

Minutes from the Annual General Meeting of  
shareholders of Billerud Aktiebolag, org. no.  
556025-5001, held at 3-5 p.m. on Wednesday 4  
May 2011 at Hotel Rival, Stockholm

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Shareholders present:                      Supplement 1

Others present:                              Supplement 2

§ 1

Opening of the Meeting (item no. 1 on agenda)

The Chairman of the Board, Ingvar Petersson, declared the Meeting open.

§ 2

Election of Chairman for the Meeting (item no. 2 on agenda)

The Meeting decided to appoint Ingvar Petersson as Chairman of the Annual General Meeting.

It was noted that Attorney Wilhelm Lünig had been asked to serve as secretary of the Meeting.

§ 3

Drawing up and approval of voting list (item no. 3 on agenda)

The Meeting decided to approve the list (supplement 1) of shareholders, representatives and deputies present at the Meeting valid as the voting list for the Meeting.

It was noted that in addition to the persons registered on the voting list, certain other persons (supplement 2) were present. The Meeting approved that these other persons were in attendance.

#### § 4

##### Election of one or two persons to verify the minutes (item no. 4 on agenda)

The Meeting decided that the minutes should be verified by the Chairman, by Tore Liedholm, representing Sveriges Aktiesparares Riksförbund and by Anders Lindblad, representing Frapag Beteiligungsholding AG.

#### § 5

##### Determination whether the Meeting has been duly convened (item no. 5 on agenda)

It was noted that in accordance with the articles of association, notification of the Annual General Meeting should be made in the form of an announcement in an advertisement in the Official Gazette (Post- och Inrikes Tidningar) and an announcement on the company's website. Such announcement should be published at the earliest six weeks, and at the latest four weeks, before the Annual General Meeting. The notification was published in the Official Gazette (Post- och Inrikes Tidningar) on 1 April 2011 and on the company's website on 30 March 2011. An advertisement with a confirmation that notice had been given was published in Svenska Dagbladet on 1 April 2011.

The Meeting decided to approve the notice measures and declared the Meeting duly convened.

#### § 6

##### Approval of the Agenda (item no. 6 on agenda)

The Meeting decided to approve the proposed agenda as included in the notice and made available at the Meeting.

#### § 7

##### Presentation of the Annual Report and the Auditors' Report as well as the Consolidated Accounts and Consolidated Auditors' Report for the 2010 financial year (item no. 7 on agenda)

The Annual Report and Auditors' Report for the 2010 financial year and the Consolidated Accounts and Consolidated Auditors' Report for the 2010 financial year were presented to the Meeting.

Authorised public accountant Lars Träff presented the Auditors' Report and Consolidated Auditors' Report for the 2010 financial year.

## § 8

### Report on the work of the Board and Board Committees over the past year (item no. 8 on agenda)

The Chairman reported on the work of the Board, the Compensation Committee and the Audit Committee in the 2010 financial year.

## § 9

### Presentation by the Chief Executive Officer (item no. 9 on agenda)

CEO Per Lindberg reported on the progress of the Group in 2010 and the conditions for the business in 2011.

This was followed by answers given by Chairman Ingvar Petersson and CEO Per to questions from shareholders regarding inter alia currency hedging, the administrative fine that Naturvårdsverket imposed on the company and which was finally upheld in 2010, the company's current capital situation, the economic trend, structural shifts in the paper industry and board meeting attendance in 2010. Furthermore, mill manager Annica Bresky presented the company's policy with regards to equality and ethical diversity.

## § 10

### Resolution on the adoption of the Income Statement and the Balance Sheet as well as the Consolidated Income Statement and Consolidated Balance Sheet for 2010 (item no. 10a on agenda)

The Meeting decided to adopt the Income Statement and the Balance Sheet for the parent company and the Consolidated Income Statement and Consolidated Balance Sheet for the consolidated group for the 2010 financial year.

## § 11

### Resolution on the appropriation of the company's profit according to the adopted balance sheet for 2010 (item no. 10 b on agenda)

The Chairman presented the Board's proposal, as approved by the auditor, for the appropriation of the company's profit, such that of the total amount at the disposal of the Meeting, SEK 2,992,037,580, SEK 3.50 per share should be distributed to the shareholders, and that the remaining amount be carried forward in a new account. Furthermore, it was proposed that 9 May 2011 should be record day for the dividend.

The Board's motivated statement regarding the proposal for the appropriation of the

company's profit was also presented.

The Meeting decided to adopt the Board's proposal regarding appropriation of profit and to adopt 9 May 2011 as record day for the dividend.

#### § 12

##### Resolution on discharge from personal liability for Board Members and the CEO for their administration for the year 2010 (item no. 10 c on agenda)

The Chairman noted that Board members included on the voting list did not have the right to participate in decisions regarding themselves. The same applied for the CEO.

The Meeting decided to grant discharge from personal liability for the Board Members and the CEO for their administration for the year 2010.

It was noted that Board members registered on the voting list and the CEO did not participate in the decision.

#### § 13

##### Report from the Nominations Committee and proposals (item no. 11 on agenda)

Hans Ek, representing SEB Fonder and SEB Trygg Liv, and also a member of the Nominations Committee, reported on the composition of the Nominations Committee and its work.

#### § 14

##### Resolution on number of Board Members and possible deputy Board Members to be elected by the Meeting (item no. 12 on agenda)

Hans Ek presented the Nominations Committee's proposals.

The Meeting decided in accordance with the Nominations Committee's proposal that the number of Board members, including Chairman and deputy Chairman, should be seven, and that they be elected by the Meeting, without deputy Board members.

#### § 15

##### Resolution on fees for Board Members and remuneration for Committee work and resolution on fees for auditors (item no. 13 on agenda)

Hans Ek presented the Nominations Committee's proposals.

The Meeting decided in accordance with the proposal of the Nominations Committee to adopt the following:

- that the fee to Board members not employed by the Billerud Group should amount to SEK 250,000 per member per year (previously SEK 225,000 per year), SEK 525,000 per year to the Chairman (previously SEK 450,000 per year) and SEK 400,000 per year to the deputy Chairman (previously SEK 350,000 per year);
- that remuneration for work on Board committees to Board members appointed by the Board should amount to SEK 80,000 per year to the chairman of the Audit Committee (previously SEK 70,000 per year) and SEK 40,000 per year to each of the other members of the Audit Committee (previously SEK 30,000 per year), and SEK 50,000 per year to the chairman of the Compensations Committee (previously SEK 40,000 per year) and SEK 25,000 per year to each of the other members of the Compensations Committee (previously SEK 15,000 per year); and
- that remuneration to the auditor during the mandate period be paid by current approved account.

#### § 16

##### Election of Board Members and, if applicable, deputy Board Members, Chairman and Deputy Chairman of the Board (item no. 14 on agenda)

Hans Ek presented the Nominations Committee's proposal.

The Chairman presented the assignments of Board members in other companies. The Meeting decided in accordance with the proposal of the Nominations Committee to re-elect as Board members Ingvar Petersson, Gunilla Jönson, Michael M.F. Kaufmann, Ewald Nageler and Yngve Stade, to elect Helena Andreas and Mikael Hellberg as new board members and to re-elect Ingvar Petersson as Chairman of the board and Michael M.F. Kaufmann as deputy Chairman of the board.

It was noted that Per Lundberg and Meg Tivéus had declined re-election.

#### § 17

##### Resolution on procedures for appointment of the Nominations Committee for the 2012 Annual General Meeting (item no. 15 on agenda)

Hans Ek presented the Nominations Committee's proposal.

The Meeting decided in accordance with the proposal of the Nominations Committee that the procedures for appointing the Nominations Committee for the 2012 AGM shall be in

accordance with the proposal made by the Nominations Committee, supplement 3.

§18

The Board's proposal for guidelines for remuneration to senior executives (item no. 16 on agenda)

The Chairman presented the main elements of the Board's proposal in accordance with supplement 4.

The Meeting decided in accordance with the Board's proposal to adopt the guidelines for remuneration to senior executives in accordance with supplement 4.

§ 19

The Board's proposal for a decision regarding the introduction of Long Term Incentive Program 2011, and transfer of shares under the Long Term Incentive Programme 2011 (item no. 17 on agenda)

The Chairman presented the Board's proposal in accordance with supplement 5.

It was noted that a decision regarding agenda item no. 17(a) required a simple majority by the Meeting and that a decision in accordance with 17(b) required the support of shareholders representing at least nine-tenths of both the votes cast and shares held by shareholders attending the Meeting.

The Meeting decided in accordance with the Board's proposal as presented in item no. 17(a) on the agenda, on the introduction of the Long Term Incentive Program, and in accordance with item no. 17(b) on the agenda, the transfer of shares under the Long Term Incentive Program.

It was noted that the decision was unanimous and that the proposal hence had been approved by shareholders representing at least nine-tenths of both the votes cast and shares held by shareholders attending the Meeting.

§ 20

The Board's proposal for a decision regarding authorisation for the Board to transfer the company's own shares (item no. 18 on agenda)

The Board's proposal in accordance with supplement 6 was presented.

It was noted that decision regarding agenda item no. 18 required the support of shareholders representing at least two-thirds of both the votes cast and shares held by shareholders

attending the Meeting.

The Meeting decided in accordance with the Board's proposal to give authorisation for the Board to transfer Billerud's own shares in accordance with supplement 6.

It was noted that the decision was unanimous and that the proposal hence had been approved by shareholders representing at least two-thirds of both the votes cast and shares held by shareholders attending the Meeting.

§ 21

The Board's proposal for authorisation of the Board to resolve on commission free share sales (item no. 19 on agenda)

The Board's proposal in accordance with supplement 7 was presented.

The Meeting decided in accordance with the Board's proposal to authorise the Board to resolve on commission free share sales in accordance with supplement 7.

§ 22

Closing of the Meeting (item no. 20 on agenda)

Special thanks were given to all employees of the Group for their hard work in 2010.

The Chairman thereafter declared the Meeting closed.

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At the minutes:

.....  
Wilhelm Lüning

Minutes adjusted by:

.....  
Ingvar Petersson

.....  
Tore Liedholm

.....  
Anders Lindblad



- the Board and other members, and possible remuneration for committee work,
- e) proposal for fees to auditors,
- f) proposal for procedures for appointing the Nominations Committee.

## **Nominations Committee's unanimous proposals for vote and decision by the AGM**

### *Chairman of the Meeting*

It is proposed that the chairman of the Meeting be Ingvar Petersson.

### *Number of Board members, deputy Board members*

The Nominations Committee proposes that the Board comprise seven elected Board members, including Chairman and Deputy Chairman of the Board.

### *Board members*

The Nominations Committee has received a report from the Chairman of the Board concerning how the work of the Board as a whole and in committees is performed. The Nominations Committee has also considered an internal assessment of the work of the Board.

Against the above background the Nominations Committee has decided to propose the following for re-election to the Board: Ingvar Petersson, Gunilla Jönsson, Michael M.F. Kaufmann, Ewald Nageler and Yngve Stade. Per Lundberg and Meg Tivéus both have declined re-election. The Nominations Committee therefore has decided to propose the following for election to the Board: Helena Andreas and Mikael Hellberg.

Helena Andreas is head of Retail at the Vodafone Group. Helena Andreas was previously head of marketing for the Fresh Foods division and head of commercial development at the British grocery and general merchandising retailer Tesco. Helena Andreas is currently member of the Board of Directors of Extenda AB. Helena Andreas has MSc in Engineering Physics and a Master of Business Administration.

Mikael Hellberg was during 2001-2004 CEO of Wasabröd AB. Mikael Hellberg has previously been CEO of Pripps Bryggerier/Carlsberg Sverige AB and Alcro-Beckers AB. Mikael Hellberg is currently Chairman of the Board of Directors of Delicato Bakverk AB, NCS Colour AB, Pelly Industrier AB, Berntson Brands AB och Björnkläder AB. Further, Mikael Hellberg is member of the Board of Directors of *inter alia* OnOff AB and Cederroth International AB. Mikael Hellberg has a BSc in Business Administration.

### *Statement regarding the Nominations Committee's proposals for Board members*

The Nominations Committee has taken what is stated in point 4.1 in the Swedish code of corporate governance into consideration. The Nominations Committee assess that the proposed composition of the Board covers the areas that are significant for Billerud and that the Board's composition should have a diversity and breadth of qualifications, experience and background that will benefit the continued development of the Billerud. The Nominations Committee strives in its work for equal gender distribution of the Board.

### *Chairman and Deputy Chairman of the Board*

It is proposed that Ingvar Petersson be re-elected as Chairman of the Board and Michael M. F. Kaufmann be re-elected as Deputy Chairman.

### *Board fees*

It is proposed that SEK 525,000 (previously SEK 450,000) be paid to the Chairman of the Board, and SEK 250,000 (previously SEK 225,000) be paid to ordinary Board members who are not employees of the Billerud Group. It is proposed that SEK 400,000 (previously SEK 350,000) be paid to the Deputy Chairman.

### *Remuneration for committee work*

It is proposed that the fee for committee work to the members of the Committee appointed by the Board shall amount to SEK 80,000 (previously SEK 70,000) to the chairman of the Audit Committee, and to SEK 40,000 (previously SEK 30,000) to each of the other members of the Committee, and to SEK 50,000 (previously SEK 40,000) to the chairman of the Compensations Committee and to SEK 25,000 (previously SEK 15,000) to each of the other members of the Committee.

### *Auditors' fees*

It is proposed that the fees to the auditors during the mandate period be paid by current account.

### *Procedures for appointing the Nominations Committee*

The Nominations Committee proposes that procedures for the appointment of the Nominations Committee for the 2012 AGM be as follows:

The Nominations Committee shall comprise no more than four members. The Chairman of the Board shall be the secretary of the Nominations Committee. During the autumn of 2011 the Chairman shall contact the major shareholders (judged by size of shareholding) regarding the formation of a Nominations Committee. The names of the members of the Nominations Committee, and the names of the shareholders they represent, shall be published six months at the latest prior to the 2012 AGM and be based upon the known shareholding immediately prior to the announcement. Unless Committee members decide otherwise, the Chairman of the Nominations Committee shall be the member representing the largest shareholder (judged by size of shareholding). The Committee forms a quorum when more than half of its members are present.

If during the Committee's mandate period one or more of the shareholders represented on the Nominations Committee are no longer among the largest shareholders, then their representatives shall resign their positions and the shareholder or shareholders who have become among the largest shareholders shall have the right to appoint their representatives. Unless there is special cause, no changes shall be made to the composition of the Nominations Committee if only minor changes in shareholding have been made, or the changes take place later than two months prior to the AGM that will decide on proposals made by the Committee.

Shareholders who appoint members to the Nominations Committee have the right to dismiss their representative and appoint a new one. Equally, the shareholder whose representative requests to leave the Committee before its work is completed has the right to replace such a representative. Changes to the composition of the Nominations Committee shall be published as soon as they take place.

The Nominations Committee shall produce proposals for the following items to be decided by the 2012 AGM:

- a) proposal for Chairman of the Meeting,
- b) proposals for number of Board members,
- c) proposal for nominations of Board members, Chairman and Deputy Chairman of the Board,
- d) proposals for Board fees and distribution between Chairman and Deputy Chairman of the Board and other members, and possible remuneration for Committee work,
- e) proposal for fees to auditors,
- f) proposal for procedures for appointing the Nominations Committee.

The Nominations Committee shall make available the requisite information to Billerud so that Billerud can meet the information requirements of the Swedish code of corporate governance.

Furthermore, the Nomination Committee shall in performing its duties meet the requirements set by the Swedish code of corporate governance for nominations committees, and Billerud shall at the request of the Nomination Committee provide staff resources, such as secretary of the Committee, in order to facilitate the Committee's work. If so required, Billerud shall also pay reasonable costs for external consultants and similar which are considered necessary by the Committee for it to perform its duties.

Stockholm, March 2011

Michael M.F. Kaufmann  
Chairman

Hans Ek

Björn Franzon

Ingvar Petersson  
Secretary

*This is an unofficial translation of the original Swedish language version of this corporate document. In case of any inconsistency between the Swedish and the English versions of this corporate document, the Swedish version shall prevail.*

**PROPOSAL BY THE BOARD OF DIRECTORS OF BILLERUD FOR GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES (ITEM 16 ON THE AGENDA)**

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The Board proposes that the Meeting approve the following guidelines for remuneration to the executive officers. Executive officers are the CEO and other members of the senior management team.

Billerud shall set the remuneration levels and employment terms that are appropriate in order to recruit and keep a management team with a high level of competence and the capability to achieve established goals. Remuneration shall motivate executives to do their utmost to secure shareholders' interests. Remuneration may be in the form of fixed salary, variable salary, long-term incentive programs and other benefits such as pension or company car. Fixed and variable salary shall be set in relation to competence, area of responsibility and performance. Variable remuneration shall be drawn up with a purpose to promoting the company's long-term value creation and will be based on outcomes in relation to established targets and shall be a maximum of a fixed percentage of annual fixed salary and vary between 30% and 45%. However, variable remuneration shall only be paid on condition that the company's result is positive. Long-term incentive programs within the company shall primarily be linked to financial requirements of performance and shall ensure long-term commitment to the development of the company and shall be implemented on market terms. Long-term incentive programs shall run for at least three years. For more information about the existing incentive programs adopted by the 2010 Annual General Meeting, see the company's annual report and website. For further information regarding the proposed Long Term Incentive Program 2011, please see the Board's proposal according to item 17 on the agenda. Pension benefits shall either be defined-benefit or defined-contribution, and normally give an entitlement to pension from age 65. In some cases the retirement age may be lower, although 62 is the lowest retirement age. Six to twelve months is the normal notification period for termination of employment, and severance pay shall be a maximum of 12 months' salary in the event of dismissal by the company.

Remuneration and employment terms for the CEO are prepared by the Compensation Committee and decided by the Board. Remuneration and employment terms for members of the senior management team are decided by the CEO, after approval from the Compensation Committee.

The Board of Billerud has the right to deviate from these guidelines in individual cases if there is a good reason.

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Billerud AB (publ)  
Board of Directors  
March 2011



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](http://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).

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Billerud AB (publ)  
The board of directors  
March 2011



