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PROPOSAL BY THE BOARD OF DIRECTORS OF BILLERUD AB (PUBL) ("BILLERUD") TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS 2011 REGARDING THE INTRODUCTION OF THE LONG TERM INCENTIVE PROGRAM AND TRANSFER OF SHARES UNDER THE PROGRAM

a) INTRODUCTION OF LONG TERM INCENTIVE PROGRAM ("LTIP 2011")

1.1 Background

The 2010 Annual General Meeting decided to introduce a stock related long term incentive program for Billerud ("LTIP 2010") and transfer of shares under the program. The program is conditioned on the participants (managers and other key employees) investing in Billerud shares (which are either already held or acquired on the market) which will be "locked up" in the program. For each share the participants invest in and lock in LTIP 2010 the participants are free of charge allotted so-called "Matching Share Rights" and "Performance Share Rights". Each share right entitles the participants, after a three year vesting period, to, free of charge, receive shares in Billerud, provided that certain conditions are met. The conditions are linked to the participant's continued employment and ownership of the shares, and the fulfillment of certain financial and operational objectives. The intention was that LTIP 2010 would be succeeded by similar programs in the coming years.

The Board proposes a new long term incentive plan ("LTIP 2011") based on essentially the same conditions as LTIP 2010. The basic principles for compensation under LTIP 2010 and LTIP 2011 are that the compensation shall be dependent on the creation of long term shareholder value and the fulfillment of Billerud's financial objectives. The main difference between LTIP 2010 and LTIP 2011 is that LTIP 2011 comprises only 20 participants, while LTIP 2010 comprised up to 90 participants.

1.2 LTIP 2010 in brief

The Board of Director's main objective with the proposal of LTIP 2011 is to strengthen Billerud's capability to retain the best talent for key leadership positions. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Billerud's result, profitability and value growth, to increased efforts by aligning their interests and perspectives with those of the shareholders.

LTIP 2011 comprises a total of maximum 20 managers and other key employees within the Billerud Group, identified as essential to the future development of the Billerud Group. To participate, the participants must own Billerud shares. The Billerud shares could be previously held or purchased in the market in conjunction to the notification of participation under the program. Thereafter, the participants will be allotted Billerud shares, free of charge, after the vesting period, commencing on the day when the LTIP 2011 agreement is entered into and ending in conjunction with the publication of Billerud's first quarter report for the year 2014, provided that certain conditions are fulfilled.

The Board of Directors intends to propose to future annual general meetings to adopt long term incentive programs with principles similar to those of the now proposed LTIP 2011.

1.3 Participants in LTIP 2011

LTIP 2011 comprises a total of maximum 20 persons consisting of CEO, CFO, Snr Vice President Corporate Human Resources, Technical Director, Production Director and Business Area Directors, Mill Managers, Forestry Director and other key employees.

1.4 Personal investment and allotment of share rights

To participate in LTIP 2011, the participants must purchase Billerud shares at market price on NASDAQ OMX Stockholm ("Saving Shares"). Previously held Billerud shares which are not allocated to LTIP 2010 are also included in the Saving Shares.

Participants are offered to allocate Saving Shares not exceeding a number equal to 10% of the participant's base salary as per year end 2010 divided by the closing price of the Billerud share per the last trading day of 2010, i.e. December 30, 2010 (SEK 58.25) (the "Closing Price").

Saving Shares shall normally be purchased or allocated to the program during a period of approximately two weeks during May 2011, after the Annual General Meeting. In the event of new hires of managers and key employees after that period, an offer to participate might still be given under LTIP 2011 and purchases and allocations of Saving Shares be granted to those managers and key employees until the end of November 2011.

For each Saving Share that the participant invests in and locks in to LTIP 2011, the participant is, free of charge, allotted one (1) matching share right ("Matching Share Right") and three (3) performance share rights ("Performance Share Right") (together referred to as "Share Rights"). Provided that the conditions set out below in 1.5 and 1.6, respectively, are fulfilled, the Share Rights entitle to allotment of Billerud shares as described below. Allotment of Billerud shares, by virtue of the holding of Share Rights, is made after the publication of Billerud's first quarter report for the year 2014, however not earlier than three years after the LTIP 2011 agreement is entered into ("Vesting Period").

1.5 Matching Share Right

For each Saving Share that the participant invests in and locks in to LTIP 2011, the participant is, free of charge, allotted one (1) Matching Share Right, which entitles the participant to, free of charge, receive one (1) Billerud share, based on the conditions set out below:

- (i) the participant must remain employed within the Billerud Group during the Vesting Period; and
- (ii) all Saving Shares must be retained during the Vesting Period.

1.6 Performance Share Right

For each Saving Share that the participant invests in and locks in to LTIP 2011, the participant is, free of charge, allotted three (3) Performance Share Rights. The Performance Share Rights are divided into

three series, series A-C. The allotment of Billerud Shares due to Performance Share Rights of Series A-C requires that the the conditions for the Matching Share Rights are fulfilled. In addition, allotment of Billerud Shares due to Performance Share Rights requires fulfillment of certain performance conditions. The performance conditions vary for the respective series and are based on financial goals during the financial years 2011-2013. The Board of Directors intends to present whether the conditions have been fulfilled in the annual report of 2013.

1.6.1 Series A

The performance conditions for the Performance Share Rights of series A relate to Billerud's average operating margin for the period 2011-2013 ("EBIT Margin"). The maximum level of allotment under the performance conditions is an EBIT Margin of 13% and the minimum level of allotment is an EBIT Margin of 10%.

If the EBIT Margin amounts to the maximum level of 13% or more, maximum allotment of one (1) Billerud share per Performance Share Rights of series A shall be made. If the EBIT Margin should be lower than 13%, but exceeding the minimum level of 10%, a linear reduction of the allotment of Billerud shares shall be made. If the EBIT Margin amounts to 10% or less, the Performance Share Rights of series A shall not entitle to allotment of Billerud shares.

1.6.2 Series B

The performance conditions for the Performance Share Rights of series B relate to Billerud's EBIT margin in comparison with the average operating margin for the period 2011-2013 for a peer group of certain selected companies ("Comparing EBIT-margin"). The peer group consists of companies and their business areas with businesses within the packaging paper and pulp industry that the Board of Directors has considered to be comparable to Billerud. The Board of Directors shall be authorized, in particular situations, to adjust the peer group's composition, which is composed by 80% respectively of Gascogne, Korsnäs, SCA (Packaging), Smurfit Kappa Global, Stora Enso (Industrial Packaging) and Mondi (Bags and Coating), and 20% of Södras pappersmassadel – Södra Cell.

If Billerud's EBIT-margin exceeds Comparing EBIT-margin, maximum allotment of one (1) Billerud share per Performance Share Rights of series B shall be made. If Billerud's EBIT-margin is the same or lower than Comparing EBIT-margin, the Performance Share Rights of series B shall not entitle to allotment of Billerud shares.

1.6.3 Series C

The performance conditions for the Performance Share Rights of series C relate to Billerud's total shareholder return for the period 2011-2013 ("TSR") in comparison with the total shareholder return for the period 2011-2013 for a peer group of certain listed Nordic companies ("Comparing TSR"), where the lowest and highest quotation of total shareholder return in the peer group shall be excluded when calculating the Comparing TSR. The Board of Directors shall be authorized, in particular situations, to adjust the peer group's composition which is composed by the listed Nordic companies in the paper-packing business Holmen, M-Real, Norske Skog, Rottneros, SCA, Stora Enso and UPM. The maximum level of allotment under this performance condition is that TSR exceeds Comparing TSR by 10 percentage points or more and the minimum level is that TSR exceeds Comparing TSR.

If Billerud's TSR exceeds Comparing TSR by 10 percentage points or more, maximum allotment of 1 (one) Billerud share per Performance Share Rights of series C shall be made. If Billerud's TSR exceeds Comparing TSR, however with less than 10 percentage points, a linear reduction of the allotment of Billerud shares shall be made. If Billerud's TSR amounts to, or is less than Comparing TSR, the Performance Share Rights of series C shall not entitle to allotment of Billerud shares.

1.7 Terms and conditions for the Share Rights

In addition to what has been stated above, the following terms and conditions apply for both the Matching Share Rights and the Performance Share Rights:

- The Share Rights are intended to be allotted, free of charge, during May 2011. The Board of Directors is authorized to do allotments within the scope of LTIP 2011 due to new hires made after the first date of allotment, or in the case that Billerud is unable to launch LTIP 2011 during May 2011, however not later than November 2011.
- The participants are not entitled to transfer, pledge or dispose the Share Rights or perform any shareholder's rights regarding the Share Rights during the Vesting Period.
- Allotment, free of charge, of Billerud shares will take place after the publication of Billerud's first quarter report for the year 2014, however not earlier than three years after the LTIP 2011 agreement is entered into.
- Billerud will make no adjustments or compensations to the participants of LTIP 2011 due to dividend regarding the shares that the respective Share Right qualifies for.
- The maximum profit per participant is limited to an amount of SEK 220 per Share Right, equal to a maximum of 18 monthly salaries. The calculation shall be done based on the salary on which the calculation of the number of Saving Shares that the participant has a right to purchase has been done (see item 1.4 above). In the event that the profit, when calculating the allotment according to LTIP 2011, should exceed this maximum limit of SEK 220 per Share Right, adjustment shall be made by consequently decreasing the number of Billerud shares that the participant is entitled to receive.

1.8 Detailed terms and administration

The Board of Directors, or a certain committee appointed by the Board of Directors, shall be responsible for determining the detailed terms for LTIP 2011 to be applicable between Billerud and the participant, however within the scope of herein given frames and directions. In connection therewith, the Board of Directors shall be authorised to establish divergent terms for LTIP 2011 regarding *inter alia* the Vesting Period, allotment of Billerud shares in the event of termination of employment during the Vesting Period due to early retirement or consequences of a change of control. The Board of Directors shall be authorised to make the necessary adjustments to fulfil certain rules or market prerequisites in other jurisdictions. If delivery of shares cannot be accomplished at reasonable costs and with reasonable administrative efforts to persons outside Sweden, the Board of Directors shall be entitled to decide that the participating person may instead be offered a cash based settlement. The Board of Directors shall also be entitled to decide on other adjustments in the event that major changes in the Billerud Group, the market or otherwise in the Billerud industry would occur, which would entail that

resolved conditions for allotment and the possibility to use the Share Rights under LTIP 2011 would no longer appropriate.

1.9 Scope

In total, LTIP 2011 comprises a maximum of 50,400 Saving Shares, which can involve allotment of in total a maximum of 201,600 Billerud shares (a maximum of 50,400 due to the Matching Share Rights and a maximum of 151,200 due to the Performance Share Rights). An additional 64,000 Billerud shares are assigned for shares that can be transferred by Billerud in order to hedge certain costs, mainly social security costs. The maximum number of Billerud shares which are included in the LTIP 2011 are thus 265,600, which correspond to approximately 0,3% of the number of outstanding Billerud shares and the number of outstanding votes.

The number of shares included in the LTIP 2011 shall be subject to recalculation due to bonus issues, consolidation or share split, new issue of shares or similar measures carried out by Billerud according to accepted practice for similar incentive programs.

In total, LTIP 2011 comprises a maximum of 265,600 Billerud shares. On 31 December, 2010, LTIP 2010 comprised a maximum of 262,916 Billerud shares and 83,000 Billerud shares which are assigned for shares to be transferred by Billerud in order to hedge certain costs, mainly social security costs. LTIP 2011 and LTIP 2010 together would entail a dilution of shares of approximately 0.6 per cent of the number of outstanding Billerud shares and the number of outstanding votes.

1.10 Hedging

In order to secure delivery of Billerud shares under LTIP 2011, the Board of Directors proposes that the Board of Directors shall have the right to decide on alternative methods for transfer of Billerud shares under LTIP 2011. The Board of Directors therefore proposes to have the right to decide to transfer own Billerud shares (under item b below) or to enter into so-called equity swap agreements with a third party in order to meet the requirements under LTIP 2011. The Board of Directors regards the first alternative to be the most cost efficient and flexible arrangement for the conveyance of Billerud shares and for covering certain cost, mainly social security cost.

1.11 Estimated costs and values of the LTIP 2011

The Share Rights cannot be pledged or transferred to others. An estimated value for each right can however be calculated. The Board of Directors has estimated the average value of each Share Right to SEK 48.10. The estimation is based on generally accepted valuation models using the closing price for the Billerud share on 3 March, 2011, statistics on the share price development as well as projected dividends. The aggregate estimated value of all the 50,400 Matching Shares and 151,200 Performance Shares, based on a 59% fulfillment of the performance conditions and estimations on turnover of personnel, is approximately SEK 6,000,000. The value is equivalent to approximately 0.09% of the market capitalisation for Billerud as of 3 March 2011. The costs are treated as a staff cost in the profit and loss accounts and it is expensed over the first 36 months, i.e. the Vesting Period, in accordance with IFRS 2 on share-based payments. In the profit and loss accounts, social security costs will accrue in accordance with UFR 7 during the Vesting Period. The size of these costs will be calculated on the Billerud share price development during the Vesting Period and allotment of the Share Rights. Based on a theoretical assumption of a yearly increase of 10% of the share price and a Vesting Period of three years, the cost for LTIP 2011 including social security costs equals approximately SEK

9,000,000, which is on annualized basis equivalent to approximately 0.2% of Billerud's total staff costs for the financial year 2010. The maximum cost for LTIP 2011, based on the above assumptions, equals approximately SEK 24,000,000, including SEK 14,000,000 in social security costs.

1.12 Effects on key ratios

In the event of full participation in LTIP 2011, Billerud's staff costs are expected to increase with approximately SEK 3,000,000 annually. On a proforma basis for 2010, these costs equal a negative effect on Billerud's operating margin of approximately 0.03 % and a decrease of earnings per share of approximately SEK 0.02.

Nevertheless, the Board of Directors considers that the positive effects on the result, which are expected to arise from the increase of the shareholding by managers and key employees and which, in addition, may further be expanded by the shareholding in LTIP 2011, exceed the costs related to LTIP 2011.

1.13 The preparation of the proposal

LTIP 2011, which is based on the previous long term incentive program, has been initiated and prepared by the Board Compensation Committee together with external advisors. At the Board meeting on March 10, 2011 the Board of Directors resolved to introduce a long term incentive program under present principles and instructed the Remuneration Committee to further draw up the terms for the long term incentive program.

1.14 Other incentive programs in Billerud

Please refer to Billerud's annual report or the Billerud website www.billerud.se for a description of all other Billerud share based incentive programs. Billerud has no other share based incentive programs than those described above.

1.15 The Board of Directors proposal

Referring to the above-mentioned description, the Board of Directors proposes that the Annual General Meeting resolves to adopt LTIP 2011.

1.16 Majority Requirement

A resolution to introduce LTIP 2011, in accordance with the Board of Directors's proposal, is valid where supported by shareholders holding more than half of the votes cast at the General Meeting of Shareholders.

b) TRANSFER OF SHARES WITH REFERENCE TO LONG TERM INCENTIVE PROGRAMS

1.1 Background

In order to implement the LTIP 2011 in a cost efficient and flexible manner, the Board of Directors has considered different hedging methods for the transfer of shares under the program. Based on these considerations, the Board of Directors intends to secure delivery of Billerud shares under LTIP 2011, by way of entering into an equity swap agreement with a third party (in accordance with the resolution under item 1.10 above), or, provided that the Annual General Meeting of Shareholders

resolves in accordance with this item on the agenda, by way of transfer of Billerud's own shares held in treasury.

1.2 The Board of Directors proposal

The Board of Directors proposes that the Annual General Meeting resolves on transfer of shares in accordance with the terms and conditions set out below:

- (i) Transfer may be made of a maximum of 265,600 Billerud shares to be transferred to participants in the LTIP 2011 (or the higher number of shares that may result from the conversion under the terms of the program due to changes bonus issue, consolidation or share split, new issue of shares or similar actions carried out by Billerud, according to accepted practice for similar incentive programs.)
- (ii) Transfer of shares shall be made free of charge at the time and in accordance with the conditions that the participants in LTIP 2011 are entitled to receive allotment of shares.
- (iii) Further, the Board of Directors shall have the right, prior to the Annual General Meeting of Shareholders 2012, to
 - divest a maximum of 83,000 shares of Billerud's total own holdings of Billerud shares for the purpose of covering certain costs for LTIP 2010; and
 - divest a maximum of 64,000 shares of Billerud's total own holding of Billerud shares, for the purpose of covering certain costs for LTIP 2011.

Divestment of the shares under this item, shall be effected at NASDAQ OMX Stockholm at a price within the price interval registered at each time for the share.

The reasons for the deviation from shareholders' preferential rights are that it the transfer of the shares is a step to achieve LTIP 2010 and LTIP 2011. Therefore, and in light of the above, the board considers it to be an advantage for Billerud to transfer and divest shares in accordance with the above proposal in order to meet the requirements of the approved incentive program.

Majority Requirement

A resolution to approve the Board of Directors's proposal under item b above is valid where supported by shareholders holding no less than nine tenths of both the votes cast and the shares represented at the Annual General Meeting of Shareholders. The Board of Directors's proposal pursuant to this item b is conditional on that the Board of Directors's proposal regarding the introduction of the long term incentive program has been approved by the Annual General Meeting of Shareholders (see item a above).

Billerud AB (publ)
The board of directors
March 2011