKorsnäs contributes to a sustainable future, %	92	88

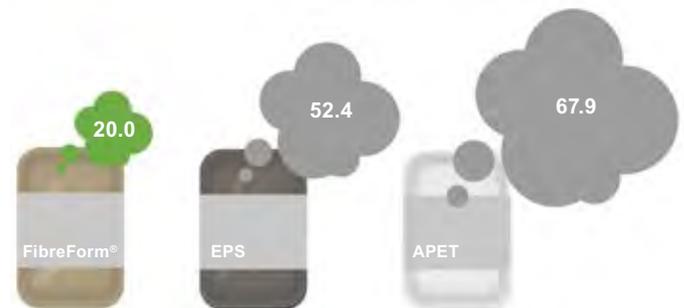
The approaching ban on disposable plastic items¹, combined with demands for a gradual reduction in the amount of plastic in other items, comes from a global desire to drastically reduce plastic pollution on land and in the world's oceans. To solve the problem with plastic, policy makers and other actors are pushing for both increased recycling and reduced consumption of plastic. Today, in Sweden, less than 10% of all generated plastic waste is made into new plastic. The material recycling grade of paper is over 70%².

BillerudKorsnäs seeks to further strengthen this urge by highlighting the fantastic opportunities offered by paper as a substitute for fossil-based materials, with low levels of littering and high recyclability. With the ambition of contributing to the customer's business and of reducing their climate footprint and helping them to become more circular, we work with dedication to constantly refine and improve renewable and bio-based materials.

Each division is responsible for its product development and thus for making decisions on investments, development and launches of products and applications that strengthen our customers' contribution to the ecocycle society. A clear proof that we are helping our customers to solve their sustainability challenges is the result of this year's customer survey. The proportion of customers who consider us contributing to a sustainable future remains high. Read more about our customer survey on page 17.

The packaging of the future must be 100% renewable and recyclable

The EU is driving the shift to a circular economy and 85% of all paper and paperboard must be recycled by 2030. Meanwhile, EU has set high targets to reduce the climate impact. In every way, BillerudKorsnäs must meet customers' need for packaging solutions that respond to future high demands.



A life cycle analysis that compared trays made from FibreForm® with conventional plastic trays shows that FibreForm produces up to 71% lower carbon emissions, mainly because the material requires less energy to manufacture. The image shows kg CO₂-eq per 1 000 trays.

The ambition is to, with our deep expertise in materials and packaging, further develop our products to replace plastic to an even greater extent, with lower climate impact and as few material combinations as possible to facilitate recycling.

Evaluation of the environmental performance of products

A climate-neutral society demands materials with a minimal environmental impact. BillerudKorsnäs' website³ has a number of life cycle analyses (LCA) and environmental product declarations (EPD) which make it possible to evaluate the environmental performance of the products in greater detail and which demonstrate the difference between our products and conventional packaging.

Our contribution to Agenda 2030 (target 12.2, 12.3)

- ⊕ Our products and solutions build on renewable resources from sustainably managed forests. We are a global leader in manufacturing packaging for food and take responsibility for keeping food both safe and fresh during distribution to the global market.
- ⊖ Global paper recycling rates must increase. Our innovation and knowledge is the key to even better circular flows.

¹ The statutory requirement in the EU enters into force in 2021. For more information on the growing need for renewable packaging, see pages 8–11.

² Swedish Waste Management Association, 'Reviderade schabloner för beräkning av avfallsindikatorer' (in Swedish), 2020.

³ <http://billerudkorsnas.com/sustainability>

Sustainable innovation

Developing innovative packaging materials and solutions with sustainability as the driving force is necessary to transform the market and solve global challenges. It is also a business-critical question that rests on a deep understanding of the needs of customers and consumers.

Target 2019	Target	Outcome
Proportion of sales accounted for by new products, %	15	10

Innovation is a key part of BillerudKorsnäs’ strategy, because creative, inventive and innovative work is how we develop the sustainable packaging solutions of the future. Our extensive work on innovation with sustainability as its driving force makes us well equipped to effectively meet the soaring demand for packaging that can be part of a circular economy. The long-term research is mainly conducted in two parts, firstly by BillerudKorsnäs itself at the tech centres in Gruvön and Frövi, and secondly in a number of strategic external partnerships

Flagships illustrating the solutions of tomorrow

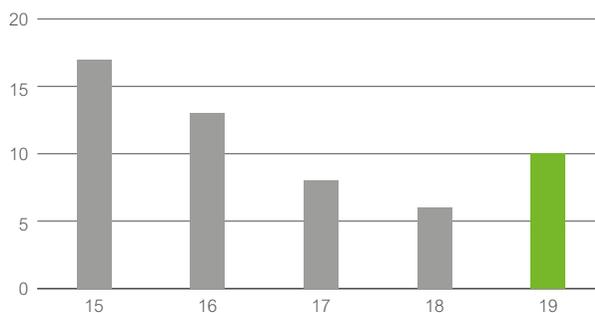
BillerudKorsnäs earmarks resources for a number of flagship projects (read more on page 19). Sustainability is a central driver of these projects, all of which strive towards the shared aim of developing packaging that can challenge the conventional and meet future high sustainability demands. A distinct challenge is to create new solutions that can replace fossil-based materials such as plastic, glass and aluminium. All flagship projects are judged to be able to attain profitability in the short or slightly longer term.

Together towards the same goal

A number of strategic partnerships have been established to accelerate the speed in innovation focused on the sustainable packaging of the future. This involves, for example, developing cartonboard with barriers capable of preserving food and liquid over time, which are simultaneously adapted to meet future demands for recycling and renewable materials.

Share of new products

New product ratio (NPR)



The target is that new products’ share of net sales (NPR) should reach to 15%. The target could not be reached in 2019 due to some delayed product launches.

Another example is the development of the paper battery, made from wood fibre and polymers capable of storing an electrical charge, which is underway in close collaboration with Uppsala University. The project has been developed rapidly and more large-scale tests were launched in the autumn.

BillerudKorsnäs continues to be highly involved in the national platform Treesearch which researches new materials, and in Research Institutes of Sweden (RISE), an important complementary partner with broad-based technical expertise and test and demonstration environments. During the year, BillerudKorsnäs also presented the joint venture Paboco®, in which leading experts in material, design and technology development have joined forces to work with world-leading brands to develop the paper bottle.

Our contribution to Agenda 2030 (target 9.5)

- ⊕ We invest in research, product development and innovation which largely takes place in the production units linked to smaller communities.
- In pace with the increasing need for digital and innovative working methods, a different type of technical expertise is needed in the industry.

Safety first

Building an extensive safety culture is a priority issue for BillerudKorsnäs and the foundation of stable production. The aim is for health and safety efforts to lead to a zero injury workplace.

Target 2019	Target	Outcome
Accidents resulting in absence per million hours worked, LTIFR.	4.3	7.3

A safe workplace is about something as self-evident as no-one's health or safety being put at risk by their going to work. Looking out for oneself and for others is also part of something bigger; a chain that leads to us also looking after our resources and being keen to deliver the highest quality because we care about our customers. Put simply, there is a strong link between systematic work on health and safety, stable production and higher product quality, which in turn feeds into increased resource-efficiency and profitability. In other words, creating safe workplaces is both a strategic and a business-critical question for BillerudKorsnäs.

Serious initiatives shine spotlight on safety

Work to develop a safe working environment runs in two parallel tracks. The first is about using standards and procedures that clearly set out how each task must be carried out to create an orderly approach. The Group-wide BillerudKorsnäs Standard covers all work on health and safety and clearly states what each production unit is to achieve in the field of safety in terms of safe working procedures, and control and follow-up processes. In the parts of our operations that include elements that can place life at risk, "Ten life-saving rules" is an add-on to other safety procedures that specifically highlights ten areas in which it is never ever permitted to deviate from the safety procedures. The second track involves developing attitudes and behaviours that ensure a safe working environment. The existing No injuries or near misses programme is a central tool for ongoing work to build a safety culture and the consequences of non-compliance have now been further clarified.

Health and safety issues in the forest are similarly prioritised and are covered by the BillerudKorsnäs Standard and the construction of a sound safety culture.

Workplace safety



Safety policy that makes the rules clear

A review of operations was carried out during the year, supported by an external partner and expert in personal safety. As a first step, this was then used as the basis for prioritising a number of areas for improvement at the production units. This includes safeguarding procedures for safely blocking and locking down the energy supply to the equipment and clearly setting out the roles and responsibilities of managers and employees. In general, strict compliance with regulations, standards and procedures applies, together with everyone taking responsibility for reporting and acting on risks. In 2020 all employees will also sign a personal undertaking to comply with the principles that underlie BillerudKorsnäs' safety policy.

All contractors must follow and respect the BillerudKorsnäs Standard, other procedures and behaviours for a safe workplace. Our responsibility includes clarifying expectations and the demands we make, and following up and taking action where shortcomings are found on the part of contractors.

Our contractors are obliged to report all accidents and serious near misses and this information is included in the internal reporting of accidents resulting in absence per million hours worked (LTIFR).

Our contribution to Agenda 2030 (target 8.8)

⊕ Safety is at the top of the agenda and all employees take part in building a zero-accident, safe and inclusive environment.

⊖ This year we had 65 accidents leading to sick leave. One accident is one too many.

Responsibility and influence throughout the value chain

Products made from renewable fibre from forest raw material help to reduce fossil dependence and further the transition to a climate-neutral society.

We work actively to maximise positive and minimise negative impacts along the value chain. Collaboration with business partners and other stakeholders is essential to drive change where it makes the biggest difference.

Capacity to influence

● High ● Medium ● Low

1. Forest raw material ●

The forest is a resource that meets many needs. Our production units transform over ten million cubic metres of wood raw material into packaging material every year. Managing the forest affects it in different ways.

Our impact:

- The forest is home to many species of fungi, flora and fauna, some of which are affected positively, others negatively.
- The forest is a social and cultural asset as an area for recreation and we take this into account.
- Regeneration felling increases the breakdown of the biomaterial in the soil during some time and the carbon balance is changed. When new trees start to grow, the forest binds carbon dioxide in again.

2. Purchasing ●

The business purchases raw materials, products, energy and services, mainly in OECD-countries.

Our impact:

- Tough demands for suppliers, planners and wood buyers and an extensive supplier assessment and follow-up process.
- Collaboration and development to reach established climate targets.

3. Incoming and outgoing transport ●

BillerudKorsnäs' transport mainly comprises incoming transport of purchased raw materials to the production units and outgoing transport of products to customers from the production units.

Our impact:

- Indirect impact through greenhouse gas emissions from transport suppliers.

4. Material production ●

BillerudKorsnäs' production units account for the company's most significant impact from its production of pulp, paper and board.

Our impact:

- Direct impact through the production units' emissions to air and water.

- Indirect impact through energy consumption and use of materials, such as chemicals, in production.

5. Customers ●

BillerudKorsnäs' customers are in the international packaging market and comprise packaging manufacturers and brand owners.

Our impact:

- Giving customers an opportunity to reduce their climate footprint by replacing material based on fossil plastic, aluminium and glass with fibre from forest raw material.

6. Division Solutions ●

At Division Solutions we offer brand owners packaging solutions and services for greater control and effectiveness of packaging primarily from OEM manufacturers in Asia for delivery to Europe and North America.

Our impact:

- Extensive programme to check working conditions and the environmental approach of production partners.
- Reduced climate footprint and higher resource efficiency by offering more effective packaging solutions.

7. Consumers ●

Consumers encounter BillerudKorsnäs' packaging material practically everywhere – on the store shelf, in the frozen foods aisle, in the fridge and on the move.

Our impact:

- Packaging materials and solutions that are renewable, preserve the contents well, reduce waste and enable efficient recycling of the material mean consumers can make a greater contribution towards more sustainable development.

8. Recycling ●

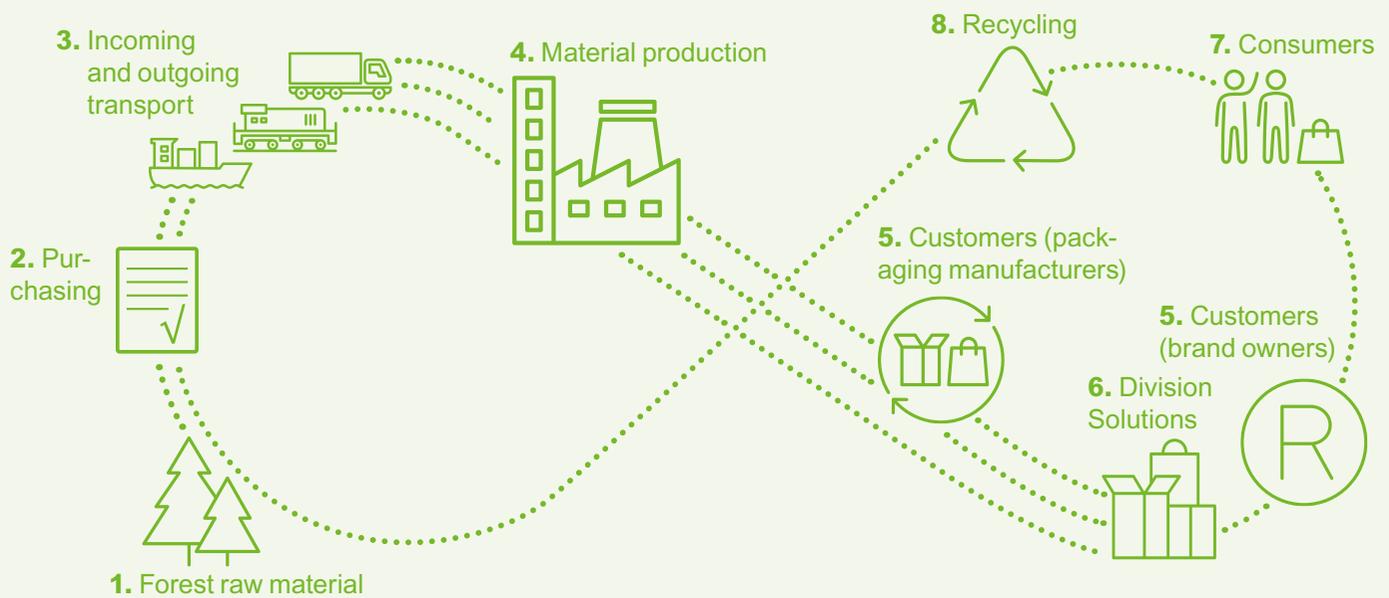
BillerudKorsnäs' products are based on renewable material and, as recycled fibre, become an important element in the manufacture of corrugated board, for example. Paper fibres can be sent for material recovery five to seven times, after which they can be used for energy recovery. Constant input of primary fibre is therefore necessary in order to keep the recycling loop going.

Our impact:

- Enabling the transition to a circular economy based on renewable and recycled raw materials.

A sustainable and responsible value chain

Demand for sustainable packaging solutions that not only minimise the carbon footprint, but also fit into a circular economy, is increasing. We are working purposefully at an even faster pace to develop innovative solutions that improve the use of the earth's resources along our value chain.



Sustainable wood supply

BillerudKorsnäs' raw materials originate in the forest and every year our production units transform about ten million cubic metres of wood raw materials into renewable packaging materials. Additional values can be created through sustainable forestry.

Target 2019	Target	Outcome
No. of certified forest owners in Billerud-Korsnäs' group certificates for FSC and PEFC	180	191
Biodiversity index for nature conservation measures, %	100	100

The renewable raw material from the forest is our most important resource and, by being refined into packaging solutions, can effectively meet the growing demand for renewable materials. Sustainable forestry also retains and reinforces climate benefit and biodiversity, while preserving and nurturing social and economic assets for today's and future generations.

Origin and standards guide purchasing

About three-quarters of the wood raw material that Billerud-Korsnäs buys in each year is of Swedish origin. All purchasing of wood raw material is based on the FSC® and PEFC™ Chain of Custody standards, and to check the origin of wood the procedures under the standard FSC® Controlled Wood, Controlled Sources in PEFC™ Chain of Custody and the EU Timber Regulation (EUTR)¹ are followed. Alongside purchasing, BillerudKorsnäs' wood buyers are also responsible for conducting conservation value assessments of how the forest is to be used: for forestry or set aside for nature conservation. Every year targeted initiatives are carried out to encourage more private forest owners to certify their forest through the company's FSC® and PEFC™ group certification. The number of private forest owners certified through BillerudKorsnäs totalled 191 by the end of the year.

Ensuring access to wood raw materials

Safeguarding a competitive wood supply is business critical for BillerudKorsnäs. The challenges that resulted from a lack of raw material in 2018 were followed by a year in which supplies were more normal to good. During the year, one challenge for forest owners was instead caused by the European spruce bark beetle, a pest that spread northwards following last year's drought. When suffering a spruce bark beetle attack, forest owners need to quickly fell and remove affected spruce trees, which increases the availability of spruce pulpwood on the timber market. Measures are also constantly being put in place to improve internal information on each production unit's stock of and need for wood raw materials, so as to be able to re-route deliveries much more efficiently.

The contract terms introduced with the sale of a majority shareholding in Bergvik Skog Öst to AMF Pensionsförsäk-

ringar, give BillerudKorsnäs the sole right to buy wood from Bergvik Skog Öst's land for the next 15 years. BillerudKorsnäs continues to own just over 10% of Bergvik Skog Öst and is responsible for managing about 300 000 hectares of productive forest land.

Wood supply 2019, %



The forest's source of climate benefit and biodiversity

With the help of clear goals and action plans, BillerudKorsnäs carefully follows up its work to protect and preserve biodiversity in the forest. Every year, environmental considerations in forest management is assessed through an evaluation of parameters central to the forest's biodiversity such as dead wood, burning, deciduous-dominated forests, regard for biotopes requiring special consideration, buffer zones and forestry measures in designated forests that require management in order for their natural assets to be preserved. As a part of reviewing the group sustainability targets the biodiversity index will be developed or replaced during 2020. Sustainable forestry is also about making the most of the climate benefit provided by the growing forest, by managing it in line with its varying capacity to bind carbon dioxide over its life cycle.

Protecting endangered woodpeckers

Work on sustainable forestry and biodiversity is also reflected in BillerudKorsnäs' financial support for the Swedish Society for Nature Conservation's White-Backed Woodpecker Project. The woodpecker is a rare bird species which depends on a habitat consisting of older deciduous forest with plenty of dead wood. The project works on release, feeding and measures to improve habitats in Swedish forests, including those managed by BillerudKorsnäs. Within this project, targeted forest conservation measures are also carried out to improve the habitat of the woodpecker in other selected geographical areas.

Our contribution to Agenda 2030 (target 15.2, 15.5)

- ☑ We always ensure that the wood raw materials we use come from responsibly managed forests and that forest ecosystems are protected.
- ☑ Approximately 10% of the world's deforestation is linked to wood products. We see it as our responsibility to spread awareness of climate benefit, biodiversity and ecosystems.

¹ See pages 43–44 for more information on purchasing and supplier assessment.

Responsible supply chain

BillerudKorsnäs buys in large amounts of wood raw materials, transport, products, chemicals, energy and services. Working towards a sustainable supply chain means that all purchasing decisions must be made in line with principles of business ethics and comply with the sustainability criteria laid down.

Target 2019	Target	Outcome
Proportion of purchasing value with supplier assessment, % per three-year cycle.	73.0	79.8
Transport of wood raw material and finished products, g CO ₂ e/tonne km	17.5	12.2

In 2019, BillerudKorsnäs adopted a Supplier Code of Conduct based on international standards and frameworks including the UN Global Compact. The Code of Conduct covers all suppliers and is part of the agreement for suppliers with a purchasing value of more than SEK 1 million. The Supplier Code of Conduct clearly sets out BillerudKorsnäs’ expectations and minimum requirements and covers areas such as statutory compliance, business ethics, human rights and labour law, health and safety and the environment.

BillerudKorsnäs’ purchasing is divided into three areas: Group purchasing, wood purchasing and logistics purchasing. In addition, there is Managed Packaging which accounts for about 3% of our turnover and uses production partners to provide packaging solutions and services to brand owners. The purchasing routines in each area are described below.

Evaluating Group purchasing

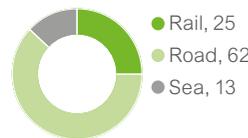
BillerudKorsnäs’ Group purchasing primarily concerns the production plants and the majority of our purchasing takes place in OECD countries. From 2019 our supplier assessments have been conducted using the third-party solution EcoVadis. Suppliers are evaluated using tailored surveys based on number of employees, geographical location and industry.

In 2019 a total of 122 suppliers were assessed. All of these suppliers passed the evaluation, but 29 suppliers are required to put in place improvement measures which must be attained before next evaluation. The most common areas in need of development are a greater need for auditing and checks in the next stage of the supply chain. In no case did assessments show any indications of child labour, forced labour or lack of freedom of association. Nor were any supplier agreements terminated as a consequence of this year’s supplier assessments.

The focus for the year ahead is to include additional risk indicators in the selection process and continue the work to increase the number of suppliers assessed.

¹ Approximately 2% of wood raw material is bought from Poland, Russia, the UK, Ireland, Germany and Brazil. This purchasing is mainly to ensure access to wood raw materials or where there is a need for a particular wood raw material to secure the desired fibre quality.

Transport to production units 2019, %



Transport from production units 2019, %



Own buyers of wood raw materials

BillerudKorsnäs has about 40 of its own wood buyers who are responsible for purchasing wood raw materials. About three-quarters of the wood raw material bought in each year from forest companies, sawmills and private forest owners is of Swedish origin. The remaining wood raw material is imported, mostly from Finland, Norway, Estonia, Latvia and Lithuania.¹ All wood raw material is controlled under international standards (learn more on page 42).

Purchased transport from the forest, by land and sea

BillerudKorsnäs’ purchased transport mainly comprises incoming transport of wood raw materials and products to the production plants and outgoing transport of products from the production plants to customers.

Evaluation of the 20 logistic companies who drive wood raw materials from forests to production plants by road are examined in line with a tailored supplier assessment. In this BillerudKorsnäs requires that safe loading and unloading procedures are observed and environmental, drug and alcohol policies are in place. At the end of 2019, all transporters of wood raw material had been assessed and no non-compliances were noted.

The ambition regarding transport of products to customers is to generally increase the proportion of transport by sea and by rail. Our basic flows from the production plants are well suited for rail transport and on average 99 goods wagons containing products on their way to customers leave the production units each day. In other cases, rail forms part of a multimodal transport solution. The target for transport of products from the production plants by land is for 75% to be by rail by 2030 at the latest. In 2019, 69% of land transport was by rail.

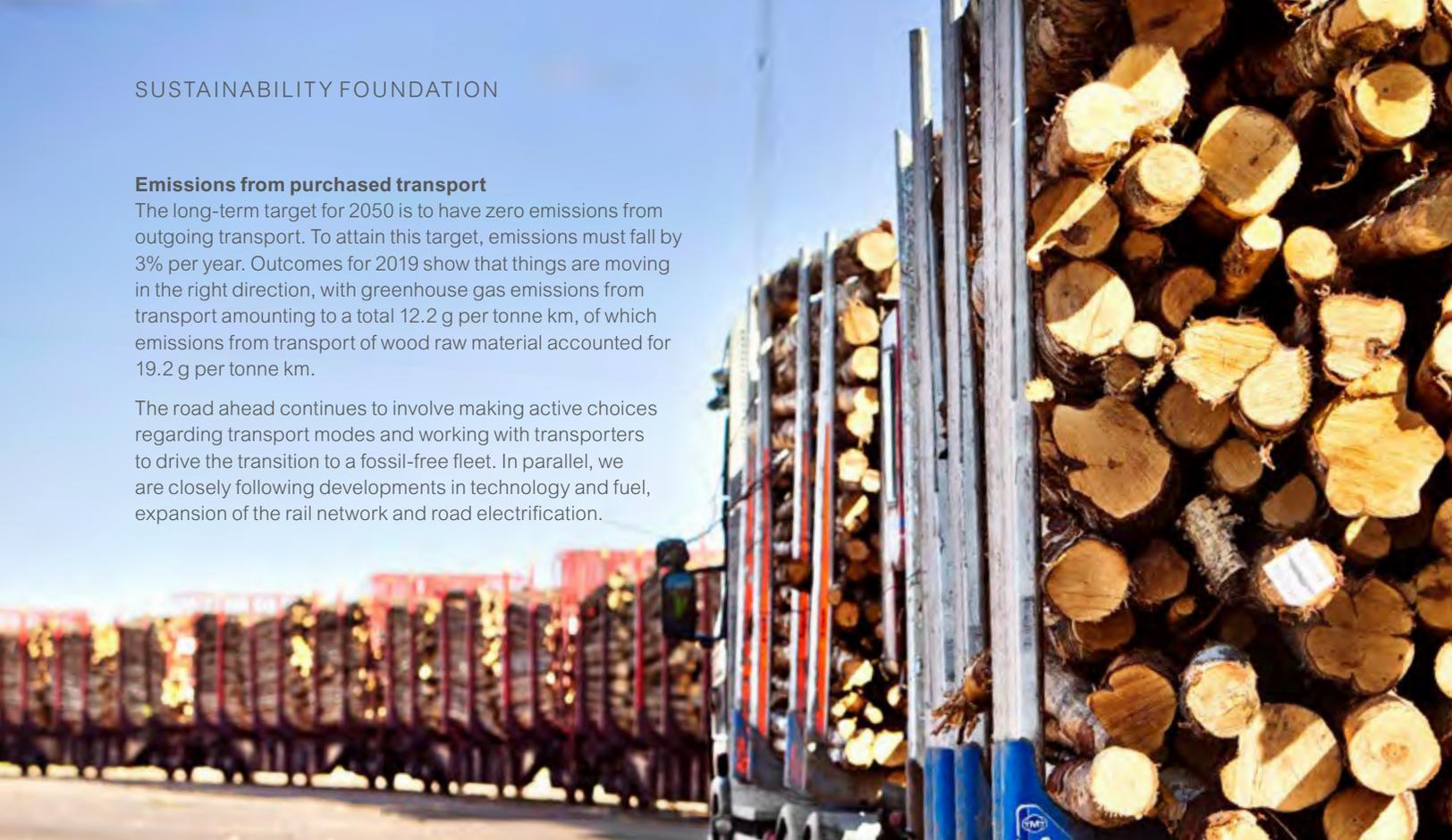
Growing business in Asia with explicit sustainability requirements

The process of developing a responsible supply chain, as BillerudKorsnäs’ Managed Packaging business grows, remained intensive during the year. A process is already

Emissions from purchased transport

The long-term target for 2050 is to have zero emissions from outgoing transport. To attain this target, emissions must fall by 3% per year. Outcomes for 2019 show that things are moving in the right direction, with greenhouse gas emissions from transport amounting to a total 12.2 g per tonne km, of which emissions from transport of wood raw material accounted for 19.2 g per tonne km.

The road ahead continues to involve making active choices regarding transport modes and working with transporters to drive the transition to a fossil-free fleet. In parallel, we are closely following developments in technology and fuel, expansion of the rail network and road electrification.



established for audits, approval and follow-up of production partners, which also encompasses training with a focus on the areas where audits have revealed potential shortcomings. In 2019, a total of 29 tailored training sessions were held for 18 production partners. Ongoing work to monitor, encourage and support the production partner in working to tackle shortcomings is an important tool for BillerudKorsnäs. This work is based on regular contact and specific action plans.

All in all, a number of positive effects of this year's efforts can be seen. In particular, the most serious shortcomings have been rectified and as relationships have developed, many production partners are now turning directly to us for advice and support in developing their work on sustainability.

The audits, which are conducted by BillerudKorsnäs and an independent third party, take place on site following a standardised process and include a wealth of social aspects based on the Global Compact and the Code of Conduct: regulatory compliance, health and safety, pay, working hours, forms of employment, harassment and abuse, freedom of association, forced labour, child labour, discrimination, subcontractors, anti-corruption and monitoring. A number of criteria to assess the production partner's environmental sustainability and compliance with the regulations are also included.

The result of this year's audits in brief

In 2019, Managed Packaging conducted a total of 82 audits across China, South-East Asia, India, the Middle East and

Europe, 43 of which concerned new suppliers. These audits showed no serious breaches (zero tolerance) regarding discrimination, anti-corruption, forced labour or a lack of freedom of association. However, a number of safety shortcomings, failure to pay the minimum wage, and lack of age documentation for certain employees were identified, for example. In the area of the environment, there were cases where checks on waste management, discharge to water and noise had not been fully carried out.

In total, 15 suppliers were found to have serious non-compliance issues and the business relationship only continued where measures were fully put in place. The relationship with four suppliers was terminated due to insufficient action having been taken.

Where less serious deficiencies were found or a need for improvement noted, a dialogue on an action plan was entered into with the production partner concerned, with a clear deadline for when the issue needed to be resolved.

Our contribution to Agenda 2030 (target 8.7)

☑ We work to ensure decent working conditions in our supply chains, free from child labour or different forms of forced labour. This is mainly achieved through audits and close cooperation with suppliers on improvements.

☹ It is hard to attain full control of the entire supply chain. The majority of the total purchasing volume is in OECD-countries.

Engaging workplaces

The skills, experience and commitment of employees are key to our ability to achieve our mission. Together we are building a company, every aspect of which is characterised by high business ethics, good leadership, gender equality and diversity.

Target 2019	Target	Outcome
Proportion of women in total, %	24.0	23.7
Proportion of female managers, %	24.0	23.9

Sustainable Leadership – leadership for a sustainable future

Sustainable leadership capable of effectively leading, engaging, communicating and driving change is a key element in attaining our mission. With this in mind, BillerudKorsnäs has designed the Sustainable Leadership programme, which basically involves making the expectations and requirements we set for our leaders clear and formulating this as our leaders’ promise to employees. In more concrete terms, the programme comprises five areas, all of which are vital to achieving our objectives and our mission: leading a safe workplace, driving change and performance, stimulating commitment and unleashing employees’ full potential and communicating effectively. The programme revolves around the individual managers, as it involves developing self-leadership and looking at one’s own health and long-term sustainability in a leadership role. Each area is then broken down into actual behaviours, plus the associated skills needed to attain the goal of sustainable leadership.

Sustainable Leadership was rolled out throughout the Group in 2019. All of the Group’s managers attended a workshop which pinned down the importance of sustainable leadership and how it is individually applicable. In parallel with this, entirely new leadership training courses were developed from the programme to specifically build the skills needed to deliver on the programme’s promises. There were three levels of training courses: designed for newly recruited managers, managers new to a leadership role, and experienced and senior managers respectively.

Sustainable leadership is constantly followed up to ensure that leaders have the opportunities and resources they need to lead and act in accordance with the programme every day. The 2019 employee survey measured the Sustainable Leadership Index for the first time. Here 77% of employees stated that our managers act in line with a sustainable leadership.



Awards



Career Company

BillerudKorsnäs was awarded this quality mark for offering unique career and development opportunities to employees.



Randstad – Employer Brand Research

BillerudKorsnäs was ranked as one of the top twenty most attractive employers in Sweden.



Universum – Top in industry

BillerudKorsnäs was declared the most attractive employer for engineers in the forest and wood industry.



Universum – Top 100

BillerudKorsnäs was placed among the top 100 employers by Sweden’s BSc engineers.

An ambition for the future is to build a programme that uses the same building blocks but is geared towards all employees. The purpose is to clarify what is expected of employees, and to ensure that tools, processes and training to meet these expectations are clearly designed.

Employee survey identifies important views

86% of employees responded to the employee survey. The results were largely stable, at or above the benchmark, e.g. regarding productivity and engagement indexes. The engagement index was 78, compared to 79 in 2018. Additionally, results regarding the psychosocial working environment and leadership are up, with an increase of two percentage points on the previous survey.

Looking ahead, working on eNPS remains important. This is a measure of how likely employees are to recommend their workplace and we are currently at 13 points with an external benchmark of 9.

The results as a whole are then broken down by division, site and team, and form the starting point of work on the ground, where the role of the leadership in driving and involving employees in improvement work is emphasised.

Ongoing sustainability training

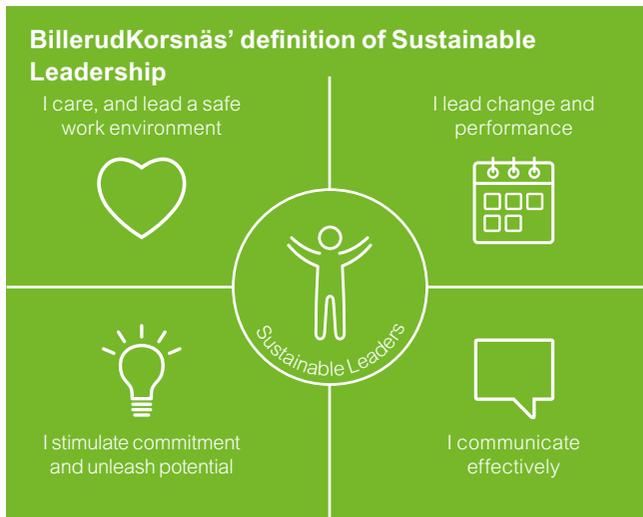
To ensure that our leaders are up to date on key sustainability issues, targeted initiatives are constantly carried out, e.g. to share the latest studies on environmental performance of paper packaging (LCA) and the criteria for being included in the Dow Jones Sustainability Index. With the aim of increasing the focus on long-

term sustainable development, all employees receiving bonuses have sustainability included in the evaluation model.

Diversity is vital to success

We are convinced that employees of different sexes, ages, backgrounds and experiences bring new perspectives and innovative solutions. In other words, diversity is business critical for us in the long term and a number of targeted initiatives are in focus to attain a better balance between the sexes as a first step. The aim is to increase the proportion of women in total and at managerial level. In 2019 the proportion of female employees amounted to 23.7% in total, while the proportion of female managers was 23.9%. Looking to 2030, the aim is for the proportion of female employees to reach at least 35%, and female managers 40%.

During the year a number of diversity and inclusion workshops were held in Gävle, launched and run by local ambassadors. The aim was to develop a better understanding of why diversity and inclusion are important to BillerudKorsnäs, and how these issues can be addressed on the ground. The initiative was much appreciated and will be rolled out to other parts of the organisation, starting with Karlsborg.



Sustainable Leadership is based on the leader themselves at the heart of the framework, surrounded by the areas that constitute the leader's promise to their employees: lead a safe work environment, lead change and performance, stimulate commitment and unleash potential, and communicate effectively. The purpose is to build leaders who can go the distance and who look after themselves and others so as to lead towards a sustainable future.



Some of the members of Frövi and Rockhammar's Diversity Committee, which works on training, action plans and surveys.



IGEday – meet a BillerudKorsnäs engineer

For the third year in a row, BillerudKorsnäs was a main sponsor of Womengineer's IGEday, when almost 100 girls between the ages of 13–19 tried the engineering profession for one day. To increase interest in technology and engineering among young women is fully in line with our ambition to increase both the proportion of female employees and female managers at BillerudKorsnäs.



Another initiative is the Female Program, which will be launched in 2020 and seeks to develop women's self-leadership and improve their ability to lead others. The aim is to see more women in leadership positions.

Taking a more long-term perspective, BillerudKorsnäs will continue to be the main sponsor of Introduce a Girl to Engineering (IGE) day, an initiative that builds relationships for the future and inspires more young women to choose an engineering career.

The results from the annual pay survey is presented at page 127.

Safeguard skills supply for the future

Like many other industrial companies, BillerudKorsnäs faces a change of generation, with large numbers of production unit employees retiring, while particular skills such as engineers, process engineers and electricians are in short supply. To meet these challenges, BillerudKorsnäs needs to work on skills supply in the short and the long term with the aim of ensuring that existing and potential employees feel that they have good opportunities for an interesting future with us. Our clear position for and contribution to a sustainable transition strengthens our employer brand further, playing a central role in making us better known and attracting new talents to apply for jobs at BillerudKorsnäs.

Initiatives and activities during the year

As part of BillerudKorsnäs cost savings program it was decided during the year on a notice of up to 300 positions throughout the group during 2019–2021. A decision that led to negotiations with trade unions with the goal of creating good conditions for employees who terminate their employment with us.

Internal work on talent management is about making the best use of all the skills that already exist in the workforce and systemati-

cally giving every employee the chance to develop in their role and the opportunity to rise to new challenges within the Group.

Autumn 2019 saw the conclusion of the third iteration of the Group-wide Graduate Trainee programme. This one-year programme is designed for new graduates and the most recent programme featured 15 young graduates, 40% of whom were women. Over the course of an intensive year, the trainees balanced their work with a number of study visits, work experience abroad, activities and training courses aimed at giving them an insight into practically every aspect of the business.

A number of local vocational training programmes that blend theory and work experience are carried out at the respective production units on an ongoing basis. As a means of trying new ways of broadening the recruitment pool, over the past few years the business in Gävle, for example, has successfully run targeted professional trainee programmes in which participants of varying ages and with different backgrounds are actively recruited. At Gruvön during the year about ten participants completed a professional trainee programme for electricians, with the positive effect that a majority of participants also chose employment with us.

Taken as a whole, the programmes are an important part of BillerudKorsnäs' future skills supply, while the participants in their turn contribute new experience, skills and perspectives on operations.

Our contribution to Agenda 2030 (target 8.5, 9.2)

☑ Our employees are our most important asset. This is reflected in our internal work on diversity and inclusion, which incorporates ensuring equal pay for work of equal value.

☹ Our industry does not demonstrate gender equality. We are working actively to attract more women into the industry and into engineering careers.

Resource-efficient production

BillerudKorsnäs is working constantly to phase out fossil fuels and reduce the environmental impact of our production units. Stable production is vital to attaining the best results.

Target 2019	Target	Outcome
Energy consumption, MWh/tonne product	5.20	5.32
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product	30.0	37.5

BillerudKorsnäs’ units producing pulp, paper and paperboard are responsible for a considerable part of the business’ impact. The heat and electric energy needed in the production is mainly created by combustion of fuels, which results in emissions to air. The production of pulp, paper and paperboard is the biggest source of emissions to water.

Clearly striving towards fossil-free production

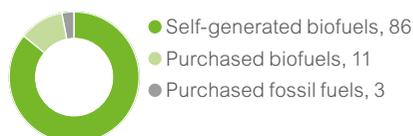
BillerudKorsnäs’ production is energy intensive. The majority of the energy consumed is generated in the pulp process, where large amounts of waste heat are released. This excess heat is mainly used directly in production, but also provides the local community with district heating. The main biofuel used in production comes from suspended wood solids in pulp manufacture and from bark on the wood. Fossil heating oil is mainly used as back-up fuel and for starting and stopping machinery. Fossil natural gas and LPG are mainly used to produce paper and paperboard. The aim to be entirely independent of fossil fuels in the production process is clear, however. We have already come a very long way with a use of fuel in production that is 96.8% renewable bioenergy. The remaining 3.2% of fossil fuel contributed towards emissions of fossil carbon dioxide from fuel in production by 37.5 kg per tonne of product. Recurring production disruptions in 2019 continued to have an impact due to a certain increased need for fossil fuel as a temporary solution.

To attain our climate targets, pilot studies from Skärblacka and Karlsborg have been used to guide the investments needed and evaluation of access to fossil-free alternatives. This work will continue and be stepped up in 2020.

Continued investments to reduce energy consumption

Energy consumption in 2019 per tonne of product was 5.32 MWh. The main reason for failing to meet the energy target of 5.20 MWh is the production disruptions that took place during the year.

Use of fuel 2019, %



The energy-saving measures carried out in 2017–2019 to various extents at the production units have led to a reduction in energy consumption locally, however. An example of this can be seen in Gävle, where investments in improved raw water intake have led to minimising overflow. Additional examples are more efficient sweeping of the recovery boiler, which has produced good effects in the form of reduced energy consumption.

A significant annual amount, SEK 20 million for 2020, will continue to be earmarked for energy-saving investments to realise the proposals that have come in mainly from the energy surveys conducted at the plants. The surveys have been adapted to facilitate comparisons between the production units aimed at translating energy-saving projects broadly across the whole group.

Continued focus on mitigating impact

All production units are quality and environmentally certified in accordance with ISO 9001 and ISO 14001. Swedish plants are also certified in line with the energy management system ISO 50001. Alongside work on energy savings and reduced emissions to air, work is in progress to improve treatment of emissions to water. At the production plants in Karlsborg and Frövi, for example, investments have been made in disc filters to reduce the need for chemically treated water while simultaneously reducing discharge of suspended substances to the external treatment unit of the plant in question. The waste water from Gruvön’s new paperboard machine KM7 is treated in a newly built treatment line of MBBR-type (Moving Bed Biofilm Reactors). The facility is being fine-tuned in 2020.

Our contribution to Agenda 2030 (target 12.4, 12.5)

- ➊ We are moving towards fossil fuel independence by effectively generating and using energy made from wood products.
- ➋ Paper manufacturing entails emissions to air and water. Thanks to continuous environmental efforts, these are checked and limited.

Community engagement

BillerudKorsnäs' business concerns and affects society and people. The ambition is to engage in local and global collaboration to help create sustainable value.

Target 2019	Target	Outcome
Provide work experience by arranging placements and careers introduction, weeks of work experience	1 500	1 206

BillerudKorsnäs is one of the largest actors in the Swedish paper industry, employing more than every tenth person who works in the sector. This also means that we are the largest private employer in four of the five communities in which the Swedish production units are located. More than three-quarters of employees also live in the municipality in which they work. This gives us significant indirect impact by establishing a market for local goods and services, together with basic public services, as well as encouraging investments in infrastructure.

Proximity to our production units also produces effects such as the opportunity to use surplus heat from production to heat homes, for example. In 2019 the company sold 939 GWh, which is equivalent to the amount of energy needed to heat approximately 47 000 homes. Another example is the partnership between BillerudKorsnäs Frövi and the company WA3RM, which seeks to recycle waste heat from production. The waste heat will be used to run greenhouses and fish farming in Frövi, while the cooling water from the fish farming will in turn go back to BillerudKorsnäs. A declaration of intent was signed in 2019 and it is hoped that a clear basis for decision-making will be produced within a year.

Listening to local residents

A good dialogue with local residents is fundamental and there are a number of channels that can be used to provide opinions, e.g. in the form of direct contact and consultation meetings or via the website. Opinions and questions are documented in internal systems so that the dialogue on a solution can be continued if necessary. During the year 72 questions from local residents were received, whereof a majority related to smell.

Responsible forestry includes conducting consultation with representatives for reindeer herding. In 2019, there were 9 consultations carried out on the land managed by BillerudKorsnäs. Some of the topics covered and decided upon was more cautious soil preparation and strengthening buffer zones rich in lichen. During 2019, BillerudKorsnäs have not identified any incidents of violations involving the rights of indigenous peoples. We are also involved in reindeer herding consultations when harvesting at smaller private forest owners. BillerudKorsnäs Forestry is often contacted by neighbours and other stakeholders who want to know more or have opinions about the measures that are going to be carried out.

Internships are an important link with communities

BillerudKorsnäs is involved in a number of projects to create new jobs, including the work experience programmes Tekniksprånget and Jobbsprånget. The former is geared towards young people under the age of 21 who are qualified to take up a degree in engineering. Jobbsprånget, on the other hand, is a programme that offers four-month internships for newly arrived graduates to make the most of their skills and ease their entry into the Swedish labour market.

In 2019, a total of 144 young people and newly arrived migrants completed internships, together with 17 students doing their degree projects with us. This amounted to 1 206 weeks of work experience in total.

Major commitment to plastic-free oceans

Our commitment to highlighting the huge amount of plastic polluting the oceans, primarily accounted for by single-use plastics, continues and is largely channelled via cooperation with the Keep Sweden Tidy Foundation and Tara Expeditions, the French non-profit organisation that sails the world in the boat Tara to raise awareness of the seas and the climate. Joint initiatives were conducted during Sweden's Almedalsvecka in Visby when the challenge of how plastic pollution can be reduced was discussed in various forums.

Active dialogue with decision-makers

The development and introduction of new legislation that seeks to reduce the impact of plastic products on the environment is gaining pace. In spring 2019, for example, a decision was made on a new act banning single-use plastic products in the EU from 2021 onwards. This move both poses challenges and creates new, exciting opportunities for our industry. Following developments closely is also of the utmost importance for our customers and brand owners, who in turn must adapt their packaging to amended legislation and new consumption patterns. With Elopak, SIG Combibloc, Stora Enso and Tetra Pak, during the year BillerudKorsnäs created the GRACE¹ network to work together to drive recycling issues globally, with a focus on how recycling systems in different countries can be improved. For some time now BillerudKorsnäs has been part of the organisation ACE² which lobbies on similar issues at EU level.

Our contribution to Agenda 2030 (target 8.6, 14.1)

🌱 We are committed to global issues such as plastic pollution in the oceans, and local questions such as arranging work placements and induction for young people.

¹ Global Recycling Alliance for Beverage Cartons and the Environment.

² The Alliance for Beverage Cartons and the Environment.

Responsible business

Responsible business is crucial to our success. BillerudKorsnäs' Code of Conduct and an extensive framework of policies and associated directives guide this work.

In 2018 the steering document framework was updated to constantly improve and clarify accountability and mandates, and to define a hierarchy of steering documents in our division-based operations. The new framework brings BillerudKorsnäs' three divisions together with Group-wide policies, standards and processes, which contribute towards consistent development, implementation and follow-up of steering documents. For more information about the eight policies that form part of the framework and were adopted by the Board of Directors, see page 128. Work is in progress to shape directives that derive from the respective Group policy and the aim is for it to be completed in the first quarter of 2020.

Transparency and integrity along the value chain

The Responsible Business Policy brings together our processes for identifying and tackling the risks of corruption, money laundering, anticompetitive behaviour, international sanctions and crimes against human rights throughout the value chain.

BillerudKorsnäs' Code of Conduct is fundamental and draws on the ten principles of the UN Global Compact. The Code of Conduct sums up responsibilities, values, approaches and guidelines for employees in their relationships with each other and the world around them. The Code of Conduct and the Responsible Business Policy set out absolute zero tolerance of corruption and stances against money laundering, financing terrorism, and behaviours that contravene competition law, as well as respect for human rights. There is also a strict requirement for regulatory compliance with applicable local and national legislation, as well as international standards and sanctions, e.g. from the UN, EU and OECD.

The Group's Compliance programme linked to responsible business covers measures such as company-wide risk assessment and screening, due diligence, standardised contract terms and relevant training, follow-up and reporting. In 2019, for example, a risk assessment of the Group's exposure to international sanctions was carried out, with a focus on trade restrictions. Work to develop the Compliance programme and conduct effective activities that support employees and leaders in complying with internal rules on responsible business will continue in 2020.

Ongoing training focusing on exposure to risk

Occupational groups or positions in the Group that are judged to have a higher exposure to risk are trained regularly in line with a set training plan. 94 newly recruited employees completed an e-training course in anti-corruption and 89 employees completed the e-training on competition law in

2019. To complement e-training, tailored training courses are constantly arranged for specific functions across the global business. In 2019, for example, about 170 employees responsible for relations with business partners globally completed training in international sanctions, while another 36 employees at our office in Shenzhen, China, completed supplementary training in anticorruption and competition law.

Stricter risk management for business partners

A number of measures have been put in place to improve the process and the systematic awareness of our business partners such as customers, suppliers and sales agents, along with the demands placed on them. During the year, BillerudKorsnäs worked to formalise a process to identify and tackle business partners with a greater risk, partly by defining high-risk markets and guiding work on supplementary checks on business partners operating in these. Some of the risks analysed are the degree of exposure to corruption, sanctions, human rights breaches or lack of transparency.

In the first quarter of 2019 the company's management approved the BillerudKorsnäs Supplier Code of Conduct. This covers minimum requirements made of suppliers in the areas statutory compliance, management systems, anticorruption, competition law, money laundering, export controls, human rights, health, safety and the environment. As part of implementing the Code of Conduct, internal communication and training initiatives on its content and application were carried out during the year for about 35 employees responsible for significant purchasing in the three areas: Group purchasing, wood purchasing and logistics purchasing. For more information on how we conduct our supplier assessments, see pages 43–44.

Whistleblower system lets everyone speak up

BillerudKorsnäs is to be a transparent and open organisation that complies with legislation, rules and the company's Code of Conduct. If anyone suspects that a serious irregularity has occurred, they must be able to share their suspicions anonymously. Since 2018 an updated whistleblower system, the BillerudKorsnäs Speak-Up Line, has been available both on the intranet and on the external website for employees and external partners. The Speak-Up Line is provided by an external supplier and all the information is encrypted so that the person reporting their suspicions is guaranteed anonymity.

In 2019 a total of eight cases were handled via the Speak-Up Line, which was two more than the year prior. One case concerned financial irregularities by an employee against



Around 100 employees work to safeguard our business in Managed Packaging at our office in Shenzhen in China. We audit all contracted packaging manufacturers on 188 points to ensure that they comply with requirements on working conditions and other standards set by brand owners and/or us.

the company involving a potential conflict of interest. The irregularities had barely any impact on the company. Following an inquiry, the case led to two disciplinary measures and increased internal governance and control, after which the case was judged to be concluded. Seven cases concerned operational feedback regarding the working environment, potential discrimination and/or leadership and were thus investigated by the company's HR department. All cases have been closed and applicable corrective and/or preventive measures have been taken, no case led to disciplinary actions. No cases concerning potential instances of corruption, child labour or slave labour were received during the year, either through the whistleblower system or through any other reporting channel.

Summary of fines and legal measures in 2019

No significant fines or other sanctions due to breaches of the law were imposed on the company during 2019. Nor was any legal action taken against the company regarding anti-competitive behaviour, cartels or monopolies in 2019. See page 124 to read about the corporate fine due to a discharge of hydraulic oil in Karlsborg during 2018. No incidents regarding breaches of customer privacy were registered during 2019

In May 2019, the European Commission notified BillerudKorsnäs of its decision to close the competition investigation concerning several producers of bleached and unbleached kraft paper and manufacturers of industrial paper bags. With respect to BillerudKorsnäs, this procedure started in March 2017 with a site-visit investigation at the head offices in Solna.

Follow-up of product safety and liability

Demand for packaging and other materials intended for food is high and managing product safety is essential when delivering material that will be in contact with food. BillerudKorsnäs' products meet EU legislation on material and products intended to be in contact with food. As there is no harmonised legislation on paper and board in the EU, BillerudKorsnäs complies with the German legislation by applying the BfR recommendation. American legislation is also applied. In addition to this, certain products comply with other rules, such as Chinese rules on contact with food and standards for medical products. This ensures that BillerudKorsnäs' products are safe under intended conditions of use. Each marketing department is responsible for ensuring that the right product is sold for the intended purpose, while the production units are responsible for product safety in manufacturing. A product safety director was appointed during the year to meet growing interest in product safety. The primary task of this new function is to strengthen and develop Group-wide processes, answer customers' questions and also prepare the organisation for future changes in the law, with a focus on product safety issues.

Monitoring of product responsibility in 2019 showed that no breaches of legislation or voluntary codes of practice occurred regarding health and safety, product information and labelling or market communication. No fines relating to product responsibility were imposed.

Our contribution to Agenda 2030 (target 12.6)

- ➊ We strive to be completely transparent regarding sustainability information both regarding operations and our products.
- ➋ A growing international value chain increases the complexity and the need for control of external partners.

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Directors' report

The Board and CEO of BillerudKorsnäs AB (publ), corporate identity number 556025-5001, herewith submit the annual report and consolidated annual accounts for the 2019 financial year. Figures for the previous year are stated in brackets, 2019 (2018).

This English version is a translation of the Swedish original.

BillerudKorsnäs' EBITDA and operating profit declined in 2019, by SEK 113 million and SEK 344 million or 4% and 24% compared with 2018. The decrease was mainly due to increased costs for raw materials and start-up effects of approximately SEK 640 million related to the new board machine in Gruvön, KM7. Compared to 2018, the costs were to some extent offset by a provision of SEK 452 million that was made in 2018.

The situation regarding the covid-19 pandemic are described in the Risk management and sensitivity analysis on page 75 and in disclosure 31, Events after the end of the period.

Market

BillerudKorsnäs offers innovative packaging solutions and sustainable packaging materials made from natural cellulose fibre. We are a leading producer and create value through our deep knowledge of materials and optimally designed packaging. The packaging market is showing a continued positive long-term trend driven by greater awareness of sustainability, urbanisation and new business models based on digitisation and logistics. During 2019 market conditions were initially strong but weakened during the second half of the year, particularly for sack paper and kraft paper for industrial use. Market conditions for liquid packaging board and cartonboard were stable. In addition to packaging materials, BillerudKorsnäs sells surplus long-fibre pulp and Northern Bleached Softwood Kraft (NBSK), which is not used in its own production. BillerudKorsnäs' base is in Europe, but are continuing to become established in other markets, including Asia.

During 2019 operations were divided into three divisions: Division Board, Division Paper and Division Solutions.

Division Board manufactures liquid packaging board, cartonboard as well as fluting and liner. All customers demand high quality and expect materials and services solutions that add value. The division also sells surplus pulp on the open market.

Division Paper manufactures and sells high-performance, premium-grade kraft and sack paper to selected segments in the manufacturing, medical equipment and consumer segments. The division also sells surplus paper pulp on the open market.

Division Solutions meets brand owners' growing demand for sustainable and effective packaging solutions and systems. The division's business is growing in two areas, the largest of which is currently Managed Packaging, which help global brand owners to take control of their packaging needs in Asia.

Sales volumes by division

ktonnes	2019	2018
Division Board	1 815	1 720
Division Paper	882	941
Other (intra group volume sales elimination)	-25	-20
Total	2 672	2 641

Net sales 2019, %

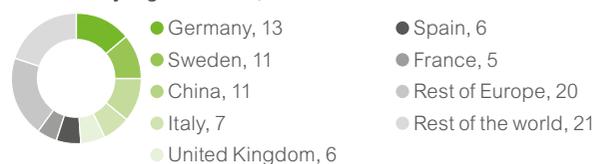


Net sales by divisions

SEKm	2019	2018
Division Board	13 692	12 679
Division Paper	8 142	8 523
Division Solutions	990	980
Other ¹	1 779	1 719
Currency hedging, etc.	-158	-209
Total	24 445	23 692

¹ Other include foremost sales from the Forestry organisation and transport services.

Net sales by region in 2019, %



Net sales by region

SEKm	2019	2018
Germany	3 207	3 133
Sweden	2 811	2 888
China	2 614	2 474
Italy	1 739	1 991
United Kingdom	1 491	1 330
Spain	1 388	1 157
France	1 145	1 041
Rest of Europe	4 923	4 567
Rest of the world	5 127	5 111
Total	24 445	23 692

Financial targets

To support BillerudKorsnäs' target for profitable growth and return for shareholders, the following financial targets have been established:

- Long-term target for growth of 3–4% per year.
- The EBITDA margin shall exceed 17%.
- Return on capital employed (ROCE) shall exceed 13%.
- Long-term target for interest-bearing net debt in relation to EBITDA should be less than a multiple of 2.5.
- The dividend policy is that the dividend shall be 50% of net profit.

Sales and earnings

Net sales for 2019 were 3% higher than in the previous year, mainly as a result of positive currency effects but also due to a marginal price increase.

Sales volumes grew with 1 %. Sales volumes for Division Board increased with 6% but due to weaker market demand Division Paper it's sales volumes with 6%.

EBITDA declined by SEK 113 million, after increases in raw material costs, and KM7 start-up effects of approximately SEK 640 million, partly offset by increased sales volumes and positive currency effect and cost savings. Compared to 2018, the costs were to some extent offset by a provision of SEK 452 million that was made in 2018, foremost related to unification of accounting principles regarding spare parts and workplace environment. Adjusted EBITDA, excluding its affecting comparability of SEK 1 million (591) (note 6), fell by SEK 645 million compared with the previous year, from SEK 3 476 million to SEK 2 831 million.

Net financial items totalled SEK 179 million (–89). Profit before tax was SEK 1 265 million (1 341) and estimated tax was SEK –254 million (–304). Net profit before discontinued operations totalled SEK 1 011 million (1 037).

Profit from discontinued operations was SEK 5 709 millions (–), primarily related to the divestment of a majority share of Bergvik Skog Öst. Net profit for the year including profit from discontinued operations, totalled SEK 6 720 million (1 037).

Return on equity including discontinued operations for the period was 41% (7) and return on capital employed was 4% (7). Return on capital employed adjusted for items affecting comparability was 4% (9). A total dividend of SEK 4.30 per share is proposed (4.30).

Key events 2019

BillerudKorsnäs completed the aquisition of Bergvik Skog Öst on May 31, and the sale of 89.9% to the pension company AMF on August 30. The sale resulted in a positive cash effect of approximately SEK 7.7 billion and a capital gain of approximately SEK 5.7 billion. Bergvik Skog Öst owned at completion of the sale approximately 317 000 hectares of forest land and had a net debt of approximately SEK 3.3 billion. BillerudKorsnäs will until further notice keep around 36 000 hectares of land from the original Bergvik Skog Öst. Bergvik Skog Öst and BillerudKorsnäs have agreed on a 15-year long agreement regarding the supply of wood, whereby BillerudKorsnäs will be the sole buyer of the wood volumes from Bergvik Skog Öst's lands. Furthermore, BillerudKorsnäs has the right to repurchase Bergvik Skog Öst at the end of this supply agreement

unless BillerudKorsnäs is offered an extension of the agreement on the current conditions. See note 35 and 10 for more information.

On October 3, the new board machine at Gruvön, KM7, was officially opened with a well-visited inauguration ceremony. See the section Investments and capital employed below for more information.

As a part of commercialising the paper bottle, BillerudKorsnäs and ALPLA formed a joint venture, Paboco® (former ecoXpac A/S), a group of brands including Coca-Cola, Absolut, Carlsberg and L'Oréal.

On November 4, The Board of Directors appointed Lennart Holm as acting CEO. Lennart Holm is a Board member of BillerudKorsnäs since 2012 and has been Chairman since 2014. Petra Einarsson left as CEO with immediate effect and the work to recruit a permanent CEO has started. As Lennart Holm assumed the role of acting CEO, the Board appointed Jan Åström as Chairman of the Board.

EBITDA and EBITDA %



Summary

	2019	2018
Net sales, SEKm	24 445	23 692
Operating profit before depreciation/ amortisation (EBITDA), SEKm	2 830	2 943
Gross margin (EBITDA), %	12%	12%
Operating profit/loss, SEKm	1 086	1 430
Operating margin, %	4%	6%
Return on capital employed, %	4%	7%
Profit/loss before tax, SEKm	1 265	1 341
Net profit/loss, SEKm	6 720	1 037
Earnings per share, SEK	32.50	5.01

EBITDA¹ split by division in 2019, %



¹EBITDA Excluding split from Other units, currency hedging etc.

EBITDA and EBITDA-margin by divisions

	2019		2018	
	SEKm	%	SEKm	%
Division Board	1 986	15	2 456	19
Division Paper	1 196	15	1 516	18
Division Solutions	64	6	14	1
Other	–257		–833	
Currency hedging, etc.	–159		–210	
Total	2 830	12	2 943	12

For quarterly data, see pages 134–135.

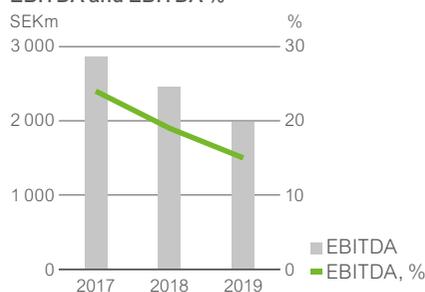
Operating segments

BillerudKorsnäs' operating segments in accordance with IFRS 8 have been identified and reflect its three Divisions: Division Board, Division Paper and Division Solutions. See Significant accounting policies from page 90.

Division Board

Division Board manufactures liquid packaging board, carton-board as well as fluting and liner. All customers demand high quality and expect materials and services solutions that add value. The division also sells surplus paper pulp on the open market. The mills Gävle, Gruvön, Frövi and Rockhammar belong to this division.

EBITDA and EBITDA %



Division Board

SEKm	2019	2018
Net sales	13 692	12 679
Operating expenses, net	-11 706	-10 223
EBITDA	1 986	2 456
EBITDA, %	15%	19%
Depreciation, amortisation and impairment losses	-1 175	-987
Operating profit/loss	811	1 469
Operating margin	6%	12%
ROCE, %	5%	10%
Sales volumes, ktonnes	1 815	1 720

Profit trend

Compared with the full year 2018, net sales rose by 8%. The rise is due to increased volumes and positive currency effects.

EBITDA fell by 19% compared with the full year 2018. The decrease is principally due to negative impact by KM7 start-up effects attributable to negative change in product mix due to high portion of pulp and second grade liner for containerboard.

Key events in 2019

Next generation

The ramp-up of the new KM7 board machine at Gruvön was a key event during 2019. When fully ramped up in 2023, the machine is expected to produce 550 000 tonnes annually. Test runs of the machine started in April and on 8 June it had paper on pope. Since the end of June the machine has been producing liner for customers. The process to certify materials will begin in the first half of 2020. The machine's production capacity will be increased over the course of the ramp-up process.

The changes in connection with the start-up of KM7 impacted EBITDA in 2019 by approximately SEK 640 million, whereof about two thirds in division Board and about one third in division Paper.

Division Paper

Division Paper manufactures and sells high-performance, premium-grade kraft and sack paper to selected segments in the manufacturing, medical equipment and consumer segments. The division also sells surplus paper pulp on the open market. The mills at Skärblacka, Karlsborg, Pietarsaari and Beetham belong to this division.

EBITDA and EBITDA %



Division Paper

SEKm	2019	2018
Net sales	8 142	8 523
Operating expenses, net	-6 946	-7 007
EBITDA	1 196	1 516
EBITDA, %	15%	18%
Depreciation, amortisation and impairment losses	-444	-426
Operating profit/loss	752	1 090
Operating margin	9%	13%
ROCE, %	14%	20%
Sales volumes, ktonnes	882	941

Profit trend

EBITDA decreased by SEK 320 million to SEK 1 196 million, and operating profit decreased by SEK 338 million to SEK 752 million, representing a decrease of 21% and 31% respectively.

The favourable market conditions from 2018 spilled over into the first months of 2019 with high demand and good price levels. During quarter two the market slowed down significantly mainly for sack paper and pulp. As a consequence prices fell and volumes reduced towards the second half of the year. This combined with a less favourable product mix impacted the profit negatively. Raw material prices also affected negatively compared to prior year and could only partly be offset by a positive currency development.

The weak demand means that we have adapted our production and focused on efficiency measures. Emphasis is also on maximising customer value and adding new applications.

Key events in 2019

Products launches

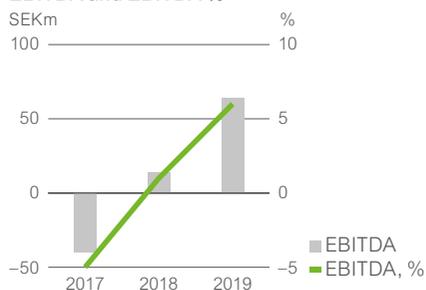
During the year BillerudKorsnäs developed Xpression E-com, a paper grade specially designed for the manufacture of strong mailing bags for e-commerce operators.

In December, BillerudKorsnäs launched Repel Pure, a machine glazed kraft paper for food packaging, where the grease-resistant barrier is plant-based. Repel Pure can replace grease resistant paper products treated by a high-fluorinated chemical and is good for the environment as its barrier is completely degradable.

Division Solutions

Division Solutions meets brand owners' growing demand for sustainable and effective packaging solutions and systems. The division's business is growing in two areas, the largest of which is currently Managed Packaging, which help global brand owners take control of their packaging needs in Asia.

EBITDA and EBITDA %



Division Solutions

SEKm	2019	2018
Net sales	990	980
Operating expenses, net	-926	-966
EBITDA	64	14
<i>EBITDA, %</i>	<i>6%</i>	<i>1%</i>
Depreciation, amortisation and impairment losses	-10	-13
Operating profit/loss	54	1
<i>Operating margin</i>	<i>5%</i>	<i>0%</i>

Profit trend

Net sales for the full year 2019 were 1% higher than in 2018 mainly driven by favourable currency rates and improved sales mix in Solutions Other.

EBTDA increased to SEK 64 million (14). Earnings were strengthened by an improved sales mix and positive currency effects. A favourable outcome of a technical complaint which occurred 2018 in Managed Packaging also had a positive impact. Furthermore, while additional fixed costs for positioning the division for future growth reduced it somewhat.

Key events in 2019

Sustainable Packaging in Asia

During the year Managed Packaging continued to extend its footprint by expanding its network of packaging suppliers in several regions in China and across the rest of South East Asia. Managed Packaging is constantly improving quality assurance and compliance with its network partners as well as measuring how the packaging is performing throughout the supply chain. In essence acting as a one point of contact for our clients, creating transparency and helping them take control of their packaging supply chain.

Products launches

During the year Solutions other announced that it is jointly launching a U-Bend straw together with The Paper Straw Company based on our unique FibreForm® material and a patented solution. The straw is biodegradable, resulting in a positive impact on littering compared to plastic straws.

Another novel packaging concept called Pearl was developed jointly with Syntegon (former Bosch Packaging Technology) and launched during the second half of the year to the packaging market. It aims to show how uniquely formed and right-sized small packages, called Shaped Paper Pods, can contribute to a more sustainable future by utilising the unique formability of FibreForm®. In industries like beauty and personal care, bread spreads, savoury and confectionery, single-use plastic packaging is widespread. The goal is to support these industries with a sustainable packaging system and replace plastic in product samples, inserts, refills, portion packs and disposable packaging.

Safety and production stability

During 2019 several initiatives have been executed across all mills with aim to increase safety for everyone working at Billerud-Korsnäs. The initiatives are both in regards to increase standards, rules but also change our culture. 2019 LTIFR ended on 7.3 (7.2).

Production stability initiatives continue, where we execute similar activities as we implement within safety. Meaning upgrading standards, cooperating with suppliers to increase preventive maintenance and developing our people. We see improvements in availability in critical machines.

Growth

Growth, which is measured as the increase in net sales adjusted for additions and deductions with amounts corresponding to the net sales of acquired and divested operations, was 3% in 2019.

SEKm	2019	2018
Net sales	24 445	23 692
Fastighets Marma Skog AB 31, acquired May 23, 2018	-	-
Paper Bottle Co A/S (ecoXpac A/S), acquired March 29 and divested July 9, 2019	-4	-
Net sales for comparable units	24 441	23 692

Investments and capital employed

Gross investments in 2019 totalled SEK 2 926 million (5 142).

The focus in 2019 was on the completion and start-up of the Gruvön (KM7) board machine. Safe and stable production has been the next focus area to increase productivity of the mills. For example an investment was made to build two pine oil production plants to obtain a more sustainable process. In addition actions were taken to secure the work environment.

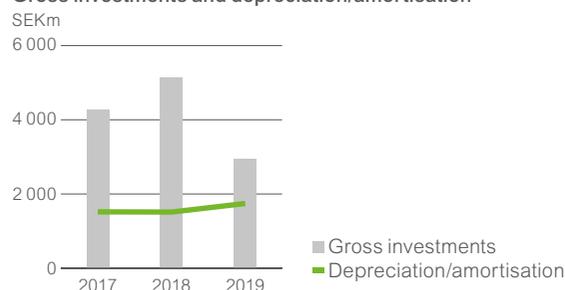
Total and final investments related to KM7, during the period from 2016 to 2020, will amount to around SEK 7 950 million, whereof SEK 1 637 million was recorded in 2019. This final investment amount includes a deduction of approximately SEK 200 million, relating to withheld payments to a supplier in the project. The supplier has raised claims against BillerudKorsnäs for the withheld payments. BillerudKorsnäs has raised claims against the supplier exceeding the withheld payments. The dispute will be tried in legal proceedings. Out of the total final investment amount of approximately SEK 7 950 million, the last approximately SEK 190 million will be paid during 2020.

BillerudKorsnäs' capital employed at 31 December 2019 totalled SEK 24 938 million (23 687). Return on capital employed (ROCE), calculated over the past 12-month period, was 4% (7). Return on equity was 41% (7). The increase of return of equity

was due to the sale of Bergvik Skog Öst. ROCE calculated using adjusted operating profit amounted to 4% (9).

Working capital in the fourth quarter was 8% (9) in relation to net sales.

Gross investments and depreciation/amortisation



Cash flow and financial position

Summary Cash Flow Statement

SEKm	2019	2018
Operating surplus, etc.	2 674	3 219
Change in working capital, etc.	-463	-267
Net financial items, taxes, etc.	108	-450
Cash flow from operating activities	2 319	2 502
Current net investments, excluding strategic investments	-1 262	-1 066
Operating cash flow before strategic investments	1 057	1 436

Operating cash flow before strategic investments amounted to SEK 1 057 million (1 436) for 2019. Operating cash flow before strategic investments include current net investments excluding the investment in KM7 at Gruvön, the MG investment at Skärblacka, the acquisition and sale of subsidiaries, and the divestment of Bergvik Skog Väst AB.

Change in working capital does not include accruals related to KM7 at Gruvön.

The above does not show the cash flow from the purchase and sale of Bergvik Skog Öst AB/BSÖ Holding AB. See the cash flow statement on page 85, and notes 35 and 10.

Interest-bearing net debt at 31 December 2019 amounted to SEK 5 476 million (9 333). The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 1.9 (3.2). The ratio of net interest-bearing debt to adjusted EBITDA was 1.9 (2.7).

The implementation of IFRS 16 from 1 January 2019 increased interest-bearing liabilities by SEK 233 million at 31 December 2019, of which short-term liabilities accounted for SEK 89 million and long-term liabilities SEK 144 million. The impact on the ratio of net debt to EBITDA is 0.0 compared with IAS 17.

Financing

At 31 December 2019, interest-bearing loans totalled SEK 7 842 (9 024) million. Of the interest-bearing loans, bond loans totalled SEK 6 300 million (4 700), commercial papers SEK 0 million (1 600) and other interest-bearing debts SEK 1 542 million (2 724). Of the bond loans, SEK 400 million is due in 2020, SEK 800 million in 2021, SEK 1 700 million in 2022, SEK 1 800 million in 2023, SEK 600 million in 2024 and SEK 1 000 million in 2025.

The syndicated credit facility with a maximum limit of SEK 5 500 million falling due in 2024 was unused at year-end.

Capital Structure, Summary

31 December	2019	2018
Capital employed, SEKm	24 938	23 687
Financing:		
Interest-bearing net debt, SEKm	5 476	9 333
Interest-bearing net debt/EBITDA, multiple	1.9	3.2
Equity, SEKm	19 462	14 355
Net debt/equity ratio, multiple	0.28	0.65

Currency hedging

The currency hedging policy is to hedge 0–80% of net flows over the next 15 months. Any deviations from the policy must be approved by the Board of Directors.

Currency hedging had a combined earnings impact of SEK –231 million (–323) for 2019 (compared with if no hedging had taken place).

BillerudKorsnäs' outstanding foreign exchange contracts at 31 December 2019 had a market value of SEK 44 million, of which SEK –13 million is the portion of the contracts corresponding to accounts receivable that has affected earnings. Other contracts had a market value of SEK 57 million.

The hedged proportion of currency flows and the SEK exchange rates for EUR, USD and GBP at 31 December 2019 are shown in the table below.

Hedged proportions of currency flows for EUR, USD and GBP and exchange rates against SEK¹

Currency	Q1 -20	Q2 -20	Q3 -20	Q4 -20	Q1 -21	Total 15 months
EUR						
Proportion of net flow	80%	79%	80%	80%	80%	80%
Exchange rate	10.25	10.44	10.72	10.75	10.70	10.60
USD						
Proportion of net flow	65%	65%	65%	65%	53%	62%
Exchange rate	9.08	9.13	9.27	9.42	9.32	9.24
GBP						
Proportion of net flow	28%	–	–	–	–	6%
Exchange rate	12.28	–	–	–	–	12.12
Market value of currency contracts ¹	–18	–6	18	31	19	44

¹ At 31 December 2019.

Tax situation

BillerudKorsnäs' effective tax rate is normally estimated at 20–22%. The tax expense for 2019 was SEK 254 million, equivalent to a tax rate of 20.1%. The tax expense for 2018 was SEK 304 million, equivalent to 22.7%.

The rate of tax in Sweden is 21.4% and will be lowered to 20.6% in 2021. This has had a positive effect of 34 MSEK, which relates to revaluation of deferred tax.

Environmental and permit issues

BillerudKorsnäs has six production units in Sweden, one in Finland and one in the UK that require permits under environmental

legislation. These permits apply to the production of pulp and paper, and operation of landfills and ports where applicable. BillerudKorsnäs has all the official permits necessary to conduct operations at the volumes produced in 2019. The production units impact the environment through water discharges and air emissions as well as noise and waste generation. In addition, raw materials are consumed such as wood, chemicals and energy. Inbound and outbound transportation has an indirect environmental impact.

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

Under Chapter 6 Section 11 of the Annual Accounts Act, BillerudKorsnäs AB (publ) has chosen to prepare the statutory sustainability report as a separate report from the annual accounts on pages 34–51, 74–79, 123–130 and a GRI index available at <https://www.billerudkorsnas.com/sustainability>. The report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards.

Product and process development

The costs of product and process development, to the extent attributable to research activities, are charged to profit in the year that they arise. In the past year, such costs accounted for approximately 0.5% (0.5) of BillerudKorsnäs' operating costs.

Seasonal effects

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

Maintenance shutdowns

In addition to ongoing maintenance during production, BillerudKorsnäs' production units normally also require more extensive maintenance at some point during the year. In order to carry out maintenance, production of pulp and paper is stopped. The principal cost items in a maintenance shutdown are loss of volumes arising

from the shutdown and fixed costs, mainly maintenance and overtime costs, as well as a certain portion of variable costs including higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the extent of measures carried out, their nature and the actual length of the shutdown. The estimated cost of shutdown is an assessment of the impact on earnings of a normal shutdown, compared to a quarter during which no periodic maintenance shutdown takes place.

Other seasonal effects

A considerable share of volumes for BillerudKorsnäs Flute® are used for packaging for exporting fruit from the Mediterranean area. Demand by this group of customers varies with the fruit export season and is usually highest in September–March.

A considerable share of BillerudKorsnäs' sack paper and Quick-Fill® sack paper goes to packaging for cement and building materials. The demand for building materials in Europe is generally higher in May–October.

Share structure

At 31 December 2019, the share capital totalled SEK 1 537 642 792, represented by 208 219 834 shares. The number of shares on the market totalled 206 789 772.

At 31 December 2019, BillerudKorsnäs' holdings of treasury shares totalled 1 430 062, representing a decrease of 89 129 shares compared with 31 December 2018. These bought-back shares are held as security for conditional rights in the long-term incentive programmes.

During 2019 BillerudKorsnäs transferred 89 129 shares under the long-term incentive programme resolved by the 2016 Annual General Meeting. No shares were repurchased during the year.

Distribution of shares

31 December	2019
Registered number of shares at start of year	208 219 834
Repurchased shares in Company treasury	–1 430 062
Shares on the market	206 789 772

BillerudKorsnäs shares

The share capital of BillerudKorsnäs AB is represented by 208 219 834 ordinary shares, of which 1 430 062 are owned by BillerudKorsnäs AB. Each share carries an entitlement to one vote at the AGM. Transfer of shares is not restricted by law or by the Company's articles of association.

Maintenance shutdowns

Production unit	Shutdown cost in 2019	Estimated shutdown cost	Estimated distribution of shutdown cost by Division			Planned times for maintenance shutdowns		
	SEKm	SEKm	Division Board	Division Paper	Division Solutions	2020	2019	2018
Gävle	150	~ 150	100%	–	–	Q2	Q2	Q3
Gruvön	139	~ 155	~ 95%	~ 2%	~ 3%	Q3	Q3	Q2
Frövi	111	~ 110	100%	–	–	Q4	Q4	Q4
Skärblacka	158	~ 150	~ 10%	~ 90%	–	Q4	Q2	Q2
Karlsborg	55	~ 55	–	~ 98%	~ 2%	Q3	Q3	Q3
Pietarsaari	–	~ 15	–	100%	–	Q2	–	Q4
Rockhammar	15	~ 15	100%	–	–	Q4	Q4	Q4
Total	628	~ 650						

Maintenance shutdowns at Beetham have an insignificant effect on BillerudKorsnäs' total earnings.

The largest shareholder, Frapag Beteiligungsholding AG, owned 31 300 000 shares at 31 December, corresponding to 15.1% of the shares in the market. No other shareholder owned 10% or more of the total number of shares at 31 December 2019. The Company knows of no agreements between shareholders that may restrict the right to transfer shares. Appointment and dismissal of Board members, and changes to the articles of association, are subject to approval by the AGM. Agreements between the Company and other employees that regulate their own resignation or dismissal by the Company conform with normal labour market practice.

Parent company

The parent company BillerudKorsnäs AB includes the head office and support functions.

Operating profit for 2019 was SEK –321 million, compared with SEK –458 million for 2018. The operating loss includes the effect of hedging contracts and revaluations of trade receivables.

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. These earnings were SEK –231 million (–323) in 2019.

The parent company is responsible for the Group's financing issues, and most of the Group's external interest-bearing debt is raised by the parent company.

The average number of employees was 132 (115). Cash and bank balances, and short-term investments totalled SEK 3 260 million (292).

Risk management in parent company

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

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

Customer credit

The parent company's accounts receivable represent approximately 80% of the Group's accounts receivable, because a large share of the production units accounts receivable are taken over by the parent company after invoicing and are collected by the parent company. However, the risk of any bad debt losses remains with the invoicing company. Of total provision within the Group for doubtful accounts receivable in 2019, SEK 0 million (0) was attributable to the parent company.

Exchange rate exposure

All forward foreign exchange contracts for the Swedish operations are taken out by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish, Finnish and British production units. Exposure for the parent company is thus lower than that of the forward contracts signed. This applies up to the invoicing date, because the parent company takes over the accounts receivable for the Swedish, Finnish and British production units. At year-end 2019, foreign exchange contracts not yet recognised in profit/loss for the parent company nominally totalled SEK 4 624 million (4 881), of which SEK 3 623 million will be recognised in profit/loss in 2020 and SEK 1 001 million in 2021.

Interest rate risk

The Group's borrowing is conducted primarily via the parent company and accounted for 100% (95) of the Group's total borrowing at 31 December 2019. As a result, the parent company has the same exposure to changes in interest rates as the Group.

Proposed allocation of profit

As shown in Note 21, non-restricted equity in the parent company, BillerudKorsnäs AB, totalled SEK 6 851 million at 31 December 2019.

BillerudKorsnäs' financial targets state that dividend is to be 50% of net profit and that the long term ratio of interest-bearing net debt to EBITDA is to be less than 2.5. Group interest-bearing net debt in relation to EBITDA at the end of 2019 was 1.9 (3.2) times. BillerudKorsnäs' Board of Directors proposes that, of the earnings per share of SEK 32.50, an ordinary dividend of 4.30 per share, and that the remaining amount be carried forward. The proposal corresponds to approximately 13% of the Group's net profit, including profit from discontinued operations, Bergvik Skog Öst.

Proposal for mandate to buy back and transfer shares

On the back of the successful Bergvik Skog Öst transaction, the Board decided to propose additional measures for returning excess capital to the shareholders and to optimize the capital structure of BillerudKorsnäs. The Board has therefore decided to propose to the AGM 2020 that the Board be mandated to decide on the acquisition of own shares via Nasdaq Stockholm to an extent that the company's treasury holding does not at any time exceed 10% of all the shares in the company.

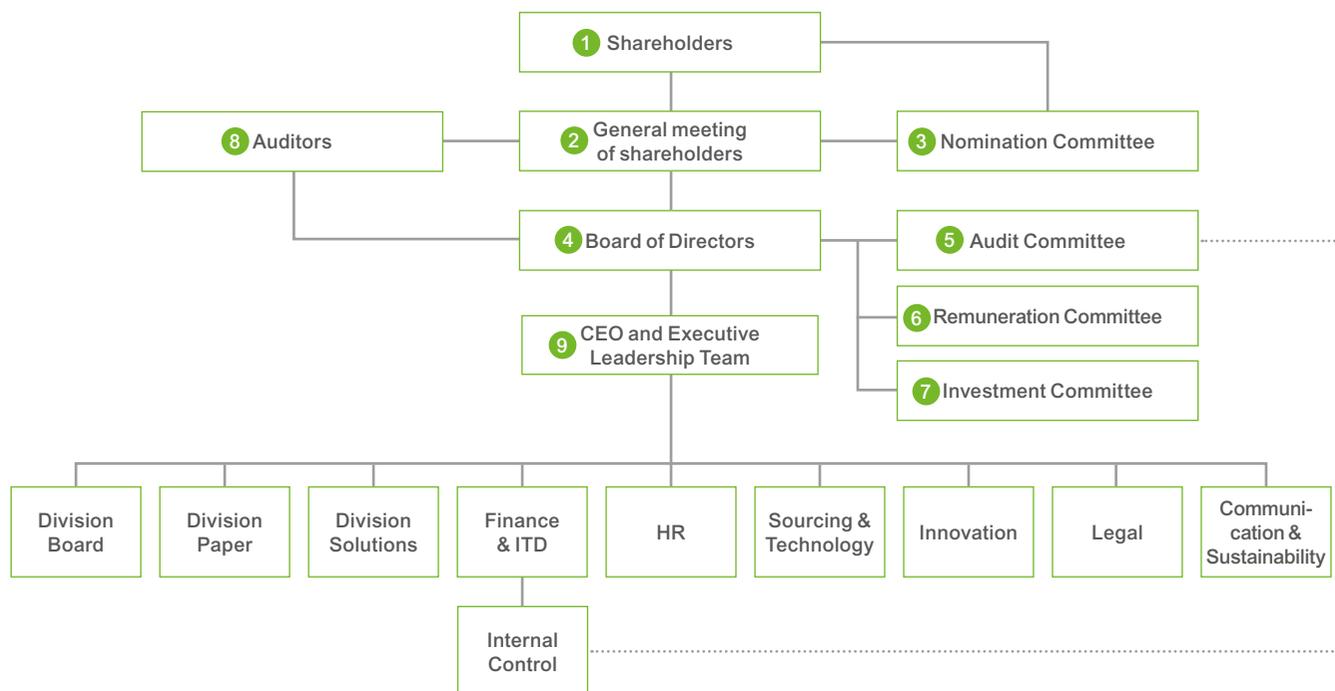
The Board also decided to propose that it be mandated by the AGM 2020 to up until the next AGM make decisions to transfer or cancel the company's own shares that are not needed to fulfill the company's long term share based incentive programs.

Events after the close of the financial year

See Note 31 for Events after the end of the period.

Corporate governance in BillerudKorsnäs

Corporate governance relates to decision-making systems by which the shareholders, directly or indirectly, control the company. The following section provides details about corporate governance within BillerudKorsnäs. This report on BillerudKorsnäs' corporate governance in 2019 has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The report has been reviewed by BillerudKorsnäs' auditor, see pages 120–122.



Corporate governance in BillerudKorsnäs

Examples of external regulations affecting BillerudKorsnäs' governance:

- The Swedish Companies Act
- Accounting legislation, including the Swedish Annual Accounts Act and IFRS
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Code of Corporate Governance

Examples of internal regulations affecting BillerudKorsnäs' governance:

- Articles of association
- Board of Directors' instructions and rules of procedure
- BillerudKorsnäs' Code of Conduct
- BillerudKorsnäs' internal steering documents

As a publicly traded Swedish company listed on Nasdaq Stockholm, BillerudKorsnäs applies the Swedish Code of Corporate Governance ('the Code'). The Code is available at www.corporategovernanceboard.se, where a description of the Swedish model for corporate governance is also provided.

The Code is based on the principle of "comply or explain". This means that a company that applies the Code may deviate from particular rules but will then have to provide an explanation giving the reasons for the deviation. In 2019, as in previous years, BillerudKorsnäs deviated from the Code's rules that Board members should not also be the chairman of the Nomination Committee. This deviation from the Code is explained in more detail in the Nomination Committee section below. No other deviation from the Code occurred. During the year, BillerudKorsnäs complied with Nasdaq Stockholm's Rulebook for Issuers and good stock market practice.

1 Shareholders

BillerudKorsnäs' shares are listed on Nasdaq Stockholm. At year-end 2019, the total number of shareholders was 96 846, compared with 97 563 at the previous year-end. Each share carries an entitlement to one vote. The proportion of foreign ownership was 37.3% (36.4) of the number of shares on the market. Other groups of shareholders consisted of Swedish mutual funds 22.0% (23.2), Swedish individuals including closely held companies 24.1% (21.6)

and Swedish institutions 16.6% (18.8). The largest shareholder, Frapag Beteiligungsholding AG, owned 31,300,000 shares, corresponding to 15.1% of shares on the market. No other shareholder owned 10% or more of the number of shares at the end of 2019. Further details about the company's shares, shareholders, and the like are presented in the section "BillerudKorsnas shares", and on the company's website, www.billerudkorsnas.com.

2 General meeting of shareholders

The general meeting of shareholders is the company's highest decision-making body. Shareholders exercise their voting rights at general meetings of shareholders. Notice of general meetings of shareholders is posted on the Company's website and published as an advertisement in The Official Swedish Gazette. An announcement that the notice has been issued is published simultaneously in Svenska Dagbladet.

Normally, the Annual General Meeting (AGM) is held in April or May. The AGM decides on matters such as the adoption of the Company's annual accounts, appropriation of the Company's profits and the discharge of Board members and the CEO from liability for the year. The AGM also elects members of the Board and auditors and votes on the establishment of a Nomination Committee, fees for the Board of Directors and auditors and guidelines for determining the salaries and other remuneration for the CEO and Executive Leadership Team. Shareholders attending the AGM also have the opportunity to ask questions about the Group's activities. Resolutions passed at a meeting of shareholders are disclosed after the meeting in a press release, and the minutes of the meeting are published on the Company's website.

2019 Annual General Meeting

The 2019 AGM took place on 9 May 2019, and addressed matters customarily dealt with at the AGM. The AGM also voted to introduce a long-term incentive programme (LTIP 2019). The minutes and other documents from the AGM are available on the Company's website.

2020 Annual General Meeting

BillerudKorsnäs' 2020 AGM will take place on 5 May 2020 in Stockholm, and notice of the AGM will be made in the beginning of April 2020. Shareholders wishing to add an item to the agenda of the AGM may, in accordance with the instructions on the Company's website, propose the item to the Company no later than seven weeks before the meeting.

A full text of the notice of the 2020 AGM, including details of how to register for attendance at the meeting, is posted on the Company's website.

3 Nomination Committee

The main task of the Nomination Committee is to produce proposals for Board members and auditors, for remuneration to such persons, and a proposal for a chairman for the AGM, prior to the AGM. The current Nomination Committee instructions require BillerudKorsnäs to have a Nomination Committee consisting of four members appointed by the Company's major shareholders. Please see the table below for the composition of the Nomination Committee for the 2020 AGM. For further information about the Nomination Committee instructions, see www.billerudkorsnas.com.

The Nomination Committee held several meetings prior to the 2019 Annual General Meeting, as well as contacts between meet-

ings by telephone and e-mail. In accordance with instructions on the company's website, shareholders were welcome to present proposals and opinions to the Nomination Committee by e-mail or post. Under the Code, the Nomination Committee's reasoned statement concerning the Nomination Committee's proposal to the Board should include a brief description of the diversity policy which the Nomination Committee has applied in drawing up its proposal to the Board. The Nomination Committee has stated that it has applied rule 4.1 of the Code as diversity policy during 2019. The objective is that the composition of the Board shall be appropriate, versatile and comprise a diverse set of Board members including in relation to gender, age and nationality, as well as experiences, professional backgrounds and business disciplines matching BillerudKorsnäs' key priorities. There is a special section on the company's website www.billerudkorsnas.com headed "Nomination Committee" containing further information about the Nomination Committee and its proposals to the AGM.

Composition of and voting representation on the Nomination Committee

Representative	Shareholder	Share of voting power, % ¹
Michael M.F. Kaufmann	Frapag Beteiligungsholding AG	15.1
Tomas Risbecker	AMF Insurance and Funds	9.4
Thomas Wuolikainen	Fourth AP Fund	6.6
Lennart Francke	Swedbank Robur funds	6.5

¹ At 31 December 2019.

Board member Michael M.F. Kaufmann was appointed Chairman of the Nomination Committee prior to the 2020 Annual General Meeting. This is a deviation from the stipulation by the Code that a Board member may not be chairman of the Nomination Committee. However, under the Nomination Committee guidelines determined by the AGM, the chairman of the Nomination Committee should be the member appointed by the major shareholder, and it has been considered acceptable that Michael M.F. Kaufmann assumes this position. Michael M.F. Kaufmann has been chairman of the Nomination Committee in recent years.

4 Board of Directors

Composition

The articles of association stipulate that the Board of Directors of BillerudKorsnäs has to consist of not fewer than six members and not more than ten members, with no more than six deputies.

The 2019 AGM established that the Board of Directors should consist of eight members and voted to re-elect all current Board members; Tobias Auchli, Andrea Gisle Joosen, Bengt Hammar, Lennart Holm, Michael M.F. Kaufmann, Kristina Schauman, Victoria Van Camp and Jan Åström. The annual general meeting also decided to re-elect Lennart Holm as chairman of the board and Michael M.F. Kaufmann as deputy chairman of the board. In November 2019, the Board resolved to appoint Jan Åström as chairman of the board instead of Lennart Holm, in connection with the board's appointment of Lennart Holm as acting CEO of the company. Lennart Holm has however remained as a member of the board. The employee organisations have appointed two employee representatives to serve on the Board. These are Gunnevi Lehtinen Johansson and Nicklas Johansson, and as deputies, Ulrika Gustafsson and Bo Knöös. Other than Lennart Holm, who is currently acting CEO of the company, and the employee representatives and their deputies, none of the Board members are employed by the Group. Kristina

DIRECTORS' REPORT

Schauman had the assignment as acting CFO between November 2018 and May 2019. Of the Board members elected by the AGM, three are women and five are men.

The composition of the Board meets the Code's requirements as to independence in relation to the Company, the Company's management and the Company's major shareholders. For further details about the Board of Directors and information on the independence of the Board members, their duties outside the Group and their holdings of shares in BillerudKorsnäs, see the section "Board of Directors" on pages 72 –73.

Organisation of the work of the Board

The Board of Directors is the Company's highest administrative body below the AGM. The Board of Directors is charged with the organisation of the Company and management of the Company's affairs, ensuring that the Company's organisation is structured such that accounting, asset management and the Company's financial affairs otherwise are supervised in a satisfactory manner and with assessing the Company's financial situation on an ongoing basis.

The work of the Board follows written rules of procedure to ensure that the Board obtains information on all issues, and that all aspects of the Company's activities relating to the Board are addressed. The Board has also established a number of general policies for the Company's activities. They include the Company's code of conduct, which summarises the Company's responsibilities, values and goals.

The Board's work follows an annual cycle in order for it to optimally accomplish its tasks. At the beginning of the year, the Board considers the year-end report and the annual report, as well as matters to be submitted to the AGM. At the end of the year, the Board considers the budget for the year ahead. Every quarter, the Board reviews the Group's earnings, and interim reports are approved for publication. An inaugurating Board meeting is held in connection with the AGM at which members of the Board's committees are appointed and the Board decides on matters such as the right to sign on behalf of the Company. Once a year, the Board has an extra meeting primarily dedicated to strategy issues, and the execution of the key strategic initiatives is subsequently followed up at every Board meeting.

Work of the Board in 2019

The Board held 19 meetings in 2019, including the inaugurating meeting. For information on attendance at these meetings, see

Attendance at Board meetings and committee meetings

Member	Position	Board meetings	Audit Committee meetings ¹	Remuneration Committee meetings ²	Investment Committee meetings
Jan Åström	Chairman	19/19		6/6	4/5
Michael Kaufmann	Deputy chairman	12/19		5/6	
Tobias Auchli	Member	19/19	5/5		5/5
Andrea Gisle Joosen	Member	19/19	5/5	1/1	
Bengt Hammar	Member	17/19			5/5
Lennart Holm	Member	19/19		4/5	
Gunnevi Lehtinen Johansson	Member	19/19			
Nicklas Johansson	Member	16/19			
Kristina Schauman	Member	18/19	3/3		
Victoria Van Camp	Member	17/19			5/5

¹ The audit committee consisted of Kristina Schauman, Andrea Gisle Joosen and Tobias Auchli, except for the period when Kristina Schauman stepped out of the Audit Committee in November 2018-May 2019 when she was appointed acting CFO.

the table below. Before each meeting, Board members received an approved meeting agenda and written material concerning issues to be addressed at the meeting.

The Board addressed, on an ongoing basis, strategic issues relating to the Company's operations and focus, follow-up of previous acquisitions and investments, new investments above a certain level and other matters. An important aspect of the Board's work are the financial reports that are presented at each ordinary Board meeting. The Board also receives monthly reports on the Company's financial position. At ordinary meetings, reports are submitted about ongoing work relating to the divisions and Group functions.

During the year, the Board focused strongly on production-related issues and on safety issues, with regard both to measures to achieve improved stability and safety in existing production capacity and to follow-up and monitor the major new investment projects. These relate to the KM7 investment in Gruvön and the investment at Skärblacka into a world-leading centre for the manufacturing of machine-glazed kraft paper (MG paper). The Board also worked on other strategically important issues, such as potential company acquisitions, including the acquisition and subsequent sale of Bergvik Skog Öst and the strategic aspects thereof. The Board has also focused on the updated strategy for the company, which was approved in Q3 2019. Furthermore, the Board continuously evaluates the management of the company, and in November 2019, after due consideration, the Board took the decision to appoint Lennart Holm as new acting CEO of the Company, replacing the former CEO Petra Einarsson. Subsequently, the Board has initiated a work to find a new permanent CEO for the Company. Other recurring issues on the Board's agenda are the company's work on sustainability and innovation.

In addition to participating in the audit committee meetings, the Company's auditor also participated in a Board meeting at which Board members had the opportunity to ask the auditor questions without representatives of the Company's management being present.

Assessment of the Board and the CEO

BillerudKorsnäs has procedures for assessing the work of the Chairman and members of the Board each year. The assessment serves as input for an action plan for improvements and as background to the Nomination Committee's work as they assemble a Board. With respect to 2019, a detailed internal assessment of the Board's work was conducted, including interviews

² The remuneration committee consisted of Jan Åström (Chairman), Michael Kaufmann and Lennart Holm. From November 2019, when Lennart Holm was appointed CEO of the Company, the committee consists of Jan Åström (Chairman), Michael Kaufmann and Andrea Gisle Joosen.

with each member of the Board. The purpose of the assessment is to gain an understanding of Board members' views about how the Board's work is conducted and what measures could be taken to make the work of the Board more effective. It also aims to gain an understanding of what type of issues the Board believes should be accorded more scope and what areas may require additional capabilities within the Board. The results of the assessment were discussed by the Board and presented to the Nomination Committee. The Board also continuously assesses the work of the CEO, without the CEO being present. As described above, in November 2019 the Board took the decision to appoint Lennart Holm as new acting CEO of the Company, replacing the former CEO Petra Einarsson.

Board committees

The Board currently has three Board committees as part of efforts to streamline and strengthen the work of the Board on certain issues: a remuneration committee, an audit committee and an investment committee. The committee members are appointed for one year at a time at the inaugurating Board meeting and the work and authority of the committees are regulated by the committee instructions, which are reviewed and adopted annually.

The committees have a preparatory and administrative role. Issues addressed at committee meetings are documented in meeting minutes and reported at the following Board meeting, where resolutions are made (as applicable).

5 Audit Committee

To support the Board in its role in supervising auditing issues, the Board has appointed a separate audit committee. The audit committee's main role is to contribute to a good standard of financial reporting and to ensure that the Company is audited in a professional, efficient and independent way. Without having an impact on the Board's other responsibilities and tasks, the audit committee has the responsibility to address important accounting issues and general taxation issues that affect the quality of the Company's financial reporting. With regard to financial reporting, particular attention is to be paid to the effectiveness of the Company's internal control and risk management. The audit committee is also charged with assisting in the preparation of proposals for decisions by general meetings on the election and remuneration of auditors.

To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, the Company auditor reports directly to the audit committee and the Board on certain occasions. The committee continuously reports the results of its work, in the form of observations, recommendations and proposed resolutions and action to the Board, which makes any decisions that result from the committee's work. The audit committee consisted of Kristina Schauman (Chairman), Andrea Gisle Joosen and Tobias Auchli, except during the period when Kristina Schauman was appointed acting CFO (November 2018 until May 2019) and the committee consisted of Andrea Gisle Joosen (Chairman) and Tobias Auchli. An employee representative attends the meetings of the audit committee.

Work in 2019

The committee held five meetings in 2019. During the year, the committee addressed auditing issues, audit plan for 2019, enterprise risk management, internal control, financing issues,

currency hedging issues and tax issues. The committee met prior to each interim report and the year-end report. These meetings addressed accounting and reporting issues related to the reports. The chairman of the audit committee reported regularly to the Board regarding issues reported on the audit committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal control and risk management for financial reporting".

6 Remuneration Committee

The principal function of the remuneration committee is to prepare the Board's decisions on matters relating to remuneration principles, remuneration amounts and other remuneration related employment terms for members of the Executive Leadership Team. The committee shall monitor and evaluate programmes for variable compensation to the Executive Leadership Team and monitor and evaluate the implementation of guidelines for remuneration to senior executives, remuneration structures and remuneration levels. More specifically, the committee's tasks include proposing a general policy on salaries, remuneration and other employment terms generally within BillerudKorsnäs, guidelines on remuneration to senior executives and to approve the CEO's proposal for salaries and remuneration for the Executive Leadership Team. The committee also makes proposals to the Board, who decides on the salary and other remuneration for the CEO. The remuneration committee consists of Board members Jan Åström (Chairman), Michael M.F. Kaufmann and Andrea Gisle Joosen. Before November 2019, when Lennart Holm was appointed acting CEO of the company, the committee consisted of Jan Åström (Chairman), Michael M.F. Kaufmann and Lennart Holm.

Work in 2019

The committee held six meetings in 2019. In 2019, the committee considered bonus payments with respect to 2018, and salary reviews for the Executive Leadership Team in 2020. Further, the committee evaluated the Long Term Incentive Program (LTIP) and prepared a proposal for LTIP 2020 to be proposed to the Annual General Meeting. In addition, the committee also handled remuneration for newly recruited members of the Executive Leadership Team and the CEO. The guidelines on remuneration to the CEO and other senior executives, as well as the actual figures, are contained in Note 28.

7 Investment Committee

The Board has established a special investment committee whose main task is, on behalf of the Board, to examine and prepare certain issues relating to the Company's agenda regarding investments, corporate acquisitions and research and development, as well as assisting management with these issues. The committee consists of Board members Bengt Hammar (Chairman), Victoria van Camp, Tobias Auchli and Jan Åström.

Work in 2019

The committee held five meetings in 2019. In 2019, the committee focused primarily on matters related to the investment project in Gruvön, other new investments, strategic wood supply and the there to related acquisition and subsequent sale of Bergvik Skog Öst, as well as the company's work to achieve safe and stable production.

8 Auditors

The Company's auditors are appointed by the general meeting of shareholders. At the 2019 AGM, the audit firm KPMG AB, with principal auditor Ingrid Hornberg Román, was elected as the Company's auditor for the period until the end of the 2020 AGM. Ingrid Hornberg Román is currently also auditor for Apoteket, Linas Matkasse, OK Ekonomisk Förening, RISE Research Institute of Sweden and SOS Alarm.

The auditor's duties include keeping the Board informed regarding the planning, scope and content of the annual audit, auditing interim reports and the year-end accounts in order to assess their accuracy and comprehensiveness and compliance of the accounts with generally accepted accounting practices and relevant accounting policies. Duties also include informing the Board about services provided over and above auditing services, the compensation for such services, and other circumstances affecting the independence of the auditors. To ensure that the work of the Board and the audit committee is performed in a structured manner, and to satisfy the Board's information requirements, BillerudKorsnäs' auditors met with the audit committee on five occasions and the Board, without the presence of the senior management, on one occasion in 2019.

9 CEO and Executive Leadership Team

The Company's Chief Executive Officer (CEO) is appointed by the Board of Directors. In November 2019, after due consideration, the Board took the decision to appoint Lennart Holm as new acting CEO of the Company, replacing the former CEO Petra Einarsson. The CEO is responsible for the ongoing management of the Company's and Group's business operations in accordance with instructions and regulations established by the Board. These instructions include responsibility for financial reporting, preparation of information and input for decisions, and ensuring that agreements and other measures do not conflict with applicable legislation or regulations.

The CEO and the Executive Leadership Team (ELT) are jointly responsible for daily operations. The CEO has appointed an ELT that is responsible for different parts of the business. The ELT consists of the CEO, the heads of the three business divisions (Board, Paper and Solutions) and the heads of Group functions (Sourcing & Technology, Innovation & Strategic Projects, Finance & ITD, Legal, Communication, Sustainability and HR). For further information about the members of the ELT, see pages 70–71.

The role of the ELT is to establish Group-wide values and a long-term vision, as well as strategies and policies for the Group based on the objectives set by the Board. The ELT sets targets for operational activities, allocates resources and monitors the business' earnings. The ELT is also responsible for investment planning and follow-up, acquisitions and divestments, and for preparations for Board meetings. The ELT is taking active measures to involve employees in developing the corporate strategy and culture and to fulfil its values.

The CEO chairs ELT meetings and makes decisions in consultation with the other senior executives. The ELT usually meets monthly to review the financial performance of the preceding month, update forecasts and plans, as well as to discuss strategic issues. In addition, the ELT meets bi-weekly for short telephone conferences, and as necessary.

BillerudKorsnäs governance framework

During 2018, the Company underwent a re-organization resulting in the creation of three new business divisions and a number of supporting corporate functions. In connection with this, the Company has made a review and update of the Company's governance framework to ensure alignment and efficiency throughout our organization. The new framework unites our organization through common governing principles, standards and selected processes.

The governance framework aligns our strategy and operation by setting objectives and principles under the following main headings; Governance, Culture and Corporate Values, Corporate Processes, Group Strategy & Risk Management, Policies & Directives, Performance Management, Organization, Reviews, Controls and Audits and Tools.

Each division is responsible for the profit and loss and has the mandate to independently run the business operations within the boundaries set by the governance framework. The divisions implement strategies and develop processes and procedures as needed for effective execution of the strategy. The status and improvements of key performance indicators are monitored and reported to relevant functions within BillerudKorsnäs. Divisions are responsible for implementing mandatory standards, processes and adhere to the governance framework as applicable.

Corporate functions are responsible for maintaining, developing and supporting implementation of the governance framework, focusing on Group and governance matters to support the overall success of BillerudKorsnäs operations.

An important element of our governance framework is the steering document framework, which ensures that governing documents in BillerudKorsnäs are established, implemented, applied, monitored and reviewed consistently and appropriately across the Group. The Board has adopted a specific set of eight policies that steer the company on the top level (however below our Code of Conduct); Governance Policy, Responsible Business Policy, Sustainability Policy, Communication & Information Policy, Finance Policy, People Policy, Operations & Quality Policy and Safety Policy.

Guidelines for remuneration to senior executives

The 2019 AGM adopted guidelines on the remuneration of senior executives in the Group. The guidelines state, for example, that BillerudKorsnäs has to apply market-related remuneration levels and employment terms that are appropriate in order to recruit and retain a management team with a high level of expertise and capacity to achieve set goals. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to competence, area of responsibility and performance. Variable remuneration is paid depending on actual results measured against detailed targets, up to a set maximum percentage of a fixed annual salary. The maximum percentage may vary between 30–70% of the fixed annual salary for the Executive Leadership Team. However, variable remuneration is to be paid only if the BillerudKorsnäs Group's operating result is positive. Notice of termination is normally 6–12 months, and if the Company gives notice, severance pay is to be a maximum of 12 months' salary.

For the complete resolution on principles for remuneration, see Note 28. The Board's proposal for guidelines in 2020 is presented in the section "Remuneration at BillerudKorsnäs".

Remuneration at BillerudKorsnäs

BillerudKorsnäs endeavours to attract, retain and develop the right people through a competitive remuneration package that clearly links pay to performance. BillerudKorsnäs' short- and long-term incentive plans are developed in line with the Group's strategic and financial targets, designed to deliver sustainable value for shareholders whilst realising the Group's strategy.

BillerudKorsnäs has a clear philosophy on remuneration which is based on principles of competitive national and regional pay levels that help attract, retain and develop the right people. The Group's remuneration philosophy shall support the Group through our managers and employees realising BillerudKorsnäs' vision and operating targets.

The purpose of the remuneration guideline is to support BillerudKorsnäs by encouraging employees to understand the Group's overall objectives and strategies. The remuneration shall support internal and external pay equity and create a clear line of sight between performance, pay and development. The remuneration committee aims for remuneration to not be set in an overly automated way and for decisions to not be perceived as arbitrary or unfair.

Remuneration Components in BillerudKorsnäs

Fixed pay

Fixed pay is based on market pay levels and is set on the basis of a pay scale taking account of experience, skills, performance and area of responsibility. Fixed pay is reviewed annually in the annual pay review process, where pay is considered in accordance with employee performance and relative pay levels for the role in relation to the external market.

Variable pay

Short-term incentive programme (STIP)

Variable pay in the shape of STIPs are earned depending on

actual results measured against Group detailed targets, up to a set maximum amount or percentage of fixed annual base pay. The Group uses a consistent variable pay process for all staff to highlight the link between individual performance and the Group's earnings. Variable pay is only exercised if the BillerudKorsnäs Group has a positive operating profit.

Long-term share-based incentive programme (LTIP)

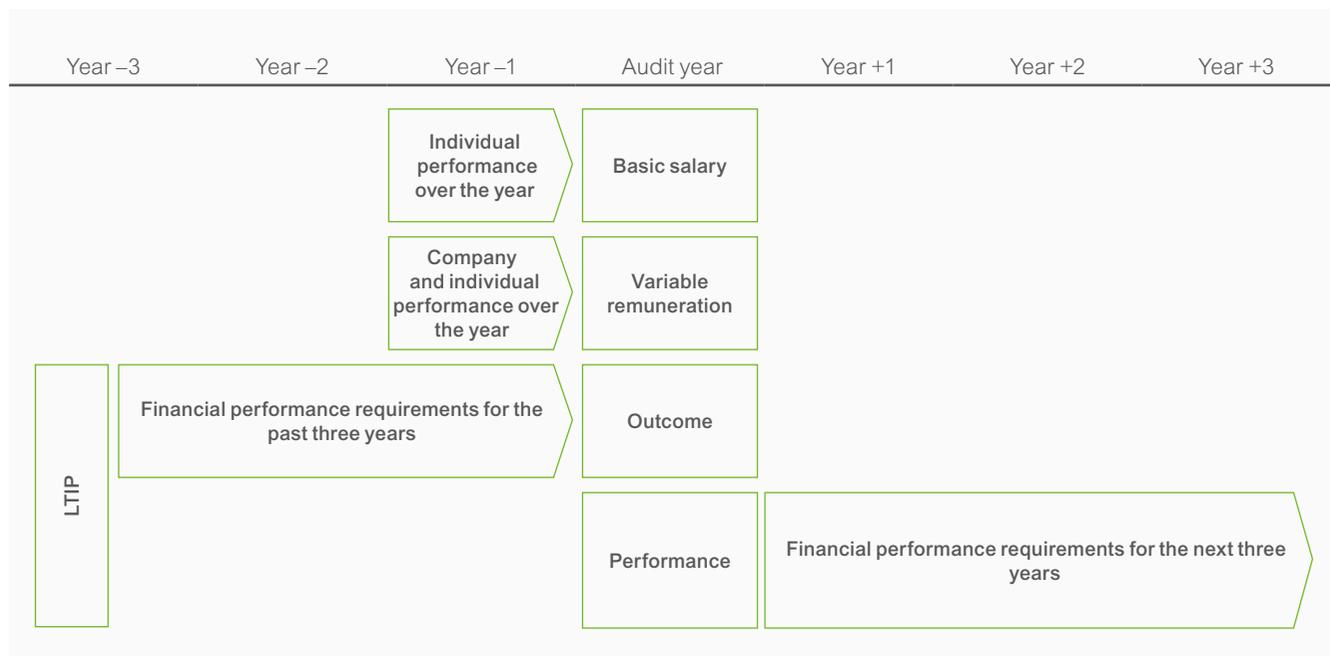
The purpose of BillerudKorsnäs' LTIP is to increase the Groups' ability to retain senior executives and key employees by linking their financial interests to the shareholders. To participate in the programme participants must hold privately purchased saving shares until the end of each programme. The LTIP runs over three years and the outcome depends on the achievement of various financial and share price-linked performance requirements.

Retirement

BillerudKorsnäs offers pension benefits as stipulated by the collective bargaining agreement in the markets where this is applicable or otherwise to the median of the national market.

Other benefits

These are set according to role and market-based remuneration and mainly take the form of car benefit and private medical insurance.



Long-term incentive programme (LTIP)

Programme	Number of participants	Savings shares	Max. allocation of BillerudKorsnäs shares	Percentage of total number of shares/ votes	Estimated cost (of which social security costs), SEKm	Maximum cost (of which social security costs), SEKm	Operating profit for 2019 is charged with, SEKm
2017	63	40 520	168 080	0.1%	11 (2)	45 (28)	3
2018	63	33 818	135 272	0.1%	7 (2)	29 (20)	1
2019	82	56 036	250 681	0.1%	18 (6)	55 (30)	3

Long-term incentive programme (LTIP)

The 2010–2019 AGMs approved the introduction of long-term incentive programmes (LTIP 2010–2019) for BillerudKorsnäs and, in conjunction with this, a transfer of its own holding of treasury shares. The programme extends to senior executives and other key employees within the BillerudKorsnäs Group. The LTIP has a term of three years, and the outcome depends on meeting different financial and share price performance requirements that are deemed to be of considerable significance in terms of the future development of the Group. To take part in the LTIP, the participants are required to purchase and hold BillerudKorsnäs shares, known as savings shares. The general rule for the LTIP is that for each saving share that participants invest in, participants will receive allocated shares at the end of the vesting period, at no charge other than relevant benefit taxation handled by local payroll. The maximum number of participants invited to participate in the LTIP are usually 100 participants and the programme gaging consist of four categories. Category 1 includes the CEO role, and gives a maximum of 1:6 of saving shares to performance shares at vesting. Category 2 includes the Executives Leadership Team, and gives a maximum of 1:5 saving shares to performance shares at vesting. Category 3 includes senior management roles, and gives a maximum of 1:5 saving shares to performance shares at vesting. Category 1–3 may consist of maximum 20 participants. Category 4 include other key employees, and gives a maximum of 1:4 saving shares to performance shares at vesting. Category 4 contains a maximum of 80 participants.

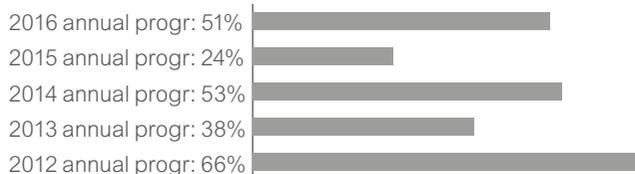
For rights to performance shares under LTIP 2016 to LTIP 2019, the following financial performance objectives are measured:

- (a) BillerudKorsnäs' annual organic growth,
- (b) BillerudKorsnäs' average adjusted EBITDA margin.

Performance requirements (a) and (b) grant shares on a straight-line basis between minimum and maximum levels. LTIP 2017 to LTIP 2019 are also dependent on total shareholder return (TSR).

Historical data, completed long-term incentive programmes

Percentage of performance criteria set



Guidelines for remuneration of senior executives 2020

The board proposes that the annual general meeting resolves to adopt the following guidelines for remuneration for the CEO and the other members of the group's Executive Leadership Team (ELT members). The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020.

The guidelines do not apply to any remuneration approved by the general meeting, for example ordinary board remuneration and BillerudKorsnäs long-term share-related incentive programs.

The guidelines' promotion of BillerudKorsnäs' business strategy, long-term interests and sustainability

BillerudKorsnäs is challenging conventional packaging for a sustainable future and this mission describes the purpose of BillerudKorsnäs' business operations. Profitable growth is essential when challenging less sustainable packaging materials and solutions over time. In order to deliver profitable growth, a goal-oriented and intensive work is being undertaken. BillerudKorsnäs' employees are the people that with a customer focus, are driving the change that is needed to realise the strategy and achieve our ultimate purpose - a sustainable future.

For further information on BillerudKorsnäs' business strategy, see the company's website www.billerudkorsnas.com/about-us/strategy-platform.

A prerequisite for the successful implementation of the BillerudKorsnäs' business strategy and safeguarding of BillerudKorsnäs' long-term interests, including its sustainability, is that BillerudKorsnäs is able to recruit and retain qualified employees with high competence and capacity to achieve set goals. BillerudKorsnäs will challenge conventional packaging for a sustainable future – and it is BillerudKorsnäs' talented and high-performing employees that are the people driving the change that is needed to realise the strategy and achieve this purpose. To achieve this, it is necessary that BillerudKorsnäs offers competitive total remuneration which creates incentives for senior executives to think new, feel responsibility, cooperate and create value. The goal is to create incentives to promote BillerudKorsnäs' business strategy and long-term interests, deliver exceptional results and to link key persons within BillerudKorsnäs incentives with the shareholders' interests. These guidelines enable this objective and that ELT members can be offered a competitive total remuneration.

Types of remuneration, etc.

BillerudKorsnäs shall be on market terms as regards compensation levels and terms of employment. The remuneration shall consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Furthermore, the general meeting may resolve on, among other things, share and share price-related remuneration.

The variable cash remuneration to the ELT members is paid based on outcomes in relation to clearly stated goals and shall amount to a maximum between 30 and 70 percent of their respective annual fixed cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining ELT members, or as remuneration for extraordinary

performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 per cent of the annual fixed cash salary. Any resolution on such remuneration shall be made by the board based on a proposal from the remuneration committee.

Decisions on long-term share and share price-related remuneration are made by the general meeting – irrespective of these guidelines. Long-term share and share price-related remuneration shall be designed to ensure long-term commitment to BillerudKorsnäs' development and in order for the CEO and ELT members to have a significant, long-term shareholding in BillerudKorsnäs. The outcome of the long-term share- and share price-related remuneration shall be linked to certain predetermined performance criteria based on BillerudKorsnäs' share price and results. For more information about these program, including the criteria for the outcome, see the company's website www.billerudkorsnas.com.

Pension benefits shall be premium defined. The pension premiums for defined contribution shall amount to a maximum of 30 percent of the annual fixed cash salary. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions.

Other benefits may include, for example, life insurance, medical insurance (Sw: privat sjukvårdsförsäkring) and benefit car. Premiums and other costs related to such benefits may amount to not more than 40 percent of the annual fixed cash salary.

The decision-making process to determine, review and implement the guidelines

The board has established a remuneration committee. The committee's tasks include preparing the board's decision to propose guidelines for executive remuneration. The board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting.

The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in BillerudKorsnäs. The members of the remuneration committee are independent of the company and its executive management. The CEO and other ELT members do not participate in the board's processing of and resolutions regarding remuneration-related matters if they are affected by such matters.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualised, quantitative or qualitative objectives. The objectives for the group for variable cash remuneration are to 40 per cent based on the performance measure EBITDA, 30 percent based on net sales, 20 percent based on capital employed and 10 percent based on certain sustainability goals. The weight-

ing of these group-wide goals may change from year to year depending on the group's focus areas and strategic decisions.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other ELT members, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by BillerudKorsnäs.

Variable cash remuneration shall only be paid provided that BillerudKorsnäs' operating profit is positive, and the remuneration committee shall only use its discretion to decide on variable remuneration in accordance with the goals set out above in a way that implies that there is a link between such compensation and BillerudKorsnäs' result.

Salary and employment conditions for employees

In the preparation of the board's proposal for these remuneration guidelines, salary and employment conditions for employees of BillerudKorsnäs have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

Termination of employment

In the event of termination of an employment, a notice period of six to twelve months is normally applied and a right to severance pay corresponding to the fixed cash salary for one year if the employment is terminated by BillerudKorsnäs. When termination is made by an ELT member, the notice period may not exceed six months, without any right to severance pay.

Remuneration to board members elected by general meetings

Remuneration to board members elected by general meetings in BillerudKorsnäs shall in special cases be able to be remunerated for services within their respective areas of expertise, which do not constitute board work in BillerudKorsnäs AB. For these services, a market-based fee shall be paid, which must be approved by the board.

Derogation from the guidelines

The board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve BillerudKorsnäs' long-term interests, including its sustainability, or to ensure BillerudKorsnäs' financial viability. As set out above, the remuneration committee's tasks include preparing the board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

See Note 28 for the 2019 guidelines.

Internal control and risk management for financial reporting

BillerudKorsnäs' internal control and risk management for financial reporting is designed to manage risks and ensure a high level of reliability in the processes relating to the preparation of financial reports and to ensure that applicable accounting requirements and other requirements of BillerudKorsnäs as a publicly listed company are fulfilled.

Financial reporting

The Board is ultimately responsible for the internal control of financial reporting. Responsibility for maintaining an effective control environment is delegated to the CEO, who is responsible for ensuring that a process and organisational structure are in place to ensure the internal control and quality of financial reporting. Specifically for financial reporting, the Board has established an Audit Committee that assists the Board in regard to relevant guidelines and policies and significant reporting principles.

BillerudKorsnäs' internal control work is based on the internal control principles developed by the Committee of Sponsoring Organizations of the Tradeway Commission (COSO). These principles consist of the following five components:

1. Control Environment
2. Risk Assessments
3. Control Activities
4. Information and Communication
5. Monitoring

For more information about BillerudKorsnäs' corporate governance work, please see the section Corporate Governance in BillerudKorsnäs on pages 60–64.

1 Control Environment

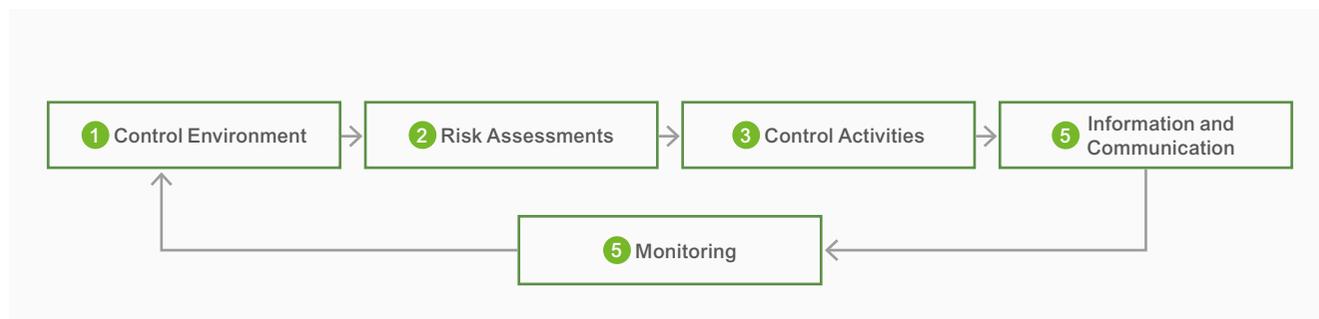
Control environment encompasses matters such as how targets are set, how valuations are monitored and how risks are managed. A good control environment is based on an organisational structure with clear decision-making paths and a corporate culture with shared values and an awareness among individuals of their role in maintaining good internal control. For the Board of

Directors, the CEO and all BillerudKorsnäs' Divisions and Group functions, there are steering documents aimed at ensuring the clear division of roles and responsibilities to aid the effective and efficient management of risks identified within the business. The audit committee's main role is to contribute to a good standard of financial reporting and ensure that the Company is audited in a professional, efficient and independent way. The work of the audit committee is described in more detail on page 63.

The Executive Leadership Team reports regularly to the Board based on predetermined procedures. The audit committee also reports to the Board. The Executive Leadership Team is responsible for ensuring that essential internal controls are implemented as necessary to manage significant risks in day-to-day activities. This includes Group-wide steering documents to enable individual employees to understand their role in the work in maintaining adequate internal control. Examples are a Code of Conduct, Governance Policy and Finance Policy. BillerudKorsnäs' shared service centre ensures effective and uniform management of financial processes through the development of uniform procedures and control system, and creates the necessary documentation. This documentation is updated annually or as necessary to reflect changes to processes and ensure that applicable laws and regulations are followed.

2 3 Risk Assessment and Control Activities

Risk assessments are made regularly to identify risks that may arise within BillerudKorsnäs if the internal controls in the financial processes are not effective. BillerudKorsnäs' Enterprise Risk Management (ERM) process is further described in the section Risk management and sensitivity analysis on page 74. Risks relating to financial and reporting, including risk for errors in the financial reporting, are included in the ERM process.



Control activities aim at preventing, detecting and correcting errors and deviations in financial reporting at each time of reporting. The Company's control activities are part of these accounting and financial reporting processes and include authorisation procedures, bank and account reconciliation, earnings analysis, automated and manual controls and the division of administrative and implementing units.

The Company has an internal control function whose purpose is to ensure good internal control and quality in financial reporting. This function implements processes and regulations that ensure the internal control and quality of financial reporting. This internal control function works to ensure that steering documents are complied with, which is the basis for effective control activities within the main financial reporting processes. As part of the internal control work, a self-assessment is made of internal controls which means that the person responsible for control in each case assesses effectiveness in their controls. Improvement measures are introduced according to a plan which is prepared with the internal control function. The measures are then followed up during the coming financial year, when a new self-assessment is carried out. The results of this work are included in the annual reporting of the internal control function to the Audit Committee, which in turn reports to the Board of Directors. The internal control function therefore constitutes an important tool in the Board's monitoring of internal controls relating to financial reporting.

The Company has a Group Risk Management function with responsibility for Enterprise Risk Management (ERM), loss prevention and Group-wide insurance programmes. Within the framework of ERM, material risks of errors in financial reporting are continuously identified and it is ensured that adequate controls are in place.

Material risks are reported to the Board of Directors.

For information regarding financial risks and important items subject to appraisal and assessment, please see the Risk Management and Sensitivity Analysis section and Note 37.

Group Risk Management contains among others the internal control and risk management function. The task of Group Risk Management is to design, ensure implementation of, monitor and support BillerudKorsnäs' governance, risk and compliance management and include material risks, including financial risks, in an integrated and effective manner.

4 Information and Communication

Material governing documents that are of significance to financial reporting are available on BillerudKorsnäs' intranet and management system. Relevant employees are regularly informed of amendments and updates to these.

Work continued during the year to develop the Group's policy framework for the purpose of ensuring completeness and uniformity on formulation, ownership and responsibility for updates. The Board has adopted eight policies. Directives have been updated and aligned to the group common policies and the work will continue in 2020.

Both formal and informal information channels carry important information from staff to the Executive Leadership Team and the Board. For example, BillerudKorsnäs has a whistle-blower function, Speak-Up Line, through which employees and external parties can report suspected irregularities anonymously. The reporting includes an option of anonymous dialogue between the person reporting and the person receiving reports. The channel is known as "The Speak-Up Line".

There is a Communication & Information policy for external communication that ensures that the BillerudKorsnäs meets strict requirements on accurate information for financial markets.

5 Monitoring

The Audit Committee carries out preparatory work prior to the Board's assessment of the information submitted by the Executive Leadership Team and the company's auditors. The Audit Committee's tasks also include ensuring, on behalf of the Board, that actions are taken concerning the deficiencies and proposed actions identified in the external audit and by the internal control function. See the section "Corporate Governance in BillerudKorsnäs" for further information about the Audit Committee and its work.

Internal audit

In accordance with paragraph 7.3 of the Swedish Code of Corporate Governance, the Board has evaluated the need for a separate review function (internal audit). In view of the structural organisation of internal control and the monitoring performed by the functions within Group Risk Management and controller organisation, the Board has decided that a separate internal audit or review function is not necessary at present. The issue of a separate internal audit function is reviewed annually by the board.



Magnus Wikström

Mikael Andersson

Malin Ljung Eiborn

Helene Biström

Ulf Eliasson

Executive Leadership Team

Lennart Holm

Acting President & Chief Executive Officer
Education: MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg.

Year employed: 2019

Year born: 1960

Other assignments: Chairman of the Board of Wellbo Group AB. Board member of BillerudKorsnäs AB, Holm & Gross Holding AB, Axolot Solutions Holding AB and CarryGenes Therapeutics AB.

Background: Chairman of the Board and CEO of the Perstorp Group, active at Stora Enso and partner in PAI Partners SAS.

Shareholding¹: 4 000

Mikael Andersson

Executive Vice President Division Board
Education: MSc in Chemistry, Karlstad University. Executive MBA, Mgruppen.

Year employed: 2016

Year born: 1968

Other assignments: –

Background: Area VP, Nalco Water, Sales Director BillerudKorsnäs AB, VD Bycosin AB.

Shareholding¹: 11 310

Helene Biström

Executive Vice President Division Paper
Education: MSc in Mechanical Engineering, Royal Institute of Technology, Stockholm.

Year employed: 2019

Year born: 1962

Other assignments: –

Background: CEO Infranord, CEO Norrenergi, Deputy CEO Vattenfall AB.

Shareholding¹: 10 000

Christopher Casselblad

Executive Vice President Communication and Brand

Education: MSc in Economics and Business, School of Business, Economics and Law, Gothenburg University.

Year employed: 2018

Year born: 1975

Other assignments: –

Background: Head of Investor Relations BillerudKorsnäs, Head of Group Planning & Control Folksam, Investor Relations Manager Folksam, Investor Relations Officer Nordea.

Shareholding¹: 1 000

Paulina Ekvall

Executive Vice President Human Resources
Education: Bachelor in HR Management/ labor law, Lund University.

Year employed: 2017

Year born: 1968

Other assignments: –

Background: Sr Dir HR Arla Foods AB, VP HR Unilever Nordics, HR Director Nordics Johnson&Johnson Consumer, HR Director Pfizer Health AB, Head of HR Swedish Prison and Probation Service.

Shareholding¹: 3 000

Ulf Eliasson

Executive Vice President & Chief Technology Officer

Education: MSc, Chalmers University of Technology, Gothenburg.

Year employed: 2012

Year born: 1962

Other assignments: –

Background: Senior Vice President Production BillerudKorsnäs AB, Senior Vice President Consumer Board BillerudKorsnäs AB, Mill Manager Korsnäs AB, Vice President & Site Manager Rolls-Royce AB, Senior Vice President & CEO Stora Enso Skoghall AB.

Shareholding¹: 10 352



Paulina Ekvall

Lennart Holm

Andreas Mattsson

Anders Lundin

Ivar Vatne

Christopher Casselblad

Malin Ljung Eiborn

Executive Vice President Sustainability

Education: Master of Commercial and Business Law, Linköping University, Master of European Law, University of Kent at Canterbury, England.

Year employed: 2018

Year born: 1976

Other assignments: –

Background: Director Sustainability and Public Affairs BillerudKorsnäs, Partner & Key Account Manager Prime Public Relations, various positions at Swedish Foreign Ministry.

Shareholding¹: –

Anders Lundin

Executive Vice President Division Solutions

Education: MSc in Economics and Business, Lund University.

Year employed: 2015

Year born: 1960

Other assignments: –

Background: President Mergers & Acquisition BillerudKorsnäs, Executive Vice President Transformation Projects Perstorp Group, Executive Vice President of Business Group Perstorp Performance Products.

Shareholding¹: 7 461

Andreas Mattsson

Executive Vice President & General Counsel

Education: Master of Law, Lund University.

Year employed: 2013

Year born: 1978

Other assignments: Board member of Bergvik Skog AB.

Background: Senior Associate, law firm Cederquist.

Shareholding¹: 4 379

Ivar Vatne

Executive Vice President & Chief Financial Officer

Education: MSc in Economics, Norwegian School of Economics and Business Administration (NHH).

Year employed: 2019

Year born: 1978

Other assignments: Board member of Paper Bottle Company A/S.

Background: CFO Arla Foods UK Ltd, CFO Arla Foods AB, Vice President Finance Europe Region Fiskars. Various positions in Procter & Gamble for 10 years.

Shareholding¹: 2 730

Magnus Wikström

Executive Vice President Innovation

Education: MSc and PhD in Engineering, Royal Institute of Technology, Stockholm. Executive MBA, Mgruppen.

Year employed: 2006

Year born: 1963

Other assignments: Board member of Wallenberg Wood Science Center, Treearch and BioBag A/S.

Background: CTO BillerudKorsnäs AB, Senior Vice President Technology Billerud AB, R&D Director Korsnäs AB, Project area manager STFI.

Shareholding¹: 8 294

¹ Own and related parties shares.



Tobias Auchli

Ulrika Gustafsson

Victoria van Camp

Kristina Schauman

Bengt Hammar

Lennart Holm

Board of Directors

Jan Åström

Chairman of the Board

Education: MSc in Chemical Engineering, Royal Institute of Technology, Stockholm.

Year born: 1956

Other assignments: Chairman of the Board of Bergvik Skog Öst AB. Member of the Board of ECO Development AB and Frill Holding AB (publ). Chairman of the foundation Central Fund for Employees in Forestry and the Forest Industry, as well as chairman of the Swedish Wrestling Federation.

Background: President and CEO of Ahlstrom Munksjö Oyj, SCA AB, Modö Paper AB. Head of Business Group for SCA Fine Paper and Head of SCA Packaging Munksund.

Elected: 2018

Committee assignments: Chairman of the Remuneration Committee, Member of the Investment Committee.

Shareholding¹: 111

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

Michael M.F. Kaufmann

Vice Chairman of the Board

Education: MBA, Universities of Stuttgart and Erlangen-Nürnberg.

Year born: 1948

Other assignments: Chairman of Frapag Beteiligungsholding AG, Frapag America, Inc., By Out Europe II, Frapag Slovakia and Grimming Holding Romania. CEO of Hartmann Liegenschaftsverwaltung GmbH, Kleinsölk Forstwirtschaftsverwaltung GmbH, MIKA Classic Cars GmbH and MIKA Privatstiftung.

Background: Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.

Elected: 2005

Committee assignments: Member of the Remuneration Committee.

Shareholding¹: 22 250

Independent/Not independent: Independent of the Company and management, not independent of the Company's major shareholders.

Tobias Auchli

Board member

Education: MA HSG, University of St Gallen.

Year born: 1972

Other assignments: Chairman of the Board and CEO of Verlumenda SA.

Background: Head Innovation and R&D, Global Ice Cream Division, Nestlé SA, Director Corp. Marketing & Innovation Acceleration, Nestlé SA and General Manager Liquid & Dairy Culinary Milks, Nestlé Greater China Region.

Elected: 2018

Committee assignments: Member of the Audit Committee and the Investment Committee.

Shareholding¹: –

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

Andrea Gisle Joosen

Board member

Education: MSc International Business, Copenhagen Business School.

Year born: 1964

Other assignments: Chairman of Acast AB, Board member of Dixons Carphone PLC, ICA

Gruppen AB, James Hardie Industries PLC, Qred AB and Logent AB.

Background: CEO of Boxer TV Access AB, Nordic Managing Director of Panasonic, Chantelle and Twentieth Century Fox Home Entertainment. Previously held management positions at Johnson & Johnson and Procter & Gamble. Chairman of the Board of Teknikmagasinet AB, Member of the Board of Mr Green & Co AB.

Elected: 2015

Committee assignments: Member of the Audit Committee. Member of the Remuneration Committee from November 2019.

Shareholding¹: 2 350

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

Bengt Hammar

Board member

Education: BA and MA in International Economics and Politics, Princeton University, New Jersey, United States.

Year born: 1951

Other assignments: Senior Adviser, Pöyry Capital Ltd.

Background: Founder and CEO of Pöyry Capital Ltd.; Managing Director, Head of Global Forest Products & Packaging, Barclays De Zoete Wedd Ltd.; Executive Director, Head of European Forest Products & Packaging, Morgan Stanley & Co. Int.

Elected: 2014

Committee assignments: Chairman of the Investment Committee.

Shareholding¹: 2 000

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.



Michael M.F. Kaufmann Andrea Gisle Joosen Gunnevi Lehtinen Johansson Jan Åström Bo Knöös Nicklas Johansson

Lennart Holm

Board member
Education: MSc in Chemical Engineering, Chalmers University of Technology, Gothenburg.
Year born: 1960
Other assignments: Acting President & CEO of BillerudKorsnäs AB, Chairman of the Board of Wellbo Group AB. Board member of Holm & Gross Holding AB, Axolot Solutions Holding AB and CarryGenes Therapeutics AB.
Background: Chairman of the Board and CEO of the Perstorp Group, active at Stora Enso and partner in PAI Partners SAS.
Elected: 2012
Committee assignments: Member of the Remuneration Committee during January to November 2019.
Shareholding¹: 4 000
Independent/Not independent: Not independent of the Company and management (acting President and CEO in the Company), independent of the Company's major shareholders.

Kristina Schauman

Board member
Education: MSc in Economics and Business, Stockholm School of Economics.
Year born: 1965
Other assignments: Member of the Boards of ÅF Pöyry AB, Orexo AB, Coor Service Management AB, BEWiSynbra Group AB, Nordic Entertainment Group AB and Diaverum AB.
Background: Various financial managerial positions in Stora Enso, ABB and Investor and executive management positions in OMX AB, Carnegie Investment bank and Apoteket AB.
Elected: 2014
Committee assignments: Chairman of the Audit Committee.
Shareholding¹: 4 000

Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

Victoria van Camp

Board member
Education: MSc in mechanical engineering and doctorate in machine elements, Luleå University of Technology.
Year born: 1966
Other assignments: CTO and President, Innovation and Business Development at AB SKF.
Background: Board member of VBG Group AB and PREERA. Director of Industrial Market Technology & Solutions, Director of Product Innovation Lubrication BU and several other positions in SKF Group.
Elected: 2017
Committee assignments: Member of the Investment Committee.
Shareholding¹: 600
Independent/Not independent: Independent of the Company and management, independent of the Company's major shareholders.

Nicklas Johansson

Board member, employee representative
Year born: 1968
Other assignments: Chair, Swedish Paper Workers Union local branch 165.
Background: –
Elected: 2017
Committee assignments: Co-opted member of the Investment Committee.
Shareholding¹: –

Gunnevi Lehtinen Johansson

Board member, employee representative
Education: Chemistry studies at Åbo Akademi University, Turku.
Year born: 1969
Other assignments: Production controller in BillerudKorsnäs.
Background: –
Elected: 2016
Committee assignments: Co-opted member of the Audit Committee.
Shareholding¹: 750

Ulrika Gustafsson

Deputy employee representative
Education: Upper secondary school qualification in engineering, Chemistry, various tertiary-level courses.
Year born: 1967
Other assignments: Chair of Unionen branch BillerudKorsnäs Gävle. Various assignments for Unionen at regional and central level. Board member of Korsnäs Social Fund Foundation.
Background: –
Elected: 2016
Shareholding¹: 1 000

Bo Knöös

Deputy employee representative,
Year born: 1964
Other assignments: Chair, Swedish Paper Workers Union local branch 96. Member of the working committee in The Industry Council of Värmland.
Background: –
Elected: 2017
Shareholding¹: –

¹ Own and related parties' shares.

Risk management and sensitivity analysis

BillerudKorsnäs recognize that in all its operations and activities there are uncertainties that could have positive and/or negative effects on the company’s objectives, brand and performance. Through efficient risk management processes, as described below, BillerudKorsnäs strive to maximize the potential opportunities and minimize negative effects from these uncertainties in order to deliver on the company’s strategy and objectives.

Risk management processes

The strategy is decided by the Board of Directors. On an overall level risk management is governed by the Board of Directors, it then follows the normal delegation scheme, from the Board of Directors to the CEO and from the CEO to Division and Group function managers. In practice this means that most operational risk is managed by Divisions and Group functions on a local level but are coordinated when deemed beneficial to do so. The way risk management is coordinated is partly through the Enterprise Risk Management process where mainly operational risk is identified, assessed and managed by Divisions and Group functions but also through the strategy process where mainly strategic and external risk is identified, assessed and managed. Major risks, based on the probability and impact on the company’s objectives, are reported to the executive leadership team and audit committee twice per year and to the Board of Directors annually as well as being monitored in Division’s and Group function’s regular reporting. Every second year the ERM risk map is assessed and complemented as needed through a top-down approach.

The outcome of the above activities is part of the below presented list of risks. The overall risk management process according to ERM is shown in the illustration on the right.

Risk management process



Potential effects of the 2019-nCoV virus

Description of risks

The covid-19 pandemic have had a large impact globally and significant measures to prevent the spread of infection have been imposed in a number of countries (travel bans, meeting restrictions, quarantines for certain areas etc.). It is likely that the virus will continue to spread and the number of infected individuals will increase significantly, based on current trajectory. It is also likely that more countries will impose additional social isolation measures along with political initiatives to support affected industries and economic growth. It is difficult to foresee the period of disruption and the effects on the global economy.

A severe economic downturn could have a negative impact on the demand for BillerudKorsnäs' products and services. However, BillerudKorsnäs has a well-diversified product portfolio with a large part of sales attributed to material used for consumer products, which has a tendency to be less affected by economic downturns. Lower sales could to some extent be compensated by lower costs, but inevitably, BillerudKorsnäs' result could be severely impacted.

Logistics and transportation is critical to the BillerudKorsnäs operations. Disturbances in the flow of carriers would entail a risk that BillerudKorsnäs could not be able to deliver goods to customers on time. Supply of raw material such as wood and chemicals are to some extent depending upon specialty trucks and certified drivers that could fall ill and become unavailable for a period of time.

BillerudKorsnäs' production sites require unique competencies to run production. If a large part of these employees fall ill at the same time it could lead to difficulties managing the workforce to keep up production.

Risk management

BillerudKorsnäs has followed the situation closely from a very early stage through operations in Shenzhen and Shanghai China and has learned from that. Alternative work space at home are being used when local conditions so require. Close and open contacts with customers and suppliers help managing and preparing for the management of challenging logistics and transportation of raw material and finished goods. Critical resources have been identified throughout the company and contingency plans have been created and are regularly being updated to make the organization prepare for challenging conditions.

On the back of recently concluded Bergvik transaction BillerudKorsnäs is at the moment in a strong financial position and has liquidity which gives the company some flexibility, if the consequences of the coronavirus should become severe.

Operational risks

Risks related to facilities

Description of risks

BillerudKorsnäs has production facilities for paper, cardboard and pulp production at eight sites in three countries. Sudden and unforeseen disruptions may affect each facility's capacity to produce as planned, which, in addition to a direct financial impact, may affect customer relationships and the company's long-term competitiveness.

Risk management

Preventive work to avoid and mitigate sudden and unforeseen disruptions to production is given top priority and undertaken through internal planning, control carried out by independent inspection bodies and in collaboration with insurance companies. Investments are constantly being made to improve the status of facilities. BillerudKorsnäs insures its facilities to their full value with respect to property and business interruption.

Comments 2019

Efforts to systematically avoid risk through, for example, intelligent choice of construction materials and lay-outs together with preventive and mitigating measurements is continuing. Risk identification and analysis at production facilities, in projects and other operations has been a strong focus during the year in order to continue preventing losses and damages.

Cost of wood raw material

Description of risks

Market prices for wood vary over time, which can affect BillerudKorsnäs' earnings. Prices are influenced by demand from the pulp industry, indicating that changes in output for the pulp industry as a whole in the Nordic countries may lead to long-term changes in the cost of wood raw materials. Increased use of, for example, sawn timber and wood as a combustion material, especially in connection with the use of biofuel for electricity and heat generation, may also indirectly affect the price of pulp wood. Changes in customs duties may also impact on the price of imported timber.

Changes in transport costs also have an impact on the price of wood, as, in the long term, do political decisions on how the forests as a natural resource should and may be utilised.

Risk management

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

Comments 2019

During the year BillerudKorsnäs acquired Bergvik Skog Öst AB from Bergvik Skog AB as a way to secure supply from those forests. After that 89.9% of the shares in Bergvik Skog Öst were sold to AMF. The transaction also contained a long-term wood sale contract and a forest service contract where BillerudKorsnäs buy wood from Bergvik Skog Öst as cutting rights and also provides forest and administrative services to Bergvik Skog Öst. This setup secure long term supply from Bergvik Skog Öst forests.

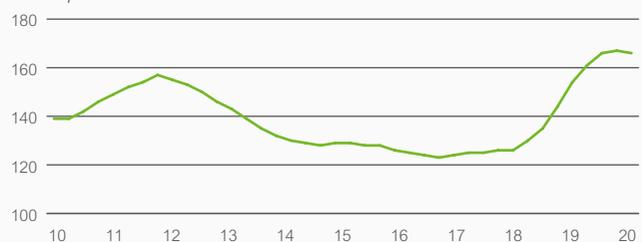
A weaker competition in the wood market as well as a strong wood flow from forest due to the Alfrida storm in the beginning of 2019 and from summer increasing volumes from insect (spruce bark beetle) attacked forests in southern Sweden. On top of that strong contracting from forest owners. During 2019 market prices have decreased due to those circumstances. BillerudKorsnäs has taken part in joint industry efforts in order to take care of all volumes from Alfrida and insect attacked forests. That is important in order to reduce the risk of major increase of insect attacks that potentially can kill big volumes of spruce forests. Continued initiatives to reduce logistics costs in the transportation of wood raw material have been studied further.

BillerudKorsnäs follows and take precautionary actions to mitigate climate effects also in forestry operations. Such actions are taken when it comes to risk for forest fires, storm fellings, insect attacks and logistics.

To keep and increase interest and understanding in the forests and all their assets, as well as what modern and sustainable forestry means, BillerudKorsnäs took part in a number of educational initiatives for schoolchildren in Sweden and also, through the Swedish Forest Industries Federation, in the information campaign "The Swedish Forest".

BillerudKorsnäs' continued intention is to increase the proportion of purchases of certified wood raw material, which can also imply an increased risk since the supply of certified wood raw material is limited.

Wood price index



Rolling 12 months

Source: BillerudKorsnäs

New technology and changed patterns of consumption

Description of risks

New technology and products may lead to reduced or increased demand for packaging paper. Risks include changed or improved methods for producing plastic-based packaging solutions and collecting and recycling the plastics. The increased awareness among the public and decision makers about plastic waste and plastic pollution problems presents an opportunity for alternative packaging materials such as wood fibre based packaging. There are also risks linked to substantial changes in management of the transportation of food products and changed behaviour and preferences among consumers, for example in the view they take of sustainability performance between different packaging solutions or to avoid packaging altogether. In the longer term, these risks may lead to restructuring of the packaging industry, reduced revenue and loss of key individuals and visionaries within the company.

Risk management

One of the strategy areas for BillerudKorsnäs with a view to attaining profitable growth is to actively search for and work on know-how further along the value chain. It means that BillerudKorsnäs makes a strong commitment to interacting with players and consumers further along the packaging value chain. This is done both through cooperation projects with brand owners and through the company's own studies on consumer preferences. In that way BillerudKorsnäs learns about future requirements for packaging and can then enhance its offering.

Comments 2019

The trend of brand owners all over the world and in a wide range of business areas replacing plastic packaging and single-use products with renewable and recyclable materials grow even stronger during 2019. In the EU, the development was boosted by the ban on single-use plastic products like cups, plates, cutlery and straws from 2021 which was approved by the EU Parliament during the spring of 2019. In many countries, regions and municipalities globally, similar bans have been announced especially focusing on plastic bags.

Competition

Description of risks

A constantly present risk is increased competition in BillerudKorsnäs' existing markets. This can take place through existing market players acting more aggressively than in the past, for example as a result of expanded capacity, or through new players entering the market.

Risk management

BillerudKorsnäs' strategy for minimising the impact of increased competition in its existing markets is to continuously improve its own competitiveness. This is done through efficiency efforts and by enhancing the production structure. For this purpose, the company positions its products in segments where a greater effort is required, both financially and in terms of knowledge, in order to compete.

Comments 2019

BillerudKorsnäs continuously performs market analysis in order to guide the company's development based on an accurate picture of the world in which it operates. During 2019, an important milestone was the start-up of the new board machine in Gruvön. The company's biggest investment ever which will become a key to supplying customers with material meeting their future needs.

Political and regulatory risk

Description of risks

BillerudKorsnäs' business is affected by various political decisions and legislative measures, for example in the areas of forestry, environmental policy, trade policy, transport policy, energy policy and recycling issues. An evolving patchwork of requirements that affect the forest and packaging industry are developing at international and national level, partly driven by an increased sustainability and climate awareness. There is a risk of legislators failing to understand the industry, with the implication that BillerudKorsnäs may need to shift in portfolio, invest in new technologies or be subject to increased operating costs.

Risk management

BillerudKorsnäs' EVP of Sustainability and the Sustainability function are responsible for the company's dialogue with decision-makers in relevant areas to ensure that the forest and packaging industry is well understood. The focus is on political processes in Sweden and in the EU. The department monitors development and identifies issues of

particular significance to BillerudKorsnäs and its value chain partners, and acts accordingly. The dialogue with decision-makers often takes place together or in coordination with other actors with the same interests as BillerudKorsnäs, for example the Swedish Forest Industries Federation or the two Brussels-based industry associations CEPI and ACE.

Comments 2019

Several legislative processes with a potential impact on BillerudKorsnäs' operations were under way in 2019. The European Green Deal was released late 2019, offering both opportunities and challenges, and during 2020 we will see many of these plans being implemented. For example, the circular economy action plan may require new barrier solutions in the packaging industry and a strategy on biodiversity may restrict forestry operations. It will also be of importance that BillerudKorsnäs succeeds to meet its climate target. The Group is well positioned to meet these potential requirements and we expect an increased demand of fiber based materials.

During the year, BillerudKorsnäs actively participated in several trade organisations and network collaborations, such as CEPI, ACE, GRACE, EXTR:ACT, 4Evergreen, CEFEX and the Swedish Forest Industries Federation. Current actions are, among others, to influence the European Green Deal strategies, emissions trading system and recycling of beverage cartons and paper material.

Establishment in new markets

Description of risks

There are several types of risks linked to the establishment of new markets. BillerudKorsnäs may, for example, lack adequate understanding of the local culture and/or have insufficient knowledge of local legislation and business codes. There is also the risk of there being a shortage of local professional expertise and it being difficult to recruit competent staff. Further risks are of a shortage of knowledge about local agreements and it taking too long for new employees to learn BillerudKorsnäs' corporate culture. Taken together, these risks can lead to BillerudKorsnäs not meeting requirements and expectations on the domestic market, risking higher costs of establishment, fines, legal costs, damage to reputation, lower revenues than expected in the lower market and loss of customers.

Risk management

BillerudKorsnäs has a process for establishing a presence in new markets. The process contains a risk assessment of significant factors that may affect the business situation. BillerudKorsnäs employs local skills and makes use of external experts to ensure sufficient knowledge of local circumstances and compliance with laws and regulations. BillerudKorsnäs has a Code of Conduct covering all employees. To clarify and endorse the Code of conduct, BillerudKorsnäs holds regular internal training courses. The Code describes the obligations and rights of employees. Employees can report suspected irregularities and actions that breach the Code of Conduct through the BillerudKorsnäs whistle-blower function. BillerudKorsnäs has training courses in Anti-bribery and Preventing Anti-Competitive Practices which the staff at the local offices have to undergo.

Comments 2019

The Internal Control function carried out audits during the year to ensure compliance with the Code of Conduct and make sure that other rules are being followed.

Product safety

Description of risks

BillerudKorsnäs produces material to customers with specific safety regulations and very high demands to ensure safe products for third party, e.g. food contact material and medical paper. This raises product safety issues and involves risks for compensation claims if neglected (for example in relation to contamination of foods or beverages, damage caused by packaging leaks, etc.). Besides potential harm to third parties, e.g. consumers of packed food, this can lead to complaint costs, harm to reputation, loss of customer trust, lower revenue, withdrawal of consumer products and legal expenses.

Risk management

The framework regulation for materials in contact with food in the EU sets the base level for product safety for all our products. However, up to this date, no harmonised legislation for paper and cartonboard

in contact with food exists. The German recommendation (BfR) and US FDA legislation are regarded as best practice in Europe and the main part of the market that we operate in and serve as criteria to fulfil the framework regulation within BillerudKorsnäs. Compliance with other legislations, such as the Chinese standards for food contact applications and ISO 11607-1 Packaging for terminally sterilized medical devices in relation to medical packaging as well as determining physical characteristics according to relevant parts of EN 868, are also important in this context.

Our food safety management system (all units are certified according to ISO 22000 or FSSC 22000) covers quality control and product safety in raw material sourcing, paper and board production and delivery of the finished products. Reported non-compliances both in production and at customer's premises are systematically followed up. Agreements with suppliers, customers and partners in the packaging value chain clarifies the responsibilities of each part regarding product safety issues from raw materials to finished products.

Comments 2019

There is increasing interest and activity on product safety from our customers with regard to analysis of included components, future tightening of legislation on chemicals and legal aspects. There is also a continuously growing need for handling product safety issues internally in research and development of new packaging materials, new areas of use for our materials and development of converted packaging materials. To strengthen the company, a Product Safety Director was appointed during 2019, whose main purpose is to drive product safety from a corporate perspective. In addition, a new role as Product Safety Specialist dedicated to R&D and business areas was introduced.

Implementation of strategy

Description of risks

Ineffective implementation of strategic plans, incorrect investment decisions and failure in fostering commitment among staff for the strategic focus can lead to a gradual downturn in revenue and profitability and adversely affect the balance sheet. Incorrectly targeted investments can result in immediate, large and/or long-term losses, reduced scope for investment, harm to reputation and increased capital costs.

Risk management

Large parts of the organization has been involved in creating the strategy to assure a strategy that contains intelligence and ideas available throughout the organisation. This way the level of understanding for the strategy, commitment to and implementation of the same is enhanced. Throughout the strategy process, risks/challenges and opportunities based on market trends and developments have been analysed and thereafter influenced the strategic decisions. All strategic initiatives are regularly followed up and deviations from the implementation of the strategy and its objectives are managed. Risk based scenarios have been analysed from a financial perspective and alternative plans have been developed.

Comments 2019

The focus in 2019 was to develop an integrated strategy for the BillerudKorsnäs Group covering 2019-24. The strategy was developed with a broad involvement from the organization, where more than 100 employees contributed in different ways to identify trends, market developments, opportunities and challenges. The result was a strategy with concrete focus on 4 prioritized areas and 11 underlying initiatives to deliver on our purpose and financial targets.

Energy price risk

Description of risks

BillerudKorsnäs uses electricity, biofuels, oil and LPG, and these energy products account for a significant percentage of its manufacturing costs. Higher energy prices result in higher operating expenses and have an adverse impact on operating profit.

The biggest factor affecting energy costs is the price of electricity in the STO (SE3) electricity area in Sweden. Areas LUL (SE1), Sweden, and HEL (Fi), Finland, also have production units that pose a certain electricity price risk. In total, BillerudKorsnäs consumes around 3.2 TWh/year, 1.4 TWh/year of which is produced in the company's own back pressure facilities, and 1.8 TWh/year is bought in.

Risk management

In principle, all in-company electricity generation is biofuel-based and the cost of in-company generation follows the trend in biofuel prices.

The cost of electricity is managed through financial electricity trading in standard contracts on NASDAQ. The company's trading strategy is to purchase financial contracts corresponding to the majority of the physical volume exposed to the spot price. The pace of trading is linear and begins three years before delivery.

The company is also taking active measures to increase energy efficiency.

Comments 2019

In 2019, total electricity consumption was about 3.16 (3.12) TWh, of which approximately 44% (44) was generated in-company, and about 56% (56) was purchased on the spot market. At the end of the year, financial hedging for purchases of electricity exposed to spot price was:

2020	66%
2021	45%
2022	24%

Risks related to employees

Description of risks

Access to employees with the right skills, the Group's ability to persuade these to choose BillerudKorsnäs as an employer and inspirational managers with the ability are crucial if the goals set by BillerudKorsnäs are to be attained.

Personnel costs represent the third-largest expense item.

Risk management

BillerudKorsnäs works continually to manage skills transfer and succession planning. To ensure that we attract talent and people with the skills for which there is a demand, the Group's works in a structured and focused manner on strengthening the Group's brand as an employer of choice. We have built a recruitment training for HR and the Group's leaders in order to strengthen their knowledge about recruitment. We have also developed a competency profile for Sustainable Leadership which enables the business to assess candidate's leadership potential when recruiting. In order to proactively minimise risk regarding abuse and unfavourable backgrounds, we carry out background checks for critical and relevant positions as well as drug tests of illegal substances all recruited staff.

Payroll costs are principally dictated by applicable collective agreements and employer's expenses. A work evaluation of various positions in BillerudKorsnäs has been carried out and a reward framework, meaning a job architecture system, has been implemented and is continuously established. Market pay statistics are used to ensure that remuneration is set in line with the Group's reward philosophy.

Comments 2019

Staffing planning are continually ongoing. An updated Group-wide trainee programme was launched in September 2018 and was under way in 2019, along with local professional trainee programmes. A new technical trainee program has been developed and will be implemented during 2020. BillerudKorsnäs works strategically on employer branding, which aims to showcase the Group as an attractive employer. The Group is cooperating with more partners to increase visibility. BillerudKorsnäs also launched the Group's Sustainable Leadership concept, where the Group clarify the expectations of the leaders which cover the risks we see linked to having the right people. In order for leaders to deliver on these expectations, trainings and tools were built and offered for all leaders to build their skills and strengthen their leadership to deliver on this. During 2019 all the leaders attended a half day workshops to deep dive into the Group's Sustainable Leadership concept and understand the expectations on leadership roles. The Group also re-built the leadership academy to fully build and strengthen the Sustainable Leadership and making it more flexible for the needs of leaders, which means trainings for new leaders to BillerudKorsnäs, trainings for new leaders or more senior in a leadership role.

Protection of IT system assets, information and personal privacy

Description of risks

Our society and the BillerudKorsnäs business relies to an ever greater degree on digital tools and services. More extensive digital exposure also increases the risk of unauthorised access to and use of the company IT system assets and information belonging to the company and its stakeholders. Methods applied to gain unauthorized access to company internal systems and information resources are becoming increasingly sophisticated and are used more and more intensively by various operators with malicious intent. With more digital exposure there is also a greater risk to unintentionally make information of the company and its stakeholders available to unauthorised persons. Through unauthorised access to systems and information criminals and criminal organisations can harm BillerudKorsnäs and its stakeholders in various ways. This may involve blackmail, fraud, damage to information and fixed assets, spreading of share price-sensitive information, etc.

Risk management

BillerudKorsnäs has chosen a systematic way of working to protect its own and its stakeholders' information assets and privacy based on the information security standard ISO27001. Controls have also been added to the information security management system to make sure that the company fulfils the requirements of the European General Data Protection Regulation (GDPR), and that cyber crime related risks are managed. The controls and their prioritization are based on analysis of the identified risks. Risk analysis is carried out at several levels in the company, and the risks are addressed in governance and management forums for the company's information and system resources.

Comments 2019

The BillerudKorsnäs level of activity to improve information security increased further during 2019. The rapid increase in Cybercrime activity has generated a clear need for IT security measures and Information Security management systems on a new level. This to reach a significantly higher level of cyber crime resilience. The main focus during 2019 was on improved intrusion detection and prevention, increased IT user Information Security awareness and effective processes to manage information security incidents. Dedicated roles and forums were developed further to lead and coordinate information security efforts and strategic information security objectives and targets are followed up regularly.

Sustainability risks

Environmental impact and renewal of licences

Description of risks

BillerudKorsnäs' production is governed by extensive environmental legislation, and the operation requires granted licenses. Operating licences in Sweden are issued by land and environmental courts, based on a comprehensive legal review where the government's interests are monitored by, inter alia, the Swedish Environmental Protection Agency and county administrative boards.

On top of this, supervision in Sweden is performed by officers appointed by the county administrative boards, who continually verify compliance with licences, provided conditions and generally applicable environmental legislation. Contraventions of provided conditions may result in a report to the police and continued investigation of criminal liability for unauthorized environmental activities. Serious contraventions of provided conditions or other actions that may have a significant negative environmental impact may be investigated as a suspected environmental crime.

A conviction may lead to personal criminal liability on the part of the staff concerned and/or corporate penalties. Breaches of environmental legislation may lead to the imposition of environmental sanction charges.

Environmental legislation places profound requirements on an operator who has caused environmental damage to rectify the damage caused. The liability for rectification can be strict and also joint with multiple operators. The issue most relevant to BillerudKorsnäs' Swedish production units is soil and water pollution.

The Group is also affected by various economic instruments relating to the environment, including energy taxes, greenhouse gas emissions trading, nitrogen oxide taxes and waste management taxes.

Risk management

The environmental standard at BillerudKorsnäs' production units is high, due to ongoing initiatives over many years. All production units have certified management systems for environment and quality, and, in Sweden, also for energy. The units have environmental functions that are responsible for the contact with supervisory authorities. The production units work together in an environmental network.

Key employees have undergone in-depth environmental training to enable them to continually address environmental issues. Employees at the production units are informed about the environmental work as part of their introduction or daily work.

Comments 2019

Environmental work at the production units was extensive during the year, largely linked to the increased production and large investments decided upon.

- Karlsborg received a partial judgement (amended license) in February 2019 to produce 350 tonnes bleached sulphate pulp per year at Karlsborg mill, starting in 2019.
- In June 2019, Skärblacka submitted an application to the county administrative board to replace the sulphur dioxide used for production of cooking liquor for NSSC pulping with sodium bisulfite due to the mill's safety work. The application is still under review. In August, Skärblacka submitted an application to the county administrative board to construct a new tall oil digester and a new cistern for tall oil soap. The application was approved in November 2019.
- Frövi submitted an application for continued and expanded production in December 2017. The application is divided into two stages, the first relates to expanded cartonboard production and the second to expanded pulp production. License to expand production was given by the Land and Environment Court in July 2019.
- Gävle received final terms for releases to water from the Land and Environment Court in November 2018. As the judgement contains some elements that may limit the mill's production, it has been appealed to the Land and Environment Court of Appeal. The case was decided upon in June 2019 and the terms for releases to water were finalised.

Transitional and physical climate-related risks

Description of risks

Climate change and climate policy will increasingly affect BillerudKorsnäs during the coming decades. In essence, these transitional risks are long-term structural changes that will require BillerudKorsnäs to adapt its strategy and operations to address climate change. Main risks are related to the availability and price of raw material due to the anticipated higher demand on the market, price of purchased energy and market and technology shifts. The cost of greenhouse gas emissions trading and taxes will likely increase. On the other hand, there are also opportunities based on a shift in customer preference toward low-carbon fiber based products.

With increased global warming BillerudKorsnäs is also subject to physical climate-related risks, such as droughts and increased rainfall, which may have a significant impact on the Groups' operations.

Risk management

BillerudKorsnäs' Sustainability function is responsible for identifying and assessing climate-related risks, and ensuring that the Board of Directors and Executive Leadership Team (ELT) are aware of core business drivers that must be managed. In case any issue is evaluated to be business-critical, relevant department or function will be responsible for managing and reporting on it.

The Energy function is responsible for energy efficiency measures and analysing energy and emissions trading prices to steer future strategic choices of path. The sourcing of raw material is a core function within the company that is performed with a long-term perspective. The ELT also evaluates future expenditure for new technologies and innovation needed to manage the transitional risk related to markets shifts.

In terms of physical risks on BillerudKorsnäs' production units, only the unit in the UK is today exposed to adverse weather conditions in the form of flood. Over time, this can change and the situation is monitored. Preventive work to avoid sudden and unforeseen disruptions in production are given a top priority. By reducing greenhouse gas emissions from production in alignment with the Paris Agreement, BillerudKorsnäs also assumes its responsibility to mitigate climate change.

BillerudKorsnäs publicly reports on its climate work and impacts at least annually, both in the Annual Report and through different assessment initiatives (such as CDP and DJSI).

Comments 2019

Business-critical climate and sustainability drivers were an important part of the work during 2019 that formed BillerudKorsnäs' strategy. High up on the agenda is the work to reduce the climate impact of the Group's operations and, consequently, sold products. Given the scale, unpredictability, and long-term nature of climate change, investors will increasingly require BillerudKorsnäs to report on their financial impact on the company. BillerudKorsnäs improved its assessment and quantification of climate-related risks in financial terms by following the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Two RCP-scenarios from IPCC were applied; a 2° scenario based on active climate politics and a 4° scenario based on business-as-usual. The main conclusion is that any negative financial impacts of climate-related risks, such as the increased cost of wood raw material, are equivalent or less than the positive impact resulting from a shift in consumer preference toward BillerudKorsnäs' products. The effect is greater in the 2° scenario, due to active climate politics that will steer the industry and market. Read more about climate-related disclosures on page 130.

Financial risks

The following section describes BillerudKorsnäs' financial risk management policies, which correspond to the policies adopted before and during 2019.

Currency risk – transaction exposure

Description of risks

Transaction exposure is the risk of changes in exchange rates for export revenues and import expenses negatively affecting BillerudKorsnäs' operating profit and the cost of its fixed assets. The Group's net currency exposure is considerable; the main currencies involved are EUR, USD and GBP. However, the majority of operating expenses are in SEK. The main exceptions are production costs in Finland and the UK, shipping costs and the costs of imported wood raw materials and chemicals, which are primarily affected by EUR and USD exchange rates.

Risk management

To reduce the consequences of currency exposure, the Group can hedge forecasted net flows in foreign currencies. The financial policy adopted by the Board states guidelines for currency hedging, which means that between 0% and 80% of net flows over the coming 15-month period can be hedged. Hedging beyond this must be determined by the Board.

The main target for each division is EBITDA- and operating margin, which is measured excluding the earnings effects of hedging currency flows. The earnings effects of changes in exchange rates in operating capital are managed at Group level and matched against corresponding earnings for currency hedging.

Comments 2019

At the end of 2019, foreign exchange contracts not yet recognised in profit/loss nominally totalled SEK 4 624 million (4 881). These will be recognised in profit/loss in 2020 and 2021. Net currency flows are estimated to total around SEK 6 600 million (6 200) in 2020.

Of forecasted net flows over the coming 15-month period in EUR, USD and GBP, 80%, 62% and 6%, respectively, were hedged at year-end.

As at 31 December 2019, the market value of BillerudKorsnäs' outstanding foreign exchange contracts was SEK 44 million (–71).

Nominal amount of foreign exchange derivatives	2019	2018
EUR million	315	410
USD million	206	152
GBP million	5	2

Market value of foreign exchange derivatives, SEKm

Forward foreign exchange contracts	44	–71
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Currency risk – translation exposure

Description of risks

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

Risk management

BillerudKorsnäs has assets in foreign currency, mainly through owning assets in Finland, the UK and the US.

Comments 2019

At 31 December 2019, total capital employed in foreign currency was SEK 812 million (747), of which SEK 1 270 million (1 315) was financed by shareholders' equity. No net assets are currently hedged.

SEKm	Capital employed	Net borrowings	Net assets
GBP	48	–63	111
EUR	794	–311	1 105
USD	3	12	–9
Other currencies	–33	–96	63
Total	812	–458	1 270

Financing risk

Description of risks

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

Risk management

In order to ensure that the Group always has access to external financing, the finance department must ensure access to short and long-term credit facilities. The Company aims to achieve cost-efficiency within established limits. The actions of the finance department are governed by the financial policy, which is reviewed annually.

The lender base must also be reasonably diversified to avoid excessive dependence on individual sources of financing. The repayment structure for the Group's loans must be arranged so that loan maturity is evenly spread over time. The Company also aims for access to liquidity over the next 12 months to exceed utilisation by a minimum of 1.2 times.

Comments 2019

Financing opportunities for the Group remained very good in 2019, with good liquidity on both the commercial paper and bond markets.

BillerudKorsnäs has a syndicated credit facility of SEK 5 500 million, which falls due in May 2024. The credit facility was unused at year-end. At 31 December 2019, BillerudKorsnäs' net interest-bearing debt totalled SEK 5 476 million (9 333). Interest-bearing debt decreased by SEK 1 182 million in 2019. The decrease was principally due to repayment of loans with proceeds from sale of shares in Bergvik Skog Öst. Of interest-bearing borrowings, SEK 493 million was short-term, which represented a decrease of SEK 1 401 million during the year. At the end of the year, commercial papers totalling SEK 1 600 million and bilateral loans totalling SEK 1 217 million had been repaid compared with the start of the year. At the same time, bilateral loans totalling SEK 35 million and bonds totalling SEK 1 600 million had been raised during

RISK MANAGEMENT AND SENSITIVITY ANALYSIS

the year. Long-term interest-bearing net borrowings totalled SEK 7 349 million at the end of the year, of which SEK 6 456 million falls due in 2022 or later.

Financial assets and liabilities are recognised in Note 27.

Interest rate risk

Description of risks

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

Risk management

The Group uses derivatives to manage interest rate risk. The average fixed interest term (duration) for the entire loan portfolio should be between 1 and 36 months. The fixed interest term for an individual loan or interest rate swap may not exceed 10 years. The Board may, however, determine a longer fixed interest term. To achieve this standard, interest rate derivatives, preferably interest rate swaps and fixed interest loans, are used. Price risk is defined as the effect on earnings that may be caused by changes in the price of outstanding capital instruments. Financial investments are made at short fixed interest terms, which limits interest rate risk in investments.

Comments 2019

If the Group's entire borrowing portfolio had a variable interest rate, the effect on earnings for one year from a 1 percentage point change in interest rates would be SEK 78 million (90), based on the total interest-bearing liability of SEK 7 842 (9 024) million at year-end.

The Group's average fixed-interest term was 7 months (10) at year-end. The decrease in fixed interest term was due to pre-payment of part of the long-term financing during the year. A 1 percentage point change in interest rates would have an annualised effect of SEK 59 million (66) on earnings, given the current fixed interest term.

Nominal value of interest rate derivatives, SEKm	2019	2018
Interest rate swaps:		
Maturity of less than 1 year	–	–
Maturity of 1–2 years	–	–
Maturity of more than 2 years	–	444
Total	–	444
Market value of interest derivatives, SEKm		
Interest rate swaps	–	–21
Nominal amount, fixed interest loans		
Maturity of less than 1 year	400	–
Maturity of 1–2 years	500	400
Maturity of more than 2 years	1 050	1 550
Total	1 950	1 950

Financial credit risk

Description of risks

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

Risk management

In order to reduce credit and counterparty risk, BillerudKorsnäs' finance policy has defined the size of the counterparty risk that is accepted based, among other things, on the counterparty's credit rating. BillerudKorsnäs also has ISDA agreements with relevant banks.

When calculating credit risks, the positive effects on earnings of derivative contracts with counterparties are also taken into account. BillerudKorsnäs' maximum credit risk exposure is equal to the fair value of financial assets, disclosed in Note 27.

Comments 2019

At year-end, the total net credit exposure was SEK 3 503 million (383). The increase in exposure compared to previous year was primarily due to increased cash balance following the sale of shares in Bergvik Skog Öst.

Customer dependence and customer credit risk

Description of risks

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

Risk management

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

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

Comments 2019

Accounts receivable totalled SEK 2 408 million (2 807) at 31 December 2019. Accounts receivable averaged SEK 2 733 million (2 812) in 2019, representing an average customer credit period of around 41 days (43). Bad debt losses totalled SEK –16 million (–14) in 2019.

Provision for doubtful debts

Group, SEKm	2019	2018
Provision at start of year	39	32
Provision for anticipated bad debt losses	11	16
Provision for the general reserv, according to IFRS9	–	5
Bad debt recovered	–6	–
Confirmed bad debt losses	–16	–14
Provision at year-end	28	39

Breakdown of accounts receivable by age

Group, SEKm	2019			2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Accounts receivable not due	2 119	-11	2 108	2 420	-9	2 411
Accounts receivable overdue 0-30 days	229	-	229	358	-	358
Accounts receivable overdue >30-90 days	17	-3	14	16	-3	13
Accounts receivable overdue >90-180 days	24	-	24	11	-3	8
Accounts receivable overdue >180-360 days	6	-	6	9	-2	7
Accounts receivable overdue >360 days	41	-14	27	32	-22	10
Total	2 436	-28	2 408	2 846	-39	2 807

Sensitivity analysis

Impact on profit/loss before tax

Variable	Change	SEKm
Sales volume	+/- 10%	+/-910
Exchange rates, SEK ¹	+/- 10%	-/+660
-off wich relates to EUR	+/- 10%	-/+330
-off wich relates to USD	+/- 10%	-/+250
-off wich relates to GBP	+/- 10%	-/+80
Fibre price ²	+/- 10%	-/+840
Electricity price ³	+/- 10%	-/+85
Loan rate ⁴	+/- 1 percentage point	-/+60

1 Excluding effects of currency hedging.

2 Wood and pulp

3 Excluding effects of electricity price hedging.

4 Excluding effects of interest hedging.

Breakdown of operating costs, %



Financial statements

Consolidated income statement

SEKm	Note	2019	2018
Net sales	2	24 445	23 692
Other operating income	3	169	230
Total operating income		24 614	23 922
Operating expenses			
Change in inventories		-169	633
Raw materials and consumables		-12 887	-12 556
Other external costs	4	-5 061	-5 473
Employee benefit costs	5, 28	-3 650	-3 595
Depreciation, amortisation and impairment of non-current assets	12, 13, 14	-1 744	-1 513
Share of profit/loss of associates	17	-17	12
Total operating expenses		-23 528	-22 492
Operating profit/loss	2, 6	1 086	1 430
Financial items	7		
Finance income		356	15
Finance cost		-177	-104
Net financial items		179	-89
Profit/loss before tax		1 265	1 341
Tax	9	-254	-304
Profit/loss from continuing operations		1 011	1 037
Discontinued operations			
Profit/loss from discontinued operations, net of tax	10	5 709	-
Profit/loss for the period		6 720	1 037
Profit/loss attributable to:			
Owners of the parent company		6 720	1 037
Non-controlling interests		-	-
Profit/loss for the year		6 720	1 037
Earnings per share, SEK	11	32.50	5.01
Diluted earnings per share, SEK	11	32.47	5.00

Dividend per share is shown in Notes 20 and 21.

Consolidated statement of Other comprehensive income

SEKm	2019	2018
Profit/loss for the year	6 720	1 037
Items that cannot be transferred to profit/loss for the period		
Revaluation of defined-benefit pensions	-114	-24
Change for the period in fair value relating to shareholdings in Other holdings	-69	103
Change for the period in fair value of shareholdings in Other holdings recognised in the income statement	-352	-12
Tax that can be attributed to items that cannot be transferred to profit/loss for the period	24	5
Total items that cannot be transferred to profit/loss for the period	-511	72
Items that have been or can be transferred to profit/loss for the period		
Translation differences for the period arising from translation of foreign operations	28	60
Changes in fair value of cash flow hedges during the period	-407	222
Changes in fair value of cash flow hedges transferred to profit/loss for the year	100	154
Tax attributable to items that have been or can be transferred to profit/loss for the period	65	-80
Total items that have been or can be transferred to profit/loss for the period	-214	356
Total comprehensive income for the year	5 995	1 465
Attributable to:		
Owners of the parent company	5 995	1 465
Non-controlling interests	-	-
Total comprehensive income for the year	5 995	1 465

Consolidated balance sheet

SEKm	Note	31 Dec 2019	31 Dec 2018
ASSETS	1, 27		
Non-current assets			
Non-current intangible assets	12	2 096	2 185
Property, plant and equipment	13	22 909	21 429
Right-of-use assets	14	228	–
Participations in associated companies and joint ventures	17	953	16
Other holdings	18	160	1 530
Non-current receivables from associates	16	18	17
Deferred tax assets	9	50	118
Non-current receivables		24	186
Total non-current assets		26 438	25 481
Current assets			
Inventories	19	3 572	3 633
Accounts receivable		2 408	2 807
Tax receivables		206	220
Other receivables		537	902
Prepaid expenses and accrued income		313	215
Cash and cash equivalents	29	3 450	456
Total current assets		10 486	8 233
Total assets		36 924	33 714
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 27		
Shareholders' equity	20		
Share capital		1 537	1 537
Other contributed capital		4 484	4 484
Reserves		295	1 189
Retained earnings incl. profit/loss for the year		13 146	7 145
Total equity attributable to owners of the parent company		19 462	14 355
Non-controlling interests		–	–
Total shareholders' equity		19 462	14 355
Non-current liabilities			
Interest-bearing liabilities	24	7 349	7 130
Lease liabilities	14,24	144	–
Provisions for pensions	22	871	784
Other provisions	23	132	262
Deferred tax liabilities	9	3 613	3 633
Other liabilities		–	22
Total non-current liabilities		12 109	11 831
Current liabilities			
Interest-bearing liabilities	24	493	1 894
Lease liabilities	14,24	89	–
Accounts payable		2 937	3 825
Tax liabilities		10	8
Other liabilities		320	353
Accrued expenses and deferred income	26	1 414	1 323
Provisions	23	90	125
Total current liabilities		5 353	7 528
Total liabilities		17 462	19 359
Total shareholders' equity and liabilities		36 924	33 714

Consolidated statement of changes in equity

SEKm	Note	Equity attributable to owners of the parent company						Total	Non-controlling interests	Total shareholders' equity
		Share capital	Other contributed capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings and profit/loss for the year			
Opening balance, 1 Jan 2019	20	1 537	4 484	193	680	316	7 145	14 355	–	14 355
Changed accounting principles due to IFRS 16							–5	–5		–5
Total comprehensive income for the year				28		–242	6 209	5 995		5 995
Dividend to owners of the parent company							–889	–889		–889
Transfer of fair value reserve					–680		680	–		–
Share-based payments to be settled in equity instruments, IFRS 2							6	6		6
Closing balance, 31 Dec 2019		1 537	4 484	221	–	74	13 146	19 462	–	19 462

SEKm	Note	Equity attributable to owners of the parent company						Total	Non-controlling interests	Total shareholders' equity
		Share capital	Other contributed capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings and profit/loss for the year			
Opening balance, 1 Jan 2018	20	1 537	4 484	133	589	20	7 048	13 811	–	13 811
Total comprehensive income for the year				60	91	296	1 018	1 465		1 465
Dividend to owners of the parent company							–890	–890		–890
Buy-back of own shares							–41	–41		–41
Share-based payments to be settled in equity instruments, IFRS 2							10	10		10
Closing balance, 31 Dec 2018		1 537	4 484	193	680	316	7 145	14 355	–	14 355

Consolidated statement of cash flows

SEKm	Note	2019	2018
Operating activities	29		
Profit/loss after financial items		1 265	1 341
Adjustments for items not included in cash flow		1 626	1 829
Tax paid		-109	-401
Cash flow from operating activities before changes in working capital		2 782	2 769
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		78	-877
Increase (-)/decrease (+) in operating receivables		374	-84
Increase (+)/decrease (-) in operating liabilities		-915	694
Cash flow from operating activities		2 319	2 502
Investing activities			
Acquisition of intangible assets		-	-
Acquisition of property, plant and equipment		-2 868	-5 120
Sale of property, plant and equipment		8	2
Acquisition of subsidiaries	35	-3 774	-36
Sale of subsidiaries	10, 36	7 708	-1
Acquisition of financial assets ¹ / shareholder contributions to Other holdings and associates		-58	-22
Sale of financial assets ²		955	5
Cash flow from investing activities		1 971	-5 172
Cash flow after investing activities		4 290	-2 670
Financing activities			
Changes in interest-bearing receivables		-	-3
Borrowings		5 125	5 411
Debt repayment		-5 546	-1 548
Buy-back of own shares		-	-41
Dividend		-889	-890
Cash flow from financing activities		-1 310	2 929
Cash flow for the period		2 980	259
Cash and cash equivalents at start of year		456	168
Translation difference in cash and cash equivalents		14	29
Cash and cash equivalents at year-end		3 450	456

¹ Relates mainly to shares in Other holdings.

² Includes cash proceeds of SEK 935 million from divestment of Bergvik Skog Väst AB in second quarter 2019.

Parent company income statement

SEKm	Note	2019	2018
Net sales	2	203	127
Other operating income	3	2	23
Total operating income		205	150
Operating expenses			
Other external costs	4, 14	-267	-336
Employee benefit costs	5, 28	-257	-271
Depreciation, amortisation and impairment of non-current assets	13	-2	-1
Total operating expenses		-526	-608
Operating profit/loss	2, 6	-321	-458
Financial items	7		
Profit/Loss from investments in Group companies		2 033	14
Profit/loss from other participations		10	5
Interest income and similar profit/loss items		20	4
Interest expense and similar profit/loss items		-216	-363
Total financial items		1 847	-340
Profit/loss after financial items		1 526	-798
Appropriations	8	679	756
Profit/loss before tax		2 205	-42
Tax	9	-40	-31
Profit/loss for the year		2 165	-73

Parent company statement of Other comprehensive income

SEKm	2019	2018
Profit/loss for the year	2 165	-73
Other comprehensive income		
Other comprehensive income for the year	-	-
Total comprehensive income	2 165	-73

Parent company balance sheet

SEKm	Note	31 Dec 2019	31 Dec 2018
ASSETS	1, 27		
Non-current assets			
Property, plant and equipment	13	10	11
Investments in Group companies	15	10 612	10 612
Participations in associated companies and joint ventures	17	–	–
Other holdings	18	–	13
Non-current receivables from associates	16	18	17
Deferred tax asset	9	20	20
Other non-current receivables		28	26
Total non-current assets		10 688	10 699
Current assets			
Accounts receivable		1 912	2 307
Receivables from Group companies	16	14 624	9 672
Tax receivables		194	199
Other receivables		15	38
Prepaid expenses and accrued income		37	46
Cash and bank balances	29	3 260	292
Total current assets		20 042	12 554
Total assets		30 730	23 253
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 27		
Shareholders' equity	20, 21		
Restricted equity			
Share capital		1 537	1 537
Statutory reserve		149	149
Total restricted equity		1 686	1 686
Non-restricted equity			
Share premium reserve		4 408	4 408
Retained earnings		278	1 235
Profit/loss for the year		2 165	–73
Total non-restricted equity		6 851	5 570
Total shareholders' equity		8 537	7 256
Untaxed reserves	30	1 512	1 526
Provisions			
Provisions for pensions and similar commitments	22	215	210
Provisions	23	23	25
Total provisions		238	235
Non-current liabilities			
Bond loans	25	5 900	4 700
Other interest-bearing non-current liabilities	25	1 449	2 031
Total non-current liabilities		7 349	6 731
Current liabilities			
Liabilities to credit institutions	25	493	1 846
Accounts payable		30	40
Liabilities to Group companies	16	12 420	5 491
Tax liabilities		–	–
Other liabilities		48	28
Accrued expenses and deferred income	26	103	100
Total current liabilities		13 094	7 505
Total shareholders' equity and liabilities		30 730	23 253

Parent company statement of changes in equity

SEKm	Note	Restricted equity		Non-restricted equity			Total share-holders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening balance, 1 Jan 2019	20	1 537	149	4 408	1 235	-73	7 256
Previous year's profit/loss brought forward					-73	73	-
Profit/loss for the year						2 165	2 165
Dividends paid					-889		-889
Buy-back of own shares							-
Share-based payments to be settled in equity instruments					5		5
Closing balance, 31 Dec 2019		1 537	149	4 408	278	2 165	8 537

SEKm	Note	Restricted equity		Non-restricted equity			Total share-holders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening balance, 1 Jan 2018	20	1 537	149	4 408	277	1 880	8 251
Previous year's profit/loss brought forward					1 880	-1 880	-
Profit/loss for the year						-73	-73
Dividends paid					-890		-890
Buy-back of own shares					-41		-41
Share-based payments to be settled in equity instruments					9		9
Closing balance, 31 Dec 2018		1 537	149	4 408	1 235	-73	7 256

Parent company cash flow statement

SEKm	Note	2019	2018
Operating activities	29		
Profit/loss after financial items		1 526	-798
Adjustments for items not included in cash flow		-1 960	265
Tax paid		-35	-301
Cash flow from operating activities before changes in working capital		-469	-834
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-3 794	-2 979
Increase (+)/decrease (-) in operating liabilities		8 170	-1 945
Cash flow from operating activities		3 907	-5 758
Investing activities			
Acquisition of property, plant and equipment		-	-
Acquisition of shares and shareholder contributions to subsidiaries		-	-120
Sale of shares in subsidiaries	36	-	-1
Acquisition of shares in associates and shareholder contributions		-5	-4
Acquisition of shares in Other holdings		-	-14
Sale of shares in Other holdings		13	5
Change in financial receivables		-4	-4
Cash flow from investing activities		4	-138
Cash flow after investing activities		3 911	-5 896
Financing activities			
Borrowings		1 621	5 417
Repayment of borrowings		-2 370	-1 506
Buy-back of own shares		-	-41
Dividend		-889	-890
Settled Group contributions		695	3 190
Cash flow from financing activities		-943	6 170
Cash flow for the year		2 968	274
Cash and cash equivalents at start of year		292	18
Cash and cash equivalents at year-end		3 260	292

(Amount in SEKm unless stated otherwise)

1 Significant accounting policies

Statement of compliance

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

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

Basis of measurement in preparing the financial reports

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

Functional and presentation currencies

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

Use of estimates and judgments in the financial reports

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

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

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

Accounting policies applied in the reports

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

Changes in accounting policies

The new and amended standards and interpretations that are applicable from 2019 are IFRS 16 Leasing have not had any material effect on BillerudKorsnäs' accounting.

BillerudKorsnäs has chosen a simplified modified method on transition to IFRS 16, which means that amounts for the comparative year 2018 has not been remeasured. This means that the opening balance at 1 January 2019 recognise increased non-current assets linked to IFRS 16 through right-of-use assets amounting to SEK 260 million and an interest-bearing lease liability of SEK 266 million, which results in a negative net effect after deferred tax on equity of SEK 5 million.

At the transition to IFRS 16 an incremental borrowing rate of 1.6% is used to calculate the lease liability. The below table presents the difference between operating lease commitments under IAS 17 at December 31, 2018 and the initial applications for lease liabilities under IFRS 16 discounted using the incremental borrowing rate at January 1, 2019.

SEKm	1 January 2019
Operating lease commitment at December 31, 2018	297
Operating lease commitment at December 31, 2018 not delivered	-13
Low value assets and short-term leases	-3
Discounting effect	-15
Lease liabilities according to IFRS 16 at January 1, 2019	266

New IFRS and interpretations coming into effect in the next few years

No other issued new or amended standards and interpretations with future application are expected to significant impact BillerudKorsnäs' reporting.

Classifications etc.

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

Operating segments

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

Basis of consolidation

Subsidiaries

Subsidiaries are companies in which BillerudKorsnäs AB has a controlling influence. Controlling influence means that BillerudKorsnäs is exposed to returns from a subsidiary and can have an influence on returns through its control. This usually means that BillerudKorsnäs controls more than 50% of the voting rights. In determining whether one company has a control influence over another, all the facts and circumstances, such as potential shares with voting rights, must be taken into account.

Subsidiaries are recognised using the purchase method. By this method, the acquisition of a subsidiary is considered a transaction in which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The acquisition cost upon consolidation is determined using a purchase price allocation analysis in connection with the acquisition. This analysis establishes the acquisition cost for the participation or business and the fair value at the acquisition date of the acquired identifiable assets as well as assumed liabilities and any contingent liabilities. The acquisition cost of the subsidiary company's shares and the business consists of the total of the fair values at the acquisition date for assets provided, liabilities arising or assumed, and equity instruments on issue that are provided as consideration in exchange for the net assets acquired. Transaction costs directly attributable to the acquisition are recognised as an expense in the Group. If the acquisition cost exceeds the fair value of assets acquired, assumed liabilities and contingent liabilities recognised separately, the difference is recognised as goodwill. When the difference is negative, it is charged directly to profit and loss.

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

Associates and Joint Arrangements

Associates are companies in which the Group has a significant influence, but not control, over operating and financial strategies, usually via

a shareholding corresponding to 20–50% of voting rights. From the time when the Group gains its significant influence, participations in the associated company are recognised in accordance with the equity method.

By the equity method, the carrying amount of participations in associated companies recognised in the consolidated accounts corresponds to the Group's participation in the associated companies' equity, any consolidated goodwill and any other remaining consolidated fair value adjustments. In the consolidated income statement, the Group's share in the profit or loss after tax of the associated companies is reported as "Share of profit/loss of associates". Joint arrangements are entities in which BillerudKorsnäs and one or more other owners have joint control. Joint arrangements will be recognised as a joint operation, where BillerudKorsnäs recognises its share of the joint operation's revenue, expenses, assets and liabilities.

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and other consolidated fair value adjustments, are translated from foreign operations' functional currency to the Group's reporting currency, SEK, using the exchange rate prevailing at the end of the reporting period. Revenue and expenses of foreign operations are translated to SEK using an average rate approximating the rates on each transaction date.

Translation differences that arise when translating the financial statements of foreign operations are recognised directly in other comprehensive income as a translation reserve. When a foreign operation is sold, the accumulated translation differences attributable to the operation are recognised in the consolidated profit and loss accounts.

Revenue

Revenue from contracts with customers

Revenue is recognised in accordance with the control-based five-step model;

- Identify the contract
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price
- Fulfil the performance obligation

BillerudKorsnäs identifies the contract among other things by being able to determine the right of each party, terms of payment, and by it being probable that the BillerudKorsnäs will collect the consideration to which it will be entitled to in exchange for goods and/or services transferred to a customer. The performance obligation consists primarily in the supply of goods, as well as services to a limited extent. The transaction price is the consideration BillerudKorsnäs expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price includes both fixed and variable amounts, for example discounts, returns and other similar items. Allo-

cation of the transaction price is usually not necessary as BillerudKorsnäs does not supply goods and services composed of more than one performance obligation. Fulfilment of a performance obligation does not differ between goods and services.

Fulfilment of performance obligation for goods

Revenue has to be recognised when (or as) BillerudKorsnäs fulfils the performance obligation by transferring control of an item of goods, which is made up of packaging material and products of primary fibre, to a customer. Control is transferred at the time when the customer has the ability to guide use of, and largely to receive all remaining benefits from the asset. BillerudKorsnäs takes into account, among other things, of the following indicators in transfer of control: transfer of the physical holding of the asset, right to payment for the asset and the customer having the significant risks and benefits associated with ownership of the asset.

Fulfilment of performance obligation for services

Services within BillerudKorsnäs are principally made up of transport services, forestry and services in Managed Packaging. As customers receive and consume all the benefits provided through BillerudKorsnäs' services, revenue is recognised over time in conjunction with fulfilment of the performance obligation.

Government support

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

Financial income and expenses

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

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

Financial expenses comprise interest costs for loans, the effects of reversals of present value estimates for provisions, losses on the change in value of financial assets measured at fair value through profit and loss, impairment of financial assets, and losses on hedge instruments that are recognised in the profit and loss accounts.

All borrowing costs are recognised in profit/loss with the application of the effective interest rate method regardless of how the borrowed funds have been used. Borrowing costs are not recognised in profit/loss in the proportion that they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for intended use or sale. In these cases, they are included in the assets' acquisition costs.

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

Taxes

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

Current tax is tax to be paid or recovered for the current year using the tax rates already enacted or substantially enacted at the end of

the reporting period; adjustments of current tax attributable to earlier periods is included.

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

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

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

Financial instruments

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

Recognition in and derecognition from the balance sheet

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

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

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

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

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

Classification and measurement

Financial instruments that are not derivatives are initially recognised at the acquisition cost, corresponding to the instrument's fair value including direct transaction costs for all financial instruments except those belonging to the category financial assets measured at fair value through profit and loss, which are recognised at fair value excluding transaction costs.

The classification of a financial instrument determines how it is measured after initial recognition. A financial asset that constitutes a liability for the counterparty (e.g. accounts receivable) are classified on first recognition on the basis of what the business model for the holding is and whether the cash flows received consist only of capital amounts and interest. As accounts receivable for the Group constitute the material financial assets which are a liability for the counterparty, and as the Group's business model for these is to receive capital amounts, the assessments of the type mentioned are normally not critical. Holdings in instruments which constitute equity for the counterparty (e.g. shareholdings) are classified as recognised at fair value through profit or loss

if they are held for trading. A choice is otherwise made to recognise the instrument at fair value through profit or loss or through other comprehensive income. See description below for the Group's classifications.

The Group's financial liabilities are recognised at amortised cost or fair value through profit or loss, in accordance with the descriptions below.

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

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

Financial assets are recognised at amortised cost

Financial assets recognised at amortised cost are financial assets that are not derivatives, and the business model is to collect payments that are or can be determined with respect to amounts of capital and outstanding interest relating to capital amounts. Loan receivables and accounts receivable in particular are recognised in this category. The amortised cost is determined based on the effective rate of interest estimated at the time of acquisition. Receivables shorter than three months are recognised at acquisition cost. Accounts receivable are recognised at the amounts expected to be received, that is, after deductions for doubtful receivables.

Financial assets recognised at fair value through other comprehensive income

The Group has chosen to recognise its holdings of shares and participations not reported as subsidiaries or associates in this category. Assets in this category are measured continuously at fair value, with changes in value recognised in other comprehensive income and accumulated in the fair value reserve in equity. Dividends received are recognised in the income statement. Shares and participations of insignificant value are recognised at acquisition cost. On disposal of the asset, accumulated gain/loss is transferred to retained earnings and is not allocated to the profit and loss accounts.

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

The Group does not expect to have any material holdings in this category. The type that may occur is derivatives with positive value, for which hedge accounting is not applied.

Financial liabilities are recognised at amortised cost

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

Financial liabilities recognised at fair value through the profit and loss accounts

The Group does not expect to have any material holdings in this category. The type that may occur is derivatives with negative value, for which hedge accounting is not applied, or conditional additional purchase sums in business acquisitions.

Derivatives and hedge accounting

The Group's derivative instruments have primarily been acquired to hedge the interest rate and currency risk exposure of the Group.

To meet the requirements of hedge accounting in accordance with IFRS 9 there must be a clear connection to the hedged item. Furthermore, the hedging must protect the hedged item efficiently, hedging documents must be prepared and the efficiency must be measurable.

Gains and losses on hedging instruments are recognised in the profit and loss accounts at the same time that profit and loss are recognised for the items being hedged.

Receivables and liabilities denominated in foreign currencies

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

Hedging of foreign currency – cash flow hedging

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

If the hedged future cash flow relates to a non-financial asset or liability that is capitalised in the balance sheet, the hedge reserve is transferred from equity to the asset or liability to which the hedge relates when the value of the asset or liability is first set. If the hedged item is a financial asset or liability, the hedge reserve is reversed gradually in the profit and loss accounts at the same rate as the hedged item affects profit/loss.

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

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

Hedging of fixed interest – cash flow hedging

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

Electricity derivatives

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

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

Pulp derivatives

BillerudKorsnäs sells pulp to external customers. In order to continually hedge pulp prices, BillerudKorsnäs may enter into pulp derivative contracts. Pulp derivatives that protect the forecast revenues from the sale of pulp are recognised in the balance sheet at fair value. Changes in value are recognised in other comprehensive income and accumulate in the hedge reserve in equity until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss

accounts, where they then meet and match the profit/loss effects of the hedged transaction.

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

Property, plant and equipment

Owned assets

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

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

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

The accounting policies for impairment are explained below.

Leased assets – recognition prior 31 December 2018

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

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

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

Leased assets – recognition from 1 January 2019

Lease contracts are recognised as assets and liabilities in the balance sheet, with recognition of depreciation and interest expense in profit and loss.

BillerudKorsnäs has chosen to apply the relief rules relating to leases shorter than 12 months and low-value leases. Under the relief rules, leases not covered by these rules are not included in the recognised lease liability or right-of-use asset. BillerudKorsnäs' leases principally consist of trucks, company cars and office rents, the vehicle category accounting for major part of the right-of-use asset.

The liability reflects the present value of the lease payments, usually is discounted by incremental borrowing rate of BillerudKorsnäs. In most cases the right-of-use asset and the leasing liability are the same at the first recognition date.

The asset is depreciated over its useful life, which in most cases corresponds to the lease term.

Subsequent costs

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

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

Borrowing costs

Borrowing costs directly attributable to the construction of so called qualified assets are capitalised as a part of the qualified assets' acquisition cost. A qualified asset is an asset that normally take a substantial amount of time to finalize. First are borrowing costs capitalised that are attributed to the specific qualified asset. Second are borrowing costs capitalised that are related to the general loan situation, which are not attributed to another specific qualified asset.

Depreciation policies

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

The following depreciation periods are applied:

Industrial buildings	20–33 years
Residential and office buildings	30–50 years
Land improvements	20–25 years
Machinery used for pulp and paper	20–25 years
Other machinery	10 years
Vehicles, equipment and components	3–5 years

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

Non-current intangible assets

Goodwill

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

Research and development

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

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

Other non-current intangible assets

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

Electricity certificates

Electricity certificates are allocated against in-company production of renewable electricity. Electricity certificates are valued at the estimated market value and recognised as a current intangible asset included in other receivables in the balance sheet. Production entitled

to electricity certificates but which had not yet been awarded certificates at the end of the reporting period is recognised as accrued income and initially measured at the estimated market price. Corresponding income is recognised in operating profit/loss as a correction of electricity costs.

Emission rights

BillerudKorsnäs' Swedish mills have been allocated carbon dioxide emission rights within the EU. When emission rights are received, they are recognised at market value as a current intangible asset under other receivables in the balance sheet, and treated as a liability and recognised as a grant received.

The allocation was gradually taken up as revenue over the year, while emissions generated were carried as an expense.

Subsequent costs

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

Depreciation policies

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

The expected useful life is:

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

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

Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. The FIFO (first in, first out) method is used to calculate the cost of inventories. This includes costs arising upon the acquisition of the assets and transport to the current site in their current condition. If it is not possible in practice to apply FIFO, a weighted average calculation can be used as it provides a good approximation of the FIFO method. For manufactured goods and work in progress, the cost includes a reasonable portion of indirect costs based on normal capacity.

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

Impairment losses

The carrying amounts of Group assets are tested at the end of each reporting period to determine whether there is any indication of impairment. IAS 36 is applied to test if an impairment loss shall be recognised for assets other than financial assets, which are recognised in accordance with IFRS 9, assets for sale, inventories and deferred tax assets. For the excluded assets above, the carrying amount is assessed in accordance with the relevant standard.

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

If there is an indication that an asset is impaired, the recoverable amount of the asset is calculated (see below). For goodwill and other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually or as soon as the need is indicated. If it is not possible to establish significantly independent cash flows for an individual asset, and if its fair value less selling costs cannot be used, the assets are grouped to test impairment at the lowest level at which it is possible to identify significantly independent cash flows (a cash-generating entity).

An impairment loss is recognised when the carrying amount of an asset, cash-generating entity or group of entities exceeds the recoverable amount. Impairment is recognised as an expense in the profit and loss accounts. When a need for impairment has been identified for cash-generating entity or group of entities, the need for impairment

is firstly allocated to goodwill. Proportional impairment of other assets included in the entity or group of entities is then carried out.

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

Impairment of financial assets

The Group recognises loss reserves for expected credit losses in all material respects on accounts receivable. The Group does not have any holdings in debt instruments recognised at fair value through other comprehensive income, and for assets other than accounts receivable which are valued at amortised cost possible expected credit losses are deemed to be negligible. The loss reserve for accounts receivable is always measured at an amount corresponding to expected credit losses throughout the life of the receivable.

Doubtful receivables are based on expected credit losses and consist of a general reserve and an individual assessment. A percentage is calculated for the general reserve based on historical credit losses and forward-looking assumptions. The individual assessment takes account of the customer's current situation and other relevant circumstances, for example credit insurance status, historical situation, geographical/political situation.

Impairment is recognised as an expense in profit/loss.

Reversal of impairment losses

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

Capital payments to shareholders

Buy-back of own shares

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

Dividends

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

Earnings per share

Calculation of earnings per share is based on the consolidated profit/loss attributable to parent company shareholders and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, profit/loss and the average number of shares are adjusted to take account of the effects of diluted potential ordinary shares, which during the reporting period are linked to share-based payments to be settled in equity instruments.

Employee benefits

Defined-contribution plans

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

Defined-benefit plans

The Group's net commitments for defined-benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the current period and previous periods; this benefit is discounted to its present value.

The discount rate is the interest rate at the end of the reporting period for a first class corporate bond, including mortgage bonds, with a duration corresponding to the duration of the Group's pension commitments. When there is no active market for such corporate bonds, the market rate for government bonds of corresponding duration is used instead. In addition to these there is a supplement which is the difference between interest on mortgage bonds and nominal government bond with a similar duration. The calculation is made by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets is calculated at the report date.

In the determination of the present value of the commitment, actuarial gains or losses may arise. They arise either because the fair value deviates from earlier assumptions or because the assumptions change. Actuarial gains and losses are recognised in other comprehensive income.

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

The commitments for retirement and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. This is a multi-employer defined-benefit plan. BillerudKorsnäs has not had access to such information as to make it possible to recognise this plan as a defined-benefit plan. ITP pension plans secured via insurance with Alecta are therefore disclosed as defined-contribution plans.

Termination benefits

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

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

Short-term benefits

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

Share-based payments

Share incentive programmes are recognised as share-based payments settled with equity instruments in accordance with IFRS 2. This means that their fair value is calculated based on forecast achievement of targets set for the measurement period. The value is distributed over the vesting period. Revaluation once the fair value has been set is only done for performance terms.

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

Provisions

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

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

Warranties

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

Restructuring

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

Restoration of contaminated land

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

Contingent liabilities

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

Parent Company's accounting policies

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

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

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

Classification and presentation

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

Leasing

IFRS 16 leases is not applied by the Parent Company according to the exception permitted under RFR 2. Leases in which the Parent Company is the lessee are recognised as a cost over the life of the lease on a straight-line basis. No right-of-use assets or lease liabilities have been recognized.

Subsidiaries and associated companies

Participations in subsidiaries and associated companies are recognised in the parent company in accordance with the cost method. All dividends from subsidiaries and associated companies are recognised in the profit and loss accounts for the parent company. Under special circumstances, such dividends can serve as an indication that the shares have declined in value and thus a test for impairment should be performed.

Financial instruments and hedge accounting

Because of the connection between accounting and taxation, the rules in IFRS 9 concerning financial instruments and hedge accounting are not applied by the parent company as a legal entity.

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

is adjusted for the accrued difference between the amount originally paid, after deducting transaction costs, and the amount paid on the due date (at a discount or premium).

In currency hedging of receivables and liabilities denominated in foreign currencies using a forward contract, the forward rate is normally used in measuring a hedged receivable or liability. If the difference between forward rate and spot rate on entering into the contract (forward premium) is assessed as material, however, a hedged receivable or liability is instead hedged at the spot rate when the forward contract was entered into. The forward premium is allocated in such cases over the duration of the forward contract as interest income or interest expense. The forward amounts are not recognised at fair value in the balance sheet.

Interest swaps that effectively hedge cash flow risks in interest payments for liabilities are measured at the net of accrued receivables at variable interest and accrued liabilities with regard to fixed interest, and the difference is recognised as either interest income or expense. Interest swaps are not recognised at fair value in the balance sheet. Hedging is effective if the economic outcome of hedging and the liability is the same as if the liability had instead been reported at a fixed market interest rate when the hedge was made. Any premium paid for a swap agreement is allocated across the contract period as interest.

In order to continuously hedge pulp prices, BillerudKorsnäs may enter into pulp derivative contracts for pulp sold externally by Group companies. The pulp derivative contract is measured at the rate applicable on the day when the pulp derivative contract is entered into, which is usually zero. The gains or losses realised on these pulp derivative contracts are recognised continuously in operating profit/loss as a correction of operating income.

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

Anticipated dividends

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

Employee benefits – Defined-benefit plans

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

Taxes

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

Shareholder contributions

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

Group contributions paid

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

2 Operating profit/loss by segment and net sales by market

Profit/loss by operating segment

SEKm	Division Board		Division Paper		Division Solutions		Currency hedging, etc.		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Group												
Net sales	13 692	12 679	8 142	8 523	990	980	-158	-209	1 779	1 719	24 445	23 692
<i>Product area</i>												
Kraft paper			3 504	3 586							3 504	3 586
Sack paper			2 918	3 279							2 918	3 279
Liquid packaging board	7 583	7 154									7 583	7 154
Cartonboard	1 467	1 279									1 467	1 279
Fluting & liner	3 626	3 412									3 626	3 412
Managed Packaging					822	839					822	839
Solutions Other					168	141					168	141
Other	1 016	834	1 720	1 658			-158	-209	1 779	1 719	4 357	4 002
<i>Region</i>												
Sweden	1 075	1 148	315	272	21	9	-158	-209	1 558	1 668	2 811	2 888
Germany	2 262	1 954	901	1 175	4	4			40		3 207	3 133
China	1 854	1 598	256	338	504	538					2 614	2 474
Italy	1 295	1 442	403	539	4	10			37		1 739	1 991
United Kingdom	673	600	741	679	77	51					1 491	1 330
Spain	863	621	516	530	9	6					1 388	1 157
France	784	614	359	423	2	4					1 145	1 041
Rest of Europe	2 663	2 494	2 091	1 994	27	28			142	51	4 923	4 567
Rest of the world	2 223	2 208	2 560	2 573	342	330			2		5 127	5 111
Other income and operating expenses	-11 706	-10 223	-6 946	-7 007	-926	-966	-1	-1	-2 035	-2 552	-21 615	-20 749
Depreciation, amortisation and impairment losses	-1 175	-987	-444	-426	-10	-13			-116	-87	-1 744	-1 513
Operating profit/loss	811	1 469	752	1 090	54	1	-159	-210	-372	-920	1 086	1 430
EBITDA, %	15	19	15	18	6	1			-14	-48	12	12
Operating margin, %	6	12	9	13	5	-			-21	-54	4	6
Financial items											179	-89
Tax											-254	-304
Profit/loss from discontinued operations											5 709	-
Profit/loss for the period											6 720	1 037
Capital employed												
Operating assets	23 941	22 351	7 355	7 782					2 157	3 105	33 453	33 238
Operating liabilities	2 590	3 284	1 135	1 524					1 176	1 110	4 901	5 918
Deferredd tax liabilities	2 095	2 585	702	707					817	341	3 614	3 633
Capital employed	19 256	16 482	5 518	5 551					164	1 654	24 938	23 687

Of net sales of SEK 24 445 million (23 692), SEK 697 million (645) was sales of services.

The Group has one customer in the Division Board segment which accounts for more than 10% of the Group's sales.

Capital employed related to division Solutions are included in Other.

Parent company

Net sales							-126	-287	329	414	203	127
Operating profit/loss							-126	-289	-195	-169	-321	-458
Financial items											1 847	-340
Appropriations											679	756
Tax											-40	-31
Profit/loss for the period											2 165	-73

Of net sales of SEK 203 million (127), SEK 329 million (414) was sales of services.

NOTES

The Group's business is managed and reported in three divisions – Paper, Board and Solutions. The main targets for each division are EBITDA, % and follow-up of operating margin.

Currency hedging etc. includes results from hedging of the Group's net currency flows and revaluation of accounts receivable and payments from customers. The part of the currency exposure that relates to changes in exchange rates for invoicing is included in the divisions profit/loss.

Other includes results from wood supply, Scandifibre Logistics AB, rental operations, tech centres, logistics, parts of strategic and project purchasing, dormant companies, income from the sale of businesses, items affecting comparability and costs due to increased investments in the production structure. Other also includes Group-wide functions, Group eliminations (including IFRS 16) and profit/loss from participation in associated companies.

Non-current assets by country

SEKm	Group	
	2019	2018
Sweden	24 351	22 920
Finland	573	594
United Kingdom	60	59
Latvia	14	30
Other	7	11
	25 005	23 614

Non-current assets include intangible assets and property, plant and equipment.

3 Other operating income

SEKm	2019	2018
Group		
Services Sold	30	30
Capitalised work from own account	49	67
Other	90	133
Group total	169	230
Parent company		
Other	2	23
Parent company total	2	23

4 Fees and expenses to auditors

SEKm	Group		Parent company	
	2019	2018	2019	2018
KPMG				
Auditing assignments	4	3	1	–
Auditing activities besides audit assignments	–	1	–	1
Tax consultancy	–	–	–	–
Other services	1	–	–	–
Total	5	4	1	1
Other auditors				
Auditing assignments	3	2	–	–
Tax consultancy	1	1	–	–
Other services	–	–	–	–
Total	4	3	–	–

Audit assignments refer to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's administration of the Company, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during audits or the performance of such tasks. Auditing activities besides audit assignments relate to reviews of attestations, interim reports, etc. that resulted in reports from the auditor. Tax consultancy relates to assignments performed in regard to taxes and other charges. Other services relate to all other assignments not included in the above.

The general meeting of shareholders held on 9 May 2019 resolved that KPMG AB would be appointed as auditor for the period extending up until the end of the 2020 AGM.

5 Employees and employee benefits expense

Average number of employees

	2019	Of which men, %	2018	Of which men, %
Parent company				
Sweden	121	48	104	48
Other countries	11	45	11	100
Parent company total	132	48	115	53
Subsidiaries				
Sweden	3 796	79	3 720	80
Finland	127	80	120	82
United Kingdom	178	88	174	88
China	124	34	132	33
Latvia	67	78	68	79
USA	45	53	46	54
Germany	32	59	33	55
France	16	44	14	43
Italy	13	31	13	38
Spain	12	42	12	42
Other countries	54	54	55	62
Subsidiaries total	4 464	77	4 387	78
Group total	4 596	76	4 502	77

SEKm	Group		Parent company	
	2019	2018	2019	2018
Employee benefit costs				
Wages, salaries and other remuneration				
Board, CEO and Executive Leadership Team ¹	52	64	52	64
of which variable remuneration	9	9	9	9
Other employees	2 494	2 447	113	117
of which variable remuneration	53	68	3	9
Total salaries and other remuneration	2 546	2 511	165	181
Social security costs				
Contractual pensions for the CEO and Executive Leadership Team				
Defined-benefit pensions	–	–	–	–
Defined-contribution pensions	9	13	9	13
Contractual pensions, other				
Defined-benefit pensions	–	–	–	–
Defined-contribution pensions	255	267	26	20
Other social security costs	840	804	57	57
Total social security costs	1 104	1 084	92	90
Total employee benefits expense	3 650	3 595	257	271

¹ CEO and Executive Leadership Team refers to those of both the parent company and the Group, the Group CEO and the Executive Leadership Team. Board refers to the Board of BillerudKorsnäs AB.

Number of women in management positions, %

%	2019	2018
Group and parent company management		
Board	44	40
CEO and Executive Leadership Team	27	33

For information about the benefits of senior managers in accordance with the Annual Accounts Act, see note 28.

6 Items affecting comparability

SEKm	Group		Parent company	
	2019	2018	2019	2018
MG investment in Skärblacka (operating expenses)	–	–3	–	–
New board machine at Gruvön – further expenses (operating expenses)	–40	–61	–	–
New board machine at Gruvön – restructuring (operating expenses)	50	10	–	–
New board machine at Gruvön – depreciation, amortisation and impairment of existing non-current assets (Depreciation, amortisation and impairment of non-current assets).	–	–58	–	–
Restructuring (Operating expenses)	–49	–27	–19	–27
Workplace environment (Operating expenses)	32	–159	–	–
Uniform accounting policies – Spare parts and consumables (Operating expenses)	–	–177	–	–
Acquisition expenses Bergvik	–	–9	–	–
Other	6	–107	–	–37
Items affecting comparability	–1	–591	–19	–64

Items affecting comparability presented to enable an adjustment of the result that better reflects the underlying business.

Items affecting comparability can include additional project costs for major projects, major restructuring/write-downs, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

7 Net financial items

SEKm	Group		Parent company	
	2019	2018	2019	2018
Finance income				
Dividends from Group companies	–	–	2 033	14
Dividends from other participations	352	12	–	–
Capital gain/loss from sale of Other holdings	–	–	10	5
Interest income, Group companies	–	–	18	2
Interest income, other	4	3	2	2
Finance income	356	15	2 063	23
Finance costs				
Interest expense for financial liabilities measured at amortised cost	–101	–45	–93	–77
Impairment losses, subsidiaries	–	–	–	–174
Impairment losses, associates/ Other holdings	–	–	–5	–23
Capital gain/loss, Other holdings	–	–	–6	–8
Capital gain/loss, subsidiaries	–	–	–	–2
Interest expense for pension provision	–17	–18	–7	–7
Net interest income on derivatives in hedge accounting	–	–	–46	–29
Net change in exchange rates	–12	–21	–12	–22
Interest expense, lease liability	–4	–	–	–
Other financial expenses	–43	–20	–47	–21
Finance costs	–177	–104	–216	–363
Net financial items	179	–89	1 847	–340

8 Appropriations

SEKm	Parent company	
	2019	2018
Group contributions, received	665	1 935
Group contributions, paid	–	–1 240
Tax allocation reserve, resolved	14	131
Tax allocation reserve, provided	–	–70
Parent company total	679	756

9 Tax

SEKm	Group		Parent company	
	2019	2018	2019	2018
Profit/loss before tax				
Sweden, Group companies	1 252	1 570	2 205	–42
Rest of world, Group companies	13	–229	–	–
Total profit/loss before tax	1 265	1 341	2 205	–42
Tax expense				
Current tax				
Tax expense for the period	–78	–75	–30	–49
Tax attributable to previous period	–39	–73	–	–
Total current tax	–117	–148	–30	–49
Deferred tax				
Deferred tax income/expense related to temporary differences	–137	–156	–10	18
Total tax expense	–254	–304	–40	–31

Tax attributable to previous period

%	Group		Parent company	
	2019	2018	2019	2018
Reconciliation, effective tax rate				
Swedish income tax rate	21.4	22.0	21.4	22.0
Effect of other tax rates for foreign subsidiaries	1.1	0.1	–	–
Revaluation of deferred tax relating to changed rate of tax in Sweden	–2.7	–7.7	–	–1.9
Tax-exempt dividends	–5.8	–0.2	–19.7	7.3
Tax attributable to previous periods	4.1	5.4	–	2.0
Impairment of shares	–	0.1	–	–103.0
Tax effect of non-deductible expenses	0.4	1.4	–	–9.5
Tax effect of tax-exempt income	–0.1	–0.5	–	–
Tax effect of taxable non-booked income	0.2	0.2	0.1	–4.1
Tax effect of companies taxed on commissions	–	–0.5	–	12.6
Utilised tax deficit not recognised in previous years	–0.2	–1.4	–	–
New tax losses for which deferred tax asset is not recognised	1.6	4.1	–	–
Deductions for allocation of shares in incentive programmes	–	–	–	–
Other	0.1	–0.3	–	–
Tax rate according to income statement	20.1	22.7	1.8	–74.6

The tax rate in Sweden is 21.4%. From the financial year 2021 the tax rate will be 20.6%. This has had a positive effect of SEK 34 million in relation to revaluation of deferred tax.

The tax free dividend that has affected the group is mainly derived from dividends from Bergvik Skog AB of SEK 352 million.

The tax in the parent company is mainly explained by tax free dividends.

As regards 2018, SEK 79 million of the total tax expense related to Italian tax attributable to previous years (2011–2016), which was partly offset as a result of positive effects of revaluation of deferred tax, principally attributable to the lowered tax rate in Sweden.

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

SEKm	Opening balance, 1 January		Recognised in profit and loss		Recognised directly in equity		Closing balance, 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018
GROUP								
Deferred tax liability								
Non-current assets	3 307	3 115	103	192	–	–	3 410	3 307
Tax allocation reserve	372	349	–39	23	–	–	333	372
Hedging reserve	77	6	7	–9	–65	80	19	77
Other	–	–	6	–	–	–	6	–
Total deferred tax liability	3 756	3 470	77	206	–65	80	3 768	3 756
Deferred tax asset								
Inventories	20	10	–14	10	–	–	6	20
Accounts receivable	4	1	–	3	–	–	4	4
Provisions	123	103	–46	15	24	5	101	123
Loss carry forward	94	72	–11	22	–	–	83	94
Negative net interest	–	–	10	–	–	–	10	–
IFRS 16 - Leasing	–	–	1	–	–	–	1	–
Total deferred tax asset	241	186	–60	50	24	5	205	241
Total net deferred tax liability	3 515	3 284	137	156	–89	75	3 563	3 515
Portion recognised as deferred tax asset	118	107	–	–	–	–	50	118
Portion recognised as deferred tax liability	3 633	3 392	–	–	–	–	3 613	3 633

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 411 million (289). The assessment was made based on uncertainty about whether this tax asset can be recovered.

PARENT COMPANY

Deferred tax liability								
Other non-current assets	–	5	–	–5	–	–	–	–
Total deferred tax liability	–	5	–	–5	–	–	–	–
Deferred tax asset								
Accounts receivable	9	–	–7	9	–	–	2	9
Negative net interest	–	–	10	–	–	–	10	–
Provisions	11	7	–3	4	–	–	8	11
Total deferred tax asset	20	7	–	13	–	–	20	20
Total net deferred tax asset	20	2	–	18	–	–	20	20

There are no significant temporary differences in participations in subsidiaries.

10 Discontinued operations

On August 30, 2019 89.9% of BSÖ Holding AB (parent company for Bergvik Skog Öst AB) was sold to the pension company AMF. The price corresponded to an enterprise value of SEK 12.2 billion on a debt free basis. At completion of the sale, Bergvik Skog Öst owned approximately 317 000 hectares of forestland and had a net debt of approximately SEK 3.3 billion.

During the period May 31, 2019 to August 30, 2019, the operations in BSÖ Holding AB Group was classified and accounted for as discontinued operations in the BillerudKorsnäs Group.

The capital gain is preliminary since purchase price and valuation of assets and liabilities are subject to adjustment.

SEKm	Group 2019
Results of Discontinued operations	
Income	67
Expenses	-56
Profit/Loss before tax	11
Taxes	-
Result after taxes, before sale of discontinued operation	11
Acquisition costs	-31
Negative excess value from the acquisition	35
Capital gain from sale of the discontinued operation ¹	5 694
Result from sale, after tax	5 698
Total result from discontinued operation	5 709
Divested assets and liabilities	
Biological assets	7 693
Other non-current assets	380
Current assets	268
Total assets	8 341
Deferred tax liability	1 597
Non-current liabilities	3 545
Current liabilities	149
Total liabilities	5 291
Selling price	
Consideration received, less selling costs	7 862
Less: Cash and cash equivalents in divested business	-185
Effect on cash and cash equivalents	7 677
1 Capital gain	
Consideration received, less selling costs	7 862
Received shares in BSÖ Holding AB	882
Assets sold	-8 341
Liabilities sold	5 291
Capital gain	5 694

11 Earnings per share

	2019	2018
Basic earnings per share		
Profit/loss for the period, SEKm	6 720	1 037
Weighted number of outstanding ordinary shares	206 761 223	206 962 008
Basic earnings per share, SEK	32.50	5.01
Diluted earnings per share		
Profit/loss for the period, SEKm	6 720	1 037
Weighted number of outstanding ordinary shares	206 761 223	206 962 008
Adjustment for assumed dilution through incentive programme	230 631	330 663
Number of shares included in calculation of earnings per share	206 991 854	207 292 671
Diluted earnings per share, SEK	32.47	5.00

12 Intangible assets

SEKm	Acquired intangible assets									
	Goodwill		Customer contracts		Brand		Other intangible assets		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
GROUP										
Acquisition value										
Carrying amount at start of year	2 042	1 981	567	567	115	115	128	168	2 852	2 831
Investments									–	–
Acquisition of business	45	60					28		73	60
Sale of business	–46						–29		–75	–
Divestments and disposals							–1	–48	–1	–48
Reclassification							–7	7	–7	7
Translation differences	1	1					1	1	2	2
Carrying amount at year-end	2 042	2 042	567	567	115	115	120	128	2 844	2 852
Accumulated depreciation/amortisation										
Carrying amount at start of year			–430	–359	–90	–79	–104	–114	–624	–552
Depreciation/amortisation			–72	–71	–5	–11	–4	–9	–81	–91
Divestments and disposals							1	20	1	20
Translation differences							–1	–1	–1	–1
Carrying amount at year-end	–	–	–502	–430	–95	–90	–108	–104	–705	–624
Accumulated impairment losses										
Carrying amount at start of year	–31	–31			–12				–43	–31
Impairment losses						–12			–	–12
Carrying amount at year-end	–31	–31	–	–	–12	–12	–	–	–43	–43
Carrying amounts according to balance sheet	2 011	2 011	65	137	8	13	12	24	2 096	2 185

The Group's goodwill of SEK 2 011 million consists of SEK 1 951 million that arose in connection with the Korsnäs acquisition in 2012 and has been allocated to the division Board, which is a cash-generating unit in line with the BillerudKorsnäs organizational structure. The remaining goodwill is related to the Marma Skog group.

With regard to impairment testing of the goodwill related to the acquisition of Korsnäs, the recoverable amount has been calculated as value in use. The calculations use cash flow based on the multi-year plan approved by the Company's management for the period 2020–2029. A long forecast plan (10 years) have been used due to fact that this is a long term business. The assumptions in the multi-year plan are based on historical experience and forecasts regarding market performance and other factors. The main assumptions relate to volume growth,

EBITDA margin, operating capital and investment needs. Forecasts are made on management's assessments which are based on both internal and external sources.

An annual growth rate of 2% (2) was used to extrapolate cash flows beyond 2029. The discount rate before tax that was used is 11% (10). An impairment test was performed and no need for impairment was identified.

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

The impairment test has not been effected by the introduction of IFRS 16, since the adjustment only have an impact on group level.

13 Property, plant and equipment

SEKm	Buildings and land ¹		Plant and equipment ²		Leased fixed assets		Construction in progress ³		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
GROUP										
Acquisition value										
Carrying amount at start of year	4 588	4 239	36 919	34 859	7	7	6 817	4 105	48 331	43 210
Investments	3	4	11	18			3 006	5 097	3 020	5 119
Acquisition of business ⁴	8 142	15	5				5		8 152	15
Revaluation		2								2
Reclassification	4 081	331	4 839	2 041	-4		-8 908	-2 379	8	-7
Divestments and disposals	-1	-3	-322	-47	-3			-6	-326	-56
Disposals via divestment of business ⁴	-8 134		-5	-1			-5		-8 144	-1
Translation differences	2		51	49					53	49
Carrying amount at year-end	8 681	4 588	41 498	36 919	-	7	915	6 817	51 094	48 331
Accumulated depreciation/amortisation										
Carrying amount at start of year	-2 840	-2 723	-22 019	-20 755	-7	-6			-24 866	-23 484
Acquisition of business ⁴	-43		-5						-48	-
Depreciation/amortisation	-237	-120	-1 321	-1 289		-1			-1 558	-1 410
Reclassification	-15		11		4				-	-
Divestments and disposals	1	3	306	46	3				310	49
Disposals via divestment of business ⁴	43		3						46	-
Translation differences	2		-35	-21					-33	-21
Carrying amount at year-end	-3 089	-2 840	-23 060	-22 019	-	-7	-	-	-26 149	-24 866
Accumulated impairment losses										
Carrying amount at start of year	-111	-111	-1 925	-1 925					-2 036	-2 036
Impairment losses									-	-
Carrying amount at year-end	-111	-111	-1 925	-1 925	-	-	-	-	-2 036	-2 036
Carrying amounts according to balance sheet	5 481	1 637	16 513	12 975	-	-	915	6 817	22 909	21 429
PARENT COMPANY										
Acquisition value										
Carrying amount at start of year	7	7	10	9				1	17	17
Investments			1						1	-
Reclassification				1				-1	-	-
Carrying amount at year-end	7	7	11	10	-	-	-	-	18	17
Accumulated depreciation/amortisation										
Carrying amount at start of year			-6	-5					-6	-5
Depreciation/amortisation			-2	-1					-2	-1
Carrying amount at year-end	-	-	-8	-6	-	-	-	-	-8	-6
Carrying amounts according to balance sheet	7	7	3	4	-	-	-	-	10	11

1 Of which land is SEK 96 million (85) in the Group and SEK 6 (6) million in the parent company.

2 Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.

3 Capitalised loan expenditure included in cost of acquisition totalled SEK 30 million (47) in 2019, and the interest rate used in determining loan expenditure was 1% (1) in 2019.

4 Relates to the acquisition and divestment of Bergvik Skog Öst and Papper Bottle A/S (former ecoXpac A/S) in 2019 and the acquisition of Marma Skog and the divestment of Nine AB in 2018.

14 Right of use assets

SEKm	2019	1 January 2019
Right of use assets		
Vehicles	182	192
Office rents	44	65
Other	2	3
Total	228	260
Leases liabilities		
Current	89	100
Non-current	144	166
Total	233	266
Amounts recognized in profit or loss		
SEKm	2019	
Depreciation charge of right-of-use assets		
Vehicles	71	
Office rents	33	
Other	1	
Total	105	
Interest expense	4	
Other Disclosures		
Additions to right of use assets		
SEKm	2019	
Vehicles	61	
Office rents	11	
Other	0	
Total	72	
The total cash outflow for leases in 2019 was	109	
Expense relating to short-term leases	1	
Expense relating to leases of low-value assets	2	
Committed lease not delivered	63	

An incremental borrowing rate of 1.2% was used to calculate the lease liability.

For maturity analysis of leasing liabilities, see Note 27 Financial assets and liabilities.

Leases

During 2018 the Group accounted for leasing according to IAS 17, the future contractual lease commitments totalled SEK 297 million, of which SEK 100 million is payable within one year and SEK 184 million within two to five years. The leasing costs for the Group during 2018 were SEK 119 million.

The Parent Company have no changes in accounting principals. The future contractual lease commitments was SEK 44 million (8), of which SEK 11 million (6) is payable within one year and SEK 33 million (3) within two to five years. Leasing costs for 2019 were SEK 9 million (9).

15 Investments in Group companies

SEKm	2019	2018
Acquisition value		
Opening balance at start of year	10 910	10 820
Investments ¹	–	120
Sale of subsidiaries ²	–	–30
Closing balance at year-end	10 910	10 910
Accumulated impairment losses		
Opening balance at start of year	–298	–151
Impairment losses ³	–	–175
Sale of subsidiaries ²	–	28
Closing balance at year-end	–298	–298
Carrying amount on the balance sheet	10 612	10 612

1 Investment in 2018 relates to shareholder contributions to BillerudKorsnäs Venture AB of SEK 35 million BillerudKorsnäs Italy S.r.l of SEK 79 million and NimblePacc Packaging Private Ltd of SEK 6 million

2 Sale of subsidiaries related to Nine AB in 2018.

3 In 2018, impairment losses related to impairment of the holdings in BillerudKorsnäs Venture AB of SEK 35 million, BillerudKorsnäs Italy S.r.l of SEK 79 million, NimblePacc Packaging Private Ltd of SEK 6 million, Billerud Incorporated of SEK 52 million, BillerudKorsnäs Vietnam LLC of SEK 3 million.

Specification of parent company's investments in Group companies

Subsidiary/Registered office/Corp. ID no.	Number of shares	Holding in % ¹	Carrying amount, SEKm
BillerudKorsnäs Venture AB, Solna, 559040-3548	50 000	100	–
Paccess AB, Solna, 556459-7572	1 000	100	–
BillerudKorsnäs Sweden AB, Stockholm, 556876-2974	2 000	100	1 040
ScandFibre Logistics AB, Örebro, 556253-1474	10 000	100	8
BillerudKorsnäs Asia Holding, Hong Kong	10 000	100	–
BillerudKorsnäs Beetham Ltd, Cumbria	3 500 000	100	80
Billerud Benelux B.V., Amsterdam	200	100	3
BillerudKorsnäs France S.A.S., Paris	25 401	100	–
BillerudKorsnäs Germany GmbH, Hamburg	2	100	1
BillerudKorsnäs Spain S.L, Barcelona	–	100	1
BillerudKorsnäs Italy S.r.l, Milano	–	100	–
BillerudKorsnäs China Limited, Shanghai	–	100	4
BillerudKorsnäs Lithuania UAB, Klaipeda	200	100	15
BillerudKorsnäs Estonia OÜ, Pärnu	1	100	–
BillerudKorsnäs Latvia SIA, Juanjlgava	5 623	100	43
Billerud Incorporated, Delaware	100	100	–
BillerudKorsnäs Finland OY, Jakobstad	2 500	100	1 167
BillerudKorsnäs Skog & Industri AB, Gävle, 556023-8338	53 613 270	100	8 240
BillerudKorsnäs Packaging India Private Ltd, New Dehli	8 750	100	3
NimblePacc Packaging Private Ltd, New Dehli	36 908	100	4
BillerudKorsnäs Singapore Private Ltd, Singapore	500 000	100	3
BillerudKorsnäs Vietnam LLC, Ho Chi Minh City	0	100	–
BillerudKorsnäs Bangladesh Limited, Dhaka	998	99.8	–
BillerudKorsnäs Managed Packaging AB, Solna, 559176-2017	50 000	100	–
			10 612

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

Subsidiaries and joint arrangements/Registered office/Corp. ID no.	Holding in % ¹
BillerudKorsnäs Rockhammar AB, Lindesberg 556761-2436	100
Diacell AB, Gävle 556155-2786	100
Korsnäs Sägverks AB, Gävle 556024-8477	100
AB Stjernsunds Bruk, Gävle 556028-6881	100
Trävaru AB Dalarna, Gävle 556044-3920	100
BillerudKorsnäs UK Ltd, Stowe	100
BillerudKorsnäs USA LLC, Delaware	100
BillerudKorsnäs International Trading Ltd, Shenzhen	100
BillerudKorsnäs Taiwan Ltd, Taiwan	100
Bomhus Energi AB, Gävle 556793-5217 (joint arrangement)	50
Fastighets AB Marma Skog 31, Gävle 556580-2203	100
AB Marma Skog 75, Gävle 556802-4359	100
AB Marma Skog 76, Gävle 556802-4367	100
AB Marma Skog 77, Gävle 556802-4375	100
AB Marma Skog 78, Gävle 556904-3465	100

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

16 Receivables from and liabilities to Group companies, interest-bearing

SEKm	2019	2018	SEKm	2019	2018
GROUP AND PARENT COMPANY			PARENT COMPANY		
Non-current receivables from associates			Current receivables from Group companies		
Carrying amount at start of year	17	16	Carrying amount at start of year	87	58
Change for the year	1	1	Change for the year	–7	29
Carrying amount at end of year	18	17	Carrying amount at end of year	80	87
			Liabilities to Group companies		
			Carrying amount at start of year	548	599
			Change for the year	–192	–51
			Carrying amount at end of year	356	548

Interest-bearing receivables and liabilities relate to the Group accounts with an internal rate of return and interest-bearing fixed-term loans and investments.

17 Participations in associates

SEKm	2019	2018
GROUP		
Carrying amount at start of year	16	8
Capital contribution to associates ¹	5	4
Acquisition of associated companies ²	949	–
Divestment of associates ³	–	–8
Participations in associates' profit/loss after tax	–17	12
Carrying amount at end of year	953	16

Associates

SEKm	Country	Revenue	Earnings	Assets	Liabilities	Shareholders' equity	Proportion owned, %	Carrying amount
2019								
FreeForm Packaging AB	Sweden	1	–6	27	26	1	50	1
Trätåg AB	Sweden	209	–	39	39	–	50	–
SSG Standard Solutions Group AB	Sweden	118	9	80	23	57	28	16
BSÖ Holding AB Group ⁴	Sweden	206	4 102	12 675	5 555	7 121	10	878
Paper Bottle Co (former exoXpac) A/S	Denmark	12	–19	104	22	82	47	58
Total								953
2018								
FreeForm Packaging AB	Sweden	5	–7	24	23	1	50	1
Trätåg AB	Sweden	198	–	37	37	–	50	–
SSG Standard Solutions Group AB	Sweden	105	5	70	17	53	28	15
Total								16

SEKm	2019	2018
PARENT COMPANY		
Acquisition value		
At start of year	–	–
Capital contribution to associates ¹	5	4
Divestment of associates	–	–
Impairment losses, associates ⁵	–5	–4
Closing balance	–	–

Specification of participations in associates directly owned by the parent company

Company, corporate ID no. and registered office	Votes and capital, %	Carrying amount
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2019

Associates

FreeForm Packaging AB, 556928-2873, Norrköping	50	–
--	----	---

Parent company total

		–
--	--	---

2018

Associates

FreeForm Packaging AB, 556928-2873, Norrköping	50	–
--	----	---

Parent company total

		–
--	--	---

1 Capital contributions in 2018 & 2019 related to FreeForm Packaging AB.

2 In 2019, additional shares in Paper Bottle Co. A / S were acquired and classified as an associated company. During 2019, shares in BSÖ holding AB were also purchased.

3 BillerudKorsnäs AB acquired all the shares in Fastighets AB Marma Skog 31 in 2018, which means that the company is recognised as Participations in Group Companies, see Note 15.

4 The holding in BSÖ Holding AB amounts to 10.1%. The holding is classified as shares in associated companies in accordance with IAS 28, although BillerudKorsnäs holds less than 20% of the votes when it is judged that BillerudKorsnäs has a significant influence over BSÖ Holding AB. BillerudKorsnäs has ownership representation in the Board and participates in strategic decision issues. The majority of the BSÖ Holding AB Group's sales are made to the BillerudKorsnäs Group. BillerudKorsnäs is essentially technically and operationally involved in the BSÖ Holding AB Group's ongoing operations. As a result of the transaction, when BillerudKorsnäs sold 89.9% of the shares in BSÖ Holding AB, an excess value of SEK 159 million related to forest land arised, which is included in the value of the shares. See note 10 for more information regarding the transaction.

5 Impairment loss in 2019 and 2018 relates to the impairment of the investment in Fibre Form Packaging AB.

18 Other holdings

Name/Corp. ID no.	Number of shares	Holding in %	Carrying amount, SEKm
2019			
GROUP			
BioBag International AS, Norway, 966 534 281	360	10	9
Bergvik Skog Öst AB, 556644-5473	1	0.1	4
Bergvik Skog AB, 556610-2959	353	5	55
Radio Skog AB, 556137-8505	400	10	–
RK Returkartong AB, 556483-8828	28	4	–
Recycl3R Solutions SL, Spain, B-16.557.514	117	10	3
Kezzler AS, Norway, 983 594 123	528 049	9	47
Hanhaa Ltd, UK, 09097664	21 336	13	–
Vericool Inc, US, 47-5317336	543 915	14	42
IUC Norr AB	200	3	–
Total			160
PARENT COMPANY			
SSG Standard Solutions Group AB, 556403-1523	7 143	14	–
Total			–
2018			
GROUP			
One tenant-owner property			2
VindIn AB, 556713-5172	200	10	13
BioBag International AS, Norway, 966 534 281	360	10	9
Bergvik Skog AB, 556610-2959	353	5	1 424
Radio Skog AB, 556137-8505	400	10	–
RK Returkartong AB, 556483-8828	28	4	–
Paper Bottle Company A/S (former ecoXpac A/S), Denmark	128 580	19.6	7
Kezzler AS, Norway, 983 594 123	528 049	10	47
Hanhaa Ltd, UK, 09097664	21 336	13	8
Vericool Inc, US, 47-5317336	288 983	11	20
IUC Norr AB	200	3	–
Total			1 530
PARENT COMPANY			
One tenant-owner property			2
SSG Standard Solutions Group AB, 556403-1523	7 143	14	–
VindIn AB, 556713-5172	100	9	11
Total			13

Changes regarding Group Other holdings are stated in note 27.

19 Inventories

SEKm	Group	
	2019	2018
Raw materials and consumables	1 194	1 131
Finished goods	2 192	2 275
Work in progress	67	40
Advances to suppliers	119	187
Total	3 572	3 633

Of the inventory of finished goods, SEK 28 million (138) has been measured at net realisable value.

Operating costs include SEK 99 million (206) for impairment of inventories.

20 Shareholders' equity

Share capital

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

Other contributed capital

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

Reserves

Translation reserve

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

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of financial assets measured at fair value through other comprehensive income until the asset is derecognised from the balance sheet.

Hedging reserve

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

Retained earnings

Retained earnings including profit/loss for the year includes profit earned by the parent company and its subsidiaries and associates. Previous allocations to the statutory reserve, excluding transferred share premium reserves, are included in this capital item.

Repurchased shares

Repurchased shares includes the acquisition cost of the Company's treasury shares held by the parent company. At 31 December 2019, the Group's holdings of treasury shares totalled 1 430 062 (1 519 191).

Dividend

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 4.30 per ordinary share, totalling SEK 889 million. This proposal will be voted on at the AGM on 5 May 2020.

	2019	2018
Dividend, SEKm	889	890
Dividend per ordinary share, SEK	4.30	4.30

Financial position

BillerudKorsnäs' financial target for its financial position is for the longterm ratio of net interest-bearing debt to EBITDA to be less than 2.5. Group interest-bearing net indebtedness in relation to EBITDA at the end of 2019 was 1.9 (3.2) times. Interest bearing net debt in relation to adjusted EBITDA was 1.9 (2.7), see note 6 regarding items affecting comparability.

PARENT COMPANY

Restricted reserves

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

Share capital

The share capital at year-end consists of 208 219 834 (208 219 834) ordinary shares with a quotient value of SEK 7.38 (7.38) and entitling holders to one vote per share.

Statutory reserve

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

Non-restricted equity

Share premium reserve

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

Retained earnings

These consist of the preceding year's non-restricted equity after payment of dividends, if any. Together with profit/loss for the year this constitutes total non-restricted equity, that is, the amount available for distribution as a dividend to shareholders.

21 Proposed allocation of profit

Non-restricted equity in the parent company consists of:

SEK	
Share premium reserve	4 407 645 318
Retained earnings	278 167 146
Profit/loss for the year	2 164 718 465
	6 850 530 929

The Board proposes that:

SEK	
Dividend to shareholders, 206 789 772 shares at SEK 4.30 per share ¹	889 196 020
and that the remaining amount be retained	5 961 334 909
Total	6 850 530 929

¹ Allocation of shares under the LTIP programme in April, if any, not taken into account.

22 Provisions for pensions and similar commitments

BillerudKorsnäs has defined-benefit pension plans for office-based staff in Sweden (ITP plan). BillerudKorsnäs also has defined-contribution pension plans.

In addition to this, there are defined-benefit pensions secured through endowment insurance, along with a provision for non-vested pensions of SEK 23 million (26) in the subsidiary BillerudKorsnäs Skog & Industri AB.

Parts of the ITP plan's pension commitments are secured through provisions on the balance sheet in accordance with the FPG/PRI system.

All newly earned pension contributions within the ITP 2 plan are secured through pension insurance with Alecta. Alecta cannot provide sufficient information to recognise the ITP plan as a defined-benefit plan, and the plan is therefore recognised as a defined-contribution plan in accordance with UFR 10.

The ITP plan secured with Alecta is a multi-employer defined-benefit plan. Alecta's collective consolidation ratio was 148% (142) at yearend. The collective consolidation ratio consists of the market value of Alecta's assets in relation to the insurance undertakings calculated as per Alecta's actuarial assumptions, which do not correspond to IAS 19. BillerudKorsnäs' pension undertakings secured with Alecta constitute a marginal proportion of total undertakings secured with Alecta.

This means that no pension costs for newly earned defined-benefit pension are recognised as defined-benefit.

The recognised defined-benefit pension costs are attributable to previous periods.

Fees for pension insurance with Alecta totalled SEK 122 million (117) for the year.

GROUP	2019	2018
SEKm		
Pension costs		
Pension costs in profit/loss for the year		
Employee benefit costs		
Defined-contribution plans	264	280
Defined-benefit plans	–	–
Special payroll tax	70	73
Finance costs	17	18
Total	351	371
Pension costs in other comprehensive income		
Actuarial changes	114	24
Provisions for pensions in balance sheet		
Provisions at start of year	784	784
Pension costs	–	1
Finance costs	17	18
IFRS adjustment		
Actuarial changes		
Change in financial assumptions	121	23
Change in demographic assumptions	–	–
Experience-based adjustments	–7	2
Payments	–44	–44
Provisions at end of year	871	784
of which covered by credit insurance with FPG/PRI	830	744

Of the provision, SEK 43 million (44) is expected to be paid within 12 months. As collateral for pension commitments, the Group has pledged endowment insurance totalling SEK 42 million (33).

	31 Dec 2019	31 Dec 2018
Actuarial assumptions		
The following material actuarial assumptions have been applied in the calculation of commitments (weighted averages).		
Discount rate	1.2%	2.3%
Future increases in pensions	1.8%	1.9%
Lifetime	DUS 14	DUS 14

Sensitivity analysis actuarial assumptions

Parameter	Change	Impact on pension liability
Discount rate	+0.5%	–64
Discount rate	–0.5%	72
Inflation	+0.5%	69
Inflation	–0.5%	–62
Lifetime	+1 year	46
Lifetime	–1 year	–45

The sensitivity analysis is based on a change in an individual actuarial assumption while other assumptions remain unchanged. This method shows the sensitivity of the undertaking to a single assumption. This is a simplified method as the actuarial assumptions are usually correlated. The average maturity of pension undertakings is around 14 years.

PARENT COMPANY

SEKm	2019	2018
Pension costs		
Employee benefit costs	34	33
Special payroll tax	10	9
Finance costs	7	7
Total cost of direct pensions	51	49
Provisions for pensions in balance sheet		
Present value of pension commitments related to retirement under the management of the company at start of year	178	179
Pension costs	4	3
Finance costs	7	7
Pensions paid	–11	–11
Present value of pension commitments related to retirement under the management of the company at start of year	178	178
Commitments paid to endowment insurance held by BillerudKorsnäs	30	26
Other provisions	7	6
Provisions for pensions in balance sheet	215	210
of which covered by credit insurance with FPG/PRI	178	178

Of the provision, SEK 11 million (12) is expected to be paid within 12 months. As collateral for pension commitments, the parent company has pledged endowment insurance totalling SEK 29 million (26).

23 Provisions

SEKm	Severance pay, redundancy pay		Costs of restructuring measures		Working environment costs		Total carrying amount	
	2019	2018	2019	2018	2019	2018	2019	2018
GROUP								
Change for the year								
Carrying amount at start of year	146	150	59	60	182	40	387	250
Provisions made during the year	49	40	–	46	2	161	51	247
Unutilised amount reversed during the year	–52	–10	–	–13	–32	–	–84	–23
Amount utilised during the year	–90	–34	–	–34	–42	–19	–132	–87
Carrying amount at end of year	53	146	59	59	110	182	222	387
of which current portion of provisions	50	34	4	4	36	87	90	125
SEKm	Severance pay, redundancy pay		Costs of restructuring measures		Costs of environmental measures		Total carrying amount	
	2019	2018	2019	2018	2019	2018	2019	2018
PARENT COMPANY								
Change for the year								
Carrying amount at start of year	21	–	4	–	–	–	25	–
Provisions made during the year	19	35	–	46	–	–	19	81
Unutilised amount reversed during the year	–2	–	–	–13	–	–	–2	–13
Amount utilised during the year	–19	–14	–	–29	–	–	–19	–43
Carrying amount at end of year	19	21	4	4	–	–	23	25
of which current portion of provisions	19	21	4	4	–	–	23	25

24 Interest-bearing liabilities

SEKm	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
GROUP				
Non-current liabilities				
Syndicated loans	–	–	–	–
Bilateral loans	1 449	1 449	2 031	2 031
Bond loans	5 900	5 926	4 700	4 713
Leasing	144	144	–	–
Other interest-bearing liabilities	–	–	399	399
Carrying amount at year-end	7 493	7 519	7 130	7 143
Current liabilities				
Syndicated loans	–	–	–	–
Bond loans	400	400	–	–
Commercial papers	–	–	1 600	1 600
Bilateral loans	93	93	246	246
Leasing	89	89	–	–
Other interest-bearing liabilities	–	–	48	48
Carrying amount at year-end	582	582	1 894	1 894
Repayment periods and future interest payments on loans contracted				
(number of years from 31 Dec 2019)	0–1	1–2	2–	Total
Bilateral loans	93	93	1 356	1 542
Bond loans	400	800	5 100	6 300
Commercial papers	–	–	–	–
Leasing	89	55	89	233
Other interest-bearing liabilities	–	–	–	–
Group total	582	948	6 545	8 075
Future interest payments	90	88	159	337

The majority of the liabilities are due for payment within five years of the end of the reporting period.

The difference between carrying amount and fair value is due to the liabilities not being marked to market in the balance sheet and instead being recognised at amortised cost. The Group has no loans recognised at fair value through profit or loss. The fair value of interest-bearing liabilities is established according to value hierarchy Level 2. For a definition of value hierarchy please see Note 27.

Terms and repayment periods

The agreements for the syndicated loans, bilateral loans and bond loans issued outside the MTN programme contain financial covenants which must be met for them to be available. These covenants primarily relate to the net debt/equity ratio and interest coverage ratio. All covenants were met throughout 2019. The syndicated loans, which are a revolving credit facility of SEK 5 500 million, were unutilised as of 31 December 2019. The credit facility falls due in May 2024. The syndicated loans and bilateral loans have variable interest rates.

BillerudKorsnäs had nine outstanding bond loans totalling SEK 6 300 million as of 31 December 2019. Of the outstanding bond loans, SEK 4 350 million have variable interest and SEK 1 950 million fixed interest. SEK 4 700 of the bonds were issued under the MTN programme, which was established in 2013. Of the outstanding SEK 6 300 million, SEK 400 million matures in 2020, SEK 800 million in 2021, SEK 1 700 million in 2022, SEK 1 800 million in 2023, SEK 600 million in 2024 and SEK 1 000 million in 2025.

Commercial papers are issued under the programme originally established in 2003. The commercial paper programme has a framework amount of SEK 4 000 million. Commercial papers have a minimum maturity of one day and a maximum maturity of one year. As of 31 December 2019, commercial papers nominally of SEK 0 had been issued.

25 Liabilities to credit institutions

SEKm	2019	2018
PARENT COMPANY		
Non-current liabilities		
Syndicated loans	–	–
Bilateral loans	1 449	2 031
Bond loans	5 900	4 700
Other interest-bearing liabilities	–	–
Carrying amount at year-end	7 349	6 731
Current liabilities		
Syndicated loans	–	–
Bilateral loans	93	246
Bond loans	400	–
Commercial papers	–	1 600
Other interest-bearing liabilities	–	–
Carrying amount at year-end	493	1 846

Repayment periods

(number of years from 31 Dec 2019)	0–1	1–2	2–	Total
Syndicated loans	–	–	–	–
Bilateral loans	93	93	1 356	1 542
Bond loans	400	800	5 100	6 300
Commercial papers	–	–	–	–
Other interest-bearing liabilities	–	–	–	–
Total	493	893	6 456	7 842

The majority of the liabilities are due for payment within five years after the closing date.

26 Accrued expenses and deferred income

SEKm	Group		Parent company	
	2019	2018	2019	2018
Employee benefit expenses, including social security costs	596	621	43	47
Excise duties	1	3	–	–
Delivery expenses	113	147	–	–
Wood expenses	150	87	–	–
Energy expenses	50	77	–	–
Other	504	388	60	53
Total	1 414	1 323	103	100

27 Financial assets and liabilities

SEKm	Fair value through profit/loss – hedge accounting		Amortised cost		Fair value through other comprehensive income		Financial liabilities valued at amortised cost		Total carrying amount		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Valuation classification	Level 2				Level 3							
GROUP												
Other shares and participations					160	1 530			160	1 530	160	1 530
Non-current receivables	16	177	27	26					43	203	43	203
Accounts receivable			2 408	2 807					2 408	2 807	2 408	2 807
Other receivables	105	307	407	568					512	875	512	875
Cash and cash equivalents ¹			3 450	456					3 450	456	3 450	456
Total	121	484	6 292	3 857	160	1 530	–	–	6 573	5 871	6 573	5 871
Non-current interest-bearing liabilities							7 493	7 130	7 493	7 130	7 519	7 143
Current interest-bearing liabilities							582	1 894	582	1 894	582	1 894
Accounts payable							2 937	3 825	2 937	3 825	2 937	3 825
Other liabilities	33	121					286	250	319	371	319	371
Total	33	121	–	–	–	–	11 298	13 099	11 331	13 220	11 357	13 233

SEKm	Fair value through profit/loss – hedge accounting		Amortised cost		Fair value through other comprehensive income		Financial liabilities valued at amortised cost		Total carrying amount		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Valuation classification	Level 2				Level 3							
PARENT COMPANY												
Other shares and participations						13					13	13
Non-current receivables			47	26					47	26	48	34
Accounts receivable			1 912	2 307					1 912	2 307	1 912	2 307
Other receivables			2 015	38					2 015	38	2 097	57
Cash and cash equivalents ²			3 260	292					3 260	292	3 260	292
Total	-	-	7 234	2 663	-	13	-	-	7 234	2 676	7 317	2 703
Bond and syndicated loan							5 900	4 700	5 900	4 700	5 926	4 713
Non-current interestbearing liabilities							1 449	2 031	1 449	2 031	1 449	2 031
Current interest-bearing liabilities							493	1 846	493	1 846	493	1 846
Accounts payable							30	40	30	40	30	40
Other liabilities							48	28	48	28	74	109
Total	-	-	-	-	-	-	7 920	8 645	7 920	8 645	7 972	8 739

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

2 Short-term investments are classified as 'Cash and bank balances' when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

Net changes in the value of cash flow hedges recognised in operating profit/loss total SEK –100 million (–154) in 2019, of which SEK –237 million (–424) are recognised in 'Net sales'. In the section Financial Risks, risks related to cash flow hedges are described.

The Group enters into derivatives contracts under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements mean that when a counterparty is unable to settle its commitments for all transactions, the agreement is discontinued and the net amount of all outstanding balances have to be settled. These ISDA agreements do not meet the criteria for set-off, as set-off of ISDA contracts is only permitted if the counterparty or the Group is unable to settle its commitments. There is no intention to settle these balances on a net basis.

The net amount of interest rate swaps in hedge accounting covered by netting agreements is SEK 0 (0) in other receivables and SEK 0 million (21) in other debt.

The net amount of other derivatives in hedge accounting covered by netting agreements is SEK 88 million (457) in other receivables and SEK 0 million (74) in other debt.

Fair value hierarchy

- Level 1. Valuation based on fully observable data, unadjusted listed prices on an active market for identical assets and liabilities that the Company has access to at the valuation date.
- Level 2. Valuation based on data other than listed prices in level 1 that are directly or indirectly observable.
- Level 3. Valuation is based essentially on non-observable data for the asset or liability.

Reconciliation of Level 3 fair values	2019	2018
GROUP		
Carrying amount at start of year	1 530	1 429
Acquisition, Kezzler AS	-	4
Acquisition, Vericool	22	-
Acquisition, Grow Holding AB	-	14
Acquisition, Recycl3R Solutions, SL	3	-
Impairment of carrying amount in other comprehensive income, Grow Holding AB	-	-6
Divestment, Grow Holding AB	-	-8
Divestment, One tenant-owner property	-2	-
Divestment, Vindin	-13	-
Impairment of carrying amount in other comprehensive income, Bergvik Skog AB	-121	-
Impairment of carrying amount in other comprehensive income, Paboco A/S	-7	-25
Impairment of carrying amount in other comprehensive income, Hanhaa	-8	-10
Impairment of carrying amount in other comprehensive income, BaseI	-	-1
Change in fair value/impairment recognised in other comprehensive income, Vindin	-	-18
Change in fair value recognised in other comprehensive income, Bergvik Skog AB	-892	163
Fair value transferred to profit/loss for the year, Bergvik Skog AB	-352	-12
	160	1 530

Valuation of other shares and participations is based primarily on the proportion of the Company's equity. Holding in Bergvik Skog AB included in this item, SEK 55 million (1 424).

Maturity structure (number of years from 31 Dec 2019)	0–1	1–2	2–	Total
Bilateral loans	93	93	1 356	1 542
Bond loans	400	800	5 100	6 300
Commercial papers	-	-	-	-
Other interest-bearing liabilities	-	-	-	-
Accounts payable	2 937	-	-	2 937
Other liabilities	285	-	-	285
Interest rate swaps in hedge accounting	-	-	-	-
Derivatives in hedge accounting	32	1	-	33
Lease liabilities	89	55	89	233
Group total	3 836	949	6 545	11 330
Future interest payments	90	88	159	337

For more information on currency hedging, see separate section in the Director's Report, for hedging of interest rate swaps and electricity see section on interest rate risk and energy price risk respectively in the section on risk management and sensitivity analysis.

28 Remuneration to the board and senior management

Remuneration to the Board of Directors

The Chairman and members of the Board receive remuneration in accordance with resolutions by the Annual General Meeting. Additional fees are paid for work on committees. The Chairman of the Board

received SEK 1 350 (1 315) thousand in 2019. The annual fee is split between Jan Åström and Lennart Holm.

Board fees, SEK thousand Name	Fee for year		Fee for audit committee		Fee for remuneration committee		Fee for investment committee		Fee	
	2019–2020	2018–2019	2019–2020	2018–2019	2019–2020	2018–2019	2019–2020	2018–2019	2019	2018
Michael M.F Kaufmann	880	855			25	25			905	880
Lennart Holm	675	1 290			12	25			687	1 315
Bengt Hammar	520	505					50	50	570	555
Kristina Schauman	520	253	155	78					675	331
Andrea Gisle Joosen	520	505	75	115	13				608	620
Victoria Van Camp	520	505					50	50	570	555
Jan Åström	935	505			50	50	50	50	1 035	605
Tobias Auchli	520	505	75	75			50	50	645	630
Total	5 090	4 923	305	268	100	100	200	200	5 695	5 491

Remuneration to the CEO and Executive Leadership

The 2019 Annual General Meeting approved the following guidelines for remuneration to senior executives. Senior executives includes the CEO and other members of the Executive Leadership Team.

BillerudKorsnäs shall apply remuneration levels and employment terms that are in line with market practice in order to recruit and maintain a management team with a high level of competence and the capability of achieving established goals. The remuneration shall motivate executives to do their utmost to secure the shareholders' interests. The remuneration may be in the form of fixed salary, variable salary, long term incentive programs and other benefits such as a company car and pension. Fixed and variable salaries shall be set in relation to competence, area of responsibility and performance. The variable remuneration is based on outcomes in relation to clearly established goals and shall be set to a maximum in relation to their fixed salary and vary between 30 and 70 percent. However, the variable remuneration shall only be paid on condition that the BillerudKorsnäs group's operating result is positive. Long term incentive programs in the company shall primarily be linked to certain pre-determined financial and share price related performance criteria. The programs shall ensure long term commitment to the development of the company and shall be implemented on market terms. Long term incentive programs shall run for at least three years. For more information about the existing long term incentive programs adopted by the 2017, 2018 and 2019 AGMs, see the company's website and the section on "Long term incentive Programme (LTIP)".

Pension benefits shall either be defined-benefit or defined-contribution, and normally entitle to pension from the age of 65. In some cases the retirement age may be lower, although 62 is the lowest age of retirement. Six to 12 months is the normal notification period for termination of employment, and severance pay shall be set to a maximum of 12 months' salary in the event that the employment is terminated by the company.

Remuneration and employment terms for the CEO are prepared by the remuneration committee and resolved upon by the board. Remuneration and employment terms for members of the Executive Leadership Team are resolved upon by the CEO, subject to the approval of the remuneration committee.

Board members, elected at general meetings of BillerudKorsnäs, may in certain cases receive a remuneration for services performed within their respective areas of expertise, outside such board duties. Compensation for these services shall be paid at market terms and be approved by the board.

The Board of BillerudKorsnäs has the right to deviate from these guidelines in individual cases in the event of special reason granting such deviation.

Exception from the guidelines adopted by the general meeting

During 2019, BillerudKorsnäs has followed the guidelines for remuneration to senior executives adopted by the Annual General Meetings in 2018 and 2019 without any exceptions.

SEK 000 Year	Gross salary	Variable remuneration	LTIP	Other benefits	Pension costs	Total
Remuneration and benefits to the CEO						
2019 ¹	18 872 ³	2 174	389	489	3 832	25 756 ⁴
2019 ²	1 283	–	–	26	152	1 461
2018	7 317 ⁵	991	–	272	2 541	11 121

Remuneration and benefits to rest of Executive Leadership Team

2019	22 414	5 814	1 546	843	5 209	35 826 ⁶
2018	41 711	1 806	5 616	1 793	10 874	61 800 ⁷

1 Former CEO, Petra Einarsson.

2 Acting CEO, Lennart Holm, November–December 2019.

3 This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 132 thousand in addition to fixed salary.

4 Remuneration of the former CEO who was noticed during the year amounted to SEK 17 135 thousand, of which gross salary SEK 12 413 thousand, variable remuneration SEK 2 174 thousand, LTIP SEK 0 thousand, other benefits SEK 273 thousand and pension costs SEK 2 275 thousand. The CEO receive salary during the notice period of 12 months and a notice severance pay of 6 months salaries.

5 This amount includes paid holiday days, holiday supplement, allowances for expenses and lunch coupons totalling SEK 17 thousand in addition to fixed salary.

6 Acting CFO, Kristina Schauman, received fees through own company, SEK 1 665 thousand which is not included in the table above, January–May 2019.

7 Remuneration of four prior persons in Executive Management Team that were noticed during 2018 due to the reorganisation amounted to SEK 25 486 thousand, of which gross salary SEK 16 887 thousand, variable remuneration SEK 897 thousand, LTIP SEK 1 879 thousand, other benefits SEK 880 thousand and pension costs SEK 4 943 thousand. Acting CFO received fees through own company, SEK 646 thousand which is not included in the table above.

Comments on the tables

- Variable remuneration for 2019 refers to amounts to be paid out in 2020 but charged to 2019, while variable remuneration for 2018 refers to remuneration paid out in 2019 but charged to 2018. The actual amounts are based on financial and individual targets linked to the development of the business and based on profit for 2019 and 2018.
- The LTIP for 2019 relates to the benefit value of the outcome of LTIP 2016 (with exception for LTIP regarding Petra Einarsson which is the accounted cost during 2019 for the LTIP 2017), and the LTIP for 2018 relates to the benefit value of the outcome for LTIP 2015.
- Other benefits include car allowance, accommodation allowance and other taxable benefits.
- Pension costs refers to the costs charged to profit/loss for the year.

- In BillerudKorsnäs' long-term incentive programmes participants are allocated a certain number of BillerudKorsnäs shares free of charge after a three-year vesting period, provided certain criteria are met. The CEO and Executive Leadership Team have taken part in all available programmes.

The CEO participates in LTIP 2019 with 0 BillerudKorsnäs shares, known as 'savings shares'.

Other members of the Executive Leadership Team participate with 16 119 savings shares.

The CEO has an exchange ratio of 6x.

Each savings share entitles the holder to:

- 1 Right to matching shares
- 5 Rights to performance shares

Other members of the Executive Leadership Team of 5x.

Each savings share entitles the holder to:

- 1 Right to matching shares
- 4 Rights to performance shares

Other senior management roles in BillerudKorsnäs divisions and mill managers have an exchange ratio of 4x.

Each savings share entitles the holder to:

- 1 Right to matching shares
- 4 Rights to performance shares

Other key people and talents have an exchange ratio of 4x.

Each savings share entitles the holder to:

- 1 Right to matching shares
- 3 Rights to performance shares

29 Additional disclosures for the cash flow statement

SEKm	Group		Parent company	
	2019	2018	2019	2018
Interest paid and received and dividend				
Interest and dividends received	356	15	20	18
Interest paid	-194	-87	-209	-149
Total	162	-72	-189	-131
Adjustments for items not included in cash flow, etc.				
Depreciation, amortisation and impairment of assets	1 744	1 513	1	1
Interest adjustment	25	17	18	11
Impairment of shares in subsidiaries	-	-	-	175
Pensions and other provisions	-211	94	-3	20
Unrealised earnings, electricity certificates and emission allowances	10	2	-	-
Profit/loss from sale of subsidiaries	-	3	-	3
Share of profit/loss in associates/impairment of investments	17	-12	5	4
Impairment of Other holdings	-	-	-	21
Share-based payments	6	10	5	10
Revaluation of biological assets	-	-2	-	-
Unified accounting policies	-	177	-	-
Unrealised exchange rate differences	12	21	14	19
Capital gain/loss Marmaskog	-	-30	-	-
Disposal of non-current assets	-	35	-	-
Capital gain/loss Other holdings	-	2	-	-
Sale Fixed assets	8	-	-	-
Discontinued operations	15	-	-	-
Anticipated dividend	-	-	-2 000	-
Other	-	-1	-	1
Total	1 626	1 829	-1 960	265
Cash and cash equivalents ¹				
The following are included in cash and cash equivalents:				
Short-term investments	-	17	-	-
Cash and bank balances	3 450	439	3 260	292
Total	3 450	456	3 260	292

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

NOTES

SEKm	2018	Cash flows	Leasing	Divestment	Changes not affecting cash flow		2019
					Business combinations	Changes in exchange rates	
GROUP							
Non-current interest-bearing liabilities	7 130	-651	144	3 500	-2 615	-15	7 493
Current interest-bearing liabilities	1 894	-1 400	89	3	-4	-	582
	9 024	-2 051	233	3 503	-2 619	-15	8 075
PARENT COMPANY							
Non-current interest-bearing liabilities	6 731	632	-	-	-	-14	7 349
Current interest-bearing liabilities	1 846	-1 353	-	-	-	-	493
	8 577	-721	-	-	-	-14	7 842

SEKm	2017	Cash flows	Leasing	Divestment	Changes not affecting cash flow		2018
					Business combinations	Changes in exchange rates	
GROUP							
Non-current interest-bearing liabilities	3 586	3 525	-	-	-	19	7 130
Current interest-bearing liabilities	1 551	343	-	-	-	-	1 894
	5 137	3 868	-	-	-	19	9 024
PARENT COMPANY							
Non-current interest-bearing liabilities	3 141	3 571	-	-	-	19	6 731
Current interest-bearing liabilities	1 506	340	-	-	-	-	1 846
	4 647	3 911	-	-	-	19	8 577

30 Untaxed reserves

SEKm	2019	2018
PARENT COMPANY		
Tax allocation reserve		
Carrying amount at start of year	1 526	1 586
Resolved	-14	-130
Provided	-	70
Carrying amount at year-end	1 512	1 526

31 Events after the end of the period

On March 17, 2020, it was announced that BillerudKorsnäs will postpone most of the maintenance shutdown at Gruvön, which was scheduled for week 13, due to the prevailing circumstances with covid-19. The added negative financial effect of postponing the maintenance shutdown is estimated to SEK 40–100 million. Another consequence of the deferred maintenance shutdown is that estimated negative effect of the KM7 ramp-up for the full year 2020 has increased by SEK 100 million to an interval of SEK 250–450 million. Other financial effects related to covid-19 have so far been fairly limited. At this stage, it is too early to estimate to what extent covid-19 will affect BillerudKorsnäs long-term.

On March 25, 2020, the Board of Directors announced that against the background of the increased uncertainty due to the covid-19 pandemic and to prioritize to maintain BillerudKorsnäs' strong financial position and manoeuvrability, the decision to withdraw the previously proposed extra dividend of SEK 4.30 per share.

The Board's proposal for an ordinary dividend of SEK 4.30 per share remains. The Board also proposes that a mandate is obtained for repurchase of own shares. Provided that the uncertainty has decreased and the visibility in the market has improved, the Board of Directors has the ambition to summon the shareholders to an extraordinary general meeting later this year to resolve on an extra dividend.

32 Investment commitments

Group

In 2019, the Group signed agreements on the future acquisition of property, plant and equipment for SEK 563 million (419). Of these commitments, it is expected that SEK 359 million (225) will be settled in 2020.

Parent company

The parent company has not entered into any agreements regarding future acquisitions of property, plant or equipment.

33 Pledged assets and contingent liabilities

SEKm	Group		Parent company	
	2019	2018	2019	2018
Pledged assets for own liabilities and provisions				
Pledged endowment insurance	40	33	-	-
Pledged shares, joint arrangements	319	322	-	-
Total pledged assets	359	355	-	-
Contingent liabilities				
Guarantee commitment, FPG/PRI	10	11	4	4
Other guarantees	133	130	111	114
Guarantees for associates	1	1	-	-
Guarantees for Group companies	-	-	363	411
Total contingent liabilities	144	142	478	529

The shares in Bomhus Energi are pledged as security for Bomhus Energi's loans.

The parent company's guarantee commitments for Group companies include BillerudKorsnäs Skog & Industri AB's PRI liability of 333 (351).

There are no indications that any pledged securities or contingent liabilities will lead to any outflow of resources.

34 Related parties

The parent company and the Group has related-party relationships with its subsidiaries (see note 16), associated companies and joint arrangements. Board members, senior management and close family members to these persons, and companies that those persons have a significant influence over are considered as related parties.

Summary of related-party transactions

SEKm	Year	Sales of goods and services to related parties	Procurement of goods and services from related parties	Liabilities to related parties	Receivables from related parties
GROUP					
Relationship					
Associates and joint ventures ¹	2019	28	63	156	110
Associates and joint ventures	2018	–	51	–	17
PARENT COMPANY					
Relationship					
Subsidiaries	2019	320	40	12 420	14 624
Subsidiaries	2018	407	62	5 492	9 673
Associates and joint ventures	2019	–	–	–	18
Associates and joint ventures	2018	–	–	–	17

¹ Sale of services and purchase of wood from Bergvik Skog Öst as an associated company relates to the period September 1 to December 31 2019. Sales amounted to SEK 28 million and purchases to SEK 44 million.

Transactions with key individuals in executive positions

Salaries, remuneration and other benefits are accounted for in Notes 5 and 28.

35 Business combinations

Bergvik Skog Öst AB

SEKm	2019
GROUP	
Acquisition balance sheet, Bergvik Skog Öst AB	
Biological assets	7 718
Other non-current assets	381
Current assets	410
Total assets	8 509
Deferred tax liability	1 597
Non-current liabilities	69
Current liabilities	2 728
Total liabilities	4 394
Purchase consideration	–4 079
Acquisition costs ¹	–31
Cash and cash equivalents (acquired)	381
Net effect on cash and cash equivalents	–3 729
Negative goodwill	35

¹ Acquisition costs of SEK 9 million was accounted for in 2018. Total transaction costs amount to SEK 40 million.

On May 31 2019, BillerudKorsnäs finalised the purchase of shares in Bergvik Skog Öst AB, which comprises approximately 350 000 hectares of forest land in Sweden. In connection to the transaction, BillerudKorsnäs also divested the shares in Bergvik Skog Väst AB to Stora Enso.

Negative excess value of SEK 35 million has been accounted for as a revenue in Result from discontinued operations. The negative excess value occurred since the purchase price for the transaction was based on accounts for previous period, which have changed during the transaction. The transaction implied that BillerudKorsnäs Skog & Industri AB took over an internal loan from Bergvik Skog AB amounting to SEK 2 615 million, which is included in the current liabilities of SEK 2 728 million below.

Paper Bottle Company A/S (former ecoXpac A/S)

SEKm	2019
GROUP	
Acquired balance sheet, ecoXpac A/S	
Goodwill	45
Non-current assets	33
Current assets	22
Total Assets	100
Non-current liabilities	1
Current liabilities	12
Total liabilities	13
Purchase consideration	–59
Cash and cash equivalents (acquired)	14
Net effect on cash and cash equivalents	–45

Together with ALPLA, which manufactures plastic packaging solutions, BillerudKorsnäs has decided to embark on the joint journey of development regarding a fully bio-based and recyclable paper bottle, and form a joint venture through ecoXpac A/S, a manufacturer of paper bottles in Denmark.

As a part of forming this joint venture, BillerudKorsnäs acquired shares in ecoXpac A/S on 29 March 2019. Prior to the acquisition the BillerudKorsnäs Group owned 19.6% of the shares. At the end of the second quarter, BillerudKorsnäs' shareholding totalled 89.2%.

Revaluation of previous holdings increased other comprehensive income by SEK 13 million. Non-controlling interests as a result of the acquisition amounted to SEK 9 million. Acquisition costs have been carried as an expense and are estimated to total SEK 1 million.

Following regulatory approvals such as merger control clearances, the transaction was completed on 9 July 2019. BillerudKorsnäs sold 44.6% of the shares in ecoXpac A/S to ALPLA for a consideration of DKK 28 million. BillerudKorsnäs' wholly owned subsidiaries BillerudKorsnäs Venture AB thereafter has a shareholding in ecoXpac A/S of 44.6%. The remaining shares are owned by the founder family. The sale of the subsidiary are disclosed in Note 36, Divestments of subsidiaries. EcoXpac A/S changed name to Paper Bottle Co A/S (Paboco A/S) during the third quarter.

Marma Skog

SEKm	2018
GROUP	
Acquisition balance sheet, Fastighets AB Marma Skog 31	
Goodwill	60
Non-current assets	15
Current assets	3
Total assets	78
Deferred tax liability	–2
Total liabilities	–2
Purchase consideration	
Purchase consideration, less transaction costs	–38
Cash and cash equivalents (acquired)	2
Net effect on cash and cash equivalents	–36

100% of shares in Fastighets AB Marma Skog 31 were acquired on 23 May 2018. Before the acquisition, the BillerudKorsnäs Group owned 50% of the shares.

36 Divested subsidiaries

Paper Bottle Company A/S (former ecoXpac A/S)

SEKm	2019
GROUP	
Divested assets and liabilities	
Goodwill	46
Other non-current assets	37
Current assets	18
Total Assets	101
Non-current liabilities	11
Current liabilities	1
Total liabilities	12
Selling price	
Consideration received, less selling costs	40
Less: Cash and cash equivalents in divested business	-9
Effect on cash and cash equivalents	31
Capital gain	
Consideration received, less selling costs	40
Received shares in Paper Bottle Company A/S	40
Assets sold	-101
Liabilities sold	12
Reduced non-controlling interests	9
Capital gain	-

As a part of creating a joint venture with ALPLA BillerudKorsnäs 9 of July 2019 sold 44.6% of the shares in Paper Bottle Company A/S for a consideration of DKK 28 million. BillerudKorsnäs' wholly owned subsidiaries BillerudKorsnäs Venture AB has per December 31 2019 a shareholding in Paper Bottle Company A/S of 46.7%. The remaining shares are owned by the founder family.

Nine AB

SEKm	2018
GROUP	
Divested assets and liabilities	
Non-current assets	1
Accounts receivable and other receivables	4
Total assets	5
Accounts payable and other liabilities	3
Total liabilities	3
Selling price	
Consideration received, less selling costs	-1
Capital loss	
Purchase consideration received	-1
Assets sold	-5
Liabilities sold	3
Capital loss	-3

The divested subsidiary relates to the entire holding of Nine AB, which was owned to 90.4% by BillerudKorsnäs AB. The company was divested on 4 January 2018. The capital loss is recognised as other external cost in the income statement.

37 Critical accounting estimates and judgements

Pension liabilities

A discount rate of 1.2% (2.3) has been applied in calculating the obligation in relation to BillerudKorsnäs' defined-benefit plans. Future increases in pension in the form of inflation adjustment have been assumed to be 1.8% (1.9). BillerudKorsnäs applies a demographic assumption in accordance with DUS 14. For further information about pensions, see Note 22.

Property, plant and equipment

The value of non-current assets includes identified surplus value for non-current assets at the acquisition of Korsnäs 2012. This surplus value was tested for impairment together with goodwill within Division Board. No need for impairment was identified. For further information about property, plant and equipment, see Note 13.

Goodwill

Impairment testing was conducted with respect to goodwill. No need for impairment was identified. For further information about goodwill, see Note 12.

38 Information about the parent company

BillerudKorsnäs AB is a Swedish limited liability company with registered office in Stockholm. The shares of the parent company are registered with NASDAQ Stockholm AB. The address of the head office is Box 703, SE-169 27 Solna, Sweden. The consolidated accounts for 2019 comprise the parent company, its subsidiaries and 50% of joint arrangements regarding Bomhus Energi AB, which together form the Group. The Group also includes owned participations in associates.

Signatures

The undersigned affirm that the consolidated accounts and the annual accounts, respectively, have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices and give a true and fair view of the financial position and results for the Group and parent company, respectively.

The directors' report for the Group and parent company, respectively, provides a true and fair view of the Group's and parent company's

operations, financial position and performance, and describes material risks and uncertainties faced by the parent company and Group companies.

The annual accounts and consolidated accounts were approved for publication by the Board on 31 March 2020.

The consolidated statement of income and comprehensive income and consolidated balance sheet as well as the parent company's statement of comprehensive income and balance sheet will be subject to adoption by the Annual General Meeting of Shareholders on 5 May 2020.

Solna, 31 March 2020

Jan Åström
Chairman

Michael M. F. Kaufmann
Member

Bengt Hammar
Member

Kristina Schauman
Member

Andrea Gisle Joosen
Member

Victoria Van Camp
Member

Tobias Auchli
Member

Gunnevi Lehtinen Johansson
Member

Nicklas Johansson
Member

Lennart Holm
Chief Executive Officer

Our audit report was issued on 31 March 2020
KPMG AB

Ingrid Hornberg Román
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of BillerudKorsnäs AB (publ), corp. id 556025-5001

Translation of the Swedish original.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of BillerudKorsnäs AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 52–119 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis of opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

See disclosure 12 and accounting principles on pages 90–96 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Per 31 December 2019, the carrying value of goodwill on the Group's consolidated balance sheet is SEK 2,011 million. The Group's goodwill is primarily attributable to the division and business segment Board. Goodwill should annually be subject to at least one impairment test.

The assessment of the carrying value is inherently complex and based on the Group's forecasts regarding internal and external conditions and plans. An example of such an assessment is the forecast of future cash flows, which is based, amongst other things, on assumptions about future business developments and market conditions. Another important assumption to evaluate is which discount rate to use in order to correctly reflect market estimates for the time value of money as well as the specific risks that the business is facing.

There is a risk that incorrect assumptions are used when determining the fair value, which could have significant impact on the results and on the financial position.

Response in the audit

We have evaluated whether the goodwill impairment test was performed in accordance with the prescribed accounting method for discounted cash flows.

Moreover, we have considered the reasonableness of the assumptions used by the Group in their future cashflow forecasts (such as predicted sales volume growth, EBITDA-margin developments, working capital and investments) as well as the discount rate used through evaluation of the Group's written documentation and forecasts.

An important part of our work has also been to analyse the Group's sensitivity analysis of their own valuation to assess how reasonable changes in the assumptions may impact the values.

Furthermore, we have evaluated the disclosures about goodwill and the goodwill impairment test that are included in the group consolidated accounts.

Profit from discontinued operations

See disclosure 10, 17, 35 and accounting principles on pages 90–96 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

During 2019, the Group has undertaken significant transactions with Bergvik Skog AB, in which they hold a 5% share. During the year, Bergvik Skog AB has disposed a considerable part of their business operations and as a result, they have distributed or divested subsidiary holdings to the shareholders. For BillerudKorsnäs, these transactions have resulted in a capital gain of SEK 5.7 billion following the subsequent disposal of the allocated subsidiary shares. The capital gain has been accounted for as profit from discontinued operations in the Group income statement. Following these transactions, the Group maintains a 10.1% share in BSÖ Holding AB, which is accounted for as an associate holding, as well as a 5% share in Bergvik Skog AB, for which the accounting treatment remains unchanged and it is accounted for as an other holding.

Response in the audit

We have read the underlying contracts for the transactions and evaluated whether they have been accurately reflected in the financial reporting and in the resulting capital gain. We have also agreed the transaction amounts to bank confirmations and assessed whether the criteria for recording the capital gain as profit from discontinued operations have been fulfilled.

We have evaluated whether the remaining share in BSÖ Holding AB meet the criteria to be accounted for as an associate company.

We have also evaluated the disclosures about associate and other holdings, capital gains and profits from discontinued operations as seen in the Annual Report and in the group consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–51 and 123–140. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance and conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BillerudKorsnäs AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis of opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of BillerudKorsnäs AB (publ) by the general meeting of the shareholders on the 9 May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2015.

Stockholm 31 March 2020
KPMG AB

Ingrid Hornberg Román
Authorised Public Accountant

About the sustainability report 2019

This is the seventh sustainability report for BillerudKorsnäs. We follow GRI Standards in line with the 'In-accordance' criterion at 'Core' level.

Scope

The sustainability report is included in this Annual and Sustainability Report 2019. The report covers all the companies in which BillerudKorsnäs has operational control, i.e. majority-owned companies in line with BillerudKorsnäs' Annual and Sustainability Report 2019.

The BillerudKorsnäs sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, GRI Standards, and comprises pages 34–51, 74–79 and 123–130, and the GRI Appendix which is available at <http://billerud-korsnas.com/sustainability>. Sustainability reporting also includes the statutory sustainability report under Chapter 6 Section 11 of the Annual Accounts Act.

Annual reporting

Sustainability reporting is done annually. The most recent sustainability report, the Annual and Sustainability Report 2018, was published in

April 2019. The report also constitutes our reporting to the UN Global Compact, Communication on Progress.

Changes to reporting

The Annual and Sustainability Report 2019 have an updated structure due to the revised corporate strategy. However, there are no significant changes regarding GRI Standards alignment.

The revised corporate strategy have resulted in updated sustainability focus areas. Thus the Sustainability Targets will be updated during 2020.

Target group

The primary target group of the report is investors. Other stakeholders such as customers, suppliers, employees and society will find their most essential questions answered in this report.

Assurance report

The Sustainability Report has been reviewed by KPMG, see auditors' report on page 131.

Sustainability targets

	Base year ¹	Outcome 2016	Outcome 2017	Outcome 2018	Outcome 2019	Target 2019	Target 2020	Target 2023
Proportion of purchase value covered by supplier assessment of Purchasing, Supply Chain over a three-year cycle, %	2014	60.7	70.2	76.6	79.8 ✓	73	75	80
Biodiversity index ² for nature conservation measures, %	2018	–	–	100	100 ✓	100	100	100
No. of group-certified forest owners in BillerudKorsnäs' group certificates for FSC® and PEFC™, no.	2013	122	152	175	191 ✓	180	200	–
Energy consumption, MWh/tonne product	2013	5.35	5.34	5.26	5.32 –	5.2	5.2 ³	–
Emissions of fossil CO ₂ in the manufacturing process, kg/tonne product	2013	29.2	30.6	38.1	37.5 –	30	30 ⁴	–
Transport of wood raw material and finished products, g CO ₂ e/tonne km	2016	20.1	19.5	11.8	12.2 ✓	17.5	17	–
Every year, BillerudKorsnäs offers work placements and careers-focused introduction programmes with the aim of providing work experience, no. of weeks of internships	2014	1 512	1 324	1 070	1 206 –	1 500	1 500	–
Accidents resulting in absence per million hours worked, LTIFR	2013	8.1	7.7	7.2	7.3 –	4.3	3.2	1.5
Proportion of women in total, %	2013	20.1	22.1	23.1	23.7 –	24	25	28
Proportion of female managers, %	2013	21.9	21.1	23	23.9 –	24	25	29
Proportion of customers who consider that BillerudKorsnäs contributes towards a sustainable future, % ⁵	2016	89	89	87	88 –	92	95	–
Proportion of sales accounted for by new products, %	2013	13	8	6	10 –	15 ⁶	–	15
Science Based Targets						Target 2030	Target 2050	
Target scope 1 and 2 ⁷ : Reduction of total greenhouse gas emissions from production and purchased energy, %	2016	–	–	3	3	59	74	
Target scope 3 ⁸ : Reduced emissions of greenhouse gases from sources not owned or controlled by BillerudKorsnäs, %	2016	–	–	25	28	30	70	

¹ Base year refers to the year in which the target began to be measured.

² The biodiversity index is based on how our forest management measures achieved the targets for important parameters – nature conservation, burning, deciduous-dominated forests, dead wood, buffer zones, and biotopes and areas requiring special consideration. In-depth information is available on our website.

³ The target for 2020 has been revised from 5.1 to 5.2 MWh/tonne product.

⁴ The target for 2020 has been revised from 25 to 30 kg/tonne product.

⁵ The KPI is measured through our customer survey. The 2019 survey had 461 responses.

⁶ The target for 2019 has been revised from 17% to 15%.

⁷ Direct emissions from own operations and indirect emissions from purchased energy.

⁸ Indirect emissions from purchasing goods and services, such as transport and chemicals.

Environmental statistics

	2019	2018	2017
Production (102-7)			
Paperboard, paper and pulp, ktonnes	2 888	2 910	2 930
Materials used (301-1)			
Wood, thousand m ³ sub	9 480	9 869	10 194
Pulp, purchased externally, ktonnes	276	298	283
Pulp, purchased internally, ktonnes	164	147	141
Chemicals (renewable), ktonnes	68	70	69
Total renewable materials, ktonnes	9 988	10 385	10 687
Chemicals (non-renewable), ktonnes	373	378	384
Total materials used, ktonnes	10 360	10 763	11 071
Air emissions (305-7)			
Sulphur (S), tonnes	416	353	359
of which various sources, tonnes	301	257	232
Nitrogen oxides (NOx), tonnes	2 905	2 991	3 043
Dust, tonnes	543	460	612
Water usage (303-1)			
Surface water, million m ³	177	191	186
Groundwater, million m ³	0	0	0
Municipal water, million m ³	0.3	0.3	0.2
Total water usage, million m ³	177	192	186
Recycling water ¹ , %	76	72	75
	2019	2018	2017
Emissions to water (306-1)			
Process water, million m ³	134	138	140
COD (chemical oxygen demand) ² , tonnes	29 296	28 938	30 917
TSS (total suspended solids), tonnes	3 234	3 799	3 787
Organically bound chlorine (AOX), tonnes	145	140	155
Nitrogen (N), tonnes	424	490	444
Phosphorus (P), tonnes	41	52	43
Waste (306-2)			
Process waste, tonnes	73 656	70 188	64 863
Hazardous waste, tonnes	851	875	1 106

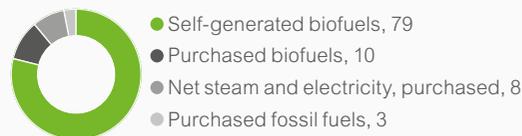
¹ The water is used to wash pulp in several stages during manufacture. In total, virtually all the process water is circulated and reused. How many times the process water is used varies, but according to our examples, it is used 30–50 times before being sent for biological treatment.

² COD is calculated from TOC.

Comments

In 2019 a corporate fine of SEK 150 000 was imposed on Karlsborg due to a discharge of hydraulic oil in October 2018. The cause of the discharge was identified as a broken level sensor and a misaligned valve. The discharge was estimated to 1.5 m³ hydraulic oil to the recipient through water drains. Decontamination measures were taken immediately in consultation with the relevant authorities and the emergency services. There was never any risk of more long-term environmental effects or any risk to the general public. Changes have been introduced to prevent repetition of the original error.

Energy consumption and production 2019, %



	2019	2018	2017
Energy consumption (302-1)			
Solid biofuels, self-generated, GWh	2 231	1 998	2 188
Waste liquor, GWh	9 777	9 978	10 355
Raw tall oil, GWh	5	4	3
Other (e.g. soap, gas, turpentine, methanol), GWh	119	128	157
Total self-generated biofuels, GWh	12 132	12 107	12 703
Solid biofuels, purchased, GWh	622	541	498
Tar oil, GWh	872	854	854
Total purchased biofuels, GWh	1 494	1 395	1 352
Total biofuels, GWh	13 626	13 502	14 055
Heavy and light fuel oil, GWh	224	227	177
LPG, GWh	106	108	121
Natural gas, GWh	120	128	114
Total purchased fossil fuels, GWh	450	464	412
Total fuel consumption, GWh	14 076	13 965	14 467
Proportion fossil fuels used, %	3.2	3.3	2.8
Steam, bio-based (GWh)	228	255	265
Steam, fossil-based (GWh)	1	1	1
Hot water (GWh)	17	17	15
Total purchased steam, hot water (GWh)	246	273	281
Sold primary energy, GWh	387	375	395
Sold secondary energy (waste heat), GWh	552	511	572
Total sold energy, GWh	939	886	967
Purchased electricity, GWh	1 806	1 790	1 700
Self-generated electricity, GWh	1 391	1 365	1 439
Sold electricity, GWh	54	56	55
Total electricity, GWh	3 143	3 098	3 084
Total energy consumption, GWh	15 367	15 304	15 651
Energy intensity MWh/tonne¹	5.32	5.26	5.34

¹ Use of electricity and energy minus fuel for self-generated electricity and sold energy.

Comments

BillrudKorsnäs used 3.2% fossil fuels in 2019, which is a slight improvement compared to the previous year. Whereas, the energy intensity has a slight increase during 2019. Both the proportion of fossil fuels and energy intensity was negatively impacted by unforeseen events causing production disturbances such as lightning strikes and leakages.

Financial statistics

	2019	2018	2017
Greenhouse gas emissions (305-1, 305-2, 305-3)			
Biogenic emissions, ktonnes CO ₂ ¹	4 743	4 735	5 089
Scope 1 – Direct emissions			
From biofuels, ktonnes CO ₂ eq ²	38	37	39
From fossil fuels, ktonnes CO ₂ ³	108	111	90
Total emissions scope 1, ktonnes CO₂eq	146	148	129
Scope 2 – Indirect emissions⁴			
Purchased electricity and steam (market based), ktonnes CO ₂ eq	7	5	4
Scope 3 – Indirect emissions			
Purchased goods (chemicals), ktonnes CO ₂ eq	214	221	226
Upstream transports, ktonnes CO ₂ eq	49	55	51
Business trips, air and rail, ktonnes CO ₂ eq	1	2	2
Car commuting, employees, ktonnes CO ₂ eq	4	4	4
Downstream transports, ktonnes CO ₂ eq	129	130	182
Total emissions scope 3	397	412	465
Intensity fossil CO₂, Scope 1+2 (305-4)			
From fossil fuels, kg CO ₂ /tonne ³	37.5	38.1	30.6
From purchased electricity and energy, kg CO ₂ eq/tonne	2.3	1.7	1.5
Total emissions per tonne of product, kg CO₂eq/tonne	39.7	39.8	32.1

1 Bio-generated carbon dioxide only.

2 CO₂eq (nitrous and methane) from biofuels. Bio-generated carbon dioxide from bio-generated fuels is not included in Scope 1.

3 CO₂ reported under EU ETS only. The emission factor for fossil CO₂ is 76.2 kg CO₂/TJ.

4 Purchased electricity and steam (location based), ktonnes CO₂eq. 2019: 111, 2018: 130 and 2017: 130. Figures for 2017 and 2018 have been updated due to changed emission factor.

Comments

Absolute Scope 1 emissions was relatively stable compared to 2018. Scope 2 market based emissions increased due to an increased emission factor for purchased steam.

Upstream transports decreased slightly due to a significant decrease in long distance sea transports. Emissions from purchased goods decreased due to reduced chemical consumption.

Managed forest land

BillerudKorsnäs Forestry manages the forestry holding of Bergvik Skog Öst entailing almost 300 000 hectares of productive forest area. The forestry management assignment includes all harvesting, forestry measures and all other practical issues related to the forest holding. BillerudKorsnäs also manages forest areas for smaller private forest owners. Some of them have chosen to certify their forest according to PEFC™ and FSC® by becoming members of BillerudKorsnäs group certification. At the moment the group consists of almost 200 members and a total productive forest area of more than 100 000 hectares.

Due to land surveying being performed on land owned by Bergvik Skog Öst and BillerudKorsnäs we are not able to present detailed areal data concerning managed areal and set asides for biodiversity in 2019. The amount of set aside areas has increased slightly since 2018. The formal areas set aside for nature conservation is about 7% and the areas with general nature conservation reach about another 10%.

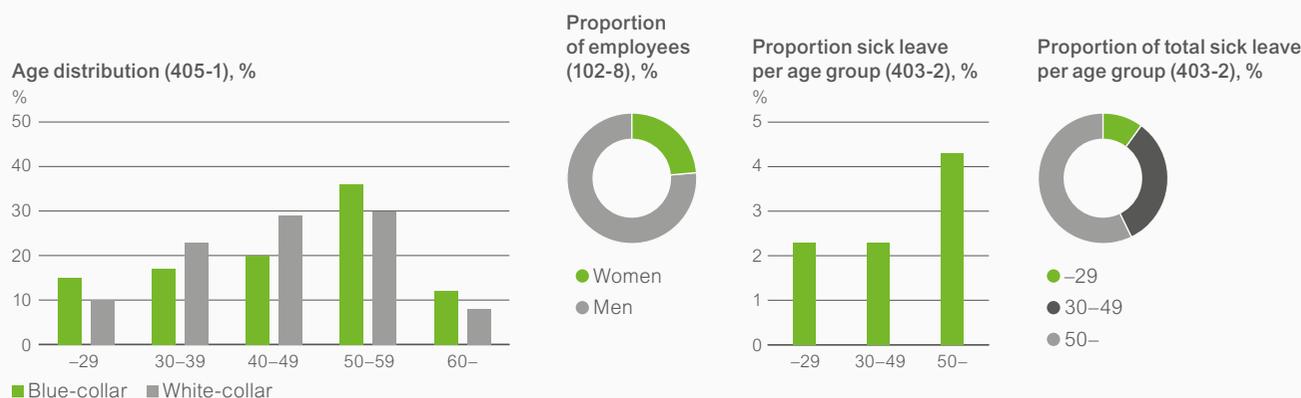
Economic value distributed, per stakeholder, SEKm (201-1)

	2019	2018	2017
<i>Direct economic value generated</i>			
Income	24 978	23 937	22 583
<i>Economic value distributed by:</i>			
Suppliers	-17 936	-18 006	-15 172
Investments in property, plant and equipment and non-current intangible assets	-2 868	-5 120	-4 196
Salaries and employee benefits	-3 650	-3 595	-3 423
Interest to lenders	-177	-104	-154
Dividend to shareholders	-889	-890	-891
Taxes paid	-121	-423	-493
Total	-25 641	-28 138	-24 329
At the company's disposal	-663	-4 201	-1 746

Tax distribution by country, SEKm

	2019	2018	2017
Sweden	-91	-332	-482
Italy	-14	-83	-1
China	-5	-	-1
Latvia	-2	-	-2
Lithuania	-	-	-1
Estonia	-	-	-
USA	-3	-4	-2
France	-1	-1	-
Netherlands	-	-	-
Germany	-1	-2	-5
United Kingdom	-1	-	2
Spain	-2	-	-
Finland	-	-	-1
India	-1	-1	-
Singapore	-	-	-
Total	-121	-423	-493

Employee statistics



Employee statistics 2019 (2018)

	Total	Sweden	Finland	United Kingdom	Baltic Region	Sales offices and other
Employees						
Employees at year-end, no.	4 542 (4 580)	3 890 (3 897)	118 (122)	158 (164)	74 (74)	302 (323)
Average number of employees ¹ (102-8), no.	4 596 (4 502)	3 914 (3 824)	128 (120)	163 (159)	74 (74)	300 (325)
of whom women, %	23.7 (23.1)	21.8(21.2)	22.0 (18.0)	9.5 (8.5)	27.0 (24.3)	59.4 (55.1)
of whom blue-collar, %	56.5 (57.5)	59.8 (61)	62.7 (67.2)	67.7 (69.1)	82.4 (83.8)	0.0 (0.0)
of whom white-collar, %	43.5 (42.5)	40.2 (39)	37.3 (32.8)	32.3 (30.9)	17.6 (16.2)	100 (100)
Proportion of female managers ² , %	23.9 (23)	24.2 (23.4)	23.5 (6.3)	17.6 (15.0)	100 (22.2)	21.4 (31.3)
Average age, years	45.3 (44.4)	45.4 (46.6)	46.0(45.0)	45.0 (47.0)	50.3 (49.0)	40.0 (39.5)
Sickness absence (403-1)						
Total sick leave as % of hours worked	3.2 (3.5)	3.2 (3.6)	6.3 (5.5)	4.1 (3.2)	7.6 (5.6)	1.4 (1.2)
Sick leave as proportion of hours worked, men %	3.2 (3.5)	3.1 (3.5)	7.1 (6.4)	4.0 (3.5)	8.6 (5.4)	0.7 (0.5)
Sick leave as proportion of hours worked, women %	3.2 (3.6)	3.5 (3.9)	2.8 (1.3)	5.1 (0.2)	4.6 (6.4)	1.9 (2.1)
Work-related accidents (403-2)						
Work-related injuries ³ with sick leave, no.	65 (61)	60 (58)	4 (2)	1 (1)	0 (0)	0 (0)
Work-related injuries with sick leave, no./million hours worked	7.3 (7.2)	8.4 (8.1)	19.6 (11.1)	3.0 (2.9)	0 (0)	0 (0)
Work-related injuries without sick leave, no.	515 (425)	492 (393)	6 (7)	17 (24)	0 (0)	0 (1)

1 91.3% of employees in Sweden, Finland, the UK and the Baltic countries are covered by collective agreements (102-41).

2 42% of the Board of Directors are women. The age breakdown is 8% in the 30–50 age group and 92% over the age of 50. Deputies and employee representatives are included.

3 The number of work-related injuries was reported monthly in 2018 for the whole company and was compared with the overall target.

Other employee disclosures

By the end of the year, a total of 89% of all BillerudKorsnäs employees were covered by some form of formal grouping, such as collaboration councils, safety committees or safety groups (403-1). During 2019, 90% of employees had at least one performance review with their line manager (404-3).

Comments

Changes compared to 2018 are limited with regards to number of employees. The proportion of women continued to increase slightly, in both the company and in the managerial group.

Sick leave decreased slightly, compared to last year. As previously, it is in the older group of employees, aged over 50, that have the highest reported sick leave.

Accidents resulting in absence for 2019 is 7.3 LTIFR per million hours worked, which is slight increase compared to the previous year and higher than the target for the year (4.3). The safety program that was launched in 2019 entailed preparing comprehensive initiatives such as training of all production unit employees and to develop systems and processes for implementation during 2020. The result of these initiatives have a lag and we expect to see improvements in number of serious safety incidents and further developing safety culture during the second half of 2020. Read more on page 39.

The age distribution for white and blue-collar workers is fairly similar, with the smallest proportion of employees among the youngest and oldest age groups. The compilation shows that there is a higher proportion of blue-collar than white-collar employees in the older groups, particularly in the 50–59 age group.

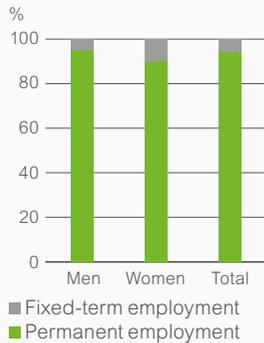
External networks

BillerudKorsnäs is a member of a number of networks of various kinds to learn from, contribute towards and influence development in the forest industry, packaging and sustainability, but also for society as a whole. Working together produces results.

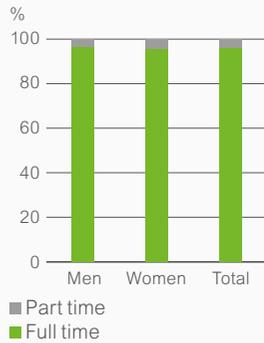
Selection of networks where BillerudKorsnäs is represented on the board, or helps to fund:

- Alliance for Beverage Cartons and the Environment (ACE) – European platform for beverage carton manufacturers and their carton suppliers on environmental issues affecting the industry.
- Asian Corrugated Carton Association (ACCA) – international organisation for the corrugated carton industry.
- Confederation of European Paper Industries (CEPI) – European industry organisation for the pulp and paper industry.
- CEPI Eurokraft – European organisation for producers of kraft paper for sacks and packaging.
- Energiforsk – network for Swedish energy research.
- European Federation of Corrugated Board Manufacturers (FEFCO) – European industry organisation for producers of corrugated board.
- EXTR:ACT – an organisation created by the companies in ACE working to increase the industry's recycling work.
- Global Recycling Alliance for Beverage Cartons and the Environment (GRACE) – collaboration on efficient collection and recycling solutions worldwide.
- Packbridge – European cluster with partners from the entire packaging value chain.
- Paper Province – company cluster for forest bioeconomy.
- Returkartong – materials company for paper packaging covered by producer responsibility in Sweden. Returkartong owns FTI, the packaging and newspaper collection service.
- RISE Research Institutes of Sweden AB – state-owned company for Swedish industrial research institutions.
- Skogforsk – Swedish forest industry research organisation.
- SSG Standard Solutions Group – a knowledge centre that helps industry to be more efficient and safer in the field of asset management.
- Svenska FSC® – Sweden's initiative for the Forest Stewardship Council.
- The Swedish Forest Industries Federation – Swedish industry organisation for the pulp, paper and wood mechanical industry.
- Tresearch – a national research platform for new materials from forest raw material.
- Wallenberg Wood Science Center – a research centre in the new materials sector with the forest as a raw material.
- 4evergreen – industry alliance to boost the contribution of fibre-based packaging in a circular economy.

Employees'1 form of employment, (102-8) %



Employees'1 hours of work, (102-8) %



Equal pay analysis (405-2)

Corrected average pay, comparable posts, women/men %

Survey	1	2	3	4	5
White collar	102	96	–	85	86
Blue collar	100	101	99	–	–
Total all employees	101	99	99	85	86

Comments

The annual Equal pay analysis covering the five Swedish legal entities have been conducted together with an external consultant. The analysis resulted in the adjustment of one employees salary where the deviation did not have an objective explanation. Objective grounds and objective causes in this analysis are period of employment, age and history.

UN Global Compact

Since 2009 BillerudKorsnäs has been signed up to the UN's responsible business initiative, Global Compact. This shows the world around us that we have taken a stand on the initiative, support its ten principles and are working for them together with many other large companies worldwide.



Framework for us

For BillerudKorsnäs the UN Global Compact serves as a framework for the entire business. Our Code of Conduct is founded on the ten principles, which in turn steer policies and the way employees are to act. This Annual and Sustainability Report in line with GRI Standards serves as part of the annual reporting – Communication on Progress – to Global Compact. Our reporting has qualified for Advanced level since 2014.

The UN's Development Goals

BillerudKorsnäs has evaluated its impact on UN's 17 global Sustainable Development Goals (SDG). We reached the conclusion that BillerudKorsnäs has the greatest opportunity to influence and contribute towards SDGs 8, 9, 12, 13, 14 and 15. More information is available on page 35.

Policies and management systems

Framework for policies

BillerudKorsnäs' policy framework includes eight policies;

1. Governance Policy
2. Responsible Business Policy
3. Sustainability Policy
4. Communication & Information Policy
5. Finance Policy
6. People Policy
7. Operations & Quality Policy
8. Safety Policy

Each policy has a policy owner who is responsible for implementing respective policy in the organisation. Development of directives and other steering documents, which follow from the policies, is in progress and is due for completion during first quarter 2020.

Company-wide management systems

Today the majority of the production units have their own certificates for quality, the environment, traceability of wood raw material, energy, food safety and health and safety. Work is in progress to coordinate joint processes in management systems.

What was done in 2019:

- Quality (ISO 9001) and environment (ISO 14001). The focus during the year was to coordinate identified common processes regarding production sites and corporate level.
- Energy (ISO 50001). With regard to the energy management system, in 2019 we focused on implementing new requirements in ISO 50001.
- Food safety (FSSC 22000). Starting up implementation work on new requirements in ISO 22000.
- Forestry (FSC® FM/PEFC™ FM) and traceability (FSC® CoC/PEFC™ CoC). Developed and implemented new mitigating control measures in both Sweden and Finland due to updated central national risk assessments.

Development group

Work on management systems is coordinated by the management system development group. It includes representatives of each production unit, Business Support, Forestry and central responsible officers at the Group Risk Management, Finance unit. The group also follows up work on environmental and quality management. Other management systems and forest certification are followed up in competence-based groupings.

Certificates at BillerudKorsnäs 2019¹

	ISO 9001	ISO 14001	ISO 50001	FSSC 22000/ ISO 2000	OHSAS 18001	FSC® FM/ PEFC™ FM	FSC® CoC/ PEFC™ CoC
Frövi	X	X	X	X			X
Gruvön	X	X	X	X			X
Gävle	X	X	X	X			X
Karlsborg	X	X	X	X			X
Skärblacka	X	X	X	X			X
Pietarsaari	X	X		X	X		X
Beetham	X	X		X	X		X
Forestry	X	X				X	X

¹Today there are two differences in the company's certification. All the Swedish production units have energy management systems, but the others do not. These others instead carry health and safety certification, which the Swedish plants do not. For the Swedish production units the motivation for introducing energy management systems was both financial and environmental, while the Swedish Work Environment Agency's regulations for systematic work environment efforts have been seen as sufficiently rigorous to attain ambitious work environment targets.

External evaluation

BillerudKorsnäs is assessed continuously by numerous customers and analysts through surveys about performance and work methods. This is fully in line with our ambition to provide stakeholders with a solid basis for their evaluation of our business. Below are the major, public reviews carried out in 2019:

- Dow Jones Sustainability Index. BillerudKorsnäs was included in DJSI World as one of the world's 10% most sustainable companies. The company was named Industry Leader in Containers & Packaging.
- CDP. BillerudKorsnäs received high points when CDP evaluated the company on disclosure, awareness and management of climate, water and forest issues.
- EcoVadis. BillerudKorsnäs received the highest rating level in EcoVadis, thus continuing to be in the top of the companies being evaluated. BillerudKorsnäs was rated 'Platinum'.
- The UN Global Compact. In the 'Communication on Progress' report, which highlights progress in the work with the UN Global Compact, BillerudKorsnäs is classed as 'Advanced'.

MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM



Examples of reporting for external evaluation

External systems or initiatives	The focus of reporting
Global Reporting Initiative (GRI)	Sustainability Report
UN Global Compact	Sustainability Report
CDP	Three reports: Climate, Forestry and Water
ISS ESG	Governance, environmental and social aspects
Environmental Product Declaration (EPD)	Environmental performance of products
EcoVadis	Working conditions, environment, supply chain
Sedex (Supplier Ethical Data Exchange)	Working conditions, environment for individual production units
Dow Jones Sustainability Index	Economic, environmental and social aspects

Materiality

BillerudKorsnäs' purpose is to challenge conventional packaging for a sustainable future. In 2019, BillerudKorsnäs performed an in-depth strategy review to clarify what the organisation must focus on over the next few years in order to deliver on our purpose and achieve our goals.

More than 100 employees from across the organisation was involved, and the work resulted in a few priority areas and specific initiatives. The starting point for the strategy review was to identify the key trends and external factors that will shape our industry in 2024 and beyond. Read more on pages 13–20. Sustainability was identified as a major driver, thus a sustainability materiality assessment was conducted to identify material topics.

The identification of topics was based on our ongoing stakeholder engagement processes. Read more in our GRI Appendix. Internal workshops were conducted to assess our significant impact on each topic, and how the topics are deemed to influence the assessments and decisions of stakeholders. Validation of the materiality assessment was performed through BillerudKorsnäs' Sustainability Council.

The materiality assessment gave the following prioritisation of topics for BillerudKorsnäs to manage and report on. The result of this assessment, together with the strategy review, was an important input to form BillerudKorsnäs sustainability focus areas, read more on page 34.

- Circularity of products and solutions
- Climate – own production

- Anti-competitive Behaviour
- Climate – value chain
- Compliance – Environment
- Occupational Health and Safety
- Sustainability in innovation
- Wood supply

- Air emissions
- Anti-corruption
- Chemicals
- Compliance – Product responsibility
- Diversity and Equal Opportunity
- Forest management
- Human Rights
- Supplier assessment
- Water and Effluents
- Waste

- Compliance – Marketing and Labelling
- Economic impact and tax transparency
- Local communities and social engagement
- Training and Education



Climate-related Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative under which companies can voluntarily opt to disclose how climate risks and opportunities may affect their profitability. By following the recommendations, BillerudKorsnäs can get an opportunity to obtain useful data for our strategic choices, but also increase transparency so that investors can make a fair assessment of our long-term potential for profitable growth. While climate topics are highly prioritised within the company, we acknowledge that our reporting on climate-related risks and opportunities is not yet complete. It is a complex task to determine the financial impact of climate-related issues, given their scale, unpredictability, and long-term nature. During 2019, we took a first step in using scenario analysis to support our disclosure. An upcoming challenge is to define the interconnection between transitional and physical risks and to further quantify the impact of possible scenarios.

Governance

Climate-related risks and opportunities are governed at overall level by the Board of Directors and at an operational level by the CEO, Executive Leadership Team (ELT) and other staff. The Board addresses, on an ongoing basis, strategic issues related to operations, investments, acquisitions, etc. that includes climate-related issues. Read more about Corporate Governance at pages 60–65.

Strategy

BillerudKorsnäs has identified a number of climate-related risks and opportunities that have an actual and potential impact on the company's business and strategy. The starting point for the identification of climate-related risks and opportunities is based on the external trends that impact BillerudKorsnäs, such as globalization, climate change and politics. Read more on pages 8–11. We have identified three climate-related transition and physical risks that can have significant impact on the company leading up to 2025, 2030 and 2050.

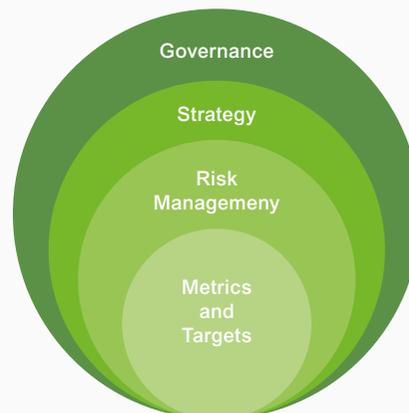
- *Availability and price of wood raw material:* A number of climate-related physical and political risks affect the demand and thus the price of forest raw material. Today's wood raw material costs account for one-third of our operating expenses.
- *Price of purchased electricity:* A continued ambitious climate policy in Sweden and at EU level will affect electricity prices, mainly through the price of emission allowances.
- *Operational disruptions due to physical impact on our production units:* When the climate is changing we will see increased temperatures and frequency of severe weather events. Our operations may be subject to flooding, water shortages or other disturbances.

One significant opportunity has been identified:

- *Increased demand of products, driven by politics and consumer awareness:* Climate and energy policy in the coming decade will gradually be sharpened and favour companies that deliver bio-based products and/or comply with sustainable practices. An increased market for packaging should imply additional market potential.

All above issues are further described in BillerudKorsnäs' Risk Management and Sensitivity Analysis, read more on pages 74–81.

To determine the resilience of BillerudKorsnäs' climate strategy, we have applied two RCP-scenarios from IPCC. The 2° scenario (RCP 2,6) is based on active climate politics while the 4° scenario (RCP 8,5) is based on business-as-usual. From a financial perspective, the main conclusion is that the opportunities, mainly due to an increase in



The TCFD structures its recommendations around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

market potential, exceeds the risks in both scenarios. The demand for and cost of wood raw material is assumed to increase in a 2° scenario due to active climate politics (transitional risk), while in a 4° scenario, the effect is more uncertain – warmer temperatures can both lead to a longer forest growth season and increased risk of forest damage (physical risk).

Risk Management

The EVP of Sustainability and BillerudKorsnäs' Sustainability function are responsible for identifying transitional and physical risks and opportunities, and keeping the Board of Directors and/or ELT informed about issues that may have a short or long term impact on the company. Major climate-related risks are assessed and included in the Enterprise Risk Management process at least annually, including input from the line organisations. Read more on pages 78–79. The impact and significance are estimated by using primary and secondary data. For example, the future cost of raw material in the different scenarios is calculated by using external market analysis combined with internal purchasing data and expertise.

For significant risks, BillerudKorsnäs' Board of Directors and ELT ensures that relevant business functions or divisions are responsible for the management and follow-up. For example, the Energy function continuously observes the energy market and suggests potential investments or decisions that may need to be taken, while also ensuring that the production units are constantly improving their energy efficiency. This ensures a resilience for a potential future increase in electricity costs.

Metrics and Targets

On an overall level, one of the most important ways for BillerudKorsnäs to assess the resilience of our strategy is our climate target, which is aligned with the Paris Agreement and approved by the Science-based Target initiative. The target covers Scope 1, 2 and 3 greenhouse gas emissions. Key metrics related to energy, innovation and environmental impact of products are also used. Read more on page 123. In terms of external metrics, a number of historical and forward-looking trends are used to monitor BillerudKorsnäs' business environment from a strategic and risk management perspective.

Assurance report

Auditor's Limited Assurance Report on BillerudKorsnäs AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To BillerudKorsnäs AB (publ)

Introduction

We have been engaged by the Board of Directors of BillerudKorsnäs AB (publ) to undertake a limited assurance engagement of BillerudKorsnäs' Sustainability Report for the year 2019. The sustainability report is accompanied by a separate GRI Index in English available on <http://billerudkorsnas.com/Sustainability/>. BillerudKorsnäs has defined the scopes of the Sustainability Report and the Statutory Sustainability Report on page 123 in this document.

Responsibilities of the Board of Directors and the Group Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on pages 123–127 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12. The auditor's opinion

regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of BillerudKorsnäs in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 31 March 2020

KPMG AB

Ingrid Hornberg Román

Authorized Public Accountant

Torbjörn Westman

Expert Member of FAR

Five-year summary and Alternative performance measures (APM)

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APM) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not

be considered as a substitute for measures in accordance with IFRS. In Note 6 items affecting comparability are presented, which also make it possible to adjust the result to better show the underlying business performance.

Summary income statement

SEKm	2019	2018	2017	2016	2015
Net sales	24 445	23 692	22 345	21 657	21 814
Other income	169	230	220	155	594
Operating income	24 614	23 922	22 565	21 812	22 408
Operating expenses	-21 784	-20 979	-18 805	-18 206	-18 405
EBITDA	2 830	2 943	3 760	3 606	4 003
Depreciation/amortisation	-1 744	-1 513	-1 519	-1 561	-1 417
Operating profit/loss	1 086	1 430	2 241	2 045	2 586
Net financial items	179	-89	-138	-108	-175
Profit/loss before tax	1 265	1 341	2 103	1 937	2 411
Tax	-254	-304	-465	-419	-443
Profit/loss from discontinued operations	5 709	-	-	-	-
Net profit/loss	6 720	1 037	1 638	1 518	1 968

Summary statement of cash flows

SEKm	2019	2018	2017	2016	2015
Operating surplus	2 674	3 219	3 650	3 781	3 622
Change in working capital	-463	-267	241	332	120
Net financial items	217	-49	-103	-86	-168
Tax paid	-109	-401	-472	-285	84
Cash flow from operating activities	2 319	2 502	3 316	3 742	3 658
Cash flow from investing activities	1 971	-5 172	-4 244	-1 647	-760
Cash flow after investing activities	4 290	-2 670	-928	2 095	2 898

Key financial ratios

	2019	2018	2017	2016	2015
Margins					
EBITDA, %	12	12	17	17	18
Operating margin, %	4	6	10	9	12
Return (rolling 12 months)					
Return on capital employed, %	4	7	12	12	15
Return on equity, %	41	7	12	12	16
Capital structure at end of period					
Capital employed, SEKm	24 938	23 687	19 548	16 906	17 397
Working capital, SEKm	2 159	2 056	1 760	1 957	2 243
Equity, SEKm	19 462	14 355	13 811	13 022	12 418
Interest-bearing net debt, SEKm	5 476	9 333	5 737	3 884	4 979
Net debt/equity ratio, multiple	0.28	0.65	0.42	0.30	0.40
Interest-bearing net debt/EBITDA, multiple	1.9	3.2	1.5	1.1	1.2
Investments					
Gross investments, SEKm	2 926	5 142	4 261	1 645	1 710
Acquisitions, SEKm	3 774	36	-	6	-
Other key figures					
Capital turnover, multiple	1.0	1.1	1.2	1.2	1.2
Working capital as a percentage of sales	8	9	9	11	10
Human Resources					
Average number of employees	4 596	4 502	4 395	4 274	4 223

Capital employed

SEKm, 31 December	2019	2018	2017	2016	2015
Total assets	36 923	33 714	28 196	25 854	25 083
Accounts payable	-2 937	-3 825	-3 294	-3 049	-2 679
Other liabilities and provisions	-1 964	-2 094	-1 778	-1 766	-1 622
Deferred tax liabilities	-3 614	-3 633	-3 392	-3 410	-3 186
Non-current interest-bearing assets	-20	-19	-16	-15	-11
Cash and cash equivalents	-3 450	-456	-168	-708	-188
Capital employed	24 938	23 687	19 548	16 906	17 397

Working capital

SEKm, 31 December	2019	2018	2017	2016	2015
Inventories	3 572	3 633	2 912	3 142	2 842
Accounts receivable	2 408	2 807	2 713	2 612	2 512
Other current assets	1 056	1 337	899	681	1 004
Accounts payable	-2 937	-3 825	-3 294	-3 049	-2 679
Other operating liabilities (excl. provisions)	-1 743	-1 683	-1 527	-1 428	-1 463
Tax liabilities, net	-197	-213	57	-1	27
Working capital	2 159	2 056	1 760	1 957	2 243

Interest-bearing net debt

SEKm, 31 December	2019	2018	2017	2016	2015
Interest-bearing provisions	871	784	784	778	783
Non-current interest-bearing liabilities	7 493	7 130	3 586	2 687	3 027
Current interest-bearing liabilities	582	1 894	1 551	1 142	1 368
Non-current interest-bearing assets	-20	-19	-16	-15	-11
Cash and cash equivalents	-3 450	-456	-168	-708	-188
Interest-bearing net debt	5 476	9 333	5 737	3 884	4 979

Adjusted EBITDA

SEKm	2019	2018	2017	2016	2015
Operating profit	1 086	1 430	2 241	2 045	2 586
Depreciation and impairment of non-current assets	1 744	1 513	1 519	1 561	1 417
EBITDA	2 830	2 943	3 760	3 606	4 003
Items affecting comparability	1	533	90	230	-342
Adjusted EBITDA	2 831	3 476	3 850	3 836	3 661

Adjusted operating profit/loss

SEKm	2019	2018	2017	2016	2015
Operating profit	1 086	1 430	2 241	2 045	2 586
Items affecting comparability	1	591	150	350	-342
Adjusted Operating profit	1 087	2 021	2 391	2 395	2 244

Adjusted earnings per share

SEK	2019	2018	2017	2016	2015
Profit attributed to owners of the parent company, SEKm	6 720	1 037	1 638	1 518	1 811
Items affecting comparability, attributed to owners of the parent company, SEK ²	-5 708	461	117	273	-224
Adjusted profit attributed to owners of the parent company, SEKm	1 012	1 498	1 755	1 791	1 587
Weighted number of outstanding shares, thousands	206 761	206 962	207 114	207 037	206 889
Adjusted earnings per share	4.89	7.24	8.48	8.65	7.67

Adjusted return on capital employed (ROCE)

SEKm	2019	2018	2017	2016	2015
Adjusted Operating profit over 12 months ¹	1 087	2 021	2 391	2 395	2 244
Average capital employed over 12 months	24 270	21 530	18 038	17 350	17 678
Adjusted Return on capital employed	4%	9%	13%	14%	13%

Interest-bearing net debt/Adjusted EBITDA

multiple	2019	2018	2017	2016	2015
Interest-bearing net debt	5 476	9 333	5 737	3 884	4 979
Adjusted EBITDA over 12 months ¹	2 831	3 476	3 850	3 836	3 661
Interest-bearing net debt / Adjusted EBITDA	1.9	2.7	1.5	1.0	1.4

¹ 12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date.

² Includes adjustment for discontinued operations in 2019.

Quarterly data

BillrudKorsnäs' net sales and operating profit/loss by divisions are presented below. The results of the divisions are reported excluding the effects of currency hedging and excluding the effect on profit/loss of the translation of trade receivables in foreign currency and currency

effects in connection with payments. These effects are reported separately in the item 'Currency hedging etc.' The portion of the currency exposure that relates to changes in invoicing rates is included in the division's profit/loss.

Quarterly net sales per division and for the Group

SEKm	2019					2018				
	Full year	Q4-19	Q3-19	Q2-19	Q1-19	Full year	Q4-18	Q3-18	Q2-18	Q1-18
Division Board	13 692	3 414	3 279	3 463	3 536	12 679	3 178	3 268	3 079	3 154
Division Paper	8 142	1 776	1 932	2 129	2 305	8 523	2 048	2 244	2 127	2 104
Division Solutions	990	250	266	268	206	980	257	256	279	188
Other	1 779	447	376	471	485	1 719	436	383	451	449
Currency hedging, etc.	-158	-72	-20	-38	-28	-209	-76	-97	-38	2
Total Group	24 445	5 815	5 833	6 293	6 504	23 692	5 843	6 054	5 898	5 897

Quarterly EBITDA per division and for the Group

SEKm	2019					2018				
	Full year	Q4-19	Q3-19	Q2-19	Q1-19	Full year	Q4-18	Q3-18	Q2-18	Q1-18
Division Board	1 986	520	384	399	683	2 456	629	608	474	745
Division Paper	1 196	220	268	242	466	1 516	359	431	298	428
Division Solutions	64	19	17	15	13	14	14	-7	10	-3
Other	-257	-92	-14	-39	-112	-833	-133	-53	-540	-107
Currency hedging, etc.	-159	-73	-20	-38	-28	-210	-75	-98	-39	2
Total Group	2 830	594	635	579	1 022	2 943	794	881	203	1 065

Quarterly EBITDA margin per division and for the Group

%	2019					2018				
	Full year	Q4-19	Q3-19	Q2-19	Q1-19	Full year	Q4-18	Q3-18	Q2-18	Q1-18
Division Board	15	15	12	12	19	19	20	19	15	24
Division Paper	15	12	14	11	20	18	18	19	14	20
Division Solutions	6	8	6	6	6	1	5	-3	4	-2
Group	12	10	11	9	16	12	14	15	3	18

Adjusted quarterly EBITDA, including maintenance shutdowns, per division and for the Group

SEKm	2019					2018				
	Full year	Q4-19	Q3-19	Q2-19	Q1-19	Full year	Q4-18	Q3-18	Q2-18	Q1-18
Division Board	2 417	646	521	567	683	2 923	763	757	658	745
Division Paper	1 392	220	324	382	466	1 806	373	490	515	428
Division Solutions	65	19	18	15	13	14	14	-7	10	-3
Other	-256	-68	-10	-79	-99	-300	-117	-41	-72	-70
Currency hedging, etc.	-159	-73	-20	-38	-28	-210	-75	-98	-39	2
Total Group	3 459	744	833	847	1 035	4 233	958	1 101	1 072	1 102
Costs for maint. Shutdowns	-628	-126	-194	-308	-	-757	-148	-208	-401	-
Items affecting comparability	-1	-24	-4	40	-13	-533	-16	-12	-468	-37
EBITDA	2 830	594	635	579	1 022	2 943	794	881	203	1 065

Adjusted quarterly EBITDA margin, including maintenance shutdowns, per division and for the Group

%	2019					2018				
	Full year	Q4-19	Q3-19	Q2-19	Q1-19	Full year	Q4-18	Q3-18	Q2-18	Q1-18
Division Board	18	19	16	16	19	23	24	23	21	24
Division Paper	17	12	17	18	20	21	18	22	24	20
Division Solutions	7	8	7	6	6	1	5	-3	4	-2
Group	14	13	14	13	16	18	16	18	18	19

Quarterly operating profit/loss per division and for the Group

SEKm	2019					2018				
	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Full year	Q4 -18	Q3 -18	Q2 -18	Q1 -18
Division Board	811	174	41	155	441	1 469	383	367	225	494
Division Paper	752	107	157	132	356	1 090	248	320	191	331
Division Solutions	54	16	13	14	11	1	11	-10	7	-7
Other	-372	-121	-42	-69	-140	-920	-152	-67	-558	-143
Currency hedging, etc.	-159	-73	-20	-38	-28	-210	-76	-97	-39	2
Total Group	1 086	103	149	194	640	1 430	414	513	-174	677

Quarterly operating margin per division and for the Group

%	2019					2018				
	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Full year	Q4 -18	Q3 -18	Q2 -18	Q1 -18
Division Board	6	5	1	4	12	12	12	11	7	16
Division Paper	9	6	8	6	15	13	12	14	9	16
Division Solutions	5	6	5	5	5	-	4	-4	3	-4
Group	4	2	3	3	10	6	7	8	-3	11

Quarterly sales volumes per division

ktonnes	2019					2018				
	Full year	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Full year	Q4 -18	Q3 -18	Q2 -18	Q1 -18
Division Board	1 815	456	448	457	454	1 720	426	437	417	440
Division Paper	882	205	221	223	233	941	214	243	233	251
Other	-25	-5	-10	-4	-6	-20	-4	-5	-6	-5
Total Group	2 672	656	659	676	681	2 641	636	675	644	686

BillerudKorsnäs shares

BillerudKorsnäs shares have been publicly listed since 20 November 2001 and are traded on the Large Cap list of Nasdaq Stockholm. The shares are included in the raw materials sector under the ticker symbol BILL.

Share capital

At 31 December 2019, share capital totalled SEK 1 537 642 792, represented by 208 219 834 shares. Each share, with the exception of the company's repurchased shares, entitles the holder to one vote and an equal right in the company's capital and dividend.

Treasury shares

In 2019 BillerudKorsnäs allocated 89 129 shares in accordance with a long-term incentive programme approved by the 2016 AGM. At 31 December 2019, the company's holdings of treasury shares totalled 1 430 062 shares, corresponding to approximately 0.7% of the total number of shares. The number of shares on the market totalled 206 789 772 at 31 December 2019.

Share price performance

BillerudKorsnäs shares underperformed the Stockholm stock exchange overall in 2019. The share price rose by 5% during the year, compared with an increase of 30% in the Stockholm stock exchange, OMX Stockholm PI, and a rise of 38% in the Stockholm stock exchange forestry index, OMX Stockholm Forestry & Paper PI, over the same period.

BillerudKorsnäs shares closed at SEK 110.65 on 30 December 2019, corresponding to a market capitalisation of around SEK 23 billion. The highest closing price during the year was SEK 131.40 on 3 April, while the lowest was SEK 102.20 on 3 October.

Shareholder categories, votes, %



- Foreign shareholders, 37.3
- Swedish mutual funds, 22.0
- Swedish individuals incl. closely held companies, 24.1
- Swedish institutions, 16.6

Geographical distribution of ownership, votes %



- Sweden, 62.7
- Austria, 15.1
- USA, 11.5
- United Kingdom, 7.0
- Other, 3.7

Number of shares on the market

	2019	2018	2017	2016	2015
Average number of shares	206 761 223	206 962 008	207 113 788	207 037 234	206 888 635
Average number of shares after dilution	206 991 854	207 292 671	207 455 852	207 509 333	207 408 656
Number of shares at end of period	206 789 772	206 700 643	206 956 668	207 089 336	206 951 152
Number of shares at end of period after dilution	207 020 403	207 031 306	207 298 732	207 561 435	207 471 173

The 10 largest shareholders

Shareholder	No. of shares, millions	Share of votes, %
FRAPAG Beteiligungsholding AG	31 300 000	15.1
AMF Insurance & Funds	19 481 116	9.4
Fourth Swedish National Pension Fund	13 631 358	6.6
Swedbank Robur Funds	13 374 784	6.5
Schroders	10 738 554	5.2
Alecta	8 846 986	4.3
Vanguard	5 005 484	2.4
Dimensional Fund Advisors	4 963 200	2.4
XACT Funds	3 782 475	1.8
Alliance Bernstein	3 400 000	1.7
Total top 10 shareholders	114 523 957	55.4

Turnover

Around 165 million shares were traded in 2019, corresponding to a value of SEK 19 billion. The average daily trading turnover was approximately 660 000 shares, corresponding to a value of SEK 74 million. On average, about 2 200 trades were made each trading day.

Ownership structure

At 31 December 2019, BillerudKorsnäs had 96 846 shareholders, compared with 97 563 at year-end 2018. Swedish ownership accounted for 63%, roughly two-thirds of which were legal entities and one-third private individuals. The largest foreign ownership was in Austria, the US and the UK.

At year-end, the five largest owners, FRAPAG Beteiligungsholding AG, AMF Insurance and funds, Fourth Swedish National Pension Fund (AP4), Swedbank Robur funds and Schroders owned a total of 42.8% of shares on the market. Total holdings of the 10 largest shareholders amounted to 55.4%.

Dividend

BillerudKorsnäs' target is to issue a dividend to shareholders amounting to 50% of net profit. The dividend will depend, for example, on BillerudKorsnäs' level of profits, its financial position and its future development opportunities. For 2019, BillerudKorsnäs' Board of Directors proposes an ordinary dividend of SEK 4.30 per share. The proposed dividend corresponds to approximately 13% of net profit for 2019.

Proposal for mandate to buy back and transfer shares

On the back of the successful Bergvik Skog Öst transaction, the Board decided to propose additional measures for returning excess capital to the shareholders and to optimize the capital structure of BillerudKorsnäs. The Board has therefore decided to propose to the AGM that the Board be mandated to decide on the acquisition of own shares via Nasdaq Stockholm to an extent that the company's treasury holding does not at any time exceed 10% of all the shares in the company.

The Board also decided to propose that it be mandated by the AGM 2020 to up until the next AGM make decisions to transfer or cancel the company's own shares that are not needed to fulfill the company's long term share based incentive programmes.

Distribution of shares at 31 December 2019

Registered number of shares	208 219 834
Repurchased shares in Company treasury	-1 430 062
Shares on the market	206 789 772

Ownership structure¹

Shareholding	No. of shares	%	No. of owners	%
1–100	1 504 685	0.7%	28 315	29.2%
101–500	13 913 741	6.7%	54 191	56.0%
501–10 000	23 211 673	11.2%	13 794	14.2%
10 001–100 000	11 213 097	5.4%	458	0.5%
100 001–	156 855 924	75.3%	88	0.1%
Anonymous ownership	1 520 714	0.7%	N/A	N/A
Total	208 219 834	100%	96 846	100%

¹ Including the company's own bought-back shares (1 430 062).

Share price performance 2015–2019



— BillerudKorsnäs
— OMX Stockholm PI
— OMX Stockholm Forestry & Paper PI

Share price performance 2019



— BillerudKorsnäs
— OMX Stockholm PI
— OMX Stockholm Forestry & Paper PI

Key figures per share

SEK per share, unless stated otherwise	2019	2018	2017	2016	2015
Earnings	32.50	5.01	7.91	7.33	8.75
Diluted earnings	32.47	5.00	7.90	7.31	8.73
Dividend (for each financial year), actual	4.30 ¹	4.30	4.30	4.30	4.25
Dividend as % of					
– share price (dividend yield)	3.9	4.1	3.1	2.8	2.7
– profit	13	86	54	59	49
– Equity (closing balance)	4.6	6.2	6.4	6.8	7.2
Cash flow from operating activities	11.22	12.09	16.01	18.07	17.68
Shareholders' equity	94.11	69.45	66.74	62.88	59.21
Diluted equity	94.01	69.34	66.63	62.73	59.06
Share price/closing balance of equity, %	118	152	211	243	265
P/E ratio, multiple	3.4	21.1	17.8	20.9	18.0
EV/EBITDA, multiple	10.0	10.6	9.3	9.9	9.4
Share price (closing price, last trading day)	110.65	105.50	140.50	153.00	157.20

Key figures for 2019 are affected by profit from discontinued operations of SEK 27.61 per share.

¹ Board's proposal.

Analysts covering BillerudKorsnäs

Company	Analyst	Phone
ABG Sundal Collier	Martin Melbye	+47 22 01 61 37
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SEB	Linus Larsson	+46 (8) 5222 9701

Key figure definitions

Result

EBITDA

Operating profit before depreciation and amortisation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation). EBITDA is a measure of operating performance. It is a profit measure that is close to the operating cash flow.

Adjusted EBITDA

Operating profit before depreciation and amortisation adjusted for items affecting comparability.

Adjusted Operating profit

Operating profit adjusted for items affecting comparability.

Adjusted key figures

Adjusted key figures on EBITDA, Operating profit, Return on capital employed and Earnings per share provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include additional project costs for major projects, major restructuring/write-downs, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

Margins

Gross margin (EBITDA, %)

Operating profit before depreciation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales. The measure is used in business review as well as for benchmarking with peer companies.

Operating margin

Operating profit as a percentage of net sales. Operating margin shows the percentage of revenue remaining as operating profit after deducting all operating expenses. The measure is used in business review as well as for benchmarking with peer companies.

Return

Return on equity

Profit calculated over 12 months, attributable to owners of the parent company, as a percentage of average shareholders' equity calculated per quarter, attributable to owners of the parent company. The measure represents total profitability compared to the equity invested by the parent company's shareholders.

Return on capital employed (ROCE)

Operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter. The return on capital employed is a measure that shows how effectively net operating assets total are used in order to generate return in the operating business. The measure takes capital invested in the operating activities into account and is used in business review and benchmarking with peer companies.

Capital structure

Capital employed

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets. The measure is used to quantify the net total assets used in the operating business, and is used as a component in measuring operating profitability.

Capital turnover rate

Net sales divided by average capital employed. The measure shows how effective the capital employed is used in the business.

Diluted equity

Equity at the end of the period plus the effect of estimated participation in the incentive programs.

Equity

Equity at the end of the period.

Interest-bearing net debt

Interest-bearing provisions and liabilities less interest-bearing assets. The measure is used to quantify the debt financing, taken the amount of financial assets into account. The measure is used as a component in measuring financial risk.

Interest-bearing net debt / EBITDA

Interest bearing net debt at the end of the period divided by EBITDA for the last twelve months. The measure shows the size of the interest-bearing net debt compared to the repayment capacity. A higher (lower) ratio indicates a higher (lower) risk.

Interest-bearing net debt / Adjusted EBITDA

Interest bearing net debt at the end of the period divided by adjusted EBITDA for the last twelve months.

Net debt/equity ratio

Interest-bearing net debt divided by equity. The ratio shows the mix between interest-bearing net debt and equity financing. A higher ratio means higher financial leverage and may have positive effects on return on equity, but imply a higher financial risk.

Working capital

Inventories, accounts receivables and other operating receivables less accounts payables and other operating liabilities. The measure shows the amount of current net assets that is tied up in the business. Together with non-current assets, working capital constitutes the operating capital employed to generate operating returns.

Working capital as percentage of net sales

Average working capital for the last three months, divided by annual net sales at year end or annualised net sales during interim-quarter (net sales for the quarter multiplied by four). Working capital in relation to net sales shows how effectively the working capital is used. A lower percentage means less capital is tied up to generate a given amount of revenue, and an increased ability to internally finance growth and return to shareholders.

Per-share data¹

Cash flow from operating activities

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

Diluted Earnings per share

Profit for the period, attributable to owners of the parent, divided by the average number of shares in the market after estimated participation in the incentive programs.

Diluted equity per share

Equity at the end of the period, attributable to owners of the parent company, divided by the number of shares on the market at the end of the period plus the effect of estimated participation in the incentive programs.

Earnings per share

Profit for the period, attributable to owners of the parent, divided by the average number of shares in the market.

Equity per share

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

Adjusted earnings per share

Earnings per share adjusted for items affecting comparability after tax attributable to owners of the parent company.

EV/EBITDA

Market capitalisation plus interest-bearing net debt, divided by operating profit before depreciation, amortization and impairment losses (EBITDA).

P/E-ratio

Share price at year-end divided by earnings per share.

¹ For number of shares, see section "BillerudKorsnäs shares".

Glossary

CDP

Carbon Disclosure Project.

Corrugated board

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

Fluting

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

Liquid packaging board

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

LTIFR

Lost Time Injury Frequency Rate. Accidents resulting in absence per million hours worked.

MF kraft paper

Machine Finished kraft paper.

MG kraft paper

Machine Glazed kraft paper.

NBSK

Northern Bleached Softwood Kraft.

OEE

Overall Equipment Efficiency.

Pulpwood

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

Sack paper

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

Sulphate pulp

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

Shareholder information and key dates

Annual General Meeting

The Annual General Meeting of BillerudKorsnäs will be held on Tuesday 5 May 2020 at Norra Latin, Stockholm Conference Centre, Drottninggatan 71, Stockholm.

Notice of the 2020 Annual General Meeting is posted on www.billerudkorsnas.com

Notification of attendance

Shareholders wishing to attend the annual general meeting must be registered in the shareholders' register maintained by Euroclear AB as of Tuesday 28 April 2020 and must notify the company of their participation not later than Tuesday 28 April 2020.

Notification of attendance can be made by telephone on +46 8 402 90 82, at www.billerudkorsnas.com/register or by post to BillerudKorsnäs AB, Årsstämman, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

To be able to participate at the meeting, shareholders whose shares are registered in the name of a nominee must request that their own names are temporarily registered in the shareholders' register kept by Euroclear. This procedure, referred to as voting right registration, must be completed by Tuesday 28 April 2020, which means that shareholders must inform the nominee well before this date.

In light of the authorities' regulations, and for the shareholders feeling worried about the spread of infection due to the corona virus, BillerudKorsnäs encourages all shareholders to seriously consider the possibility to, instead of personally attending the annual general meeting, attend by the help of a proxy holder. More information regarding voting by post, as well as proxy services can be found on BillerudKorsnäs website.

Financial information

All financial information is available in both Swedish and English on BillerudKorsnäs' website www.billerudkorsnas.com.

The Annual Report and Sustainability Report is published on the company's website and is distributed to shareholders and other interested parties who have registered their interest.

The Annual Report and Sustainability Report and other financial reports are available on the website.

Interim reports

January–March 2020	24 April 2020
January–June 2020	17 July 2020
January–September 2020	22 October 2020

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We challenge conventional packaging for a sustainable future

THIS IS BILLERUDKORSNÄS

BillerudKorsnäs is one of the world's leading suppliers of high-quality, packaging materials made from natural cellulose fibre. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units.

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

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

Smart packaging solutions using paper or board from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.



BILLERUDKORSNÄS