UNFOLD
ANNUAL REPORT 2014

AR PACKAGING

UNFOLD AR PACKAGING

AR Packaging is one of Europe's leading companies in the packaging sector. Its core markets are in the folding carton and the flexible packaging in Europe. And by combining these areas of expertise we can be a true and reliable partner to our customers.

The theme of this year's annual report is to unfold the already known stories but also the untold stories about AR Packaging. Discover the proprietary technologies like Cekacan® and Hermetet® which have created unique high-performance barrier packaging solutions. Or our branded products with outstanding high-quality printing and differentiating looks that give our customers a great potential to expose their own brands. Or our food packaging like the CandyCup, which is a convenient and intuitive packaging with easy opening and reclosing. This year we will unfold more information and stories about our innovative capability, customers and employees.

Welcome to AR Packaging!

CONTENTS

AR PACKAGING IN TWO MINUTES

THIS IS AR PACKAGING

WHO WE ARE

AR Packaging is one of the leading companies in the European packaging sector. The head office is located in Lund, Sweden. In 2014, the Group generated net sales of 404 MEUR and EBITDA of 42.5 MEUR.

AR Packaging was formed in 2011 as a merger of A&R Carton, one of Europe's leading carton board packaging groups, and Flextrus, a market leader in northern Europe in flexible packaging. A&R Carton was founded in 1929 and Flextrus was founded in 2008, through a management buyout from Amcor Flexibles.

In January 2015, AR Packaging acquired the European tobacco and general packaging operations of MeadWestvaco Corporation. The acquired business has net sales of about 146 MEUR and some 700 employees. With this acquisition, AR Packaging will be elevated to the Top 3 companies in Europe, with net revenue of approximately 550 MEUR. The extended Group will have approximately 2 300 employees and production sites across nine European countries.

The business is divided into three key market segments – Food Packaging, Barrier Packaging and Branded Products – and five geographical business areas.

AR Packaging has longstanding client relationships, many dating back 30 years. The customer portfolio includes blue-chip companies such as Philip Morris, British American Tobacco, Danone, Nestlé, Procter & Gamble, McDonald's, Burger King, Kentucky Fried Chicken, Mars and Ferrero.

AR Packaging's core markets are folding carton and flexible packaging in Europe. The total European market is estimated to be worth 22 billion EUR. In the folding carton market, AR Packaging is positioned as number three in Europe, after the acquisition from MWV, with a market share of approximately 4.5 percent. In flexible packaging, the Group has a European market position as number 20, with a market share of 1 percent, and a market-leader position in the Nordic countries.

TURNOVER (MEUR)	EBITDA (MEUR)	EBITDA-MARGIN
404.3	42.5	10.5%

THREE MARKET SEGMENTS

AR Packaging focuses on three market segments:

BARRIER PACKAGING

Unique high-performance packaging solutions, both systems and materials, based on proprietary technologies such as Cekacan® and Hermetet®.

Wide range of advanced flexible barrier materials supplied with world-class product customisation, service and lead times.

BRANDED PRODUCTS

Innovative packaging solutions for goods found in duty free stores. Being a reliable packaging supplier with business acumen throughout the entire value chain and extensive geographical coverage are keys to the success of brand owners.

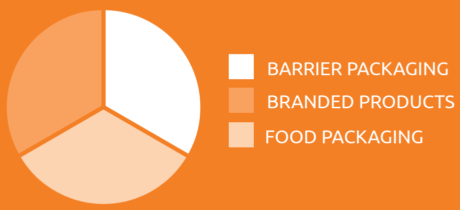
FOOD PACKAGING

Key player in the development of food-on-the-go packaging where consumer convenience is crucial.

High food safety and sustainability standards as well as best-in-class key account management translating packaging needs into customer benefits.

EMPLOYEES	FACTORIES	COUNTRIES
1600	14	7

DISTRIBUTION OF SALES BY SEGMENT



THE BENEFITS OF PACKAGING
Packaging has three main purposes: to preserve and protect its contents, to seduce and attract at point of sale and to serve the consumer when using the product.

AR Packaging's ambition is to deliver top performance, to minimise materials usage, optimise production and logistics efficiency and maximise the need for promotion. We deliver solutions that are convenient for the end user. Available solutions range from carton packs, trays and multipacks to high-tech solutions such as Cekacan and Hermetet.

AR Packaging creates fit-for-purpose solutions in a wide range of consumer market segments. In close partnership with customers and designers, the Group finds the right packaging solution for every requirement.

MISSION
To optimise the benefits of packaging in our customers' value chain.

BUSINESS STRATEGY
AR Packaging's business strategy is based on three elements:

- To expand in profitable segments, driving growth through selective key account management and focusing on profit rather than volume.
- To further improve the Group's operational excellence and cost-efficiency by increased specialisation, investments in key technologies and improved sourcing.
- To adopt a global approach in core market segments where the Group has a competitive advantage and the opportunity to expand in or beyond Europe with regional partners and key accounts.

MARKET POSITION
The market position in Europe for folding cartons is #5 (recent acquisitions will lead to a #3 position). The market position for flexibles in Europe is approximately #20.

OWNERS
The Group is owned by Ahlström Capital (64 percent), Accent Equity Partners (34 percent) and management (2 percent). Family-owned Ahlström Capital is one of Finland's largest private investment companies, with a history dating back to 1851. During 2014, net sales amounted to some 1.4 billion EUR. Assets on the balance sheet total approximately 1 billion EUR. Ahlström Capital has a strong financial position, with over 100 MEUR in available funds.

2014 IN BRIEF

STRONG BUSINESS DEVELOPMENT WITH FOCUS ON STRATEGIC SEGMENTS

STRONG FINANCIAL PERFORMANCE
AR Packaging's net sales in 2014 amounted to 404 MEUR (424). EBITDA increased to 42.5 MEUR (40.8) which corresponds to an EBITDA margin of 10.5 percent (9.6). The operating margin rose to 6.8 percent (5.7) – the highest in the Group's history. Earnings per share increased from EUR 0.87 to EUR 1.56.

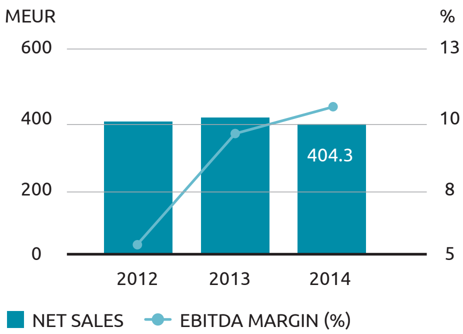
AR PACKAGING BOND LISTED BY NASDAQ OMX STOCKHOLM
In June 2013, ÅR Packaging Group AB placed an 80.0 MEUR bond, which was very well received on the market and quickly oversubscribed. Nasdaq Stockholm decided to officially list the bond loan with effect from 1 July 2014. The instruments are listed on STO Corporate Bonds (551/14).

AR PACKAGING INVESTS IN AUGSBURG PREMISES
At the end of June 2014, AR Packaging acquired the premises of the manufacturing plant in Augsburg in Germany. The investment of 2.2 MEUR is being financed from operational cash flow and is a part of the investment program announced in March 2014.

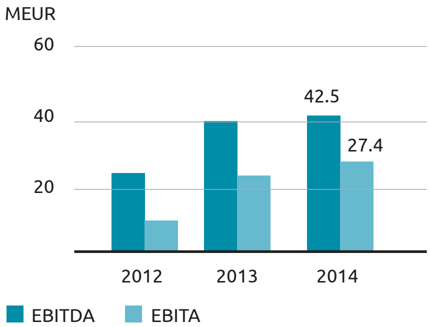
AR PACKAGING AND SADA PACKAGING SIGNED PARTNERSHIP AGREEMENT
AR Packaging and Sada Packaging Srl, Pontecagnano Faiano (Salerno) Italy, signed a strategic partnership agreement. The objective of this agreement is to establish manufacturing, sales and marketing cooperation in the contract area (Italy) of packages made of cardboard or other materials in combination with cardboard.

IMPORTANT EVENTS AFTER YEAR-END
In January 2015, AR Packaging acquired the European tobacco and general packaging operations of MeadWestvaco Corporation. The value of the transaction is approximately 70 MEUR. The MWV Folding Carton operations have net sales of about 146 MEUR and some 700 employees. The acquisition will elevate AR Packaging to a top three position in the European folding carton market.

NET SALES AND EBITDA MARGIN



EBITDA AND EBITA



KEY FIGURES 2014 AND 2013

	2014	2013
Net sales	404 330	424 183
EBITDA	42 495	40 753
EBITDA margin %	10.5%	9.6%
Operating profit (EBIT I)*	27 388	24 141
Operating margin %	6.8%	5.7%
Net profit	15 596	8 643
Earnings per share, EUR	1.56	0.86
Equity ratio %	28.4%	25.0%
Return on equity in %	19.6%	12.7%
Return on capital employed in %	13.4%	12.0%
Net debt	87 131	104 982
Net debt/EBITDA	2.1	2.6
Gearing ratio %	110%	153%

** Non recurring items excluded.*

NET SALES BY GEOGRAPHIC MARKET 2014 AND 2013

	2014	2013
Russia	75 837	82 884
France	55 514	63 162
Germany	55 429	55 343
Sweden	38 380	43 370
UK	32 434	30 970
Ireland	27 946	20 583
Finland	22 065	22 182
Netherlands	17 923	24 740
Rest of Europe	72 352	72 993
Other markets	6 450	7 956
Total	404 330	424 183

COMMENTS BY THE CEO

STRONG FINANCIAL PERFORMANCE IN 2014

AR Packaging displayed strong financial performance in 2014 and reached a double-digit profit margin (EBITDA) of 10.5 percent compared to 9.6 percent in 2013. After the successful restructuring of the company in 2013, we managed to develop the Group further in 2014. A strong strategic market presence and our internal efficiency process led to improved margins. This was achieved despite revenues decreasing by approximately 5 percent to 404 MEUR (424). The lower revenues were mainly due to the divestment of certain low-margin business, currency exchange influences and, to a lesser extent, the loss of some general carton business in Europe.

Altogether, we followed the outline of our strategic plan in terms of concentration of different plants to certain markets and customers, efficiency improvements and focusing on profitable product segments. The strong financial result also contributed to a positive operating cash flow of 33 MEUR (17).

PROGRESS IN THE MARKET SEGMENTS

After several years of restructuring its business, the Barrier Packaging segment achieved healthy profitability in 2014. Sales amounted to 138 MEUR, 2 percent lower than in the preceding year, due to the termination of a number of low margin products. This market segment is focusing mainly on performance packages based on proprietary high-performance packaging concepts, with brands including Cekacan®, Expresso® and Hermetet®, and flexible barrier materials. Barrier Packaging is investing in new people, machinery, our systems development and sales resources for expansion of its business.

Sales of Branded Products amounted to 130 MEUR, about 4.5 percent lower than in the preceding year. Within this market segment, Tobacco managed to uphold its sales despite a declining European market, while Confectionery lost some sales. Altogether Branded Products reported satisfactory profitability. Branded Products has a strong commitment to develop and launch new packages, especially flexible packages, and system packages. In addition, it is strengthening its service offering to improve the customers' production efficiency.

Although Food Packaging's sales of 137 MEUR declined by about 7.5 percent due to a very challenging business environment, its profit margins increased, mainly because of improved operational efficiency. The food packaging market is expected to face an on-going difficult market environment. Product portfolio and customer base optimization is in the focus of our actions.

In the geographical areas, AR Packaging retained its sales level in France, while noting a minor sales decrease in Germany and the Nordic countries, and a somewhat larger decline in Russia caused by the geopolitical situation in the country. However, AR Packaging lost less sales than expected in Russia because of our strong customer relationship and high-quality products. In the Nordic countries, Finland also suffered from the downward market trend in Russia.

INNOVATION IS KEY

Innovation is key for the development of AR Packaging. We constantly work, both independently and with customers, to develop new innovative concepts and packaging solutions. One example is the development of a new generation of Barrier Packaging products, which will be launched during 2015. Another is Futeco (Future Technology Converting), a premium-packaging concept that offers high-value-added finishing mainly for branded products including tobacco, confectionery and cosmetics. The new concept offers several advantages for our customers: possibilities for shelf-differentiation, better finish of the packaging and modularity for future technologies. It also brings increased efficiency with shorter set-up times and lower costs for the customers. Currently we are running a number of customer projects for this concept. Our customers show great interest and there are many more projects in the pipeline to be started shortly.

CSR OFFERS A COMPETITIVE EDGE

Since we are one of the leaders in our segment of the packaging market, a notable presence in CSR – Corporate Social Responsibility – is key to remaining competitive. AR Packaging is a signatory of the United Nations Global Compact, with its specified requirements on human rights, labour, environment and anti-corruption. Reducing environmental impact is a major concern for us. An important example from last year was an investment in an absorption system for our plant in Augsburg, which resulted in less waste and substantially, reduced energy consumption. In order to work efficiently with these matters, AR Packaging has appointed the responsibility for sustainability to the various units within our organisation. The Group will follow up the results of the CSR work through well-defined key performance indicators.

FOCUS FOR 2015

During the past two years, we have focused on securing sustainable strong profitability, while next year we will concentrate more on top-line growth, despite a challenging market. Our focus is to strengthen our sales organisation and key account management to deepen our existing customer relations and acquire new business. In addition, we will continue to invest in product development, and work on our efficiency processes, including the efficiency manufacturing programme and improved sourcing.

A STRATEGIC ACQUISITION

In January 2015, AR Packaging made an important strategic move by acquiring the European tobacco and general packaging operations of MeadWestvaco Corporation (MWV). The acquisition will enable AR Packaging to further strengthen its cooperation with key tobacco customers while enhancing the strategic position of key accounts in the confectionery and consumer goods segments. This is a 146 MEUR business and, through the acquisition, our geographical coverage will improve with a stronger presence in countries well positioned to serve Eastern and Southern parts of Europe with short lead times. It is a perfect match and accords well with our strategy to expand in profitable segments where the company has a competitive edge.

Looking ahead, 2015 will be a year of opportunities for AR Packaging. With the acquisition from MWV, we will increase our strength and market presence for the benefit of our customers. With our devoted and skilled employees, I have every reason to believe that 2015 will be another successful year for AR Packaging.

Schulz

Harald Schulz
CEO

Altogether, we followed the outline of our strategic plan in terms of concentration of different plants to certain markets and customers, efficiency improvements and focusing on profitable product segments. The strong financial result also contributed to a positive operating cash flow of 33 MEUR (17).

BUSINESS STRATEGY

FOCUS ON PROFITABLE GROWTH

MISSION AND BUSINESS PHILOSOPHY

Our mission is to optimise the benefits of packaging in our customers' value chain.

Our ambition is to be the preferred packaging solutions partner by being recognised as the leader in innovation, reliability and service. The foundation of our business is the ability to build and maintain mutually beneficial long-term relationships with our customers, to develop sustainable and innovative packaging solutions and to attract motivated people.

COMPETITIVE STRENGTHS AND ADVANTAGES

WIDE RANGE OF PACKAGING SOLUTIONS

Carton board based
Flexibles
Combinations of carton and flexibles
System solutions of material and machine

EXTENSIVE TECHNICAL CAPABILITIES

Offset, gravure and HD flexo printing
Carton finishing such as hot foil, cold foil, embossing and different varnishes
Flexible converting including extrusion coating and casting as well as adhesive lamination

INNOVATIVE PROFILE

Comprehensive innovation resources and capabilities
Strong international network

Our business strategy is based on three elements:

MIGRATION TO HIGH VALUE-ADDED SEGMENT
The Group will continue to migrate towards high value-adding products, including the three core sub-segments of tobacco, food service and performance packaging. The Group will focus on profitable expansion rather than being volume driven.

FOCUS ON COST-EFFICIENCY AND OPERATIONAL EXCELLENCE
The Group will reduce its costs through measures such as adjusting its manufacturing capacity. Volumes from closed plants will be transferred to other plants, which will thus improve their loading factors. A group-wide improvement programme will be implemented, resulting in reduced set-up times, downtime and waste and increased running speed. The Group will maintain stringent cost control.

GLOBAL APPROACH AND EXPANSION
The Group will adopt a global approach in core market segments where it has a competitive advantage and the opportunity to expand in or beyond Europe with regional partners and key accounts. Certain expansion investments in new machinery will be made if the right opportunities arise.

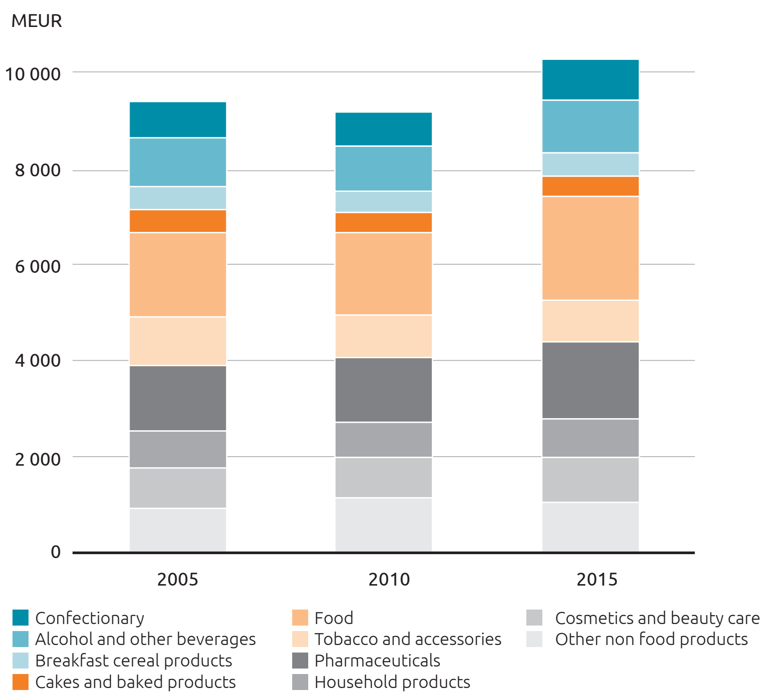
MARKET

CONTINUOUS GROWTH IN THE EUROPEAN PACKAGING MARKET

AR Packaging operates in the folding carton and flexible packaging markets in Europe. The total European market is estimated to be worth 22 billion EUR. The Group has exposure to markets that are highly resilient to recession, such as food and healthcare.

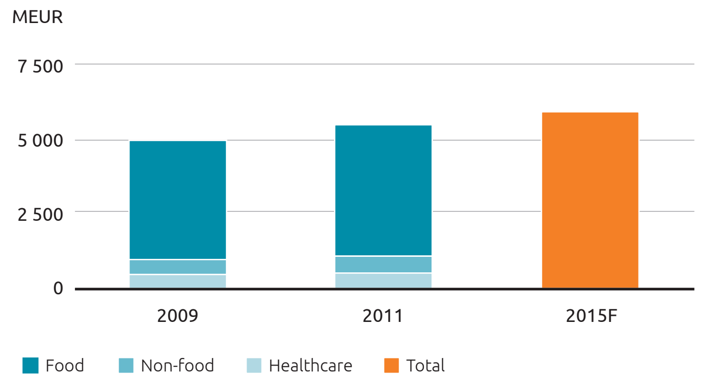
The European folding carton packaging market is worth approximately 10 billion EUR. During the latest recession, the market fell by only about 3 percent and returned to growth in 2010. Expected continued growth is 1-2 percent per annum. The size of the European flexible packaging market is estimated at 12 billion EUR, with the northern European market worth 5.5 billion EUR. It has recovered from the 2009 recession and forecasts stable growth at 1-2 percent.

EUROPEAN FOLDING CARTON MARKET



EUROPEAN* FOLDING FLEXIBLE PACKAGING MARKET

*Sweden, Norway, Finland, Denmark, Germany, Benelux, UK, Ireland and Poland.



Source: Business intelligence in cooperation with The Masterclass Network.

DRIVING FORCES AND TRENDS

GENERAL FACTORS AND TRENDS

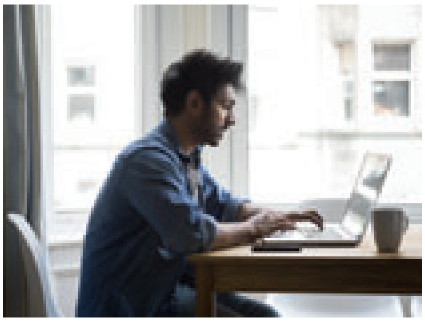
The market for packaging is influenced by a number of general factors and trends. The forces driving growth are partly macroeconomic factors such as European GDP increasing by about 1 percent annually during 2010-2015 and partly growth in industrial output and consumer spending. Growth varies from region to region, with the strongest growth expected in Eastern Europe and Scandinavia. Demand in the rest of Western Europe is expected to grow slightly slower, while the forecast for Southern Europe is zero growth during 2010–2015. Overall, growth in demand is in line with GDP growth.

CONSUMER DRIVEN FACTORS AND TRENDS

The main factor driving development at the micro level is that consumers prefer packaging made of paper and cardboard. This is especially due to paper being a sustainable material based on renewable resources. Flexible packaging is growing at the expense of other rigid packaging types thanks to its lower weight and can thereby fulfil both environmental and cost-driven aspects. Another driving force is the social structure of modern European economies, with a growing proportion of single-person households having a higher need for single packs, where the packaging represents a larger part of the value. The trend of processed food and out-of-home consumption also originates from the way households are composed, as well as lifestyle factors.

KEY DRIVERS OF GROWTH

- GDP GROWTH
- INDUSTRIAL PRODUCTION
- EUROPEAN RETAIL MARKET
- CONSUMER PREFERENCE FOR PAPER/CARTON
- SINGLE PACKS, READY MEALS AND FAST FOOD



A growing proportion of single-person households having a higher need for single packs

SEGMENT GROWTH

Consequently, the customer segments that are expected to grow most rapidly during 2010-2015 are food, such as frozen products, ready meals and desserts, and confectionery and health-related products. Regardless of the segment involved, there is a distinct trend that the greatest growth is to be found in more advanced packaging of combined materials and high end printing and finishing effects. AR Packaging is well positioned for this development.

THE MARKET IS CHARACTERISED BY OVERCAPACITY AND PRICE PRESSURE

Because there is still significant overcapacity in the supply of packaging paper, cartonboard and plastics, the market is characterised by price pressure, particularly for simpler products. Margins are being squeezed as the packaging industry is heterogeneous, with many small to midsized players, while suppliers of paper and other raw materials are large companies. Many of our customers are global companies with strong bargaining power and procurement practices that are contributing to the downward pressure on price, which is difficult to manage, even for the largest companies in the packaging industry.

Reliability, quality of service and the ability to build strong relationships with key customers using unique, advanced and customised solutions in selected segments is the path that AR Packaging has chosen to strengthen profitability in a competitive market. Surveys show that while price is the most important factor in choosing a supplier of standard packages, delivery and quality are more important than price for more advanced customised packaging.

NUMBER THREE IN EUROPE

AR Packaging creates added value for customers through innovation, capability, a broad product offering to selected segments and deep knowledge of packaging. Following the acquisition from MeadWestVaco Corporation, the Group is positioned as number three in the European folding carton market, with an estimated market share of 4.5 percent. In the flexible packaging market, the Group is ranked number 20, with an estimated market share of 1 percent, and is a market leader in the Nordic countries.

OUR RELEVANT MARKETS

AR Packaging focuses on three main segments: Barrier Packaging, Branded Products and Food Packaging.

Food packaging is characterised by high fragmentation and low entry barriers, except for the food service segment, where the Group's product portfolio is unique. Barrier Packaging and Branded Products are characterised by fewer market players and high entry barriers due to advanced and expensive machinery and certification requirements. In these market segments, there is greater focus on reliable delivery and quality than on price. For all segments, the importance of food safety and building long-term relationships with key customers is considerable.

The greatest growth is expected in Barrier Packaging, where the market for more advanced, tailored solutions is rising by more than 10 percent per year. Food Packaging is also experiencing faster growth than the general market, especially within food service. Within Branded Products, tobacco has strengthened its position after the acquisition from MWV, with an estimated market share of 20 percent in Europe. Tobacco packaging is less fragmented but has only a few potential customers; long-term relationships are important for both suppliers and buyers.

In conclusion, AR Packaging is striving to increase its presence in fast growing segments offering higher added value and also to develop relationships with blue-chip customers and accompany them into new markets.

Our main segments	Characteristics	Key competitors	Our competitive advantage
Barrier Packaging	Low fragmentation, except flexibles	Amcor, Constantia, Seda, Weidenhammer, Wipak, Sealed Air	Strong market position, unique competence in certain technologies, tailored products
Branded Products	Low fragmentation, except confectionery	Amcor, Chesapeake, Mayr-Melnhof, MWV, Van Genechten, RLC Packaging	Long-term and close relationship with blue chip customers, state-of-the-art production facility
Food Packaging	Highly fragmented market, except food service	GPI/Contego, Mayr-Melnhof, Van Genechten, Seda, Schur	Long-term relationship with blue chip customers, certified operations

FOOD SAFETY

AR Packaging is committed to delivering the highest standards of quality in the packaging solutions that it provides. The high focus on food safety is proven by 11 of 14 plants being certified on BRC/IOP (Hygiene management) and 2 plants certified according to the new FSSC 22000 standard (Food safety).

THREE MARKET SEGMENTS FOR INCREASED CUSTOMER FOCUS

AR Packaging focuses on three market segments: Barrier Packaging, Branded Products and Food Packaging, with each accounting for about one third of the Group's sales.

AR Packaging is not dependent on any specific product and the Group consistently aims to move away from commoditised products in the low-end area towards a more innovative and specialised offering in the respective market segment.

BARRIER PACKAGING

Unique high-performance packaging solutions, both systems and materials, based on proprietary technologies such as Cekacan® and Hermetet®.

Wide range of advanced flexible barrier materials supplied with world-class product customisation, service and lead times.

BRANDED PRODUCTS

Innovative packaging solutions for goods found in duty free stores. Being a reliable packaging supplier with business acumen throughout the entire value chain and extensive geographical coverage are keys to the success of brand owners.

FOOD PACKAGING

Key player in the development of food-on-the-go packaging where consumer convenience is crucial.

High food safety and sustainability standards as well as best-in-class key account management translating packaging needs into customer benefits.

MARKET SEGMENT – BARRIER PACKAGING

SOLID MARKET POSITION AND STRONG FINANCIAL RESULTS

The Barrier Packaging market segment is based on unique knowledge of combining materials such as carton board, packaging paper, foils and plastics to form strong barrier packaging concepts suitable for advanced food and healthcare applications. As a specialist, AR Packaging has a solid position in the marketplace. After a few years of refocusing its business, Barrier Packaging achieved strong financial results in 2014.

PRODUCT OFFERING

Barrier Packaging is all about securing that customers' products are well protected during their lifecycle. The segment consists of two sub-segments: Performance Packaging and Flexibles.

Performance Packaging offers, under the A&R Carton brand, proprietary high-performance carton based packaging systems including Cekacan, Hermetet, Expresso and newly developed Sealio®. Products encompass material components as well as machinery, optimal for packing sensitive powders and mixes such as infant formula, coffee and other branded products in need of effective ways of presenting and protecting its customers' products and increasing their brand value and sales.

Flexibles offers, under the Flextrus brand, flexible food packaging with tailored barrier properties that preserves freshness while safely protecting products over a prolonged shelf-life, as well as advanced healthcare packaging that meets strict hygienic requirements. It provides materials with the desired appearance and functional properties for products such as chilled foods, bakery products, dry mixes, snacks, wound care products and pharmaceuticals.

The two sub-segments integrate in innovation and development and have an internal supply relation.

HIGHLIGHTS 2014

During 2013, considerable work was devoted to the restructuring of operations and refocusing on selected business segments. These efforts led to confirmed strong financial results in 2014. Another highlight was customer focus, where the organisation has shifted attention away from internal processes and issues to concentrate on all aspects of delivery to customers. This has resulted in improved key performance indicators. During 2014, Barrier Packaging also developed a vision for knowledge and leadership in barrier packaging covering food safety, design for increased on-shelf attractiveness, improved cost efficiency and a high degree of customer service among others.

MARKET AND CUSTOMERS

The market for Performance Packaging, in Europe worth approximately 300 MEUR, is expected to generate double-digit growth in the years ahead as brand owners seek to innovate their products and brands through packaging innovation. AR Packaging is among the leading players with important brand owners such as Nestlé, Danone and Philip Morris. Customer relationships are long lasting thanks to the system uniqueness and the know-how supplied. The company is mainly active in the European market but growing in Russia, USA and parts of Asia.

The flexible packaging market for food is growing at a steady pace at 1-2 percent per year while healthcare is expected to grow slightly faster. AR Packaging's home market is Scandinavia where it is the market leader with a share of about 20 percent. The total European flexibles market is worth approximately 12 billion EUR and is fragmented with few large players and many smaller niche players. AR Packaging has strong competencies in advanced printing, barrier board and plastic polymers. Customers include Arla, Tulip and Mölnlycke.

STRONG EFFORTS IN INNOVATION

Barrier Packaging is committed to strong innovation efforts. Among other initiatives, it focuses on developing new barrier materials and systems for improved sustainable packaging solutions. Another area is how food waste can be reduced through high-quality and resource effective packaging that improves the shelf life and durability of the product. Finally, food safety is key to efforts to protect customer products from product falsifications through safe packaging.

On the subject of product development, the packaging concepts, including both material and machine, are being further developed within, for example, cereals, tobacco and coffee. Another example is the development of advanced packaging materials for medical applications.

Market segment director: Per Nyström

SALES (MEUR)

138 (141)

GEOGRAPHICAL LOCATIONS:

Sweden: Lund, Halmstad
UK: Highbridge
Finland: Kauttua
Germany: Augsburg

KEY COMPETITIVE ADVANTAGES FOR BARRIER PACKAGING ARE:

Close relationship to customers
AR Packaging works closely with customers in many respects, including extended technical service and securing high productivity at the customers' operations.

High product quality
AR Packaging focuses on high product quality in the form of design, function, food safety and printing quality of the packages.

In-depth knowledge of the customers' products
Over the years, AR Packaging has acquired thorough knowledge of its customers' products, facilitating packaging innovation and systems development.

FOCUS FOR 2015

For 2015, Barrier Packaging will continue to focus on growth and increasing market shares in its specialist areas. For this purpose, the business area has expanded its sales force and partner footprint on a global basis. Another focus area will be improved profitability, not least through continuous improvement of internal processes in all functions and the market launch of the new complementary packaging system Sealio.

FACTS – TECHNOLOGIES FOR BARRIER PACKAGING

PERFORMANCE PACKAGING

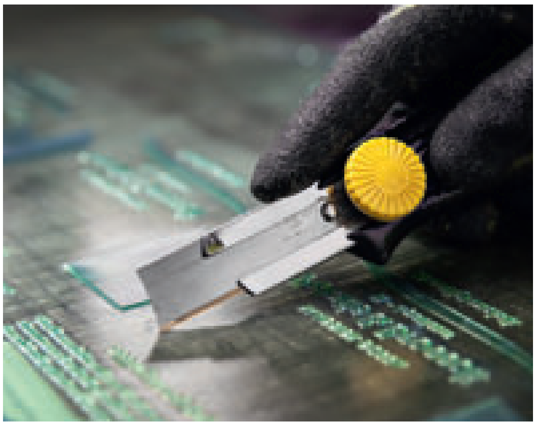
CEKACAN
Cekacan is a gas-tight carton packaging for highly sensitive powder products; a versatile concept with excellent consumer convenience. The new generation machine system is easily adaptable to changing needs with limited downtime and ensures the highest standards of hygiene and reliability.

HERMETET
Hermetet is a pre-lined packaging solution that can be gas-tight and features several creative opening and re-closure alternatives. Hermetet offers much higher filling efficiency compared with bag-in-box solutions.

EXPRESSO
Expresso is a cost-effective and highly dependable solution for high-volume applications. Membranes at the top and bottom ensure effective moisture vapour barriers and sift-proof packages. Expresso offers several opening, re-closure and window options.

FLEXIBLE PACKAGING

PAPERLITE®
PaperLite is a paper-based thermo-formable material that can replace full plastic materials for a wide range of products. It provides an optimised environmental profile combined with a differentiating look and feel for best shelf appeal in the supermarkets.



ADVANCED HD FLEXOGRAPHIC PRINTING
The ever-increasing competition in the supermarket shelves requires excellent print quality combined with highest service and flexibility. AR Packaging is a pioneer and leader in advanced high definition (HD) flexographic printing.

FLAT DIE COEXTRUSION TECHNOLOGY
With an extensive polymer knowledge and long experience in the extrusion technology, advanced multi-layer materials are developed. By combining different materials in very thin layers optimised packaging can be made with minimal use of resources.

MARKET SEGMENT – BRANDED PRODUCTS

STRONG POTENTIAL FOR FUTURE GROWTH

The market segment has lengthy experience of tobacco packaging, from basic cigarette packages to highly advanced premium packages. The confectionery packages are frequently quite exclusive for the purpose of brand building and shelf-differentiation while providing high food safety and being easy to open and safe during transport. In 2014, sales of Branded Products decreased by about 4,5 percent. However, Branded Products sees strong potential for growth through its solid and longstanding customer relationships and high-quality niche products.

PRODUCT OFFERING

The Branded Products segment consists of two sub-segments: Tobacco and Confectionery.

Tobacco offers packaging solutions, including hinge lid and display cartons, inserts, cut labels and various opening mechanisms as well as advanced speciality packaging for gas-tight roll-your-own/make-your-own products.

Confectionery offers carton and flexible packages and the combination of the two. An example of an advanced carton packaging for confectionery is a tailor-made, single or two-piece box construction in various shapes and sizes, such as the Variobox-lite, with state-of-the-art design and innovation.

HIGHLIGHTS 2014

Branded Products had sales of 130 MEUR compared to 136 MEUR in 2013, while profitability was stable.

Despite a declining tobacco market in Europe, Branded Products maintained stable sales of tobacco packaging. This was mainly attributable to high-quality niche products and long-lasting customer relationships. In Russia, Branded Products gained market share through its technological edge and close contacts with customers. The market segment launched a new generation of tobacco packages in various shapes and sizes, which are now being tested on selected markets in Europe and Asia.

Confectionery launched several new products, such as the CandyCup, which is also used for other segments. The CandyCup has a special closing feature and can be made with various tailored eye-catching designs.

Market segment directors: Andreas Morciano, Confectionery and Peter Aichhorn, Tobacco.

SALES (MEUR)

130 (136)

GEOGRAPHICAL LOCATIONS:

Germany: Augsburg, Frankfurt
Russia: Timashevsk, St. Petersburg

MARKET AND CUSTOMERS

The overall market for Branded Products is stable and the market value is estimated at 1 650 MEUR. In addition to the general tobacco and confectionery consumer market, Branded Products also produces packages for the duty free-market.

The European market for tobacco packages declined around 5 percent in 2014 and the market value was estimated at 1 billion EUR. During recent years, the growth rate in Western Europe has been low, which has been offset by steady growth in Eastern European countries. Although health issues, bans on advertising and anti-smoking legislation are having a negative impact on the market, a key driver is that tobacco producers are using packaging as a marketing tool to offset contraction of the market. The four largest companies in the tobacco

KEY COMPETITIVE ADVANTAGES FOR BRANDED PRODUCTS ARE:

- Broad product offering including both flexible packages and carton packages, and the combination of both. AR Packaging also offers packaging systems, such as a barrier package solution for roll-your-own products, which derives from the Cekacan technology – a versatile concept offering excellent consumer convenience. The advantage of being a system supplier is that customers can buy everything from one dedicated supplier, thus ensuring good quality and production efficiency.
- A strong ability to develop new innovative packages together with customers. This is highly applicable for example to seasonal confectionery products.
- The confectionery packages provide high food safety and are environmentally optimised with high barriers against moisture and grease. With metallic or UV colours, supreme varnish options and mirror gloss, AR Packaging creates outstanding effects. The Group is expert in complicated gluing, hot foil embossing and window patching – even with creased corners.

FOCUS FOR 2015

An important objective for 2015 will be to strengthen the market position in the tobacco and confectionery segments. This will be facilitated by the acquisition of the European packaging operations of MeadWestvaco Corporation, announced in January 2015, which strengthens AR Packaging as a leading supplier for the tobacco industry. Another and related objective is to launch new products, especially flexible packages, such as pouches for tobacco and system packages, which represent an important part of the company's strategy. Finally, AR Packaging will strengthen its Key Account Management and also increase its service activities to better support and improve the customers' production efficiency.

packaging market account for about 90 percent of the market. Major customers with whom AR Packaging has long-lasting relationships are Philip Morris, British American Tobacco and Imperial Tobacco Group.

The market for confectionery packaging is estimated to grow at approximately 2 percent annually, with a market value of 650 MEUR. The main drivers are growth in chocolate consumption and the focus on sustainable packaging and reducing the carbon footprint. Another factor favouring AR Packaging is that carton packaging is regarded as the superior solution. There is a clear trend in the shape of demand for more innovative solutions, such as fancy boxes and other premium packages for confectionery, spirits, cosmetics and duty-free products. Customers appreciate high-value-added packages that will help them reach consumers faster with their products. The main confectionery customers are Ferrero, Mars and Nestlé.

STRONG EFFORTS IN INNOVATION

The rotogravure-printing machine in Augsburg, Germany, represents innovative, cutting-edge production technology. The machine is part of the Futeco concept (Future Technology Converting), which offers several advantages for customers: possibilities for shelf-differentiation, better packaging finish and modularity for future technologies, such as digital printing or ink-jet technology. The Futeco concept is particularly adapted to provide high-value-added finishing for tobacco, confectionery and cosmetic products.

MARKET SEGMENT FOOD PACKAGING

STRONG GROWTH POTENTIAL FOR PRIMARY FOOD PACKAGING

The Food Packaging market segment sets meticulous standards in terms of food safety and the ability to keep food fresh, while its products are easy to open and reclose, safe during transport and able to withstand different temperatures. Food Service packaging, including cups, trays and clamshells among others, is primarily used for on-the-go foods requiring high barriers against moisture and oil. Growth potential for these types of packages is favourable in respect of large fast food chains, small and local food chains and products, and gas stations. Growth is also being shown for other food packages, in the Food & Consumer Goods segment, which are used mainly for frozen and dry foods, driven by an increase in single-person households and the shift to ready meals. In 2014, Food Packaging experienced a slight drop in sales, although profitability increased as a result of its operational efficiency programme.

PRODUCT OFFERING

Food Packaging consists of two sub-segments: Food Service and Food & Consumer Goods. Food Service offers clamshells, trays, cups and take-away boxes for take-away burger meals, Asian food and ice cream.

The Food & Consumer Goods segment offers folding cartons for a wide range of products such as cereals, convenience foods, dairy products, frozen foods, ice cream and pet food.

HIGHLIGHTS 2014

Food Packaging had sales of 137 MEUR compared to 148 MEUR in 2013. The market segment improved its profitability through increased operational efficiency.

During 2014, the segment consolidated its position in the market as a result of close customer relationships. This was particularly evident from the fact that customers have harmonised their supplier base and AR Packaging continues to be one of the preferred suppliers with its broad product offering.

New products were launched in the Food Service segment, such as a board breakfast tray and a new folded carton package for fried vegetables. Spain and Italy, respectively, are the first two markets for these products, prior to their launch on other markets. In addition, new models of clamshells and packages for sausages were successfully launched on the French market.

Within Food & Consumer Goods, Food Packaging has developed DeClick, a baby food box with a new reclosing feature. The package is easy to use and convenient for consumers and was well received by customers. BabyNes, instant formula for babies, is another product application. Nestlé has developed a concept featuring small containers for milk powder and AR Packaging sells boxes for the containers. BabyNes is particularly successful in China and Hong Kong.

MARKET AND CUSTOMERS

The overall market for Food Packaging is growing by about 2 percent annually and the market value is estimated at 22 billion EUR. Due to overcapacity and price pressure, the market is experiencing on-going consolidation, and the competition is particulary intense within the Food & Consumer Goods segment.

The market for Food Service is estimated to grow by 7-8 percent annually and key drivers are overall growth in fast food restaurants and expansion of the gas station and store-in-store food product offering. Another driver is innovation – the development of new products, such as direct fill of a container.

Market segment director: John Kleindouwel

SALES (MEUR)

137 (148)

GEOGRAPHICAL LOCATIONS:

France: Cholet
Germany: Frankfurt
Finland: Ingerois, Kauttua
Sweden: Lund
Estonia: Tabasalu
Russia: Timashevsk

The main customers in the Food Service segment are McDonald's, Burger King and Kentucky Fried Chicken. During 2014, Food Service also started to sell to distributors and wholesalers. AR Packaging has developed an attractive offering with a more generic design of the packages that enables the printing of the customers' brands. In addition to the increased presence of distributors, another trend is the polarisation of the product portfolio. From the customers' point of view there is a strong demand for premium products and exclusive boxes for fast food, such as Golden Pizza, and for budget products, such as packages for cereals and private label products. Accordingly, Food Packaging has adapted its offering to these trends.

The market for Food & Consumer Goods is estimated to grow at 2 percent annually, with a market value of 4 billion EUR. The main driver is growth in frozen and chilled food, partly due to growth in single-person households and the shift to ready meals. An additional driver is the fact that carton packaging is ideal for printing the increasing amount of text and disclosure notices that are required.

The main customers are Nestlé, Findus and Danone. Food Packaging is currently working on several projects to extend its product offering and broaden the customer portfolio. These include special packages through the Futeco technology, described below. The market segment is also intensifying its commercial activities through its Key Account Management (KAM) organisation.

STRONG EFFORTS IN INNOVATION

AR Packaging's development of Futeco (Future Technology Converting) offers customers opportunities to develop new, innovative and creative packaging solutions. Futeco is a door-opener and has led to a number of very constructive dialogues with key customers on how they can differentiate their packaging on the shelves and build their brands in a cost-efficient way. The Futeco concept, with its machine in Augsburg, Germany, improves features such as the finishing and printing quality of the packaging and all aspects of production can be implemented in one run, saving time and costs for the customers.

During the year, Food Packaging also arranged innovation days together with customers. This has proven to be a successful way to generate new ideas and concepts for innovative packages in cooperation with customers.

FOCUS FOR 2015

AR Packaging expects a stable food packaging market during 2015. Food Packaging's objective is to grow the segment by expanding the product portfolio and its customer base. As part of these ambitions, the market segment is increasing its efforts to develop new unique products, such as innovative and cost-effective packages within Food Service. In addition, the Futeco technology will enable Food Packaging to offer unique special packages.

KEY COMPETITIVE ADVANTAGES FOR FOOD PACKAGING ARE:

- **Strong geographic coverage in Europe**
- **Broad product range in the Food Service and F&CG segments**
- **Strong innovation capability, both with central and local R&D resources**
  At a corporate level, Food Packaging has built up competence to handle design, concept development and reproduction of real samples for customers. In addition, the various factories have technical teams that can help implement new innovative concepts and products.
- **High-quality service offering**

INNOVATION

INNOVATION THAT STRENGTHENS CUSTOMER BRANDS

Good ideas on how to develop better packaging solutions are a prerequisite for long-term profit, satisfied customers and more environmentally sound packaging. Innovation is about helping the customer strengthen its products, brands – and its business. It could mean cutting the cost of a package while reducing its carbon footprint by proposing cost-effective solutions that do not require an investment, or a completely new packaging solution adding new value to the product. There are many examples of the Group's innovative ability. In 2014, for example, it launched CandyCup, a new packaging solution for confectionery with a special closing feature and an eye-catching design. Another example is DeClick, a box for baby food with a new reclosing feature. The Cekacan concept was also further developed within segments such as cereals, tobacco and coffee.

AR Packaging works actively with innovation on both Group and local level. Coordination occurs at Group level by collecting ideas, supporting development projects, arranging external innovation days and preparing internal road shows. The information about new developments is shared throughout the organisation so that the entire Group and its customers can use and benefit from that information.

CONSUMER INSIGHTS

Since it is very important for AR Packaging to keep abreast of trends and gain consumer insights, it continuously engages in close dialogue with customers and tracks changes in the end customers' behaviour. AR Packaging's work on consumer insight entails talking to as many different people as possible in the business segments targeted, by inviting knowledgeable people to talk about specific consumer trends i.e. how the digital world and how other trends are changing the consumer of tomorrow, and by using tailor-made market intelligence services.

INNOVATION TO BECOME A PARTNER IN PACKAGING

AR Packaging is focusing on further efforts to combine its knowledge and expertise in carton packaging solutions area with the flexible packaging solutions. Showing customers that AR Packaging is a partner in the packaging area and has innovative capabilities in a wide range of materials and technologies represents considerable strategic potential.

AWARDS IN 2014

The Flextrus PaperLite packaging for Migros won the Swiss Packaging Award in the Sustainability category. PaperLite is an FSC certified thermo-formable material based on paper.

ADVANCED FLEXO PRINTING

As a pioneer and leader in HD flexo printing, AR Packaging uses latest technology to produce advanced designs with sharper picture, smoother gradients and larger colour range. Resources and time are minimised when a proactive prepress team is involved early in projects.

CASE FUTECO

THE FUTECO CONCEPT BRINGS BENEFITS FOR CUSTOMERS

With its new concept, Futeco (Future Technology Converting), AR Packaging takes premium packaging for tobacco, confectionery and cosmetics to a completely new level. The concept offers several advantages for customers: affordable premiumisation and possibilities for shelf-differentiation, better finish of the packaging and modularity for future technologies, such as digital printing or ink-jet technology. In addition, Futeco saves time and costs for the customers. With the inline gravure machine in Augsburg, Germany, AR Packaging is making its first studies for various confectionary products, with promising results.

THE CONCEPT STARTS BY UNDERSTANDING NEEDS

The starting point is an understanding of the real needs of consumers through consumer insights and current market trends. The customer has perhaps performed a market survey for a particular topic, but in order to be proactive AR Packaging also conducts small market surveys on consumer needs and trends. The second part of the equation is to come up with innovations and creative ideas for the customer's packaging and combine them with state-of-the-art technology.

This Futeco concept offers several advantages, including new affordable possibilities for shelf-differentiation and better finish and printing quality for the packaging, giving them a competitive edge on the consumer market. In addition, AR Packaging's Futeco equipment operates with flexible platforms, enabling the addition of modules, for example flexo printing or foiling. This gives new possibilities for exciting, and at the same time economic, applications.

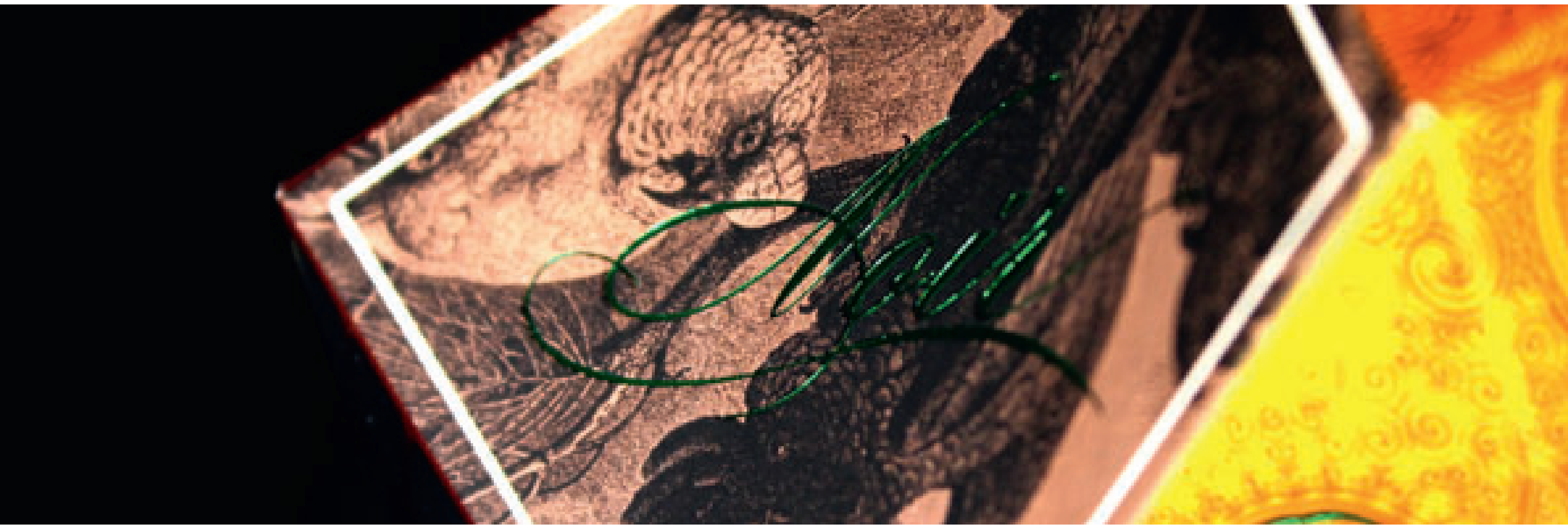
UNIQUE GRAVURE MACHINE IN AUGSBURG

AR Packaging's first investment in this area is a unique inline rotogravure

"The concept is a way of thinking and a market-driven and creative way of approaching our customers," says Kerstin Haase, responsible for Futeco at AR Packaging.

FROM REEL TO READY CARTON IN ONE RUN

The machine has 11 inline gravure printing units with four variable platforms, reverse printing, inline embossing, die-cutting, inspection and sorting. A unique concept for the production of folding cartons.



machine in Augsburg, Germany. The machine is specially customized to the market demands and can handle shorter set-up times and suits short and medium runs compared with normal gravure orders. The folding cartons can be produced with different features, including cold-foil, hot-foil, embossing and various effect and tactile varnishes.

“It is particularly suitable for branded products such as chocolates, cosmetics and tobacco products that need premium packaging. These are often products with strong brands that benefit from exposure in, for example, duty-free shops.”

In one run, the machine can produce a carton with partly coat-metallized foil using white board alone, instead of fully metallized board. This generates both environmental and economic benefits through shorter set-up time of the machine, fewer production steps and shorter lead times.

FIRST OF ITS KIND

Only a few producers of folding cartons can offer both offset and gravure technology. Normally, offset is used as the printing technology in the folding carton industry. Gravure requires different processes and know-how, which AR Packaging has possessed for many years. And the machine line in Augsburg is unique on the market. The AR Packaging’s experts developed it for the demand of the premium customers.

The reactions from our customers are very positive. AR Packaging is currently working on a number of confectionery projects and has many others in the pipeline.

“But it is more than a machine for production. It enables us to look into future applications and products – ideas for future premium packaging to fulfil our customers’ vision,” Haase concludes.

ACQUISITION

MWV FOLDING CARTON – A STRATEGIC ACQUISITION FOR THE GROUP

In January 2015, AR Packaging acquired the European tobacco and general packaging operations of MeadWestvaco Corporation. The value of the transaction is approximately 70 MEUR. The MWV Folding Carton operations have net sales of about 146 MEUR and some 700 employees. The acquired operation includes three plants in Graz, Austria, Krakow, Poland, and Moscow, Russia, and certain additional carton business and related machinery in Svitavy, Czech Republic. MWV is a top-tier European producer for customers operating in the tobacco, confectionery and consumer goods segment. Most of the sales are derived from blue-chip companies such as Imperial Tobacco, British American Tobacco, Mondelez International, Mars and Triumph.

FITS IN PERFECTLY WITH OVERALL STRATEGY

The acquisition is in line with the overall strategy pursued by AR Packaging to reposition its operations to high-margin segments. It will also enable AR Packaging to further strengthen relations with key tobacco customers and increase its strategic position with key accounts in the confectionery and consumer goods segment. The acquisition will establish AR Packaging as the third largest player in the European folding carton market and one of the leaders in the tobacco segment.

STRONGER MANUFACTURING FOOTPRINT

MWV Folding Carton has strategically located manufacturing facilities across Central Europe. The plant in Poland will serve the central European market. The Graz plant will improve the Group's coverage of Southeast Europe. The entire production platform of MWV Folding Carton has been optimised to meet customers' sophisticated and rapidly changing needs, in particular in regards to short-run gravure, late changes and rush orders. The plants are well equipped and managed by well-educated and experienced people. The relatively new machinery reduces the Group's future need for capital expenditure.

SUBSTANTIAL SYNERGIES

AR Packaging anticipates substantial synergies for the acquired operations in the market, purchasing, manufacturing, back-office and administration areas. The Group estimates that restructuring costs will total more than 10 MEUR over the next two years, with the potential to generate annual synergy effects of up to 4 MEUR.

The acquisition marks AR Packaging's determination to be a strong and significant long-term packaging supplier, with the intention to be a key driver of the ongoing consolidation process in the European carton packaging industry.

CSR AND SUSTAINABILITY

SUSTAINABLE DEVELOPMENT OF OUR BUSINESS

AR Packaging regards CSR – Corporate Social Responsibility – as one of its most important areas now and in the future. The Group is committed to conducting its business in an ethically, socially and environmentally responsible manner with the aim of contributing to the positive development of the communities in which its products are used – as well as those in which we conduct our operations. In 2014, the Group advanced its positions in terms of sustainable certificates and audits, decided to participate in the Carbon Disclosure Project (CDP) and appointed a Sustainability Manager at Group level to coordinate activities. The Group also invests in data-collection software to build up a key figure system to monitor, understand and manage the environmental impact of individual sites and at Group level.

Robert Mayr, Product safety and sustainability manager

From an overall perspective, good packaging must save more than it costs in the total value chain. Well-designed packaging saves resources by minimising waste from the packed product. The use of renewable and recycled raw materials in an optimised process results in thin, tight and light packaging with minimal waste.

QUALITY

AR Packaging strives for the highest quality, safety and responsiveness in its packaging solutions and services. The Group will consistently improve quality through learning, sharing, benchmarking, innovation and participation in continuous improvement programmes.

SERVICE STANDARDS

AR Packaging delivers products and services that meet or exceed requirements of customers and the relevant regulatory authorities. AR Packaging complies with established procedures, quality standards, safety standards and regulations.

PRODUCT LIFE CYCLE

Fibre based materials, carton and paper, are recyclable and can be used to make new paper pulp or incinerated to generate energy. Recycling practices vary by country and location.

FIBRE BASED MATERIALS – RENEWABLE RESOURCES

Fibre based materials are the foundation of AR Packaging's business. These are materials made of wood pulp supplied by companies that manage forests and pulp mills. Wood from sustainably managed forests is a renewable resource and, as such, has no impact on climate change, even when it is incinerated and recycled to create energy. The flow of raw material in the carton industry is therefore a relatively clean system in terms of its carbon footprint.

Fossil fuel emissions in the value chain are mainly caused by road and sea transport of logs, carton board and packaging.

DELEGATED RESPONSIBILITY AND NEW SOFTWARE

At AR Packaging, all work, investments and other activities are based on a holistic perspective with the purpose of continuously reducing the environmental impact of the packaging and the operations. The responsibility for sustainability has been transferred to each unit, placing decisions closer to where the most specific knowledge is.

In 2014, the Group initiated an investment in a new data collection software 360° report, which will form the basis for fulfilling the reporting requirements of the UN Global Compact, Carbon Disclosure Project (CDP) and Greenhouse Gas Protocol. It will also serve as a benchmark and improvement tool at Group level.

STAKEHOLDER INVOLVEMENT

AR Packaging's key stakeholders are its customers, employees, owners, suppliers and partners. Other stakeholders are societies and communities, including public authorities, in locations where AR Packaging carries out its operations. AR Packaging communicates with stakeholders at various levels, depending on their relevance to the achievement of the company's goals and their level of involvement in the company's operations.

THE ENVIRONMENT

AR Packaging promotes sustainability across all aspects of the business, with a particular focus on sound paper procurement and conversion practices, thus ensuring responsible management of forests and other natural resources.

At the end of 2014, six of 14 plants were certified under ISO 14001 (environmental management) and two plants are undergoing the certification process under ISO 50001 (energy management). Further extension of certificates will be reflected on a plant basis.

MATERIALS USED

The main materials used by the Group are fibre based materials, carton and paper, which are made from wood pulp. Wood is a naturally renewable resource. Wood used in the company's products comes primarily from sustainably managed European forests and no wood originates from rainforests or other endangered eco-systems. In principle, all materials used by the company are recyclable.

At the end of 2014, nine of 14 plants were FSC/PEFC (sustainable wood management) certified. One additional plant is planned to be certified in 2015.

AR Packaging actively works with

customers to increase the amount of renewable materials in the packaging. This involves conversion from other, less environmentally sound packaging alternatives. For example, Flextrus PaperLite can reduce CO2 emissions by 85% compared to traditional full plastic trays. To achieve appropriate barrier properties and optimised protection of sensitive packed products, a variety of polymer resins are used.

ENERGY USE

In order to reduce energy consumption, monitoring and reporting of heating are being continuously increased. Projects to enhance energy efficiency are continuously in progress. Reducing energy consumption is not only an environmental consideration; it is also significant in terms of cutting production costs and making the units more competitive.

WATER USE

Different kinds and qualities of raw carton paper require different quantities of water in the refinement process. AR Packaging is working with processes to minimise the use of water. The optimisation of the processes also plays a key role in reducing the use of water.

EMISSIONS AND WASTE

Rotogravure and flexographic printing can emit fumes in the drying process for inks and varnish. These fumes are subject to emission limit values according to the European VOC Solvent Emissions Directive (SED).

The plants in the European Union that use rotogravure and flexographic printing have installed incinerators to burn the exhaust – thereby reducing emissions. There are no other significant direct emissions from AR Packaging's production processes.

When the company selects distribution and logistics partners, the environment is an important factor. AR Packaging frequently uses videoconferences, thus minimising travel for internal meetings and helping to reduce the Group's CO_2 emissions.

Certification and sustainability activities within AR Packaging Group.

	ISO 9001	ISO 14001	FSC/PEFC	Social accountability	SEDEX	BRC/IoP	FSSC 22000
Frankfurt	Yes	Yes	Yes	Yes	Yes	Yes	
Augsburg	Yes	Planned 2015	Yes	Yes		Yes	
CC pack			Yes	Yes	Yes	Yes	
SP Containers			Yes (FSC)		Yes	Yes	
Kauttua	Yes	Yes	Yes		Yes	Yes	Yes
Tabasalu	Yes				Yes		
Ingerois	Yes		Yes				
Cholet	Yes		Yes	Yes	Yes	Yes	
Timashevsk	Yes		Yes	Yes	Yes	Yes	
St. Petersburg	Yes		Planned 2015	Planned 2015			
Å&R Carton Lund	Yes	Yes	Yes	Yes	Yes	Yes	
Flextrus Lund	Yes	Yes	Yes (FSC)			Yes	Yes
Flextrus Halmstad	Yes	Yes				Yes	
Flextrus Highbridge	Yes	Yes				Yes	

FOOD SAFETY AND HYGIENE

Today, 11 of 14 plants are certified under BRC/IOP (hygiene management) and two plants are certified under FSSC 22000 (food safety). Further extension of certificates depends on customer requirements.

SOCIAL AND ETHICAL HUMAN RIGHTS

Social accountability audits of external independent partners are continuously conducted. The Group implements clear directives concerning human rights and child labour.

LABOUR

In the Group, annual meetings are arranged with working councils. Elimination of all forms of forced and compulsory labour as well as the use of child labour is legislated in all countries where AR Packaging has employees.

HEALTH AND SAFETY

Today, 9 of 14 plants perform regular (every three years) and successful social accountability audits by external independent company. All plants within the Group will be performing regular social audits until 2016.

INTERNATIONAL STANDARDS AND PROJECTS

AR Packaging has committed to international standards and projects requiring yearly public reporting on improvements. Since 2008, AR Packaging has been signatory to the UN Global Compact and, since 2014, it has also been participating in the Carbon Disclosure Project (CDP).

For further information, see AR Packaging's Sustainability Report 2014 which will be published in June, 2015.

UNFOLD

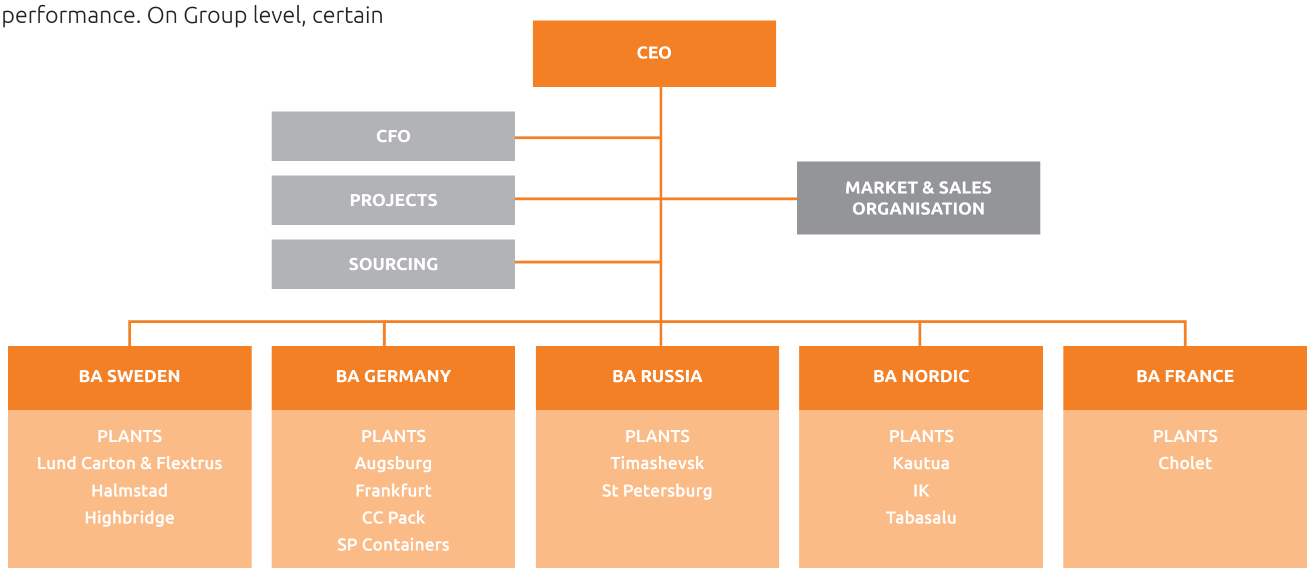
A new solution for wraps for Daunat was developed to meet high requirements on service, security of supply and long-term business optimization.

OUR ORGANISATION

ORGANISATIONAL STRUCTURE

AR Packaging is organised in geographically managed business areas (BA's) where the business area manager has full responsibility for operational and financial performance. On Group level, certain central functions coordinate joint Group activities and support the business areas, such as sourcing and key account management.

The CEO leads the Group through the Executive Management Team consisting of the BA management together with Group executives.



BA SWEDEN

NUMBER OF EMPLOYEES	400
TOTAL SALES	155 MEUR

The core focus of the business area is barrier-controlled packaging and its competence is understanding the specifics of such packaging and related customer needs. The business area's product portfolio consists of flexible barrier materials for the chilled food, dehydrated food and healthcare sectors, along with components for the barrier packaging system Cekacan. This system delivers airtight packaging containers for demanding powder products such as infant formula, coffee and tea, along with dust-controlled applications such as sugar, flour, tobacco and mixes.

The business area has four plants, which are located in Lund (2) and Halmstad in Sweden and in Highbridge in the UK. In total, around 400 people work for BA Sweden. There is an innovation centre in Lund, Sweden, with extensive development resources in terms of both equipment and materials.

BA GERMANY

NUMBER OF EMPLOYEES	420
TOTAL SALES	105 MEUR

The main activities of BA Germany are the two plants in Augsburg and Frankfurt. Augsburg concentrates on rotogravure production, while Frankfurt is an offset plant. The German operations offer a broad range of carton based products to the market and have an excellent innovation capability, which is well appreciated by the customers. A total of around 350 employees work for the German company. BA Germany also includes the business related to CC Pack in Sweden and SP Containers in UK, which are specialised in trays for food applications and containers mainly for ice cream, respectively.

BA RUSSIA

NUMBER OF EMPLOYEES	400
TOTAL SALES	80 MEUR

The business area's sales mainly derive from Russia and involve Branded Products. The business area operates through two production plants, one in Timashevsk in the southern part of Russia and one in St Petersburg. There is also a sales office in Moscow. The Russian company employs around 400 people.

BA NORDIC

NUMBER OF EMPLOYEES	150
TOTAL SALES	40 MEUR

BA Nordic consists of the Scandinavian market (except for the Swedish production plants) and the Baltic countries. The Nordic market is fragmented, with many customers from a large variety of market segments. BA Nordic has three production plants in Kauttua and Ingerois in Finland and in Tabasalu in Estonia. Sales representatives cover all Nordic and Baltic countries. Around 150 employees support all activities within the business area.

BA FRANCE

NUMBER OF EMPLOYEES	200
TOTAL SALES	50 MEUR

AR Packaging is the market leader in the food segment in France. Sales and volumes were stable in 2014, at about the same level as in 2013. The business operations and factory are located in Cholet in Western France and the business area has around 200 employees.

MARKET SEGMENTS

AR Packaging also has three market segments: Barrier Packaging, Branded Products and Food Packaging. For each market segment, there is a dedicated person assigned the strategic focus of developing the business in line with the overall Group strategy and targets.

The chart to the right shows the interaction between the market segments and the various business areas.

	BA Sweden	BA Germany	BA Russia	BA Nordic	BA France
Barrier Packaging	●	Some	–	Some	–
Branded Products	–	●	●	●	Some
Food Packaging	Some	●	●	●	●

UNIQUE PACKAGING EXPERTISE

AR Packaging holds unique expertise in many areas, where one is in sealing technology. It enables the company to provide the market with gas tight carton based packaging systems for the most demanding packed products. Proven high performance packaging technology ensures high production efficiency at the customers.

EMPLOYEES AND VALUES

QUALITY COMES WITH COMMITMENT

AR Packaging strongly believes that quality is achieved when the employees enjoy their work. Since satisfied, committed and engaged employees benefit the customers and the business, AR Packaging actively invests in the continuous education of its employees and teams as well as in improving the company's working processes.

The company strives to ensure that the employees enjoy opportunities for stimulating work offering scope for personal development, at the same time as participating in creating company growth. The group offers the opportunity to join a strong team of committed employees devoted to their work and having fun at work.

AR Packaging employees help to protect, shape and market the products and brands of leading companies using innovative and smart packaging solutions. It takes the efforts of these skilled and committed people – working as individuals and in teams – to help the customers stay ahead. This is why the group actively invests both in people and working processes.

GROWING THROUGH DIVERSITY

As a growing company, with business area operations in different geographic regions and locations, diversity is becoming an increasingly integral aspect across the Group. Each employee should have the knowledge and power to take initiatives that will help to develop and improve the overall performance. Sharing knowledge related to the businesses, products, production processes, routines and performance is strongly encouraged both within and across the business areas. The Group actively seeks to create diversity in terms of gender, languages, age, culture, skills and experiences – everything that will help to support the customers in the best possible way.

	2014		2013	
	Average no. of employees	Of whom male	Average no. of employees	Of whom male
Sweden	424	326	437	340
Estonia	43	23	41	22
Finland	117	74	122	79
France	204	160	210	165
Germany	345	297	360	303
United Kingdom	74	61	72	60
Russia	391	287	375	258
The United States	1	0	1	0
Norway	3	2	3	2
Group total	**1602**	**1230**	**1621**	**1229**

OUR CORE VALUES

OPENNESS AND TRUST
We want to share and learn and we believe in integrity and respect, transparency, trust and empowerment, always with a great concern for sustainability.

CLOSE TO CUSTOMER
We are available, engaged and committed. We are trustworthy and accountable. We understand and participate on all levels.

SUSTAINABILITY
We deliver packaging that saves more than it costs in the total value chain. We continuously work to minimise our environmental impact. We strive for long-term customer relationships.

INNOVATION
Our market knowledge, business leadership and challenging attitude make us the company that drives innovation in the industry. We have world-class capabilities to develop optimised solutions for our customers' needs. We are driven by focus and simplification.

PROFESSIONALISM AND COMPETENCE
We are seen as a truly professional company that always delivers quality, service and competence when looking for ways to optimise our customers' packaging. We possess core competencies and the skills necessary to meet our customers' requirements. Quality, flexibility and delivery are cornerstones of our solutions. We dare to participate and act.

SENSE OF URGENCY
We are a focused, committed and action-oriented company that always meets our customers with great flexibility.

OUR SYSTEM AND RULES BY WHICH AR PACKAGING IS DIRECTED AND CONTROLLED

ÅR Packaging Group AB is a Swedish public company. The company's governance is controlled via the Annual General Meeting (AGM), the Board and the CEO and Group management of AR Packaging in accordance with the Companies Act, the Articles of Association and the directives of the Board and CEO. Representatives from Group management are also included in the Board of Directors of each subsidiary.

OWNERSHIP STRUCTURE

ÅR Packaging Group AB's ownership structure as of 31 December 2014 is as follows:

- **Ahlström Capital Oy owns 64 percent through AC Pack BV.**
- **Accent Equity Partners owns 34 percent through the Ancalagon 10 AB Fund.**
- **The remaining 2 percent is owned by management and other shareholders.**
- **The total number of shareholders is 25.**

ARTICLES OF ASSOCIATION

The current Articles of Association were adopted at an Extraordinary General Meeting held on 18 June 2013. They specify that the company's registered office shall be in Lund, that the company is public, the election period of Directors and that each share carries one vote. For more information, see our company website.

ANNUAL GENERAL MEETING

At the AGM, shareholders decide on key issues. They establish financial statements, appropriate the company earnings, discharge Directors and the CEO from personal liability, elect Directors and auditors and decide on the remuneration of Directors and auditors.

Pursuant to the Companies Act, notice to attend the AGM of AR Packaging must be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice is to be issued by advertising in national publications and on the AR Packaging website. To participate in the AGM, shareholders must notify the company no later than the date specified in the notice.

The next AGM of the shareholders of AR Packaging will be held on Tuesday 28 April 2015 in Stockholm. More information about the AGM, notification etc. is available on the company website.

BOARD OF DIRECTORS

The AR Packaging Board of Directors decides on the company's business direction, strategy, business plan, resources and capital structure, organisation, acquisitions, major investments, divestments, annual and interim reports and other general issues of a strategic nature. The Board also appoints the CEO, who is responsible for ongoing management in accordance with instructions from the Board.

DIRECTORS

Directors are elected annually by the AGM until the next AGM. Pursuant to the Articles of Association, the Board is to consist of three to ten Directors and employee representatives.

Since the 2013 AGM, the Board consists of six Directors and four employee representatives (two ordinary and two deputies). The CEO is also a Director and the CFO regularly attends Board meetings, acting as secretary of the Board.

THE WORK OF THE BOARD

At the first regular Board meeting after the AGM, the Board agrees upon a written charter describing the Board's working practices. The outlined working practices indicate how work should be divided among the Directors and how often the Board should meet. The working practices also regulate items such as the Board's obligations, a charter for the CEO and the division of responsibilities between the Board and the CEO.

The Board has not established any separate committee or committees for audit and remuneration issues. These are handled within the framework of the regular work of the Directors. The Board meets according to a prearranged annual timetable and additional meetings are arranged if necessary. The Board had nine minuted meetings in 2014.

REMUNERATION OF SENIOR EXECUTIVES

Fees and other remuneration of Directors, including the Chairman, are resolved at the AGM. According to a resolution adopted at the AGM on 24 June 2014, the fees paid were to total SEK 110 000 to one external Director. Other Directors receive no remuneration.

The remuneration of the CEO and other members of management is paid in accordance with guidelines for remuneration of senior executives adopted by the Board. Remuneration should reflect market norms and consist of fixed and variable remuneration, other benefits

and pension. The variable remuneration must not exceed the basic salary.
AR Packaging has not granted any loans, extended or issued any guarantees or provided any security in favour of the AR Packaging's Directors, officers or auditors. None of the Directors, senior executives or auditors has directly or indirectly through an affiliate entered into transactions with AR Packaging.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of AR Packaging is Harald Schulz. The Board has adopted a charter for the CEO's performance and role. The CEO is responsible for the ongoing management of the Group's activities in accordance with the Board's guidelines.

As per December 31, 2014, Harald Schulz held 26 435 shares in ÅR Packaging Group AB. No related party of the CEO has any significant shareholding in ÅR Packaging Group AB. Harald Schulz has no ownership in companies with which the company has significant business relations.

CORPORATE MANAGEMENT AND CONTROL

Harald Schulz leads the Group's management and makes decisions in consultation with other members of management, consisting of business area managers and heads of Group functions.

The Group's executive management has nine Directors. In 2014, Group management held ten meetings. The items addressed at each meeting included a financial report, updates from each business area, key issues for AR Packaging regarding operational, strategic or marketing issues, investments and follow-up of these. Meetings also covered the business plan, strategic issues and plans and the budget for the coming year. The management team addresses both corporate matters and issues related to individual business areas. It makes regular visits to the subsidiaries, of which at least one is jointly visited.

In addition to the usual legal requirements that every company must comply with according to the country in which we are active, the Group's financial manual of policies and procedures must be followed regarding reporting and approval requirements and procedures applicable to investments, contract management, etc.

AUDITING

At the AGM on 24 June 2014, the company appointed Ernst & Young, with Johan Thuresson as the audtor-in-charge. The auditor audits the annual accounts and annual report and the company's ongoing operations and procedures to obtain an opinion of the financial accounting and the work of the CEO and Board of Directors. The annual report and financial statements are audited in January and February. The auditors participate in one Board meeting during the year connected to the determination of the annual accounts. In October, the auditors conduct an interim review of figures accumulated in September, known as a hard close.

Apart from AR Packaging, Ernst & Young has no assignments in companies over which a principal shareholder, a Director or the CEO of AR Packaging has a significant influence. Johan Thuresson is a Chartered Accountant and a member of the Swedish accounting authority, FAR SRS.

EXECUTIVE MANAGEMENT TEAM

HARALD SCHULZ

POSITION CEO since 2012

BORN 1964

WITH THE COMPANY SINCE 2001

NICLAS NYSTRÖM

POSITION CFO since 2005

BORN 1965

WITH THE COMPANY SINCE 2005

ANDREAS MORCIANO

POSITION Vice President Sales Confectionery & Premium since 2013

BORN 1968

WITH THE COMPANY SINCE 1999

PER NYSTRÖM

POSITION Vice President BA Sweden since 2012

BORN 1956

WITH THE COMPANY SINCE 2004

RAUNO VILJAKAINEN

POSITION Vice President BA Nordic since 2011

BORN 1966

WITH THE COMPANY SINCE 1995

NIKOLAI KUZMIN

POSITION Vice President BA Russia since 2012

BORN 1957

WITH THE COMPANY SINCE 1997

PIERRICK VAN HOORDE

POSITION Vice President BA France since 2012

BORN 1968

WITH THE COMPANY SINCE 1991

JOHN KLEINDOUWEL

POSITION Vice president Sales Food/FMCG since 2014

BORN 1960

WITH THE COMPANY SINCE 2014

PETER AICHHORN

POSITION Vice president Sales Tobacco since 2012

BORN 1964

WITH THE COMPANY SINCE 2000

BOARD OF DIRECTORS

HANS PETERSSON, CHAIRMAN, MEMBER OF THE BOARD SINCE 2011 (BORN 1951)

OTHER COMMITMENTS CEO at Dynea OY and board member of Skånska Energi.

PREVIOUS COMMITMENTS CEO at Superfos, CEO at Kraftproducts, President MoDo Paper AB and President MoDo Packaging.

PANU ROUTILA, VICE CHAIRMAN, MEMBER OF THE BOARD SINCE 2008 (BORN 1964)

OTHER COMMITMENTS President and CEO of Ahlström Capital Oy, Chairman of the Board: Enics AG, Ahlstrom Corporation, AC Cleantech Management Oy, Vice chairman of the Board: Destia Group Oyj Member of the Board: Ripasso Energy AB.

PREVIOUS COMMITMENTS CEO in Alteams Oy, Director in Drawn Copper Products and Outokumpu Group.

JAN OLSSON, MEMBER OF THE BOARD SINCE 2011 (BORN 1950)

OTHER COMMITMENTS Executive chairman and Founding Partner in Accent Equity Partners AB.

PREVIOUS COMMITMENTS CEO of KF Invest AB, CEO KF Industri AB and CEO BT Industries.

MARCUS JENNEKVIST, MEMBER OF THE BOARD SINCE 2014 (BORN 1985)

OTHER COMMITMENTS Analyst at Accent Equity Partners AB. Board member Motum AB.

PREVIOUS COMMITMENTS Investment banking at Carnegie Investment Bank.

SEBASTIAN BURMEISTER, MEMBER OF THE BOARD SINCE 2012 (BORN 1975)

OTHER COMMITMENTS CFO, Ahlström Capital Oy.

PREVIOUS COMMITMENTS Investment Manager at Ahlström Capital Oy and Investment Manager/Investment Director at Norvestia/Norventures.

HARALD SCHULZ, MEMBER OF THE BOARD SINCE 2014 (BORN 1964)

OTHER COMMITMENTS CEO and MD positions in the chemical industry.

PREVIOUS COMMITMENTS CEO Vice President for the business area Branded products at AR Packaging.

EWA MALMQUIST, MEMBER OF THE BOARD SINCE 2011 (BORN 1967)

Union representative.

EDDIE ERMAN, MEMBER OF THE BOARD SINCE 2014 (BORN 1968)

Union representative.

FINANCIAL STATEMENTS

The content of pages 37–73 has been audited.
This document is a translation from Swedish. In the event of any differences between this version and the Swedish original, the Swedish original shall govern.

DIRECTORS' REPORT 2014

The Board and CEO of ÅR Packaging Group AB (publ) Reg. No 556702-3006, herby submit the annual report for the 2014 financial year.

GENERAL INFORMATION ABOUT THE BUSINESS

AR Packaging was formed in 2011 by a merger of A&R Carton and Flextrus, and is one of Europe's leading companies in the packaging sector. Its core markets are the folding carton and the flexible packaging market in Europe. And by combining these areas of expertise we can be a true and reliable partner to our customers.

GROUP STRUCTURE AND OWNERSHIP

Ownership

The Company's shareholders:

	Participation:	Share of votes:
AC Pack BV (Ahlström Capital)	64%	64%
Ancalagon 10 AB (Accent)	34%	34%
Executive management	2%	2%
	100%	**100%**

AC Pack BV is a part of Ahlström Capital group, which parent company Ahlström Capital Oy (ultimate parent company) is based in Finland. Ahlström Capital is a private investment company and further information can be found at www.ahlstromcapital.com.

Ancalagon 10 AB is a fund run by Accent Equity Partners which is based in Stockholm. It is one of the leading private equity firms in the mid-market segment in the Nordic countries. For further information visit www.accentequity.se.

OPERATIONS IN 2014 AND COMMENTS ON THE FINANCIAL STATEMENTS

Sales

Net sales amounted to 404.3 MEUR (424.2) for the whole year 2014, which is a decline of 4.7 % compared to the same period previous year. Most of the volume decrease is coming from BA Sweden where we have closed some unprofitable product lines and taken out unprofitable business, thus substantially improving the operating profit.

In addition to this we have had a negative currency impact in the size of 6 MEUR related to the weakening of the Swedish krona compared to the same period last year.

For more information about the sales split by operating segment and geographical area, please see Note 5.

Earnings

The operating profit for the period January-December was 25.7 MEUR (21.5). Adjusted for non-recurring items (mainly costs related to the divestment process) the operating profit was 27.4 MEUR (24.1) with an operating margin of 6.8 % (5.7). EBITDA for 2014 was 42.5 MEUR (40.8) and the EBITDA margin was 10.5% (9.6).

For the whole year 2014 the financial net was -9.8 MEUR (-9.9). Translation effects have been negative in the period with -2.4 MEUR compared to -1.4 MEUR the same period last year.

The total reported tax expense for the year was 0.3 MEUR (3.0). Income tax expenses for 2014 has had a positive impact of 2.7 MEUR due to a change of deferred tax assets related to tax losses carry forward in Sweden.

As a result of the increased operating profit etc, the net profit increased to 15.6 MEUR (8.6).

Earnings per share for the whole year 2014 increased to 1.56 EUR from 0.86 EUR for the same period last year.

Research & development

Most of AR Packaging's development work takes place locally in close collaboration with the customer's development and marketing departments. Products developed within the framework of these programs are also launched very quickly.

Specific development projects are run within Performance Packaging in Lund, for the development of special packaging machines. These projects are of a more long term nature and provide revenues over a longer period, both in form of machine sales and sales of own developed packaging. We foresee a continued high level of interest in our packaging concepts and the outlook for new project orders in 2015 is promising.

Investments

Capital expenditures for the period was net 10.4 MEUR (10.7). The main part of the investments during the year were related to normal ongoing replacement investments. Depreciations and amortisations for the year amounted to 15.1 MEUR (16.6).

Cash flow and financial position

The Group's operating cash flow for 2014 was positive with 32.9 MEUR (17.4). Cash balance as per December 31st 2014 was 37.9 MEUR (26.9). Including not utilized overdraft facilities of 15.6 MEUR (14.0), the total cash available amounted to 53.5 MEUR (40.9) as per year end.

The Group's interest bearing net debt on December 31st 2014 was 87.1 MEUR (105.0). The calculated net debt to EBITDA was 2.1 times (2.6).

Employees

The total number of employees within AR Packaging was 1 602 as per December 31, 2014 (1 621 as per December 31, 2013). For more information see Note 16.

RISK MANAGEMENT

The Group is exposed to a number of operational and financial risks that the Group continuously monitors. Below is a description about the Group's management of various risks.

Operational risks

An international presence can involve complex situations that give rise to operational risks. This can apply to AR Packaging's relations with customers and suppliers and can, for example, relate to the ability of customers to pay or the quality and reliability of suppliers. AR Packaging is constantly reviewing its customers and suppliers. Price risk is another business risk that is managed in form of an ongoing, continuous dialogue between purchasing and sales, together with an increasingly coordinated harmonization of contracts within the group. AR Packaging has a relatively high dependence on a few customers with the ten biggest customers accounting for 58% (57%) of the group's total revenue.

Legal matters

On occasions, AR Packaging is a party in legal disputes relating to commercial activities. Management considers the likelihood of any material risk in this respect to be insignificant.

Insurable risks

AR Packaging has the usual insurance cover in respect of property and liability risks for the group.

Market risk

Market risk is the risk that fluctuations in market rates, such as currency exchange rates and interest rates, will impact the Group's profits or financial position.

Currency risk

The Group is partially exposed to currency risk as it operates internationally. The currency risk comprises both transaction exposure and translation exposure. Transaction exposure arises when the Group conducts purchasing and sales in another currency than Euro (EUR) which is the reporting currency of the Group. Transaction exposure is attributable to trade receivables and trade payables. However, the major part of the Groups sales and purchases are denominated in EUR. Transaction exposure relates primarily to Swedish kronor (SEK) and British Pounds (GBP).

The Group's objective is to minimize the short-term impact of movements in foreign exchange rates. This is mainly achieved by matching revenues and expenses in business transactions with currencies other than EUR. When matching cannot be achieved, the Group sometimes utilizes foreign exchange forward contracts for currency hedging. The currency hedging is performed by the Flextrus subgroup having SEK as functional currency.

Interest rate risk

Interest risk is attributable to fluctuations in market interest rates and their effect on the Group's loan portfolio. Consolidated interest-bearing loans and borrowings are subsequent to the refinancing during 2013, mainly subject to variable interest rate (3 months Euribor + 5.75%).

Liquidity risk

The Group is a net borrower and a refinancing risk arises in connection with the extension of existing loans and the raising of new loans. Access to external financing, which is affected by factors such as the general trend in the capital and credit markets, as well as the creditworthiness and credit capacity of the Group, may be limited and there may be unforeseen events and costs associated with this. Subsequent to the refinancing during 2013, the Group's liquidity risk has substantially decreased. The 80 MEUR bond loan has a maturity in mid-2017. The terms in the bond agreement gives us the possibility to issue additionally 35 MEUR bond financing during the term period of the bond loan. For the bond loan there are no covenant measures on a running basis, but if new financing is obtained there are certain incurrence covenants to be met with regards to interest coverage ratio and net debt in relation to EBITDA. For more information see under bond terms at our web-site.

Credit risk

When entering new business relationships and extending the existing ones, a commercial assessment is performed. The risk that payment will not be received on accounts receivable represents a customer credit risk. The Group applies credit policies to manage this risk by limiting the outstanding credit extended and terms for various customers. Short credit terms contribute to reducing credit risk. However the concentrations towards individual customers on the other hand increases the credit risk to some extent, even though the Group has had long-term relationships with those customers that are stable and did not experience any previous credit losses. Please refer to Note 25 for more information regarding risk concentration of trade receivables and provisions for doubtful accounts.

ENVIRONMENTAL IMPACT

AR Packaging and its subsidiaries work actively to minimize the environmental impact of their activities and the resulting products. All Swedish manufacturers operate businesses that require a permit under the Swedish Environmental Code. Around 80 % of sales are operations that require a permit. Operations involve the manufacturing of carton and plastic film packaging products designed for the food industry. The permits define volume levels/limits for the use of carton, plastic and the use of organic solvents, inks and varnish. These emissions affect the environment through evaporation, and to lesser extent through emissions to water and noise pollution.

PARENT COMPANY

The parent company, ÅR Packaging Group AB, is a holding company which provides some administrative services like general management and financing of the group. The net loss for the period January – December 2014 was -1.3 MEUR (- 1.6).

REMUNERATION

Remuneration to senior executives

Fees and other remuneration to Directors, including the Chairman, are decided at the AGM. In accordance with the resolution adopted at the AGM June 24, 2014; total fees paid amounted to a total of SEK 110 000 to one external member. Other board members receive no remuneration.

The remuneration of the CEO and other members of management are paid in accordance with guidelines for remuneration to senior executives set by the board. Remuneration should reflect market norms and consist of fixed and variable remuneration, other benefits and pension. The variable remuneration shall not exceed the basic salary.

AR Packaging has not granted any loans, extended or issued any guarantees or provided any security in favour of the AR Packaging's directors or officers . None of the directors or other senior executives have directly or indirectly through an affiliate, entered into transactions with AR Packaging.

Chief Executive Officer

The Chief Executive Officer of AR Packaging is Harald Schulz. The board has adopted a charter for the CEO's performance and role. The CEO is responsible for the ongoing management of the Group's activities in accordance with the board's guidelines.

As per December 31, 2014, Harald Schulz holds 26 435 shares in ÅR Packaging Group AB. No related party of the CEO has any significant shareholding in ÅR Packaging Group AB. Harald Schulz has no ownership in companies where the company has significant business relations.

WORK OF THE BOARD

At the first regular board meeting after the AGM, the board agrees upon a written charter describing the board's working practices. The outlined working practices indicate how work should be divided among the directors, and how often the board should meet. Further, the working practices regulate the board's obligations, a charter to the CEO, the era of responsibilities between the board and the CEO and more.

The board has not established any separate committee or committees for audit and remuneration issues. These are handled within the framework of regular director's work. The board meets according to a prearranged annual timetable and additional meetings are arranged if necessary. The board had nine minuted meetings in 2014.

EVENTS AFTER THE CLOSING DATE

AR Packaging has in January 2015 announced the acquisition of the European tobacco and general packaging operations of MeadWestvaco Corporation. The operations included in the agreement are three plants in Graz, Austria; Krakow, Poland; and Moscow, Russia and some additional carton business and related machinery in Svitavy, Czech Republic. Total turnover of the acquired operations is 146 MEUR and number of employees is around 700. AR Packaging estimates that the acquired business generates approximately 18 MEUR in EBITDA for 2014 (including contribution margin from the additional business). More than 10 MEUR of restructuring costs is expected over the next two years, potentially resulting in annualized synergy effects of up to 4 MEUR. The acquired business sales and EBITDA have been decreasing over the past few years but is expected to stabilize and increase. The value of the transaction is approximately 70 MEUR.

The company has during March 2015 performed a so called Tap-Issue in an amount of 35 MEUR from the existing Bond loan. The proceeds from this will be used as a part of the financing of the acquisition mentioned above.

OUTLOOK 2015

Looking ahead, 2015 will be a year of opportunities for AR Packaging. With the acquisition from MeadWestvaco Corporation (MWV), we will increase our strength and market presence for the benefit of our customers. With our devoted and skilled employees, we strongly believe that 2015 will be another successful year for AR Packaging.

Unrestricted equity in the Parent Company (EUR)	
Share premium reserve	51 671 505
Retained earnings	-2 040 606
Net loss for the year	-1 276 941
Total unrestricted equity in the Parent Company	**48 353 958**
The Board and the CEO propose that:	
Total unrestricted equity in the Parent Company be carried forward	48 353 958

CONSOLIDATED INCOME STATEMENT

TEUR	Note	2014	2013
Net sales	5	404 330	424 183
Cost of goods sold		-340 447	-364 581
Gross margin		**63 883**	**59 602**
Selling expenses	8	-11 915	-11 427
Administrative expenses	9	-23 427	-24 326
Research and development costs	10	-1 407	-1 778
Other operating income	11	4 450	5 172
Other operating expenses	12	-5 840	-5 746
Operating profit (EBIT) [1]		**25 744**	**21 497**
Financial income	13	207	211
Financial expenses	14	-10 013	-10 095
Profit before tax		**15 938**	**11 613**
Income tax expenses	15	-342	-2 970
Net profit for the period		**15 596**	**8 643**
Attributable to:			
Shareholders of the parent company		15 523	8 660
Non-controlling interests		73	-17
		15 596	**8 643**
[1]Of which non-recurring items		-1 644	-2 644
Earnings per share			
Net profit for the year attributable to shareholders of the parent company:			
Before and after dilution. EUR	30	1.56	0.86

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

TEUR	Note	2014	2013
Net profit for the period		**15 596**	**8 643**
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-1 145	-610
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined benefit plans	32	-4 753	393
Income tax effect	15	1 189	-118
Other comprehensive income for the period, net of tax		**-4 709**	**-335**
Total comprehensive income for the year, net of tax		**10 887**	**8 308**
Attributable to:			
Shareholders of the parent company		10 849	8 337
Non-controlling interests		38	-29
		10 887	**8 308**

CONSOLIDATED BALANCE SHEET

TEUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	20	37 390	38 348
Other intangible assets	21	3 033	3 572
Property, plant and equipment	22		
Buildings and land		9 754	10 597
Plant and machinery		58 680	65 193
Equipment, tools, fixtures and fittings		4 378	4 375
Construction in progress		3 534	2 396
Investments in joint venture	23	31	31
Non-current financial assets	24	239	296
Deferred tax assets	15	15 286	11 111
Total non-current assets		**132 325**	**135 919**
Current assets			
Inventories			
Raw materials and supplies		16 715	14 600
Work in progress		5 589	8 476
Finished goods and goods for resale		23 705	24 016
Total inventories		**46 009**	**47 092**
Trade receivables	25	51 178	53 833
Derivatives	26	2 675	18
Other receivables	27	4 813	5 587
Prepaid expenses and accrued income	28	4 715	4 311
Cash and cash equivalents	29	37 899	26 854
Total current assets		**147 289**	**137 695**
TOTAL ASSETS		**279 614**	**273 614**

TEUR	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Equity	30		
Share capital		4 999	4 999
Additional paid-in capital		51 672	51 672
Reserves		-2 830	-1 720
Retained earnings		25 232	13 273
Equity attributable to shareholders of the parent company		**79 073**	**68 224**
Equity attributable to non-controlling interests		339	301
Total equity		**79 412**	**68 525**
Non-current liabilities			
Interest-bearing loans and borrowings	31	86 875	87 217
Deferred tax liabilities	15	3 009	2 582
Provisions for defined benefit pensions	32	30 630	26 188
Total non-current liabilities		**120 514**	**115 987**
Current liabilities			
Interest-bearing loans and borrowings	31	7 665	18 431
Trade payables		38 311	41 218
Derivatives	26	2 325	149
Other payables	34	8 455	9 450
Accrued expenses and deferred income	35	19 190	17 357
Income tax liabilities		3 040	624
Other provisions	33	702	1 873
Total current liabilities		**79 688**	**89 102**
TOTAL EQUITY AND LIABILITIES		**279 614**	**273 614**
Pledged assets	37	74 023	74 853
Contingent liabilities	38	20 540	15 486

CONSOLIDATED CASH FLOW STATEMENT

TEUR	Note	2014	2013
Operating activities			
Profit before tax		15 938	11 613
Non-cash items	39	16 802	17 006
Working capital adjustments	39	2 384	-9 238
Income tax paid		-2 177	-2 013
Net cash flows from operating activities		**32 947**	**17 368**
Investing activities			
Purchase of property, plant and equipment		-1 034	-10 154
Purchase of intangible assets		-363	-517
Proceeds from sale or property, plant and equipment		25	0
Net cash flows from investing activities		**-10 372**	**-10 671**
Financing activities			
Proceeds from borrowings		0	86 898
Repayment of borrowings		-11 036	-71 584
Acquisition of non-controlling interests	7	0	-1 445
Net cash flows from financing activities		**-11 036**	**13 869**
Net cash flow for the period		**11 539**	**20 566**
Cash and cash equivalents at 1 January	29	26 854	6 566
Net foreign exchange differences		-494	-278
Cash and cash equivalents at 31 December	**29**	**37 899**	**26 854**

Cash flow from interest received amounts to 34 TEUR (29) and from interest paid -6 680 TEUR (-8 103).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Additional paid-in capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
1 January 2013	**4 999**	**51 672**	**-1 122**	**4 615**	**60 164**	**1 438**	**61 602**
Profit for the period	0	0	0	8 660	8 660	-17	8 643
Other comprehensive income	0	0	-598	275	-323	-12	-335
Acquisition of non-controlling interests	0	0	0	-277	-277	-1 108	-1 385
31 December 2013	**4 999**	**51 672**	**-1 720**	**13 273**	**68 224**	**301**	**68 525**

TEUR	Share capital	Additional paid-in capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
1 January 2014	**4 999**	**51 672**	**-1 720**	**13 273**	**68 224**	**301**	**68 525**
Profit for the period	0	0	0	15 523	15 523	73	15 596
Other comprehensive income	0	0	-1 110	-3 564	-4 674	-35	-4 709
31 December 2014	**4 999**	**51 672**	**-2 830**	**25 232**	**79 073**	**339**	**79 412**

PARENT COMPANY INCOME STATEMENT

TEUR	Note	2014	2013
Net sales		0	5
Administrative expenses	9	-1 217	-881
Other operating income	11	380	350
Other operating expenses	12	-241	0
Operating loss		**-1 078**	**-526**
Result from financial items			
Interest income and similar income	13	3 749	2 204
Interest expenses and similar expenses	14	-5 248	-3 235
Loss after financial items		**-2 577**	**-1 557**
Income tax	15	1 300	0
Net loss for the year		**-1 277**	**-1 557**

PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

TEUR	Note	2014	2013
Net loss for the year		**-1 277**	**-1 557**
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		-	-
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year, net of tax		**-1 277**	**-1 557**

PARENT COMPANY BALANCE SHEET

TEUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	21	103	0
Non-current financial assets			
Shares in subsidiaries	6	71 631	71 596
Non-current receivables group companies		57 500	57 500
Deferred tax assets	15	1 300	0
Total non-current assets		**130 534**	**129 096**
Current assets			
Current receivables			
Current receivables group companies		1 280	443
Other current receivables	27	14	15
Prepaid expenses and accrued income	28	17	0
Cash and bank	29	1 874	5 349
Total current assets		**3 185**	**5 807**
TOTAL ASSETS		**133 719**	**134 903**

TEUR	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Equity	30		
Restricted equity			
Share capital (10 000 100 shares)		4 999	4 999
Non-restricted equity			
Share premium reserve		51 672	51 672
Retained earnings		-2 041	-484
Net loss for the year		-1 277	-1 557
Total equity		**53 353**	**54 630**
Non-current liabilities			
Bond loan	31	79 075	78 705
Liabilities group companies		17	0
Total non-current liabilities		**79 092**	**78 705**
Current liabilities			
Trade payables		48	228
Other operating liabilities	34	104	106
Accrued expenses and deferred income	35	1 122	1 234
Total current liabilities		**1 274**	**1 568**
TOTAL EQUITY AND LIABILITIES		**133 719**	**134 903**
Pledged assets	37	71 631	71 596
Contingent liabilities	38	7 374	6 720

PARENT COMPANY CASH FLOW STATEMENT

TEUR	Note	2014	2013
Operating activities			
Loss before tax		-2 577	-1 557
Non-cash items	39	-903	-126
Working capital adjustments		126	-1 377
Net cash flows from operating activities		**-3 354**	**-3 060**
Investing activities			
Purchase of intangible assets		-103	0
Investments in subsidiaries		-35	-1 500
Investments in financial assets		0	-48 374
Net cash flows from investing activities		**-138**	**-49 874**
Financing activities			
Proceeds from borrowings		17	80 000
Repayment of borrowings		0	-21 741
Net cash flows from financing activities		**17**	**58 259**
Net cash flow for the period		-3 475	5 325
Cash and cash equivalents at 1 January	29	5 349	24
Cash and cash equivalents at 31 December	**29**	**1 874**	**5 349**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Share premium reserve	Retained earnings	Net loss for the year	Total
1 January 2013	**4 999**	**51 672**	**1 042**	**-1 526**	**56 187**
Appropriations as resolved by the AGM	0	0	-1 526	1 526	0
Net loss for the year	0	0	0	-1 557	-1 557
31 December 2013	**4 999**	**51 672**	**-484**	**-1 557**	**54 630**

TEUR	Share capital	Share premium reserve	Retained earnings	Net loss for the year	Total
1 January 2014	**4 999**	**51 672**	**-484**	**-1 557**	**54 630**
Appropriations as resolved by the AGM	0	0	-1 557	1 557	0
Net loss for the year	0	0	0	-1 277	-1 277
31 December 2014	**4 999**	**51 672**	**-2 041**	**-1 277**	**53 353**

NOTES

NOTE 1 – CORPORATE INFORMATION

The consolidated financial statements of the ÅR Packaging Group AB and its subsidiaries (collectively, the Group) for the year ended 31 December 2014 were authorized for issue in accordance with a resolution by the Board of Directors on 27 of March 2015. ÅR Packaging Group AB (the Company or the parent) is a limited liability company incorporated and domiciled in Sweden. The registered office is located at Maskinvägen 1 in Lund, Sweden.

AR Packaging was formed in 2011 by a merger of A&R Carton and Flextrus, and is today one of the leading companies in Europe in the packaging business. The Group creates added value to customers through a broad range of products and in-depth knowledge of packaging.

The ultimate parent of ÅR Packaging Group AB is Ahlström Capital Oy, a Finnish private investment company with its registered office located at Eteläesplanadi 14 in Helsinki, Finland. By the end of 2014 Ahlström Capital Oy owned through its fully owned subsidiary AC Pack BV 64% of the capital and votes in ÅR Packaging Group AB. Other major shareholder is the Accent Equity Funds, that trough the fund Ancalagon 10 AB represented 34% of the capital and the votes in ÅR Packaging Group AB. The remaining 2% of the capital and votes were owned by management executives.

Information on the Group's structure is provided in Note 6. Information on other related party relationships and transactions are provided in Note 18.

NOTE 2 – BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The Group's consolidated financial statements are presented in euro (EUR), which is also the parent company's functional currency. All values are rounded to the nearest thousand (TEUR), except when otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i. e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the parent company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, which have been identified as the Group's operating segments, which are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (i. e. operating segment) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Joint ventures

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The parties of the arrangement have the rights to the net assets of the joint venture.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss within operating profit (EBIT) and represents profit or loss after tax and non-controlling interests in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group currently has interests in only one dormant joint venture. The carrying amount in the statement of financial position corresponds to the cost at initial recognition.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is presented as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.
A liability is presented as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

The fair values of derivative financial instruments not included in hedge accounting relationships are presented as current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 38.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from rendering services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest income related to financial instruments measured at amortised cost is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in financial income in the statement of profit or loss.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences and tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the tax losses carried forward can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currencies

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates for the period.

The exchange differences arising on translation for consolidation are recognised in other comprehensive income and accumulated in the currency translation reserve in equity. On disposal of a foreign operation, the component of the currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs
- Classified as held for sale or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Office buildings 25–50 years
- Industrial buildings 25–50 years
- Plant and machinery 3–15 years
- Equipment, tools, fixtures and fittings 3–15 years

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

When the Group is a lessee, finance leases are recognised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Finance leases are arrangements that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in financial expense in the income statement. The leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Leases in which the Group is the lessor and where substantially all the risks and benefits of ownership of an asset are not transferred, are classified as operating leases.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group does not have any borrowings costs at present having been capitalized.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less provisions for depreciation and impairment.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not regognised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite and are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation periods and the amortisation methods are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisa-

tion period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.
Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of goods sold. During the period of development, the asset is tested for impairment annually.

Amortisation is calculated on a straight-line basis over the estimated useful lives as follows:

- Development expenditures 5 years
- Patents 5 years

Financial assets
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

For purposes of subsequent measurement financial assets are classified in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial investments

Financial assets at fair value through profit or loss include financial assets held for trading. Derivatives are classified as held for trading. The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as:

- Other operating income (positive net changes in fair value of foreign currency forward contracts)
- Other operating expense (negative net changes in fair value of foreign currency forward contracts)
- Financial income (positive net changes in fair value of interest swaps)
- Financial expense (negative net changes in fair value of interest swaps)

The category loans and receivables is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in financial income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in financial expense for loans and in other operating expenses for receivables.

This category generally applies to trade receivables. For more information on receivables, refer to Note 25.

Available-for-sale (AFS) financial investments include cash and bank balances and potential equity investments. After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognised in OCI until the investment is derecognized or impaired, at which time the cumulative gain or loss is recognised in the statement of profit or loss.

Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss (other operating expenses). Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

If a write-off is later recovered, the recovery is credited to other operating income in the statement of profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or other financial liabilities, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. This category includes derivative financial instruments. The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial liabilities when the fair value is negative.Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as:

- Other operating income (positive net changes in fair value of foreign currency forward contracts)
- Other operating expense (negative net changes in fair value of foreign currency forward contracts)
- Financial income (positive net changes in fair value of interest swaps)
- Financial expense (negative net changes in fair value of interest swaps)

The other financial liabilities category is most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance expenses in the statement of profit or loss.

This category generally applies to trade payables, interest-bearing loans and borrowings. For more information refer Note 31.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Hedge accounting

The Group does not apply hedge accounting at present.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Goodwill has specific characteristics for impairment testing and is tested annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (which corresponds to the Groups operating segments) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financial expense.

Contingent liabilities
Contingent liabilities are present obligations that have arisen from past events, such as rental agreements, possible defaults of deliveries in the ordinary course of business for which the group has guarantee commitments and sales of accounts receivable under factoring agreements. Contingent liabilities are not recognized in the statement of financial position because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations. However, since it cannot be precluded that an outflow of resources embodying economic benefits can be required to settle the obligations, the Group discloses the possible contingencies separately.

Pensions
The Group operates defined benefit pension plans in Germany and France, both unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises changes in the net defined benefit obligation relating to service costs (comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements) under "Selling expenses" and "Administrative expenses" in the consolidated statement of profit or loss, while changes in the defined benefit obligation relating to interest expense are recognised under "Financial expenses" in the consolidated statement of profit or loss.

The Group also provides defined benefit plan for white collar employees in Sweden which is secured by a plan provided by Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a multi-employer defined benefit plan. The Group has not had access to information that would permit recognition of the plan as a defined benefit plan, which is why the pension plan is accounted as a defined contribution plan.

Under a defined contribution plan, the Group pays predetermined contributions into a fund (a separate legal entity) and has no further legal or constructive obligation to make further payments. The pension cost to be recognized in the period is the contribution payable in exchange for service rendered by employees during the period.

The remaining pension arrangements of the Group are defined contribution plans.

Parent company's accounting objectives

The parent company prepares Annual Reports according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. RFR 2 implies that the parent company's annual report for the legal entity must apply all, by the EU approved, IFRS and statements as far as possible within the frame of the Annual Accounts Act and considering the connection between accounting and taxation. The recommendation states what exceptions and supplements that must be made compared with accounting according to IFRS.

The following differences exist between the Group's and the parent company's accounting objectives: Participations in subsidiaries are accounted for in the parent company according to the cost method.

The parent company observes the Annual Accounts Act's format for the income statement and statement of financial position, which among other things implies another format for equity.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The areas where judgements, assumptions and estimates are most significant to the Group and which may affect the financial statements if changed are described below:

Impairment testing of goodwill

Goodwill is tested for impairment annually. The necessary calculations require management to make an estimate of the expected future cash flows attributable to the cash generating units (i. e. operating segments to which goodwill have been allocated) and appropriate discount rates used in order to discount the cash flows. Assumptions made regarding impairment testing, including a sensitivity analysis, is described in Note 20.

Provisions for defined benefit pension

The provision for defined benefit pension plans is dependent on the actuarial assumptions, which include discount rates, changes in health care costs, inflation, salary increases, retirement rates, mortality rates and other factors. The discount rate assumptions are based on the long-term return on high quality corporate bonds and if they are not available government bonds at year-end. Assumptions about changes in health care costs are based on historical data, future prospects and assessed long-term trends. The assumptions of inflation are based on external market indicators. The assumptions about wage growth reflect the long-term actual experience, outlook and assumed inflation. Pension levels and mortality is mainly based on official statistics. Please refer to Note 32 for details of the assumptions used in the actuarial calculations of the defined benefit pension plans.

Useful lives of property, plant and equipment

The Group makes estimates regarding the useful live of each significant part of property, plant and equipment based on current and historical experience. The estimated useful lifes are reviewed at the end of each financial year. However it cannot be precluded that the final usage (useful life) of individual items of property, plant and equipment may significantly differ from the estimates made by management.

NOTE 4 – CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Significant accounting policies, judgements, estimates and assumptions under IFRS are summariezed in Note 2 and Note 3. Applied accounting policies include new and amended standards and interpretations issued by IASB and endorsed by EU, which are effective as at 31 December 2014. The following new and amended standards and interpretations are not yet effective or have not been endorsed by EU, but will be effective for financial years starting after 1 January 2014. None of these have been applied when preparing the group's financial report for the year 2014.

IFRS 9 Financial Instruments

IFRS 9 is a new standard that was completed in July 2014 and will replace parts of IAS 39. IFRS 9 is effective from 1 January 2018 and the Group has not evaluated the potential impact that the new standard may have on the Group's accounts.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is a new standard covering specific issues entities operating businesses that are rate-regulated. The standard is effective for financial years starting on of after 1 January 2016 but has not yet been endorsed by EU. Since the Group does not operate rate-regulated activities, the standard is not expected to have any effect of the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective from 1 January 2017 and the group has not evaluated the potential impact it may have.

IAS 19 Employee Benefits (amendment)

The amendment is effective on financial years starting on 1 July 2014 or later and endorsed by EU 17 December 2014. The amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to the service should be attributed to each service period. The amendment is not expected to have any impact on the Group's accounts.

IFRIC 21 Levies

IFRIC 21 is effective on financial years starting on 1 January 2014 or later, endorsed by EU 13 June 2014. The interpretation clarifies when provisions for levies shall be recognized. Levies are fees/taxes imposed by governments on entities except for income taxes, penalties and fines. The interpretation states that a provision shall be recognized when an entity has an obligation to pay the levy as a result of a past event. Provision is recognized progressively if the obligating event occurs continuously. The new interpretation is expected to have limited effect on the Group's financial statements.

NOTE 5 – OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the strategic steering committee and used to make strategic decisions.

For management purposes, the Group is organised into business areas (BA) based on geographic areas and products. The Group has five reportable segments, as follows:

BA Sweden – constituting of the Flextrus group and Å&R Carton Lund activities in Sweden

BA Germany – constituting of the A&R Carton German activities as well as CC Pack and SP Containers

BA Russia – A&R Carton Russian activities

BA France – A&R Cartons French operations

BA Nordic – A&R Cartons Finnish and Estonian operations as well as the Scandinavian sales organization

The chief operating decision maker within the Group is the Executive Management Team, consisting of the chief executing officer, the chief financial officer and the BA managers. The Executive Management team monitors the operating results of its business areas separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit (EBIT) and is measured consistently with operating profit (EBIT) in the consolidated financial statements. The Group's financing (including financial expenses and financial income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Year ended 31 December 2014	BA Sweden	BA Germany	BA Russia	BA France	BA Nordic	Other, eliminations	Group total
Net sales:							
External customers	142 357	102 760	78 915	50 103	29 287	908	404 330
Inter-segment	10 241	2 602	0	28	10 516	-23 387	0
Total net sales	**152 598**	**105 362**	**78 915**	**50 131**	**39 803**	**-22 479**	**404 330**
Net operating expenses	-142 139	-96 907	-75 687	-48 373	-36 427	22 591	-376 942
whereof depreciation and amortisation	-4 241	-3 898	-3 692	-2 034	-923	-319	-15 107
Operating profit (EBIT1)	**10 459**	**8 455**	**3 228**	**1 758**	**3 376**	**112**	**27 388**
Non-recurring items	-869	517	-1	-114	-6	-1 171	-1 644
Operating profit (EBIT)	**9 590**	**8 972**	**3 227**	**1 644**	**3 370**	**-1 059**	**25 744**

Year ended 31 December 2013	BA Sweden	BA Germany	BA Russia	BA France	BA Nordic	Other, eliminations	Group total
Net sales:							
External customers	150 834	107 791	82 384	50 635	31 859	680	424 183
Inter-segment	9 479	1 020	47	426	9 712	-20 684	0
Total net sales	**160 313**	**108 811**	**82 431**	**51 061**	**41 571**	**-20 004**	**424 183**
Net operating expenses	-152 426	-99 065	-78 681	-49 615	-38 328	18 073	-400 042
whereof depreciation and amortisation	-4 817	-4 218	-3 784	-2 179	-1 017	-597	-16 612
Operating profit (EBIT1)	**7 887**	**9 746**	**3 750**	**1 446**	**3 243**	**-1 931**	**24 141**
Non-recurring items	-1 941	-47	-144	-207	-8	-297	-2 644
Operating profit (EBIT)	**5 946**	**9 699**	**3 606**	**1 239**	**3 235**	**-2 228**	**21 497**

Consolidated net sales per geographical market are distributed based on the locations of the customers:

Net sales per geographical market	2014	2013
Russia	75 837	82 884
France	55 514	63 162
Germany	55 429	55 343
Sweden	38 380	43 370
Great Britain	32 434	30 970
Ireland	27 946	20 583
Finland	22 065	22 182
The Netherlands	17 923	24 740
Rest of Europe	72 352	72 993
Other markets	6 450	7 956
Total	**404 330**	**424 183**

Net sales coming from our two biggest customers, which both individually stands for more than 10% of the total net sales, amounted to 133 220 TEUR (135 918 TEUR), 84 681 TEUR (89 698 TEUR) and 48 539 TEUR (46 220 TEUR) respectively.

Consolidated net sales divided per product area:

Net sales per product area	2014	2013
Barrier Packaging	138 123	140 950
Branded Products	129 672	135 509
Food Packaging	136 535	147 724
Total	**404 330**	**424 183**

The Group's non-current assets consisting of intangible assets (including goodwill), property, plant and equipment, investment properties and investments in joint ventures, are attributable to the following countries:

Non current assets	2014	2013
Sweden	51 645	59 445
Germany	28 278	28 958
Russia	19 411	22 578
Other countries	17 466	13 531
Total	**116 800**	**124 512**

NOTE 6 – GROUP INFORMATION AND SHARES IN SUBSIDIARIES

AR Packaging was created in 2011 when A&R Carton and Flextrus joined forces and is today amongst the leading companies in the European packaging sector. The business is divided into three main segments; Barrier Packaging, Branded Products and Food Packaging.

The companies within the Group are operating through the following brands/names:

- A&R Carton (offering innovative carton-packaging concepts to a wide range of consumer market segments)
- Flextrus (offering advanced flexible packaging solutions to food and healthcare customers)
- CC Pack (offering high quality trays mainly for food applications)
- SP Containers (offering innovative direct fill containers based on paperboard to the food processing and packaging industry)

Specification of shares in subsidiaries in ÅR Packaging Group AB.

	Parent company	
Shares in subsidiaries	**Dec 31, 2014 TEUR**	**Dec 31, 2013 TEUR**
Opening acquisition value	71 596	70 096
Acquisition A&R Carton Austria GmbH	35	-
Shareholders contribution Flextrus Holding AB	-	1 500
Closing acquisition value	**71 631**	**71 596**
Closing book value	**71 631**	**71 596**

The consolidated financial statements of the Group include besides the parent company also the following subsidiaries:

Name	Reg. No.	Domicile	Share of equity Dec 31, 2014	Share of equity Dec 31, 2013	Number of shares	Book value Dec 31, 2014 TEUR
Å&R Carton AB	556050-0554	Lund, Sweden	100%	100%	171 769	55 083
A&R Carton AS	NO934180941	Skjeberg, Norway	100%	100%		
A&R Carton North America Inc.	22-2781794	Delaware, USA	100%	100%		
A&R Carton Oy	0946631-7	Eura, Finland	100%	100%		
A&R Carton Beteiligungen GmbH	HRB 53237	Kriftel, Germany	100%	100%		
A&R Carton GmbH	HRB 52899	Kriftel, Germany	100%	100%		
BIL Leasing Verwaltungs-GmbH & Co 891 KG [1]	HRA 78290	Pullach, Germany	-	100%		
A&R Carton Frankfurt GmbH	HRB 53930	Kriftel, Germany	100%	100%		
A&R Carton Holding GmbH	HRB 53322	Kriftel, Germany	100%	100%		
ZAO A&R Carton Kuban	1022304838863	Timashevsk, Russia	100%	100%		
A&R Carton AS	10399612	Tabasalu, Estonia	100%	100%		
Tabasalu Kinnistute OU [2]	12027429	Tabasalu, Estonia	-	100%		
A&R Carton SA	380137711	Cholet Cedex, France	100%	100%		
A&R Carton CdF SA	552037384	Cholet Cedex, France	100%	100%		
A&R Carton Ltd	04608307	Leicester, Great Britain	100%	100%		
Å&R Carton Lund AB	556044-6063	Lund, Sweden	100%	100%		
CC Pack Holding AB	556648-2617	Tibro, Sweden	100%	100%		
CC Pack AB	556124-6629	Tibro, Sweden	100%	100%		
Combi Craft AB	556650-3370	Tibro, Sweden	100%	100%		
Specialty Paperboard Containers Ltd [3]	4862237	Rotherham, Great Britain	73%	73%		
Flextrus Group AB	556754-0678	Lund, Sweden	100%	100%	100 000	16 513
Flextrus AB	556754-1049	Lund, Sweden	100%	100%		
Flextrus Ltd	06371607	Highbridge, Great Britain	100%	100%		
Flextrus Halmstad AB	556061-1674	Halmstad, Sweden	100%	100%		
A&R Carton Austria GmbH [4]	FN 427561 t	Vienna, Austria	100%	-	3 500	35
						71 631

[1] The Group's voting rights in the special purpose entity are corresponding to 0% (10%). The entity was created to accomplish a narrow and well-defined objective, which was to lease the building in Augsburg to A&R Carton GmbH. Irrespective of the limited voting rights, the group was through separate agreement exposed and had rights to variable returns from the involvement in the investee and had the ability to affect those returns through its power over the investee. The building was acquired by A&R Carton GmbH during 2014 and the shareholding disposed.

[2] Tabasalu Kinnistute OU was merged into A&R Carton AS during 2014.

[3] The Group's voting rights in Specialty Paperboard Containers Ltd are corresponding to 67% (67%). The remaining capital and voting rights are held by local management and employees.

[4] The shares in the dormant subsidiary A&R Carton GmbH in Austria were acquired during 2014.

The group has a 50% interest in EmiCorp SA, a joint venture with domicile in Belgium, which currently is dormant and has no activities.

NOTE 7 – BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS

There have not been any business combinations during 2013 or 2014. The Group's purchase of the shares in the Estonian real estate entity Tabasalu Kinnistute OU has been accounted for as an assets deal.

On 5 July 2013, the Group acquired an additional 30% interest in the shares of CC Pack Holding AB, increasing its ownership interest to 100%. Cash consideration of 1 445 TEUR was paid to the non-controlling shareholders. The carrying value of the net assets of CC Pack Group (excluding goodwill on the original acquisition) was 1 169 TEUR. Following is a schedule of additional interest acquired in CC Pack Group:

	TEUR
Cash consideration paid to non-controlling shareholders	1 445
Carrying value of the additional interest in CC Pack Group	1 168
Difference recognized in retained earnings within equity	**277**

NOTE 8 – SELLING EXPENSES

	2014	2013
Personnel expenses	6 917	7 917
Marketing expenses	4 998	3 510
Total	**11 915**	**11 427**

NOTE 9 – ADMINISTRATIVE EXPENSES

	Group		Parent company	
	2014	**2013**	**2014**	**2013**
Personnel expenses	12 365	11 999	312	310
External services	869	843	326	0
Travelling expenses	1 166	2 198	13	20
IT expenses	1 995	2 021	3	0
Other administative expenses	7 032	7 265	563	551
Total	**23 427**	**24 326**	**1217**	**881**

NOTE 10 – RESEARCH & DEVELOPMENT COSTS

	2014	2013
Personnel expenses	1 060	1 356
Other research & development cost	347	422
Total	**1 407**	**1 778**

NOTE 11 – OTHER OPERATING INCOME

	Group		Parent company	
	2014	**2013**	**2014**	**2013**
Gain on sale of property, plant & equipment	900	385	0	0
Net exchange rate gains on current assets and current liabilities in foreign currency	1 144	430	0	0
Net gain on foreign currency forward contracts	0	187	0	0
Reversal of provision and accruals	583	1 765	0	0
Other	1 823	2 405	380	350
Total	**4 450**	**5 172**	**380**	**350**

NOTE 12 – OTHER OPERATING EXPENSES

	Group		Parent company	
	2014	2013	2014	2013
Loss on sale of property, plant & equipment	117	864	0	0
Net exchange rate losses on current assets and current liabilities in foreign currency	2 271	1 376	0	0
Net losses on foreign currency forward contracts	42	222	0	0
Restructuring cost	2 417	2 165	241	0
Other	993	1 119	0	0
Total	**5 840**	**5 746**	**241**	**0**

NOTE 13 – FINANCIAL INCOME

	Group		Parent company	
	2014	2013	2014	2014
Interest income	34	29	3 498	2 058
Net gain on interest rate swaps	0	33	0	0
Net exchange rate gains on non-current financial assets and non-current financial liabilities in foreign currencies	173	149	251	146
Total	**207**	**211**	**3 749**	**2 204**

NOTE 14 – FINANCIAL EXPENSES

	Group		Parent company	
	2014	2013	2014	2013
Interest on loans and borrowings	6 653	7 437	4 847	2 854
Net exchange rate losses on non-current financial assets and non-current financial liabilities in foreign currencies	2 596	1 545	22	20
Other	764	1 113	379	361
Total	**10 013**	**10 095**	**5 248**	**3 235**

NOTE 15 – INCOME TAX

The major components of income tax are:

	Group		Parent company	
	2014	2013	2014	2013
Current tax				
Current tax expense	-3 005	-2 485	-	-
Adjustments of previous year	-49	0	-	-
Total current tax	**-3 054**	**-2 485**	**0**	**0**
Deferred tax				
Origination and reversal of temporary differences	-769	-2 830	0	0
Tax losses	3 481	2 345	1 300	0
Total deferred tax	**2 712**	**-485**	**1 300**	**0**
Total income tax	**-342**	**-2 970**	**1 300**	**0**

Reconciliation of effective tax rate:

	Group		Parent company	
	2014	2013	2014	2013
Accounting profit before income tax	**15 938**	**11 613**	**-2 577**	**-1 557**
Tax calculated using Swedish tax rate 22%	-3 506	-2 555	567	343
Difference between Swedish and foreign tax rates	-297	-358	0	0
Non-taxable income	117	665	0	0
Non-deductible expenses	-275	-1 011	0	0
Utilisation of previously not recognised tax losses	409	1 475	0	0
Tax losses not recognised	-1 733	-995	0	-343
Revaluation of tax losses	4 992	-191	733	0
Adjustment of previous years current income tax	-49	0	0	0
Effective income tax group (2.1% respective 25.6%)	**-342**	**-2 970**	**1 300**	**0**
Total income tax for the period	**-342**	**-2 970**	**1 300**	**0**

In addition to above, deferred income tax income has been charged to other comprehensive income with 1.2 MEUR (-0.1 MEUR) relating to re-measurement losses on defined benefit plans.

Deferred tax assets and deferred tax liabilities in 2014 relates to the following:

	Group		Parent company	
2014	**Assets**	**Liabi-lities**	**Assets**	**Liabi-lities**
Tax losses carry forward	10 550	0	1 300	0
Provisions for defined benefit pensions	4 109	0	0	0
Property, plant and equipment	0	1 137	0	0
Untaxed reserves	0	1 122	0	0
Other	627	750	0	0
Total	**15 286**	**3 009**	**1 300**	**0**

	Group		Parent company	
2013	**Assets**	**Liabi-lities**	**Assets**	**Liabi-lities**
Tax losses carry forward	7 222	0	0	0
Provisions for defined benefit pensions	2 617	0	0	0
Property, plant and equipment	267	90	0	0
Untaxed reserves	0	1 184	0	0
Other	1 005	1 308	0	0
Total	**11 111**	**2 582**	**0**	**0**

Deferred tax assets are recognized for tax losses carry forwards to the extent that it is probable that they can be utilized to reduce future taxable profits. Recognised tax losses carry forward are relating to the following countries:

	2014		2013	
	MEUR	**Tax rate**	**MEUR**	**Tax rate**
Sweden	36	22%	20	22%
France	8	33%	8	33%

Tax losses carry forward in Sweden and France may be utilized against future tax income and are not limited in time. In France there is a maximum amount to be used each year.

In addition to the above recognized tax losses carry forwards, the Group has unrecognized tax losses carry forward in France 53 MEUR and Norway 18 MEUR, that might be utilized to reduce future taxable profits but are not recognized due to uncertainty of the possibility to generate enough taxable profits in the near future. No tax losses carry forward are limited in time.

Reconciliation of net deferred tax assets:

	2014	**2013**
Opening balance as at 1 January	8 529	9 038
Tax expense for the period recognized in profit or loss	2 712	-485
Tax income for the period recognized in other comprehensive income	1 189	-118
Other	0	127
Translation differences	-153	-33
Closing balance as at 31 December	**12 277**	**8 529**

NOTE 16 – EMPLOYEE BENEFITS AND NUMBER OF EMPLOYEES

	2014		2013	
	Average number of employees	**Of which male**	**Average number of employees**	**Of which male**
Sweden	424	326	437	340
Estonia	43	23	41	22
Finland	117	74	122	79
France	204	160	210	165
Germany	345	297	360	303
United Kingdom	74	61	72	60
Russia	391	287	375	258
Norway	3	2	3	2
United States	1	0	1	0
Total	**1 602**	**1 230**	**1 621**	**1 229**

The Board of Directors is constituted of 8 (8) persons (including 2 (2) persons appointed by the Union), thereof 7 (7) male members.

Other senior executives are 9 (9) male members.

Employee benefit expenses (including salaries and other fixed and variable remuneration, value of benefits in kind, payroll overhead, pension costs etc) are specified below:

	2014	**2013**
Salaries and other remuneration	54 244	57 096
Social security cost	15 984	16 379
Pension cost	4 225	4 284
Total	**74 453**	**77 759**

Salaries and other remuneration to the Board of Directors and the Chief Executing Officer (CEO) and other employees respectively:

	2014		2013	
	Salaries and other remuneration (of which bonuses)	Pension costs	Salaries and other remuneration (of which bonuses)	Pension costs
Board of Directors, CEO and other senior executives	1 937 (505)	207	1 974 (467)	212
Other employees	52 307 (1 802)	4 018	55 122 (165)	4 072
Total	**54 244 (2 307)**	**4 225**	**57 096 (732)**	**4 284**

Pension costs in the Group are distributed as follows:

	2014	2013
Defined benefit plans	578	671
Defined contribution plans	3 647	3 613
(thereof multi-employer plan funded at Alecta)	(530)	(647)

Commitments for retirement pensions and family pensions for salaried employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a defined benefit plan that covers several employers. The Group has not had access to information that makes it possible to report this plan as a defined benefit plan. The pension plan secured through insurance with Alecta is recognized as a defined contribution plan. Paid pension fees to Alecta amount to 530 TEUR (647 TEUR). Any surplus in the Alecta multi-employer plan may be distributed to policyholders and/or the insured persons. By the end of each financial year, Alecta's surplus amounted to the following percentages:

	2014	2013
Funding ratio	143%	148%

The funding ratio is the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial assumptions, which do not comply with IAS 19.

NOTE 17 – REMUNERATION OF BOARD MEMBERS, CEO AND OTHER SENIOR EXECUTIVES

Principles for remuneration

The Chairman of the Board and the other Board members are not entitled to remuneration in their acting role as Board members with the exception of Hans Petersson, external Board member, who receives 110 TSEK per year.

Remuneration of the CEO and other members of management are paid in accordance with guidelines for remuneration to senior executives produced by the Board. Remuneration should reflect market norms and consist of fixed and variable remuneration, other benefits and pension. The variable remuneration shall not exceed the basic salary. The CEO receives an annual gross salary of 300 TEUR and has the opportunity to achieve a bonus equivalent upto 100% of his annual basic salary based on predetermined targets. He shall also be entitled to certain other benefits such as company car.

Remuneration to other senior excecutives is decided by the CEO after previous consultation with the Board. Remuneration is paid as monthly basic salary, variable remuneration and other benefits. Variable remuneration is based on predetermined targets.

Pension costs

The pension costs related to the CEO are consisting of defined contribution payments amounting to 45 TEUR (51 TEUR) and includes except from the normal statutory pension cost an additional pension agreement corresponding to 15% (15%) of the fixed annual salary.

The pension costs to other senior excecutives are consisting of defined contribution payments corresponding to the standard rules in respective country/company.

Employment termination and severance payments

The CEO has 12 months of notice period upon termination of the employment from the Company and 12 months when self terminating the employment. During the notice period, the CEO has right to full payment of the base salary and other benefits, regardless if there is obligation to work or not for the CEO. Severance payment is maximized to 12 months salary in case of termination of the employment from the Company's side.

Other senior executives have in general 12 months of notice period upon termination of the employment from the Company and 6 months when self-terminating the employment. During the notice period, there is entitlement of full payment of the base salary and other benefits, regardless if there is obligation to work or not. Entitlement to severance payments does not exist for other senior excecutives.

The tables below are specifying remuneration to Board menbers, CEO and other senior executives:

2014	Salaries/ board fee	Bonuses	Other benefits	Pension costs	Total
Board members:					
Hans Petersson	12	0	0	0	12
Panu Routila	0	0	0	0	0
Jan Ohlsson	0	0	0	0	0
Marcus Jennekvist	0	0	0	0	0
Harald Schulz	0	0	0	0	0
Sebastian Burmeister	0	0	0	0	0
CEO:					
Harald Schulz	300	235	7	45	587
Other senior excecutives:					
(8 persons)	1 077	270	36	162	1 545
Total	**1 389**	**505**	**43**	**207**	**2 144**

2013	Salaries/ board fee	Bonuses	Other benefits	Pension costs	Total
Board members:					
Stig Gustavsson	0	0	0	0	0
Panu Routila	0	0	0	0	0
Jan Ohlsson	0	0	0	0	0
Carl Furstenbach	0	0	0	0	0
Hans Petersson	13	0	0	0	13
Sebastian Burmeister	0	0	0	0	0
CEO:					
Harald Schulz	300	210	7	51	568
Other senior excecutives:					
(8 persons)	1 152	257	35	161	1 605
Total	**1 465**	**467**	**42**	**212**	**2 186**

NOTE 18 – TRANSACTIONS WITH RELATED PARTIES

In below tables, transactions with related parties are specified.

All transactions with related parties have been carried out on an "arms-length" principle.

	2014	2013
Sales to related parties		
AC Tabasalu Kinnistute OU	0	1
Purchases from related parties		
AC Tabasalu Kinnistute OU	0	12

In addition to above, the Group acquired during 2013 the shares in the Estonian real estate entity Tabasalu Kinnistute OU from AC Real Estate BV. The consideration paid for 100% of the shares and votes amounted to 669 TEUR.

Remunerations to Board Members, CEO and other senior excecutives are presented in Note 17.

NOTE 19 – REMUNERATION OF AUDITORS

	2014	2013
EY:		
Audit fees related to the assignment[1]	376	392
Other audit assignments	412	251
Tax consultation	61	0
	849	**643**
Other firms:		
Audit fees related to the assignment[1]	31	27
Other services	382	490
	413	**517**

[1] The audit assignment refers to fees for the statutory audit, i. e. such work that is necessary to issue the audit report as well as audit advice provided in connection with the audit engagement.

NOTE 20 – GOODWILL

The Group's goodwill has arisen from past business combinations and is allocated to the following cash generating units (which corresponds to reportable segments):

- BA Sweden
- BA Germany
- BA Russia

The development of goodwill is specified in below table:

	2014	2013
Opening balance as at 1 January	**38 348**	**38 635**
Translation differences	-958	-287
Closing balance as at 31 December	**37 390**	**38 348**

The allocation of the carrying amount of the goodwill is specified below:

	BA Sweden	BA Germany	BA Russia	Total
Carrying amount of goodwill 2014	21 570	9 139	6 681	37 390
Carrying amount of goodwill 2013	22 528	9 139	6 681	38 348
Carrying amount of goodwill 2012	22 815	9 139	6 681	38 635
Carrying amount of goodwill 2011	22 569	9 139	6 681	38 389

The Group provides goodwill impairment testing on annual basis as at 31 December. Impairment is determined by assessing the recoverable amount of each cash generating unit to which the goodwill relates. The recoverable amount of a cash generating unit is determined based on estimates of value in use. These calculations are based on estimated future cash flows before tax, based on financial budget and forecast approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term growth rate of the packaging market in which the relevant cash generating units operates.

Key assumptions used for the calculations of value in use:

2014	BA Sweden	BA Germany	BA Russia
Gross margin*	24.5%	22.7%	19.5%
Growth rate **	2.0%	2.0%	2.0%
Discount rate ***	11.0%	11.8%	12.7%

2013	BA Sweden	BA Germany	BA Russia
Gross margin*	23.5%	21.9%	19.8%
Growth rate**	2.0%	2.0%	2.0%
Discount rate***	11.3%	10.9%	10.9%

** Estimated gross margin*
*** Weighted average growth rate used to extrapolate cash flows beyond the budget period*
**** Pre-tax discount rate used in calculating the present value of estimated future cash flows*

Management has determined the budgeted gross margins based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the various operating segments.

For BA Sweden the recoverable amount exceeded the carrying amount with 82 MEUR. A decrease in gross margin by 4,8%, a reduction of the growth rate of 4,5% or an increase in the discount rate to 17,7% would eliminate the margin.

For BA Germany the recoverable amount exceeded the carrying amount with 44 MEUR. A decrease in gross margin by 3,7%, a reduction of the growth rate of 3,6% or an increase in the discount rate to 14,7% would eliminate the margin.

For BA Russia the recoverable amount exceeded the carrying amount with 19 MEUR. A decrease in gross margin by 2,5%, a reduction of the growth rate of 2,4% or an increase in the discount rate to 15,2% would eliminate the margin.

NOTE 21 – OTHER INTANGIBLE ASSETS

	Group		Parent company	
Capitalized development expenses	**2014**	**2013**	**2014**	**2013**
Opening acquisition value	**10 956**	**10 915**	**0**	**0**
Additions	333	543	103	0
Sales/disposals	-348	-227	0	0
Reclassifications	546	0	0	0
Translation differences	-405	-275	0	0
Closing accumulated acquisition value	**11 082**	**10 956**	**103**	**0**
Opening accumulated amortisations	**-7 414**	**-7 143**	**0**	**0**
Sales/disposals	348	182	0	0
Amortisations	-743	-626	0	0
Reclassifications	-546	173	0	0
Translation differences	253	0	0	0
Closing accumulated amortisations	**-8 102**	**-7 414**	**0**	**0**
Net book value at the end of the year	**2 980**	**3 542**	**103**	**0**

Capitalized development expenses mainly refer to development of packaging systems in A&R Carton Lund.

	Group		Parent company	
Patents	**2014**	**2013**	**2014**	**2013**
Opening acquisition value	**516**	**517**	**0**	**0**
Additions	30	11	0	0
Sales/disposals	0	-12	0	0
Reclassifications	10	0	0	0
Translation differences	-1	0	0	0
Closing accumulated acquisition value	**555**	**516**	**0**	**0**
Opening accumulated amortisations	**-486**	**-483**	**0**	**0**
Sales/disposals	0	3	0	0
Amortisations	-13	-6	0	0
Reclassifications	-4	0	0	0
Translation differences	1	0	0	0
Closing accumulated amortisations	**-502**	**-486**	**0**	**0**
Net book value at the end of the year	**53**	**30**	**0**	**0**

The cost of amortisation of intangible assets has affected the following functions in the statement of profit or loss:

	Group		Parent company	
	2014	**2013**	**2014**	**2013**
Cost of goods sold	756	632	0	0
Total depreciations	**756**	**632**	**0**	**0**

NOTE 22 – OTHER TANGIBLE ASSETS

Buildings and land	**2014**	**2013**
Opening acquisition value	**27 499**	**26 288**
Additions	827	1 331
Sales/disposals	-881	0
Reclassifications	215	77
Translation differences	-283	-197
Closing accumulated acquisition value	**27 377**	**27 499**
Opening accumulated amortisations	**-16 902**	**-15 931**
Sales/disposals	134	0
Depreciations	-943	-1 018
Reclassifications	0	0
Translation differences	88	47
Closing accumulated amortisations	**-17 623**	**-16 902**
Net book value at the end of the year	**9 754**	**10 597**

Plant and machinery	**2014**	**2013**
Opening acquisition value	**191 537**	**192 634**
Additions	4 912	11 831
Sales/disposals	-4 097	-9 842
Reclassifications	3 792	0
Translation differences	-3 291	-3 086
Closing accumulated acquisition value	**192 853**	**191 537**
Opening accumulated amortisations	**-126344**	**-120127**
Sales/disposals	3 340	4 986
Depreciations	-12 109	-13 183
Reclassifications	-1 312	0
Translation differences	2 252	1 980
Closing accumulated amortisations	**-134173**	**-126344**
Net book value at the end of the year	**58 680**	**65 193**

Equipment, tools, fixtures and fittings	2014	2013
Opening acquisition value	**28 075**	**28 281**
Additions	1 159	1 059
Sales/disposals	-415	-715
Reclassifications	378	177
Translation differences	-955	-727
Closing accumulated acquisition value	**28 242**	**28 075**
Opening accumulated amortisations	**-23 700**	**-23 343**
Sales/disposals	333	715
Depreciations	-1 299	-1 713
Reclassifications	-32	0
Translation differences	834	641
Closing accumulated amortisations	**-23 864**	**-23 700**
Net book value at the end of the year	**4 378**	**4 375**

Construction in progress	2014	2013
Opening acquisition value	**2 396**	**1 680**
Additions	3 631	1 819
Reclassifications	-2 385	-1 026
Translation differences	-108	-77
Closing accumulated acquisition value	**3 534**	**2 396**

The cost of depreciation of property, plant and equipment has affected the following functions in the statement of profit or loss:

	2014	2013
Cost of goods sold	14 351	15 980
Total depreciations	**14 351**	**15 980**

Of the net book value of property, plant and equipment, 7 213 TEUR (12 808 TEUR) relates to leased machinery under finance lease agreements.

The operating lease income for 2013 amounts to 925 TEUR. The operating lease agreement has a lease term until until year 2016 with an annual fee of 881 TEUR.

NOTE 23 – INVESTMENTS IN JOINT VENTURE

The Group has 50% interest in EmiCorp SA. Since EmiCorp SA is dormant with no activities, the carrying amount corresponds to the cost of acquisition.

NOTE 24 – NON-CURRENT FINANCIAL ASSETS

Specification of the Group's non-current assets:

	2014	2013
Deposits	202	215
Participations in other companies	28	53
Other	9	28
Total	**239**	**296**

	2014	2013
Carrying amount as at 1 January	**296**	**210**
Additions	0	90
Disposals	-57	-4
Carrying amount as at 31 December	**239**	**296**

NOTE 25 – TRADE RECEIVABLES

	2014	2013
Trade receivables	51 581	54 165
Provision for doubtful trade receivables	-403	-332
Trade receivables, net	**51 178**	**53 833**

The provision for doubtful trade receivables has the following aging analysis:

	2014	2013
Not due	45	18
<30 days	0	0
30-90 days	0	0
91-180 days	17	52
>180 days	341	262
Total provisions for doubtful trade receivables	**403**	**332**

As at 31 December, trade receivables amounting to 5 801 TEUR (7 709 TEUR) were due but without any impairment deemed necessary. The overdue receivables relate to a number of customers who have not had any payment difficulties and from which the Group did not in previous periods have any imparment losses and does not expect any impairment losses related to the unpaid trade receivables.

The aging analysis of these trade receivables, which is past due but not impaired is as follows: The provision for doubtful trade receivables has the following aging analysis:

	2014	2013
<30 days	5 034	6 584
30-90 days	76 1	911
91-180 days	4	60
>180 days	2	153
Total	**5 801**	**7 709**

The provision for doubtful trade receivables corresponds to 1% (1%) of total trade receivables and has changed as follows:

	2014	2013
Provision as at 1 January	**332**	**479**
Addition of provisions for expected losses	155	129
Realized losses	-30	-98
Reversal of unused provisions	-43	-179
Translation differences	-11	1
Provision as at 31 December	**403**	**332**

Addition of provisions for expected losses are included in other operating expenses in the statement of profit or loss, while reversal of unused amounts is included in other operating income in the statement of profit or loss.

NOTE 26 – DERIVATIVES

The Group's derivates are consisting of the following items:

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	2 675	2 325	18	149

NOTE 27 – OTHER RECEIVABLES

	Group		Parent company	
	2014	2013	2014	2013
VAT recoverable	1 798	2 061	0	0
Other	3 015	3 526	14	15
Total	**4 813**	**5 587**	**14**	**15**

NOTE 28 – PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent company	
	2014	2013	2014	2013
Prepaid rental expenses	1 046	1 288	0	0
Prepaid license fees	8	166	0	0
Accrued bonus income	2 009	977	0	0
Other	1 652	1 880	17	0
Total	**4 715**	**4 311**	**17**	**0**

NOTE 29 – CASH AND CASH EQUIVALENTS

	Group		Parent company	
	2014	2013	2014	2013
Bank balances	37 899	26 854	1 874	5 349
Total	**37 899**	**26 854**	**1 874**	**5 349**

NOTE 30 – EQUITY

The Parent company, ÅR Packaging Group AB, has issued 10,000,100 shares of which:

- 3 500 000 A-shares
- 6 500 000 B-shares and
- 100 C-shares

All share types have the same voting rights, however there is a difference regarding dividends and the residual capital share between the different share types in accordance with the provisions in the Company's Articles of Association. For more information, please refer to the Company's web page www.ar-packaging.com where a copy of the latest version of the Company's Articles of Association can be found.

Reserves are consisting of exchange differences on translation of foreign operations.

Earnings per share are calculated by dividing the profit attributable to the parent company's shareholders by the weighted average number of ordinary shares outstanding during the period.

	2014	2013
Profit attributable to the shareholders of the parent company	15 523	8 660
Weighted average number of outstanding ordinary shares	10 000 100	10 000 100
Earnings per share before and after dilution	**1.56**	**0.86**

NOTE 31 – INTEREST-BEARING LOANS AND BORROWINGS

	Group		Parent company	
	2014	2013	2014	2013
Bond loan	79 075	78 705	79 075	78 705
Loans from credit institutions	9 435	16 052	0	0
Finance lease obligations	5 425	9 164	0	0
Loans from group companies	0	0	17	0
Other loans	605	1 727	0	0
Total	**94 540**	**105 648**	**79 092**	**78 705**
thereof non-current portion	86 875	87 217	79 092	78 705
thereof current portion	7 665	18 431	0	0

On 9 July 2013, the Parent company issued a four year 80 MEUR Senior Secured High Yield Bond, with final maturity on 9 July 2017. The bond loan has floating coupon of 3 months Euribor + 5.75% which is paid quarterly. In connection to the issuance of the bond, directly attributable transaction cost amounting to 1 295 TEUR were recognized as part of the initial cost of the bond loan.

As part of the refinancing during mid 2013, the Group repaid the vast majority of the loans from credit institutions (mainly Nordea and Handelsbanken) and loans from related parties. Moreover, some other loans were repaid and also some finance lease agreements were terminated. The interest rates paid on the repaid interest-bearing loans and borrowings (excluding finance lease agreements) were in the range between 5% and 10%. For more information of loans from related parties please refer to Note 18.

The Group has the following overdraft facilities:

	2014	2013
Overdraft facilities granted	17 536	17 753
Used amounts (presented as loans from credit institutions)	1 981	3 791

Below is a specification of the Group's finance lease obligations:

	2014	2013
Minimum lease payments:		
within 1 year	941	3 510
within 2-5 years	4 885	6 606
later than 5 years	115	83
Total minimum lease payments	**5 941**	**10 199**
Amount representing interest	-516	-1 035
Carrying amount of finance lease obligations	**5 425**	**9 164**
thereof non-current portion	4 642	6 231
thereof current portion	783	2 933

NOTE 32 – PROVISIONS FOR DEFINED BENEFIT PENSIONS

The Group has a couple of defined benefit pension plans, where the pension plan in the German operation is the most significant. The defined pension plans are based on employee pensionable remuneration and length of service. All plans are unfunded.

The Group's provision for defined benefit plans is related to the following countries:

	2014	2013
Germany	29 170	24 979
Other countries	1 460	1 209
Total	**30 630**	**26 188**

The change of the provision for defined benefit pensions is specified in the table below:

	2014	2013
Carrying amount as at 1 January	**26 188**	**25 837**
Pension cost charged to profit or loss		
Service cost of current period	170	166
Service cost of past periods	16	205
Net interest expense	927	934
Remeasurement gains/losses in other comprehensive income		
Actuarial gains/losses	4 753	393
Benefits paid	-1 424	-1 347
Carrying amount as at 31 December	**30 630**	**26 188**

The main actuarial assumptions are specified below:

	2014	2013
Discount rate:		
Germany	2.0%	3.5%
Future salary increases:		
Germany	2.0%	2.0%
Future pension increases:		
Germany	1.65%	1.65%
Life expectation for the pensioners at the age of 65:		
Germany	20.89 years	20.75 years

The sensitivity of the overall pension liability to changes in the most significant weighted assumptions are:

	Change in ass-umption	Impact on net pension provision
Discount rate:		
Germany	+/- 0.5%	+/- 2 040 TEUR
Future salary increases:		
Germany	+/- 0.5%	+/- 170 TEUR
Future pension increases:		
Germany	+/- 0.5%	+/- 1 677 TEUR
Life expectation for the pensioners at the age of 65:		
Germany, female	+/- 1 years	+/- 1 281 TEUR

NOTE 33 – OTHER PROVISIONS

	2014		2013	
	Re-struc-turing provi-sions	**Other provi-sions**	**Re-struc-turing provi-sions**	**Other provi-sions**
As at 1 January	**1 448**	**425**	**4 262**	**273**
Additional provisions	16	28	0	254
Reversed unused amounts	0	-49	0	170
Utilised during the year	-998	-142	-2 814	-272
Reclassification	-200	200	0	0
Translation differences	-22	-4	0	0
As at 31 December	**244**	**458**	**1 448**	**425**
thereof non-current portion	0	0	0	0
thereof current portion	244	458	1 448	425

NOTE 34 – OTHER PAYABLES

	Group		Parent company	
	2014	**2013**	**2014**	**2013**
Advanced payments	0	1 634	0	0
Employee with-holding taxes	859	864	0	0
Social security liability	3 047	2 982	0	0
VAT Payable	1 743	978	0	0
Other	2 806	2 992	104	106
Total	**8 455**	**9 450**	**104**	**106**

NOTE 35 – ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent company	
	2014	**2013**	**2014**	**2013**
Holiday pay (incl. social charges)	4 140	5 075	0	0
Personnel cost	4 382	2 596	0	45
Production cost	971	756	0	0
Provision for complaints	1 531	407	0	0
Interest	1 075	1 102	1 075	1 102
Other	7 091	7 421	47	87
Total	**19 190**	**17 357**	**1 122**	**1 234**

NOTE 36 – FINANCIAL RISK MANAGEMENT

The Group is exposed to a number of financial risks that the Group continuously monitors. The overall objective is to minimize the Group's market, credit and liquidity risk exposures. Below is a description about the Group's management of various financial risks.

Market risk
Market risk is the risk that fluctuations in market rates, such as currency exchange rates and interest rates, will impact the Group's profits or financial position.

Currency risk
The Group is partially exposed to currency risk as it operates internationally. The currency risk comprises both transaction exposure and translation exposure. Transaction exposure arises when the Group conducts purchasing and sales in another currency than Euro (EUR) which is the reporting currency of the Group. Transaction exposure is attributable to trade receivables and trade payables. However, the major part of the Groups sales

and purchases are denominated in EUR. Transaction exposure relates primarily to Swedish kronor (SEK) and British Pounds (GBP).

The Group's objective is to minimize the short-term impact of movements in foreign exchange rates. This is mainly achieved by matching revenues and expenses in business transactions with currencies other than EUR. When matching cannot be achieved, the Group sometimes utilizes foreign exchange forward contracts for currency hedging. The currency hedging is performed by the Flextrus subgroup having SEK as functional currency.

Based on income and expenses in foreign currencies for 2014, it is estimated that a change of +/- 5 percent in the EUR against SEK would entail an effect of about +/- 518 TEUR (336) in operating result, while a change of +/- 5 percent in the EUR against GBP would entail an effect of about +/- 51 TEUR (44) in operating result.

Upon consolidation of the non-Euro functional currency subsidiaries net assets, translation differences are arising that are affecting other comprehensive income. Based on conditions in 2014, it is estimated that a change of +/- 5 percent in the EUR against SEK would entail an effect of about +/- 642 TEUR (523) in other comprehensive income, while a change of +/- 5 percent in the EUR against GBP would entail an effect of about +/- 237 TEUR (209) in other comprehensive income.

Interest rate risk

Interest risk is attributable to fluctuations in market interest rates and their effect on the Group's loan portfolio. Consolidated interest-bearing loans and borrowings are subsequent to the refinancing during 2013, mainly subject to variable interest rate (3 months Euribor + 5.75%). Prior to the refinancing, the Group had some interest rate swaps.

At the end of the year, the total interest-bearing loans and borrowings amounted to 94 540 TEUR (105 648 TEUR). Interest-bearing assets in the form of non-current financial assets and cash and cash equivalents amounted to 37 899 TEUR (26 854 TEUR). Based on conditions by the end of 2014, a change in interest rates of 1 percent would affect consolidated net financial items by approximately 900 TEUR (900 TEUR).

Liquidity risk

The Group is a net borrower and a refinancing risk arises in connection with the extension of existing loans and the raising of new loans. Access to external financing, which is affected by factors such as the general trend in the capital and credit markets, as well as the creditworthiness and credit capacity of the Group, may be limited and there may be unforeseen events and costs associated with this. Subsequent to the refinancing during 2013, the Group's liquidity risk has substantially decreased. The 80 MEUR bond loan has a maturity in mid 2017. The terms in the bond agreement gives us the possibility to issue additionally 35 MEUR bond financing during the term period of the bond loan.

In the below tables the undiscounted cash-outflows are disclosed according to the terms and conditions of financial liabilities excluding derivatives:

As at 31 December 2014	<1 year	1-2 years	2-5 years	>5 years	Total
Interest-bearing loans and borrowings	7 665	6 003	80 252	620	**94 540**
Trade payables	38 311	0	0	0	**38 311**
Other payables	8 455	0	0	0	**8 455**
Accrued expenses	19 190	0	0	0	**19 190**
Total	**73 621**	**6 003**	**80 252**	**620**	**160 496**

As at 31 December 2013	<1 year	1-2 years	2-5 years	>5 years	Total
Interest-bearing loans and borrowings	18 431	3 857	83 360	0	**105 648**
Trade payables	41 218	0	0	0	**41 218**
Other payables	9 450	0	0	0	**9 450**
Accrued expenses	17 357	0	0	0	**17 357**
Total	**86 456**	**3 857**	**83 360**	**0**	**173 673**

Credit risk

When entering new business relationships and extending the existing ones, a commercial assessment is performed. The risk that payment will not be received on accounts receivable represents a customer credit risk. The Group applies credit policies to manage this risk by limiting the outstanding credit extended and terms for various customers. Short credit terms contribute to reducing credit risk. However the concentrations towards individual customers on the other hand increases the credit risk to some extent, even though the Group has had long-term relationships with those customers that are stable and did not experience any previous credit losses. Please refer to Note 25 for more information regarding risk concentration of trade receivables and provisions for doubtful accounts.

Fair values of financial instruments

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities.

As at 31 December 2014	Carrying amount	Fair value	Hierarchy level
Assets measured at fair value			
Derivatives			
Currency forward contracts	2 675	2 675	2
Available-for-sale financial assets	–	–	
Cash and cash equivalents	37 899	37 899	1
Assets for which fair value is disclosed			
Loans and receivables			
Non-current financial assets	239	239	2
Trade receivables	51 178	51 178	2
Other receivables	3 015	3 015	2
Accrued income	4 715	4 715	2
Liabilities measured at fair value			
Derivatives			
Currency forward contracts	2 325	2 325	2
Liabilities for which fair value is disclosed			
Interest-bearing loans and borrowings			
Bond loan	79 075	79 866	2
Loans from credit institutions	9 435	9 435	2
Finance lease	5 425	5 425	2
Other loans	605	605	2
Trade payables	38 311	38 311	2
Other payables	2 806	2 806	2
Accrued expenses	9 137	9 137	2

There have been no transfers between the different hierarchy levels during the period.

Fair value on current financial assets and liabilities are assessed agree with the carrying amount due to the short maturity.

NOTE 37 – PLEDGED ASSETS

	Group		Parent company	
	2014	2013	2014	2013
Property mortgages	2 691	2 856	0	0
Floating charges	13 377	14 704	0	0
Pledged accounts receivable	0	847	0	0
Pledged shares in subsidiaries	57 954	56 446	71 631	71 596
Total	**74 023**	**74 853**	**71 631**	**71 596**

NOTE 38 – CONTINGENT LIABILITIES

	Group		Parent company	
	2014	2013	2014	2013
Gurantee commitments	7 410	6 720	7 374	6 720
Factoring commitments	13 130	8 766	0	0
Total	**20 540**	**15 486**	**7 374**	**6 720**

NOTE 39 – RECONCILIATION BETWEEN PROFIT BEFORE TAX AND NET CASH FLOW

	Group		Parent company	
Non-cash items	2014	2013	2014	2013
Depreciation and impairment of property, plant and equipment	14 351	15 980	0	0
Amortization and impairment of intangible assets	756	632	0	0
Unrealised exchange rate differences	3 667	3 131	-903	-126
Unrealised changes in fair values of derivatives	-481	222	0	0
Gain/loss on sale of property, plant and equipment	394	479	0	0
Changes in provisions	-2 563	268	0	0
Other	678	-3 706	0	0
Total	**16 802**	**17 006**	**-903**	**-126**

WORKING CAPITAL ADJUSTMENTS

	2014	2013
Increase/decrease in inventories	159	-1 200
Increase/decrease in trade and other receivables	1 012	-42
Increase/decrease in trade and other payables	1 213	-7 996
Total	**2 384**	**-9 238**

NOTE 40 – COMMITMENTS

Operating leases
The Group leases various plant and machinery under cancellable operating leases. Leasing expenses amounting to 9 137 TEUR (7 984 TEUR) for the leasing of buildings and machinery is included in the statement of profit or loss.

The significant leased facilities under operating lease agreements relate to:

- A&R Carton facilities in Kriftel, Germany – lease term until 2023.
- A&R Carton facilities in Lund, Sweden – lease term until 2019.
- A&R Carton facilities in France – lease term until 2024.
- A&R Carton facilities in Sankt Petersburg and Timashevsk, Russia – lease terms until 2016 and 2017 respectively.
- Flextrus facilities in Lund and Halmstad, Sweden. The lease term regarding the facilities in Lund and Halmstad is until 2019.
- Flextrus facilities in Highbridge, United Kingdom – lease term until 2022.

The future aggregate minimum lease payments under non-cancellable operating leases:

	2014	2013
Within 1 year	6 993	7 608
Between 1 and 5 years	20 247	18 688
More than 5 years	11 269	7 906
Total	**38 509**	**34 202**

NOTE 41 – SIGNIFICANT EVENTS AFTER THE YEAR-END

AR Packaging has in January 2015 announced the acquisition of the European tobacco and general packaging operations of MeadWestvaco Corporation. The operations included in the agreement are three plants in Graz, Austria; Krakow, Poland; and Moscow, Russia and some additional carton business and related machinery in Svitavy, Czech Republic. Total turnover of the acquired operations is 146 MEUR and number of employees is around 700. AR Packaging estimates that the acquired business generates approximately 18 MEUR in EBITDA for 2014 (including contribution margin from the additional business). More than 10 MEUR of restructuring costs is expected over the next two years, potentially resulting in annualized synergy effects of up to 4 MEUR. The acquired business sales and EBITDA have been decreasing over the past few years but is expected to stabilize and increase. The value of the transaction is approximately 70 MEUR.

The company has during March 2015 performed a so called Tap-Issue in an amount of 35 MEUR from the existing Bond loan. The proceeds from this will be used as a part of the financing of the acquisition mentioned above.

THE BOARD'S ASSURANCE

The Board of Directors and CEO hereby affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU and provide a fair and a true view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting principles and provides a fair and true view of the Parent company's financial position and results.

The Directors' report for the Group and Directors' report for the Parent company provide fair and true overviews of the development of the operations, financial position and results of the Group and Parent company and describe significant risks and uncertainty factors facing the Parent company and the Group, as well as companies in the Group.

Lund, 27-03-2015

Hans Petersson
Chairman of the board

Harald Schulz
CEO and board member

Panu Routila
Board member

Jan Ohlsson
Board member

Sebastian Burmeister
Board member

Marcus Jennekvist
Board member

Ewa Malmquist
Board member
(Union representative)

Eddie Erman
Board member
(Union representative)

AUDITOR'S REPORT

To the annual meeting of the shareholders of ÅR Packaging Group AB, corporate identity number 556702-3006

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of ÅR Packaging Group AB for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 37-73.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 2014 and of its financial performance and its cash flows 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of ÅR Packaging Group AB for the year 2014.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual 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.

Malmö, 27 March 2015

Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

FINANCIAL DEFINITIONS

CAPITAL EMPLOYED
Total assets less non-interest bearing liabilities.

EARNINGS PER SHARE
Net earnings, excluding non-controlling interests, divided by average number of shares.

EBITDA
Operating profit excluding non-recurring items and amortisation and depreciation of fixed assets.

EQUITY RATIO
Shareholders' equity including non-controlling interests as a percentage of total assets.

GEARING RATIO
Net debt as a percentage of total equity.

NET DEBT
Total interest bearing liabilities (including pension liability) less cash and cash equivalents.

OPERATING PROFIT (EBIT 1)
Operating profit excluding non-recurring items.

OPERATING MARGIN
Operating profit (EBIT 1) as a percentage of net sales for the year.

RETURN ON CAPITAL EMPLOYED
Twelve months to end of period profit after financial items, excluding non-recurring items, plus financial expenses as a percentage of twelve months to end of period average capital employed.

RETURN ON EQUITY
Twelve months to end of period net profit excluding non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests.

MULTI-YEAR SUMMARY – GROUP

TEUR	2014	2013	2012	2011 *	2010 *
Net sales	404 330	424 183	412 267	402 320	353 825
Operating profit	25 744	21 497	-1 154	1 748	1 607
Operating margin (%)	6.4%	5.1%	-0.3%	0.4%	0.5%
Profit/loss after financial items	15 938	11 613	-8 738	-4 000	-2 599
Balance sheet, total assets/liabilities	279 614	273 614	269 184	276 980	215 007
Equity/assets ratio (%)	28.4%	25.0%	22.9%	23.4%	20.8%
Number of employees	1 602	1 621	1 916	2 016	1 762

* The figures for 2010-2011 have not been converted into IFRS.

FINANCIAL CALENDAR 2015

AGM WILL BE HELD ON APRIL 28, 2015 IN STOCKHOLM

Quarter 1 report 2015
29 April, 2015 (08.00)

Quarter 2 report 2015
11 August, 2015 (08.00)

Quarter 3 report 2015
23 October, 2015 (08.00)
Audit review

Quarter 4 report 2015
18 February, 2016 (08.00)

Annual report 2015
April, 2016

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