

Directors' report

The Board and CEO of BillerudKorsnäs AB (publ), corporate identity number 556025-5001, herewith submit the annual report and the consolidated annual accounts for the 2016 financial year. Figures for the previous year are stated in brackets, 2016 (2015). This English version is a translation of the Swedish original.

BillerudKorsnäs' EBITDA (gross margin) and operating profit declined in 2016, by SEK 397 million and SEK 541 million or 10% and 21% compared with 2015. The decline was principally due to expenses at the end of the year resulting from the decision to invest in a new board machine in Gruvön and the fact that the profit for 2015 contains a capital gain from sale of the pellet business in Latvia (SIA Latgran).

Market

BillerudKorsnäs offers the global packaging market innovative and sustainable products and services. The Group has a leading position in primary fibre-based packaging paper and carton-board. The packaging market is showing continued positive long-term development, primarily as a result of greater globalisation through increased world trade, urbanisation, digitisation and greater awareness of sustainability. In addition to packaging materials, BillerudKorsnäs sells surplus long-fibre pulp, Northern Bleached Softwood Kraft (NBSK), which is not used in its own production. BillerudKorsnäs' base is in Europe, but we are continuing to become established in other markets, including in Asia.

During 2016 operations were divided into the three business areas: Packaging Paper, Consumer Board and Corrugated Solutions.

Packaging Paper offers kraft and sack paper of premium quality plus smart solutions for customers with exacting demands in the industrial, medical equipment and consumer sectors. The business area also sells any surplus of pulp that BillerudKorsnäs does not use in its own production.

Consumer Board delivers packaging materials in high-quality board made from primary fibre for beverages, food products and various other consumer goods.

Corrugated Solutions supplies materials to corrugated board manufacturers and packaging solutions to brand owners. Strong and light materials, fluting and liner, are used in corrugated boxes for fragile goods and demanding distribution systems. Supply chain solutions for packaging optimisation are a key component of the offering.

Group net sales for the whole year decreased by 1% compared with the previous year due to the disposal of Latgran and lower average prices, principally for fluting and pulp. Sales to North

and South America and Africa developed positively. Around 29% of combined sales volume in 2016 took place outside Europe, representing a small rise compared with 2015. The trend in sales was slightly offset by a more favourable exchange rate.

Sales volumes increased by 1% to a record level of 2 772 ktonnes.

Net sales in Corrugated Solutions increased in the comparison with the previous year due to increased production of fluting with the previous year's rebuild of PM6 in Gruvön and continued healthy growth for Managed Packaging. The addition of several new programmes and an increase in orders at the end of the year led to sales for December being the highest ever recorded in Managed Packaging. Consumer Board reported sales in line with the previous year, after disruptions of production and assets had led to an inability to fully satisfy our key customers' delivery requests. Sales of Packaging Paper fell, principally due to pulp prices and closure of Tervasaari.

Sales volumes by business area

ktonnes	2016	2015
Packaging Paper	1 167	1 163
Consumer Board	1 051	1 065
Corrugated Solutions	554	506
Total	2 772	2 734

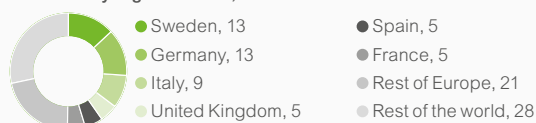
Net sales in 2016, %



Net sales by business area

SEKm	2016	2015
Packaging Paper	8 339	8 552
Consumer Board	8 015	8 006
Corrugated Solutions	3 620	3 329
Other units	1 647	2 012
Currency hedging, etc.	36	-85
Total	21 657	21 814

Net sales by region in 2016, %



Net sales by region

SEKm	2016	2015
Sweden	2 763	2 477
Germany	2 918	2 866
Italy	1 923	1 931
United Kingdom	1 170	1 431
Spain	1 130	1 118
France	1 049	1 113
Rest of Europe	4 583	5 017
Rest of the world	6 121	5 861
Total	21 657	21 814

Financial targets

To support BillerudKorsnäs' target for profitable growth and return for shareholders, the following financial targets have been introduced from 2016.

- Long-term target for organic growth of 3–4% per year.
- The EBITDA margin should exceed 17%. This target replaces previous operating margin targets.
- Return on capital employed (ROCE) should exceed 13%.
- Interest-bearing net debt in relation to EBITDA should be less than a multiple of 2.5. This target replaces previous targets for the net debt/equity ratio.
- The dividend policy is unchanged – the dividend should be 50% of net profit.

In recent years, BillerudKorsnäs has shown stable underlying earnings, despite market conditions varying between business areas. As a result of this, the aim is to achieve the financial targets irrespective of the economic cycle.

BillerudKorsnäs' long-term financial targets up to December 2015 were:

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

Sales and earnings

Net sales totalled SEK 21 657 million, a decrease of 1% due to the divestiture of the pellet business in Latvia (SIA Latgran).

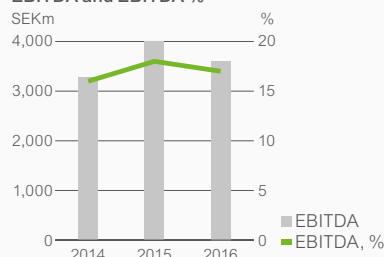
EBITDA decreased to SEK 3 606 million (4 003) and operating profit decreased to SEK 2 045 million (2 586), principally due to expenses of SEK 205 million at the end of the year resulting from the decision to invest in a new board machine (KM7) in Gruvön and the fact that the 2015 result contains a capital gain of SEK 440 million from sale of SIA Latgran. This also meant a decrease in gross margin (EBITDA, %), which was 17% (18). Operating profit was also affected negatively by an impairment write-down of SEK 120

million related to plant and equipment in Gruvön due to the decision to invest in KM7. The operating margin was 9% (12). See note 6 for more information regarding items affecting comparability.

Net financial items totalled SEK –108 million (–175). Profit before tax was SEK 1 937 million (2 411) and estimated tax was SEK –419 million (–443). Net profit totalled SEK 1 518 million (1 968).

Return on equity for the period was 12% (16) and return on capital employed was 12% (15). A dividend of SEK 4.30 per share is proposed (4.25).

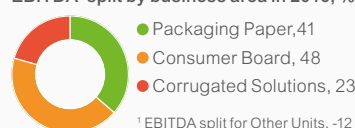
EBITDA and EBITDA %



Five-year summary

	2016	2015
Net sales, SEKm	21 657	21 814
Operating profit before depreciation/amortisation (EBITDA), SEKm	3 606	4 003
Gross margin (EBITDA), %	17	18
Operating profit/loss, SEKm	2 045	2 586
Operating margin, %	9	12
Return on capital employed, %	12	15
Profit/loss before tax, SEKm	1 937	2 411
Net profit/loss, SEKm	1 518	1 968
Earnings per share, SEK	7.33	8.75

EBITDA¹ split by business area in 2016, %



¹ EBITDA split for Other Units, -12

Gross margin (EBITDA)/margin by business area

	2016		2015	
	SEKm	%	SEKm	%
Packaging Paper	1 486	18	1 456	17
Consumer Board	1 723	21	1 657	21
Corrugated Solutions	829	23	724	22
Other units	–131		546	
Currency hedging, etc.	37		–85	
Group staff and eliminations	–338		–295	
Total	3 606	17	4 003	18

For quarterly data, see page 130-131.

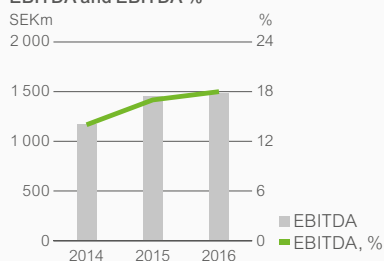
Operating segments

BillerudKorsnäs' operating segments in accordance with IFRS 8 have been identified and reflect its three business areas: Packaging Paper, Consumer Board and Corrugated Solutions. See 'Accounting policies' from page 101.

Packaging Paper

Packaging Paper offers kraft and sack paper of premium quality plus smart solutions for customers with exacting demands in the industrial, medical equipment and consumer sectors. The business area also sells any surplus of pulp that BillerudKorsnäs does not use in its own production. The business area's largest markets are in Europe and Asia.

EBITDA and EBITDA %



Packaging Paper

SEKm	2016	2015
Net sales	8 339	8 552
Operating expenses, net	-6 853	-7 096
EBITDA	1 486	1 456
EBITDA, %	18%	17%
Depreciation, amortisation and impairment losses	-496	-485
Operating profit/loss	990	971
Operating margin	12%	11%
Sales volumes, ktonnes	1 167	1 163
of which packaging paper	746	733

Profit trend

EBITDA increased by SEK 30 million to SEK 1 486 million, and operating profit increased by SEK 19 million compared with 2015 to SEK 990 million, which represent an increase of 2%. The increase was principally due to a more favourable exchange rate and product mix. Sales volumes were at the same level as the previous year. Prices for packaging paper in local currency were stable during the year and increased somewhat during the fourth quarter. Prices in local currency for market pulp were stable throughout the year.

Market development

Order levels for both sack and kraft paper were normal for most of the year. Orders received increased during the last quarter of the year in comparison with previous years.

The market for NBSK pulp was stable during the year. Prices in Europe increased to approximately USD 810 per tonne at year-end, compared with approximately USD 800 per tonne at the beginning of the year.

Key events in 2016

Investment programme for growth and efficiency

A decision to continue investment in Skärblacka was made in 2016, with the aim of making Skärblacka a world-leading centre for manufacturing machine glazed kraft paper (MG paper). The investment will see the paper machine in Tervasaari in Finland move to Skärblacka in 2017. The Tervasaari machine is one of the largest MG paper machines in the world. In Skärblacka, it will

be fully integrated with pulp production, which will give it a very competitive position in the market for white MG paper. Surface treatment capacity on Skärblacka PM7 will enable additional functionality that can be used in the areas of food packaging, medical packaging and release liners.

Introduction to Axello ZAP

BillerudKorsnäs introduced a new packaging concept during the year – a renewable, recyclable, dust-tight and insect-proof paper packaging for dry foods. The concept has been developed together with Bosch Packaging Technology (Bosch). The packaging is made from a specially developed paper, Axello ZAP, which is the only paper that is adapted to run in Vertical Form, Fill and Seal (VFFS) with the Bosch PME ZAP module.

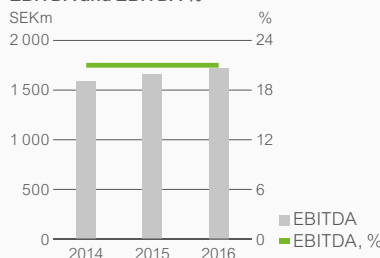
New life cycle analysis

BillerudKorsnäs commissioned IVL Swedish Environmental Research Institute to compare a paper bag made of new fibre from BillerudKorsnäs with carrier bags based on recycled paper, recycled plastic and bioplastic. The outcome of the analysis was that a recycled plastic bag has twice the carbon footprint of a BillerudKorsnäs paper bag.

Consumer Board

Consumer Board supplies packaging materials consisting of high-quality liquid board and packaging board made from primary fibre for beverages, food products and various other consumer goods. Smart solutions in terms of function, design and material selection create added value for customers. Europe is the largest market.

EBITDA and EBITDA %



Consumer Board

SEKm	2016	2015
Net sales	8 015	8 006
Operating expenses, net	-6 292	-6 349
EBITDA	1 723	1 657
EBITDA, %	21%	21%
Depreciation, amortisation and impairment losses	-759	-703
Operating profit/loss	964	954
Operating margin	12%	12%
Sales volumes, ktonnes	1 051	1 065

Profit trend

Thanks to a favourable exchange rate and a change in product mix, net sales are unchanged compared with the same period last year, despite a fall in volume of sales of nearly 1%. Sales volumes fell as a result of disruptions to production in Frövi during the fourth quarter of 2015 and the start of 2016, which led to a decline in stock available for delivery.

EBITDA increased by SEK 66 million and operating profit by SEK 10 million, which represent an increase of 4% and 1% in comparison with 2015, principally due to lower variable costs and more stable cartonboard production.

Market development

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

Key events in 2016

Major investment in Gruvön

A decision made at the end of 2016 on an investment programme totalling SEK 5.7 billion to meet the increasing demand for liquid packaging board and cartonboard. The investment will result in the construction of a new board machine at the Gruvön production plant and in rebuilds at existing pulp mills. The board machine will have an annual capacity of 550 000 tonnes of board, making it one of the largest of its type in the world. The machine will produce liquid packaging board, cartonboard, food service board and liner. The investment project will start immediately and production is expected to start in the first quarter of 2019.

Full-scale test to add MFC to board production

BillerudKorsnäs decided to go ahead with full-scale tests to add microfibrillar cellulose (MFC) to its board products. After small-scale tests were performed in 2016, full-scale tests will now be conducted starting in 2017. The full-scale tests are being carried out in cooperation with the Norwegian company Borregaard.

Launch of BillerudKorsnäs White in the United States

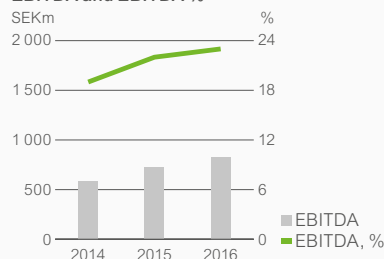
BillerudKorsnäs White, a cartonboard based on primary fibre, was launched during the year. The surface of the cartonboard has been developed to allow sophisticated printing, something that is often in demand among premium sector brands in areas such as beverages, chocolates and confectionery.

Corrugated Solutions

Corrugated Solutions supplies materials to corrugated board manufacturers and packaging solutions to brand owners. Strong and light materials, fluting and liner, are used in corrugated boxes for fragile goods and demanding distribution systems. Smart packaging is delivered via the Managed Packaging concept, which provides supply chain solutions and packaging optimisations, with a view to challenging conventional solutions.

The name change as of 1 January 2016 from Containerboard to Corrugated Solutions reflects the organisational and strategic changes being made in this business area in order to fully integrate the business model for sales of solutions and increase the proportion of sales to brand owners around the world.

EBITDA and EBITDA %



Corrugated Solutions

SEKm	2016	2015
Net sales	3 620	3 329
Operating expenses, net	-2 791	-2 605
EBITDA	829	724
EBITDA, %	23%	22%
Depreciation, amortisation and impairment losses	-182	-173
Operating profit/loss	647	551
Operating margin	18%	17%
Sales volumes, ktonnes	554	506

Profit trend

Net sales increased by 9% as a result of increased volume for fluting and growth for Managed Packing. 2015 was affected by lower fluting volumes during the rebuild of Gruvön PM6.

EBITDA increased by SEK 105 million, and operating profit rose by SEK 96 million compared with the previous year, corresponding to an increase of 15% and 17% respectively. The improvement is principally due to increased volumes, lower delivery costs and lower variable costs.

Market development

Market position and orders for fluting were fairly strong during the year, despite pressure on prices. The order situation for liner developed favourably, driven by high demand. Managed Packaging continued to grow and generate new business during the year.

Key events in 2016

A year of consolidation for vigorous new efforts.

During the year, the business area focused on implementing the organisation established in 2015. Intensive work took place in fluting and liner to ensure that investments made previously in the production units result in the desired capacity, so that the investments create growth and value. The new organisation and the reinforcements in production provide a solid foundation for continued investments and initiatives.

Optimal packaging solutions for brand owners.

BillerudKorsnäs Managed Packaging, whose business model is based on integrated solutions, continuously analyses opportunities to optimise packaging for various sectors. This operation was extended to more segments during the year. An example for 2016 includes the development of a complete packaging portfolio in corrugated board for an American grill equipment company. BillerudKorsnäs designed completely new packaging for the customer, optimised for each product. As the customer had previously used

PET packaging, the solution was not only better from the design point of view but also reduced the customer's use of fossil materials.

Strengthened supplier control

During the year further resources were added to assess the company's production partners in Managed Packaging, in the form of a Regional Compliance Officer based at the office in Shenzhen, China.

Organic growth

Organic growth, which is measured as the increase in net sales adjusted for additions and deductions with amounts corresponding to the sales revenue of acquired and divested operations, was 0.3% in 2016.

SEKm	2016	2015
Net sales	21 657	21 814
SIA Latgran Jan-June 2015		476
ScandFibre Logistics AB	264	
Net sales for comparable units	21 393	21 338

Investments and capital employed

Gross investments in 2016 amounted to SEK 1 645 million (1 710).

The most important investment event in 2016 was the decision by the Board in December to build a board machine in Gruvön. As well as a new board machine (KM7), it includes adaptations of the pulp mill and the infrastructure at Gruvön to the new board machine. Production is expected to start in the first quarter of 2019.

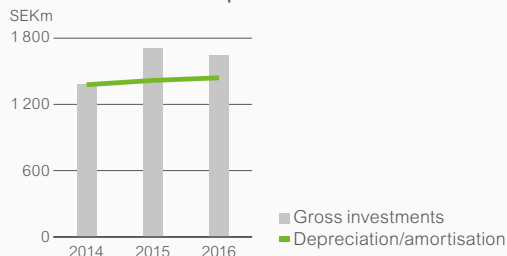
In June 2016, a decision was made to strengthen Skärblacka as a world-leading kraft paper centre by upgrading one of the MG machines with surface treatment equipment, in order to make more advanced products, and installing a third MG machine by moving an existing machine from Tervasaari i Finland to Skärblacka and consequently integrating it with pulp production. The investment programmes in Gruvön and Skärblacka total SEK 5 700 million and SEK 1 280 million respectively and will be financed with both market- and bank debt.

BillerudKorsnäs' capital employed at 31 December 2016 totalled SEK 16 906 million (17 397). Return on capital employed, calculated over the past 12-month period, was 12% (15). Return on equity was 12% (16).

The investment level is expected to be around SEK 4 300 million in 2017.

Working capital in the fourth quarter totalled 11% (10) in relation to net sales. During the year, further work was undertaken to keep the level of working capital at a long-term sustainable level in relation to net sales.

Gross investments and depreciation/amortisation



Cash Flow and Financial Position

Statement of Cash Flows, Summary

SEKm	2016	2015
Operating surplus, etc.	3 781	3 622
Change in working capital, etc.	332	120
Net financial items, taxes, etc.	-371	-84
Cash flow from operating activities	3 742	3 658
Current net investments	-1 641	-1 701
Operating cash flow	2 101	1 957

Cash flow from operating activities in 2016 totalled SEK 3 742 million (3 658) and operating cash flow was SEK 2 101 million (1 957). The increase is primarily attributable to increased operating surplus and reduced working capital.

Net interest-bearing debt at 31 December 2016 was SEK 3 884 million (4 979). The ratio of Group net interest-bearing debt to EBITDA at the end of the period was 1.08 (1.24). BillerudKorsnäs' financial target for its net debt/EBITDA ratio is that it should be less than 2.50.

Financing

At 31 December 2016, interest-bearing loans amounted to SEK 3 829 million (4 395). Of these interest-bearing loans, bond loans amounted to SEK 1 800 million (2 200), commercial paper programmes utilised by BillerudKorsnäs (with a maximum limit of SEK 3 000 million) SEK 0 million (349) and other interest-bearing debt SEK 2 029 million (1 846). Of the bond loans, SEK 300 million falls due in 2017 and SEK 1 500 million in 2018.

The syndicated credit facility with a maximum limit of SEK 5 500 million falling due in 2019 was unused at year-end.

Capital Structure, summary

31 December	2016	2015
Capital employed, SEKm	16 906	17 397
Financing:		
Interest-bearing net debt, SEKm	3 884	4 979
Interest-bearing net debt/EBITDA	1.08	1.24
Equity, SEKm	13 022	12 418
Net debt/equity ratio, multiple	0.30	0.40

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 -54 million (-125) for 2016 (compared with if no hedging had taken place).

BillerudKorsnäs' outstanding foreign exchange contracts at 31 December 2016 had a market value of SEK -60 million, of which SEK -24 million is the portion of the contracts corresponding to accounts receivable that has affected earnings. Other contracts had a market value of SEK -36 million.

The hedged proportion of currency flows and the SEK exchange rates for EUR, USD and GBP at 31 December 2016 are shown in the table below.

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

Currency	Q 1 -17	Q 2 -17	Q 3 -17	Q 4 -17	Q 1 -18	Total 15 months
EUR						
Proportion of net flow	79%	78%	78%	78%	70%	76%
Exchange rate	9.51	9.51	9.56	9.56	9.64	9.55
USD						
Proportion of net flow	88%	71%	64	59%	48%	66%
Exchange rate	8.49	8.62	8.66	8.89	9.05	8.70
GBP						
Proportion of net flow	31%	–	–	–	–	6%
Exchange rate	11.50					11.50
Market value of currency contracts ¹	-34	-21	-12	-2	9	-60

¹ The table shows the situation at 31 December 2016.

Tax situation

BillerudKorsnäs' effective tax rate is estimated normally at 21–23%. The tax expense for 2016 was SEK 419 million, equivalent to a tax rate of 21.6%. The tax expense for 2015 was SEK 443 million, equivalent to 18.4%. The low tax rate for 2015 was mainly due to a non-taxable capital gain from the sale of SIA Latgran.

Environmental and permit issues

BillerudKorsnäs has six production units in Sweden, two in Finland and one in the UK that require permits under environmental legislation. These permits apply to the production of pulp and paper. BillerudKorsnäs has all the official permits necessary to conduct operations at the volumes produced in 2016. The environmental impact of operations is mainly in the form of emissions to air and water and the creation of waste and noise.

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

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 0.7% (0.5) of BillerudKorsnäs' operating costs.

Seasonal factors

BillerudKorsnäs' business is to a relatively limited extent subject to seasonal fluctuations. Periodical maintenance shutdowns have the

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

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 2016, share capital totalled SEK 1 537 642 793, represented by 208 219 834 shares. The number of shares on the market totalled 207 089 336.

No shares have been repurchased since year-end 2004.

Allocation of shares

31 December	2016
Registered number of shares at start of year	208 219 834
Repurchased shares in Company treasury	–1 130 498
Shares on the market	207 089 336

Maintenance shutdowns

Production unit	Estimated shutdown cost	Estimated distribution of shutdown cost by business area			Planned times for maintenance shutdowns		
	SEKm	Packaging Paper	Consumer Board	Corrugated Solutions	2017	2016	2015
Gävle	~ 140	~ 5%	~ 80%	~ 15%	Q3	Q3	Q3
Gruvön	~ 140	~ 40%	~ 10%	~ 50%	Q 1 2	Q2	Q2
Frövi	~ 90	–	100%	–	Q4	Q4	Q4
Skärblacka	~ 120	~ 85%	–	~ 15%	Q2	Q2	Q4
Skärblacka	~ 20	100%	–	–	Q 3 4	–	–
Karlsborg	~ 55	100%	–	–	Q3	Q3	Q3
Pietarsaari	~ 15	100%	–	–	Q2	–	Q4
Rockhammar	~ 15	–	100%	–	Q3	Q4	–

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

BillerudKorsnäs shares

The share capital of BillerudKorsnäs AB is represented by 208 219 834 ordinary shares, of which 1 130 498 are owned by BillerudKorsnäs AB. Each share carries an entitlement to one vote at the AGM. Transfer of shares is not restricted by law or by the Company's articles of association.

The largest shareholder, Frapag Beteiligungsholding AG, owned 31 300 000 shares, corresponding to 15.1% of shares in the market. No other shareholder owned 10% or more of the total number of shares at 31 December 2016. The Company knows of no agreements between shareholders that may restrict the right to transfer shares. Appointment and dismissal of Board members, and changes to the articles of association, are subject to approval by the AGM. Agreements exist between the Company, other Group companies and senior executives that entail compensation if they were to resign, be dismissed without reasonable grounds or if their employment were to end due to a public bid to acquire shares in the Company. These agreements are described in Note 26. 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

From 2015, the parent company BillerudKorsnäs AB includes the sales organisation for the Nordic market and markets outside Europe, and the head office functions.

Operating profit for 2016 was SEK -27 million, compared with SEK -185 million for 2015. The increase was principally due to the positive effect of a hedging contract and revaluation of accounts receivable.

During the second quarter of 2016, the parent company was exposed to an external fraud, which impacted the result negatively with SEK 25 million. BillerudKorsnäs has reported the fraud to the Swedish police and also reported a claim to the insurance company.

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 -54 million (-125) in 2016.

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 parent company has not hedged prices for the net surplus of paper pulp for 2017. In the previous year, the parent company hedged prices for around one-third of the net surplus of NBSK pulp for 2016.

The average number of employees was 100 (96).

Cash and bank balances and short-term investments amounted to SEK 516 million (10).

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 more than 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 the monies 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 2016, 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 and Finnish 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 and Finnish production units. At year-end 2016, foreign exchange contracts not yet recognised in profit/loss for the parent company nominally totalled SEK 4 562 million (2 672), of which SEK 3 635 million will be recognised in profit/loss in 2017 and SEK 927 million in 2018.

Interest rate risk

The Group's borrowing is conducted primarily via the parent company and accounted for 86% (87%) of the Group's total borrowing at 31 December 2016. As a result, the parent company has largely the same exposure to changes in interest rates as the Group. Interest rate derivatives are used to change fixed interest periods in the debt portfolio. The majority of interest rate derivatives are attributable to the parent company.

Proposed allocation of profit

As shown in Note 19, non-restricted equity in the parent company, BillerudKorsnäs AB, totalled SEK 5 606 million at 31 December 2016.

BillerudKorsnäs' financial targets state that dividend is to be 50% of net profit and that the 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 2016 was 1.08 (1.24) times. BillerudKorsnäs' Board of Directors proposes that, of the earnings per share of SEK 7.33, SEK 4.30 per share be paid to shareholders and that the remaining amount be carried forward.

Events after the close of the financial year

See Note 29 for Events after the close of the financial year.

Outlook

Demand and order levels are expected to be stable during the first quarter, with normal seasonal variations for all business areas.

Average prices in local currency are expected to be unchanged in all segments during the first quarter except for the effect of previously notified price rises in sack paper.

Wood costs are expected to increase by around 3% in the next quarter as a result of higher transport costs. No changes in wood prices are, however, expected.

The investment level is expected to be around SEK 4 300 million in 2017.