

Minutes from the Annual General Meeting of shareholders of
BillerudKorsnäs Aktiebolag, reg. no. 556025-5001, held between
3 p.m. – 4.40 p.m. on Tuesday 10 May 2016 at Hotel Rival,
Stockholm

Shareholders attending (voting list): see [Appendix 1](#)

Others attendees: see [Appendix 2](#)

§ 1

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

The Chairman of the Board of Directors, Lennart Holm, declared the Meeting open.

§ 2

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

The Meeting resolved to appoint the lawyer Wilhelm Lünig as Chairman of the Annual General Meeting.

It was noted that the legal counsel of BillerudKorsnäs Andreas Mattsson had been asked to take the minutes at the Meeting.

The Chairman informed on the voting procedures with electronic voting devices to be used on item 14(a)–(h) as well as 19, according to the proposed agenda, and if voting were requested.

It was noted that guests from the media, employees of the company, consultants etc. listed in Appendix 2 were welcome to attend the Meeting.

§ 3

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

The Meeting resolved to approve the list, of shareholders, representatives and advisors that had notified their intention to attend and were present at the meeting, appended to these minutes as Appendix 1, as the voting list for the Meeting.

The Chairman informed the Meeting that a number of foreign funds were represented at the Meeting that had submitted certain voting instructions in respect of certain agenda items. The Chairman informed the Meeting that these voting instructions will only be accounted for in the minutes if they would have any impact on the Meeting's decisions.

§ 4

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

The Meeting resolved that the minutes should be verified by the Chairman, by Patrik Marcelius, representing Frapag Beteiligungsholding AG, and by John Örtengren, representing Sveriges Aktiesparares Riksförbund.

§ 5

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

It was noted that the convening notice to the Annual General Meeting had been published in accordance with the Articles of Association.

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

§ 6

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

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

The Chairman informed the Meeting that the complete proposals from the Board of Directors and the Nomination Committee had been included in the convening notice. The statements by the Board of Director's concerning the proposal for appropriation of profit and other documents for the Annual General Meeting, which had been held available in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, were presented to the Meeting.

§ 7

Presentation of the Annual Report and the Auditors' Report as well as the Consolidated Accounts and Consolidated Auditors' Report for the 2015 financial year (item no. 7 on agenda)

The Annual Report and the Auditors' Report as well as the Consolidated Accounts and the Consolidated Auditors' Report for the 2015 financial year were presented to the Meeting.

The company's auditor-in-charge Ingrid Hornberg Román, KPMG, reported on the audit and presented the Auditors' Report and Consolidated Auditors' Report for the 2015 financial year.

§ 8

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

The Chairman of the Board of Directors Lennart Holm reported on the work of the Board and the Board committees.

§ 9

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

CEO Per Lindberg presented the group's development and results during 2015.

CEO Per Lindberg answered questions from the shareholders regarding, inter alia, the planned investment in a new paper board machine in Gruvön, changes to the BillerudKorsnäs ownership structure, the result of the company's long term incentive program (LTIP 2013), sustainability and environmental impact and especially that BillerudKorsnäs through its operations can contribute to the fulfilment of the climate goals resolved upon at the Paris summit as well as on the group's presence and operations in Great Britain.

§ 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 2015 (item no. 10 a on agenda)

The Meeting resolved to adopt the Income Statement and the Balance Sheet for the parent company as presented in the annual report and the Consolidated Income Statement and Consolidated Balance Sheet for the consolidated group for the 2015 financial year.

§ 11

Resolution on the appropriation of the company's profit according to the adopted balance sheet for 2015 and determination of record date for dividend (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, of the total amount at the disposal of the Meeting, SEK 4.25 per share should be distributed to the shareholders, and that the remaining amount would be carried forward in a new account. Furthermore, it was proposed that 12 May 2016 should be record date for the dividend.

The Meeting resolved to adopt the Board's proposal regarding appropriation of profit and to adopt the record date.

§ 12

Resolution on discharge from personal liability for Board Members and the CEO for their administration for the year 2015 (item no. 10 c on agenda)

The Meeting resolved, as approved by the auditor, to grant discharge from personal liability for the Board Members and the CEO for their administration for the year 2015.

It was noted that all shareholders attending the Meetings supported the resolution and that the Board members registered on the voting list and the CEO did not participate in the resolution as regarded themselves.

§ 13

Report on the work of the Nomination Committee and proposals (item no. 11 on agenda)

Lennart Francke, representing Swedbank Robur funds, and member of the Nomination Committee, reported on the work of the Nomination Committee and its proposals.

§ 14

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

The Meeting resolved in accordance with the Nomination Committee's proposal that the number of Board members elected by the Meeting, including the Chairman and the Vice Chairman, should be eight (8).

§ 15

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

The Meeting resolved in accordance with the proposal of the Nomination Committee that the fees to Board Members and for work in the Committees of the Board, for the period until the close of the next Annual General Meeting, shall be in accordance with the following:

- the fee to Board Members, elected by the General Meeting and not employed by the BillerudKorsnäs Group shall be SEK 475,000 per Member, that the fee to the Chairman of the Board shall be SEK 1,200,000 and that the annual fee to the Vice Chairman of the Board shall be SEK 800,000;
- the annual remuneration for work on Board Committees, paid to members appointed by the Board shall be SEK 150,000 to the chairman of the Audit Committee, SEK 75,000 to each of the other members of the Audit Committee, SEK 50,000 to the chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee, and also SEK 50,000 to each of the members of the Investment Committee; and
- fees to the auditors during the mandate period shall be paid in accordance with approved invoices.

§ 16

Election of Board Members (item no. 14(a)–(h) on agenda)

It was noted that the Chairman presented the assignments of Board Members in other companies.

The Meeting voted, with electronic voting devices, on election of each one of the proposed Board Members under items 14(a)-(h) and resolved in accordance with the proposal of the Nomination Committee to re-elect all Board Members, that is Andrea Gisle Joosen, Bengt Hammar, Mikael Hellberg, Jan Homan, Lennart Holm, Gunilla Jönson, Michael M.F. Kaufmann and Kristina Schauman for the period until the close of the next Annual General Meeting. The result of the counting of votes is presented in Appendix 3.

§ 17

Election of Chairman and Vice Chairman of the Board (item no. 15 on agenda)

The Meeting resolved in accordance with the proposal of the Nomination Committee to re-elect Lennart Holm as Chairman of the Board and Michael M.F. Kaufmann as Vice Chairman of the Board.

§ 18

Election of auditor (item no 16 on agenda)

The Meeting resolved to elect the registered accounting firm KPMG as the company's auditor for the period until the close of the 2017 Annual General Meeting. It was noted that KPMG will appoint the authorised public accountant Ingrid Hornberg Román as auditor-in-charge.

§ 19

Resolution on procedures for appointment of the Nomination Committee (item no. 17 on agenda)

The Nomination Committee's proposal was presented, Appendix 4, and it was noted that this procedure hereafter is to be used until a resolution regarding changes to the procedure for appointment of Nomination Committee is adopted by the General Meeting.

The Meeting resolved in accordance with the Nomination Committee's proposal on procedures for appointment of the Nomination Committee.

§20

The Board's proposal for guidelines for remuneration to senior executives (item no. 18 on agenda)

The Chairman presented the main elements of the Board's proposal in accordance with Appendix 5.

The Meeting resolved to approve the Board's proposal for guidelines for remuneration to senior executives.

§ 21

Resolution on (a) introduction of LTIP 2016 and (b) transfer of own treasury shares to the participants in LTIP 2016 (item no. 19(a) and (b) on agenda)

Mikael Hellberg, the Chairman of the Remuneration Committee, presented the background and the main features of the Board's proposal regarding the incentive programme LTIP 2016 in accordance with Appendix 6.

The Chairman informed that valid resolutions on agenda item no. 19(a) require a simple majority by the Meeting and that a valid resolution on agenda item 19(b) requires support of shareholders representing at least nine-tenths of both the votes cast and shares represented at the Meeting and that the resolutions first were to be resolved upon jointly.

The Meeting resolved, with electronic voting devices, in accordance with the Board's proposal to adopt the incentive programme LTIP 2016 (item 19(a) and transfer of own treasury shares to the participants in LTIP 2016 (item 19(b)). The result of the counting of votes is presented in Appendix 3.

§ 22

Proposal from shareholder (item no. 20(a)–(o) on agenda)

The Chairman noted that the shareholder Thorwald Arvidsson was absent and since no other shareholder, after question thereupon from the Chairman, proposed that the proposals from Thorwald Arvidsson were to be presented at the Meeting, the Meeting did not resolve on items 20(a)–(o) on the agenda.

§ 23

Closing of the Meeting (item no. 21 on agenda)

On behalf of the Board, Lennart Holm, Chairman of the Board, thanked the employees in the BillerudKorsnäs group for the work carried out during 2015.

The Chairman declared the Meeting closed.

At the minutes:

Andreas Mattsson

Minutes checked by:

Wilhelm Lüning

Patrik Marcelius

John Örtengren

Appendix 3

Result from vote counting

Election of Board Members (item no. 14(a)–(h) on agenda)

Board member	Number of votes in favour
Andrea Gisle Joosen	101 544 285
Bengt Hammar	101 599 332
Mikael Hellberg	101 579163
Jan Homan	100 250 622
Lennart Holm	101 551 000
Gunilla Jönsson	101 039 246
Michael M.F. Kaufmann	101 676 729
Kristina Schauman	101 599 238

Resolution on (a) introduction of LTIP 2016 and (b) transfer of own treasury shares to the participants in LTIP 2016 (item no. 19(a) and (b) on agenda)

Votes cast in favour of the proposal 98.937 per cent and shares represented in favour of the proposal 98,728 per cent.

Appendix 4

The nomination committee's proposal on procedures for appointment of the nomination committee (item 17 on the agenda)

The nomination committee proposes that the procedures for the appointment of the nomination committee for the 2017 annual general meeting shall be as follows, and that this procedure shall thereafter apply until a resolution regarding change of the procedure for appointing the nomination committee is resolved by the general meeting:

The nomination committee shall comprise of four (4) members. During September the chairman of the board shall contact the largest shareholders (judged by size of shareholding) regarding the formation of a nomination committee. The names of the members of the nomination committee, and the names of the shareholders having appointed the members, shall be published no later than six months prior to the annual general meeting and be based upon the known shareholding as per the last trading day in August. The nomination committee is appointed for a term of office commencing at the time of the announcement of its composition and ending when a new nomination committee is formed. Unless the committee members agree otherwise, the chairman of the nomination committee shall be the member appointed by 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 nomination committee's term of office one or more of the shareholders that have appointed members to the nomination committee are no longer among the largest shareholders, then the members appointed by these shareholders shall resign their positions and the shareholder or shareholders who have become among the largest shareholders shall be offered the opportunity to appoint members to the nomination committee. Unless there is special cause, no changes shall be made to the composition of the nomination committee if only minor changes in shareholding have been made, or if the changes take place later than two months prior to the general meeting that will decide on proposals made by the nomination committee.

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

The nomination committee shall produce proposals for the following items to be decided by the annual general meeting:

- proposal for chairman of the meeting,
- proposal for number of board members,
- proposal for nomination of board members, chairman and vice chairman of the board,
- proposals for nomination of auditors,
- proposals for board fees and distribution between chairman of the board, vice chairman and other members, and possible remuneration for committee work,
- proposal for fees to auditors, and
- proposal for procedures for appointing the nomination committee (if applicable).

The nomination committee shall make available the requisite information to BillerudKorsnäs so that BillerudKorsnäs can meet the information requirements of the Swedish corporate governance code. Furthermore, the nomination committee shall in performing its duties meet the requirements set by the Swedish corporate governance code for nomination committees, and BillerudKorsnäs shall at the request of the nomination committee provide staff resources, such as secretary of the nomination committee, in order to facilitate the committee's work. If so required, BillerudKorsnäs shall also pay reasonable costs for external consultants and similar which are considered necessary by the nomination committee for it to perform its duties.

Appendix 5

The board's proposal for adoption of guidelines for remuneration to senior executives (item 18 of the agenda)

The board proposes that the meeting resolves upon the adoption of the following guidelines for remuneration to the executive officers in the group.

Executive officers are the CEO, the Executive Vice President and the other members of the senior management team.

BillerudKorsnäs shall apply remuneration levels and employment terms that are in line with market practice in order to recruit and maintain a management team with a high level of competence and the capability of achieving established goals. The remuneration shall motivate executives to do their utmost to secure the shareholders' interests. The remuneration may be in the form of fixed salary, variable salary, long term incentive programs and other benefits such as a company car and pension. Fixed and variable salaries shall be set in relation to competence, area of responsibility and performance. The variable remuneration is based on outcomes in relation to established goals and shall be set to a maximum of a fixed percentage of the annual fixed salary and may vary between 30 per cent and 70 per cent. However, the variable remuneration shall only be paid on condition that the company's operating result is positive. Long term incentive programs in the company shall primarily be linked to certain pre-determined financial and share price related performance criteria. The programs shall ensure long term commitment to the development of the company and shall be implemented on market terms. Long term incentive programs shall run for at least three years. For more information about the existing long term incentive programs, see the company's annual accounts and website.

Pension benefits shall both be defined-benefit or defined-contribution, and normally entitle to pension from the age of 65. In some cases the retirement age may be lower, although 62 is the lowest age of retirement. Six to twelve months is the normal notification period for termination of employment, and severance pay shall be set to a maximum of 12 months' salary in the event that the employment is terminated by the company.

Remuneration and employment terms for the CEO are prepared by the remuneration committee and resolved upon by the board. Remuneration and employment terms for members of the senior management team are resolved upon by the CEO, subject to the approval of the remuneration committee.

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

The board of BillerudKorsnäs has the right to deviate from these guidelines in individual cases in the event of special reason granting such deviation.

Appendix 6

The board's proposal regarding a long term share based incentive program for 2016 (Item 19 (a) on the agenda)

The board proposes that the meeting resolves to introduce a long term share based incentive program ("LTIP 2016") as follows.

In order for a resolution regarding LTIP 2016 to be valid the board's proposal must be supported by more than one-half of the votes cast.

LTIP 2016 in brief

The board's main objective with the proposal of LTIP 2016 is to strengthen BillerudKorsnäs' ability to attract, motivate and retain the best individuals for key leadership positions. The aim is further that executive officers as well as other key personnel and talents within the BillerudKorsnäs group shall be given an incentive to increased efforts by aligning their interests and perspectives with those of the shareholders.

LTIP 2016 comprises up to 100 executive officers, other key personnel and talents within the BillerudKorsnäs group. A condition to participate in LTIP 2016 is that the participants must own BillerudKorsnäs shares. The shares could either be previously held (provided that they are not already allocated to the long term share based incentive programs adopted 2014 or 2015) or purchased on the market. Notification of participation in LTIP 2016 shall occur after the annual general meeting 2016. The participants will after a three year vesting period that ends in connection with the publication of BillerudKorsnäs' interim report for the period January – March 2019, be allotted BillerudKorsnäs shares, free of charge, provided that certain conditions are fulfilled.

Participants in LTIP 2016

LTIP 2016 comprises up to 100 persons consisting of the CEO, the Executive Vice President and the other members of the Senior Management Team, other key personnel and talents within the BillerudKorsnäs group.

Personal investment and allotment of share rights

To participate in LTIP 2016, the participants must purchase BillerudKorsnäs shares at market price on Nasdaq Stockholm and allocated them to LTIP 2016 ("Saving Shares"). Previously held BillerudKorsnäs shares (which are not already allocated to the long term share based incentive programs 2014 or 2015) may be used as Saving Shares. Saving Shares shall be allocated to LTIP 2016 in connection with the notification to participate in the program. If the participant has insider information which prevents him/her from purchasing BillerudKorsnäs shares in connection with the notification to participate in LTIP 2016, the shares shall be purchased as soon as possible, but no later than before the next annual general meeting.

Participants in Category 1 (the CEO of BillerudKorsnäs), Category 2 (the Executive Vice President and the CFO of BillerudKorsnäs) and Category 3 (27 executive officers and other key persons in BillerudKorsnäs) are offered to allocate Saving Shares to the LTIP 2016, not exceeding a number equal to 10 per cent of the participant's gross base salary as per year end 2015 divided by the closing price of the BillerudKorsnäs share per the last trading day of 2015 (SEK 157.20) (the "Closing Price"). Participants in Category 4 (70 key personnel and talents in BillerudKorsnäs) are offered to allocate no more than 500 Saving Shares to LTIP 2016. New personnel that have not yet commenced their employment at the time when notification to participate in the program at the latest shall be given, may, upon the condition that the employment commences during 2016, be offered to participate in LTIP 2016, if the board or the remuneration committee deems it to be in line with the purpose of the program.

Matching share rights

For each Saving Share that the participant invests in and allocates to LTIP 2016, the participant is, free of charge, allotted 1 matching share right, which entitles the participant to, free of charge, receive 1 BillerudKorsnäs share. Allotment of BillerudKorsnäs shares requires, with certain exceptions, that the participant is still employed by the BillerudKorsnäs group and has retained the Saving Shares at the release of the interim report for the period January – March 2019.

For one-half (50 per cent) of the matching share rights allotted to the participant, another condition for allotment of BillerudKorsnäs shares is that the total shareholder return (TSR) on the BillerudKorsnäs share during the financial years 2016-2018 exceeds zero (0) per cent.

Performance share rights

For each Saving Share that the participant invests in and allocates to LTIP 2016, the participant is, free of charge, allotted 3 performance share rights. However, the CEO (Category 1) will be allotted 5 performance share rights for each Saving Share allocated to LTIP 2016 and the Executive Vice President and the CFO (Category 2) will be allotted 4 performance share rights for each Saving Share allocated to LTIP 2016.

The performance share rights are divided into two series, series A and B. For all participants, except the CEO (Category 1) and the Executive Vice President and the CFO (Category 2), each Saving Share entitles to 1 performance share right of series A and 2 performance share rights of series B. For the CEO (Category 1) each Saving Share entitles to 2 performance share rights of series A and 3 performance share rights of series B. For the Executive Vice President and the CFO (Category 2) each Saving Share entitles to 1.5 performance share rights of series A and 2.5 performance share rights of series B.

The allotment of BillerudKorsnäs shares due to performance share rights of series A and B requires that the conditions for the matching share rights regarding continued employment and retained holding of Saving Shares are fulfilled. In addition, allotment of BillerudKorsnäs shares due to performance share rights requires fulfillment of certain performance conditions. The performance conditions are different for series A and series B, respectively, but both are based on financial goals during the financial years 2016-2018 (the "Measurement Period"). The board intends to present whether the conditions have been fulfilled in the annual report of 2018.

Series A The performance condition for the performance share rights of series A relate to BillerudKorsnäs' annual organic growth for the Measurement Period (i.e. growth under the measurement period adjusted for additions and deductions in amounts corresponding to the sales revenues of acquired or divested businesses). The maximum level of allotment pursuant to this performance condition is an organic growth of 4 per cent and the minimum level an organic growth exceeding 2 per cent. If the organic growth amounts to the maximum level of 4 per cent or more, maximum allotment of 1 BillerudKorsnäs share per performance share right of series A shall be made. If the organic growth should be lower than 4 per cent, but exceeding the minimum level of 2 per cent, the allotment will be made on a linear basis on intermediate values. If the organic growth amounts to 2 per cent or less, the performance share rights of series A shall not entitle to allotment of BillerudKorsnäs shares.

Series B The performance condition for the performance share rights of series B relate to BillerudKorsnäs' average adjusted EBITDA margin for the Measurement Period. The maximum level of allotment under the performance condition is an adjusted EBITDA margin of 18 per cent and the minimum level of allotment is an adjusted EBITDA margin exceeding 15 per cent. If the adjusted EBITDA margin amounts to the maximum level of 18 per cent or more, maximum allotment of 1 BillerudKorsnäs share per performance share rights of Series B shall be made. If the adjusted EBITDA margin should be lower than 18 per cent, but exceeding the minimum level of 15 per cent, the allotment will be made on a linear basis on intermediate values. If the adjusted EBITDA Margin amounts to 15 per cent or less, the performance share rights of Series B shall not entitle to allotment of BillerudKorsnäs shares.

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 allotted, free of charge, after the annual general meeting 2016.
- The participants are not entitled to transfer, pledge or dispose the share rights or perform any shareholder's rights regarding the share rights.
- Allotment, free of charge, of BillerudKorsnäs shares, on the basis of the share rights, will take place after the release of the interim report for the period January – March 2019.
- BillerudKorsnäs will make no compensations to the participants of LTIP 2016 due to dividend regarding the shares that the respective share right entitles to.
- The maximum profit per participant is limited to SEK 550 per share right, equal to a maximum of approximately 25 monthly salaries for Category 1, approximately 21 monthly salaries in average for Category 2, approximately 17 monthly salaries in average for Category 3 and approximately 22 monthly salaries for Category 4. In the event that the profit, when calculating the allotment according to LTIP 2016, should exceed the limit of SEK 550 per share right, adjustment shall be made by consequently decreasing the number of BillerudKorsnäs shares that the participant is entitled to receive.

Detailed terms and administration

The board, or the remuneration committee, shall be responsible for determining the detailed terms and administration of LTIP 2016 to be applicable between BillerudKorsnäs and the participant, however within the framework of the scope and guidance given in this resolution. The board or the remuneration committee shall be authorised to make adjustments to fulfill certain rules or market conditions in other jurisdictions. If delivery of shares cannot be accomplished at reasonable costs and with reasonable administrative efforts to persons outside Sweden, the board or the remuneration committee shall be entitled to decide that the participating person may instead be offered a cash based settlement. The board may also make other adjustments, including e.g. a right to resolve on a

reduced allotment of shares, if material changes would occur within the BillerudKorsnäs group or on the market that, according to the board's assessment, would lead to that the resolved terms and conditions for allotment of shares under LTIP 2016 no longer fulfills the main objectives.

Scope

In total, LTIP 2016 comprises a maximum of 72,110 Saving Shares, which can lead to allotment of in total a maximum of 305,202 BillerudKorsnäs shares (a maximum of 72,110 due to matching share rights and a maximum of 233,092 due to the performance share rights), which correspond to approximately 0.15 per cent of the number of outstanding shares and votes in BillerudKorsnäs.

The number of shares included in the LTIP 2016 which can be transferred to the participants shall be subject to recalculation due to bonus issues, consolidation or share split, new issue of shares or similar measures, according to accepted practice for similar incentive programs.

In total, LTIP 2016 comprises a maximum of 305,202 BillerudKorsnäs shares. On 10 March 2016, the previously adopted long term incentive programs, LTIP 2013, LTIP 2014 and LTIP 2015, comprised a maximum of 797,605 BillerudKorsnäs shares. LTIP 2016 together with LTIP 2013, LTIP 2014 and LTIP 2015 would entail a dilution of shares of approximately 0.53 per cent of the number of outstanding shares and votes in BillerudKorsnäs.

Delivery of shares under LTIP 2016

The board has considered two alternative hedging methods for delivering BillerudKorsnäs shares to the participants, subject to the terms and conditions of LTIP 2016; either (i) to transfer shares held by the company itself to participants, free of charge, according to item 19 (b) or (ii) to enter into an agreement with a bank that will be able to, in its own name, acquire and transfer BillerudKorsnäs shares. The board considers the first alternative as its preferred option. However, should the annual general meeting not approve the proposed transfer of own shares in accordance with the proposal in item 19 (b), the board may enter into a hedging arrangement with a third party to hedge the obligations of BillerudKorsnäs to deliver shares under LTIP 2016 as set out above.

Estimated costs and values of LTIP 2016

The board has estimated the average value of each share right to SEK 111.20. The estimation is based on generally accepted valuation models using the closing price for the BillerudKorsnäs share on 10 March 2016, statistics on the share price development as well as projected dividends. The aggregate estimated value of the 72,110 matching share rights and 233,092 performance share rights, based on approximately 50 per cent fulfilment of the performance conditions and estimations on turnover of personnel, is approximately MSEK 17.6. The value is equivalent to approximately 0.06 per cent of the market capitalisation for BillerudKorsnäs as of 10 March 2016. The costs are treated as a staff cost in the profit and loss accounts and it is expensed over 36 months 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 BillerudKorsnäs share price development during the vesting period and allotment of the shares. Based on a theoretical assumption of a yearly increase of 10 per cent of the share price and a vesting period of three years, the cost for LTIP 2016 including social security costs is approximately MSEK 25.6, which on a yearly basis equals to approximately 0.3 per cent of BillerudKorsnäs' total staff costs for the financial year 2016. The maximum cost for LTIP 2015, based on these assumptions, is estimated to be approximately MSEK 84.3, whereof MSEK 50.4 in social security costs.

Effects on key ratios

In the event of full participation in LTIP 2016, BillerudKorsnäs' staff cost is expected to increase with approximately MSEK 8.5 annually. On a proforma basis for 2016, this cost equals a marginal negative effect on BillerudKorsnäs' operating margin and earnings per share.

However, the board considers that the positive effects on the result, which are expected to arise from the increase of the shareholding by executive officers and key employees and which, in addition, may be further increased by the shareholding in LTIP 2016, exceed the costs.

The preparation of the proposal

LTIP 2016, which is based on the previous year's long term incentive programs, has been initiated and prepared by the BillerudKorsnäs' remuneration committee and board together with external advisors.

The board's proposal for resolution on transfer of own shares held in treasury (item 19 (b) on the agenda)

The board proposes that the annual general meeting resolves upon a transfer of a maximum of 305,202 BillerudKorsnäs shares held in treasury to the participants in LTIP 2016 (or the higher number of shares that may result from a recalculation under the terms of the LTIP 2016). Transfer of shares to the participants shall be made free of charge in accordance with the terms of LTIP 2016. The reasons for deviating from the shareholders' preferential right are the same as the reasons motivating adoption of LTIP 2016.

In order for a resolution regarding transfer of own shares to the participants in LTIP 2016 in accordance with 19 (b) to be valid the board's proposal must be supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the Meeting.