



Annual report 2009



NULLA DIES SINE LINEA
– Not a day without progress!



CONTENTS

Billerud in brief.....	2
Statement by Per Lindberg.....	4
Business concept, strategies and targets.....	6
Market overview.....	10
Business areas.....	16
» Sustainability report.....	28
Environmental responsibility.....	35
Social responsibility.....	40
Economical responsibility.....	50
GRI index.....	52
» Directors' report.....	54
Directors' report.....	54
» Financial statements.....	
Consolidated statement of comprehensive income.....	60
Consolidated statement of financial position.....	61
Consolidated statement of changes in equity.....	62
Consolidated cash flow statements.....	63
Profit and loss accounts for parent company.....	64
Balance sheet for parent company.....	65
Statement of changes in parent company equity.....	66
Cash flow statement for parent company.....	67
Risk management and sensitivity analysis.....	68
Notes and accounting principles.....	73
Proposed allocation of profit.....	98
Auditors' report.....	99
» Corporate governance report.....	
Billerud's corporate governance in 2009.....	100
Members of the Board.....	104
Group management.....	106
2009 report on internal control.....	107
Shareholder information and key dates.....	109
Quarterly data.....	110
5-year review.....	111
Analysts.....	112
The Billerud share.....	113
Key figure definitions.....	115
Glossary.....	116
Billerud's units.....	118

The annual report comprises pages 54–98.

This document is a translation of the original, published in Swedish. In cases of any discrepancies between the Swedish and English versions, or in any other context, the Swedish original shall have precedence.

Year in brief

- » *Net sales totalled SEK 7 760 million (SEK 7 792 million)*
- » *Operating profit totalled SEK 300 million, an increase of 4%*
- » *Market share increased in most segments*
- » *Rights issue raised SEK 978 million for Billerud before issue costs*
- » *The Board proposes a dividend of SEK 0.50 per share before issue costs*

IMPORTANT EVENTS PER QUARTER 2009

Q1

- » Price pressure and great uncertainty concerning demand.
- » Strategic acquisition of Tenova Bioplastics AB.
- » Refinanced credit facility of SEK 1 800 million.

Q2

- » Improved order book and return to profit.
- » Announced rights issue worth around SEK 1 000 million.
- » Signed agreement with Rigesa in Brazil on deliveries and collaboration.

Q3

- » Good order book and deliveries.
- » New stretchable and formable paper grade FibreForm® is launched.
- » Swedish Environmental Court requires Billerud to pay an administrative fine of SEK 19 million. Billerud appeals.

Q4

- » Operating margin restored to 11%.
- » Market Pulp business area returns to profit.
- » Cost savings of SEK 250 million a year achieved.

RESULTS AND KEY INDICATORS TABLE

	2009	2008
Net sales, SEK million	7 760	7 792
Operating profit before depreciation and amortisation (EBITDA), SEK million	861	796
Operating profit/loss, SEK million	300	289
Operating margin, %	4	4
Profit/loss before tax, SEK million	186	124
Net profit, SEK million	165	152
Earnings per share, SEK million	2,04	2,07
Dividend, SEK million	0,50 ¹⁾	–
Operating cash flow, SEK million	562	170
Net debt/equity ratio, times	0,29	0,99

¹⁾ Board proposal

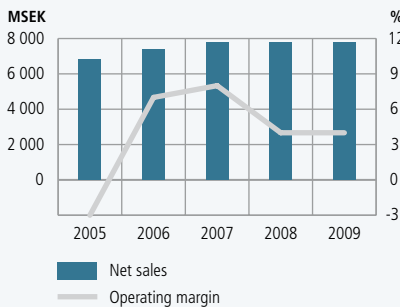


Part of a growing market

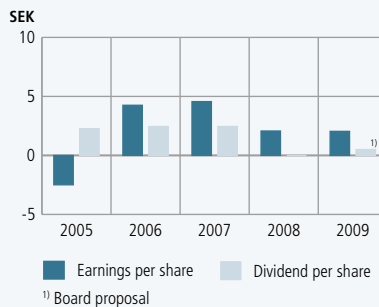


The global packaging market is growing at around 4% per year and is currently valued at approximately USD 600 billion. Billerud is a leading supplier of renewable packaging materials to specific segments of the market. Customers are based primarily in Europe, but also in the Middle East and Asia.

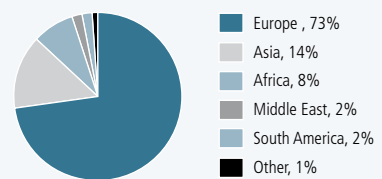
NET SALES AND OPERATING MARGIN



EARNINGS PER SHARE AND DIVIDEND



DELIVERIES PER GEOGRAPHIC AREA



2009 – *The Resurgence*

Describing 2009 in brief is almost impossible. We were plunged into a financial crisis and an economic slump with falling demand, plummeting prices and a financial market that practically stopped working all together. However, we handled the situation and bounced back very strongly at the end of the year. I think that in 2009 we really showed Billerud's inherent strength.

How best to describe what happened in 2009? Probably like navigating in a storm through an archipelago full of sunken rocks, at a time when recession and a financial crisis have lowered the sea level. We opted to remain on our chosen course, which has turned out to be the right decision. The market and our shareholders showed their trust in us during the summer's rights issue, which strengthened our balance sheet and position. Customers also continued to trust in us and from a weak start, the order books have steadily improved and market share has grown. Despite falling prices, our profits improved quarter by quarter. We delivered new products that were incredibly well received. It is a long time since we have seen such great interest in Billerud as a company. We have proven that we have the resources and the equipment to meet the toughest of challenges and that the route we have mapped out is the right one.

Much of the year's improved profit was generated internally, through cost savings and general restraint. With all our staff doing such a great job of reining in costs, we have seen profits surge. This clearly shows that Billerud is able to navigate treacherous waters and that our crew is becoming ever more disciplined and efficient.

Earnings

Our operating margin reached 4%, compared with 4% in 2008. Although the two figures are largely the same level, the manner of achieving them is completely different. Where 2008 concluded with a sharp slide in profits, 2009 saw a major upswing. The trend for 2009 shows that our target of a 10% operating margin is within reach. Net sales for the year totalled SEK 7 760 million, which is in line with 2008. This shows that the cost savings have made an impact over the year.

Customers and markets

At the end of 2008 and beginning of 2009, the business cycle in our industrial segments weakened considerably. Customers ran down their stocks and demand dropped off sharply. However, demand for consumer-related products remained relatively stable. This translated into a fall in demand and in deliveries from the business area Packaging and Speciality Paper in the first quarter, while demand in

Packaging Boards was much better. During the second quarter the situation was reversed, with the year ending on a high note for both.

One reason for the improved order book is our ability to switch some sales of industrial products from Europe to Asia and the Middle East. This has brought about a general deterioration in our customer mix which, coupled with falling prices in Europe, has led to Billerud's product prices dropping 14% in local currency and around 7% in Swedish kronor. At the end of the third quarter, we saw the price curve bottom out before turning upwards in the fourth quarter. However, we will need to see several more price rises in the future to compensate for the heavy decreases in 2009.

The trend for market pulp also improved during the year. The market balance was initially weak, with growing global inventories as a result, but that trend turned in the second quarter. This brought an end to the fall in prices, which reached a low point in April at USD 580, before finishing the year at USD 800. The balance gradually improved and the outlook remains good for 2010.

We will continue to develop new products and services, keep control of costs and establish ourselves as the industry leader when it comes to innovation. The target is to make Billerud one of the most innovative and strongest players in material and packaging development in specific customer segments. 2009 saw us launch several new products, but it was FibreForm® that made the biggest media breakthrough and won the Packaging Innovation Award.

Increasing cost-efficiency

The trend for burgeoning costs that has plagued the industry for many years was broken in 2009. Several input materials fell in price, but historically remain at extremely high levels. This is particularly true of wood. Added to this is the tendency for price rises towards the end of 2009, which is far too early. The industry has no capacity to absorb further cost increases.

Billerud will continue making savings. The programme to cut variable costs, with a target of saving at least SEK 150 million per year through reduced consumption of inputs such as chemicals, energy and wood, has proven successful. There is still further potential, and efforts to systematically address consumption figures, recipes and energy needs will continue in 2010.



In 2008 the decision was taken to save at least SEK 100 million in fixed costs, in part by cutting employee numbers by 125. Also this was achieved during the year. Restraint will continue to be a feature of 2010, although it may be difficult to maintain the same low cost base as in 2009.

Sustainable development

Over the year we have been tackling the Group's sustainability issues across a broad front. A Group-wide organisation for this work has been set up, a Code of Conduct has been drawn up and sustainability targets have been announced. We have also expanded the information available in this area and put together our first sustainability report under the guidelines of the GRI. This is just the beginning. The aim is for our sustainability work to be commercial, effective and long-term. It is therefore essential that it is integrated into our ongoing operations and that we in the management team continue to give it our whole-hearted support.

Financing and rights issue

During the financial crisis, parts of the financing market simply stopped working. The market for short-term financing through commercial papers dried up and the market for more long-term financing became difficult. We felt that there were grounds to strengthen our balance sheet and decided to issue new shares on terms of 1:1 at a rate of SEK 19. I am pleased to report that this rights issue was very well received by the market and existing shareholders. The move brought in SEK 978 million before costs, giving us a strong balance sheet and making us well placed to manage any restructuring if we so wish.

Optimism and development

Our long-term belief in Billerud's products remains firm. The general trend in the packaging market is positive, and paper is an environmentally neutral product that offers significant business opportunities. Fresh Services continues to expand and, together with Billerud Box Lab, offers fruit & vegetable customers comprehensive solutions. Billerud has also launched Pack Lab and Sack Lab. I feel that, during 2009, we proved that we are on the right course and that we are doing the right thing. Billerud has established itself as a highly innovative company with future-proof answers to many of our customers' needs. We intend to continue in that vein and are far from finished.

Value development

Our aim is to add value by continuing to develop Billerud into a strong and successful material and packaging company that meets tough challenges. However, in 2010 we will continue to avoid giving detailed forecasts for the company's profits, since historically profits have been notoriously difficult to predict at times of major swings in costs and economic conditions. The share price was under strong



pressure at the start of the year, but recovered well in the second half of the year. This shows that the market has confidence in Billerud and that we are navigating the correct course under difficult conditions. My view is that we will continue to add value in the future.

Per Lindberg *President and CEO*

Strategy with focus on sustainable development

Packaging paper and energy-efficient packaging solutions made from renewable materials have a prominent place in a society where environmental awareness is high on the agenda.

SUSTAINABLE BUSINESS

Over the year, work on sustainable development has taken on a clearer and more formalised structure. Billerud has signed up to the UN's Global Compact, introduced GRI reporting and drawn up a new Code of Conduct that reflects the company's ethical values.

Billerud's processes are dominated by sustainable production from tree to finished packaging. By working with a natural and renewable raw material, Billerud contributes to creating sustainable development of the Earth's resources. Smart energy solutions and sensible use of resources are key factors for the company's profitability as well as for global climate change. One of Billerud's long-term targets is to completely phase out the use of fossil oil in its manufacturing processes.

A key sub-target within market-driven product development is for the packaging solutions offered to customers to be environmentally aware and resource-efficient. Our successes in this area include the Fresh Services concept, which offers fruit boxes that are lighter but stronger and ensure less damage in transit. More fruit reaching the end consumer is an excellent contribution to a more resource-efficient society.

On the social responsibility front, work over the year has mainly been focused on internal measures. In the future, more external initiatives will be included in this area. Work on increasing safety in the workplace has led to a large cut in the number of work-related injuries. Skills development and skills provision will be key issues for the immediate future.

THREE CORNERSTONES

WORLD CLASS PROCESS EFFICIENCY

Billerud works systematically on improving process efficiency and cost-efficiency to ensure long-term competitiveness and the ability to generate stable cash flow. Equipment and product quality are to be high, product development safeguarded and production volumes increased. Focus on quality at every level and on the development of suppliers of input materials and logistics will contribute to cost-efficiency.

CUSTOMER-FOCUSED DEVELOPMENT

Billerud is continuously working on developing products, product mix and customer structure. By identifying and analysing customer and end-user need for profitable packaging solutions, Billerud can provide better service to markets that demand a range of different packaging solutions and grades of paper. We are also constantly considering collaboration with customers, suppliers and competitors, and possible acquisitions, with a view to entering attractive new markets.

GROWTH

Several of the markets and value chains where Billerud is active are fragmented, which offers opportunities for new approaches and comprehensive solutions. By using its strong position in some segments, Billerud can develop business opportunities and offer new, more comprehensive packaging solutions. However, this requires a broader definition of the market. Billerud's aim is to constantly expand its collaborations with customers, designers, printers and machine manufacturers.

Billerud is working on three focus areas for growth: Fresh Foods, Food & Consumer Packaging and Sack Solutions.



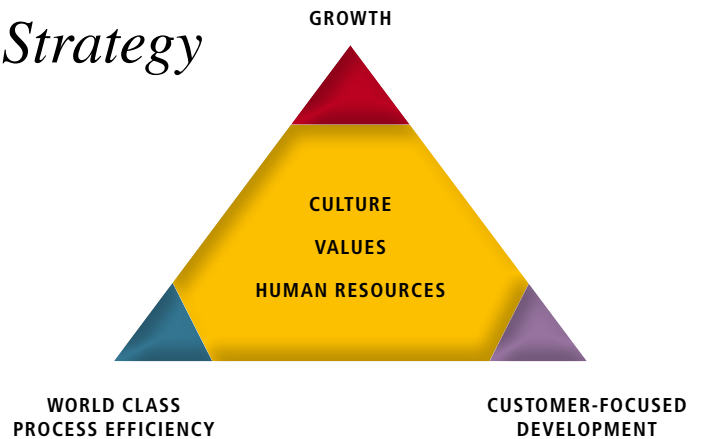
Vision

We set the highest global standards for renewable, protective and attractive packaging solutions.

Business concept

Billerud offers demanding customers packaging material and solutions that promote and protect their products – packaging that is attractive, strong and made of renewable material.

Strategy



IMPLEMENTED

Efficiency gains 2005-2009

- » Employee numbers cut (SEK -350 million)
- » Reduced consumption of inputs (chemicals, energy and wood) (SEK -150 million)
- » Electricity self-sufficiency up from 30% to 60% (SEK -250 million)
- » Energy efficiencies producing a saving of 63 000 MWh per year
- » Net sales per employee is up 32%

LOOKING FORWARD

- » New logistics system from 2011 to be decided on in 2010
- » Continued focus on costs
- » Selective investments and investment level in 2010 in line with 2009, which is almost half that of 2008
- » More efficient use of capacity will, in the long term, increase production volumes in relation to market pulp
- » Decision on any investment in bio-based energy and polymer production

- » Acquisition of Tenova Bioplastics to drive forward the development of bioplastic barriers for paper-based packaging
- » FibreForm® commercially available in 2009, declared the industry's most innovative product of 2009 and best environmental innovation in October 2009
- » Successful launch of Billerud Pure Board® for the Cup Stock market
- » Launch of several new products, e.g. QuickFill® Xcel, QuickFill® Single and tea sachets

- » Continued focus on innovative new products and solutions for the packaging market
- » Continued optimisation of the customer, market and product mix
- » Increased focus on consumer products in Europe and on industrial products in Asia and the Middle East

Fresh Foods

- » Launch of Fresh Services, Billerud Box Lab and others
- » Partnership with Rigesa in Brazil to develop packaging and delivery of Billerud Flute®

Food and Consumer Packaging

- » Formed the subsidiary Nine TPP, a packaging development and design company
- » Acquisition of Tenova Bioplastics
- » Launch of several new products, including FibreForm® and Billerud PureBoard®

Sack Solutions

- » Continued development of the TCV concept – Total Customer Value
- » Continued product development – QuickFill® Single, QuickFill® XRun etc.

- » Continued concentration on three focus areas
- » Continued focus on collaborations and potential acquisitions

Sustainability targets 2013

Environment-related targets

Emissions of fossil CO₂ are considered to have a major impact on climate change. Our long-term aim is to phase out the use of fossil oil in our manufacturing processes. We will be looking to develop the most efficient transport solutions possible for materials coming into the factories and products going out.

- » Emissions of fossil CO₂ from the manufacturing process per tonne of product will fall by 15%
- » In order to cut fossil CO₂ emissions from transport, 90% of outsourced domestic road haulage will be carried out by drivers with training in eco-driving by 2013

In addition to the Group-wide environmental targets, there are a number of environmental and energy targets specific to each mill.

Business partners

As well as commercial considerations, business partners will be assessed from an environmental and social perspective.

- » The target is for at least five business partners a year to have their sustainability reviewed

Social targets

Work environment and Safety

A safe and functional work environment is always top of the agenda and our long-term aim is to avoid all work-related injuries.

- » The target is for the number of work-related injuries to constantly fall through focused safety work and ongoing systematic incident reporting

Diversity and Equality

Creating an organisation that uses the full potential of its staff, regardless of gender, age or ethnic background, is important to us.

We must have diversity at all levels of the organisation.

- » By 2013, 50% of managers appointed to jobs with personnel management duties will be women

Skills

We see skills improvement as a continuous process.

- » The target is for all staff to receive ongoing skills development and personal feedback on development and performance
- » 60% of staff recruited in 2013 will have completed some form of post-upper secondary education

Leadership

A world that is constantly changing requires modern and situational leadership. Leadership development is therefore a priority and strategic issue that will contribute to the company's success and profitability.

- » When recruiting managers, three candidates will always be internal in order to increase development opportunities and internal mobility
- » The target is for each manager to receive personal feedback on his or her leadership and access to development tools

For follow-up of targets, see pages 35, 40 and 48.

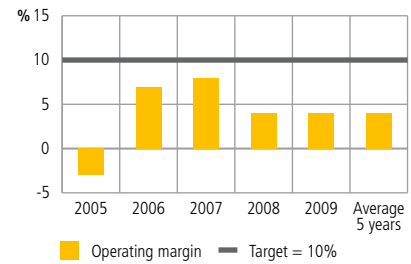




Financial targets

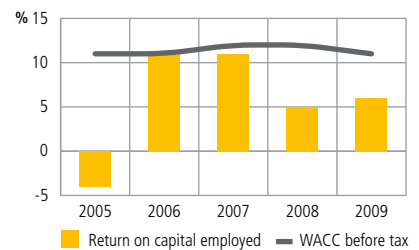
Operating margin

Historically, the development of the pulp and paper industry has followed a cycle with corresponding swings in the earning capabilities of the players in the industry. When setting a profit target for Billerud, the Board of Directors considered the company's profit history, average exchange rates and price trends for pulp and paper in recent years. The target is that the operating margin shall be at least 10% over a business cycle.



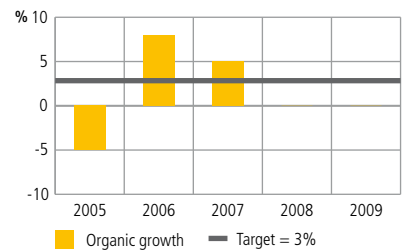
Return on investments

Completed investments shall provide a return that is significantly above the weighted average cost of capital (WACC). This will ensure that Billerud has a return on investment that meets the demands of shareholders while more than covering the company's costs for liabilities. In practice the company will apply different return requirements depending on the risk level of the investment, with a basic requirement that return on investment is significantly above WACC.



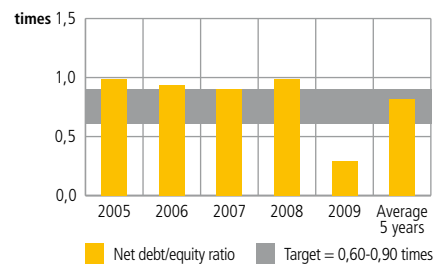
Organic growth

The target is to establish long-term organic growth in the order of 3% per year from 2008 onwards. Growth will be generated from increasing the proportion of paper in relation to market pulp, improving the product mix and customer structure and from new growth projects in the value chain.



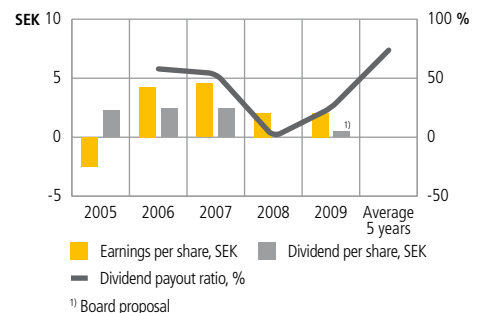
Debt/equity ratio

Billerud's business is influenced to a large extent by general economic conditions, which means that the operating risk is considerable. Strengthening the financial position in good years is essential in order to sustain the company in bad years. Billerud therefore has a target that its net debt/equity ratio over a business cycle shall be between 0.6 and 0.9.



Dividend policy

The target is that the dividend over a business cycle shall on average be equal to 50% of net profits. The dividend paid to shareholders will be dependent on, among other factors, Billerud's profit level, financial position and future development opportunities.



Billerud benefits from market's growing knowledge of packaging

The packaging has to be pure. It has to be strong. It has to sell the product. And above all, it has to be environmentally responsible. With realisation of the branding potential of packaging on the increase and an emphasis on its importance to the environment, Billerud is winning market share in a price-sensitive and demanding market.

The global packaging market has long enjoyed stable growth of just over 4% annually. In 2009 total sales amounted to around USD 600 billion. Billerud delivers packaging paper in selected product areas of the packaging market. Sales are directly linked to increased production of goods, which is largely dependent on increased global prosperity.

Billerud's largest market is in Western Europe, but demand is growing chiefly in the Asian market and the Middle East. In certain product segments, Billerud is a significant supplier in North and South Africa, and it is also finding a growing market in South America.

Increased demands from the market

Packaging producers, distributors, brand owners and retailers are demanding more and more from their solutions. The packaging has

to be light, strong enough to protect the contents and able to promote the product to the consumer.

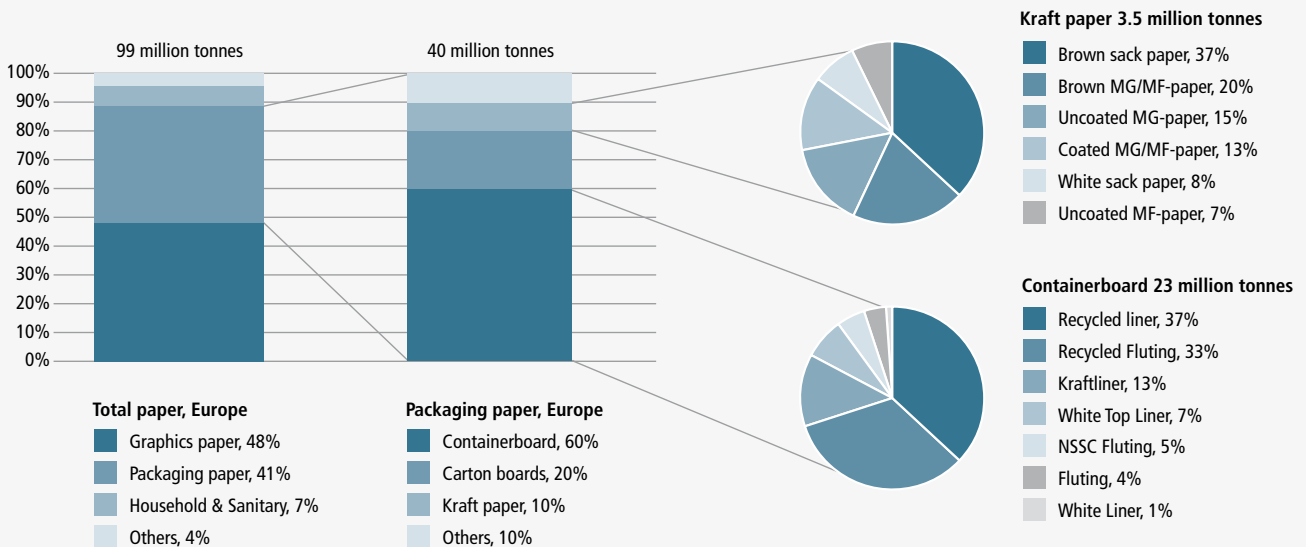
Packaging has to be attractive

Design and product branding via the packaging are becoming increasingly important as more and more purchasing decisions are made in store. To attract people to make a purchase, a growing number of brand owners and retailers are demanding unique packaging solutions with exciting designs and good printability. In this context, choice of material, packaging expertise and a capacity for innovation are crucial.

More turning to paper

Packaging paper is gaining market share. Pressure from environmental

THE PAPER MARKET IN EUROPE



Source: European Pulp and Paper Industry, CEPI 2008; Eurokraft 2008; Billerud.



organisations and consumer demand are driving political decisions in certain areas of packaging, for example carrier bags, where an increasing number of countries are introducing restrictions on plastic bags. As far as the market for carrier bags is concerned, this means that the paper alternative is capturing greater market share. In certain product segments such as sacks, fruit boxes, foods such as flour, grain and sugar, paper is biggest in Europe. There is, however, great potential for paper packaging in the major growth engines of Asia as production increases further.

Increasing environmental awareness

Where the paper comes from is very important to Billerud's customers. Thanks to the far-sighted approach taken by Swedish forestry since the early 20th century and the environmental awareness incorporated into the mills' operations for decades now, Billerud is able to meet the demands of consumers and environmental organisations for sustainable enterprise and environmentally responsible products. The environmental debate and the threat of climate change are affecting a widening constituency, including the packaging market, which is increasingly demanding that the paper comes from certified forestry.

Trends that favour Billerud

All in all, Billerud's business is benefitting from an increased need to optimise packaging performance, coupled with a greater demand for quality, unique design and good cost-efficiency. Over the past year, more and more customers in the value chain have optimised their packaging designs with the help of Billerud's laboratory facilities, achieving lower weight, greater strength and improved attractiveness. The value chain's requirement that the paper uses wood from well managed and sustainable forests gives particular grounds for hoping that market demand for Billerud's products will remain strong in 2010.

STRENGTHS AND WEAKNESSES

Europe

- + Close proximity to customers means cost benefits and reliable transport
- + Many years of customer relations with high level of quality awareness
- + Increased consumption of luxury goods
- Slowed growth in construction sector

Asia and the Middle East

- + Large population, strong buying power
- + Large flow of returning freight transport resulting from Asian exports
- + Strong growth in many countries
- + Improving prosperity and growing middle class creating new consumption patterns
- Geographic distance sets increased demands for reliable deliveries

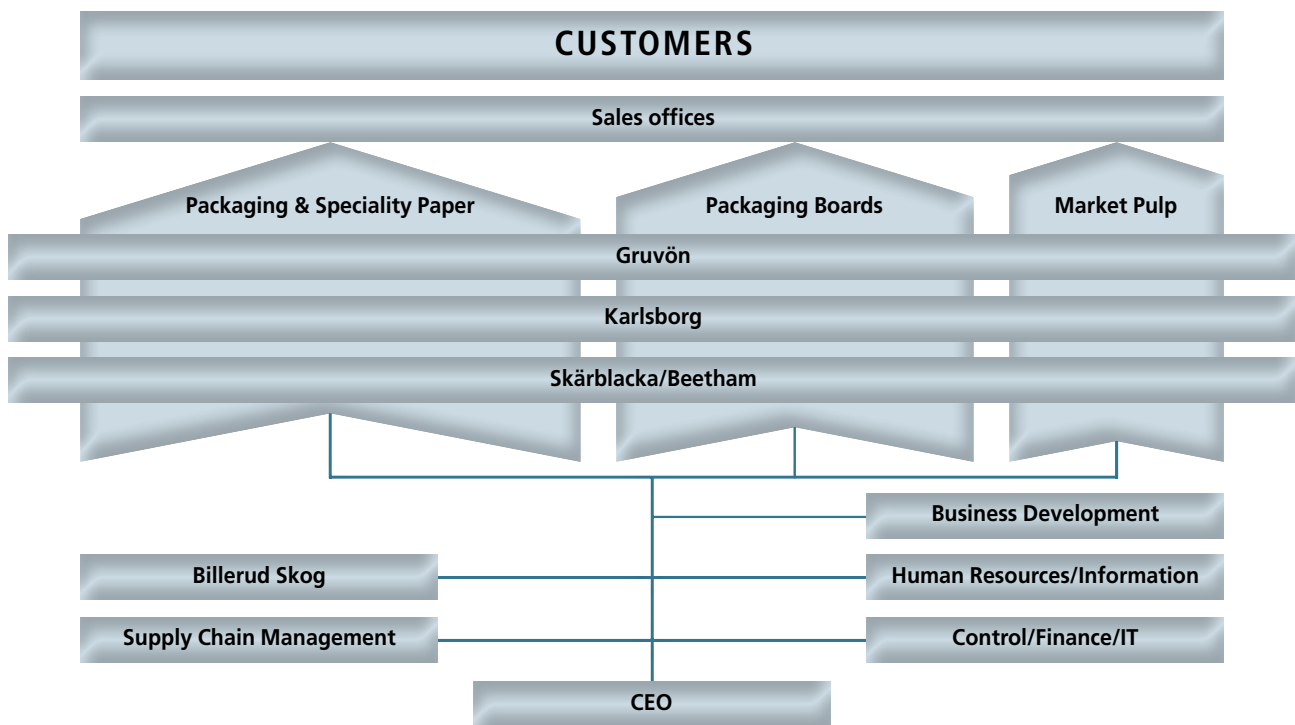


Customer-focused organisation

In order to maintain leading expertise and create proximity to customers and the market, the business is divided into three business areas. Production is carried out at the Group's four mills.

The business is organised into three business areas with production at four mills. The CEO leads the work of the senior management team and takes decisions in consultation with the other senior executives – the business area directors, the production director, the technical director, the CFO and the head of human resources. The organisation's support functions include business development, human resources/information, finance, IT and supply chain management. The Group also includes Billerud Skog, which is responsible for the Group's wood supplies.

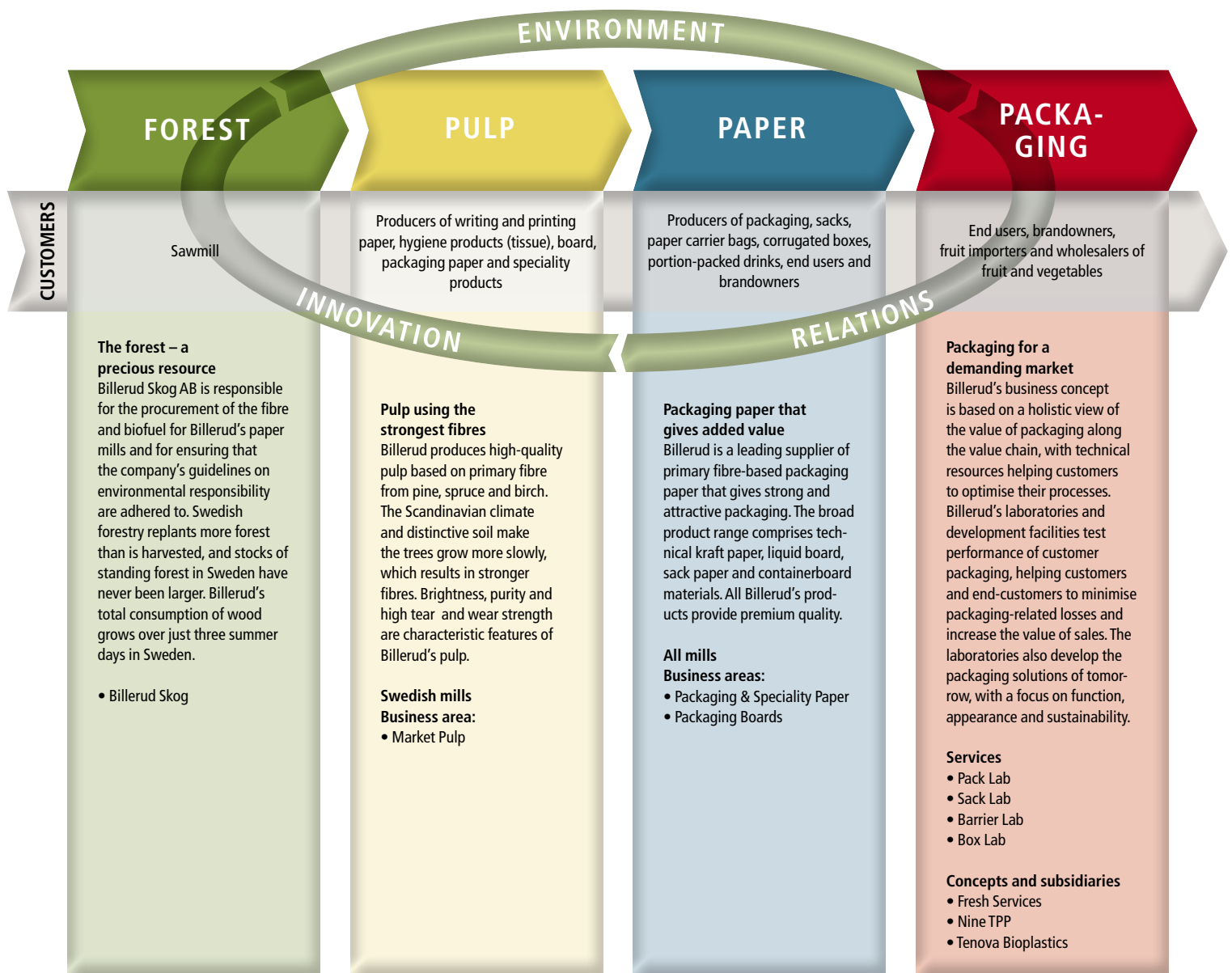
Billerud's business areas are divided into customer segments with direct responsibility for developing products and services, technical service, sales planning and pricing. The business areas are responsible for developing a sales culture within Billerud and thus creating a sharp focus on customers and profitability. The segment teams are responsible for developing know-how about the requirements of customers and end-users throughout the value chain in order to supply them over time with the most comprehensive and sustainable packaging solutions.





Billerud supports the whole value chain

Committed, experienced and quality-driven, Billerud supplies a demanding market with high-quality products and services in a business based around a renewable raw material.



INNOVATION WORK, GOOD RELATIONS AND CARE FOR THE ENVIRONMENT

Billerud’s close working relationship with customers and end-customers has provided a broad insight into the wishes, demands and needs of the market. In order to stay at the cutting edge, Billerud regularly adds to its portfolio new products, concepts and services that will benefit the market – development work that is often carried out in concert with customers and business partners. Behind all the new innovations is a drive to ensure that all players gain from new solutions that protect the products and that are based on a renewable and sustainable resource. As a supplier, Billerud has a responsibility to show climate awareness and minimise environmental impact – sustainability work is thus a natural and obvious feature in all aspects of Billerud’s business.

Overview of Billerud's product markets

PRODUCT AND BRANDS	CUSTOMERS	DRIVING FORCES
KRAFT PAPER (19% of volumes) FibreForm® Medikraft® Sterikraft®	Producers of packaging for the food industry – 59% of volumes <ul style="list-style-type: none"> Flour, sugar, grain, muesli bags Spice bags, powdered foods Paper carrier bags Producers of industrial applications – 41% of volumes <ul style="list-style-type: none"> Interleaving paper for steel Medical packaging Release liner 	Stable demand for kraft paper <ul style="list-style-type: none"> Environmental awareness and political decisions against plastic are increasing interest in paper solutions and renewable materials Investing in own machinery and long-term customer relations strengthens Billerud's position Welfare is increasing and driving demand for hygiene products and medical products The economic growth in Asia is driven by manufacturing, with China now the world's biggest steel producer Increased demand for attractive packaging
SACK PAPER (19% of volumes) QuickFill®	Producers of packaging for powdered goods such as <ul style="list-style-type: none"> Building materials Minerals and chemicals Food The cement industry with its own sack production and integrated filling processes	Sack very important <ul style="list-style-type: none"> Increased construction in growth regions boosts sales Requirements for cost reduction, improved functionality and more rapid air release boost demand for high porosity sack paper Increased in-store sales place greater demands on the appearance of the sacks, which is good for the sale of Billerud's bleached sack paper
FLUTING (24% of volumes) Billerud Flute®	Fresh Foods sector Growers, distributors, fruit importers and wholesalers of fruit and vegetables Heavy goods Producers of packaging for components for the car industry and white goods Directly-packaged fast food Wholesalers and supermarkets	Strong construction cuts wastage <ul style="list-style-type: none"> Increased demand for stronger packaging solutions that cut expensive losses in the logistics chains Increased awareness of the importance of packaging for the environment Need for the addition of primary fibre in the eco-cycle since recycled fibre cannot be used more than 5-7 times
LINER (11% of volumes)	Producers of attractive packaging in corrugated board for <ul style="list-style-type: none"> Luxury and gift items Fast food Shelf Ready Packaging 	Increased focus on sales value of packaging <ul style="list-style-type: none"> Consumers' volatile purchasing choices require packaging with excellent printability that stands out on the store shelf Retailers require sustainable packaging solutions Primary fibre-based liner cuts material consumption
LIQUID BOARD (2% of volumes)	Producers of portion-packed drinks <ul style="list-style-type: none"> Milk Juice 	Strong demand for high quality <ul style="list-style-type: none"> Pure, high and consistent product quality Hygiene-certified production process
CUP STOCK (New launch) Billerud Pure Board®	Producers of disposable cups primarily for drinks	Many drink their coffee on the go <ul style="list-style-type: none"> Changed consumption habits with greater demand for disposable cups for drinks
NORDIC LONG-FIBRE BLEACHED SULPHATE PULP (25% of volumes)	Producers of <ul style="list-style-type: none"> Writing and printing paper Hygiene products (tissue) Board and packaging paper Speciality products such as air filters for cars 	Long fibres ensure high quality <ul style="list-style-type: none"> Long-fibre sulphate pulp provides a strong paper with high tear and wear strength plus good runability both when producing paper and converting finished products Long, slender fibres that help to create good strength properties for low energy consumption Nordic fibre also helps to ensure good formation and opacity Changed communication patterns are having a negative impact on printing and writing paper but increased demand for hygiene products in Asia is compensating for this



MARKET AND CAPACITY

OUR POSITION

MAIN COMPETITORS

Short term: Stable position in a market under price pressure

- The market for retail products is relatively consolidated (MF paper) but much more fragmented for packaged food and industrial applications.
- Over-capacity weeded out less cost-effective producers during the economic downturn
- The economic downturn has put pressure on prices, challenging the market
- Reversing trend with a steady upswing in the second half of the year

Long term: Favourable conditions for Billerud

- Increasing demand for renewable materials
- Continued drive to reduce amounts and weights of packaging
- More and more countries are introducing restrictions on plastic carrier bags
- Increased global prosperity is boosting consumption and demand in all applications and segments

Leading producer of strong, high-quality kraft paper.

Market shares:

54% for white MG paper and 28% for white MF paper in Europe ¹⁾.

Packaged food:

Highly fragmented market, main competitors are Mondi and UPM

Carrier bags:

UPM, Korsnäs

Industrial applications:

Ahlstrom, Arjo Wiggins, Mondi, Nordic Paper, Paper Ararar, UPM

Short term: Demand increasing after a downturn in the construction industry

- Europe's construction market remains weak but demand is increasing
- The construction market in the growth regions continues to expand

Long term: Continued growth in demand globally

- Strong market continues in the growth regions
- Continued consolidation of both the sack and sack paper industry is expected in Europe
- Increased in-store sales place greater demands on the appearance and printability of sacks

Main supplier of brown sack paper to the non-integrated sack industry in Europe. Leading supplier of white sack paper.

Market share:

46% of the European market for white sack paper. 10% for brown sack paper ¹⁾.

Brown sack paper:

Mondi, Segezha, Smurfit Kappa

Bleached sack paper:

UPM, Korsnäs, Canfor

Short term: Strong demand and stable market

- Increased market share
- Sale of fruit and vegetables less sensitive to economic vagaries with stable sales

Long term: Major potential for growth

- Increased population and stricter environmental requirements increase demand for farmed food to reach the consumer
- No added capacity for primary fibre-based containerboard on the market
- New markets in South America offer great growth potential

Quality leader and market-leading producer in top segment with strong position in fruit and vegetables.

Market share: 42% of primary fibre-based fluting ²⁾.

Stora Enso
Powerflute Oy
Mondi Swieci

Short term: Increased demand despite price-sensitive market

- The battle for consumers increases during an economic downturn, keeping demand for premium products up
- More stable customer relations, less price pressure and more stable demand

Long term: Continued stable growth

- Increased focus on material savings, packaging appearance and good quality ensures continued stable development

Leading supplier of low gram-mage pure white liner. A small number of specialised players in the market.

Market share:

About 70% ³⁾.

M-real
Korsnäs
Mondi

Short and long term: Increased global prosperity boosts demand

- Increased prosperity in Asia is leading to greater consumption of individual packs
- Paper is winning market share from plastic packaging materials

Leading supplier of raw materials for individual drink packaging in lower grammage segment.

Korsnäs

Short and long term: Successful focus on a continued strong market

- Broad demand and few suppliers
- Promising future segment, the market is forecast to increase steadily

Newly launched product in a market with much greater demand – good prospects in the long term.

Stora Enso

Short and long term: Stabilisation of the market

- Highly fragmented market
- Unprofitable paper producers have disappeared, which has led to a better price situation
- Limited supply of raw materials is restricting fresh investment in new production of long-fibre pulp

Strategic supplier to large parts of the European paper industry. Many years of business relations with and geographic proximity to customers who have high quality demands.

Södra
Stora Enso
Botnia
Mercer Group

¹⁾ Source: Eurokraft 2009

²⁾ Source: CEPI Containerboard Organisation 2009

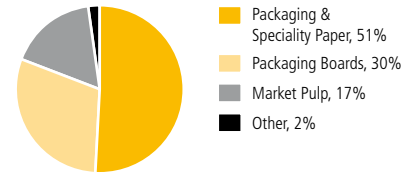
³⁾ Source: Billerud 2009



Business areas

Billerud is a leading material supplier with strong market positions in the majority of its product segments in the packaging market. The company has 11 sales offices in 10 countries serving 1 100 customers in 100 countries.

NET SALES PER BUSINESS AREA



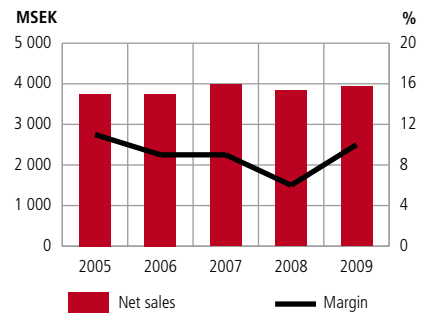
BUSINESS AREAS

NET SALES AND OPERATING MARGIN



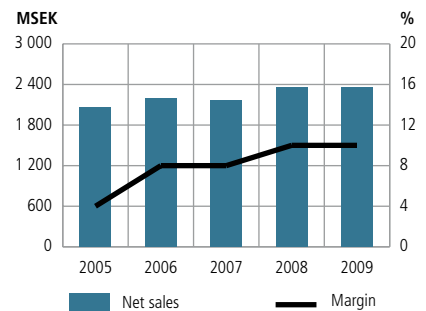
Packaging and Speciality Paper

The business area is responsible for sales of sack paper and kraft paper with a focus on packaged food, paper carrier bags, sack solutions and industrial applications. The business area has direct responsibility for the development of products and services, technical service, sales planning and pricing. The key markets are Europe and Asia.



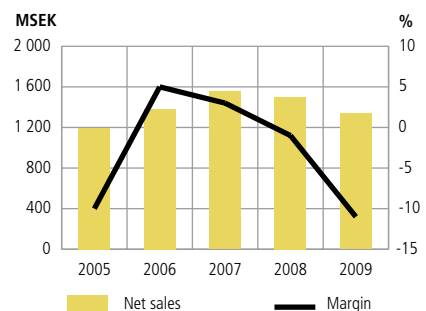
Packaging Boards

The business area is responsible for sales of fluting, liner and liquid board with a focus on the Fresh Foods and Consumer Goods. The business area has direct responsibility for the development of products and services, technical service, sales planning and pricing. The core market is Europe.



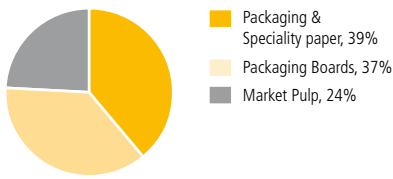
Market Pulp

The business area is responsible for sales of Billerud's long-fibre market pulp. The key markets are Europe and Asia.

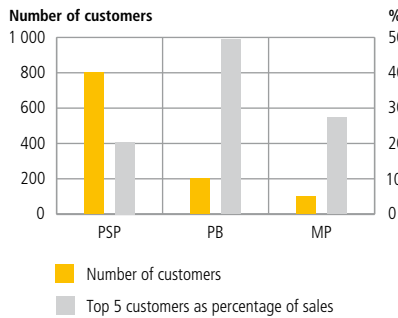




DELIVERIES PER BUSINESS AREA

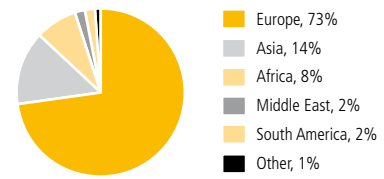


CUSTOMERS PER BUSINESS AREA



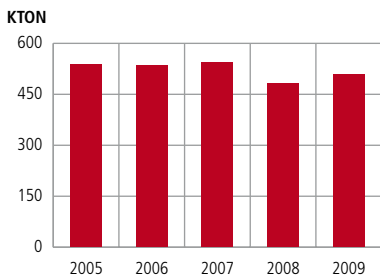
The total number of customers amount to approximately 1 100, whereof the five largest account for 22.5% of the Group's sales.

DELIVERIES PER GEOGRAPHIC AREA

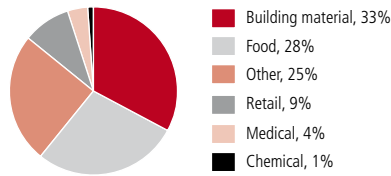


Billerud delivered to a total of approximately 100 countries during 2009.

VOLUME TREND FIVE YEARS

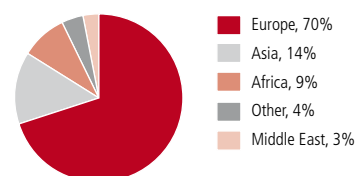


DELIVERIES PER CUSTOMER CATEGORY

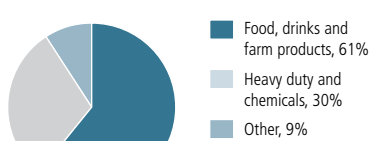
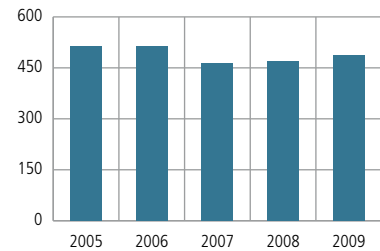


The total number of customers amount to approximately 800, whereof the five largest account for 20.4% of sales.

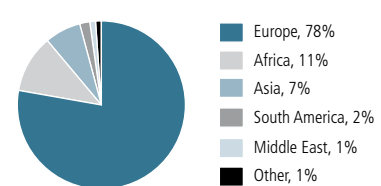
DELIVERIES PER GEOGRAPHIC AREA



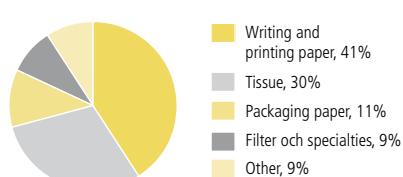
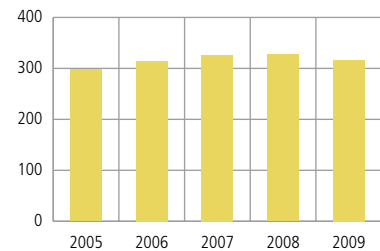
KTON



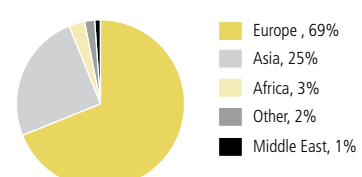
The total number of customers amount to approximately 200, whereof the five largest account for 49.4% of sales.



KTON



The total number of customers amount to approximately 100, whereof the five largest account for 27.3% of sales.



An innovative year for sustainable packaging solutions

Billerud Packaging & Speciality Paper provides the market with high-quality sack and kraft paper. Despite a deep economic downturn, several new packaging solutions have been launched over the year. The aim is for Billerud to be the first choice for sustainable packaging solutions.

The year started turbulently for the business area with reduced demand due to the economic crisis. Continued innovation work and a broad market mix strengthened the business area, with demand also recovering after the second quarter.

Net sales rose by 3% compared with 2008 and operating profit amounted to SEK 386 million, a jump of 58% on the previous year.

Factors driving sales

Increased focus on sustainability

Market demand for renewable, recyclable and resource-thrifty packaging materials is increasing. Many countries are introducing stricter legislation to regulate and cut the production and use of plastics. At the same time, brand owners are becoming more aware of packaging as a promotional medium and opting for materials with good printability that support sales and brand building. This favours Billerud's consumer-related sales areas.

Continued construction in targeted growth markets

In the priority growth areas of Asia, the Middle East and Africa, construction is growing steadily and production of powdered building materials such as cement, mortar and minerals is rising, which fuels



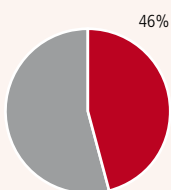
demand for sack paper. In Western and Central Europe, demand for sack paper has slackened off in recent years, largely due to the continued quality trend and lower paper consumption per sack in combination with a weaker construction market. Eastern Europe is expected to return to strong growth after the recession of the past year.

Increased demand for sustainable and attractive packaging

The in-store battle for consumers is causing an increased interest in the attractiveness of packaging. More products in the same category are lining the shelves and shorter life cycles require faster selling power. The market is seeking out new, sustainable packaging

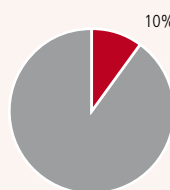
MARKET SHARES IN EUROPE

BLEACHED SACK PAPER
– MARKET LEADING



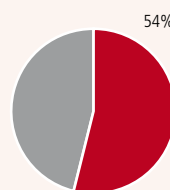
Source: Eurokraft, 2009

BROWN SACK PAPER



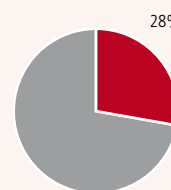
Source: Eurokraft, 2009

UNCOATED WHITE MG
– MARKET LEADING



Source: Eurokraft, 2009

UNCOATED WHITE MF – SECOND
LARGEST MARKET SHARE



Source: Eurokraft, 2009



materials and solutions that improve the products' image. The packaging is a natural part of the product's shape and design. Billerud's focus on business and product development has made it well placed to meet customer demand for innovative and sustainable packaging solutions.

Important events and structural changes in the industry

Price pressure reduced supplier numbers

The difficult start to the year, with lower sales volumes in Europe, created an unsettled market and put pressure on prices. A number of paper manufacturers fell into serious trouble, which led to further structural changes in the industry and the less competitive suppliers failed to survive. At the same time, the market saw consolidation at the customer level.

Major downturn in sack paper initially

As the financial crisis impacted heavily on the European construction industry, the business area was hard hit by falling demand for sack paper at the start of the year. The already high over-capacity in the European sack market dampened sack and paper prices. As a positive counterbalance, construction in Asia and other growth regions remains strong and increased over the year. Demand for strong sack paper within growth regions will continue to increase.

Consumer goods less sensitive to economic downturn

The market for consumer packaging is highly fragmented with many small and local producers. The demand has remained more stable for consumer goods compared with industrial products. Billerud has gained market share.

Success

FibreForm® – Innovation of the Year

At the Scanpack packaging fair in Gothenburg in October, Billerud launched FibreForm® on the Scandinavian market. With its revolutionary high stretchability, FibreForm® is the paper that can be shaped into trays on conventional thermoshaping lines. FibreForm®'s ability to be barrier coated also generates major opportunities for Billerud to offer a solution where traditional paper has previously had its limitations. The launch of FibreForm® was preceded by a market survey to gauge interest in this new product. The market showed a great deal of interest in the product and its launch brought Billerud welcome attention, including winning industry magazine Packmarknaden's award for Innovation of the Year, jointly with Flextrus Paperlite.

Long-term business development

Major potential for more paper

Paper accounts for only 15% of the consumer packaging market for food and carrier bags. However, global eco-awareness is strength-

PRODUCTS AND SERVICE CONCEPTS

Packaging & Speciality Paper offers sack paper and MF/MG kraft paper across a broad spectrum of grammages and qualities, specifically tailored to different areas of application – sacks, carrier bags, food packaging, medical packaging, steel interleaving, protective wrapping and so on. The products offer excellent runability and printability in modern conversion and printing machines, while their strength allows Billerud's customers to reduce packaging weights while retaining or improving on functionality.

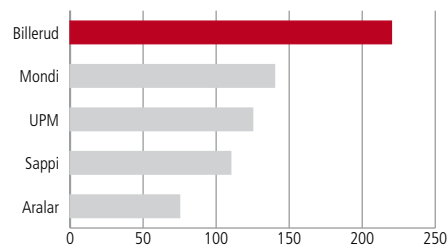
Products

MF Kraft Paper, MG Kraft Paper, Coated MF and MG, Sack Paper

Service concepts

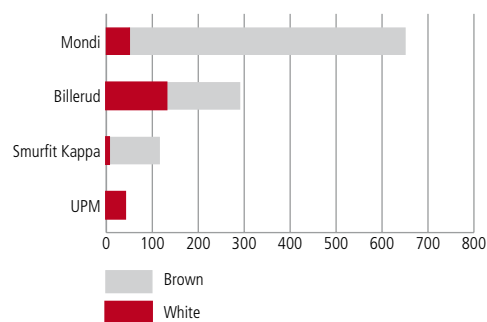
Pack Lab, Barrier Lab, Sack Lab, Nine Total Packaging Partner, Tenova Bioplastics

BLEACHED KRAFTPAPER FOR PACKAGING
– LARGEST MANUFACTURERS IN EUROPE, '000 TONNES



Source: Jaakko Pöyry and Billerud 2009

SACK PAPER – LARGEST MANUFACTURERS
IN EUROPE, '000 TONNES



Source: Jaakko Pöyry and Billerud 2009

PAPER VERSUS PLASTIC

Billerud commissioned the IVL Swedish Environmental Research Institute to conduct two case studies comparing:

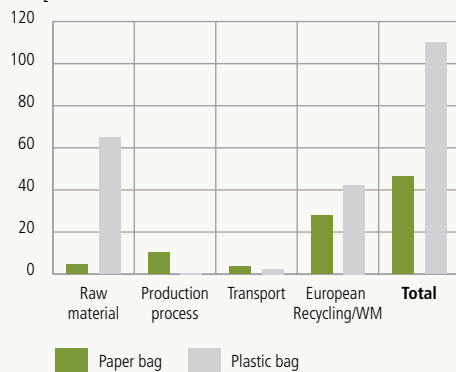
- » Two functionally equal paper and plastic carrier bags based on a complete carbon footprint analysis
- » Two functionally equal paper and plastic sacks based on a complete carbon footprint analysis

Result: Paper is better for the climate than plastic!

From a climate perspective, the paper alternative has a much lower impact than the plastic one, irrespective of the end-of-life scenarios (combustion, material recycling or landfill). The main reason is that paper is made from a renewable resource.

PAPER BAG VERSUS PLASTIC BAG

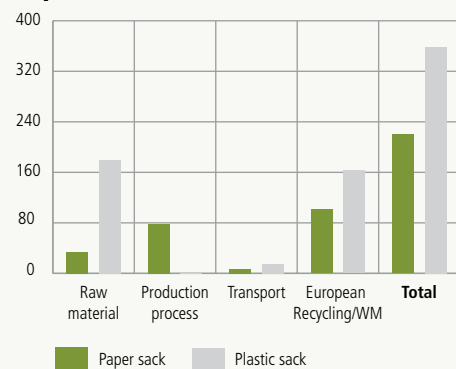
g CO₂-EQ./BAG



Greenhouse gas emissions from paper and plastic bags, with a European average waste handling scenario including recycling, incineration and landfill.

PAPER SACK VERSUS PLASTIC SACK

g CO₂-EQ./SACK



Greenhouse gas emissions from paper and plastic sacks, with a European average waste handling scenario including recycling, incineration and landfill.

ening arguments for paper as an environmentally neutral and sustainable packaging material. There is believed to be great potential for getting people to switch to more sustainable solutions. Billerud's sales of kraft paper for carrier bags have increased and there remains scope to break further ground in this sales area. Alongside the environmental aspects, more and more brand owners are discovering that the paper carrier is an excellent marketing tool.

More realise the value of strong sacks

Sack Solutions continues to market its concept to quality-conscious producers of powdered building materials, minerals and chemicals. More and more players have come to understand the impact that sack design and material choice has on overall cost-efficiency. Billerud's concept of white and brown QuickFill® paper offers the perfect combination of high strength and very high porosity. In March, the global organisation for mortar products, Global Mortars, chose the sack concept as recipient of its prestigious award for bringing most added value to the industry. The aim is for more customers to benefit from Sack Solutions' unique offering, Total Customer Value, whose purpose is to optimise customers' overall cost-efficiency in all areas where packaging is involved. Supporting this is the Billerud Sack Lab, which over the year has helped an increasing number of customers and end-customers to optimise their processes through better paper choice and sack design.

Increased sales to the medical industry

Billerud's sales to the medical packaging market have risen in recent years. Modern healthcare is less sensitive to economic turbulence than many other sales areas, while Billerud's quality in the medical segment has gradually been upgraded and innovative new products have been launched. Billerud's product families MediKraft® and SteriKraft® provide the demanding medical industry with a complete offering. In recent years, innovations in the SteriKraft family have proven popular with the market – the paper provides good, even porosity for all modern sterilisation processes, while its bacterial barriers are excellent at preventing bacteria from penetrating the paper and contaminating the products. Speciality papers for other niche areas are also under development.

New organisation supports sustainability work

Sustainable Packaging Solutions is a new organisation in the business area Packaging & Speciality Paper. Its task is to work on end-customers and to offer and market sustainable products and packaging solutions that offer brand owners added value in the form of an improved environmental profile.

Sustainable Packaging Solutions will back up segments in industrial and consumer packaging by providing specialist knowledge of the value chain and supporting sales.

Knowledge that benefits the whole value chain



Nine Total Packaging Partner is an important resource in further supporting the end-customer's choice of paper. Nine TPP is a joint venture owned by Billerud together with design company No Picnic. The company provides packaging expertise, consultations and value-adding innovations that improve the brand owners' business by focusing on the selling functions of the packaging. Billerud's laboratory operation Pack Lab supplies converters and brand owners with packaging knowledge and shows how the right design, construction and material choice improves the performance of different packaging solutions and carrier bags.

Bioplastics for environmental barriers

Many foods, such as spices, chocolate and powdered soups, are often packaged in paper together with a barrier, usually of plastic or aluminium, to protect the products from bacteria, oxygen and moisture. At the same time, there is a considerable drive within the market to minimise the use of fossil-based barrier materials where possible. The acquisition of Tenova Bioplastics aims to expand Billerud's offering to include plastics that are biodegradable. Tenova currently supplies a range of products to a market showing high demand and intensive development work on future products is underway.



THE BUSINESS AREA'S SUSTAINABILITY WORK IN 2009

Which sustainability issues are particularly important for this business area?

Encouraging the food industry to replace plastic and aluminium with Billerud's paper, which is based on a renewable raw material.

What were the most important sustainability measures carried out in the business area over the year?

The acquisition of Tenova Bioplastics, which supplies plastics based on renewable materials such as starch. Advances in product development, with all the products launched over the year allowing scope for material savings, transport cost reductions and improved efficiency along the value chain.

What were the business area's greatest successes in terms of sustainability over the year?

FibreForm® – best eco-innovation in October and a strong

replacement for oil-based plastics. Its unique stretchability makes it an excellent alternative to fossil-based materials. Offering FSC-certified FibreForm also boosts its environmental value.

What were the business area's greatest setbacks in terms of sustainability over the year?

The price pressure caused by the recession has hampered the marketing of paper as an environmentally neutral material at the conversion stage.

What clear sustainability trends are linked specifically to this business area?

The ongoing climate debate is sparking increased interest in renewable materials. Many countries have banned plastic bags, which is good news for paper bags and bioplastic bags.

A growing market for sustainable premium products

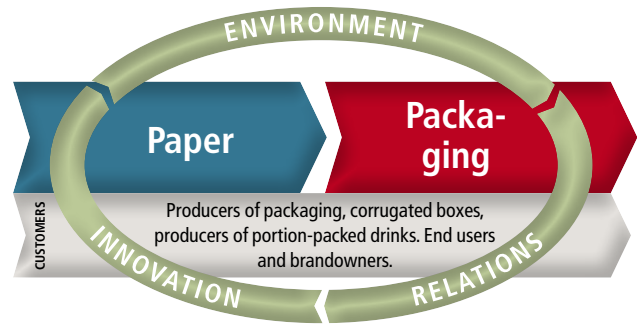
Despite a major economic downturn in the beginning of the year, Billerud Packaging Boards has gained market share and increased sales compared with 2008. Where many paper suppliers to the corrugated board industry have lost ground, Billerud has strengthened its position.

The year started with a tough market suffering the effects of the recession. However, Billerud's position as a provider of high quality and good service, coupled with strategic marketing to brand owners, resulted in a positive trend generally over the year and the business area increased its market share. By the end of the fourth quarter, total deliveries for the year were up 4% on 2008 levels. However, price levels remained under pressure, resulting in an operating profit of SEK 230 million, 7% down on 2008.

Factors driving sales

Lower weight – increased profitability

Retailers and suppliers of fruit and vegetables require packaging that protects their products and reduces expensive losses. This benefitted Billerud's sales of primary fibre-based materials that produce strong corrugated board boxes. Billerud Flute® allows the packaging weight to be cut by between 10% and 20% while still making the packaging stronger. The quality of recycled fibre-based materials has declined, with no guarantee that deliveries will reach the end-consumer intact. Added to this is the fact that fibres can only be re-used five to seven times, after which they disintegrate. The eco-cycle requires the injection of primary fibre.



Primary fibre for purity and strength

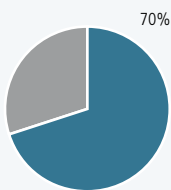
Billerud's products are based on primary fibre and the vast majority are certified for direct contact with food. Certain countries prohibit the use of recycled material if there is direct contact with food, since recycled fibre cannot guarantee food hygiene. Billerud is seeing strong growth in demand, as awareness rises and more markets introduce more stringent legislation.

Packaging that sells

The fact that the corrugated board box is no longer just transport packaging but also has marketing value is becoming increasingly

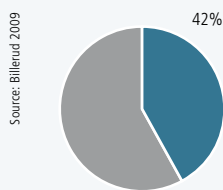
MARKET SHARES AND LARGEST MANUFACTURERS IN EUROPE

WHITE LINER*
– MARKET LEADING



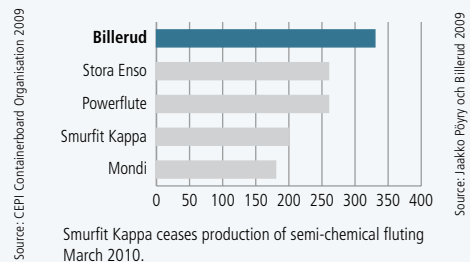
*Low grammage.

NSSC FLUTING**
– MARKET LEADING



**100% primary fibre.

SEMI-CHEMICAL FLUTING – LARGEST MANUFACTURERS IN EUROPE, '000 TONNES





clear. Shelf-ready packaging solutions are becoming more popular and attractive materials are being chosen to promote the products in a sales context. Billerud's pure white liners are being used as the outer layer for corrugated board packaging, often of an exclusive nature. With its good runability and printability, the product helps quality-conscious end-users to better market their brands to the consumer.

Increased consumption of single-portion drinks

Demand for renewable packaging solutions for drinks is rising as prosperity grows. The consumption of single-portion drinks is driving up demand for liquid board in Asia. Europe is seeing an increase in sales of take-away hot drinks, which is good news for Billerud's sales of Cup Stock – board specially designed for drink cups.

Investment to boost sales

The investment made in packaging-related expertise, services and technology has taken on increased importance in bolstering Billerud's position in many markets.

Important events and structural changes in the industry

The market has put pressure on prices over the year. The cause is lower demand and the fact that corrugated board manufacturers have chosen to run down stocks, which adversely affected Packaging Boards during the first two quarters of the year. Before the financial crisis, many of Billerud's closest customers had several suppliers, but as they reduced their purchase volumes, many chose to cut back on supplier numbers. However, the majority decided not to omit premium products from their range, which led to Billerud winning market share.

Successes

Billerud Pure Board®

The market is looking for more suppliers of Cup Stock. Billerud's production of liquid board has been refined over the year, resulting in the launch of a new product – Billerud Pure Board. The growth market for disposable consumer packaging is expanding strongly and offers good prospects for the future. Over the year, Billerud has had sample deliveries to over 20 destinations across 13 countries.

Unique agreement with Rigesa

During the year, a cooperation agreement was signed with the Brazilian corrugated board and corrugated boxes producer Rigesa. The agreement involves Rigesa cutting back on its own fluting production and replacing this with Billerud Flute®. At the same time, Rigesa gains access to the Billerud Box Lab and Fresh Services. The contract strengthens Billerud's business in the South American market and opens doors to many major fruit and vegetable

PRODUCTS AND SERVICE CONCEPTS

Packaging Boards supplies the market with high-quality containerboard and board for drinks packaging. With deep insight into the market's conditions and requirements, Billerud provides packaging manufacturers and end-customers with technical consultations and knowledge regarding the role of packaging throughout the value chain.

Products

Fluting, Liner, Liquid Board, Cup Stock

Service concepts

Box Lab, Fresh Services



SUSTAINABILITY WORK IN 2009

Which sustainability issues are particularly important for this business area?

Packaging Boards' customers operate mainly in an industry where products worth SEK 100 billion are destroyed every year in transit. Since Billerud's expertise and materials help to cut this wastage considerably, this is the single most important sustainability issue in this business area.

What were the most important sustainability measures carried out in the business area over the year?

Investment in increased knowledge of the entire value chain for fruit and vegetables, with Billerud Box Lab and Fresh Services helping customers and brand owners to minimise wastage through improved packaging designs.

What were the business area's greatest successes in terms of sustainability over the year?

The breakthrough of Fresh Services, which is supporting more and more players in their efforts to minimise losses. This has led to a cooperation agreement with the Brazilian corrugated board and corrugated boxes producer Rigesa.

What were the business area's greatest setbacks in terms of sustainability over the year?

Not bringing about changes to fruit and vegetable transportation in Europe more quickly. Changing and optimising logistics chains is taking longer than expected.

What clear sustainability trends are linked specifically to this business area?

Specialist futurologists and trend watchers are clear that there is nothing more off trend than throwing away food. Consumers have a much greater awareness of the issues.

producers. Over the year, Rigesa has invested in a plant in India, which is forecast to be a good future market. Rigesa is a subsidiary of the multinational Mead Vest Waco, based in the USA.

Long-term business development***Continued stability in the market***

The overall packaging market is seeing stable growth, with packaged food and other Fast Moving Consumer Goods following the GNP trend. Billerud's customers prioritise lower packaging weight and cost-efficiency, with more and more stressing the value of sustainable materials. At the same time, researchers and environmental organisations are pushing for less wastage and over-consumption. Against this backdrop, Billerud's products will play a key role in protecting deliveries and the environment.

The task is to cut wastage

Around 10% of the fruit and vegetables transported in Europe never reach the end-consumer and a significant proportion of this unnecessary wastage is due to inferior packaging. In growth countries the wastage amounts to 40%. By working strategically on solutions and services that help the players along the entire fruit and vegetable value chain to minimise wastage, Billerud will further expand its market share for containerboard.

Work on the end-customer continues

Fresh Services takes a holistic approach to the delivery chain for fruit and vegetables, for example taking on commissions from customers to conduct quality surveys of the journey to the end-consumer for fresh goods, with a view to minimising packaging-related wastage and protecting the environment. Over the year, Fresh Services has trained and helped more and more end-customers to optimise transport chains and phase out inferior packaging, thus cutting costly losses. Fresh Services also works on developing new technologies to ensure the quality of the products being transported.

Box Lab supports the whole value chain

Billerud Box Lab carries out scientific comparisons between different designs, so that customers can be guided towards smart packaging choices. Box Lab analyses long-term performance of corrugated boxes in high humidity, combined with heavy loading and rough handling. Billerud Box Lab is taking on an increasingly important role in Billerud's sustainability work and its findings help end-customers to optimise their designs and improve profitability. Billerud is working to introduce a new global standard – a measure of how well corrugated box constructions will cope with the real stresses of the transport chain.



Stabilising pulp market

The pulp market suffered a severe drop in prices in 2009. Nevertheless, the situation gradually stabilised from the middle of the year, resulting in a steep upswing in prices during the second half of the year.

The first two quarters of the year were characterised by anxiety, turbulence and negative growth across the whole pulp market. A major drop off in demand in the latter part of 2008 led to widespread over-supply and lower prices. Demand in Europe and North America fell by a total of 10% during the first half of 2009 and the price of long-fibre market pulp bottomed out in April at USD 580 per tonne. After the summer, the market stabilised and a gradual recovery took place during the autumn. By December, pulp prices were back to almost the same level as before the financial crisis hit, at USD 800 per tonne for long-fibre pulp. This year's operating loss stood at SEK 148 million. The reason for the continued negative result is the imbalance that prevailed in the pulp market for much of 2009.

Factors driving sales

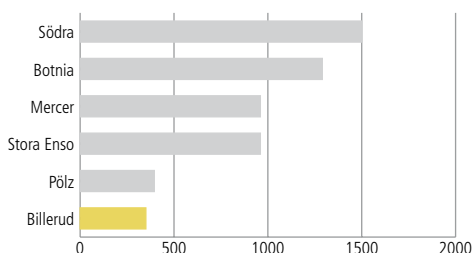
Pulp from long, Nordic primary fibre

Billerud's market pulp is based on primary fibre from Scandinavian pine and spruce. The northerly climate makes the trees grow more slowly, which results in strong, slender fibres with unique properties. These fibres help to create Billerud's pulp good strength properties, important factor in manufacturing high-quality paper.

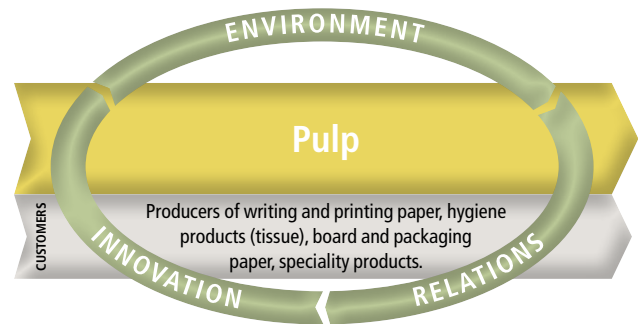
Strategic positioning in fragmented market

The market is highly fragmented, with numerous suppliers. This increases competition, although Billerud's many years of excellent customer relations and its strategic positioning close to the European paper industry strengthens its situation.

LARGEST WESTERN EUROPEAN MANUFACTURERS OF NORDIC BLEACHED LONG-FIBRE SULPHATE PULP, '000 TONNES



Source: Hawkins Wright, 2009



Printing and writing paper falling – tissue rising

Around 45% of all market pulp is currently used for printing and writing paper. However, this sales area has shrunk over the year, primarily in Europe and North America, where demand has fallen by between 15% and 20%. This fall is due to the downturn in the global economy, changing communication patterns and new technology. Weaker demand for printing and writing paper was offset in part by the increased use of tissue products. An increase in the standard of living appears to be accompanied by the increased use of toilet paper, paper towels and similar products.

Important events and structural changes in the industry

Structural change slowed price drop

Over a period of seven months, 15 competitor pulp mills closed due to lower demand. However, some of these mills were mothballed in anticipation of a brighter global market. This structural change led to a 2.6 million tonne cut in the supply of market pulp and a stabilisation of the price levels. Towards the end of the year, a couple of pulp mills restarted their production and capacity increased by 700 000 tonnes during the fourth quarter. However, this was absorbed well by the market, which continued to be nicely balanced as 2009 ended and the new year began.

Long-term business development

Rise in hygiene products

The business area's long-term development strategy – to switch sales from printing and writing paper to tissue products – has proven successful and the sales segment is predicted to continue growing as global prosperity rises. Demand is increasing primarily in Asia.



Global demand for tissue has increased by 3% to 4% per year. Billerud's long-fibre sulphate pulp has the right properties of strength, purity and softness required for hygienic paper.

The shift towards Asia continues

The European market has continued to experience weak growth, which is why Billerud is focusing more on the Asian growth market. Promising development is predicted for India and above all demand remains strong in China, which is currently the largest importer of market pulp, at around 11 million tonnes. India and China are buying long-fibre pulp from Scandinavia and North America because this specific type of pulpwood is not available in Asia. Rising purchasing power in the growth market is also leading to increased sales of consumer products, which is why Billerud sees great potential in the strategic redirection of volumes into the packaging market.

Environmentally certified pulp in demand

As a natural consequence of the greater awareness of consumers and customers, there is an increasingly stringent demand for paper that originates from sustainable forestry with strict requirements for replanting. This eco-awareness is beneficial to Billerud, which uses traceable or certified wood raw materials in its production. Around 35% of Billerud's pulp is currently FSC/PEFC-certified, which is higher than it was but still far from sufficient. The aim is to gradually improve the proportion of certified products and Billerud is working actively to encourage forest owners to apply for environmental certification such as FSC and PEFC.

Integrated mills bring benefits

Billerud's paper mills are integrated, which means that they combine both pulp and paper production. This gives Billerud control over the whole production chain from tree to finished paper. The manufacture of pulp produces by-products – the biofuel that provides Billerud with large quantities of energy. This cuts our need to buy in electricity.



PRODUCT

Market Pulp is responsible for sales of Billerud's market pulp. Demand for pulp comes from producers of printing and writing paper, tissue products and packaging paper and board, filter & speciality paper.

Product : primary long-fibre sulphate pulp

SUSTAINABILITY WORK IN 2009

Which sustainability issues are particularly important for this business area?

The fact that the forests are managed sustainably, emissions issues, the carbon footprint and ethical issues linked to the company's Code of Conduct.

What were the most important sustainability measures carried out in the business area over the year?

The continued increase in FSC and PEFC-certified pulp. Over the past five years, demand has risen from 20% to 35%.

What were the business area's greatest successes in terms of sustainability over the year?

A life cycle analysis carried out by IVL shows that the combination of a renewable raw material and efficient manufacturing processes generates products that bind more carbon dioxide than the manufacturing process releases.

What were the business area's greatest setbacks in terms of sustainability over the year?

Billerud being forced to import wood due to lack of supply.

What clear sustainability trends are linked specifically to this business area?

Rapid development in relatively poor parts of the world has given new consumer groups the opportunity to use tissue products. This indicates greater global prosperity, which in the long term will be good for Billerud's business.



About the sustainability report

This is Billerud's first sustainability report. It describes how the company works strategically and operationally from an environmental, social and economic perspective, and what results have been achieved. The content relates to the financial year 2009 and covers the activities of the whole Group unless otherwise stated.

CONTENTS SUSTAINABILITY REPORT

About the sustainability report.....	28
Our greatest impact.....	29
Trends, risks and opportunities.....	30
Our stakeholders.....	31
Sustainability management.....	32
Awards and prizes.....	32
Contact and materials.....	33
Code of Conduct and other guidelines.....	34
Environmental responsibility.....	35
Social responsibility – employees.....	40
Social responsibility – society.....	44
Social responsibility – products.....	46
Social responsibility – human rights.....	48
Economic responsibility.....	50
GRI index.....	52

The report follows the guidelines of the Global Reporting Initiative (GRI) for sustainability reporting (version 3.0) and corresponds to reporting level B, as confirmed by KPMG's auditors. Billerud aims to report its sustainability work annually in line with GRI as an integrated part of the normal annual report.

Work on determining the content of the report is based on weighing up what is important to Billerud's business, the company's responsibility for the rights of its employees, its impact on society and the environmental responsibility incumbent upon an industrial manufacturer of pulp and paper. Billerud's production and the majority of sales take place within Europe, where laws regulate human rights. This dimension of the Group's sustainability initiatives has mainly focused on ensuring that all requirements relating to employee rights are met, with room to spare.

The printed sustainability report is aimed primarily at the company's numerous shareholders, investors and the analysts who follow the progress of the company. Billerud's website also carries detailed and more easily accessible sustainability information directed at customers, staff, local residents, suppliers and other stakeholders.

The content of the report is based chiefly on documented and/or verbal information from key personnel within the Group, central internal documents, articles in the in-house magazine, texts on the Group's website and external printed material.

Specific methods of measurement and calculation are commented on as required alongside the relevant performance indicator in the section "Performance – environment". No major changes affecting comparability have taken place over the years 2007–2009, for which the measurement data is presented.





Our greatest impact

This section presents the areas where Billerud has a leading impact, either positive or negative, from a sustainability perspective.

As a manufacturer of pulp and paper, wood is the dominant raw material. This is an environmental advantage since wood is a renewable resource. Parliament introduced the first modern Swedish Forestry Act (skogsvårdslagen) back in 1903 and it remains the most stringent in the world. The act contains a replanting requirement that has resulted in stocks of standing forest in Sweden that have never been greater. The forest industry's ongoing need for wood promotes active forestry that involves planting and growing forests, which has an inherent positive effect on the climate, since the managed forests bind more carbon dioxide than unmanaged old forests. Billerud supports active and responsible forestry, not least by gradually increasing the proportion of PEFC and FSC-certified wood that it buys. Both these systems encourage sustainable forestry.

Energy-intensive industry

The company's core business is based around the production of pulp and packaging paper, which requires large amounts of energy. This energy is generated in part by burning various fuels, which releases carbon dioxide and contributes to the greenhouse effect. The transport of forest raw materials to the mills and finished products from the mills also causes the release of carbon dioxide and other emissions. In order to reduce our environmental impact, the mills are conducting constant energy efficiency drives and working on moving to more renewable fuels. The mills have already come a long way on this front. To reduce the impact of transport, areas of forest are being exchanged and as much road transport as possible is being switched to trains and ships.

Offering sustainable products

Billerud's strong packaging paper protects products as they are transported to consumers. This prevents unnecessary wastage and loss of foods and other goods. Good packaging always saves more than it costs. Once used, the packaging can be recycled, composted or used as an energy source in combustion. Billerud is working actively and innovatively to minimise environmental impact and waste of resources by offering strong packaging material, design know-how and services for improving efficiency in the logistics chain. The potential is considerable.

Taking responsibility for mills' local communities

At all four of Billerud's production locations, the mills are by far the

biggest private employer. This brings great responsibility as well as a certain amount of influence over the long-term survival of the local community. Billerud prides itself on its long-term, stable and trusting relations with local residents, politicians, schools, the local media and the authorities.



Trends, risks and opportunities

There are risks to be taken into account as well as opportunities bound up with trends in the sustainability arena. Here these are listed in order of priority and linked to Billerud's long-term strategy, market position and value-driving factors.

Packaging paper and energy-efficient packaging solutions made from renewable materials have a prominent part to play in a society where environmental awareness is high on the agenda. Being alert to new technology and research also puts us ahead of the competition. One example is investing in more environmentally neutral alternatives to fossil-based plastics, bioplastics, as they are known, based on starch, for example. With the right quality, technology and expertise, Billerud offers customers alternatives that save money as well as protecting the environment.

New research supports more packaging

The environmental benefit of packaging has been overlooked in the past 20 years, while packaging waste has been castigated as an environmental villain. New research from Karlstad University reveals that if a consumer throws away more than two tablespoons of milk from a litre pack, it would have been better for the climate to buy 3.33 packs of 300 ml instead, despite the fact that the amount of packaging per 100 ml of milk is higher. In other words, it has been proven that as far as the environment is concerned, the contents are more valuable than the packaging and that the most important thing is that the pack size matches consumers' consumption needs.

Tougher competition for wood raw materials

Demand for renewable heat and electricity based on biofuels is rising due to increased awareness on the part of energy consumers and new economic instruments such as emission rights and green electricity certification. Billerud is carefully monitoring this trend

EUR 10 BILLION GOES TO WASTE

In Europe, deliveries of fruit and vegetables worth EUR 100 billion are made every year. Not all of it is eaten. 10% is spoiled en route, 2.5% of which is attributable to poor packaging. The total environmental impact of this wastage is huge if we include all the energy and resources consumed and the carbon emissions involved in transporting these fruit and vegetables that don't even reach the consumer.

Source: McKinsey & Co, 15.06.2006

and has adapted its purchasing organisation accordingly. Processing wood into pulp and paper before it is used as an energy raw material increases its economic value. Investments in bioenergy should be made in the vicinity of pulp production sites to exploit the raw materials of the forest as efficiently as possible.

The next generation

Billerud has a large number of employees who are nearing retirement age. So as not to risk losing vital knowledge, the company needs to attract young, skilled employees. Despite the financial crisis and the downturn still prevalent in some parts of the economy, the company can see tough competition for highly educated labour on the horizon. To avoid a skills gap in the years ahead, Billerud is working now to strengthen its brand as an employer. 2010 will see the start of the Group's first graduate training programme with the aim of employing ten trainees a year over the years to come.

Tougher environmental requirements may increase costs

Under the Swedish Environmental Code a permit is required to manufacture pulp and paper. The mill in Skärblacka is due for an audit, which will involve a thorough examination of its entire operation. This could lead to increased and costly requirements for emissions to water and air, waste management, etc. Audits of the other Swedish mills are largely complete and the requirements they have to meet are manageable.





Our stakeholders

Billerud's dialogue with its various stakeholders is a valuable asset in constantly improving processes and working methods. It is built up over the long term through consistent, correct and open communication characterised by mutual respect.

Billerud's five most important stakeholder groups – employees, customers, investors, business partners and society and the environment – have been identified on the basis of the value created in the relationship between Billerud and the respective group.

Ultimately these groups are vital to the company's long-term survival. During work on this sustainability report, Billerud has entered into an informal dialogue with a number of stakeholder groups.

OUR STAKEHOLDERS

STAKEHOLDER GROUPS	DEFINITION	TYPES OF COMMUNICATION	SUSTAINABILITY ISSUES	RESULTS
Employees	Existing employees	Workplace meetings, Work environment groups, Staff surveys (including leadership index), Incident follow-up, Performance reviews, Intranet & staff magazine.	Skills development, Work environment & safety, Health measures, Diversity.	Skills development model, Work environment and safety, Action plan against victimisation at work, Diversity survey.
	Future employees	Mill visits, Milk rounds at colleges and universities, Industry evenings.	Development opportunities, Environmental issues, Ethical issues, Employment terms.	Recruitment process, Employer branding.
	Union representatives	Local joint meetings, Working committee meetings, European Works Council.	Work environment and safety, Skills development, Terms of contract.	Open and constructive dialogue, Greater respect and understanding for each other's situation.
Customers	Existing customers Customers' customers End-consumers	Personal meetings, Daily contact, Seminars & customer meetings, Surveys, Environmental reports.	General requirements for sustainable corporate management. Specific questions such as: certified volumes of forest, illegal felling, key biotopes, carbon footprint, REACH, groundwater.	Environment brochure, Carbon footprint study, Sales support material on environmental issues, Product development.
Investors	Shareholders Analysts Potential investors	Annual report, Interim reports, Website, Rights issue prospectus, Press conferences, Meetings with analysts, Questionnaires from ethical and environmental investment funds	Economic value development sustainable in the long term, Business and product development perspective linked to environmental trends.	Sustainability reporting in line with GRI, OMX GES Swedish and Nordic Sustainability Index.
Business partners	Existing suppliers	Ongoing contacts Procurement	Have discussed codes of conduct and sustainability issues with suppliers during procurement.	Supplier evaluation from a sustainability viewpoint.
	Lenders	Personal meetings, Financial communication.	Economic value development sustainable in the long term.	New credit facility during 2009 for SEK 1 800 million.
	Partners	Close contacts and development projects	Developing sustainable and resource-efficient packaging, Developing bioplastic barriers.	New products and packaging solutions, such as FibreForm.
	Sponsorship agreements	Regional sponsorship of culture, sport and community events.	Environmental impact and actively supporting human rights are important parameters when negotiating sponsorship agreements	Sustainability-related sponsorship
Society and environment	Local residents	Focus groups, Information meetings, Environmental reports at mill level, Environment panels.	Emissions to air and water, What has happened, Plans for the future at mills.	Greater respect and understanding of each other's situation and actions.
	Schools and universities	Close contact with educational institutions, Study visits.	Regional skills-boosting initiatives: training, work experience.	Built a basis for future recruitment, Greater range of technical vocational training courses.
	Authorities	Contact with County Administrative Boards and municipalities in conjunction with supervision, Statutory environmental reports.	Emissions to air and water, noise, energy, land issues, waste, use of chemicals.	Better understanding of each other's points of view on environmental issues.
	Certification bodies	On-site visits and other kinds of dialogue in conjunction with audits.	Legislation and criteria of the standard in question.	Views of external bodies on the business and proposed improvements.
	SP Technical Research Institute of Sweden Opinion formers	External audit of FSC and PEFC certification. Great openness in dialogue with the media and environmental organisations.	Legislation and criteria of the standard in question.	Views of external bodies on the business and proposed improvements. Greater understanding of each other's situation and actions.

Sustainability management

Billerud's Board approves the company's strategy and organisation. The senior management team is then responsible under the CEO's leadership for developing, introducing and monitoring Billerud's strategies and goals, which include financial, social and environmental targets.

In the past year Billerud has taken a holistic approach to sustainability. A new CSR Council has been appointed, tasked with ensuring that sustainability work is as efficient, professional and integrated in the day-to-day work of the company as possible. Stina Blombäck is responsible for sustainability at overall Group level and reports directly to the CEO. She is supported by a core team of three, comprising the environment and energy director, the head of human resources and the information manager. The senior management team delegates the work out to the business areas and the mills via their representatives in the senior management team. An Ethics Council linked to the new Code of Conduct has also been set up at Billerud.

Responsible Code of Conduct

A cornerstone in our sustainability work is our Code of Conduct, which constitutes a steering document for the internal relations of all

employees and for relations with the company's stakeholders. The code was drawn up in 2009 and covers all Billerud employees. Managers at Billerud are responsible for ensuring that the code is complied with. The Audit Committee and the Ethics Council, comprising the human resources managers and the head of human resources, address complaints about behaviour contravening the Code of Conduct. They must deal with all complaints and take appropriate action where necessary.

Billerud's Board has laid down a number of policies that act as guiding documents for employees. Each policy incorporates a varying number of practical guidelines adopted by the senior management. These are supplemented by rules or regulations at local level. All policy documents are available on the intranet and are revised at regular intervals.

On the basis of the steering documents, the senior management has formulated overall sustainability targets at Group level that are to

Awards and prizes

In 2009 Billerud received the following awards and prizes for its work on product development, leadership and communication.

AWARDS AND PRIZES

AWARD	AWARDED FOR	BY	RECEIVED
Most Innovative Product 2009	The QuickFill Concept, Sack Solutions	International Mortar Association	2009
Kalix Manager of the Year	Stina Blombäck	Företagarna i Kalix	2009
Listed Company of the Year 2008	Best financial communication	The Swedish Shareholders' Association/Kanton	2009
Packaging Innovation Award	Billerud & Flextrus	Packaging Industry Award	2009
Best new environmental product in October	Billerud FibreForm	Environmental blog Miljöinnovation	2009
4th Best Swedish Website	www.billerud.com	Hallvarsson & Halvarsson	2009
Highest environment rating on the Mid Cap list (4th highest environment rating among listed companies)	Billerud	Folksam's Corporate Responsibility Index 2008	2009
Shared first place with no reported work-related injuries in 12 months	Billerud Beetham	Confederation of Paper Industries' injury league table	2009



be achieved by 2013. Work towards these targets will be measured and reported annually in the Sustainability Report. Reporting and following up sustainability work is primarily carried out by the senior management.

Integrated management systems

Various management systems are in place at the mills that ensure that their operations are carried out systematically and effectively. These systems must be integrated with each other as far as possible.

All the mills have certified quality and environmental management systems (ISO 9001 and ISO 14001). The Swedish mills are

traceability certified under PEFC and FSC and have certified energy management systems. The purchasing company Billerud Skog is FSC and PEFC-certified.

Billerud Beetham has an OHSAS 18001-certified occupational health and safety management system.

The management systems are audited regularly. Any non-compliances found must be corrected by the agreed deadline or the certificate is withdrawn. This ensures that Billerud meets the criteria set out in the standards and that the company continues to develop – as several of the systems have constant improvements as a set requirement.

SYSTEM	BILLERUD SKOG	BEETHAM	GRUVÖN	KARLSBORG	SKÄRBLACKA
ISO 9001 (quality)		x	x	x	x
ISO 14001 (environment)		x	x	x	x
PEFC (raw material traceability)	x		x	x	x
FSC (raw material traceability)	x		x	x	x
SS 62 77 50 (energy)			x	x	x
BRC/IOP (hygiene)			x		
OHSAS 18001 (health and safety)		x			

Contact and materials

More information about sustainability at Billerud can be found on our website. The environmental reports for the mills (in Swedish) and the information brochure "Billerud and the environment" can also be found there.

CONTACT INFORMATION

QUESTIONS	NAME	E-MAIL	PHONE
About the Group's sustainability work	Stina Blombäck	stina.blomback@billerud.com	+46 923-662 60
About the sustainability report	Elisabet Olin	elisabet.olin@billerud.com	+46 8-553 335 18
Specifically about the environment/energy	Anders Snell	anders.snell@billerud.com	+46 8-553 335 13
Specifically about social issues	Cecilia Lundin	cecilia.lundin@billerud.com	+46 8-553 335 06
Specifically about economic issues	Bertil Carlsén	bertil.carlsen@billerud.com	+46 8-553 335 07

Code of Conduct and other guidelines

A Group-wide Code of Conduct was drawn up during 2009 with the aim of guiding staff to always act responsibly and in line with the company's overall vision of sustainable business management. The Code of Conduct must lie at the heart of the entire business. It has been adopted by Billerud's Board and can be found at www.billerud.com/codeofconduct.

External initiatives

Billerud is a signatory to and supports the content of the international and voluntary UN Global Compact's ten principles on human rights, labour standards, the environment and anti-corruption and applied to join during 2009. This means that Billerud formally backs the internationally adopted documents on which these principles are based:

- » The UN's Global Compact on sustainable business practices, www.unglobalcompact.org
- » The OECD's guidelines for multinational companies, www.oecd.org
- » The ILO's fundamental conventions on human rights at work, www.ilo.org

Billerud also complies with Principle 15 of the Rio Declaration on the Precautionary Approach, which means working preventively and to minimise risk throughout the business.

From this year onwards Billerud will also be complying with the guidelines of the international organisation Global Reporting Initiative for sustainability reporting that were drawn up in a "multistakeholder process", www.globalreporting.org.



Working with others

Billerud actively participates in various collaborative ventures and is a member of a large number of organisations for exchanging knowledge and experiences as well as having access to important networks.

EXAMPLES OF MEMBERSHIP

- » Confederation of European Paper Industries (Paper Impact, Eurokraft)
- » European Federation of Corrugated Board Manufacturers (Fefco)
- » Glans water council
- » Innventia (pulp and paper research institute)
- » Miljöpack (Swedish group of companies working together for environmentally efficient packaging)
- » Motalaströms vattenvårdsförbund (water conservation association)
- » Normpack (internal control systems for materials and articles intended to come into contact with food)
- » North Vänern stakeholders
- » Norrköping environmental network
- » Paper Province (member cluster, industry, public sector and university)
- » The Swedish Forest Industries Federation
- » Sterile Barrier Association
- » Swedish Standards Institute
- » Vänerns Vattenvårdsförbund (water conservation association)
- » Värmeforsk (heat technology research & development)
- » Värmlands luftvårdsförbund (air conservation association)
- » Institute for Surface Chemistry
- » Östergötlands Luftvårdsförbund (air conservation association)



Environmental responsibility

From the Code of Conduct: "Billerud must never strive for financial success at the expense of future generations. In manufacturing our products we use resources from nature: forests, energy and water. This means that we also take responsibility for minimising the impact on the environment at every step of the process."

Steering documents

- » Policy for Quality, the Environment and Social Responsibility
- » Guidelines for energy use and environmental considerations when purchasing wood

Goals and performance

Emissions of fossil carbon dioxide

Emissions of fossil carbon dioxide, CO₂, are judged to have a major impact on global climate change. Billerud's aim is to cease using fossil oil in manufacturing processes in the long term:

Goal: Emissions of fossil CO₂ from the manufacturing process per tonne of product will be cut by 15% by 2013, from 2008 levels.

Progress so far towards target set: Emissions of fossil CO₂ per tonne of product were 12% lower than the base year 2008.

Transport

Billerud is to develop the most efficient transport solutions possible for raw materials and other materials into factories and products out of factories:

Goal: To reduce emissions of fossil CO₂ from transport, 90% of outsourced domestic road haulage is to be carried out by drivers trained in eco-driving by 2013.

Progress so far towards target set: During 2009 65% of deliveries of pulp and paper within Sweden were transported by drivers trained in eco-driving. The current situation for deliveries of wood into factories is being surveyed.

Business partners

In addition to being evaluated on the basis of commercial targets, business partners must also be evaluated from an environmental and social perspective:

Goal: At least five business partners must be examined each year on the basis of sustainability.

Progress so far towards target set: We have started planning which business partners are to be evaluated during 2010.

In addition to the Group's Group-wide environmental targets, there are a number of environmental and energy targets specific to each mill.

Organisation, training and management

The majority of work on the environment is carried out in the individual mills and it is the mill managers who bear ultimate responsibility for this. Billerud's operations require a permit from the environmental authorities, whereby the business is subject to regulation, including criteria on emissions to water, air quality, noise and handling of waste and chemicals. In addition to statutory requirements, the mills also hold environmental certification under ISO 14001. This demands a structured, goal-oriented way of working to gradually reduce the environmental impact of the business. It also involves external audits of environmental work at each mill.

All employees are constantly kept informed of environmental work and have been trained in basic environmental issues. Key staff such as production managers, maintenance staff and shift teams receive extra training.

Suppliers are also evaluated at mill level within the framework of the ISO 14001 environmental management system, mainly in the event of major deviations or when new suppliers are taken on. To tighten up this element and further improve efficiency, a project has been under way for some time to migrate Billerud to a Group-wide approach to supplier evaluation. The FSC/PEFC systems are also used to check the compliance of raw material suppliers with the environmental requirements set.

Working method

Wood

The main raw material comprises wood bought in by Billerud Skog. The total annual purchased volume is around 5 300 000 m³fub and is mainly felled in Sweden, Norway and Finland. Approximately 600 000 m³fub is imported from the Baltic countries. Today approximately 57% of Sweden's land area comprises forest, thanks to the strict Swedish Forestry Act of 1903, which makes replanting compulsory. Growing forests bind carbon dioxide, which means major climate advantages for all products that are made from wood.

CERTIFIED FORESTRY

FSC

The Forest Stewardship Council, FSC, is an independent, international organisation that promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests. It develops rules and recommendations for sustainable forestry and certifies the forestry of those who comply with these rules. www.fsc.org

PEFC

The Programme for the Endorsement of Forest Certification, PEFC, is a global and independent umbrella organisation for evaluation and mutual recognition of national forestry standards that promotes sustainable forestry through independent third-party certification. The Swedish PEFC standard encompasses: forestry standards, social standards and environmental standards that seek to develop economically sustainable and valuable forest production that preserves biodiversity and cultural environments and protects social and aesthetic values. www.pefc.se

Billerud applies strict guidelines on environmental considerations when purchasing wood to ensure that the wood does not come from controversial sources. Approximately 35% of the total volume purchased comes from FSC and PEFC-certified suppliers. The remainder meets the criteria for FSC Controlled Wood. This guarantees that the forests from which our wood is felled are managed in an environmentally, economically and socially sustainable manner. Billerud Skog is working actively to gradually increase purchasing of traceability-certified raw materials. Beatham Mill has no pulp manufacturing of its own and therefore does not buy in any wood.

The way pulp and paper are manufactured today, the processes are so efficient that virtually 100% of the wood raw materials is used, either for making pulp or as fuel for internal energy supply.

Chemicals

Manufacturing mainly uses process chemicals in the cooking and bleaching processes (such as sodium hydroxide, sodium chlorate and hydrogen peroxide) and various additives and other auxiliary chemicals. Advanced chemicals recycling means the chemicals used in the pulp manufacturing process can be recycled more than 10 times.

All the chemicals are checked before use regarding environmental risks, health and safety and product safety. More environmentally friendly chemicals are brought into use as soon as this becomes possible. A number of measures have been taken to minimise damage in the event of accidents such as embanking and improved fire protection.

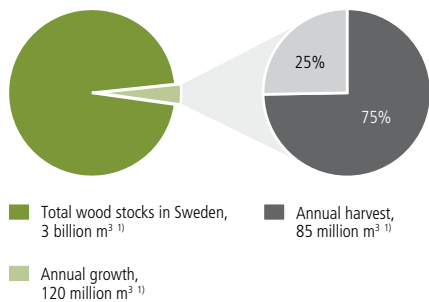
Intensive work is in progress at Billerud AB to introduce the requirements of the EU's new environmental legislation REACH, aimed at protecting the environment and people. The EU has defined three different roles within the system: manufacturers of substances, importers of chemicals to the EU and downstream users (in other words people who buy and use chemicals). Billerud is largely a downstream user, which means that the chemical suppliers are responsible for registering the chemicals that Billerud buys in. Cellulose pulp and paper products are exempt from the registration requirement under REACH.

Energy

Billerud works actively to improve energy efficiency and greatly reduce dependence on fossil fuels. Heating energy at the mills today comes primarily from combustion of the black liquor and bark not used during pulp production, and of branches and tree tops. About 95% of the heating energy and internal electricity production is based on biofuel. The aim is to phase out fossil fuels entirely. The surplus heat from the processes at Gruvön and Skärblacka is diverted to neighbouring housing and industry via the district heating network.

Between 2004 and 2009 the Swedish mills joined the Programme for Improving Energy Efficiency in Energy Intensive Industries (PFE) run by the Swedish Energy Agency. PFE is intended for the process industry and as far as Billerud is concerned has seen the mills introducing an energy management system and undertaking to

FOREST GROWTH AND HARVEST



¹⁾ Cubic metres of forest (stem volume above the cut including top and bark)

Source: Swedish National Forest Inventory, Swedish Forest Agency



invest in energy-saving measures that will pay for themselves in a maximum of three years. A large number of initiatives have been taken and Billerud has exceeded the savings target of 30 940 MWh per year by more than 100%. The annual saving of 63 000 MWh is equivalent to the annual consumption of 3 150 houses heated by electricity. For example, energy-heavy pump systems, fans and mixers have been replaced with more energy-efficient models. In Karlsborg a new bark shredder and bark press have been installed in the wood room. For obvious reasons, Beetham has not been involved in this project but is working hard to improve energy efficiency partly by introducing improved steam control on both of its paper machines. The Swedish mills will also be signing up to the new programme, PFE2, which will run from 2009 to 2014.

In association with a number of electricity-intensive companies, Billerud co-owns a company called BasEl i Sverige AB, whose purpose is to improve basic industries' access to electricity at competitive prices.

Water

Producing pulp and paper takes a lot of water. Thanks to good access to large water sources close to its mills, Billerud only uses surface water. After use, the surface water is treated in Billerud's biological treatment plants before being released into the watercourses again. Groundwater consumption is a major problem in many countries and a heated environmental debate is raging on the subject. It is therefore important to emphasise that Billerud does not use any groundwater in its manufacturing processes and that the operations do not have any substantial impact on any water sources, protected waterways or wetlands.

Biodiversity

Billerud owns no forest land of its own. Its wholly-owned subsidiary, Billerud Skog, carries out felling and off-road transport on privately owned forest land in Norrbotten and parts of Västerbotten in northern Sweden. Felling is carried out in line with the company's guidelines for environmental considerations when purchasing wood. The majority of the wood raw materials is purchased from suppliers who are in turn responsible for felling and transport. This purchasing too is carried out in accordance with current guidelines.

Billerud has a Group-wide PEFC traceability certificate covering Gruvön, Skärblacka, Karlsborg and Billerud Skog. Work is also underway internally to maintain an umbrella FSC certificate so that Billerud Skog's purchasing staff in northern Sweden can also help private land owners to FSC-certify their forest holdings.

Emissions and waste

Production results in various kinds of emissions, the most important of which are regulated by the mills' permits from the environmental courts. Emissions to water primarily comprise oxygen-consuming substances, nitrogen, phosphorus and metals that come from the wood. Emissions to

INTERVIEW

Johan Sakari, CEO Billerud Skog

How do you think the year has gone for Billerud Skog?

"Business has gone well, given the prevailing climate. We have gradually cut the cost of the wood we buy in. We have brought in many new suppliers, including large central suppliers and smaller private landowners. During the year we have put in place a number of new logistics solutions, resulting in cost savings and a positive environmental impact. But there is always more to be done. We still need to reduce our stock of wood at Karlsborg, which is far too high."

How do you guarantee that the wood Billerud uses in its products comes from sustainable forests?

"We buy in all our wood in line with our 'Guidelines for environmental considerations when purchasing wood'. This means that all purchasing complies with local legislation and regulations in the country of origin concerned. In Sweden this is regulated by the Swedish Forestry Act and complying with the act results in sustainable and responsible forest management. Today approximately 35% of the wood we buy in is traceability certified under FSC and/or PEFC. We are looking to increase this proportion and our long-term goal is for all our wood to be certified."

What do you think about increasing competition for forest raw materials from biofuel-based energy production?

"It's clear that competition will get tougher as the biofuel energy sector expands and their needs increase. But there is also great potential to produce more fuel by firstly increasing the removal of branches and tree tops and secondly by using alternative biofuels such as stumps. Technological developments mean that it's possible to get more fuel out of our forests."

air from the mills mainly consist of sulphur dioxide and nitrogen oxides, which are formed during combustion in boilers and kilns. These two gases are acidifying in the environment, with the nitrogen oxides also responsible for eutrophication. The mills also emit malodorous gases such as hydrogen sulphide and organic sulphur compounds. Extensive measures have been taken to reduce emissions, including improving processes and purification methods. Besides emissions from the

CARBON FOOTPRINT OF PRODUCTS

Billerud had IVL, the Swedish Environmental Research Institute, carry out a carbon footprint analysis of the basic range of various paper grades from the Swedish mills. The results of the study were published in April 2009 and have attracted a great deal of attention.

A carbon footprint indicates the amount of greenhouse gases a product emits or sequesters during its lifetime. It is a kind of life cycle analysis, LCA, which only looks at greenhouse gases. The measurement includes everything from growing and manufacturing to processing and transport. Deductions are made for the carbon dioxide sequestered in products. Carbon footprint is an internationally established measurement for climate impact due to emissions primarily of carbon dioxide.

Results: Climate analysis positive for Billerud's paper!

Emissions of greenhouse gases from fossil sources are very low thanks to energy-efficient mills dominated by biofuels.

Emissions of greenhouse gases in conjunction with the life cycle of each product are lower than the equivalent sequestration of carbon dioxide in the growing and well-managed forests that the raw material comes from.

manufacturing process, transport to and from the mills also leads to emissions, predominantly of the greenhouse gas carbon dioxide. Waste from the Swedish pulp mills is dominated by various ash and lime fractions. The largest proportion is green liquor sludge derived from the burning of black liquor in the recovery boiler. There is currently no way of reusing this and consequently most is sent to Billerud's own landfill sites. Ash from bark burning is used for a range of construction purposes. The pure lime fractions are used as soil improvers. Organic process waste is processed and turned into energy in the mill. Non-hazardous waste is sorted and the majority goes for material or energy recovery. Hazardous waste is sent to external recycling companies with the necessary expertise and permits.

Products

Billerud's pulp and packaging paper are based on renewable materials and are biodegradable. Billerud's ambition is to be at the forefront on environmentally smart and economically sustainable packaging solutions.

2009 saw Billerud acquire Tenova Bioplastics which develops and produces bioplastics, a green alternative to ordinary plastics. Instead of being based on fossil oil, the raw material used in bioplastic mainly comes from renewable materials such as starch. The combination of paper and bioplastic paves the way for new environmentally neutral packaging solutions.

2009 also saw the launch of the packaging paper FibreForm with its unique stretchability which will challenge ordinary plastic in various areas. The product has won the Packaging Innovation Award and in October was named Best new environmental product by the environmental blog Miljöinnovation.

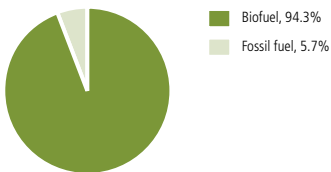
Recent studies show that emissions from production of the various products is less than the total sequestration of CO₂ in the products. Billerud's paper and packaging solutions also indirectly contribute to reducing the impact on the environment by protecting valuable products such as medical instruments, food, industrial products and construction materials. The content is always more valuable from an environmental point of view than the packaging, which means that the environmental benefit of good packaging is considerable.

How recyclable Billerud's products are varies considerably depending on the area of use and the market. With its efficient recycling chain, the corrugated board segment specifically is as high as about 80% recyclable in Europe according to data from Fefco (www.fefco.org). The figure for the other categories is lower than this.

Transport

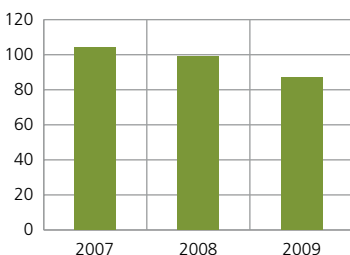
Every day large amounts of wood and other raw materials are transported into the mills and out as finished products to customers worldwide. Emissions from transport account for a significant proportion of total emissions to air. However, opportunities for dramatic change in the transport system are limited. Approximately 70% of outward transport already uses green alternatives such as

FUEL CONSUMPTION 2009



Source: Billerud 2009

FOSSIL CO₂/T PRODUCT (KILOS PER TON)



Source: Billerud 2009



BILLERUD AND THE ENVIRONMENT

Successes & failures

- + Produced the new product FibreForm as a good alternative to plastic
- + Beetham has complied with all the directives in the EU's emissions trading systems. Audits resulted in no negative opinions or comments within Beetham's environmental management system
- Continued problems with efficiency and emissions from steam boilers (Beetham)

Future challenges**Short term:**

- » Apply to renew environmental permit (Skärblacka)
- » Analyse the conditions under the environmental permit without imposing unnecessary demands (Beetham)

Long term:

- » Publicise the positive message that paper packaging is renewable
- » Further energy efficiency initiatives ahead of stage III of the EU's emission rights programme 2013 (Beetham)
- » Reduce the total amount of waste to landfills
- » Handle weak malodorous gases cost-efficiently (Karlsborg)

railways or boats. Road transport is mainly used for customers located nearby, if railway transport involves long detours and unnecessary reloading or if the delivery is urgent.

To reduce the environmental burden from road transport, Billerud requires Euro class engines and eco-driving. A large proportion of Billerud's transport is inter-modal, in other words a combination of road and rail, entirely in line with ambitions within the EU.

Several environmental gains are achieved by companies in the sector working well together. Billerud and four other companies jointly own ScandFibre Logistics, a company providing cost-efficient rail transport. Swaps are arranged between different forest owners at national level to minimise wood transport.

Due to the economic downturn, since autumn 2008 Billerud has applied strict travel restrictions on business trips. This has led to an internal breakthrough for video and telephone conferences, contributing to financial and environmental savings.

Compliance

During 2009 Billerud has complied with the regulatory framework governing environmental conditions at each mill.

PRODUCTION AND ENVIRONMENT

	2009	2008	2007
Production, Kton			
Packaging & Speciality Paper	516	482	548
Packaging Boards	505	465	464
Market Pulp	315	346	325
Total	1 336	1 293	1 337
Raw material			
Wood, milj m ³ fub	5.1	5.1	5.4
Recovered paper, kton ¹⁾	24	32	37
Water usage, milj m ³ ²⁾	116	119	120
Chemicals, kton	194	193	206
Pulp, kton	34	35	39
Thermal energy, GWh			
<i>Biofuels:</i>			
Recovered liquor	5 360	5 220	5 450
Bark, wood residuals	1 650	1 670	1 640
Tar oil /Tall oil	340	330	296
<i>Fossil fuels ³⁾</i>			
Oil	298	336	384
LPG	41	38	35
Natural gas	108	104	102
Electric energy, GWh			
Purchased electricity to the manufacturing process	777	767	812
Produced electricity	800	777	790
Emissions into air			
Sulphur, ton	275	300	310
Nitrogen oxides NOx, ton	1 700	1 710	1 910
Dust, ton	880	820	980
CO ₂ fossil, kton ³⁾	117	128	140
CO ₂ biogenic, kton	3 200	3 200	3 300
Emissions into water			
Process effluent, milj m ³	96	101	99
COD, kton	21	22	22
Suspended solids, ton	2 600	2 500	2 500
Nitrogen, ton	270	290	270
Phosphorus, ton	34	33	36
Waste, kton ⁵⁾			
Hazardous	1.2	1.4	1.6
Sent to landfill	54	55	57
Other deliveries			
Thermal energy, GWh ⁴⁾	199	127	131
Crude Tall oil, kton	39	34	37
Turpentine, kton	2.6	2.4	2.0
Investments for environment, Mkr	32	46	47
Key ratio			
Share of fossil fuel, % ³⁾	5.7	6.2	6.6
Fossil CO ₂ /t product, kg/t ³⁾	87	99	104
Water usage, m ³ /t	87	92	90
COD, kg/t	16	17	17
NOx, kg/t	1.3	1.3	1.4

Comment: The figures refer to production units at Billerud.

¹⁾ Recovered fibre 1.8% of total fibre use

²⁾ Surface water

³⁾ Emissions at transports and vehicles are excluded

⁴⁾ District heating of nearby community and industry

⁵⁾ Recycled waste is not reported

Social responsibility – employees

From the Code of Conduct: "Fostering wellbeing and personal development in a professional environment will see us become the company of choice for well-educated, skilled employees."

Steering documents

- » Human resources policy
- » Alcohol policy

In addition to these policies, Billerud has guidelines on the work environment, diversity, skills development, health, rehabilitation, maternity and paternity pay and recruitment.

Goals and performance

Focus on the work environment and safety

A safe and well-functioning workplace is always our highest focus and our aim in the long term is to prevent all work-related accidents:

Goal: The number of work-related accidents is to fall constantly through a focus on safety and through incident reporting on an ongoing basis.

Progress so far towards target set: Incident reports have increased from 415 (2008) to 487 (2009). Work-related accidents requiring sick leave have, however, fallen to 26, compared with 45 accidents in the preceding year.

Seeking greater diversity and equality

It is important for us to create an organisation that makes the most of the full potential of its employees, irrespective of their sex, age or ethnic background. This diversity must be found at all levels in the organisation:

Goal: 50% of the managers recruited during 2013 must be women (managers refers to everyone in a position of leadership)

Progress so far towards target set: In 2009 50% of managers recruited were female, compared with 43% in the previous year.

Skills – inspiring motivated employees

We see raising skill levels as a constantly ongoing process:

Goal: All employees must be able to develop their skills and receive personal feedback on their development and performance.

60% of the employees recruited in 2013 must have completed post-upper secondary education.

Progress so far towards target set: In 2009, 55% of our staff received personal feedback compared with 51% in 2008. As far as recruiting staff with post-upper secondary education was concerned, the proportion rose to 55% compared with 37% in 2008.

Leadership in a changing world

The world around us is constantly changing and this demands modern, situational leadership. This means that leadership development is a prioritised and strategic issue that will contribute towards the company's success and profitability.

Goal: Every manager must receive personal feedback on their leadership and access to tools to help them develop.

When recruiting managers, three candidates must always be internal to increase development opportunities and internal mobility.

Progress so far towards target set: One way of providing managers with feedback is the staff survey carried out every two years. In 2008 62% of managers received feedback on their leadership. When recruiting managers, in 2009 1.8 candidates were internal applicants compared with 1.6 in 2008.

Organisation, education and management

Billerud's entire business rests on being familiar with and complying with conventions, legislation and regulations in every country in which the company operates. The head of human resources is the person who is ultimately responsible for all human resources issues and for ensuring that the regulatory framework is complied with and that human resources strategies are implemented.

Billerud Beetham is certified under the standard OHSAS 18001. The Swedish mills operate under the guidelines of the Swedish Work Environment Act on Systematic Work Environment Management. Work in this area involves constantly identifying focus areas for improvement, setting targets, monitoring progress and communicating the results achieved.

Every other year a staff survey is carried out to measure motivation and value-creation and evaluate leadership at Billerud. The next survey will take place in 2010. The results of the survey are analysed and play an important role in working towards improvements.

Good communication strengthens the organisation

Effective communication channels and clear leadership are vital in involving everyone in the company's development. The most important communication takes place in day-to-day encounters between employees, at formal workplace meetings and at informal meetings too. Personal communication is supplemented by a Group-wide intranet and the staff magazine Billerud Focus, which



plays an important role in fostering a corporate culture. To achieve widespread participation across the organisation, the editorial teams for the magazine and the intranet comprise staff from mills, marketing and staff functions.

Working methods

In 2009 Group-wide processes for recruitment, skills development, salary administration, personnel statistics, health and the work environment were introduced. Group-wide methods, procedures and IT support have been introduced. This work has seen HR become more clearly linked to the company's operations, an approach that is expected to result in greater profitability in the long term. Working in the same way throughout Billerud ensures that all employees are treated on equal terms wherever they work, while also improving efficiency and simplifying and increasing transparency in reporting and monitoring. These Group processes have not yet been introduced at Billerud Beetham.

Employment, the next generation & the pay system

The contribution and commitment of all employees is necessary to achieve the desired results and this is therefore constantly measured against the targets set. The aim is to create a working climate where each employee is encouraged to take active responsibility for daily routines by clearly seeing the results of his or her work. Group-wide targets for flexible pay reward identifying and implementing improvements.

Billerud has many loyal members of staff who have worked here for many years and whose average age is therefore also relatively high. This means that working to attract young, skilled employees is a high priority. With the next generation coming in, our aim is to increase diversity and the level of education while safeguarding the transfer of expertise from experienced staff. No employees were laid off in 2009.

Billerud carries out salary surveys in accordance with Swedish legal requirements in order to identify unwarranted pay differentials based on gender. Only isolated cases of material differences have been encountered in the surveys and action plans have been formulated to remedy the situation.

EMPLOYEE STATISTICS 2009	TOTAL	GRUVÖN	SKÄR- BLACKA	KARLS- BORG	BEETHAM	B.SKOG	HQ	SALES OFFICES	TENOVA
Employees									
Average number of employees ¹⁾	2 232	885	634	423	136	26	48	66	14
Number of employees at year end	2 214	870	640	411	138	25	51	67	12
of whom women	% 18.4	18.2	17.2	14.1	5.8	16.0	47.1	65.7	8.3
of whom covered by collective bargaining	% 67	72	71	72	70	0	0	0	67
of whom white collar	% 33	28	29	28	30	100	100	100	33
Average age	46.9	47.7	45.3	48.8	46.3	40.9	41.3	41.4	39.2
Employee turnover	% 6	7	4	8	0	12	6	9	40
Lowest notice period in the event of reorganisation ²⁾		1 month	1 month	1 month	1 month	1 month	1 month	1 month	1 month
The percentage of full-time/part-time/temporary/permanent employees is not reported.									
Sick leave									
Total sick leave as % of hours worked	% 2.8	3.1	3.2	2.4	3.1	0.1	0.8	1.2	1.6
Work-related injuries and near misses									
Work-related injuries	% 1.3	2.0	2.6	1.2	0	0	0	0	0

¹⁾ 100% of employees in Sweden and Beetham are covered by collective agreement. Other units that do not have collective agreements represent 3% of all employees

²⁾ Notice period according to collective bargaining in Sweden and Beetham. Otherwise according to local contracts.

FIVE-YEAR OVERVIEW, EMPLOYEE STATISTICS	2005	2006	2007	2008	2009
Average number of employees	2 600	2 476	2 364	2 322	2 232
No. of employees at year-end	2 642	2 437	2 352	2 281	2 214
Employee turnover, %	3.5	12.5 ¹⁾	7.0 ¹⁾	5.2	6.0
Average age, years	46.3	44.7	45	46.1	46.9
Work-related injuries ²⁾ , %	1.7	1.7	1.9	2.0	1.3
Total sick leave, %	4.9	4.1	3.8	3.5	2.8
Of which long-term leave (> 60 days) of total leave, %	55	53	49	48	41

Details of work-related injuries, sick leave and average age are for the Group's Swedish companies

¹⁾ Corrected for Billerud 2007 project, staff turnover was 2.1% in 2006 and 2.3% in 2007.

²⁾ Number of injuries resulting in sick leave as % of total no. of employees. Industry average 1.7%.

BILLERUD AND ITS EMPLOYEES

Successes & failures

- + Clearer structure, follow-up and comparability of the work of the entire Group on HR
- + Group-wide action plan against victimisation

Future challenges

Short term:

- » Continued focus on incident reports in order to further increase awareness and thus reduce the number of accidents
- » Continuing work on skills development
- » Attracting more women into the company

Long term:

- » Competition for well-trained labour when those born in the 1940s leave the labour market

Focus on a safe workplace

A safe and well-functioning workplace is always paramount and Billerud's long-term aim is to prevent all work-related accidents. 2009 saw Beetham Mill win an award from the Confederation of Paper Industries in the UK for achieving 365 days in a row without an accident resulting in absence. For Billerud's Swedish operations, the number of work-related injuries requiring sick leave, in relation to the total number of employees, was 1.25%. If we are to continue to reduce the number of accidents, we have to increase individual risk awareness further. This will be achieved through planned safety checks, sharing knowledge on safety issues and behaviour, new technology and increased automation.

In 2009 joint processes for risk assessment and risk analysis of the work environment were realised and there was a focus on reporting near misses. Work to improve safety is headed by local work environment groups together with union representatives. No deaths have occurred in 2009.

Fitness measures reduce sick leave

Billerud aims to be an attractive workplace where it is possible to feel good, enjoy working and develop within the company. Fitness within the Group is run in partnership with the local occupational health service.

To prevent musculoskeletal injuries and to combat poor health, all employees have access to various exercise facilities. In 2009 a Group-wide fitness allowance was introduced in Billerud's Swedish operations.

A drug-free workplace

To ensure everyone's safety and for the sake of the individual's health, alcohol and drugs are not allowed in the workplace. Billerud also has guidelines governing both preventive work and follow-up within the HR sphere.

Employer/employee relations

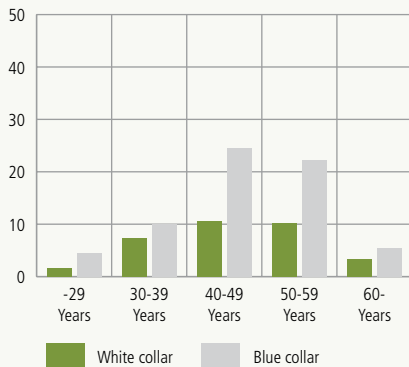
A good dialogue with the unions is the key to a good working climate. Before every Board meeting the head of human resources meets union representatives to discuss important questions raised by the company and the unions. Dialogue takes place monthly within the framework of European Works Councils (EWC). In addition to these meetings, local meetings are also held at the mills every month. The dialogue is based on mutual respect and openness.

AVERAGE NUMBER OF EMPLOYEES



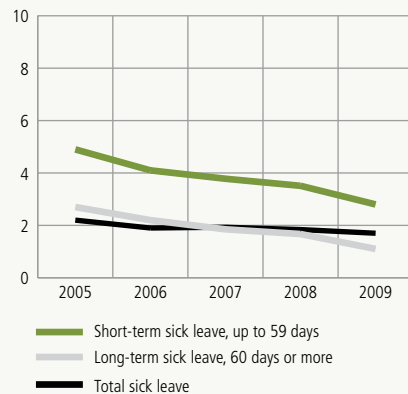
In 2009 the average number of employees fell by 90.

AGE DISTRIBUTION (%)



The proportion of employees aged 50 or older was 41% (40) among white collar staff and 42% (38) among blue collar staff. The proportion of employees under 40 was 27% (29) among white collar staff and 22% (26) among blue collar staff.

TOTAL SICK LEAVE AS % OF HOURS WORKED



Sick leave has continued to fall and is now just 2.8% of ordinary working hours.



Legionnaires' disease

Several Swedish forest industries have treatment plants that contain legionella bacteria, which can cause legionnaires' disease. Billerud's units have started or implemented risk analyses in line with the requirements of the Swedish Work Environment Authority and the methodology produced by the industry as a whole.

Pandemics

As a consequence of swine flu, Billerud drew up an emergency plan for potential pandemics at central level and local action plans at each unit. In collaboration with local occupational health services Billerud will ensure that the plans are implemented effectively.

Training and expertise

There are clear targets for increasing the proportion of employees with post-upper secondary education, thereby raising the average level of education at Billerud. During the year Billerud launched its first trainee programme for young graduates. The aim is to recruit ten graduate trainees a year.

Raising skills is a never-ending task if the company is to be able to retain its competitiveness as an employer and meet the increasing demands from customers, society and business partners. The target is for every employee to receive ongoing skills development and personal feedback on their development and performance. Performance reviews will enable us to identify expertise gaps in relation to the organisation's goals and draw up development plans. The number of hours of training per employee and per year is not reported as this information is not available in the existing HR system.

During the year a leadership development programme was carried out focusing on "talent management". In addition to this, employees

concerned attend statutory training courses in areas such as fire safety, handling chemicals and health and safety. Training in the employee's particular job and role also takes place on a daily basis.

Diversity and equality

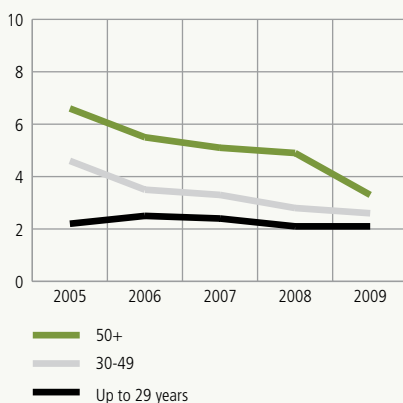
Billerud needs to recruit more younger employees and more women. Today approximately 18% of employees are women and the average age is 47 years. Women account for 30% of the company's Board and 20% of its senior management. Board members have an average age of 64.5, while for senior management this figure is 48.5. Other diversity factors are not reported with reference to Swedish legislation.

To retain female employees and attract more women to the company, Billerud is actively engaged in work to boost gender equality. The aim is to create the conditions that will enable the company to exploit the full potential and competence of male and female employees alike. In essence, this means changing behaviour and attitudes within the organisation. A diversity survey was carried out across the entire organisation in 2009. The result will form the basis of targets and activities in this area in the years ahead. A Group-wide action plan against victimisation at work has also been drawn up during the year.

Billerud co-operates actively with schools and colleges by attending education fairs and arranging information evenings for young women. Interest in the industry is increasing, and 35% of applicants for Billerud's new graduate trainee programme were women.

Pay in the Swedish units is surveyed every three years in line with Swedish legislation to avoid unjustified pay differences on the basis of gender. This work is carried out with the support of an external consultant and the unions examine the results.

SICK LEAVE DIVIDED BY AGE AS % OF HOURS WORKED



SICK LEAVE DIVIDED BY GENDER AS % OF HOURS WORKED



The trend points to a continued reduction in sickness absence

Social responsibility – society

From the Code of Conduct: “Billerud is a responsible company that complies with legislation and regulations in the countries in which we operate. We work towards the long-term, sustainable and positive development of our products and of the company as a whole.”

Steering documents

- » Policy for Quality, the Environment and Social Responsibility
- » Sponsorship policy

Goal

The goal of Billerud’s sponsorship activities is to strengthen the relationship with the company’s stakeholders and the image of Billerud as a sustainable and innovative company with a great sense of responsibility and social commitment.

Organisation, training and management

Billerud contributes towards the wellbeing of the communities in which its mills are situated on several levels, partly through tax income and jobs and partly through active participation in social development through involvement and sponsorship. As the largest private employer in each of these areas, Billerud has a responsibility to enter into an active dialogue with elected representatives, schools, universities and authorities. Our vision is a society in which future generations are given an opportunity to continue to work and live locally by ensuring that there is a good range of educational opportunities, long-term consideration for the environment at local level and that the mill continues to be economically viable.

It is the mill managers who are ultimately responsible for the environment and local contacts with politicians, local media, educational institutions, clubs and societies and authorities. As far as sponsorship is concerned, Billerud has a central sponsorship committee comprising representatives from marketing, sales, sustainability, information and human resources. The committee annually evaluates sponsored projects to ensure that the goals of sponsorship are achieved. Within the Group it is the CEO who has ultimate authority on social issues.

Working method

Society

Billerud is the largest private employer in the four communities in which its mills are located. Active involvement in the local community is important for the future of the business, and good relations with politicians, authorities, schools, sports organisations and the local media are prioritised.

One example is the mill in Karlsborg, which during the year

initiated the joint project “Knowledge means jobs”, in which businesses in Kalix look to improve pupils’ understanding of the link between education and future employment. The basis of the project is a sponsorship programme set to start in spring 2010. Skärblacka is another example, where the mill has been working with the blood donor bus from the Swedish Blood Centre in Linköping for the past ten years. The mill provides a highly visible location, electricity and publicity on the intranet. A total of about 60 employees come and give blood on a regular basis. Several of the mills also work with local schools, by giving talks in school and organising study visits and work placements at the mills.

Sponsorship

Sponsorship must be seen as an effective way of demonstrating social commitment. In 2009 approximately SEK 1.7 million was distributed to various local sports clubs and local community and cultural events. In 2010 the sponsorship budget will be extended and encompass global social and sustainability projects to a greater extent.

Corruption

Billerud will have nothing to do with corruption. The company also requires that its Code of Conduct, with its formal rejection of all forms of corruption, is complied with by suppliers and other business partners. Employees are given training in the Code of Conduct, the company’s other policies, and guidelines on corruption in the induction programme for new employees, in leadership development training and at ongoing staff meetings at local level.

No cases of corruption have occurred in the company’s history, and thus no legal actions taken. Billerud has not had to investigate suppliers, business partners or business units on corruption grounds as no suspicions of irregularities have arisen.

The purchasing organisation applies the Swedish Institute for Combating Corrupt Practices’ “Guideline ethical rules for contact and relationship promoting benefits in business”. A non-profit industry organisation established in 1923, the institute is run by the Stockholm Chamber of Commerce, Föreningen Svensk Handel and the Confederation of Swedish Enterprise – www.institutetmotmutor.se.

Politics

Billerud gets involved in local issues that are important for the



industry as a whole, the local area and local residents and in energy and environmental issues. The company works in local regional development clusters and is also involved in networks for companies in energy intensive basic industry.

Compliance

In 2007 Billerud incorrectly transferred emission rights for 2006 to a value of SEK 53 000. Due to an administrative error the admission rights were allocated to the wrong account in the Swedish Emissions Trading Registry. As a result Billerud has been ordered to pay a fine of SEK 19 million in a ruling from the Environment Court issued in September 2009. Billerud has appealed against the ruling as the company considers that the fine is not proportional to the oversight. Leave to appeal has been granted by the Environmental Court of Appeal. This fine is the only significant sanction against the company for breach of legislation and provisions in force.

BILLERUD AND SOCIETY

Successes & failures

- + The joint project "Knowledge means jobs" in Karlsborg
- + Construction of a wind farm through joint ownership of Kalix Vindkraft AB and VindIn AB
- + Deliveries of district heating from Skärblacka and Gruvön

Future challenges

Short term:

- » Launch a group-wide sponsoring option that offers employees the opportunity to participate and contribute

Long term:

- » Continue to take active responsibility for the development of local communities

Social responsibility – products

From the Code of Conduct: "Our entire existence rests on our customers. We are responsible for ensuring that our products and services are developed to fulfil the highest demands in terms of quality, function, safety and the environment."

Steering documents

- » Local product safety and hygiene guidelines
- » Comply with external directives such as the EU Packaging Directive of 1994 and European marketing legislation from 2007
- » Environmental guidelines for purchasing wood

Goals and performance

Billerud's goal is to be expert in applicable product liability legislation and for its products to meet the demands made by customers. Customer enquiries regarding product responsibility must be dealt with quickly and correctly. In 2009 the number of customer enquiries in this area increased 35 per cent but despite this, Billerud was able to deal with 3 000 enquiries within the time stipulated.

BILLERUD AND ITS PRODUCTS

Successes & failures

- + Despite the number of customer enquiries having increased by 35%, responses have been managed efficiently
- + During the year Billerud's ability to recall a product on product safety grounds has been revised and approved by customers

Future challenges

Short term:

- » Clarify the limits of responsibilities regarding product responsibility when the company approaches a customer's customer and markets packaging solutions including design

Long term:

- » Increase the number of FSC-certified products and so promote more sustainable forestry

Organisation, training and management

Billerud manufactures products that are sold to manufacturing companies and never directly to end-consumers. This means that Billerud's primary responsibility is to ensure that the product does not contain hazardous chemicals, that the right product is sold for the right purpose and that product information is correct.

Product responsibility is divided up within the Billerud organisation. The mills are responsible for assessing chemicals, management systems, product safety, information on transport documents and ensuring that legislation and directives on pulp and paper production are complied with. The mill managers bear the ultimate responsibility but have clearly delegated tasks down through the organisation. The business areas are responsible for ensuring that the right product is sold for the respective application and that specific guidelines for packaging on different markets are complied with.

Billerud operates a number of management systems that make working on product responsibility easier: ISO 14001 (environment), ISO 9001 (quality), BRC/IOP (hygiene) and FSC/PEFC (selection of raw materials).

An extensive regulatory framework is in place governing product safety, incorporating EU legislation, national legislation and agreements, and US and German standards. Billerud has appointed a product safety group with representatives from all the mills which deals with these questions. As this is a complex area, the company works with other industry groups and sectoral organisations such as Normpack (safe food packaging), Miljöpack (environmentally efficient packaging) and CEPI – Food Safety Group.

Billerud hires third-party laboratories for third-party certification of relevant product safety requirements. This involves checking internal assessments and working methods and provides documentation for answers to customers.

In 2009 key posts in the FSC/PEFC traceability systems have received training and information on product responsibility. There are plans to train employees in the various business areas on product safety during 2010.

Working method

Customer health and safety

Billerud's products must be entirely safe to use from a health and



environment point of view and must not cause damage or injury. The products must meet the requirements set for the respective area of use such as food packaging, medical applications and toys. As far as packaging which comes into contact with food is concerned (accounts for over 50%) the mills must have extra good control of chemicals and other inputs used and the product must be tested for hygiene, smell and taste. The business areas must not supply products for applications whose requirements they do not meet.

Product labelling

To comply with the requirements of customers and the authorities for documentation that guarantees that the products are safe for consumers and the environment, the product safety group examines the necessary tests and documentation on an ongoing basis.

In 2009, approximately 35% of wood raw materials was FSC and/or PEFC-certified. This means that Billerud in turn can sell a corresponding amount of paper and pulp labelled as such. It is the responsibility of the business areas to ensure that sales of the allocated volumes of FSC-labelled products are not exceeded and it is the mills' responsibility to ensure that the transport documents contain the correct information.

Market communication

The Code of Conduct contains principles on how employees should behave towards the company's stakeholders, including customers, suppliers and business partners. Strict requirements are made of employees regarding privacy. Billerud seeks to always conduct an open, honest and constructive dialogue with its stakeholders. Information about the business and its products must be able to be found quickly and easily.

During 2008 central purchasers were trained by market communication in new European marketing legislation. In 2010, sales support material focusing on sustainability issues will be developed further and sales staff trained.

Compliance

Billerud has never committed any breach of legislation or regulations regarding the provision and use of products that has resulted in significant fines.

Social responsibility – human rights

From the Code of Conduct: "Signing up to the UN's Global Compact means we undertake to comply with the ethical guidelines laid down for globally operating companies."



Steering documents

- » Human resources policy
- » Work environment guidelines, diversity guidelines, health guidelines, rehabilitation guidelines maternity and paternity pay guidelines, skills development guidelines, purchasing guidelines
- » Action plan against victimisation at work

In 2009 Billerud signed up to the UN's General Declaration on Human Rights. Billerud also supports the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and the OECD Guidelines for Multinational Enterprises.

Goals and performance

Business partners

In addition to being evaluated on the basis of commercial targets, business partners must also be evaluated from an environmental and social perspective:

Goal: At least five business partners must be examined annually from a sustainability perspective.

Progress so far towards target set: We have started planning which business partners are to be evaluated during 2010.

Organisation, training and management

Within Billerud the head of human resources bears ultimate responsibility for human rights issues. Work in this field has been formalised during the year by signing up to the UN's Global Compact, drawing up and publishing Billerud's Code of Conduct, and introducing updated purchasing guidelines with clearer links to the code and thereby high business ethics.

The Code of Conduct addresses human rights and Billerud requires that suppliers and other business partners are aware of and respect the values reflected in the code. The Code of Conduct will be communicated internally and externally during 2010. It will also be included in Billerud's induction training for new staff and in the leadership development work in progress in the company. As far as the main raw material, wood, is concerned, human rights requirements are monitored jointly with external auditors in line with the FSC and PEFC.



Working method

Investment and procurement procedures

Billerud's largest individual purchasing item is wood. In 2009 35% of this wood was FSC and/or PEFC-certified, with the remainder being FSC-controlled wood. Currently all suppliers from "high risk areas" are certified. Billerud's long-term aim is to only purchase wood from certified suppliers. The traceability systems include requirements that the forest must come from forest areas that do not violate human rights and that compliance with this is checked.

Because the majority of Billerud's suppliers operate in Europe, and considering the products the company purchases, Billerud has never experienced or suspected breach of human rights to be a problem. No human rights checks of suppliers have therefore been carried out. B&B Tools is the only identified large supplier that provides the company with goods originating from outside Europe. In 2009 Billerud assessed B&B Tools from a sustainability standpoint and read their code of conduct, which includes human rights.

Non-discrimination

Billerud has zero tolerance of discrimination. Irrespective of ethnic origin, nationality, gender, religion, sexual orientation, age, disability, union membership or political allegiance, the equal rights and obligations of each and every individual must be emphasised and conveyed. Billerud takes firm action in the event of discrimination incidents.

In 2009 a survey was conducted using a questionnaire about gender equality and diversity. The purpose of the survey was to capture attitudes and opinions, as well as the needs and requests of employees regarding measures to improve gender equality and diversity initiatives. The survey covered the following topics: harassment, updating of skills, wage determination, parenthood and working conditions. The results were used to formulate new action plans for gender equality and diversity within each unit, as well as jointly for Billerud.

Freedom of association and collective agreements

All employees are entitled to join and play an active role in the union of their choice. An open attitude prevails at Billerud towards political involvement on the part of employees and everyone has the right to join clubs and voluntary organisations. However, the company must be notified of commitments which may involve a conflict of interest with the company.

Child labour, forced labour and compulsory labour

Forced labour, child labour and other exploitation of children must not occur. Billerud does not employ anyone under the age of 15. If local rules lay down a higher minimum age, we comply with these rules. Billerud expects that these elementary ethical rules on labour

BILLERUD AND HUMAN RIGHTS

Successes & failures

- + Taking strong action on discrimination incidents
- + Drawing up an action plan on victimisation at work
- Zero per cent human rights checks run on suppliers
- Zero percent of investment decisions have been reviewed with respect to human rights

Future challenges

Short term:

- » Safeguard knowledge in this area
- » Build a sound evaluation structure for reporting deviations
- » Launch group-wide sponsoring projects associated with human rights

Long term:

- » Involve business partners and other partners in this work

will be followed by the company's subcontractors and business partners. In those countries where Billerud believes there is a risk of child labor Billerud requires a post-upper secondary level education. For reasons of individual safety, no-one under the age of 18 is employed at Billerud's production units. The few temporary employees Billerud has between the ages of 15 and 18 are only assigned simple office duties at the head office or sales office.

Dealing with complaints

Billerud has an Ethics Council comprising the Group's head of human resources and human resources managers at the mills. Actions that are contrary to the code must either be reported to Billerud's ethics council or directly to the audit committee. The ethics council and the audit committee can be contacted via Billerud's intranet and are tasked with documenting incidents and ensuring that appropriate measures are taken.

Compliance

A few isolated discrimination incidents have occurred since the Group's inception in 2001. All of these incidents have led to strong intervention from the Company. In 2009, no cases of discrimination that required legal intervention occurred.

Economic responsibility

From the Code of Conduct: "Good business ethics promoting fair competition form the foundation of Billerud's relationships with its stakeholders. Our aim is for Billerud to provide a long-term, sound and sustainable increase in value."



OMXSUSTAIN
NASDAQ OMX
 OMX GES SUSTAINABILITY NORDIC

INDEX

OMXSUSTAIN
NASDAQ OMX
 OMX GES SUSTAINABILITY SWEDEN

INDEX

OMX GES Swedish and Nordic Sustainability Index. This index was set up in 2008 and ranks the 50 leading companies in the Nordic region in terms of environmental responsibility, social responsibility and corporate governance. indexes.nasdaqomx.com

Steering documents

- » Policy for Quality, the Environment and Social Responsibility
- » Finance policy
- » Credit policy

Goals and performance

Billerud's strategy for long-term sustainable value creation is largely supported by the financial targets set up for the business. By creating value Billerud benefits all its stakeholders. The financial targets and how they have been met in the past five years is shown on page 9.

Organisation, training and management

Billerud's operations are steered and monitored by business area and the company's Board is responsible for organisation and administration. Read more about the company's organisation, training and management in the section on Business concept, strategies and targets on pages 6-9 and in the Corporate governance report on page 100.

Working method

Economic performance

Billerud's goal is to create value for its stakeholders through long-term, sustainable profitability. Achieving good profitability benefits all the company's stakeholder groups. By selling products and services to customers, the company generates the economic value that is then distributed among suppliers, employees, the community, shareholders, etc. Billerud thus contributes towards the economies in which the company operates.

In 2009 the company's generated economic value was SEK 7 760 million, in line with previous year. Manufacturing costs fell by 3% compared with the previous year, primarily as a result of lower costs for raw material and cost savings. Wages, salaries and other remuneration totalled SEK 1 380 million, an increase of 6% compared with the previous year. Billerud's lenders and shareholders provide funds to finance the company's assets, which are then used to create economic value. In return, they receive their part of the economic value generated in the form of interest payments and dividends. Interest payments totalled SEK 120 million, a reduction compared with the previous year. No dividend was paid to shareholders for the fiscal year 2008, why no payment was made during 2009. The Board proposes a dividend for 2009 of



SEK 51 million (SEK 0.50 per share), to be paid during spring 2010.

Impact of climate change

Billerud's products and operations also play a clear role in the sustainable society of the future. The mills have come a long way in reducing carbon dioxide emissions in various ways. Products are constantly developed and processes adapted to suit a climate-efficient society, with emission rights trading, energy management systems and electricity certification as given. Billerud is also studying the opportunities for manufacturing complementary products to pulp and paper. These may be fuels, chemical products and entirely new materials.

Specifically linked to climate change, Billerud identifies the following three risks to the business in the long-term:

- » An increasing percentage of wood raw materials goes directly to energy generation
- » An increased proportion of forests being protected could have a major impact on the supply of raw materials
- » Safe and cheap electricity may become in short supply, so increasing energy costs

Market presence

Billerud creates jobs, enabling people to remain living in these communities and working locally. The company works to influence higher education institutions and qualified vocational training to safeguard local skills development initiatives.

Billerud's purchasing organisation seeks to carry out logistically efficient and environmentally sound procurement. For wood raw materials, this means that felling mainly takes place within a radius of 150 km from the mills. Where chemicals are not manufactured regionally, the company seeks to obtain them from within the EU.

BILLERUD AND THE ECONOMY

Successes & failures

- + Cost savings, a strong balance sheet and higher delivery volumes
- Fine from the Environment Court SEK 19 million

Future challenges

Short term:

- » Create fast growth for recently launched product initiative
- » Fend off any increases in raw material prices by improving efficiency

Long term:

- » Increase pulp processing by launching new products
- » Generating more bioenergy

Indirect economic impact

Billerud has a major impact on employment in the communities in which its mills are located, including jobs further down the chain. Skärblacka and Gruvön supply surplus heat to the district heating network. Billerud is also involved in increasing the number of wind farms in Sweden and is one of the owners of Kalix Vindkraft AB and VindIn AB.

Government grants

Other than being allocated carbon dioxide emission rights, (see page 80) and electricity certification (see pages 69 and 80), Billerud has not received any significant government grants during the year.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (SEK MILLION)	STAKEHOLDERS	2009	2008	2007
Income	Customers	7 760	7 792	7 758
Economic value generated		7 760	7 792	7 758
Manufacturing costs	Business partners	5 550	5 702	5 428
Wages, salaries and other remuneration	Employees	1 380	1 309	1 277
Cost of capital to lenders	Business partners	120	181	136
Dividend to shareholders	Shareholders	-	180	180
Tax	Society	-4	28	15
Economic value distributed		7 046	7 400	7 036
Remaining in company		714	392	722

Comment: Data refers to all of Billerud

GRI index

2009 is the first year that Billerud has reported its sustainability work in line with Global Reporting Initiatives' Sustainability Reporting Guidelines (version 3.0). Billerud applies reporting level B, as confirmed by KPMG's auditors.

Work on determining the content of the report is based on weighing up what is important to Billerud's business, the company's responsibility for the rights of its employees, its impact on society and the environmental responsibility incumbent upon a pulp and paper manufacturing industry. Billerud intends to

report sustainability in line with GRI each year as an integrated part of the annual report and on the company's website. Billerud applies GRI's performance indicators and reports on all key indicators that are relevant to its business.



1. STRATEGY AND ANALYSIS

1.1	CEO's statement	5	■	■	■	■
1.2	Description of key impacts, risks and opportunities	29-30, 68-72	■	■	■	■

2. ORGANISATIONAL PROFILE

2.1	Name of the organisation	54	■	■	■	■
2.2	Primary brands/products	13-15	■	■	■	■
2.3	Operational structure of the organisation, including main divisions, business areas, subsidiaries, etc.	12-17, 102	■	■	■	■
2.4	Location of organisation's headquarters	118	■	■	■	■
2.5	Countries in which the organisation operates	16-17, 118	■	■	■	■
2.6	Nature of ownership and legal form	54, 100, 114	■	■	■	■
2.7	Markets	14-27	■	■	■	■
2.8	Scale of the organisation	2, 16-17, 41	■	■	■	■
2.9	Significant changes during the reporting period	2, 54-59, 113-114	■	■	■	■
2.10	Awards received in the reporting period	32	■	■	■	■

3. REPORT PARAMETERS

3.1	Reporting period	28	■	■	■	■
3.2	Date of most recent previous report (if any)	28	■	■	■	■
3.3	Reporting period	28	■	■	■	■
3.4	Contact point for questions regarding the report	33	■	■	■	■
3.5	Process for defining report content	28	■	■	■	■
3.6	Boundary of the report	28	■	■	■	■
3.7	Specific limitations	28	■	■	■	■
3.8	Reporting period	28	■	■	■	■
3.9	Data measurement techniques and bases of calculations	28	■	■	■	■
3.10	Explanation of the effect of any re-statements of information	First report	■	■	■	■
3.11	Significant changes	First report	■	■	■	■
GRI, Global Reporting Initiative						
3.12	Contents	52-53	■	■	■	■
3.13	Policy and current practice with regard to external assurances		■	■	■	■

4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

Governance						
4.1	Governance structure of the organisation	100-106	■	■	■	■
4.2	Whether the Chair of the highest governance body is also an executive officer	101, 104-106	■	■	■	■
4.3	Number of independent board members	104-105	■	■	■	■
4.4	Mechanisms for shareholders and employees to provide recommendations	41, 100-103, 59, 86, 95,	■	■	■	■
4.5	Linkage between compensation and performance	102-103	■	■	■	■
4.6	Processes in place to ensure conflicts of interest are avoided	100-103, 108	■	■	■	■
4.7	Process for determining the qualifications and expertise of the board on economic, environmental and social performance	100-101	■	■	■	■
4.8	Statements of mission or values, codes of conduct and principles on economic, environmental and social performance	28-51, 103	■	■	■	■
4.9	Procedures of the board for overseeing economic, environmental and social performance	32, 34, 101, 107-108	■	■	■	■

4.10	Processes for evaluating the board, particularly with respect to economic, environmental and social performance	34, 101	■	■	■	■
------	---	---------	---	---	---	---

Commitments to external initiatives

4.11	Application of the precautionary principle	34	■	■	■	■
4.12	External declarations and principles	34	■	■	■	■
4.13	Memberships in industry and business organisations	34	■	■	■	■

Approaches to stakeholder engagement

4.14	List of stakeholder groups	31	■	■	■	■
4.15	Basis for identification and selection of stakeholders	31	■	■	■	■
4.16	Approaches to stakeholder engagement	31	■	■	■	■
4.17	Key topics	31	■	■	■	■

5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

Economic impact

Disclosures on Management Approach

Goals and performance	50-51	■	■	■	■
Policy	50-51	■	■	■	■
Additional contextual information	50-51, 69	■	■	■	■

Economic performance indicators

EC1	Direct economic value, generated and distributed	50-51	■	■	■	■
EC2	Financial implications due to climate change	50-51, 68-72	■	■	■	■
EC3	Coverage of the organisation's defined benefit plan obligations	86, 91	■	■	■	■
EC4	Significant financial assistance	51	■	■	■	■
EC6	Policy, practices and proportion of spending on local suppliers	50-51	■	■	■	■
EC7	Procedures for local hiring		■	■	■	■
EC8	Description of infrastructure investments		■	■	■	■

ENVIRONMENTAL IMPACT

Disclosures on Management Approach

Goals and performance	35	■	■	■	■
Policy	35	■	■	■	■
Organisational responsibility	35	■	■	■	■
Training and awareness	35	■	■	■	■
Monitoring and follow-up	35	■	■	■	■
Additional contextual information	56-57, 69-70	■	■	■	■

Environmental performance indicators

EN1	Materials used by weight or volume	39	■	■	■	■
EN2	Percentage of materials used that are recycled	39	■	■	■	■
EN3	Direct energy consumption by primary energy source	39	■	■	■	■
EN4	Indirect energy consumption by primary energy source	39	■	■	■	■
EN5	Energy saved due to conservation and efficiency improvements	7, 36-37, 39	■	■	■	■
EN6	Initiatives to provide energy-efficient products and services		■	■	■	■
EN8	Total water withdrawal by source	37, 39	■	■	■	■
EN9	Water sources significantly affected by withdrawal of water	37	■	■	■	■



Reported

Partially reported

Not relevant

Not reported

EN11	Location and size of land owned, leased or managed in areas of high biodiversity value	37	
EN12	Significant impacts of activities, products and services on biodiversity.	37	
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	37	
EN16	Total direct and indirect greenhouse gas emissions by weight (EN4 not included)	20, 37-39	
EN17	Other relevant indirect greenhouse gas emissions by weight		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	39	
EN19	Emissions of ozone-depleting substances	Not measurable	
EN20	NO, SO, and other significant air emissions by type and weight	39	
EN21	Total water discharged by quality and destination	37, 39	
EN22	Total weight of waste by type and disposal method	37, 39	
EN23	Total number and volume of significant spills		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous	37, 39	
EN25	Identity, size, protected status and biodiversity value of water bodies.	37, 39	
EN26	Initiatives to mitigate environmental impacts of products and services	6, 20, 35, 38, 39	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	38	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	39, 45	
EN29	Significant environmental impacts of transporting products and other goods and materials	38-39	
EN30	Total environmental protection expenditures and investments by type	39	

SOCIAL IMPACT

Labour Practices and Decent Work

Disclosures on Management Approach

Goals and performance	40	
Policy	40	
Organisational responsibility	40	
Training and awareness	40-43	
Monitoring and follow-up	40-43	
Additional contextual information	40-43	

Labour Practices and Decent Work

– performance indicators

LA1	Total workforce by employment type, employment contract and region	41	
LA2	Total number and rate of employee turnover by age group, gender and region	41	
LA4	Percentage of employees covered by collective bargaining agreements	41	
LA5	Minimum notice period(s) regarding operational changes	41	
LA7	Rates of injury, occupational diseases lost days and absenteeism, and number of work-related fatalities by region	40-42, 86	
LA8	Education and programmes to assist workforce members, their families or community members regarding serious diseases	42	
LA10	Average hours of training per year per employee by employee category		
LA12	Percentage of employees receiving regular performance and career development reviews	40	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group.	43, 86, 104-106	
LA14	Ratio of basic salary of men to women by employee category	43	

HUMAN RIGHTS

Disclosures on Management Approach

Goals and performance	48	
Policy	48	
Organisational responsibility	48	
Training and awareness	48	
Monitoring and follow-up	48-49	
Additional contextual information	48-49	

Human rights performance indicators

HR1	Percentage and total number of significant investment agreements that have undergone human rights screening	49	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights	49	
HR4	Total number of incidents of discrimination and actions taken	49	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	48-49	
HR6	Operations identified as having significant risk for incidents of child labour	48-49	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour	48-49	

Role of the Organisation in Society

Disclosures on Management Approach

Goals and performance	44	
Policy	44	
Organisational responsibility	44	
Training and awareness	44	
Monitoring and follow-up	44-45	
Additional contextual information	44-45	

Social performance indicators

SO1	Management of the impacts of operations on communities	44-45, 51	
SO2	Percentage and total number of business units analysed for risks related to corruption	44	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	44-45	
SO4	Actions taken in response to incidents of corruption	44-45	
SO5	Public policy positions and participation in public policy development and lobbying	34, 44-45	
SO7	Total number of legal actions for anticompetitive behaviour, etc.	45	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance	45	

Product Responsibility

Disclosures on Management Approach

Goals and performance	46	
Policy	46	
Organisational responsibility	46	
Training and awareness	46	
Monitoring and follow-up	46	
Additional contextual information	46-47	

Product responsibility performance indicators

PR1	Life cycle stages in which health and safety impacts of products and services are assessed.	46-47	
PR3	Type of product and service information required by procedures, and percentage of products and services subject to such requirements	47	
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications	47	
PR9	Monetary value of significant fines for noncompliance with laws and regulations	46-47	

Directors' report

The Board and CEO of Billerud AB (publ), corporate identity number 556025-5001, herewith submit the Annual Report and consolidated annual accounts for the 2009 financial year.

Billerud's operating profit improved in 2009, advancing to SEK 300 million, up SEK 11 million from 2008, despite a significant drop in selling prices in each respective sales currency. The fall in prices was offset by positive exchange rate effects, lower costs and increased sales volumes.

Markets

Billerud's business activities comprise the production and sales of niche products within packaging paper and of market pulp. Customers are primarily in Europe, although an increasing share of deliveries is made to other parts of the world.

Billerud's activities are divided into three business areas:

Packaging & Speciality Paper, Packaging Boards and Market Pulp.

The order situation improved steadily during the year from a very weak level at the end of 2008.

During the last two quarters order bookings were good for Billerud's products and an improvement of product and customer mix could be implemented. In general, Billerud strengthened its market share during the year.

Price falls in the first half of the year stopped in the third quarter and were followed by announced price increases for almost all Billerud products.

In the market for Nordic long-fibre sulphate pulp, current prices in USD rose during the year from a very low level in the second quarter. At the same time, global inventory levels decreased for both long-fibre and short-fibre pulp from an abnormally high level in the second quarter to below normal level at year-end. Additional capacity following the restart of pulp mills temporarily out of operation did not lead to any appreciable change in market balance during the fourth quarter.

For 2009, deliveries of packaging paper totalled 996 000 tonnes, compared with 951 000 tonnes in the previous year, an increase of 5%. The increase is attributable to most products, though primarily sack paper and liner.

Deliveries of market pulp totalled 316 000 tonnes for 2009, compared with 327 000 tonnes in the previous year, a decrease of 3%.

Billerud's total deliveries for the full-year amounted to 1 312 000 tonnes, an increase of 3% compared with the previous year.

DELIVERY VOLUMES PER BUSINESS AREA

'000 tonnes	2009	2008
Packaging & Speciality Paper	508	482
Packaging Boards	488	469
Market Pulp	316	327
Total	1 312	1 278

NET SALES BY BUSINESS AREA

SEKm	2009	2008
Packaging & Speciality Paper	3 934	3 832
Packaging Boards	2 362	2 364
Market Pulp	1 338	1 499
Currency hedging, etc.	-110	28
Other and eliminations ¹⁾	236	69
Total	7 760	7 792

¹⁾ Relates to external sales from the wood supply operation as well as for Tenova Bioplastics AB in 2009.

NET SALES PER GEOGRAPHIC AREA

SEKm	2009	2008
Germany	1 240	1 155
Italy	1 050	1 078
Sweden	658	745
France	421	423
Rest of Europe	2 542	2 735
Rest of the world	1 849	1 656
Total	7 760	7 792

Net sales and profits

Net sales in 2009 amounted to SEK 7 760 million, which is at the same level as the previous year.

Operating profit reached SEK 300 million, an increase of SEK 11 million compared with the previous year. The operating margin for 2009 amounted to 4% (4). Operating profit for the packaging paper product area increased by SEK 124 million, corresponding to an increase in the operating margin from 8% to 10%. Operating profit for market pulp decreased by SEK 3 million and the margin amounted to -11%, compared with -10% in the previous year.



CHANGE IN OPERATING PROFIT BY PRODUCT AREA

Product area ¹⁾ (% of sales)	Operating margin, %		Operating profit, SEKm		Change
	2009	2008	2009	2008	
Packaging paper (80%)	10%	8%	616	492	124
Market pulp (20%)	-11%	-10%	-148	-145	-3
Currency hedging and other			-168	-58	-110
Total	4%	4%	300	289	11

¹⁾ Market Pulp refers to the Market Pulp business area, packaging paper refers to the Packaging & Speciality Paper and Packaging Boards business areas together, currency hedging relates to the lines Currency hedging, etc., and Other and eliminations according to the specification on page 110.

Change in operating profit is broken down into the following components:

CHANGE IN OPERATING PROFIT

SEKm	2009-2008
Deliveries and production volumes, including product mix	223
Selling prices (in respective sales currency)	-1 106
Change in variable costs	341
Change in fixed costs	54
Change in depreciation	-54
Effects of exchange rate fluctuations, including hedging ¹⁾	553
Total change in operating profit	11

¹⁾ Effects of exchange rate fluctuations totalling SEK 553 million comprise the following components: improved spot rates SEK 688 million, currency hedging SEK 191 million and exchange rate effects from revaluation of accounts receivables and customer payments SEK -326 million.

Of reduced variable costs of SEK 341 million compared with the previous year, approximately 2/3 consist of price effects related to wood, sodium hydroxide and energy, while the remainder is mainly due to efficiency enhancements of variable costs.

SUMMARISED PROFIT AND LOSS ACCOUNTS

	2009	2008
Net sales, SEKm	7 760	7 792
Operating profit/loss, SEKm	300	289
Operating margin, %	4	4
Profit/loss after financial items, SEKm	186	124
Net profit/loss, SEKm	165	152
Earnings per share, SEK	2,04	2,07

Net financial items amounted to SEK -114 million (-165), an improvement of SEK 51 million due to lower debt.

Profit before tax amounted to SEK 186 million. Estimated tax was SEK -21 million. Net profit therefore amounted to SEK 165 million.

Return on shareholders' equity in the period was 5% (5) and the return on capital employed was 6% (5). A dividend of SEK 0.50 (0) per/share is proposed.

Earnings per operating segment

Beginning in 2009 Billerud applies IFRS 8 Operating Segments, which replaces IAS 14 Segment Reporting. Billerud has identified

NET OPERATING PROFIT/MARGIN PER BUSINESS AREA

	2009		2008	
	SEKm	%	SEKm	%
Packaging & Speciality Paper	386	10	244	6
Packaging Boards	230	10	248	10
Market Pulp	-148	-11	-145	-10
Currency hedging, etc.	-110		28	
Other and eliminations	-58		-86	
Total	300	4	289	4

For quarterly data see page 110.

its operating segments in accordance with IFRS 8 to reflect Billerud's three business areas: Packaging & Speciality Paper, Packaging Board and Market Pulp. See accounting principles on page 73.

Packaging & Speciality Paper

Operating profit increased by SEK 142 million or 58% to SEK 386 million, mainly due to lower variable costs, higher volumes and an improved product mix, although this was counteracted by a less favourable price level.

Market development

The market trend for orders and deliveries gradually improved during the year, compared with the previous year. Order bookings remained good for sack and kraft paper at the end of the year. Efforts to restore prices from the low level in the third quarter will continue in 2010. Implemented price increases are expected to have a positive earnings impact in the first quarter of 2010.

Billerud FibreForm[®], with its unique elasticity and formability, was commercially launched during second half of the year and has attracted considerable attention.

Packaging Boards

Operating profit decreased by SEK 18 million to SEK 230 million compared with the previous year, mainly due to a less favourable price level, although this was compensated by lower variable costs, higher volumes and an improved product mix.

Market development

At the beginning of the year, the market trend was characterised by strong pressure on prices due to the market situation for material based on recycled fibre. The market stabilised somewhat during the third quarter, in part because of increased demand, in part because of a somewhat improved situation for such materials based on recycled fibre. Order bookings were strong at the end of the year, resulting in good deliveries of both fully bleached virgin fibre-based liner and S/C fluting. Prices bottomed out during the third quarter due to an improved balance in the market, which resulted in the announcement of price increases.

Market Pulp

Operating profit decreased by SEK 3 million compared with the previous year due to a less favourable price level.

Market development

The market pulp segment was weak at the beginning of the year, but began to stabilise during the second quarter. The improvement continued during the second half of the year and additional price increases were implemented. The price at the beginning of the year was approximately USD 600 and dropped to a low of USD 580 during the first quarter. The price then rose to USD 730 by the end of the third quarter, and reached around USD 800 at the end of the fourth quarter. In the fourth quarter annual production of 700 000 tonnes was resumed from the previously closed NBSK capacity. This increase in production was absorbed well by the market, which remains well balanced, and a further price increase to USD 860 was announced on 1 February 2010.

Investments and capital employed

Gross investment including company acquisitions totalled SEK 306 million (622). Billerud acquired 100% of the shares in Tenova Bioplastics AB, a bioplastics development company based in Norrköping, Sweden. The company had sales of SEK 39 million in 2009 after the point of acquisition.

Billerud's capital employed amounted to SEK 5 148 million at 31 December 2009, compared with SEK 5 255 million at 31 December 2008.

Return on capital employed, calculated over the past 12-month period, amounted to 6% (5). If the effects of currency hedging are excluded, return on capital employed was 6% (9). Return on equity after tax was 5% (5).

Cash flow and financial position

Cash flow from operating activities in 2009 amounted to SEK 854 million, compared with SEK 791 million in the previous year. Operating cash flow amounted to SEK 562 million, compared with SEK 170 million in the previous year.

STATEMENT OF CASH FLOWS, SUMMARY

SEKm (positive figure indicates reduction in debt)	Jan–Dec 2009	Jan–Dec 2008
Operating surplus, etc.	862	716
Change in working capital, etc.	116	249
Net financial items, taxes, etc.	-124	-174
Cash flow from operating activities	854	791
Current net investments	-257	-612
Business combinations	-35	-9
Operating cash flow	562	170
Rights issue	925	–
Dividend	–	-180
Other items, not affecting cash flow	-22	0
Change in net debt during the period	1 465	-10

Interest-bearing net debt amounted to SEK 1 152 million at 31 December 2009, compared with SEK 2 617 million at 31 December 2008. The Group's net debt/equity ratio at the end of the period was 0.29, compared with 0.99 at 31 December 2008. Billerud's financial target for the debt/equity ratio is between 0.60 and 0.90 over a business cycle. Cash and cash equivalents amounted to SEK 818 million at year-end.

Significant risks and uncertainties

Billerud's products are generally dependent on the business cycle in terms of both price development and delivery volumes. The Group is exposed to changes in currency exchange rates because most of the revenues are invoiced in foreign currency while costs are incurred in SEK.

Billerud's mills have higher capacity for production of sulphate pulp than is required for production of packaging paper. To produce in a cost-effective way, Billerud is largely dependent on being able to sell surplus sulphate pulp as market pulp.

In a judgment from the Environmental Court, Billerud was sanctioned to pay a fee of SEK 19 million because Billerud had incorrectly reported use of emission rights for 2006. The fee was charged to Billerud's operating profit for 2009. Billerud is of the opinion that the company has fulfilled its undertakings and that no fee should be imposed on the company. Billerud has appealed against the decision to the environmental court of appeal and leave to appeal has been granted.

For an analysis of business sensitivity and further details of risks, see pages 68–72.

Measures to reduce costs

In the first quarter of 2008 a decision was made to carry out a programme of measures within the business designed to reduce Billerud's costs. This work included a review of wood consumption, product recipes and specifications, the production mix, and identification of additional efficiency enhancements within manufacture, energy consumption, as well as improved efficiency within the administrative processes within the framework of the "One Billerud" project. These measures were expected to provide an annual earnings impact of SEK 150 million compared with cost levels in 2007 and to involve investments of approximately SEK 50 million.

Ahead of the approaching weaker business climate and reduced demand, a decision was made in the fourth quarter of 2008 to make further cost reductions of SEK 100 million with a focus on employees and fixed costs.

Work on implementation of these cost savings has gone well and the target savings of a total of SEK 250 million had been met in full by 31 December 2009.

Tax position

The Group's effective tax rate is normally about 26.5% to 27%. Commencing on 1 January 2009 the Swedish statutory tax rate was



cut from 28% to 26.3%. The tax rate in the foreign subsidiaries is on average somewhat higher than the Swedish tax rate. Estimated tax expense for 2009 totalled SEK 21 million, equivalent to a tax rate of 11%. The low tax expense for 2009 is attributable in part to the one-off effect of the Swedish tax rate cut, which impacted deferred tax liabilities/tax assets. The rate cut has affected tax expense for both 2008 and 2009. The tax expense was also affected by tax deductions for rights issue costs, which were not charged to reported earnings, but were booked directly to equity.

Parent company

Billerud AB comprises the Gruvön mill, the sales organisation for the Nordic markets and markets outside Europe, and head office functions.

Net sales in 2009 amounted to SEK 3 278 million (3 448).

Operating profit was SEK 85 million (94), a decrease of SEK 9 million compared with the previous year, mainly due to negative currency effects although these were compensated by improved volumes and lower variable costs. This result included dividends received from subsidiaries of SEK 44 million (4).

The parent company hedges both its own net currency flows, and those of the Group. The parent company's results include the results of these hedging measures. This result amounted to SEK -18 million (-208).

Investments in property, plant and equipment and intangible assets excluding shares amounted to SEK 78 million (248) in 2009. The average number of employees was 933 (1 011). Cash and cash equivalents amounted to SEK 741 million (443).

Environment and permit issues

In accordance with Swedish and UK environmental legislation, Billerud has three operations in Sweden and one in the UK that require permits. These permits apply for the production of pulp and paper. Billerud has all permits necessary to conduct operations at the volumes produced in 2009.

The environmental impact of operations is mainly in the form of emissions to air and water and the creation of waste and noise.

No new permits were awarded in 2009. Billerud's Swedish mills have been awarded emission rights for carbon dioxide within the EU. The allocation for the second three-year period, starting in 2008, has exceeded total actual emission levels.

Long-term incentive programme (LTIP 2007)

The 2007 AGM agreed to introduce a long-term incentive programme for Billerud and a related transfer of shareholdings. The programme comprises both a share matching programme for all employees involving so-called matching shares, and an incentive scheme with so-called performance shares for senior executives and other key individuals within the Billerud Group. The main purpose of the long-term incentive programme is to strengthen Billerud's ability

to retain and motivate staff. The scheme aims to help Billerud achieve its financial targets and came into effect as previous schemes came to an end. The purpose of the performance share scheme is to encourage senior executives and other key individuals, whose activities have a direct impact on Billerud's earnings, profitability and growth in value, by linking their interests and perspective with those of the company's shareholders.

In addition to continued employment at Billerud, the option to buy performance shares is linked to financial performance.

In 2007–2008 this means that Billerud's operating margin must remain between 8% and 12% and be above certain comparable companies and in 2007–2009 overall Billerud's total return to shareholders exceeds the total return for certain comparable paper industries in the Nordic region.

Within the framework of the scheme, Billerud's employees bought 58 527 shares at a price per share of SEK 104.50 from Billerud during May 2007. An additional maximum 193 306 shares could be acquired during the remaining period of the scheme. The expected outcome by the end of the programme is 155 663 shares.

The cost of the scheme in accordance with IFRS is calculated at SEK 6 million. For the period January–December 2009 net earnings were affected by SEK 3 million.

Participation in Billerud's Long-Term Incentive Programme ("LTIP 2007") was high among senior executives and other key individuals (Categories 1 and 2 in LTIP 2007), in which 100% and 77%, respectively, of those invited chose to participate. For the others who were invited, participation was lower than expected at 9%. The programme is considered complex, with many different performance criteria and exercise prices. One good point is that it has been linked to Billerud's financial targets, which has contributed to an increased awareness about it, along with the fact that it has also been linked to industry performance in relation to established objectives.

Fulfilment of performance criteria in the programme was good, on average 63%, but share performance during the term limited the incentive effects and the financial outcome for the participants, especially those in the broad programme.

Product and process development

The costs of product and process development, to the extent attributable to research activities, are charged to expenses in the year that they occur and in 2009 they amounted to around 0.5% of Billerud's operating costs.

Seasonal factors

Maintenance stops

In addition to continuous maintenance while machines are running, Billerud's mills normally require more extensive maintenance at some point during the year. In order for maintenance to be carried

out production of pulp and paper is stopped – known as a maintenance shutdown. An estimation of planned maintenance shutdowns and those already carried out are shown below.

The effect of the stoppage on earnings varies depending on the extent of measures carried out, their character and the actual length of stoppage. Billerud works continually to spread the cost of maintenance shutdowns more evenly across the quarters.

Mill	2010	2009
Gruvön	Q 2, 10 days	No stop 2009
Karlsborg	Q 3, 10 days	Q 3, 10 days
Skärblacka	Q 3, 8 days	Q 3, 8 days

Maintenance stops at Beetham have an insignificant effect on Billerud's overall earnings.

Other seasonal factors

A significant part of Billerud Flute® volumes are used to package fruit exports from the Mediterranean area. Demand from this customer group varies with the fruit seasons and is normally highest from September to March. A significant portion of Billerud's sack paper and QuickFill® sack paper is used as packaging for cement and building materials. Demand for building materials in Europe is generally higher during the period May to October.

Financing

Billerud's syndicated credit facility of SEK 1 800 million, which matures in September 2010, was refinanced in the first quarter of 2009 and replaced by a new three-year syndicated facility for the same amount which matures in April 2012. In conjunction with this, interest and loan terms were adjusted to the prevailing market situation.

The SEK 350 million bond loan which matured in June 2009 was drawn from the new SEK 450 million credit facility raised in the fourth quarter of 2008, which was partly repaid during the second half of 2009.

Interest bearing loans amounted to SEK 1 777 million at 31 December 2009. Of this amount, utilisation of the syndicated credit facility (maximum SEK 1 800 million) accounted for SEK 102 million, the syndicated bank loan for SEK 150 million, bond loans for SEK 1 225 million, and utilisation of Billerud's commercial paper programme (maximum: SEK 1 500 million) for SEK 297 million and other interest-bearing liabilities for SEK 3 million.

As of 31 December 2009 the maturity structure was as follows:

Loan	Maximum credit (SEKm)	Utilised (SEKm)	Maturity
Syndicated credit facility	1 800	102	April 2012
Syndicated bank loan	450	150	December 2011
Commercial paper		297	1–6 months
Bond loan 5		150	April 2010
Bond loan 6		250	June 2010
Bond loan 2		150	September 2011
Bond loan 4		300	February 2013
Bond loan 7		225	June 2013
Bond loan 8		150	March 2016
Total		1 774	

CAPITAL STRUCTURE, SUMMARY

	31 Dec 2009	31 Dec 2008
Capital employed, SEKm	5 148	5 255
Financing:		
Interest-bearing net debt, SEKm	1 152	2 617
Shareholders' equity, SEKm	3 995	2 638
Net debt/equity ratio, times	0,29	0,99

Currency hedging

During 2009 net flows were hedged at EUR/SEK 9.95 (9.43), USD/SEK 7.58 (6.43), GBP/SEK 12.12 (12.68) and DKK/SEK 1.36 (1.26). Currency hedging had an overall negative earnings impact of SEK -18 million (-208) (compared with if no hedging had taken place).

Billerud's outstanding forward currency contracts at 31 December 2009 had a market value of SEK 215 million. The contracts matched by account receivables affected earnings in the fourth quarter. Other contracts had a market value of SEK 145 million.

Billerud hedges around 50% of forecast net flows over the coming 12-month period, but in line with its financial policy the company has the possibility to increase currency hedging to 100% of net flows over the coming 15 months.

The hedged amount of currency flows and exchange rate for SEK in relation to EUR, USD and GBP are shown in the table below. DKK accounts for just 0.4% of total hedged flows and is therefore not included in the table.

HEDGED PROPORTIONS OF CURRENCY FLOWS FOR EUR, USD AND GBP AND EXCHANGE RATES AGAINST SEK

Currency	Jan–June 2010	July–Dec 2010	Total 2010
EUR Share of flow	74%	61%	68%
Rate	11,05	10,70	10,89
USD Share of flow	78%	29%	53%
Rate	8,14	7,26	7,90
GBP Share of flow	71%	31%	51%
Rate	12,04	11,53	11,88

The table shows the situation as of 31 December 2009.

Share structure

Rights issue

An extraordinary general meeting held on 27 August 2009 approved the Board's decision on an SEK 978 million new issue with preferential rights for existing shareholders. The rights issue was completed at the end of September 2009. The issue was completed at a ratio of 1:1 and an issue price of SEK 19. The issue was guaranteed to 27% by existing shareholders, was oversubscribed to 196% and provided the company with SEK 925 million after deduction of issue costs.

The share capital amounted to SEK 774 173 065 divided among 104 834 613 shares as of 31 December 2009. There were 102 983 140 shares on the market.

Since the end of 2004 there have been no share buy backs.



DISTRIBUTION OF SHARES

	31 Dec 2009
Registered amount of shares at beginning of the year	53 343 043
Bought-back shares in company ownership	-1 851 473
Rights issue	51 491 570
Shares on the market	102 983 140

Financial targets

In November 2006 Billerud's Board established the following long-term financial targets:

- » Organic growth of at least 3% in average per year.
- » Operating margin of 10% over a business cycle.
- » Investments shall produce a return well above the company's weighted capital cost.
- » Debt/equity ratio of between 0.60 and 0.90 over a business cycle.
- » Over the business cycle, 50% of net profit to be passed on in dividends to shareholders.

The targets focus on long-term growth. The target for operating margin creates greater transparency in the governing of the company and a better link between the financial targets communicated internally and those communicated externally.

The Billerud share

The share capital of Billerud AB is divided among 104 834 613 ordinary shares, of which 1 851 473 are owned by Billerud AB. Each share entitles one vote at the AGM. Transfer of shares is not restricted by law or by the company's articles of association. The largest shareholder, Frapag Beteiligungsholding AG, owned 21 381 400 shares, corresponding to 20.8% of shares on the market as of 31 December 2009. No other shareholder owned 10% or more of the total number of shares on 31 December 2009. The company knows of no agreements between shareholders that may restrict the right to transfer shares. Appointment and dismissal of Board members, and changes to the articles of association, are made by the AGM. No significant agreement to which the company, or other Group company, is a party would come into effect, be changed or cease to be valid if control of the company was changed due to a public acquisition bid. There are agreements between the company, other Group companies and senior executives that entail compensation if they were to resign, be dismissed without reasonable grounds or if their employment were to end due to a public bid to acquire shares in the company. These agreements are described in note 24. Agreements between the company and other employees that regulate their own resignation or dismissal by the company follow normal labour market practice.

Guidelines for remuneration to senior executives

The Board proposes that the 2010 AGM approve the following guidelines for remuneration to senior executives. Senior management includes the CEO and other members of the senior management team.

Billerud shall apply market-related remuneration levels and employment terms that are appropriate in order to recruit and keep a senior executive team that has the competence and capacity to achieve set goals. Remuneration forms shall motivate senior managers to do their best to secure shareholders' interests. Remuneration may be in the form of fixed or variable salary, long-term incentive schemes and other benefits such as company car and pension. Fixed and variable salary shall be established with regard to skills, area of responsibility and performance. Variable remuneration shall be based on meeting clearly set targets, and shall be a maximum of a fixed percentage of fixed annual salary and vary between 30 and 45%. The incentive scheme shall primarily be related to financial performance criteria, ensure long-term commitment to the development of the company and be implemented on commercial terms. For further information about the existing long-term incentive scheme adopted by the 2007 AGM, see the Billerud website. Pension benefits shall either be defined-benefit or defined-contribution plans and will normally give a pension entitlement after age 65. In certain cases, the age may be reduced but never lower than 62. Notice of termination is normally 6 to 12 months, and if the company gives notice severance pay shall be a maximum of 12 months' salary.

Remuneration and other employment terms for the CEO are prepared by the Compensation committee and decided by the Board. Remuneration and other employment terms for members of the senior executive team are determined by the CEO following approval by the Compensation committee.

The Board of Billerud is entitled to deviate from these guidelines in an individual case if there is a special reason to do so. See note 24 for 2009 guidelines.

Proposed allocation of profit

As reported on page 98 of this Annual Report, non-restricted equity in the parent company, Billerud AB, amounted to SEK 1 305 million on 31 December 2009.

According to Billerud's financial goals the dividend shall be 50% of the net profit and the net debt/equity ratio shall be between 0.60 and 0.90 times over a business cycle. At the end of 2009 the company's net debt/equity ratio was 0.29, a decrease of 0.70 compared with the end of 2008 and lower than the target range. Billerud's Board proposes that of the earnings per share of SEK 2.04, SEK 0.50 per share be paid to shareholders and that the remaining amount be carried forward.

Outlook

- » 2010 has started with continued good demand within all segments.
- » Price increases have been implemented within all product areas and efforts to restore prices from the low levels of 2009 will continue in 2010.
- » Cost savings of SEK 250 million have been achieved and a continued focus on costs will prevail during 2010.

Consolidated statement of comprehensive income

	Notes	2009	2008
SEKm	1, 23		
Net sales	2, 34	7 760	7 792
Other operating income	3	32	15
Total operating income		7 792	7 807
Operating expenses			
Change in inventories		26	-46
Raw materials and consumables		-3 870	-3 929
Other external costs	4	-1 706	-1 727
Employee benefits expense	5	-1 380	-1 309
Depreciation and impairment of non-current assets	10, 11	-561	-507
Profit/Loss from participations in associated companies and joint ventures	14	-1	0
Total operating expenses		-7 492	-7 518
Operating profit/loss	2, 34	300	289
Financial income and expenses	6		
Financial income		4	16
Financial expenses		-118	-181
Net financial income/expense		-114	-165
Profit/Loss before tax		186	124
Taxes	8	-21	28
Net profit/loss for the year		165	152
Other comprehensive income			
Differences arising from the translation of foreign operations' accounts		-3	-1
Gain/Loss on hedges on currency risk in foreign operations		0	3
Change in fair value of cash flow hedges		366	-131
Change in fair value of cash flow hedges transferred to net profit/loss for the year		-1	-188
Tax attributable to components of other comprehensive income		-96	84
Total comprehensive income for the year		431	-81
Earnings per share, SEK	9	2,04	2,07
Diluted earnings per share, SEK	9	2,03	2,07

Dividend per share is reported in note 17.



Consolidated statement of financial position

SEKm	Notes	31 Dec. 09	31 Dec. 08
ASSETS	1, 23		
Non-current assets			
Intangible assets	11	96	74
Property, plant and equipment	10	5 443	5 727
Participations in associated companies and joint ventures	14	4	4
Other holdings	15	11	18
Deferred tax assets	8	1	1
Long-term receivables		0	0
Total non-current assets		5 555	5 824
Current assets			
Inventories	16	1 065	1 091
Tax assets		16	26
Accounts receivable		1 152	1 294
Prepaid expenses and accrued income		83	59
Other receivables		392	185
Cash and cash equivalents	25	818	542
Total current assets		3 526	3 197
Total assets		9 081	9 021
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 23		
Shareholders' equity	17		
Share capital		774	667
Additional paid-in capital		903	85
Reserves		90	-176
Profit brought forward		2 228	2 062
Total shareholders' equity		3 995	2 638
Non-current liabilities			
Interest-bearing liabilities	20	1 080	2 396
Provisions for pensions	18	193	183
Other provisions	19	27	25
Deferred tax liabilities	8	1 357	1 254
Total non-current liabilities		2 657	3 858
Current liabilities			
Interest-bearing liabilities	20	697	580
Accounts payable		1 049	1 004
Liabilities to associated companies		7	15
Tax liabilities		3	0
Accrued expenses and deferred income	22	593	431
Other liabilities		78	483
Provisions	19	2	12
Total current liabilities		2 429	2 525
Total liabilities		5 086	6 383
Total shareholders' equity and liabilities		9 081	9 021

See note 29 for information on the Group's pledged assets and contingent liabilities.

Consolidated statement of changes in equity

	Notes	Share capital	Additional paid-in capital	Translation reserve	Hedge reserve	Profit brought forward incl. profit/loss for the year	Total shareholders' equity
SEKm							
	17						
Opening balance, 1 January 2008		667	85	-3	60	2 089	2 898
Comprehensive income for the year				2	-235	152	-81
Dividends paid						-180	-180
Share-based payment to be settled in equity instruments, IFRS 2						1	1
Closing balance, 31 December 2008		667	85	-1	-175	2 062	2 638

	Notes	Share capital	Additional paid-in capital	Translation reserve	Hedge reserve	Profit brought forward incl. profit/loss for the year	Total shareholders' equity
SEKm							
	17						
Opening balance, 1 January 2009		667	85	-1	-175	2 062	2 638
Comprehensive income for the year				-3	269	165	431
Dividends paid						-	-
Rights issue		257	668				925
Reduction of quotient value		-400	400				-
Bonus issue		250	-250				-
Share-based payment to be settled in equity instruments, IFRS 2						1	1
Closing balance, 31 December 2009		774	903	-4	94	2 228	3 995



Consolidated cash flow statements

SEKm	Notes 25	2009	2008
Operating activities			
Profit/Loss before tax		186	124
Adjustments for non-cash items		548	446
Income tax paid		4	-28
Cash flow from operating activities before changes in working capital		738	542
Cash flow from change in working capital			
Increase (-)/Decrease (+) in inventories		40	-161
Increase (-)/Decrease (+) in operating receivables		-23	309
Increase (+)/Decrease (-) in operating liabilities		99	101
Cash flow from operating activities		854	791
Investing activities			
Acquisition of intangible assets		-8	-20
Acquisition of property, plant and equipment		-262	-587
Disposal of property, plant and equipment		2	1
Acquisition of operations, net effect on cash and cash equivalents	31	-35	-9
Acquisition of financial assets		-1	-6
Disposal of financial assets		12	-
Cash flow from investing activities		-292	-621
Cash flow after investing activities		562	170
Financing activities			
Proceeds from the issue of new shares		978	-
Share issue costs		-53	-
Dividend		-	-180
New borrowings		73	1 272
Repayment of borrowings		-1 280	-1 444
Cash flow from financing activities		-282	-352
Cash flow for the year		280	-182
Cash and cash equivalents, opening balance		542	718
Translation difference in cash and cash equivalents		-4	6
Cash and cash equivalents, closing balance		818	542

Profit and loss accounts for parent company

SEKm	Notes	2009	2008
	1, 23		
Net sales	2	3 278	3 448
Change in inventories		6	-37
Other operating income	3	38	32
Total operating income		3 322	3 443
Operating expenses			
Raw materials and consumables		-1 527	-1 664
Other external costs	4	-851	-861
Employee benefits expense	5	-604	-597
Depreciation and impairment of non-current assets	10, 11	-255	-227
Total operating expenses		-3 237	-3 349
Operating profit/loss		85	94
Financial income and expenses	6		
Profit/Loss from participations in Group companies		44	4
Interest income and similar items		2	13
Interest expenses and similar items		-120	-164
Total financial income and expenses		-74	-147
Profit/Loss after financial income and expenses		11	-53
Appropriations	7	-2 098	1 900
Profit/Loss before tax		-2 087	1 847
Taxes	8	579	-482
Net profit/loss for the year		-1 508	1 365



Balance sheet for parent company

SEKm	Notes	31 Dec. 09	31 Dec. 08
ASSETS	1, 23		
Non-current assets			
Intangible assets	11	21	21
Property, plant and equipment	10	2 762	2 942
Participations in Group companies	12	1 195	1 153
Participations in associated companies and joint ventures	14	6	6
Other holdings	15	7	14
Other long-term receivables		27	26
Total non-current assets		4 018	4 162
Current assets			
Inventories	16	326	341
Accounts receivable		1 104	1 091
Receivables from Group companies	13	1 069	1 037
Prepaid expenses and accrued income		59	30
Other receivables		69	53
Cash and bank balances	25	741	443
Total current assets		3 368	2 995
Total assets		7 386	7 157
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 23		
Shareholders' equity	17		
Restricted equity			
Share capital (104 834 613 ordinary shares)		774	667
Statutory reserve		149	149
Total restricted equity		923	816
Non-restricted equity			
Share premium reserve		827	9
Profit/Loss brought forward		1 986	106
Net profit/loss for the year		-1 508	1 365
Total non-restricted equity		1 305	1 480
Total shareholders' equity		2 228	2 296
Untaxed reserves	26	2 098	–
Provisions			
Provisions for pensions and similar commitments	18	190	181
Provisions for taxes	8	223	618
Other provisions	19	1	7
Total provisions		414	806
Non-current liabilities			
Syndicated loan	21	182	1 082
Bond loan	21	825	1 225
Other interest-bearing non-current liabilities	21	3	3
Liabilities to Group companies	13	268	72
Total non-current liabilities		1 278	2 382
Current liabilities			
Liabilities to credit institutions	21	697	574
Other interest-bearing current liabilities	21	–	3
Accounts payable		203	266
Liabilities to Group companies		191	558
Liabilities to associated companies	30	3	6
Tax liabilities		–	0
Accrued expenses and deferred income	22	268	193
Other liabilities		6	73
Total current liabilities		1 368	1 673
Total shareholders' equity and liabilities		7 386	7 157
Pledged assets and contingent liabilities of parent company			
Pledged assets	29	27	26
Contingent liabilities	29	104	121

Statement of changes in parent company equity

	Restricted equity		Non-restricted equity			Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Profit/Loss brought forward	Net profit/loss for the year	
SEKm						
Opening balance, 1 January 2008	667	149	9	1 541	-1 001	1 365
Previous year's profit/loss brought forward				-1 001	1 001	-
Group contributions paid/received, after tax effect				-254		-254
Net profit/loss for the year					1 365	1 365
Dividends paid				-180		-180
Closing balance, 31 December 2008	667	149	9	106	1 365	2 296

	Restricted equity		Non-restricted equity			Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Profit/Loss brought forward	Net profit/loss for the year	
SEKm						
Opening balance, 1 January 2009	667	149	9	106	1 365	2 296
Previous year's profit/loss brought forward				1 365	-1 365	-
Group contributions received, after tax effect				515		515
Net profit/loss for the year					-1 508	-1 508
Dividends paid						-
Rights issue	257		668			925
Reduction of quotient value	-400		400			-
Bonus issue	250		-250			-
Closing balance, 31 December 2009	774	149	827	1 986	-1 508	2 228



Cash flow statement for parent company

SEKm	Notes 25	2009	2008
Operating activities			
Profit/Loss after financial income and expenses		11	-53
Adjustments for non-cash items		239	668
Income tax paid		0	0
Cash flow from operating activities before changes in working capital		250	615
Cash flow from change in working capital			
Increase (-)/Decrease (+) in inventories		15	28
Increase (-)/Decrease (+) in operating receivables		-61	-502
Increase (+)/Decrease (-) in operating liabilities		-53	-282
Cash flow from operating activities		151	-141
Investing activities			
Acquisition of intangible assets		-5	-
Disposal of intangible assets		-	18
Acquisition of property, plant and equipment		-73	-264
Disposal of property, plant and equipment		1	0
Acquisition of shares in subsidiaries		-46	-8
Acquisition of financial assets		-2	-17
Disposal of financial assets		12	-
Change in financial receivables		0	2
Cash flow from investing activities		-113	-269
Cash flow after investing activities		38	-410
Financing activities			
Proceeds from the issue of new shares		978	-
Share issue costs		-53	-
Dividend		-	-180
New borrowings		938	1 269
Repayment of borrowings		-1 250	-1 838
Settlement of Group contributions		-353	950
Cash flow from financing activities		260	201
Cash flow for the year		298	-209
Cash and cash equivalents, opening balance		443	652
Cash and cash equivalents, closing balance		741	443

Risk management and sensitivity analysis

Billerud is affected by the general economic climate, changes in exchange rates and other factors more specific to the Company. Billerud seeks to minimise risk through preventive measures. Wherever possible, risk is hedged or insured against. The following describes the factors significant to an assessment of Billerud's operating risk and financial risk.

Billerud's products are generally affected by the business cycle, both in terms of pricing and delivery volumes. Market pulp, which accounts for around 20% of Billerud's sales, is considerably more sensitive to the business cycle than packaging paper. Conditions in global capital markets and in the general economy in Europe, the United States and the rest of the world affect Billerud's operations, financial position and results. The description below applies, as appropriate, to both Group and parent company. Specific differences concerning the parent company receive comment under the heading "Risk management, parent company".

Customer structure and customer credit

Billerud has around 1 100 active customers. Most customers are packaging converters making bags, sacks, cases and other packaging based on Billerud packaging paper. Many customer relationships are long-term, and 75%–80% of sales take place in Europe.

Nearly all sales are based on framework agreements specifying general delivery conditions and planned delivery volumes. The price of market pulp is determined by the current market price. There are various pricing models for packaging paper, including a fixed price for 12 months or a floating price. A minor portion of sales consists of spot sales, that is, sales not subject to a framework agreement. Spot prices may be higher or lower than framework agreement prices, and such sales occur above all in the market pulp sector.

The granting of credit to customers varies, depending on the market and the product. At year-end 2009, accounts receivable totalled SEK 1 152 million, representing an average customer credit period of 61 days. The majority of customer credit granted is insured. The Group has developed a special credit policy to manage customer credit. It also maintains a credit insurance agreement that in 2009 covered around 80% of sales. The fair value of accounts receivable and supplier credit accords with the carrying value.

PROVISION FOR BAD DEBTS

SEKm Group	2009	2008
Provision at beginning of year	15	7
Provision for anticipated bad debts	3	9
Confirmed bad debts	-2	-1
Provision at year-end	16	15

BREAKDOWN OF ACCOUNTS RECEIVABLE BY AGE

SEKm Group	2009			2008		
	Gross	Impair- ment	Net	Gross	Impair- ment	Net
Accounts receivable not due	1 087	-1	1 086	1 219	-2	1 217
Accounts receivable due 0–30 days	35	0	35	51	0	51
Accounts receivable due >30–90 days	30	-2	28	22	-1	21
Accounts receivable due >90–180 days	1	0	1	4	0	4
Accounts receivable due >180–360 days	3	-2	1	11	-10	1
Accounts receivable due >360 days	12	-11	1	2	-2	0
Total	1 168	-16	1 152	1 309	-15	1 294

Expenses

An approximate breakdown of Billerud's costs is presented in the table below.

BREAKDOWN OF OPERATING COSTS

2009	%
Wood raw materials	35
Personnel	19
Freight to customer	12
Chemicals	8
Services purchased	4
Other input goods	4
Depreciation	7
Energy	3
Other	8
Total	100



Wood raw materials and wood prices

Supplies of fresh fibre are vital to Billerud's production of paper. Billerud does not own any forest; it buys all its wood raw materials on the timber market. These purchases are made from a small number of major suppliers as well as – in northern Sweden – from a large number of major private landowners. About 25% of the company's timber requirements are imported, mainly from the Baltic states.

On the basis of commercial considerations, Billerud has signed delivery agreements for its wood purchasing with Stora Enso, Holmen, Sveaskog and others. Billerud's judgement is that its partnership with these suppliers will account for the main share of wood raw material deliveries for the foreseeable future. A general principle is that prices under these agreements are fixed quarterly or half-yearly. This may create problems with deliveries to Billerud if the parties cannot reach agreement on the price that will apply.

Prices for wood raw materials have periodically risen sharply but fell during 2009. These prices are affected by demand from the pulp industry, indicating that changes in the overall output of the pulp industry in the Nordic region may subsequently affect the level of costs of wood raw materials. Demand in other sectors – such as in sawn timber and wood used for combustion, especially in connection with the use of biofuels for generating electricity and heat – may also indirectly affect the price of pulp wood. Changes in customs duties may also impact on the price of imported timber.

Personnel

Wages and salary costs are primarily regulated by collective agreements, payroll taxes and other related legal requirements. In recent years, wage costs covered by agreements have risen by around 3% per year.

Freight to customers

Rail freight charges account for 33% of the freight costs incurred by Billerud's mills. Other shipments are made by sea (36%) and road (31%). Freight costs are fixed annually via agreements. Freight costs are affected by energy prices, wage costs and competition between freight companies.

Chemicals

Certain process chemicals are by-products from chemical processes, so their price can vary significantly from year to year. Prices for other chemicals are much more stable. Overall, however, chemical price trends have been stable.

Purchased services

Purchased services mainly comprise maintenance services in connection with the annual maintenance shutdowns and regular maintenance. The prices of services are primarily affected by wage cost developments in Sweden.

Other input materials

Other input materials include spare parts, maintenance materials, packaging material and machine covers. Historically, prices for these items have been stable.

Energy

Energy costs represent a major component of the manufacturing costs for paper and pulp. Billerud consumes electricity, oil, biofuels and minor quantities of other types of energy such as gas. In 2005 and 2006, Billerud carried out a comprehensive investment programme in the energy sector. As a result, its requirement for purchased electricity has fallen from 1.2 TWh to approximately 0.8 TWh since the start of 2007. This means that Billerud is around 60% self-sufficient in energy. In May 2007, Billerud signed a 10-year supply agreement for electricity at fixed prices with Vattenfall.

The agreement covers a basic power supply of around 0.4 TWh per year in the 2008–2017 period. Through the agreement and its own power generation capacity, Billerud has secured, since the beginning of 2008, approximately 80% of its electricity energy requirement in a satisfactory manner, with a balanced combination of in-house generated electricity and long-term supply agreements. The remainder of the external energy requirement will be bought on the spot market or reduced by further energy savings. Thanks to the energy investments and the long-term supply agreement, Billerud's exposure to spot prices has been substantially reduced. Should these measures not be sufficient to compensate for changes in energy prices, the Group's operating costs may increase and Billerud's profitability may deteriorate.

The biofuel-based element of Billerud's electricity generation capacity entitles the Company to "electricity certificates". These certificates are sold on an ongoing basis.

In 2009, Billerud purchased around 0.8 TWh of electrical energy from external suppliers. At year-end 2009, the Company had electricity hedging contracts with a market value of SEK 0 million. Out of an estimated 0.8 TWh of purchases of electricity in 2010, only a negligible portion of electricity consumption in 2009 was hedged with derivatives.

Seasonal variations

Billerud's activities are relatively unaffected by seasonal variations. Order flows are usually highest during the spring but, because available capacity determines deliveries, they are relatively constant over the year. Annual maintenance shutdowns have the largest impact, as each mill stops production for around one week. This means that deliveries are somewhat lower for quite some time before, during and after the shutdown. Billerud's costs are relatively stable throughout the year. Fixed costs are slightly lower in the summer, when fewer maintenance jobs are performed. Energy costs are slightly higher in the winter because of higher energy consumption and normally higher energy prices, especially for electricity.

Production facilities

Production at all Billerud production facilities operates continually, round the clock, every day of the year. The only planned shutdown is the annual maintenance shutdown at each mill. Continual operation means high efficiency in the utilisation of capital, but it also raises sensitivity to unplanned disruptions to production. Major efforts are therefore focused on preventive maintenance and other measures to ensure that operations are not disrupted. If disruptions in operations occur that lead to major production losses, they may result in loss of income to Billerud. To protect Billerud in the event of serious breakdowns or other production problems, the facilities are insured against disruptions.

Environmental responsibilities

There are major environmental aspects to Billerud's production of pulp and paper. Various emissions are released into the air and water. The production process also creates certain waste products. Billerud's operations are governed by extensive environmental legislation and require permits under current legislation. These permits entitle the mills to produce a certain volume of pulp and paper but also stipulate a large number of conditions regarding, for example, emissions into water and the air, as well as noise and waste and chemicals management. Today, the Company meets the conditions stated in its permits for normal production. One specific environmental risk lies in the effects that would result if, during normal production, Billerud cannot meet the conditions in its production permit. A solution could be to limit production for the time it took to resolve the problem. However, this would result in lost production for a period, as well as expenditure perhaps in the form of new investments or costs relating to other measures necessary to deal with the problems.

Non-compliance with the Company's permits may result in criminal liability, both for the Company and people in positions of responsibility at Billerud. Billerud may, in such cases, also be liable for costs of cleanup and other post-processing costs. In certain circumstances, environmental penalty charges may be imposed, for example if Billerud were to fail in its internal controls.

Environmental permits granted must be renewed within certain time frames. Within the scope of normal business activities, regular discussions take place with the County Management Board at all Billerud mills regarding the operations conducted, and if it is considered necessary, conceivable investments (both optional and mandatory) are set up in the Group's investment plan. In Sweden and internationally, the trend is towards increasingly strict environmental legislation, in which new permits normally stipulate lower thresholds for maximum environmental impact.

These rule changes can lead to requirements for major new investment to enable production to continue. Another environmental

risk is the risk of negative reactions from the community, which may arise even if the Company is meeting legal requirements. Developments may also result in requirements under existing legislation being made more stringent. To minimise negative environmental impact, Billerud has established an environmental management system at each mill. The systems are certified under various standards such as ISO. This means that environmental aspects are identified and assessed and goals set with the aim of reducing the environmental impact of the operation. Training, supplier assessments and extensive follow-up of environmental activities are also included. Follow-up includes daily measurements and analyses, periodic audits and an annual evaluation of the effectiveness of the environmental management system.

Financial risks

The Group's main financial risk exposure consists of currency risk, financing risk, interest rate risk and credit risk (also known as counterparty risk). To manage these financial risks, a number of basic principles have been established at Billerud. Work aimed at reducing the financial risks adheres to a finance policy adopted by the Board each year.

Currency risk

Billerud's financial information is reported in SEK. Billerud is structurally exposed to currency fluctuations, because most of the Company's income is invoiced in foreign currency or, where it is in SEK, it is closely related to market prices set in other currencies. Currency risk is the effect on earnings caused by a change in the exchange rate. The Group's net currency exposure is considerable; the main currencies involved are USD, EUR and GBP. However, the majority of operating costs are in SEK. The main exceptions are freight costs and the costs of imported wood raw materials and chemicals, which are affected above all by fluctuations in EUR and USD exchange rates.

To reduce the effects of currency exposure, Billerud continuously hedges forecast net flows in foreign currencies. Under the finance policy adopted by the Board, around 50% of net flows over the coming 12-month period must always be hedged. However, this figure may rise to 100% of net flows over the coming 15 months if it is deemed appropriate with regard to profitability and the currency situation. At year-end 2009, foreign exchange contracts not yet recognised as income totalled a nominal SEK 2 558 million (3 439), of which foreign exchange contracts representing SEK 2 558 million (2 833) will be recognised as income in 2010. The corresponding net currency flows for the Group in 2010 are estimated at around SEK 4 500 million (5 000).

Billerud also has assets in foreign currency mainly through its ownership of Billerud Beetham Ltd.



Net assets in GBP are partly hedged by loans in the same currency. A translation effect arises when the subsidiaries' profit/loss in currencies other than SEK are translated into SEK.

Control of Billerud's business areas is based on exchange rates current at any one time, to achieve continual adjustment of commercial terms with regard to the current currency situation.

The main target for each business area is the operating margin, which is measured net of the earnings effects of hedging currency flows. Since 2007, the earnings effects of currency changes in operating capital have been managed centrally and matched against corresponding earnings for currency hedging.

Forward contracts not corresponding to underlying accounts receivable on the closing date have not affected the profit and loss accounts.

Nominal amount of foreign exchange derivatives in millions	2009	2008
MEUR	214	303
MUSD	104	136
MGBP	11	11
MDKK	10	14
Market value of foreign exchange derivatives, SEKm	2009	2008
Forward foreign exchange contracts	215	-306

Translation exposure

As of 31 December 2009, total capital employed in foreign currency was SEK 146 million, of which SEK 174 million was financed via shareholders' equity.

SEKm	Capital employed	Net debt	Net assets
GBP	151	22	129
EUR	-8	-43	35
Other currencies	3	-7	10
Total	146	-28	174

Of total net assets in GBP, corresponding to SEK 129 million, 18% has been hedged through loans raised by the parent company. No hedging has been arranged for net assets in other currencies. Earnings are affected when the earnings of subsidiaries are translated at an exchange rate that differs from the one on the balance sheet date. This had an impact on earnings of SEK 2 million in 2009.

Financing risk

Billerud has access to long-term financing for its operations, and the rights issue completed in 2009 strengthened the company's financial position. Even with the strengthening of the Group's financial position by the rights issue, it cannot be ruled out that, some time in the future, Billerud may need to seek additional financing, for example by raising loans or issuing new shares. Financial risk is the risk that a major borrowing requirement may arise in a tight credit market situation. Access to further financing will be affected by a number of factors, including market conditions, the general

availability of credit and Billerud's creditworthiness and credit capacity. In addition, access to further financing will be affected by any negative perceptions that customers, suppliers and lenders may acquire about Billerud's long- and medium-term financial prospects. Disruptions and uncertainty in the capital and credit markets may also limit availability to the capital needed to operate the business. The conditions in the capital and credit markets may also limit Billerud's ability to pay debts when they fall due.

To ensure that the Group always has access to external financing, the finance department must ensure that short- and long-term credit commitments are available. Maximum cost-efficiency within established limits shall be the goal.

The lender base shall also be reasonably diversified to avoid excessive dependency on individual sources of financing. The repayment structure for loans shall be arranged such that the loan maturity in any particular year does not exceed 25% of total borrowings. Financial investments may only be made in certain types of low-risk instrument, and fixed-interest terms must not exceed six months.

Interest rate risk/market risk

The interest rate risk is the effect on earnings that could be caused by a change in interest rates. The speed with which a change in the interest rate trend affects earnings depends on the refixing periods for interest rates on loans and investments. If the Group's entire borrowing portfolio has a variable interest rate, the effect on earnings for one year from a 1 percentage point change in interest rates would be SEK 18 million, based on liabilities of SEK 1 777 million at year-end. The Group's average interest rate refixing period was around 14 months at year-end. A 1 percentage point change in interest rates would have an annualised effect of SEK 7 million on earnings given the current refixing period.

To ensure cost-efficient financing for the Group and avoid excessive impacts on earnings of large negative changes in interest rates, the norm for Billerud is that the average refixing period for the borrowing portfolio shall be 18 months, with a permitted deviation of +/-12 months. The interest refixing period for an individual loan or interest swap shall not exceed 10 years. To achieve this norm, interest rate derivatives, mainly interest rate swaps, are used. Price risk is defined as the effect on earnings that may be caused by changes in the prices of outstanding capital instruments. Billerud is a net borrower and only in exceptional circumstances does it invest in listed instruments. Consequently, market risk on investments usually does not occur.

Even if Billerud's exposure to interest rate fluctuations and other interest rate risks is to a certain extent reduced by these measures, there are no guarantees that the measures will be effective or sufficient to prevent Billerud's financial position and results from being adversely affected.

Nominal value of interest rate derivatives SEKm	2009	2008
Interest rate swaps		
Duration less than 1 year	400	350
Duration 1–2 years	150	400
Duration more than 2 years	525	525
Total	1 075	1 275
Market value of interest rate derivatives	2009	2008
Interest rate swaps	-23	-26

Credit risk

Credit risk refers, for example, to the risk that a counterparty in a financial transaction cannot meet its commitments. To avoid this, Billerud's finance policy defines clearly how any excess liquidity may be invested. If measures taken by Billerud to minimise credit risk are not sufficient, Billerud's financial position and results may be adversely affected.

When calculating credit risks, the positive effects on earnings of derivative contracts with counterparts are also taken into account. Billerud's maximum credit risk exposure is equal to the fair value of financial assets, disclosed in Note 23.

Sensitivity analysis

The table below shows how Billerud's earnings before tax could have been affected by an isolated change in some key income and expense factors in 2009.

SENSITIVITY ANALYSIS

Variable	Approximate effects on earnings before tax	
	Change	SEKm
Volume of sales	+/- 10%	300
Price of pulp	+/- 10%	140
Exchange rates, SEK ¹⁾	+/- 10%	450
Price of wood	+/- 10%	290
Price of electricity	+/- 10%	15
Interest rate on loans	+/- 1 percentage point	7

¹⁾ Excluding effects of currency hedging.

Risk management, parent company

For an understanding of the risk exposure in the parent company, the following should be taken into account.

Customer credit

The parent company's accounts receivable represent more than 90% of the Group's accounts receivable, because the mills' accounts receivable are taken over by the parent company after invoicing and the monies collected by the parent company. However the risk of any bad debts remains with the invoicing company. Of total provisions within the Group for doubtful accounts receivable in 2009, SEK 11 million (13) was attributable to the parent company.

Currency exposure

All forward foreign exchange contracts are taken out by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish mills. Exposure for the parent company is thus less than that of the forward contracts taken out. This applies up to the invoicing date, because the parent company takes over the accounts receivable for the Swedish mills. At year-end 2009, foreign exchange contracts not yet recognised in the parent company's profit and loss statement totalled a nominal SEK 2 558 million, of which foreign exchange contracts representing SEK 2 558 million will be recognised in 2010. The corresponding net currency flows in the parent company in 2010 are estimated at approximately SEK 5 900 million.

Interest rate risk

The Group's borrowing is conducted primarily via the parent company and accounted for 97% of the Group's total borrowing at 31 December 2009. As a result, the parent company has largely the same exposure to changes in interest rates as the Group. All interest derivatives are attributable to the parent company.

Expenses

Energy

The parent company is the contracted party in all electricity hedging contracts, which are based on electricity consumption at the three Swedish mills. The parent company's exposure is therefore less than the total hedged amounts. However, when the contract is settled, any profit or loss on the contract is distributed in proportion to the forecast consumption of each mill. Consequently the parent company's earnings are only affected by the amount corresponding to the parent company's (Gruvön mill) electricity consumption.



Notes and accounting principles

1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1.2 concerning supplementary accounting rules for Groups has been applied.

The parent company applies the same accounting policies as the Group except in the cases indicated under "Parent company's accounting policies".

Basis of measurement in preparing the financial reports

Assets and liabilities are stated at historical cost, except for certain financial assets and liabilities that are measured at fair value or amortised cost. Financial assets and liabilities measured at fair value consist of derivatives as well as financial assets classified either as financial assets recognised at fair value through profit and loss or as available for sale.

Functional and presentation currencies

The functional currency of the parent company is SEK, which is also the presentation currency used for the accounts of both the parent company and the Group. Thus financial reports are presented in SEK. All amounts, unless stated otherwise, are rounded to the nearest million.

Use of estimates and judgments in the financial reports

Preparing financial reports in accordance with IFRS requires Company management to make judgments and estimates as well as assumptions that affect the application of accounting policies and the amounts disclosed for assets, liabilities, income and expenses. The actual outcome can differ from the assumptions and estimates.

Assumptions and estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period the change occurs if the change only affects that period, or in the period the change occurs and in future periods if the change affects both current and future periods.

Judgements made by the Company's management when applying IFRS that have a significant impact on financial reports and estimates made that may involve significant adjustments to subsequent financial reports are described in more detail in note 32.

Significant accounting policies applied in the reports

The accounting policies specified below, excepting those described in greater detail, have been applied consistently when reporting and consolidating the parent company and subsidiaries as well as when incorporating associated companies and joint ventures in the consolidated accounts.

Changes in accounting policies

The following describes which changes in accounting policies the Group has applied effective 1 January 2009.

Amendments to IAS 1 Presentation of Financial Statements (2007). Billerud has chosen to use the titles of the reports introduced in IAS 1 (2007): statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement. Revenues and expenses formerly recognised directly in equity are now instead being recognised in other comprehensive income, which is part of "Statement of comprehensive income".

Periods for comparison have been changed throughout the annual report so that they conform to the new format. These changes affect only the format, so no amounts have been changed, neither regarding earnings per share nor other items in the financial statements.

IFRS 8 Operating Segments replaces IAS 14 Segment Reporting. Billerud has identified its operating segments to reflect Billerud's three business areas: Packaging & Speciality Paper, Packaging Boards and Market Pulp. Each operating segment has a manager who reports to the senior management team on the outcome of the operating segment's efforts and its resource requirements.

Amendment to IAS 23 Borrowing Costs.

The amendment has resulted in the Group capitalising borrowing costs in the acquisition costs of qualifying assets that have a starting date of 1 January 2009 or later. Borrowing costs were previously expensed during the period to which they were attributable rather than being capitalised. The amendment is applied prospectively, as specified in the transitional provisions in IAS 23. The amendment had no material impact on the preparation of the final accounts for 2009.

Amendment to IFRS 7 Financial Instruments.

The amendment to IFRS 7 entails disclosing additional information about financial instruments and expanded comments on cash-flow planning.

Amendment to IAS 27 Consolidated and Separate Financial Statements.

The amendment to IAS 27 entails recognising all dividends from subsidiaries, jointly controlled entities, and associated companies in the parent company's income statement. Under special circumstances, such dividends can serve as an indication that the shares have declined in value and thus a test for impairment should be performed. This amendment has not affected Group consolidation.

New IFRS and interpretations coming into effect in future accounting periods

A number of new or changed standards and interpretations will come into effect in coming financial years but have not been applied in advance when preparing this report. New rules and changes applicable after 2010 are not scheduled to be applied in advance.

The expected effects on the financial reports of the application of the following new or amended standards and interpretations have been judged to be limited.

Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements entail changes regarding consolidated reporting and reporting of acquisitions. The reworked standards will be applied by Billerud from 1 January 2010.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation specifies, among other things, that only the risk in the functional currencies in the parent company and corresponding foreign operations can be hedged.

The following amendments to accounting policies with prospective application are not judged to have any effect on the consolidated accounts:

- » Amendments to IFRS 1 First Time Adoption of IFRS with respect to additional exceptions.
- » Amendments to IFRS 2 Share-based Payment with respect to group cash-settled share-based payment transactions.
- » Amendments to IAS 24 Related Party Disclosures primarily regarding disclosure for government-related entities but also the definition of related party.
- » Amendments to IAS 32 Financial Instruments: Presentation regarding classification of rights issues.
- » Amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding items qualified for hedge accounting.
- » IFRIC 12 Service Concession Arrangements.
- » Amendments to IFRIC 14 on IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction regarding prepayments of a minimum funding requirement.
- » IFRIC 15 Agreements for the Construction of Real Estate.
- » IFRIC 17 Distributions of Non-cash Assets to Owners.
- » IFRIC 18 Transfers of Assets from Customers.
- » IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.
- » Annual improvements not already applicable, primarily published in April 2009.

Classifications etc.

Non-current assets and liabilities in the parent company and the Group consist largely only of amounts that are expected to be recovered or paid more than 12 months after the end of the reporting period. Current assets and liabilities in the parent company and the Group consist largely only of amounts that are expected to be recovered or paid within 12 months of the end of the reporting period.

Operating segments

Billerud's operations are divided into operating segments based on which parts of the operations the Company's ultimate executive decision makers monitor, that is, according to the management approach.

The Group's operations are organised so that the senior management team monitors the profit or loss and the operating margin generated by the Group's various goods. Each operating segment has a manager responsible for the operations who periodically reports to the senior management team the outcome of the operating segment's efforts and its resource requirements. The senior management team monitors the operation's profit or loss and determines resource allocations based on the goods the Group manufactures and sells, so these constitute the Group's operating segments. Billerud's operating segments have been identified as per IFRS 8 and comprise the business areas Packaging & Speciality Paper, Packaging Boards and Market Pulp.

Basis of consolidation

Subsidiaries

Subsidiaries are companies in which Billerud AB has a controlling influence. Controlling influence means the right to formulate, directly or indirectly, the company's financial and operating strategies in order to obtain financial advantages. This usually means that Billerud controls more than 50% of the voting rights. An assessment of whether or not a controlling influence exists must consider potential vote-entitling shares that can be utilised or converted without delay.

Subsidiaries are recognised using the purchase method. By this method, the acquisition of a subsidiary is considered a transaction in which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The acquisition cost upon consolidation is determined using a purchase price allocation analysis in connection with the acquisition. This analysis establishes the acquisition cost for the participation or business and the fair value at the acquisition date of the acquired identifiable assets as well as assumed liabilities and any contingent liabilities. The acquisition cost of the subsidiary company's shares and the business consists of the total of the fair values at the acquisition date for assets provided, liabilities arising or assumed and equity instruments on issue that are provided as consideration in exchange for the net assets acquired, plus the transaction costs directly attributable to the acquisition. If the acquisition cost exceeds the fair value of assets acquired, assumed liabilities and contingent liabilities recognised



separately, the difference is recognised as goodwill. When the difference is negative, it is recognised directly in the statement of comprehensive income.

Financial statements of subsidiaries are included in the consolidated accounts from the date of acquisition up to the date when control ceases.

Associated companies

Associated companies are companies in which the Group has a significant influence, but not control, over operating and financial strategies, usually via a shareholding corresponding to 20%–50% of voting rights. From the time when the Group gains its significant influence, participations in the associated company are recognised in accordance with the equity method.

By the equity method, the carrying amount of participations in associated companies recognised in the consolidated accounts corresponds to the Group's participation in the associated companies' equity, any goodwill and any other remaining fair value adjustments. In the consolidated profit and loss account, "Profit/Loss from participations in associated companies and joint ventures" includes the Group's participation in the earnings of associated companies net after tax attributable to the parent company shareholders and after adjustment for any depreciation, amortisation, impairment losses or reversals of goodwill or negative goodwill. Such profit or loss, less dividends received from the associated companies, accounts for most of the change in the carrying amount of the participations.

Any differences at the time of acquisition between the acquisition cost of the holding and the owner's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognised according to the same policies as for the acquisition of a subsidiary.

When the Group's share of losses recognised in an associated company exceeds the fair value of its participations in the associate, the value of the participations is reduced to zero. Losses may also be settled against long-term financial dealings without security which in economic terms represent a part of the owner's net investment in the associate. Additional losses are not recognised unless the Group has made guarantees to cover losses incurred by the associated company. The equity method is applied up to the date when the significant influence ceases.

Joint ventures

Joint ventures in the accounts are those companies in which the Group, through partnership agreements with one or several partners, has a joint decision-making influence in operational and financial control. The Group's participating interest may exceed 50%. Joint ventures are consolidated in the accounts in accordance with the equity method (see above, Associated companies).

Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income or costs and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety when preparing the consolidated accounts. Unrealised gains arising from transactions with associated companies and joint ventures are eliminated to the extent of the Group's interest in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency of the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currency are translated to the functional currency using the exchange rate prevailing at the end of the reporting period. Exchange rate differences arising from translation are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the time of the transaction. Non-monetary assets and liabilities reported at fair values are translated into the functional currency at the exchange rate prevailing on the date the fair value was determined.

Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and other fair value adjustments, are translated from foreign operations' functional currency to the Group's reporting currency, SEK, using the exchange rate prevailing at the end of the reporting period. Revenue and expenses of foreign operations are translated to SEK using an average rate approximating the rates on each transaction date. Translation differences that arise when translating the financial statements of foreign operations are recognised directly in equity as a translation reserve. When a foreign operation is sold, the accumulated translation differences attributable to the operation are recognised in the consolidated statement of comprehensive income.

Hedging of net investments in foreign operations

The Group has business in several countries. In the consolidated balance sheet, investments in foreign operations are recognised as net assets in subsidiaries (including monetary items that constitute a part of the net investments in the companies). To some extent, measures have been taken to reduce currency risk associated with these investments, by raising loans in the same currency as the net investments (hedging instrument). At the close of accounts, these loans are recognised translated at the rate at the end of the period. The effective part of the period's changes in exchange rates relating to hedge instruments is recognised directly in equity in the translation reserve to meet and partly or wholly match the translation differences

that are recognised for net assets in the foreign operations that have been hedged. Translation differences from net investments and hedge instruments are reversed and recognised in the statement of comprehensive income when the foreign operation is sold. If hedging is not effective, the ineffective portion is recognised directly in profit or loss.

Revenue

Sale of goods and performance of services

Billerud's revenue is generated mostly from the sale of manufactured products. Revenue from the sale of goods is recognised in the statement of comprehensive income provided that all significant risks and rewards related to owning the goods have been transferred to the buyer. Revenue from services is recognised in net profit/loss for the year based on the degree of completion at the end of the reporting period. Income is not recognised if it is probable that the economic benefits will not flow to Billerud. If there is significant uncertainty concerning payment, associated costs or risk of return, and if the seller retains an interest in the ongoing management normally associated with ownership, no revenue is recognised. Revenue is recognised at fair value of what is received, or is expected to be received, less agreed discounts.

Government support

Government grants are recognised in the balance sheet as deferred income when there is reason to assume that the conditions connected with receiving a grant will be fulfilled and that the grant will be paid out. Grants are distributed systematically in the statement of comprehensive income in the same way and over the same periods as the costs that the grants are intended to compensate. Government grants related to assets are recognised in the balance sheet as deferred income and are distributed as other operating income over the useful life of the asset. For accounting principles related to electricity certificates and emission rights, see page 80.

Leasing

Operating leases

Expenses for operating leases are recognised in the statement of comprehensive income over the leasing period on a straight-line basis. Incentives received in connection with the signing of a lease are recognised in the statement of comprehensive income as a reduction in the lease payments over the period of the lease on a straight-line basis. Variable expenses are recognised in the periods when they arise.

Finance leases

The minimum lease payments are divided between interest costs and repayment of the outstanding liability.

Interest costs are distributed over the period of the lease so that each accounting period includes an amount corresponding to a fixed

interest rate for the liability recognised in each period. Variable payments are recognised in the periods when they arise.

Financial income and expenses

Financial income consists of interest income on invested funds, dividend income, gains on changes in the value of financial assets measured at fair value in the statement of comprehensive income and gains on hedge instruments recognised in the statement of comprehensive income.

Interest income from financial instruments is recognised using the effective interest method (see below). Dividend income is recognised when the right to receive payment is established. Gains on the disposal of financial instruments are recognised when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer controls the instrument.

Financial expenses comprises interest costs for loans, the effects of reversals of present value estimates for provisions, losses on the change in value of financial assets measured at fair value in the statement of comprehensive income, impairment of financial assets and losses on hedge instruments that are recognised in the statement of comprehensive income. All borrowing costs are recognised in profit/loss with the application of the effective interest rate method regardless of how the borrowed funds have been used. Borrowing costs are not recognised in profit/loss in the proportion that they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for intended use or sale. In these cases, they are included in the assets' acquisition costs.

Exchange rate gains and losses are recognised net.

Effective interest is the rate used to discount estimated future receipts and disbursements during the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by contracted parties that are part of the effective interest, transaction costs and all other fair value adjustments.

Taxes

Incomes taxes comprise current tax and deferred tax. Income taxes are recognised in the statement of comprehensive income except when the underlying transaction is recognised directly in equity whereupon the associated tax effect is also recognised in equity.

Current tax is tax to be paid or recovered for the current year using the tax rates already enacted or substantially enacted at the end of the reporting period; adjustments of current tax attributable to earlier periods is included.

Deferred tax is calculated using the balance sheet method starting with the temporary differences between the recognised and taxable values of assets and liabilities. Temporary differences are not considered when the temporary differences arise from the initial recognition of goodwill nor when temporary differences arise from initial recognition of assets and liabilities in a transaction which is



not a business combination and at the time of the transaction affects neither recognised or taxable earnings. In addition, temporary differences are not recognised when attributable to participations in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Measurement of deferred tax is based on how the carrying amount of underlying assets and liabilities is expected to be recovered or settled. Deferred tax is calculated using the tax rates and regulations enacted or substantially enacted at the end of the reporting period.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only to the extent it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer probable that they can be utilised.

Any additional income tax relating to the dividend is recognised at the same time as the dividend is recognised as a liability.

Financial instruments

Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, accounts receivable, financial investments and derivatives. The liabilities side has accounts payable, borrowings and derivatives.

Recognition in, and removal from, the balance sheet

A financial asset or liability is recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. Accounts receivable are recognised when the invoice is sent. Liabilities are recognised when the counterparty has performed and there is a contractual liability to pay, even if the invoice has not been received. Accounts payable are recognised when the invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire or the company loses control over them. The same applies for portions of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is discharged or otherwise expires. The same applies for portions of a financial liability.

Billerud has contracted factoring for its invoices without recourse, which means that part of the Group's accounts receivable and its corresponding credit risk are transferred to a finance company in return for payment received earlier than the end of the contracted credit period. Billerud administrates customer payments, which are then settled against payment from the finance company. Transferred accounts receivable are not recognised on the consolidated balance sheet.

A financial asset and a financial liability are offset against each other and recognised as a net sum on the balance sheet only when there exists a legal right to offset the amounts and an intention to settle the items with a net amount or to simultaneously realise the asset and regulate the liability.

Acquisitions and sales of financial assets are recognised at the trade date, which is the date when the company commits to acquire or sell the asset.

Classification and measurement

Financial instruments that are not derivatives are initially recognised at the acquisition cost, which corresponds to the instrument's fair value including direct transaction costs for all financial instruments except those belonging to the category financial assets measured at fair value in the statement of comprehensive income, which are recognised excluding transaction costs. A financial instrument is classified upon initial recognition based on the purpose of the acquisition of the instrument. The classification of a financial instrument determines how it is measured after initial recognition as follows.

Derivative instruments are initially reported at fair value, meaning that transaction costs are charged to profit/loss for the period. After the initial recognition, derivative instruments are recognised as follows. If the derivative is used for hedge accounting, then to the extent that it is effective the change in value of the derivative is recognised on the same line as the hedged item in the statement of comprehensive income. Even if hedge accounting is not used, increases and decreases in the value of the derivative are recognised as income or expense in operating profit/loss or in financial income and expenses based on the purpose of using the instrument and to what extent the use is related to an operating item or financial item. If hedge accounting is used, the ineffective portion is recognised in the same way as value changes in a derivative not used for hedge accounting. If hedge accounting is not used for interest swaps, then the interest coupon is recognised as interest, and other changes in value of the interest swap are recognised as other financial income or other financial expenses.

The fair value amounts are based on directly observed market prices or derived from market prices.

Cash and cash equivalents comprise cash and funds immediately available at banks and similar institutions as well as current investments with terms of less than three months at the acquisition date and which are exposed to an insignificant risk for changes in value.

Financial assets measured at fair value in the statement of comprehensive income

This category consists of two subcategories: financial assets held for trading and other financial assets that the company initially chooses to put in this category. A financial asset is classified as held for trading if it is acquired with the aim of being sold in the short term. Derivatives that are independent, as well as embedded derivatives, are classified as held for trading. Assets in this category are measured continually at fair value, and the changes in value are recognised in the statement of comprehensive income, except for derivatives that are identified as effective hedge instruments.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with payments that are fixed or can be determined and that are not listed on an active market. These assets are measured at amortised cost. The amortised cost is determined based on the effective rate of interest estimated at the time of acquisition. Receivables shorter than three months are recognised at acquisition cost. Accounts receivable are recognised at the amounts expected to be received, that is, after deductions for doubtful receivables.

Held-to-maturity investments

Held-to-maturity investments are financial assets and include interest-bearing securities with fixed or determinable payments and a fixed term that the company has clearly stated it intends to hold to maturity and has the capability to do so. Assets in this category are measured at the amortised cost.

Available-for-sale financial assets

The category of available-for-sale financial assets includes financial assets not included in any other category or financial assets that the company initially chooses to put in this category. Holdings of shares and participations not reported as subsidiaries, associated companies or joint ventures are recognised here. Assets in this category are measured continually at fair value with value changes recognised in equity, though not those changes relating to impairment (see accounting policies for impairment), nor interest on receivables instruments or dividend income, nor exchange rate differences for monetary items recognised in the statement of comprehensive income. Shares and participations of insignificant value are recognised at acquisition cost. When the investment is sold, accumulated gains or losses previously recognised in equity are transferred to the statement of comprehensive income.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortised cost. Liabilities shorter than three months are recognised at acquisition cost.

The categories to which the Group's financial assets and liabilities belong are explained in Note 23, Financial assets and liabilities.

Derivatives and hedge accounting

The Group's derivative instruments have been acquired to hedge the interest, currency, electricity price and pulp price risk exposure of the Group. Embedded derivatives are recognised separately unless they are closely related to the host contract.

To meet the requirements of hedge accounting in accordance with IAS 39 there must be a clear connection to the hedged item. Furthermore, the hedging must protect the hedged item efficiently, hedging documents must be prepared and the efficiency must be measurable. Gains and losses on hedging are recognised in the

statement of comprehensive income at the same time as profit and loss are recognised for the items being hedged.

Receivables and liabilities denominated in foreign currencies

Forward contracts are used to hedge receivables and liabilities against foreign exchange risk. Hedge accounting is not used to protect against currency risks, because a financial hedge is reflected in the accounts when both the underlying receivable or liability and the hedge instrument are recognised at the rate at the end of the reporting period and changes arising from rate fluctuations are recognised in the statement of comprehensive income.

Hedging of foreign currency - cash flow hedging

Foreign exchange contracts used to hedge future cash flows and forecast sales and purchases in foreign currency are recognised at fair value on the balance sheet. Changes in value are recognised directly in equity in the hedge reserve until the time when the hedged flow is recognised in the statement of comprehensive income, at which time the hedging instrument's accumulated changes in value are transferred to the statement of comprehensive income, where they then meet and match the profit/loss effects of the hedged transaction.

When the hedged future cash flow refers to a transaction capitalised on the balance sheet, the hedge reserve is reversed when the hedged item is recognised on the balance sheet. If the hedged item is a financial asset or liability, the hedge reserve is reversed gradually into the statement of comprehensive income at the same rate as the hedged item affects profit/loss.

When a hedging instrument expires, is sold, terminated or exercised, or the company revokes the designation of the hedge relationship before the hedged transaction occurs and the forecast transaction is still expected to occur, the accumulated profit/loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated gains or losses on the hedge instrument are reversed immediately into the statement of comprehensive income in accordance with the principles described above for derivatives.

Hedging of fixed interest - cash flow hedging

Interest rate swaps are used to hedge against the uncertainty of future interest flows related to loans carrying variable rates of interest. Swaps are measured at fair value on the balance sheet. The interest coupon is recognised in the statement of comprehensive income continually as interest income or expense. Other value changes in swaps are recognised directly in the hedge reserve in equity until the hedged item affects the statement of comprehensive income and as long as the criteria for hedge accounting and efficiency are fulfilled. The gain or loss attributable to the ineffective portion is recognised in the statement of comprehensive income.



Hedging of fair value

When a hedging instrument is used to hedge fair value, the derivative is recognised at fair value on the balance sheet and the hedged asset/liability is also recognised at fair value with regard to the risk being hedged. Changes in value of the derivative are recognised in the statement of comprehensive income together with changes in the value of the hedged item.

Hedging of fair values is used to hedge the value of assets and liabilities on the balance sheet that are not recognised at fair value and of contracted flows.

Hedging of fixed interest – fair value hedging

Interest swaps are used as instruments to hedge against the risk of changes in the fair value of borrowings with fixed interest rates. Thus fair value hedges are used in the accounts, the hedged item is translated into fair value regarding the hedged risk (risk-free interest), and the change in value is recognised in the statement of comprehensive income in the same way as the hedge instrument is.

Hedging of net investments

See the description above for foreign currencies.

Electricity derivatives

Billerud buys electricity from external suppliers. To continually hedge the electricity price, Billerud enters into derivative contracts for electricity. Electricity derivatives that protect the forecast outward flow of electricity expenses are recognised in the balance sheet at fair value. Changes in value are recognised directly in equity in the hedge reserve until the hedged outward flow is recognised in the statement of comprehensive income, at which time the hedging instrument's accumulated changes in value are transferred to the statement of comprehensive income, where they meet and match the profit/loss impact of the hedged transaction. The gains or losses realised on these contracts are recognised continuously in operating profit/loss as a correction of electricity costs.

Pulp derivatives

Billerud buys some of the pulp it requires from external suppliers. To continually hedge pulp prices, Billerud enters into derivative contracts for pulp. Pulp derivatives that protect the forecast outflow of expenses for pulp are recognised on the balance sheet at fair value. Changes in value are recognised directly in equity in the hedge reserve until the hedged outward flow is recognised in the statement of comprehensive income, at which time the hedging instrument's accumulated changes in value are transferred to the statement of comprehensive income, where they meet and match the profit/loss impact of the hedged transaction. The gains or losses realised on these contracts are recognised continuously in the operating profit/loss as a correction of raw material costs.

Property, plant and equipment

Owned assets

The Group recognises property, plant and equipment at cost less deductions for accumulated depreciation and any impairment losses. Acquisition cost includes the purchase price and costs directly attributable to the asset in order to bring it into place in the right condition to be used as intended. Examples of directly attributable costs are costs for delivery and handling, installation, title registration, consulting services and legal services. Borrowing costs directly attributable to the purchase, construction or production of assets that take considerable time to complete for intended use or sale are capitalised starting in 2009, as per an amendment to IAS 23. Borrowing costs were previously expensed in the period to which they were attributable, rather than being capitalised. The amendment is applied prospectively, as specified in the transitional provisions in IAS 23, and thus has no impact on previous years.

The acquisition cost of internally produced non-current assets include costs for materials, employee benefits, other production overheads directly attributable to the asset and estimated outlays for dismantling and removing the assets and restoring the site or area where it is located.

Property, plant and equipment that consists of parts with different useful lives is treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is removed from the balance sheet upon scrapping or disposal or when no future economic benefit is expected from its use, scrapping or disposal. Any gain or loss arising from the scrapping or disposal of an asset is the difference between the sale proceeds and the asset's carrying amount less deductions for direct selling costs. Gains and losses are recognised as other operating income or expense.

The accounting policies for impairment are explained below.

Leased assets

Leases are classified in the consolidated accounts either as finance leases or operating leases. A finance lease substantially transfers the economic risks and rewards associated with ownership to the lessee; any other case is an operating lease.

Assets leased under finance leases are recognised as assets on the balance sheet and are initially measured at the lease object's fair value or the present value of minimum leasing payments at the start of the agreement, whichever is less. The obligation to pay future lease payments is recognised as current and non-current liabilities. The leased assets are depreciated over the period of use of each asset, while leasing payments are recognised as interest and repayment of liabilities.

Assets hired in accordance with operating leases are not normally recognised as assets on the balance sheet. Operating leases do not result in a liability, either.

Subsequent costs

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

A subsequent cost is added to the acquisition cost if the expenditure relates to the replacement of identified components or parts thereof. Even if new components are created, the expenditure is added to the cost of the asset. Any remaining carrying amount for replaced components, or parts of them, is scrapped and expensed in connection with the replacement. Repairs are expensed as incurred.

Maintenance stops are performed at the paper mills at regular intervals. The more significant maintenance measures carried out on these occasions are treated as a separate component. Depreciation is recognised periodically until the next maintenance stop, normally after 12–18 months.

Depreciation policies

Assets are depreciated on a straight-line basis over the estimated useful life of the asset, though land is not depreciated. The Group applies component depreciation, which means that each component's estimated useful life is the basis for depreciation.

The following depreciation periods are used:

Industrial buildings	20 years
Residential and office buildings	30–50 years
Land improvements	20 years
Machinery used for pulp and paper	20 years
Other machinery	10 years
Vehicles, equipment and components	1–5 years

The residual value and useful life of each asset is assessed annually.

Intangible assets**Goodwill**

Goodwill is measured at acquisition cost less any accumulated impairment. Goodwill is distributed among cash-generating units and tested for impairment at least once a year (see the accounting policies for Impairment of property, plant and equipment and intangible assets as well as participations in subsidiaries, associated companies and joint ventures). Goodwill arising upon the acquisition of associated companies and joint ventures is included in the carrying amount of the participations.

Research and development

Billerud's product and process development focuses primarily on meeting customer requirements product properties and adaptations. Activities are divided into a research phase and a development phase. Examples of expenditure included in the research phase are costs related to acquiring new knowledge, costs for the evaluation

of and search for alternative grades and processes. Costs for the research phase are expensed continually in the statement of comprehensive income as per IAS 38.

Costs for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognised as an asset on the balance sheet, if the product or process is technically and commercially feasible and the company has sufficient resources to complete the development and then use or sell the intangible asset. The carrying amount includes costs for materials, direct costs for salaries and indirect costs that can be attributed to the asset in a reasonable and consistent manner. Other costs for development are recognised in the statement of comprehensive income as expenses when incurred.

Software

Costs for the development and maintenance of software are expensed as incurred. Costs that are directly linked with the development of identifiable and unique software products controlled by the Group and likely to have economic benefits for more than one year that exceed the costs, are recognised as intangible assets.

Electricity certificates

Electricity certificates are awarded for production of renewable electricity and are measured at the estimated market value and recognised as intangible assets. Production entitled to electricity certificates but which had not yet been awarded certificates at the end of the reporting period is recognised as accrued income and initially measured at the estimated market price. Corresponding income is recognised in operating profit/loss as a correction of electricity costs.

Emission rights

Billerud's Swedish mills have been allocated emission rights for carbon dioxide within the EU. The allotment for the initial three-year period 2005–2007 exceeded the actual total emissions. The allotment for 2008–2010 also exceeded somewhat the expected emissions. When emission rights are received, they are recognised as intangible assets at market value and as grants received on the liabilities side.

As emissions are released, they are expensed at market value, while this expense is reduced by the utilised portion of the received contribution. When a surplus is sold, the income is recognised in the profit/loss.

Subsequent costs

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.



Amortisation policies

Amortisation is recognised in the statement of comprehensive income on a straight-line basis throughout the estimated useful life of an intangible asset unless this period is indeterminable. Useful life is tested at least once a year. Goodwill and other intangible assets with an indeterminable useful life or intangible assets not yet ready for use are tested for impairment annually and are also tested as soon as there is an indication that the value of the asset has decreased. An intangible asset with a determinable useful life is depreciated from the time it is available for use. The expected useful life of capitalised development expenditure and software is 3–7 years. Useful life is tested each year.

Inventories

Inventories are stated at the lower of cost and net realisable value. The FIFO (first in, first out) formula is used to calculate the cost of inventories. This includes costs arising upon the acquisition of the asset and transport to the current site. For manufactured goods and work in progress, the cost includes a reasonable portion of indirect costs based on normal capacity.

The net realisable value is the expected selling price in the ordinary course of business, less expected costs for completion and selling.

Impairment losses

The carrying amounts of Group assets are tested at the end of each reporting period to determine whether they are impaired. IAS 36 is applied to test if an impairment loss shall be recognised for assets other than financial assets, which are recognised in accordance with IAS 39, assets for sale, inventories and deferred tax assets. For the excluded assets above, the carrying amount is assessed in accordance with the relevant standard.

Impairment of property, plant, equipment and intangible assets as well as participations in subsidiaries, associated companies and joint ventures

If there is an indication that an asset is impaired, the recoverable amount of the asset is calculated (see below). For goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually. If it is not possible to establish significantly independent cash flows for an individual asset, and its fair value minus selling costs cannot be used, the assets are grouped to test impairment at the lowest level at which it is possible to identify significantly independent cash flows (a cash-generating entity).

An impairment loss is recognised when the carrying amount of an asset, cash-generating entity or group of entities exceeds the recoverable amount. Impairment is recognised as an expense in the statement of comprehensive income. Impairment identified for a cash-generating unit (group of units) is applied first of all to

goodwill and then to other assets of the unit (group of units) pro rata based on the carrying amount of each asset.

The recoverable amount is the higher of the fair value minus selling costs and value in use. When calculating the value in use, future cash flows are discounted using a discount factor taking into account risk-free interest and the risk associated with the specific asset.

Impairment of financial assets

At the end of each accounting period, the company assesses whether there is any objective evidence that a financial asset or group of assets is impaired. Objective evidence may consist of observable events that have occurred and that have a negative impact on the possibility to recover the acquisition cost and of a significant or drawn-out reduction in fair value for a financial investment classified as a financial asset available-for-sale.

The value reduction recognised in the statement of comprehensive income is the difference between the acquisition cost and the current fair value, less deductions for any previously recognised impairment.

The recoverable amount of assets belonging to the categories held-to-maturity, loan receivables and accounts receivable that are recognised at amortised cost is calculated as the present value of future cash flows discounted with the effective interest rate applied when the asset was initially recognised. Assets of short maturity are not discounted. Impairment is recognised as an expense in the statement of comprehensive income.

Reversal of impairment losses

Impairment of assets covered by IAS 36 is reversed if there is an indication that impairment no longer exists and also there has been a change in the assumptions on which the estimate of recoverable value was based. However, impairment recognised on goodwill is never reversed. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, minus appropriate depreciation, if no impairment loss had been recognised.

Recognised impairments of held-to-maturity investments or loan receivables and accounts receivable carried at amortised cost are reversed if a later increase in the recovery value can be objectively attributed to an event that occurred after the impairment was recognised.

Impairment of equity instruments classified as available-for-sale financial assets, which were previously recognised in the statement of comprehensive income, are not reversed through that statement. The impaired value is the value upon which ensuing re-evaluations are based, which are recognised directly in equity. Impairment of interest-bearing instruments classified as financial assets available-for-sale are reversed in the statement of comprehensive income if their fair value increases and the increase can be objectively attributed to an event that occurred after the impairment was performed.

Capital payments to shareholders**Buy back of own shares**

Acquisition of the Company's own shares is recognised as a deduction from equity. Consideration received from the sale of such treasury shares is recognised as an increase in equity. Any transaction costs are recognised directly in equity.

Dividends

Dividends are recognised as a liability after the AGM has approved the dividend.

Earnings per share

Calculation of earnings per share is based on the consolidated profit/loss attributable to parent company shareholders and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, profit/loss and the average number of shares are adjusted to take account of the dilution effects of potential ordinary shares, which during the reporting period are linked to convertible promissory notes and employee share options. Dilution resulting from share options affects the total number of shares and arises only when the subscription rate is lower than the market rate and increases as the difference between subscription price and market price increases. The subscription price is adjusted by adding the value of future service connected to the equity-regulated employee share options scheme, which is recognised as a share-based payment in accordance with IFRS 2. Dilution attributable to convertible promissory notes is calculated by increasing the total number of shares by the number of shares corresponding to convertibles and increasing earnings by the interest cost recognised after tax.

Employee benefits**Defined-contribution plans**

Pension plans in which the company's commitments are restricted to the fees the company has undertaken to pay are classified as defined-contribution pension plans. In those cases, the size of an employee's pension depends on the fees the company pays into the pension plan or to an insurance company and the capital return on those fees. Consequently it is the employee who bears the actuarial risk (that the benefit is less than expected) and the investment risk (that the invested assets will be insufficient to support the expected benefit). The company's commitments concerning fees paid to defined-contribution pension plans are recognised as a cost in the statement of comprehensive income at the rate at which they are earned through the employee performing services for the company during a period.

Defined-benefit plans

The Group's net commitments for defined-benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the

current period and previous periods; this benefit is discounted to its present value. The discount rate is the interest rate at the end of the reporting period for a first class corporate bond with a term corresponding to the Group's pension commitments. When there is no active market for such corporate bonds, the market rate for government bonds for a corresponding term is used instead. The calculation is made by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets are calculated at the report date.

In the determination of the present value of the commitment and the fair value of plan assets, actuarial gains or losses may arise. They arise either because the fair value deviates from earlier assumptions or because the assumptions change. The corridor rule is applied for actuarial gains and losses. The corridor rule means that the proportion of the accumulated actuarial gains and losses that exceeds 10% of the larger of the present value of the commitment and the fair value of related plan assets is recognised in the statement of comprehensive income over the expected average remaining service period for the employees covered by the plan. Actuarial gains and losses are otherwise not recognised.

The carrying amount of pensions and similar commitments on the balance sheet represents the present value of commitments at the end of the period, less the fair value of plan assets and unrecognised actuarial gains or losses.

When there is a difference between how the pension cost is established for legal entities and the Group, a provision or receivable is recognised for special payroll taxes based on this difference. The present value of the provision or claim is not calculated.

Net interest income on pension liabilities and forecast returns on the related pension plan assets is recognised in net financial items. Other components are recognised in operating profit/loss.

Commitments for retirement pensions and family pensions for white-collar employees in Sweden are safeguarded via insurance with Alecta. This is a multi-employer defined-benefit plan. The company has not had access to information for the 2009 financial year to enable it to disclose this plan as a defined-benefit plan. ITP pension plans secured via insurance with Alecta are therefore disclosed as defined-contribution plans.

Other long-term employee benefits

The Group's net commitment for other long-term employee benefits, aside from pensions, constitutes the value of future benefits that the employee has earned through employment both in the current period and previous periods. This benefit is discounted to its present value, and the fair value of any plan assets is deducted. The discount rate is determined on the same basis as for defined-benefit pension plans, calculating them using the projected unit credit method. Any actuarial gains or losses are recognised in the statement of comprehensive income for the period when they arise.



Termination benefits

A provision is recognised in connection with termination of staff only if the company is clearly committed, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time. When a termination benefit is offered to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term benefits

Short-term benefits to employees are calculated without discounting and are recognised as a cost when the related services are received.

Share-based payments

The share incentive scheme introduced in 2007 is recognised as share-based payment settled with treasury shares in accordance with IFRS 2. This means that the fair value is calculated based upon forecast achievement of targets set for the measurement period. The value is distributed over the earning period. Re-assessment after establishment of fair value is not done, except for changes in the number of shares resulting from the condition of continued employment during the earning period not being fulfilled.

Social fees attributable to share-based payments are recognised in accordance with the Swedish Financial Reporting Board's statement UFR 7 which means that the cost is distributed among the periods when services are performed. The resulting provision is re-assessed at the end of each period to correspond to the estimated fees that will be paid at the end of the earning period.

Provisions

Provisions are different from other liabilities because the time of payment and the size of the payment are uncertain. A provision is posted on the balance sheet when the company has an existing legal or informal commitment as the result of a past event and it is probable that an outlay of resources will be required to settle the commitment and a reliable estimate of the amount can be made.

A provision is made based on the best estimate of what will be required to settle the existing commitment at the end of the reporting period. When the effect of the time value of money is material, the amount of the provision is calculated by discounting forecast cash flows using a pre-tax interest rate that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historic data on warranties and a weighing of possible outcomes in relation to the probability of these outcomes occurring.

Restructuring

A provision for restructuring is recognised when the Group has established a detailed and formal restructuring plan, and the restructuring has either started or been publicly announced. No provisions are made for future operating expenses.

Recovery of contaminated land

In accordance with the Group's publicised environmental principles and appropriate legal requirements, a provision is recognised for recovery of land when it becomes contaminated.

Contingent liabilities

A contingent liability is recognised whenever there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or there is an obligation not reported as a liability or provision since it is not probable that resources will have to be used to settle the obligation.

Parent company's accounting policies

The parent company prepares its annual report in accordance with the Swedish annual accounts act (1995:1554) and the Swedish Financial Reporting Board's standard RFR 2.2 Reporting by legal entities. Statements published by the Swedish Financial Reporting Board applicable for listed companies are also observed. Under RFR 2.2, the parent company in its annual report for the legal entity shall apply all IFRS and interpretations endorsed by the EU as far as possible within the limitations of the annual accounts act, the Swedish law safeguarding pension commitments and with consideration to the connection between accounting and taxation. Standard RFR 2.2 indicates which exceptions from, and additions to, IFRS, may be made.

Differences between the Group's accounting policies and those of the parent company

The differences between the Group's accounting policies and those of the parent company are set out below. The accounting policies of the parent company described below have been applied consistently in all periods presented in the parent company's financial statements.

Classifications and forms of presentation

The parent company's profit and loss account and balance sheet are presented in accordance with the schedule set by the Swedish Annual Reports Act. The difference to IAS 1 Presentation of financial statements, which is applied for the consolidated accounts, mainly concerns reporting of financial income and expenses, non-current assets, equity and the use of provisions in the balance sheet.

Subsidiaries, associated companies and joint ventures

Participations in subsidiaries, associated companies and joint ventures are recognised in the parent company in accordance with the cost method. All dividends from subsidiaries, associated companies and joint ventures are recognised in the profit and loss accounts for the parent company. Under special circumstances, such dividends can serve as an indication that the shares have declined in value and thus a test for impairment should be performed.

Financial instruments and hedge accounting

Because of the connection between accounting and taxation, the rules in IAS 39 concerning financial instruments and hedge accounting are not applied to the parent company as a legal entity.

The parent company measures non-current financial assets at acquisition cost less any impairment losses and current financial assets at the lesser of cost or market. The cost of interest-bearing instruments is adjusted for the difference over a period that arises between the amount originally paid, after deductions for transaction costs, and the amount paid on the due date (discount and premium).

Forward contracts used to hedge changes in foreign exchange rates for receivables and liabilities in foreign currency are measured at the spot rate on the date the contract is made for measurement of the underlying receivable or liability. The difference between the forward rate and the rate prevailing when the contract is entered into (forward premium) is allocated across the period of the forward contract. Forward premiums allocated to periods are recognised as interest cost or expense when the contract is longer than three months.

Interest swaps that effectively hedge cash flow risks in interest payments for liabilities are measured at the net of accrued receivables at variable interest and accrued liabilities with regard to fixed interest, and the difference is recognised as either interest income or expense. Hedging is effective if the economic outcome of hedging and the liability is the same as if the liability had instead been reported at a fixed market interest rate when the hedge was made. Any premium paid for a swap agreement is allocated as interest across the contract period.

Derivatives not used for hedging are valued in the parent company according to the lower of cost or market. Recognition of derivatives used for hedging is governed by the hedged item. This means that the derivative is treated as an off-balance-sheet item as long as the hedged item is not on the balance sheet or is recognised on the balance sheet at cost.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised if the parent company has the sole right to determine the size of the dividend and has determined the size of the dividend before publishing its financial statements.

Intangible assets – Goodwill etc.

Goodwill and other intangible assets with an indeterminable useful life that are not normally subject to amortisation in the Group are amortised in the parent company in accordance with the annual accounts act. This normally means an amortisation period of five years, but the period can be longer in special cases.

Employee benefits – Defined-benefit plans

The parent company uses different assumptions than those set out in IAS 19 when calculating defined-benefit pension plans. The parent company follows the Swedish law on safeguarding pension commitments and the Swedish Financial Supervisory Authority's rules, because they are a condition for tax deductions. The most material differences compared to the IAS 19 rules are how the discount rate is determined, that the calculation of the defined-benefit commitment is based on current salary levels with no consideration of future increases and that all actuarial gains and losses are recognised in the profit and loss accounts as they occur.

Taxes

In the parent company, untaxed reserves are recognised on the balance sheet without dividing them into equity and deferred tax liabilities, unlike in the consolidated accounts. Correspondingly, the parent company does not recognise in its profit and loss accounts deferred tax expense as a part of appropriations.

Group contributions and shareholder contributions for legal entities

The company reports Group contributions and shareholder contributions in accordance with statement UFR 2 from the Swedish Financial Reporting Board. Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in shares and participations for the contributor, as far as no impairment is determined. Group contributions are recognised in accordance with their financial substance. This means that Group contributions made with the purpose of minimising the Group's total tax are recognised directly in profit carried forward net of their related current tax effect.

Group contributions equivalent to a dividend are recognised as a dividend. This means that a received Group contribution and its current tax effect are recognised in profit and loss. A paid Group contribution and its effect on current tax are recognised directly in profit carried forward.

Group contributions equivalent to shareholder contributions are recognised, net of the related current tax effect, by the recipient directly in profit carried forward. The contributor recognises the Group contribution and its current tax effect as an investment in participations in Group companies, as far as no impairment is determined.



2 NET SALES BY MARKET AND OPERATING PROFIT/LOSS BY BUSINESS AREA

External net sales is distributed among Billerud's various markets as follows.

SEKm 2009	Packaging & Speciality Paper	Packaging Boards	Market Pulp	Currency hedging	Other & elimina- tions	Total
Group						
Sweden	210	159	196	-110	203	658
Other EU countries	2 460	1 612	706		33	4 811
Rest of Europe	188	126	128			442
Total Europe	2 858	1 897	1 030	-110	236	5 911
Other markets	1 076	465	308			1 849
Group total	3 934	2 362	1 338	-110	236	7 760

Of total net sales, SEK 7 760 million (7 792) is wholly attributable to sale of goods. Income in the Group related to the exchange of goods and services totalled SEK 171 million (62). Net sales by business area, see Note 34.

SEKm 2009	Packaging & Speciality Paper	Packaging Boards	Market Pulp	Currency hedging	Other & elimina- tions	Total
Parent company						
Sweden	62	111	82	-108	1	148
Other EU countries	673	1 417	133			2 223
Rest of Europe	25	100	75			200
Total Europe	760	1 628	290	-108	1	2 571
Other markets	128	432	147			707
Parent company total	888	2 060	437	-108	1	3 278

Of net sales of SEK 3 278 million (3 448), SEK 1 million (0) was sales of services.

SEKm 2008	Packaging & Speciality Paper	Packaging Boards	Market Pulp	Currency hedging	Other & elimina- tions	Total
Group						
Sweden	193	259	209	28	57	746
Other EU countries	2 402	1 666	925		12	5 005
Rest of Europe	142	122	121			385
Total Europe	2 737	2 047	1 255	28	69	6 136
Other markets	1 095	317	244			1 656
Group total	3 832	2 364	1 499	28	69	7 792

SEKm 2008	Packaging & Speciality Paper	Packaging Boards	Market Pulp	Currency hedging	Total
Parent company					
Sweden	85	134	102	29	350
Other EU countries	639	1 511	254		2 404
Rest of Europe	27	88	16		131
Total Europe	751	1 733	372	29	2 885
Other markets	175	291	97		563
Parent company total	926	2 024	469	29	3 448

Operating profit/loss per business area SEKm	Group		Parent company	
	2009	2008	2009	2008
Packaging & Speciality Paper	386	244	100	-18
Packaging Boards	230	248	221	205
Market Pulp	-148	-145	-38	-27
Currency hedging, etc.	-110	28	-110	29
Other and eliminations	-58	-86	-88	-95
Group total	300	289	85	94

Business area earnings are reported excluding the effects of currency hedging and also excluding the impact on earnings of revaluing accounts receivable in foreign currencies and currency effects in connection with payments. These effects are reported separately in Currency hedging, etc. That portion of foreign currency exposure attributable to changes in invoicing rates will continue to be included in business area earnings.

3 OTHER OPERATING INCOME

SEKm Group	2009	2008
Services sold	3	14
Damages	19	-
Other	10	1
Group total	32	15
Parent company		
Services sold	4	13
Commissions	20	19
Damages	6	-
Other	8	0
Parent company total	38	32

4 AUDITORS' FEES AND COSTS

SEKm	Group		Parent company	
KPMG	2009	2008	2009	2008
Auditing assignments ¹⁾	1	3	0	1
Other assignments	1	2	0	1
Total	2	5	0	2
SEKm	Group		Parent company	
Ernst & Young	2009	2008	2009	2008
Auditing assignments ¹⁾	1	-	1	-
Other assignments	0	-	0	-
Total	1	-	1	-

¹⁾ Audit assignments refers to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's administration of the Company, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during audits or the performance of similar tasks. Other assignments are primarily advice in accounting matters and tax matters.

5 EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

Average number of employees	2009	Men, %	2008	Men, %
Parent company				
Sweden	930	80	1 008	78
Other countries	3	100	3	100
Parent company total	933	80	1 011	78

Average number of employees	2009	Men, %	2008	Men, %
Subsidiaries				
Sweden	1 097	85	1 110	84
Germany	15	33	14	36
Netherlands	6	17	7	29
France	9	44	9	44
Italy	9	44	9	33
Spain	8	38	8	38
United Kingdom	145	91	144	91
China	6	50	6	50
Lithuania	4	25	4	25
Subsidiaries total	1 299	83	1 311	83
Group total	2 232	82	2 322	81

Employee benefits expense	Group		Parent company	
	2009	2008	2009	2008
SEKm				
Salaries and other remuneration				
Board, CEO and management teams ¹⁾	67	58	31	27
of which, variable remuneration	9	6	6	3
Other employees	922	880	397	392
of which, variable remuneration	58	13	26	8
Total salaries and other remuneration	989	938	428	419

Social security costs SEKm	Group		Parent company	
	2009	2008	2009	2008
Contractual pensions to CEO and management teams				
Defined-benefit pensions	2	7	2	2
Defined-contribution pensions	11	7	4	3
Contractual pensions, other				
Defined-benefit pensions	13	14	12	9
Defined-contribution pensions	58	34	18	16
Other social security costs	307	309	140	148
Total social security costs	391	371	176	178
Total employee benefits expense	1 380	1 309	604	597

¹⁾ For the Group, CEO includes all staff with the chief executive role in any Group company. Board includes the members of all boards of Group companies. Management teams includes all management teams in Group companies. In total, CEOs, Boards and management teams comprise 86 (72) people.

Sick leave in parent company, %	2009	2008
Total sick leave as proportion of normal working hours	3,0	3,5
Proportion of total sick leave that is contiguous 60 days or more	40	47

Sick leave in parent company as proportion of each category's normal working hours, %	2009	2008
Sick leave by sex:		
Men	2,6	3,0
Women	4,4	5,0

Sick leave by age:	2009	2008
29 or younger	2,6	2,1
30–49	2,5	2,8
50 or older	3,7	4,8

Number of women in management positions, %	2009	2008
Group		
Boards	14	10
CEO and management teams	14	14
Parent company		
Board	25	20
CEO and management teams	17	15

For information about the benefits of senior executives in accordance with the annual accounts act, see note 24.

6 NET FINANCIAL INCOME/EXPENSE

SEKm	2009	2008
Group		
Interest income on cash and investments in securities etc.	4	16
Financial income	4	16
Interest expense for financial liabilities measured at amortised cost	-90	-171
Interest expense for pension provision	-6	-8
Net change in exchange rates	2	0
Other financial expenses	-24	-2
Financial expenses	-118	-181
Net financial income/expense	-114	-165

SEKm	2009	2008
Parent company		
Profit/Loss from participations in Group companies	44	4
Dividend	44	4
Parent company total	44	4

Interest income and similar profit/loss items	2009	2008
Interest income, Group companies	0	1
Interest income, other	2	12
Parent company total	2	13

Interest expense and similar profit/loss items	2009	2008
Interest expense, Group companies	0	-1
Interest expense for pension provision	-6	-8
Interest expense, other	-84	-162
Interest expense for derivatives in hedge accounting	-8	4
Net change in exchange rates	1	5
Other financial expenses	-23	-2
Parent company total	-120	-164
Net financial income/expense	-74	-147

7 APPROPRIATIONS

SEKm	Parent company	
	2009	2008
Difference between scheduled and recognised depreciation/amortisation		
Plant and equipment	-2 098	1 900
Parent company total	-2 098	1 900

At year-end 2009, the parent company had switched from the residual value method to theoretical depreciation for taxable depreciation of plant and equipment.



8 TAXES

Profit/Loss before tax SEKm	Group		Parent company	
	2009	2008	2009	2008
Sweden, Group companies	124	101	-2 087	1 847
Other countries, Group companies	62	23	–	–
Total profit/loss before tax	186	124	-2 087	1 847
Tax expense SEKm	Group		Parent company	
	2009	2008	2009	2008
Current tax				
Tax expense for the period	-14	-3	184	-99
Tax attributable to previous periods	0	0	–	0
Total current tax	-14	-3	184	-99
Deferred tax				
Deferred tax income/expense related to temporary differences	-7	31	395	-383
Total tax expense	-21	28	579	-482

For the parent company, current tax of SEK -184 million in 2009 and SEK 99 million in 2008 on Group contributions received and paid, respectively, are recognised in shareholders' equity.

Difference between nominal and effective tax rate Per cent	Group		Parent company	
	2009	2008	2009	2008
Swedish income tax rate	26,3	28,0	26,3	28,0
Effect of other tax rates for foreign subsidiaries	-0,1	-0,1		
Tax-exempt dividends			0,6	0,0
Tax income attributable to previous periods		0,4		0,0
Losses in subsidiaries for which deferred tax assets previously not recognised	-0,6	–		
Tax effects of non-deductible expenses and tax-exempt income	-7,4	4,9	0,9	0,3
Tax effect of change in corporate tax rate in Sweden 1 Jan 2009	-6,8	-55,9	–	-2,2
Effective tax rate according to profit and loss account	11,4	-22,7	27,8	26,1

Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance 1 Jan 2009	Recognised in net profit/loss	Recognised in other comprehensive income		Closing balance 31 Dec 2009
Group					
Deferred tax liability					
Other non-current assets	1 387	86			1 473
Hedge reserve	-62		96		34
Total deferred tax liability	1 325	86	96		1 507
Deferred tax asset					
Buildings and land	36	-3			33
Inventories	0	0			0
Accounts receivable	3	1			4
Provisions	21	2			23
Loss carry-forwards	12	79			91
Total deferred tax asset	72	79	–		151
Total net deferred tax liability	1 253	7	96		1 356
Portion recognised as deferred tax asset					1
Portion recognised as deferred tax liability					1 357

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 13 million. The assessment is based on uncertainty whether this deferred tax benefit can be claimed.

Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance 1 Jan 2008	Recognised in net profit/loss	Recognised in other comprehensive income		Closing balance 31 Dec 2008
Group					
Deferred tax liability					
Other non-current assets	1 401	-14			1 387
Tax allocation reserve	34	-34			–
Hedge reserve	23		-85		-62
Total deferred tax liability	1 458	-48	-85		1 325
Deferred tax asset					
Buildings and land	43	-7			36
Inventories	0	0			0
Accounts receivable	1	2			3
Provisions	23	-2			21
Loss carry-forwards	22	-10			12
Total deferred tax asset	89	-17	–		72
Total net deferred tax liability	1 369	-31	-85		1 253
Portion recognised as deferred tax asset					1
Portion recognised as deferred tax liability					1 254

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 55 million. The assessment is based on uncertainty whether this deferred tax benefit can be claimed.

SEKm	Opening balance 1 Jan 2009	Recognised in P/L	Closing balance	
			31 Dec 2009	
Parent company				
Deferred tax liability				
Other non-current assets	638	-299		339
Total deferred tax liability	638	-299		339
Deferred tax asset				
Buildings and land	6	0		6
Accounts receivable	3	0		3
Provisions	11	0		11
Loss carry-forwards	–	96		96
Total deferred tax asset	20	96		116
Total net deferred tax liability	618	-395		223

Participations in subsidiaries contain no material temporary differences.

SEKm	Opening balance 1 Jan 2008	Recognised in P/L	Closing balance	
			31 Dec 2008	
Parent company				
Deferred tax liability				
Other non-current assets	277	361		638
Total deferred tax liability	277	361		638
Deferred tax asset				
Buildings and land	6	0		6
Accounts receivable	1	2		3
Provisions	14	-3		11
Loss carry-forwards	21	-21		–
Total deferred tax asset	42	-22		20
Total net deferred tax liability	235	383		618

Participations in subsidiaries contain no material temporary differences.

9 EARNINGS PER SHARE

	2009	2008
Basic earnings per share		
Profit/Loss for the period, SEKm	165	152
Weighted number of outstanding ordinary shares	81 029 295	73 711 346
Basic earnings per share, SEK	2,04	2,07
Diluted earnings per share		
Profit/Loss for the period, SEKm	165	152
Adjusted profit/loss, SEKm	165	152
Weighted number of outstanding shares	81 029 295	73 711 346
Adjustment for assumed dilution from incentive scheme	131 000	–
No. of shares used to calculate earnings per share	81 160 295	73 711 346
Diluted earnings per share, SEK	2,03	2,07

10 PROPERTY, PLANT AND EQUIPMENT

2009 SEKm Group	Buildings and land	Plant and equipment ¹⁾	Construction in progress and advance payments	Total
Acquisition cost				
Opening balance, 1 Jan 2009	1 744	12 048	11	13 803
Investments	12	136	114	262
Investments through business combinations	–	5	–	5
Sales and disposals	-4	-37	–	-41
Translation difference	0	4	–	4
Closing balance, 31 Dec 2009	1 752	12 156	125	14 033
Accumulated depreciation				
Opening balance, 1 Jan 2009	-943	-5 230	–	-6 173
Business combinations	–	-1	–	-1
Depreciation	-55	-490	–	-545
Sales and disposals	3	32	–	35
Translation difference	0	-3	–	-3
Closing balance, 31 Dec 2009	-995	-5 692	–	-6 687
Accumulated impairment losses				
Opening balance, 1 Jan 2009	-111	-1 792	–	-1 903
Sales and disposals	–	–	–	–
Closing balance, 31 Dec 2009	-111	-1 792	–	-1 903
Carrying amount on the balance sheet, 31 Dec 2009	646²⁾	4 672	125	5 443
2009 SEKm Parent company				
Acquisition cost				
Opening balance, 1 Jan 2009	763	6 217	6	6 986
Investments	10	42	21	73
Sales and disposals	-3	-11	–	-14
Closing balance, 31 Dec 2009	770	6 248	27	7 045
Accumulated depreciation				
Opening balance, 1 Jan 2009	-431	-2 715	–	-3 146
Depreciation	-27	-223	–	-250
Sales and disposals	2	9	–	11
Closing balance, 31 Dec 2009	-456	-2 929	–	-3 385
Accumulated impairment losses				
Opening balance, 1 Jan 2009	–	-898	–	-898
Sales and disposals	–	–	–	–
Closing balance, 31 Dec 2009	–	-898	–	-898
Carrying amount on the balance sheet, 31 Dec 2009	314³⁾	2 421	27	2 762

¹⁾ Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.

²⁾ Including land totalling SEK 33 million (33).

³⁾ Including land totalling SEK 8 million (8).

2008 SEKm Group	Buildings and land	Plant and equipment ¹⁾	Construction in progress and advance payments	Total
Acquisition cost				
Opening balance, 1 Jan 2008	1 681	11 400	203	13 284
Investments	65	714	-192	587
Sales and disposals	–	-14	–	-14
Translation difference	-2	-52	–	-54
Closing balance, 31 Dec 2008	1 744	12 048	11	13 803
Accumulated depreciation				
Opening balance, 1 Jan 2008	-890	-4 836	–	-5 726
Depreciation	-54	-448	–	-502
Sales and disposals	–	11	–	11
Translation difference	1	43	–	44
Closing balance, 31 Dec 2008	-943	-5 230	–	-6 173
Accumulated impairment losses				
Opening balance, 1 Jan 2008	-111	-1 792	–	-1 903
Sales and disposals	–	–	–	–
Closing balance, 31 Dec 2008	-111	-1 792	–	-1 903
Carrying amount on the balance sheet, 31 Dec 2008	690²⁾	5 026	11	5 727

Accumulated impairment losses				
Opening balance, 1 Jan 2008	-111	-1 792	–	-1 903
Sales and disposals	–	–	–	–
Closing balance, 31 Dec 2008	-111	-1 792	–	-1 903

Carrying amount on the balance sheet, 31 Dec 2008	690²⁾	5 026	11	5 727
--	-------------------------	--------------	-----------	--------------

2008 SEKm Parent company	Buildings and land	Plant and equipment ¹⁾	Construction in progress and advance payments	Total
Acquisition cost				
Opening balance, 1 Jan 2008	708	5 899	120	6 727
Investments	55	323	-114	264
Sales and disposals	–	-5	–	-5
Closing balance, 31 Dec 2008	763	6 217	6	6 986

Accumulated depreciation				
Opening balance, 1 Jan 2008	-405	-2 521	–	-2 926
Depreciation	-26	-199	–	-225
Sales and disposals	–	5	–	5
Closing balance, 31 Dec 2008	-431	-2 715	–	-3 146

Accumulated impairment losses				
Opening balance, 1 Jan 2008	–	-898	–	-898
Sales and disposals	–	–	–	–
Closing balance, 31 Dec 2008	–	-898	–	-898

Carrying amount on the balance sheet, 31 Dec 2008	332³⁾	2 604	6	2 942
--	-------------------------	--------------	----------	--------------

¹⁾ Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.

²⁾ Including land totalling SEK 33 million (33).

³⁾ Including land totalling SEK 8 million (8).

The assessed value of buildings and land in Sweden totalled SEK 1 623 million (1 872), SEK 1 528 million (1 769) of which was buildings. The assessed value includes assets posted on the balance sheet under plant and equipment. The assessed value of buildings and land for the parent company totalled SEK 830 million (837), SEK 780 million (780) of which was buildings.

Rental agreements and leases

Future contractual lease commitments for the Group totalled SEK 130 million, SEK 43 million of which payable within one year and SEK 115 million 1–5 years. The corresponding figure for the parent company is SEK 102 million, SEK 29 million of which payable within one year and SEK 88 million 1–5 years. In 2009, leasing expenses totalled SEK 54 million for the Group and SEK 35 million for the parent company.



11 INTANGIBLE ASSETS

2009 SEKm Group	Intangible assets acquired			
	Software	Other contractual assets	Goodwill	Total
Acquisition cost				
Opening balance, 1 Jan 2009	61	19	–	80
Investments	3	5	–	8
Investment through business combinations	–	3	30	33
Translation differences	–	-1	–	-1
Closing balance, 31 Dec 2009	64	26	30	120
Accumulated amortisation				
Opening balance, 1 Jan 2009	-4	-2	–	-6
Business combinations	–	-2	–	-2
Amortisation	-14	-2	–	-16
Translation differences	–	0	–	0
Closing balance, 31 Dec 2009	-18	-6	–	-24
Carrying amount on the balance sheet, 31 Dec 2009	46	20	30	96
2009 Parent company				
Acquisition cost				
Opening balance, 1 Jan 2009	23	–	–	23
Investments	–	5	–	5
Sales	–	–	–	–
Closing balance, 31 Dec 2009	23	5	–	28
Accumulated amortisation				
Opening balance, 1 Jan 2009	-2	–	–	-2
Amortisation	-5	–	–	-5
Closing balance, 31 Dec 2009	-7	–	–	-7
Carrying amount on the balance sheet, 31 Dec 2009	16	5	–	21
	Intangible assets acquired			
	Software	Other contractual assets	Goodwill	Total
2008 SEKm Group				
Acquisition cost				
Opening balance, 1 Jan 2008	41	–	–	41
Investments	20	17	–	37
Translation differences	–	2	–	2
Closing balance, 31 Dec 2008	61	19	–	80
Accumulated amortisation				
Opening balance, 1 Jan 2008	–	–	–	–
Amortisation	-4	-2	–	-6
Translation differences	–	0	–	0
Closing balance, 31 Dec 2008	-4	-2	–	-6
Carrying amount on the balance sheet, 31 Dec 2008	57	17	–	74
2008 Parent company				
Acquisition cost				
Opening balance, 1 Jan 2008	41	–	–	41
Sales	-18	–	–	-18
Closing balance, 31 Dec 2008	23	–	–	23
Accumulated amortisation				
Opening balance, 1 Jan 2008	–	–	–	–
Amortisation	-2	–	–	-2
Closing balance, 31 Dec 2008	-2	–	–	-2
Carrying amount on the balance sheet, 31 Dec 2008	21	–	–	21

12 PARTICIPATIONS IN GROUP COMPANIES

SEKm	2009	2008
Acquisition cost		
Opening balance, 1 January	1 273	1 245
Investments ¹⁾	42	28
Closing balance, 31 December	1 315	1 273
Accumulated impairment losses		
Opening balance, 1 January	-120	-120
Impairment losses for the year	–	–
Closing balance, 31 December	-120	-120
Carrying amount on the balance sheet	1 195	1 153

¹⁾ Investments for the year consist of the acquisition of Tenova Bioplastics AB for SEK 31 million and shareholder contributions of SEK 11 million to the company as well as the formation of a new company in Latvia, Billerud Wood Supply SIA SEK 0 million.

Specification of parent company's participations in Group companies

Subsidiary/Reg. office/Reg. no.	No. of participations	Pctg. participation ²⁾	Carrying amount
Billerud Karlsborg AB, Kalix 556310-4198	1 250 000	100	300
Billerud Skärblacka AB, Norrköping 556190-3179	1 000 000	100	740
Billerud Skog AB, Stockholm 556724-4641	1 000	100	1
Scancraft Paper AB, Stockholm 556459-7572	1 000	100	0
Billerud Beetham Ltd, Cumbria 3 500 000	3 500 000	100	81
Billerud Benelux B.V., Amsterdam 200	200	100	3
Billerud France S.A.S., Paris 4 000	4 000	100	1
Billerud GmbH, Hamburg –	–	100	1
Billerud Iberica S.L., Barcelona –	–	100	1
Billerud S.r.l., Milano –	–	100	0
Billerud Sales Ltd, Nottingham 5 000	5 000	100	7
Billerud Trading (Shanghai) Co Ltd –	–	100	4
Billerud Mediena Uab ^{3,4)} 200	200	70	14
Tenova Bioplastics AB 2 500	2 500	100	42
Billerud Wood Supply SIA 2 000	2 000	100	0
Carrying amount, 31 Dec 2009			1 195

²⁾ Refers to participating interest in capital, which is the same as the proportion of votes in the total number of shares.

³⁾ There is an option to purchase the remaining 30%.

⁴⁾ The name was changed from Cebeco Mediena Uab.

13 RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES, INTEREST-BEARING

SEKm	2009	2008
Parent company		
Receivables from Group companies		
Carrying amount, 1 January	0	18
Change for the year	10	-18
Carrying amount, 31 December	10	0
SEKm		
Liabilities to Group companies		
Carrying amount, 1 January	13	10
Change for the year	2	3
Carrying amount, 31 December	15	13

Interest-bearing receivables and liabilities refers to Group cash pools carrying intra-Group interest rates.

14 PARTICIPATIONS IN ASSOCIATED COMPANIES / JOINT VENTURES

SEKm Group	2009	2008
Carrying amount, 1 January	4	4
Acquisition of joint ventures	–	–
Share in associated companies'/ joint ventures' earnings after tax	-1	0
Other changes in associated companies'/ joint ventures' equity	1	0
Carrying amount, 31 December	4	4

The Group's share of revenue, result, assets and liabilities is specified below.

Associated companies / joint ventures

SEKm 2009	Country	Revenue	Result	Assets	Liabilities	Equity	Owned share in %
ScandFibre							
Logistics AB	Sweden	891	1	84	74	10	20
Nine Total Packaging Partner AB	Sweden	2	-1	1	0	1	60
Total		893	0	85	74	11	

SEKm 2008	Country	Revenue	Result	Assets	Liabilities	Equity	Owned share in %
ScandFibre							
Logistics AB	Sweden	851	5	92	82	10	20
Nine Total Packaging Partner AB	Sweden	3	-1	2	0	2	60
Total		854	4	94	82	12	

SEKm Parent company	2009	2008
Acquisition cost		
Opening balance	6	6
Investments	–	–
Divestments	–	–
Closing balance	6	6

Specification of parent company's directly owned holding of participations in associated companies / joint ventures

Name, Reg. no. and registered office 31 Dec 2009	Votes and capital, in %	Reported value
<i>Associated companies / joint ventures</i>		
ScandFibre Logistics AB, 556253-1474 Stockholm	20	1
Nine Total Packaging Partner AB, 556727-5658 Stockholm	60	5
Parent company total		6

31 Dec 2008	Votes and capital, in %	Reported value
<i>Associated companies / joint ventures</i>		
ScandFibre Logistics AB, 556253-1474 Stockholm	20	1
Nine Total Packaging Partner AB, 556727-5658 Stockholm	60	5
Parent company total		6

15 OTHER HOLDINGS

SEKm Group	No. of participations	Pctg. participation	Carrying amount
Name / Reg. no.			
31 Dec 2009			
1 tenant-owner's rights			2
BasEl i Sverige AB, 556672-5858	50	5	0
VindIn AB, 556713-5172	100	7	5
Kalix Vindkraft AB, 556686-1729	20 000	10	4
Total			11

SEKm Parent company	No. of participations	Pctg. participation	Carrying amount
Name / Reg. no.			
31 Dec 2009			
1 tenant-owner's rights			2
BasEl i Sverige AB, 556672-5858	50	5	0
VindIn AB, 556713-5172	100	7	5
Total			7

SEKm Group	No. of participations	Pctg. participation	Carrying amount
Name / Reg. no.			
31 Dec 2008			
2 tenant-owner's rights			9
Vänerhamn AB, 556483-5071	800	4	1
BasEl i Sverige AB, 556672-5858	50	5	0
VindIn AB, 556713-5172	100	7	4
Kalix Vindkraft AB, 556686-1729	20 000	10	4
Total			18

SEKm Parent company	No. of participations	Pctg. participation	Carrying amount
Name / Reg. no.			
31 Dec 2008			
2 tenant-owner's rights			9
Vänerhamn AB, 556483-5071	800	4	1
BasEl i Sverige AB, 556672-5858	50	5	0
VindIn AB, 556713-5172	100	7	4
Total			14

16 INVENTORIES

SEKm	Group		Parent company	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Raw materials and consumables	422	491	99	121
Finished goods	547	511	227	220
Work in progress	46	21	–	–
Advances from suppliers	50	68	–	–
Total	1 065	1 091	326	341

Operating costs include SEK 23 million (90) for impairment of inventories. SEK 146 million (149) of the inventory of finished goods has been measured at net realisable value.

17 SHAREHOLDERS' EQUITY

Share capital

Owners of ordinary shares are entitled to a dividend approved at a later date, and the shareholding entitles the owner to vote at the AGM, with one vote per share. All shares have the same rights to Billerud's remaining net assets. For shares owned by the Company (see under Shares bought back), all rights are waived until the shares are re-issued.

Additional paid-in capital

This refers to equity contributed by the owners and includes the share premium reserves transferred to the statutory reserve at 31 December 2005. Provisions to the share premium reserve from 1 January 2006 onward are also recognised as paid-in capital.



Reserves

Translation reserve

The translation reserve comprises all exchange rate differences resulting from the translation of financial reports of foreign operations that have prepared their financial reports in a currency other than the Group's functional (reporting) currency. The parent company and Group present their financial reports in Swedish kronor. In addition, the translation reserve consists of exchange rate differences resulting from the revaluation of liabilities taken as a hedge instrument for a net investment in a foreign operation.

Hedge reserve

The hedge reserve comprises the effective share of the accumulated net changes in the fair value of a cash-flow hedge instrument attributable to hedge transactions that have not yet occurred.

Profit brought forward

Profit brought forward including profit/loss for the year includes profit earned by the parent company and its subsidiaries and by associated companies. Previous provisions to the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

Shares bought back

Shares bought back comprises the acquisition cost of the Company's own shares held by the parent company. At 31 December 2009, the Group's holdings of its own shares totalled 1 851 473 (1 851 473).

Dividend

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 0.50 per ordinary share, totalling SEK 51 million. This proposal will be voted on at the AGM on 4 May 2010.

	2009	2008
Dividend, SEKm	–	180
Recognised dividend per ordinary share, SEK	–	3,50

Parent company

Restricted reserves

Restricted reserves cannot be reduced by distributing them as dividends.

Share capital

The share capital at year-end consists of 104 834 613 (53 343 043) ordinary shares with a quotient value of SEK 7.38 (12.50) and entitling holders to one vote per share.

An Extra General Meeting (EGM) held 27 August 2009 approved the decision of the Board to issue new shares for SEK 978 million with preferential rights for existing shareholders. The issue was completed at a ratio of 1:1 and an issue price of SEK 19. In conjunction with the issue, the EGM also voted to reduce the quotient value per share on the number of shares before the new issue, from SEK 12.50, to SEK 5, and to issue bonus shares for SEK 250 million. The bonus issue was completed without issuing new shares. Thus the quotient value per share increased, from SEK 5, to SEK 7.38.

Share issue costs totalled SEK 53 million, so the new share issue raised SEK 925 million for the company: SEK 107 million in share capital and SEK 818 million for the share premium reserve.

Statutory reserve

The purpose of the statutory reserve is to save a part of net earnings that is not needed to cover losses brought forward.

Non-restricted equity

Share premium reserve

When shares are issued at a premium, that is, at a price that is greater than the shares' quotient value, an amount corresponding to the amount received in excess of the quotient value of the shares shall be transferred to the share premium reserve.

Profit/loss brought forward

This consists of the preceding year's non-restricted equity after payment of dividends, if any. Together with net profit/loss for the year and any fair value reserves, this constitutes non-restricted equity, that is, the amount available for distribution as a dividend to shareholders.

18 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Billerud has defined-benefit pension plans for white-collar workers in Sweden (ITP plan) and to some extent for employees in foreign subsidiaries, mainly in Germany. These plans are unfunded. Some pension commitments for white-collar workers in Sweden are secured through provisions on the balance sheet in accordance with the FPG/PRI system. Billerud also has defined-contribution pension plans. Some pension commitments for white-collar workers in Sweden are secured through insurance with Alecta. Alecta cannot provide sufficient information to recognise the ITP plan as a defined-benefit plan, so the plan is recognised as a defined-contribution plan in accordance with UFR 3. For 2009, the fee for pension insurance with Alecta totalled SEK 10 million (10).

Defined-benefit commitments

SEKm	31 Dec 2009	31 Dec 2008
Group		
Current value of unfunded defined-benefit commitments	239	218
Adjustments:		
Accumulated unrecognised actuarial gains (+) and losses (-)	-46	-35
Carrying amount at year-end	193	183

The amount is recognised in the following item on the balance sheet:

Provisions for pensions and similar commitments	193	183
---	-----	-----

The net amount is divided among plans in the following countries:

Sweden	183	172
Germany	10	11
The Netherlands	–	0
Commitments recognised on balance sheet	193	183

Pension costs

SEKm	2009	2008
Group		
Cost of defined-benefit plans earned during the year	9	21
Interest expense	6	8
Cost of defined-benefit plans	15	29
Cost of defined-contribution plans	75	41
Payroll tax	19	16
Total cost of remuneration after employment ends	109	86

The cost is recognised in the following items in the profit and loss account:

Employee benefits expense	103	78
Financial expenses	6	8
Total cost of remuneration after employment ends	109	86

Reconciliation of provisions for pensions on the balance sheet

The following table explains how provisions for pensions on the balance sheet changed during the period.

	2009	2008
Commitments on the balance sheet at start of year	183	173
Cost of defined-benefit plans	15	13
Pensions paid	-5	-3
Commitments on the balance sheet at year-end	193	183
Unrecognised actuarial gains (-) and losses (+)	2009	2008
Carrying amount at start of year	35	12
Changed assumptions for commitments	13	24
Amortisation for the year	-2	-1
Translation differences for the year	0	0
Unrecognised actuarial losses at year-end	46	35

18 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS (CONT.)

Actuarial assumptions

The following material actuarial assumptions have been used in the calculation of commitments (weighted average):

	31 Dec 2009	31 Dec 2008
Discount rate	3,9%	3,7%
Future salary increases	3,0%	3,0%
Future increases in pensions	2,0%	2,0%
Staff turnover	5,0%	5,0%
Expected remaining period of service	11 years	11 years

Present value of pension commitments**SEKm**

<i>Parent company</i>	2009	2008
Present value of pension commitments related to retirement under the management of the Company at the start of the year	145	133
Costs excluding interest expense charged to earnings	6	7
Interest expense	6	8
Pensions paid	-4	-3
Present value of pension commitments related to retirement under the management of the Company at year-end	153	145
Commitments paid to pension insurance held by Billerud	27	26
Other provisions	10	10
Accounting commitments on the balance sheet	190	181
Of which credit insurance via FPG/PRI	153	145

Costs relating to pensions**SEKm**

<i>Parent company</i>	2009	2008
Direct pensions		
Cost excluding interest expense	6	7
Interest expense	6	8
Direct pensions	12	15
Retirement through insurance		
Insurance premiums paid	29	28
Provision for future premiums	1	1
Dissolution of provision for future premiums	-	-6
Sub-total	30	23
Tax on returns from pension funds	1	1
Special payroll tax for pension costs	11	9
Cost of credit insurance	0	0
Pension cost for the year	54	48

Group

31 Dec 2009 31 Dec 2008

Assets pledged for pension commitments		
Endowment insurance	33	32
Group total	33	32
Parent company		
Assets pledged for pension commitments		
Endowment insurance	27	26
Parent company total	27	26
Group		
Amount of provision expected to be paid within 12 months	9	5
Amount of provision expected to be paid beyond 12 months	184	178
Parent company		
Amount of provision expected to be paid within 12 months	14	8
Amount of provision expected to be paid beyond 12 months	176	173

19 PROVISIONS

SEKm

<i>Group</i>	2009	2008
Provisions that are non-current liabilities		
Severance pay, lay-off pay	3	2
Costs of environmental measures	24	23
Group total	27	25
Provisions that are current liabilities		
Costs of restructuring measures	2	12
Group total	2	12
Parent company		
Costs of restructuring measures	1	7
Parent company total	1	7
Group		
Costs of restructuring measures		
Carrying amount at start of year	12	17
Unutilised amount reversed during the year	-7	-
Amount utilised during the year	-3	-5
Carrying amount at year-end	2	12
Severance pay, lay-off pay		
Carrying amount at start of year	2	2
Provisions made during the year	1	0
Amount utilised during the year	0	-
Carrying amount at year-end	3	2
Costs of environmental measures		
Carrying amount at start of year	23	23
Provisions made during the year	1	0
Carrying amount at year-end	24	23
SEKm		
Group		
Group's total provisions		
Total carrying amount at start of year	37	42
Provisions made during the year	2	0
Unutilised amount reversed during the year	-7	-
Amount utilised during the year	-3	-5
Total carrying amount at year-end	29	37
Of which total non-current portion of provisions	27	25
Of which total current portion of provisions	2	12
Parent company		
Costs of restructuring measures		
Carrying amount at start of year	7	12
Unutilised amount reversed during the year	-4	-
Amount utilised during the year	-2	-5
Carrying amount at year-end	1	7
Parent company's total provisions		
Total carrying amount at start of period	7	12
Unutilised amount reversed during the year	-4	-
Amount utilised during the year	-2	-5
Total carrying amount at end of period	1	7
Of which total non-current portion of provisions	-	-
Of which total current portion of provisions	1	7
Payments	31 Dec 2009	31 Dec 2008
SEKm		
Group		
Amount of provision expected to be paid beyond 12 months	27	25
Parent company		
Amount of provision expected to be paid beyond 12 months	-	-



20 INTEREST-BEARING LIABILITIES

SEKm Group	31 Dec 2009	31 Dec 2008
Non-current liabilities		
Syndicated loans	252	1 168
Bond loans	825	1 225
Other interest-bearing liabilities	3	3
Carrying amount at year-end	1 080	2 396
Current liabilities		
Current portion of bond loans	400	350
Commercial paper	297	224
Other interest-bearing liabilities	0	6
Carrying amount at year-end	697	580

Conditions and repayment periods

Syndicated loan facility 2009

On 8 April 2009, Billerud signed a new loan agreement. This syndicated loan facility for SEK 1 800 million extends three years. On the initiative of Billerud, the credit limit was reduced to SEK 1 200 million effective 22 February 2010. At 31 December 2009, GBP 8.8 million, corresponding to SEK 102 million, of the loan had been utilised. The parent company carries GBP 2.8 million, or SEK 32 million, and the subsidiary Billerud Beetham Ltd GBP 6.0 million, or SEK 70 million. The conditions for the loan include compliance with the following ratios:

The net debt/equity ratio must not exceed 1.2 during the period through 30 June 2010, not exceed 1.1 during the period from 1 July 2010 through 31 December 2011 and not exceed 1.0 thereafter.

The interest coverage ratio must be greater than 3.0 during the period through 31 March 2010, 3.5 during the period from 1 April through 30 June 2010, 4.0 during the period from 1 July through 30 September 2010, 4.5 during the period from 1 October through 31 December 2010, 5.0 during the period from 1 January through 31 December 2011 and thereafter must be greater than 5.5.

Syndicated loan 2008

The loan runs from 3 December 2008 for three years with the possibility of twice extending it for one year. The loan totalled SEK 450 million, but in November 2009 Billerud repaid SEK 300 million, so now the loan amounts to SEK 150 million. At 31 December 2009, SEK 150 million of the loan had been utilised. In November 2009, the loan was extended one year and now matures in 2012; another extension of one year is possible during 2010. For information on what conditions should be complied with, see Syndicated loan facility 2009.

Bond loan no. 2 (FRN loan)

Loan no. 2 runs from 22 September 2003 for eight years with interest of STIBOR plus 0.85 basis point. The loan amounts to SEK 150 million. At 31 December 2009, SEK 150 million of the loan had been utilised.

Bond loan no. 4 (FRN loan)

Loan no. 4 runs from 23 February 2005 for eight years with interest of STIBOR plus 0.45 point. The loan amounts to SEK 300 million. At 31 December 2009, SEK 300 million of the loan had been utilised.

Bond loan no. 5 (FRN loan)

Loan no. 5 runs from 25 February 2005 for five years with interest of STIBOR plus 0.47 point. The loan amounts to SEK 150 million. At 31 December 2009, SEK 150 million of the loan had been utilised.

Bond loan no. 6 (FRN loan)

Loan no. 6 runs from 15 June 2005 for five years with interest of STIBOR plus 0.75 point. The loan amounts to SEK 250 million. At 31 December 2009, SEK 250 million of the loan had been utilised.

Bond loan no. 7 (FRN loan)

Loan no. 7 runs from 27 June 2005 for eight years with interest of STIBOR plus 0.58 point. The loan amounts to SEK 225 million. At 31 December 2009, SEK 225 million of the loan had been utilised.

Bond loan no. 8 (FRN loan)

Loan no. 8 runs from 10 March 2006 for 10 years with interest of STIBOR plus 0.75 point. The loan amounts to SEK 150 million. At 31 December 2009, SEK 150 million of the loan had been utilised.

Commercial paper programme

The programme runs from 18 June 2003 and enables Billerud to issue commercial paper with a face value of SEK 1 million, or EUR 100 000, up to a limit of SEK 1 500 million or the equivalent in euros. The commercial paper shall run for at least one day and at most one year. At 31 December 2009, commercial paper worth SEK 297 million had been issued, with maturity less than 0.5 month. There are no special conditions for renegotiation linked to the liabilities above.

21 LIABILITIES TO CREDIT INSTITUTIONS

SEKm Parent company	31 Dec 2009	31 Dec 2008
Non-current liabilities		
Syndicated loans	182	1 082
Bond loans	825	1 225
Other interest-bearing liabilities	3	3
Carrying amount at year-end	1 010	2 310
Current liabilities		
Current portion of bond loans	400	350
Commercial paper	297	224
Other interest-bearing liabilities	–	3
Carrying amount at year-end	697	577

Liabilities due for payment more than five years after the end of the reporting period

Bond loan 8, maturing 2016	150
----------------------------	-----

22 ACCRUED EXPENSES AND DEFERRED INCOME

SEKm	Group		Parent company	
	2009	2008	2009	2008
Employee costs including social fees	247	199	131	125
Excise duties	7	3	5	0
Delivery costs	112	116	53	50
Wood costs	44	9	–	–
Energy costs	9	22	–	–
Other	174	82	79	18
Total	593	431	268	193

23 FINANCIAL ASSETS AND LIABILITIES

Fair values and carrying amounts are presented in the balance sheet below.

	Derivatives used in hedge accounting	Accounts and loan receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Group 2009						
Other shares and participations			11		11	11
Long-term receivables		0			0	0
Accounts receivable		1 152			1 152	1 152
Other receivables	160	232			392	392
Cash and cash equivalents ¹⁾		818			818	818
Total	160	2 202	11		2 373	2 373
Non-current interest-bearing liabilities				1 080	1 080	1 080
Current interest-bearing liabilities				697	697	697
Accounts payable				1 056	1 056	1 056
Other liabilities	32			46	78	78
Total	32			2 879	2 911	2 911

Group 2008

Other shares and participations			18		18	18
Long-term receivables		0			0	0
Accounts receivable		1 294			1 294	1 294
Other receivables	30	155			185	185
Cash and cash equivalents ¹⁾		542			542	542
Total	30	1 991	18		2 039	2 039
Non-current interest-bearing liabilities				2 396	2 396	2 396
Current interest-bearing liabilities				580	580	580
Accounts payable				1 019	1 019	1 019
Other liabilities	267			217	484	484
Total	267			4 212	4 479	4 479

Net changes in the value of cash flow hedges recognised in the profit and loss accounts totalled SEK -1 million (-188) in 2009, of which SEK -18 million (-208) is recognised in Net sales and SEK 17 million (20) in Raw materials and consumables.

¹⁾ Investments in securities etc. are classified as Cash and cash equivalents when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

Fair values and carrying amounts are presented in the balance sheet below.

	Derivatives used in hedge accounting	Accounts and loan receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Parent company 2009						
Other shares and participations			7		7	7
Other long-term receivables		27			27	27
Accounts receivable		1 104			1 104	1 104
Other receivables		69			69	229
Cash and bank balances ²⁾		741			741	741
Total		1 941	7		1 948	2 108
Bond and syndicated loans				1 007	1 007	1 007
Liabilities to credit institutions				697	697	697
Other interest-bearing liabilities				3	3	3
Accounts payable				206	206	206
Other liabilities				6	6	38
Total				1 919	1 919	1 951
Parent company 2008						
Other shares and participations			14		14	14
Other long-term receivables		26			26	26
Accounts receivable		1 091			1 091	1 091
Other receivables		53			53	83
Cash and bank balances ²⁾		443			443	443
Total		1 613	14		1 627	1 657
Bond and syndicated loans				2 307	2 307	2 307
Liabilities to credit institutions				574	574	574
Other interest-bearing liabilities				6	6	6
Accounts payable				272	272	272
Other liabilities				73	73	340
Total				3 232	3 232	3 499

²⁾ Investments in securities etc. are classified as Cash and bank balances when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.



24 REMUNERATION OF SENIOR MANAGEMENT

Remuneration to the Board

The AGM decides the fees to be paid to the Chairman of the Board and Board members. Additional fees are paid for work on committees. The Chairman received SEK 523 thousand in 2009, of which SEK 73 thousand was for committee work. Other Board members received a total of SEK 1 611 thousand, of which SEK 136 thousand was for committee work.

Directors' fees

SEK thousand

Name	Annual fee 2008-2009	Annual fee 2009-2010	Audit committee fee 2008-2009	Audit committee fee 2009-2010	Compensation committee fee 2008-2009	Compensation committee fee 2009-2010	Paid fee 2009 ¹⁾
Ingvar Petersson	450	450	35	30	45	40	523
Michael M.F. Kaufmann	350	350	–	–	–	–	350
Gunilla Jönson	225	225	–	–	–	–	225
Per Lundberg	225	225	70	70	23	15	312
Ewald Nageler	225	225	–	–	–	–	225
Yngve Ståde	225	225	–	–	23	15	242
Meg Tivéus	225	225	35	30	–	–	257

¹⁾The fees decided by the AGMs in 2008 and 2009

Remuneration to the CEO and senior management

The 2009 Annual General Meeting established the following guidelines for remuneration to senior executives. Senior management includes the CEO and other members of the senior management team. Billerud shall apply commercial employment terms and levels of remuneration as required to recruit and retain senior management that has the expertise and capacity to achieve the goals set. Forms of remuneration shall motivate senior managers to do their utmost to safeguard the interests of shareholders. Remuneration may be in the form of fixed or variable salary, long-term incentive schemes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results compared to explicit targets, up to a maximum percentage of a fixed annual salary that may vary between 30% and 45%. However, variable salary shall be paid only if the Company makes a profit. The incentive scheme shall primarily be related to financial performance criteria, ensure long-term commitment to the development of the Company and be implemented on commercial terms. For more information about the incentive scheme adopted by the 2007 AGM, see information on the Company's website. Pension benefits shall be either defined-benefit or defined-contribution plans and normally entitle the executive to a pension from age 65. In certain cases, the age may be reduced but never lower than 62. Notice of termination is normally 6–12 months, and if the company gives notice severance pay shall be a maximum of 12 months' salary. Remuneration and other employment terms for the CEO are prepared by the Compensation committee and decided by the Board. Remuneration and other employment terms for members of the senior executive team are determined by the CEO following approval by the Compensation committee.

The Board of Directors is entitled to deviate from these guidelines if there is good reason in individual cases.

In 2009, the actual bonus was 40% for the CEO and an average of 28% for the senior management team.

Remuneration and benefits to the CEO

SEK thousand	Year	Gross salary	Variable remuneration	Other benefits	Pension costs	Total
Per Lindberg	2009	4 938 ¹⁾	1 937	245	1 148	8 267
Per Lindberg	2008	4 814 ²⁾	705	194	1 121	6 834

Remuneration and other benefits to rest of senior management team during the year

SEK thousand	Year	Gross salary	Variable remuneration	Other benefits	Pension costs	Total
Senior management team ³⁾	2009	11 390	3 223	791	4 274	19 678
Senior management team	2008	11 286	1 734	733	3 888	17 641

¹⁾ This amount includes holiday pay supplement, allowances for expenses and lunch coupons of SEK 96 thousand in addition to fixed salary.

²⁾ This amount includes holiday pay supplement, allowances for expenses and lunch coupons of SEK 114 thousand in addition to fixed salary.

³⁾ These amounts include remuneration and other benefits for a person who left the senior management team in 2009. These amounts refer to the period that person was a member of the team.

Comments:

- The variable remuneration for 2009 refers to amounts to be paid out in 2010 but charged to 2009, while the variable remuneration for 2008 refers to remuneration paid out in 2009 but charged to 2008. The actual amounts are based on financial and individual targets linked to the development of the business and to profit for 2009 and 2008.
- Other benefits include company car, housing and other taxable benefits.
- Pension plans are of the defined-benefit and defined-contribution types. Pension cost refers to the cost charged to net profit/loss for the year.
- In Billerud's Long-Term Incentive Programme, as part of the share-matching scheme the CEO is entitled to acquire 5 585 shares at the end of the programme in 2010 at a price of SEK 28.92 per share. Other members of the senior management team are entitled to acquire a total of 9 132 shares in a corresponding programme at a price of SEK 28.92 per share. In the second section of the programme, involving the opportunity to acquire "performance shares", the outcome for 2009 has not yet been determined.

25 ADDITIONAL INFORMATION FOR THE CASH-FLOW STATEMENT

SEKm	Group		Parent company	
	2009	2008	2009	2008
Interest paid and received as well as dividends				
Interest and dividends received	4	10	46	10
Interest paid	-132	-156	-133	-135
Total	-128	-146	-87	-125
Adjustments for non-cash items, etc.				
Depreciation, amortisation and impairment of assets	561	508	255	227
Interest adjustment	-14	18	-13	21
Anticipated dividend			–	425
Pensions and other provisions	1	-82	-2	-5
Capital gains/losses	0	2	-1	0
Total	548	446	239	668

25 ADDITIONAL INFORMATION FOR THE CASH-FLOW STATEMENT (CONT.)

SEKm	Group		Parent company	
	2009	2008	2009	2008
Cash and cash equivalents ¹⁾				
The following are included in cash and cash equivalents:				
Investments in securities etc.	250	120	250	120
Cash and bank balances	568	422	491	323
Total	818	542	741	443

¹⁾ Investments in securities etc. are classified as cash and cash equivalents when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

26 UNTAXED RESERVES

SEKm	Group		Parent company	
	2009	2008	2009	2008
Parent company				
Accumulated additional depreciation				
Plant and equipment				
Carrying amount at start of year			–	1 900
Change for the year in addition to plan			2 098	-1 900
Carrying amount at year-end			2 098	–
Total untaxed reserves			2 098	–

27 EVENTS AFTER THE CLOSING DATE

No events have occurred after the end of the reporting period that require separate disclosure.

28 INVESTMENT COMMITMENTS

Group

In 2009, the Group signed agreements to acquire property, plant and equipment for SEK 70 million (65). Of these commitments, SEK 66 million (42) will be settled in 2010.

Parent company

In 2009, the parent company signed agreements to acquire property, plant and equipment for SEK 59 million (27). Of these commitments, SEK 55 million (0) will be settled in 2010.

29 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

SEKm	Group		Parent company	
	2009	2008	2009	2008
Assets pledged for own liabilities and provisions				
Pledged endowment insurance	33	32	27	26
Total pledged assets	33	32	27	26
Contingent liabilities				
Guarantee commitment, FPG/PRI	3	3	3	3
Other guarantees	5	6	5	6
Warranties	–	–	26	26
Guarantees for Group companies	–	–	70	86
Total contingent liabilities	8	9	104	121

30 RELATED PARTIES

Related-party relationships

The parent company has related-party relationship with its subsidiaries, see note 12.

Summary of related party transactions

SEKm Group	Related party relationship	Year	Sales of goods and services to related parties	Purchase of goods and services from related parties	Receivables from related parties	Debts to related parties
	Associated company					
	/ joint ventures	2009	1	324	7	0
	Associated company					
	/ joint ventures	2008	1	258	15	0
	Parent company					
	Related party relationship	Year				
	Subsidiary	2009	2	1 094	459	1 069
	Subsidiary	2008	2	1 194	630	1 037
	Associated company					
	/ joint ventures	2009	1	133	3	0
	Associated company					
	/ joint ventures	2008	1	108	6	0

Transactions with key people in leading positions

For remuneration, salaries and other benefits, see notes 5 and 24.

31 BUSINESS COMBINATIONS

On 1 February 2009, Billerud acquired 100% of the shares in Tenova Bioplastics AB, a bioplastics development company based in Sweden. The initial purchase sum was paid in full in 2009. The parties also agreed to an option for an additional amount based on earnings development from 2009 to 2011. The additional purchase price can amount to a maximum of SEK 60 million. Billerud's sales in 2009 include MSEK 39 from this acquisition, while profits were affected by SEK 5 million. If the acquisition had been completed by the start of the year, sales would have been affected by SEK 46 million and profits by SEK 6 million. The purchase sum exceeded acquired net assets and consolidated goodwill of SEK 30 million is recognised in the Group. In addition, SEK 4 million relating to a debt to the previous owners of Billerud Mediana UAB has been settled.

SEKm	Reported value of Tenova Bioplastics AB	Fair value adjustments	Fair value recognised in the group
	Intangible non-current assets	1	30
Property, plant and equipment	4	–	4
Inventories	13	–	13
Accounts receivable and other receivables	10	–	10
Interest-bearing liabilities	11	–	11
Accounts payable and other liabilities	16	–	16
Deferred tax liability	–	–	–
Net of identifiable assets and liabilities	1	30	31
Purchase sum			31
Cash and cash equivalents (acquired)			0
Remaining liability for purchase sum			–
Net effect on cash and cash equivalents			31



32 KEY ESTIMATES AND ASSESSMENTS

The audit committee has discussed the application of the Group's accounting principles and made assessments and estimates in connection with the application of these principles. The following key estimates and assessments require further explanation.

Pension liabilities

The discount rate when calculating the commitment concerning Billerud's defined-benefit pension plans was increased from 3.7% in 2008 to 3.9% in 2009, which is consistent with the nominal interest rate on the 30-year government bond. For other actuarial assumptions, see note 18, pages 91–92.

Valuation of subsidiaries

Billerud's production of market pulp and paper at the Billerud Karlsborg mill made a loss during the year. An impairment test has been performed for the capital employed in the company. According to the company's calculations the value of future cash flow exceeds the reported value, and it was determined that no impairment loss had been incurred. Following a test for impairment, the parent company's shareholding in the subsidiary, Billerud Karlsborg AB, has retained its reported value.

33 INFORMATION ABOUT THE PARENT COMPANY

Billerud AB is a Swedish limited liability company whose domicile is in Stockholm. The shares of the parent company are registered with NASDAQ OMX Stockholm AB. The address of the head office is Box 703, SE-169 27 Solna. The consolidated accounts for 2009 are for the parent company and its subsidiaries, which form the Group. The Group also includes participations in associated companies and joint ventures.

34 OPERATING SEGMENTS

The Group's business is managed and reported by business area as set out below. The introduction of IFRS 8 on 1 January 2009 did not lead to any change in accounting for the business areas. Billerud has identified its operating segments to reflect Billerud's three business areas.

- » The Packaging & Speciality Paper business area is responsible for sales of sack paper and kraft paper with a focus on packaged food, paper carrier bags, sack solutions and industrial applications.
- » The Packaging Boards business area is responsible for sales of fluting, liner and liquid board with a focus on fruit and vegetables and consumer goods.
- » The Market Pulp business area is responsible for sales of long-fibre market pulp.

- » In addition to the business areas, Billerud's operations include group-wide functions such as corporate headquarters, wood supplies and the sales organisations. These functions are reported as Other business, where even profit shares in associated companies/joint ventures, Nine TPP AB and ScandFibre Logistics AB, as well as earnings from the subsidiary acquired during the year Tenova Bioplastics AB. Other business also includes results from hedging of the Group's net currency flows and eliminations.

Non-current assets and capital investments cannot be broken down by business area since the business areas are highly integrated in terms of production.

	Packaging & Speciality Paper		Packaging Boards		Market Pulp		Other business		Group total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net sales	3 934	3 832	2 362	2 364	1 338	1 499	126	97	7 760	7 792
Other income	–	–	–	–	–	–	32	14	32	14
Operating expenses, other	-3 265	-3 330	-1 967	-1 978	-1 382	-1 541	-316	-161	-6 930	-7 010
Depreciation and impairment	-283	-258	-165	-138	-104	-103	-9	-8	-561	-507
Profit/loss from participations in associates/joint ventures	–	–	–	–	–	–	-1	0	-1	0
Operating profit/loss	386	244	230	248	-148	-145	-168	-58	300	289
Financial income and expenses									-114	-165
Taxes									-21	28
Net profit/loss									165	152

Proposed allocation of profit

Non-restricted equity in the parent company amounts to:

SEK

Profit brought forward previous year	1 480 342 578
Rights issue	667 735 657
Reduction of quotient value	400 072 822
Bonus issue	-250 000 000
Group contributions received, after tax effect	514 426 000
Net profit/loss for the year	-1 507 611 940
Total	1 304 965 117

The Board proposes

SEK

A dividend of 0.50 per share be paid to shareholders and that the remaining amount be carried forward	51 491 570 ¹⁾
Total	1 253 473 547

¹⁾ The dividend may be adjusted if Billerud's employees acquire shares as part of the long-term incentive programme (LTIP 2007), which begin to expire on 30 April 2010.

The undersigned affirm that the consolidated financial statements and the annual report, respectively, have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards and generally accepted accounting practices, respectively, and give a true and fair view of the financial position and results for the Group and Parent Company, respectively. The Report of the Directors for the Group and the Parent Company, respectively, includes a fair review of the operations, financial position and results of the Group and the Parent Company and describe the principal risks and uncertainties facing the Parent Company and the companies included in the Group.

The annual report and consolidated accounts were approved for publication by the Board on 16 March 2010. The Group's statement of comprehensive income and financial position and parent company's profit/loss accounts and balance sheets will be subject to adoption by the Annual General Meeting of shareholders on 4 May 2010.

Solna, Sweden 16 March 2010

Ingvar Petersson, *Chairman*

Michael M. F. Kaufmann, *Deputy Chairman*

Stewe Cato, *Board member*

Gunilla Jönson, *Board member*

Per Lundberg, *Board member*

Ewald Nageler, *Board member*

Yngve Ståde, *Board member*

Katarina Stavöstrand, *Board member*

Meg Tivéus, *Board member*

Per Lindberg, *CEO*

Our audit report was issued on 19 March 2010

Ernst & Young AB

Lars Träff
Authorised Public Accountant



Auditors' report

To the annual meeting of the shareholders of Billerud AB (publ)
Corporate identity number 556025-5001

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Billerud AB (publ) for the year 2009. The annual accounts and consolidated accounts are included in the printed version of this document on pages 54–98. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion

concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the statement of comprehensive income and the statement of financial position for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 19 March 2010

Ernst & Young AB

Lars Träff

Authorised Public Accountant

Billerud's corporate governance in 2009

This report on corporate governance in the Billerud Group for 2009 has been organised in accordance with regulations in the Swedish Code of Corporate Governance, which took effect 1 July 2005. The Code was introduced at Billerud in spring 2005. This report is not a part of the formal annual report and has not been subject to review by the company's auditors.

Implementation of the Code during 2009 is summarised in the table below.

The complete table is available under the Corporate governance tab on the company's website, www.billerud.com/governance.

Chapter	Implement/explain
1. Annual General Meeting	Full compliance with the code
2. Nominations committee	Compliance with the code except as follows: <i>2.1.2 Neither the Chairman of the Board nor any other Board member shall be chairman of the nominations committee.</i> The reason for non-compliance is that the 2009 AGM resolved that the chairman of the nominations committee shall be the Board member representing the largest shareholder in number of shares. Michael M.F. Kaufmann represents the largest shareholder and is therefore chairman of the nominations committee. He is also a Board member and Deputy chairman of the Board.
3. The Board	Full compliance with the code
4. Company management	Full compliance with the code
5. Corporate governance	Full compliance with the code

Ownership structure and shares

At year-end 2009, the total number of shareholders was 122 192, compared to 118 222 at the previous year-end. The proportion of foreign ownership decreased, to 43.1% (47.9), excluding shares that Billerud bought back (1 851 473). Other groups of shareholders consist of private individuals in Sweden, 37.9% (35.4), and legal entities in Sweden, 19.0% (16.7).

Further details about the company's shares, shareholders, and the like are presented in the 2009 Annual Report, under "The Billerud share", and on the Company's website: www.billerud.com.

Shareholder meetings and related matters

The 2009 Annual General Meeting

The 2009 Annual General Meeting (AGM) took place on 6 May at Nalen, Regeringsgatan 74, Stockholm. Among other matters, the meeting voted to

re-elect the existing Board: Ingvar Petersson, Gunilla Jönson, Michael M.F. Kaufmann, Per Lundberg, Ewald Nageler, Yngve Stade and Meg Tivéus.

Extraordinary General Meeting

An Extraordinary General Meeting took place on 27 August 2009 at 16.00 at Nalen, Regeringsgatan 74, Stockholm. The Meeting voted on amending the articles of association, reducing the share capital and approving the Board's decision to issue new shares.

The rights issue was completed in autumn 2009 and during October 2009 increased the number of shares and votes in the Company as follows.

Before the rights issue, shares and votes in Billerud totalled 53 343 043. The number of shares and votes increased by 51 491 570 through the rights issue. After the issue, there were 104 834 613 shares in the Company at 30 October 2009, and an equivalent number of votes.

The 2010 AGM

The 2010 AGM will take place on 4 May at 15.00 at Nalen, Regeringsgatan 74, Stockholm. Billerud's website contains information about how to register to attend the AGM and how to submit a matter to be dealt with by the AGM.

Nominations committee for the 2010 AGM

Pursuant to a decision by Billerud AB's AGM held 6 May 2009, the Chairman of the Board contacted the largest shareholders, after which a nominations committee was appointed.

On 29 October 2009, the nominations committee for the 2010 AGM was announced:

COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATIONS COMMITTEE

Representative	Shareholder	Pctg. shareholding
Michael M.F. Kaufmann, chairman	Frapag Betellingsholding AG	21
Hans Ek	SEB Fonder och SEB Trygg Liv	2
Ulf Strömsten	Catella AB	1
Ingvar Petersson, Chairman of the Board of Billerud, convening but not a member	Billerud	--

No separate remuneration was paid to the chairman or any other members of the nominations committee.



Ahead of the 2010 AGM, the nominations committee held 2 meetings (with minutes taken), keeping in contact in between meetings by phone and e-mail. Billerud's website has a page in the Corporate governance section for the Nominations committee, where shareholders can communicate with the committee.

The Board

Composition

The articles of association stipulate that the Board of Directors of Billerud AB contain at least six members and at most 10 members, with at most six deputies. Board members are appointed for one year at a time. The Company's CEO is not a member of the Board.

All but two members of the Board elected by the AGM are independent of the Company, senior management and major shareholders. Michael M. F. Kaufmann is the CEO and Ewald Nageler the CFO of the parent company of Frapag Beteiligungholding AG, Billerud AB's largest shareholder, and are thus not independent of the Company's major shareholders, as defined by the Swedish Code of Corporate Governance and the regulations of NASDAQ OMX Stockholm.

The Board also includes two members and two deputies appointed by the trade unions in accordance with the law on board representation for employees in the private sector. These four Board members are employees and thus not independent of the Company.

In 2009, the Board's external secretary was Wilhelm Lünig, of the legal firm Advokatfirman Cederquist.

All Board members have completed NASDAQ OMX Stockholm's training for board members and senior executives in listed companies.

Organisation of the work of the Board

The work of the Board follows written rules of procedure and a meeting schedule, to ensure that the Board receives comprehensive information and that all Company activities concerning the Board are dealt with. The rules of procedure prescribe the information to be supplied to the Board, among other things, and are available on the Company's website, as are the instructions for Billerud's CEO.

The Board has also established a number of general policies for the Company's activities. These policies are revised as necessary. They include policies on corporate governance, finance and communications and a single policy covering quality, the environment and the community. The latter policy covers Billerud's approach to ethical business conduct and the environment.

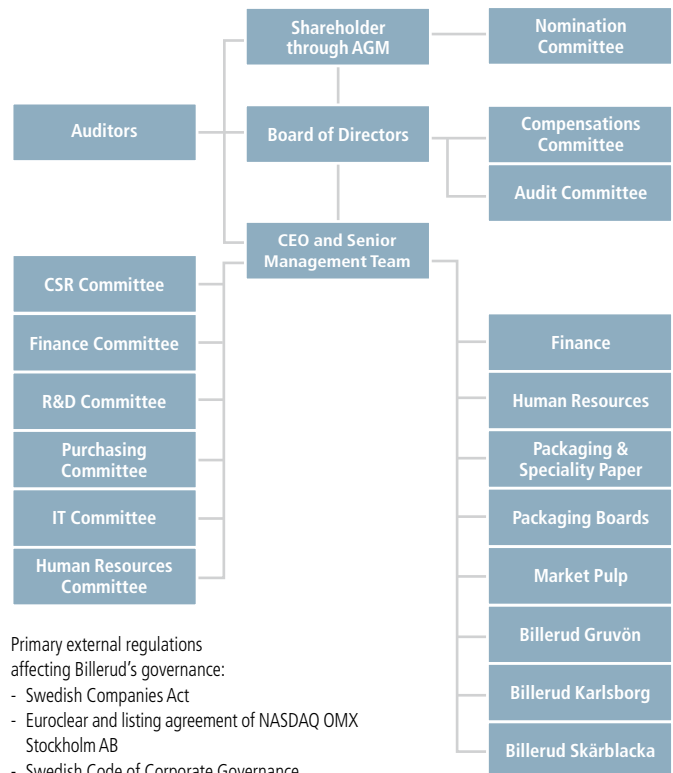
Work of the Board in 2009

During 2009 the Board has had 17 meetings, of which 2 per capsulam and 6 by telephone. One of the meetings was held in connection with a visit to the mill at Billerud Skärblacka.

The main items taken up during 2009 were:

- » January/February: annual financial statements, interim reports, auditing
- » March: AGM agenda, financing

CORPORATE GOVERNANCE WITHIN BILLERUD



- » April/May: AGM, quarterly report, investments, auditing and financing
- » June: mill visit, review of corporate governance, legal issues relating to competition, and financing
- » September: strategy, investments
- » October: quarterly report
- » December: finance issues including finance policy, issues regarding the annual financial statements, budget for 2010, auditing, and evaluation of the work of the Board and CEO

In 2009, extra emphasis was placed on cost savings in wood supplies, energy and other outlays, development of new products and customer concepts in close cooperation with end customers, sustainability issues and matters concerning working capital and financing.

Assessment

At a meeting in December, the Board makes its own assessment of its work during the year, including an assessment of the work of the Chairman.

The Chairman has reported the results of this assessment to the nomination committee.

The Board continually assesses the work of the CEO. Once a year an assessment is made of the CEO without the CEO being present.

Board committees

The Board currently has two committees: the audit committee, established in 2004, and the compensation committee, established in 2001. The Board

appoints the members of these committees. The roles, composition and activities of these committees in 2009 are presented below.

Audit committee

The Board is ultimately responsible for ensuring that satisfactory controls are in place for risk management, accounting, financial reporting and similar issues. To support the Board in its supervisory role, an audit committee was established in 2004. This committee is a part of the Board. The audit committee's role is to contribute to a good standard of financial reporting and ensure that efficient and independent audits of the company are performed by qualified external auditors. Further, the committee shall monitor the accounting policies, risk management and the internal control of the Company. Finally, the committee shall organise the election of the auditors and determination of their fees. The rules of procedure for the audit committee are presented in full on the Company's website.

The audit committee consists of four members: Per Lundberg (chair), Ingvar Petersson, Katarina Stavöstrand and Meg Tivéus. All members except one are independent of the Company. Katarina Stavöstrand is a Billerud employee and thus not independent of the Company. During 2009, the secretary of the audit committee was Wilhelm Lüning, of the legal firm Advokatfirman Cederquist.

Work in 2009

During 2009, the audit committee held six meetings, whereof two were teleconferences. The table on pages 104–105 presenting members of the Board shows attendance by the committee members. During the year, the committee addressed various accounting issues, the audit plan for 2009, risk analysis, internal control and policy issues. The committee also met ahead of the publication of each interim report and the year-end report, when the members addressed accounting and reporting issues related to each publication. The chairman of the audit committee regularly reports to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in this report.

Compensation committee

The 2009 AGM voted on guidelines for remuneration of senior executives; see note 24 in the 2009 annual report.

The Board set up a compensation committee tasked with proposing a general policy for salaries, remuneration and other general employment terms within Billerud as well as approving the CEO's proposal for salaries and remuneration for the senior management team within the framework of the policy. The committee also makes proposals to the Board, which decides on the salary and other remuneration for the CEO. The rules of procedure for the compensation committee are presented in full on the Company's website.

In 2009, the members of the committee were Ingvar Petersson (chair), Per Lundberg and Yngve Ståde. The director of human resources, Cecilia Lundin, was the secretary but was not a member of the committee. The committee met four times in 2009. Attendance of members of the committee is shown in the table presenting the Board on pages 104–105.

Work in 2009

In 2009, the committee considered the actual 2008 variable salaries, criteria for the 2009 variable salaries and criteria for the 2010 variable salaries for the senior management team. A decision was made to organise an approach around talent management. In addition, a new pension and insurance policy was approved that the Board subsequently adopted.

The principles for remuneration to the CEO and other senior executives, as well as actual figures, are contained in note 24 of the 2009 annual report.

Auditors

At the 2009 AGM, the accountancy firm Ernst & Young AB, headed by lead auditor Lars Träff, was elected auditors of the Company until the end of the 2013 AGM.

Lars Träff

Born in 1954. Authorised public accountant at Ernst & Young AB. Auditor of Billerud 2009–2012. Other audit engagements: Boliden, Posten, Lantmännen, ÅF, Scania and Öresund.

To ensure that the work of the Board and the audit committee is performed in a structured manner and to satisfy the Board's information requirements, Billerud's auditors report directly to the Board and the audit committee at least three times per year.

CEO and senior management team

The CEO is responsible for the day-to-day management of the Company in accordance with instructions established by the Board. The CEO also chairs the senior management team.

The senior management team had seven members in addition to the CEO: the managers of two mills, the CFO, the director of human resources, and the three business area managers.

The senior management team normally meets once a week, alternate weeks in face-to-face meetings and video- or teleconferences. In 2009, the senior management team addressed issues concerning financing, crisis management, cost savings, wood supplies and wood prices, production, energy, markets and pricing, environmental issues and permits, investment, strategy, human resources and a trainee programme.

The executives also report on projects underway in their areas of responsibility. A situation report for each unit in the Group is discussed at each meeting, as are current financial reports.

The operations are divided into three business areas: Packaging & Speciality Paper, Packaging Boards and Market Pulp. Each business area is responsible for sales, marketing and development in its own product area.

Each business area is accountable for its own profit, based on predetermined production costs. The Billerud mills are responsible for production and efficiency, which is the basis for their financial accountability.

The senior management team has organised several Group-wide networks, each of which is convened and chaired by a member of the team.



The following committees were active in 2009:

CSR committee	Stina Blombäck
Finance committee	Bertil Carlsén
R&D committee	Stina Blombäck
Purchasing committee	Per Lindberg
IT committee	Bertil Carlsén
Human resources committee	Cecilia Lundin

All members of the senior management team have attended NASDAQ OMX Stockholm's training for board members and senior executives of listed companies.

Principles for remuneration of senior executives

The 2009 AGM adopted the principle that remuneration and employment terms should be market-based. Satisfactory work shall be remunerated with a fixed salary. In addition, variable remuneration may be offered as a reward for achieving fixed targets. For the complete resolution on principles for remuneration, see note 24 of the 2009 annual report. The Board's proposal for guidelines in 2009 is presented in the directors' report.



STATEMENT FROM INGVAR PETERSSON

“The past year was both turbulent and cyclically weak. Creating financial stability for Billerud became an important issue in the work of the Board. While financial performance in 2009 was better than in 2008, it clearly falls short of what is needed in a longer perspective. Nevertheless, under the circumstances the level of performance still shows that Billerud consolidated its position as a leading supplier of packaging paper.

Billerud's strategy includes working closely with the end customer. Working together, we can apply our knowledge to create packaging solutions that provide added value. This focus has proven to be highly successful and is increasing in scope. An increased interest in the environment also creates a growing market for packaging solutions in completely new areas, where paper has proven to be a good alternative – and ecofriendly.

During the second half of the year the Board took the decision to carry out a rights issue that raised SEK 978 million for the company. The decision

was taken in light of the current uncertainty of the economic climate and developments in the financial markets. We considered it to be important to create manoeuvring room for Billerud to be able to take advantage of business opportunities and further strengthen our market position. With hindsight we know that the market appreciated our initiative and I would like to take this opportunity to thank all of our shareholders for the support you have given us in connection with our rights issue. With our current strong financial position we are well equipped for an interesting and exciting future.

Last but not least, I would also like to thank all employees who carried out two extensive and highly successful cost reduction programmes during the year, providing Billerud with a good starting point as we enter 2010. I now look ahead with confidence that 2010 will be filled with new opportunities and challenges for Billerud, thanks to good efforts in 2009!”

Ingvar Petersson, *Chairman of the Board of Billerud AB.*

Members of the Board



**INGVAR
PETERSSON**



**MICHAEL M.F.
KAUFMANN**



STEWE CATO



GUNILLA JÖNSON



KURT LINDVALL



PER LUNDBERG

	INGVAR PETERSSON	MICHAEL M.F. KAUFMANN	STEWE CATO	GUNILLA JÖNSON	KURT LINDVALL	PER LUNDBERG
	Chairman of the Board	Deputy chairman	Employee representative, Board member	Board member	Employee representative	Board member
Position	--	CEO, Frapag Beteiligungsholding AG, Vienna, Austria.	Chair, Swedish Paper Workers Union local 96, Billerud Gruvön.	Professor, Packaging Logistics, Lund Institute of Technology, and Adjunct Professor, Packaging Technology, Michigan State University.	Chair, Swedish Paper Workers Union local 165, Billerud Karlsborg.	--
Education	Business Economist. Studies at University of Lund.	MBA at universities in Stuttgart and Erlangen-Nürnberg.		MSc and PhD, Mech. Eng. and Transport Technology, Chalmers University of Technology, Gothenburg.		MBA, Stockholm School of Economics (SSE).
Year elected	2001	2005	2001	2003	2001	2001
Year born	1941	1948	1953	1943	1951	1943
Nationality	Swedish	Austrian	Swedish	Swedish	Swedish	Swedish
Other assignments	Chair, Försäkringsbolaget PRI Pensionsgaranti, ömsesidigt and RAM One AB. Board member, Econova AB, Munksjö AB and other companies.	Board member, Hirsch Servo AG, Glanegg, Austria.		Vice chair, University Board of Chalmers. Board member, Vinnova, SIK, Blekinge Institute of Technology, Invest in Skåne AB. Member of the Royal Swedish Academy of Engineering Sciences.		Chair, Sophiahemmet, Institute for Economic and Business History Research at SSE, Swedish Warmblood Association; Vice chair, of Sällskapet Vänner till Pauvres Honteux Member, Uppsala Center for Business History, Uppsala University, and other organisations.
Background	Senior EVP, Stora Enso; First EVP, Stora Group; CEO, Kopparfors AB.	Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria.		Dean, Lund Institute of Technology. Various directorships and other positions in SCA Packaging, in Sweden, Belgium and the UK; Research Director, Swedish Packaging Research Institute, Stockholm.		Stockholms Enskilda Bank/SEB. Acting CEO, Investor AB; President & CEO, Gota Bank; Group Chief Credit Officer, SEB; Chair, Bohusbanken, LM Ericsson Finans AB, ÅF Group and others Board member, Alfa Laval, Atlas Copco, Haldex, Ericsson, Saab, SPP, Stora Timber, Trygg Hansa and others.
Remuneration	520 000	350 000	--	225 000	--	310 000
Board meeting attendance	17/17	14/17	15/17	17/17	17/17	17/17
Audit committee attendance	6/6	--	--	--	--	6/6
Compensation committee attendance	4/4	--	--	--	--	4/4
Own and related parties' shareholdings	16 000	--	--	2 000	--	3 000
Independent/ Not independent	Independent of owners and of the Company.	Not independent of Billerud's owners.	Not independent of the Company (employed).	Independent of owners and of the Company.	Not independent of the Company (employed).	Independent of owners and of the Company.

Shareholdings in Billerud refer to individuals' own holding and those of related parties as of 16 March 2010.



EWALD NAGELER

STEFAN
RAGNARSSON

YNGVE STADE

KATARINA
STAVÖSTRAND

MEG TIVÉUS

	EWALD NAGELER	STEFAN RAGNARSSON	YNGVE STADE	KATARINA STAVÖSTRAND	MEG TIVÉUS
	Board member	Employee representative starting 1 Sept 2009	Board member	Employee representative, Board member	Board member
Position	CFO, Frapag Beteiligungsholding AG, Wien, Austria.	Head Production Engineer, Billerud Gruvön.	--	Corporate Communications Manager, Billerud Skärblacka.	--
Education	Degree in Economics, University of Innsbruck, Austria.		Master of Engineering, the Royal Institute of Technology, Stockholm.		MBA, Stockholm School of Economics.
Year elected	2006	2009	2005	2007	2001
Year born	1950	1975	1947	1946	1943
Nationality	Austrian	Swedish	Swedish	Swedish	Swedish
Other assignments	--		Chairman of RISE Holding AB. Member of the Royal Swedish Academy of Engineering Sciences.		Chair, Swedish Spirits & Wine Suppliers Assoc., Frösunda LSS AB and National Dental Service in Stockholm. Board member, Swedish Match AB, Cloetta AB, Nordea Fonder AB, Viktoria Park AB and Apoteket Farmaci AB.
Background	CFO, Egger Holzindustrie Beteiligungsgesellschaft m b H, St. Johann, Austria; 25 years' experience in banking. Member of the managing board of Creditanstalt AG, Vienna, Austria. Member of the board in many financial institutions and companies in Austria and elsewhere.		CEO, Stora Enso AB, and member of exec. mgmt., Stora Enso Oyi. CEO, Kamyr AB. CEO, NLK Celpap Engineering AB. Various production and technical positions, Korsnäs AB and the Swedish Pulp and Paper Research Institute Member of the board of MoDo Chematics, Innventia AB, Skogsindustrierna and chairman of IVA and member of the boards of other research institutions in the forest industry; Member of the board of Falu Rödfärgs AB/ Stora Kopparbergs Bergslags AB.		Board member and CEO, AB Svenska Spel. EVP, Posten; Div. Head, Holmen; Div. Head, Åhléns; Product Mgr., MoDo; Chair, Boss Media AB Board member, Postgirot AB, Postbanken AB, SJ AB, Kommentus AB, Statens Provningsanstalt AB, Swedish Board of Agriculture, Operan AB, Framfab AB, Synerco AB, Danderyds Sjukhus AB, Cloetta Fazer AB and other organisations.
Remuneration	225 000	--	240 000	--	255 000
Board meeting attendance	14/17	5/17	16/17	17/17	16/17
Audit committee attendance	--	--	--	2/6	6/6
Compensation committee attendance	--	--	4/4	--	--
Own and related parties' shareholdings	8 000	500	1 100	1 170	4 000
Independent/ Not independent	Not independent of Billerud's owners.	Not independent of the Company (employed).	Independent of owners and of the Company.	Not independent of the Company (employed).	Independent of owners and of the Company.

Group management



PER LINDBERG



PER BJURBOM



STINA BLOMBÄCK



BERTIL CARLSÉN

	PER LINDBERG	PER BJURBOM	STINA BLOMBÄCK	BERTIL CARLSÉN
Position	President and CEO	Mill manager Billerud Gruvön, acting mill manager Billerud Skärblacka	Mill manager Billerud Karlsborg	CFO
Education	MSC, Chalmers University of Technology PhD, Chalmers University of Technology.	Mechanical engineer, Royal Institute of Technology, Stockholm.	Chemical engineer, Royal Institute of Technology, Stockholm.	MBA, Stockholm School of Economics and U C Berkeley Business.
Year employed	2005	2007	2001	2006
Year born	1959	1961	1951	1960
Nationality	Swedish	Swedish	Swedish	Swedish
Other assignments	Board member, VindIn AB and Middlepoint AB.	--	Board member, LKAB, Luleå Energi, Kalix Vindkraft AB.	--
Background	CEO, Korsnäs AB; EVP, Investment AB Kinnevik; Management and strategy consultant, Applied Value Corporation, US.	Site mgr., Holmen Paper Hallsta; Site mgr., Stora Enso Skoghall mill; Production mgr., StoraEnso Skoghall mill; Production mgr. PM53, Holmen Paper Braviken; Product mgr., Braviken Holmen Paper; Technicalmktg., telephone directory paper, Holmen Paper; Operator PM52, Holmen Paper Braviken.	Research director, AssiDomän; Research mgr., AssiDomän Piteå; Consultant, ÅF-IPK; Pulp mill mgr., ASSI Karlsborg; Process engineer, Pulp mill mgr., ASSI Kraftliner; Process mgr., Gruvön; Process engineer, ASSI Karlsborg; Board member, Innventia AB and SPCI.	SVP, CFO, Acando AB; SVP, Customer segment mgr., Acando AB; EVP, Commercial Services & IT, AGA Group; Staff mgr., controllers, AGA AB, Region Latin America; CFO, AGA AB, Division North & South America; CFO, AGA Chile, Santiago; Vice CEO, Treasury and IR, AGA AB; Finance staff, AGA AB.
Own and related parties' shareholdings	9 730	6 000	10 171	6 190



LENNART EBERLEH



CECILIA LUNDIN



JOHAN NELLBECK



NIKLAS SÖDERSTRÖM

	LENNART EBERLEH	CECILIA LUNDIN	JOHAN NELLBECK	NIKLAS SÖDERSTRÖM
Position	Business area director, Packaging Boards	Human Resource Director	Business area director, Packaging & Speciality Paper	Business area director, Market Pulp
Education	MSC, Technische Universität Carolo Wilhelmina, Braunschweig, Germany.	MSc, Business administration, Linköping University.	MSc, Business administration, Uppsala University.	Economics degree.
Year employed	2001	2006	2006	2001
Year born	1969	1970	1964	1950
Nationality	German	Swedish	Swedish	Swedish
Other assignments	--	--	Board member of CEPI Eurokraft and PaperImpact.	--
Background	Product area mgr., Containerboard, Billerud AB; Sales mgr., Containerboard, Stora Enso Gruvön; Stora Support Team, Stora Kopparberg Bergslags AB; Product mgr., Containerboard, Stora Gruvön.	HR mgr., Nordic region, Novartis Sverige AB; Business area mgr., Adcore Consulting AB; Consulting mgr., Connecta AB; Unit mgr., Ericsson; Project mgr., Ericsson; Business developer, Ericsson.	Sales mgr., Tele2 Stockholm; MD, AssiDomän Kraft Products Nordic Sales AB; Sales mgr., AssiDomän Scandinavia.	Market director, AssiDomän; Market director, Rottneros; Sales mgr., Utansjö mill; Order/Logistics mgr., Värnamo Gummi; Board member, ScandFibre Logistics.
Own and related parties' shareholdings	1 000	1 800	10 000	3 000

Shareholdings in Billerud refer to individuals' own holding and those of related parties as of 16 March 2010.



2009 report on internal control

The responsibility of the Board and CEO for internal control is regulated by the Swedish Companies Act. This responsibility of the Board is also regulated by the Swedish Code of Corporate Governance, which contains a requirement for annual external disclosure of information on how internal control for financial reporting is organised. This year's report is presented below.

Internal control

Billerud has set the following goals for its internal control.

1. Compliance with regulations

Internal control shall ensure that Billerud complies with applicable laws and regulations.

2. Financial reporting

Internal control shall ensure that Billerud's financial reporting is reliable and provides managers, the Board and shareholders with information adequate for assessing the Company's development.

3. Operational activities

Internal control shall ensure that the Company's operational activities are effective, efficiently organised and performed in such a way that the risk of the business not achieving its financial and operational targets is assessed and dealt with continually.

To achieve these goals, work is carried out in a process based on the framework for internal control published by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). The process includes a control environment that provides the discipline and structure for the other four components in the process: risk assessment, control activities, information & communication, and monitoring.

The process is governed at the overall level by the Board and audit committee and at an operational level by the CEO, senior management team and other staff. The process pays special attention to ensure that the application of internal controls achieves a balance between the control activities and the development of an effective control environment with individual accountability throughout the organisation.

Priority areas in 2009

During 2009, work on internal control focused on the following areas.

Financial reporting

- » Further development of methods common throughout the Group for applying updated accounting instructions.
- » Extension of the new Group reporting system to include operational and planning information.

Operational risks

- » Control of the credit management process regarding delegation of responsibilities, working methods, credit terms and monitoring.
- » Review and development of processes for implementing and planning preventive maintenance in production.

External financial reporting

The following report has been prepared in accordance with the Swedish Code of Corporate Governance and current instructions for application of the Code and constitutes the Board's report on internal control for financial reporting.

The purpose of internal control for financial reporting is to provide suitable safeguards as to the reliability of external financial reports in the form of interim reports, year-end reports and annual reports, and to ensure that external financial reports are prepared in compliance with all laws, applicable accounting standards and other requirements for listed companies. The following description of the internal control for financial reporting has not been reviewed by the Company's auditors.

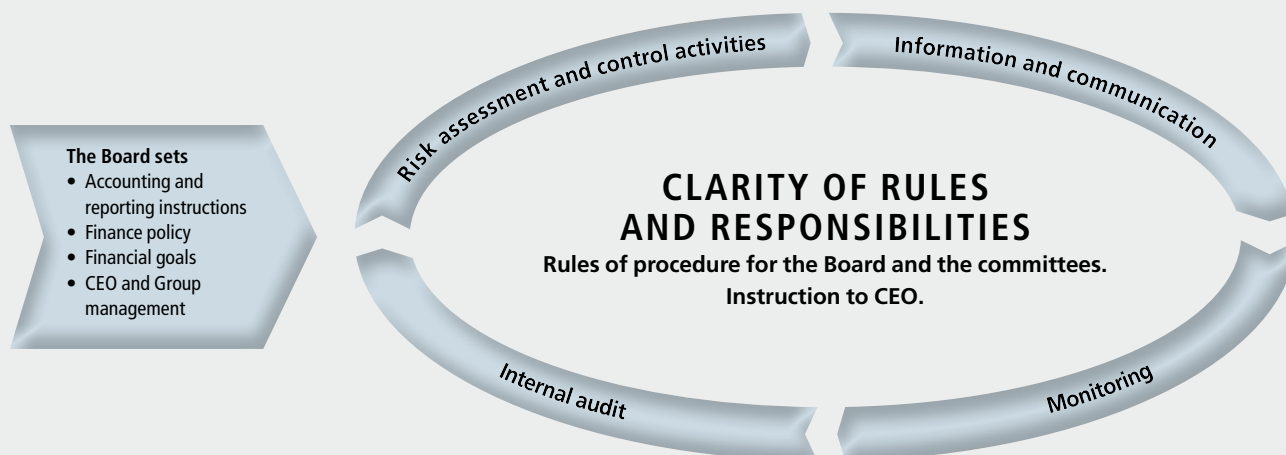
During the year, the focus was on integrating legal and operational reporting and planning in the same system structure in a new Group reporting system. These measures will facilitate follow-up in financial reporting comparing plans and targets as well as increase the reliability of the audit trail.

Control environment

Solid internal control is basic to the proper functioning of the Board.

The rules of procedure for the Board and Board committees as well as the instructions for the CEO are intended to establish a clear division of roles and responsibilities that will facilitate the efficient management of risks identified in operations. The Board has also established a series of fundamental policies significant to internal control activities, such as accounting and reporting instructions, a finance policy and financial goals, and has adopted a suitable organisation, including the Company's senior management team. The senior management team reports regularly to the Board based on predetermined procedures. In addition, reports come from the audit committee. Company management is responsible for ensuring that internal control is implemented as necessary to manage significant risks in day-to-day activities. This includes guidelines for how the individual employee shall understand his or her role in maintaining good internal control.

CONTROL ENVIRONMENT

**Risk assessment and control activities**

The Company uses a model for assessing the risk of errors in financial reporting. The Company continually monitors items where there is special risk for material error. An assessment was performed at the end of 2009 and is discussed on pages 68–72 and in note 32 of the 2009 annual report. Special attention was paid to designing controls for preventing and discovering errors in these areas associated with external financial reporting.

Information and communication

Key guidelines, manuals and the like that are significant to financial reporting are kept up-to-date and communicated continually to the staff involved.

Both formal and informal information channels carry important information from staff to Company management and the Board. Guidelines for external

communication ensure that the Company meets the strict requirements on accurate information for financial markets.

Monitoring

The audit committee prepares information that the Company's management and auditors submit prior to the Board's assessment. The audit committee's tasks include ensuring, on behalf of the Board, that actions are taken concerning the errors and proposed actions identified in the external audit.

Internal audit

The Board has also assessed the need for a special review function (internal audit). The organisation for internal control works well, so the Board has decided that a special internal audit or review function is not necessary at present.

This corporate governance report, including the report on internal control, is not a formal part of the annual report and has not been reviewed by the Company's auditors.

Solna, Sweden, 16 March 2010.

Ingvar Petersson, *Chairman of the Board*

Michael M.F. Kaufmann, *Deputy chairman*

Stewe Cato, *Board member*

Gunilla Jönson, *Board member*

Per Lundberg, *Board member*

Ewald Nageler, *Board member*

Katarina Stavöstrand, *Board member*

Yngve Stade, *Board member*

Meg Tivéus, *Board member*



Shareholder information and key dates

Annual General Meeting

Billerud AB's Annual General Meeting will be held at 3 p.m. on 4 May 2010 at Nalen, Regeringsgatan 74, Stockholm, Sweden. An announcement was made in Sweden's national press on 30 March 2010.

Notification

Shareholders wishing to take part in the AGM should: be registered in the Shareholders' Register held by Euroclear (the Swedish Central Securities Depository) by tuesday 27 April 2010, at the latest; notify the company by 4 p.m. on tuesday 27 April 2010 at the latest.

Notification can be made by telephone to +46 8 402 90 62, by e-mail arsstamma@billerud.com or by post to Billerud AB, AGM, Box 7841, SE-103 98 Stockholm, Sweden. Notification can also be made via www.billerud.se/anmalan.

To be able to participate at the meeting, shareholders whose shares are registered in the name of a nominee must request that their own names are temporarily registered in the share register kept by Euroclear. This procedure, so-called voting right registration, must be completed by tuesday 27 April 2010, which means that the shareholder must inform the nominee in good time before this date.

Dividend

The Board of Directors proposes a dividend of SEK 0.50 (o) per share for 2009.

Interim reports in 2010

First quarter January – March 2010	29 April
Second quarter January – June 2010	22 July
Third quarter January – September 2010	28 October

Financial information

All financial information is available in both Swedish and English and is also published on www.billerud.com in English and www.billerud.se in Swedish.

The 2009 annual report is printed in English and Swedish, with a print-run of 23 000 copies that are distributed to those who have requested a copy either on the company's website or via the form that every new shareholder receives. The same procedure is followed for the financial statement and interim reports.

Billerud's annual report may also be ordered through the leading Swedish media outlets, either in printed form or a pdf file.

The 2009 annual report is available as a pdf on Billerud's website. There is also an html-version that includes Excel files for downloading. These versions of the annual report can be found at www.billerud.se/rapporter in Swedish and at www.billerud.com/reports in English.

Other

ISIN code SE0000862997

NASDAQ OMX Stockholm AB ticker BILL

Quarterly data

Billrud's net sales and operating profit/loss by business area are presented below. The results of the business areas are reported excluding the effects of currency hedging and excluding the effect on profit/loss of remeasurement of trade receivables in foreign currency

and currency effects in connection with payments. These effects are reported separately on the line Currency hedging, etc. The part of currency exposure relating to changes in invoicing rates is included in the business area's profit or loss.

Quarterly net sales per business area and for the Group

SEKm	2009					2008				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	3 934	953	965	1 023	993	3 832	815	1 008	976	1 033
Packaging Boards	2 362	557	565	573	667	2 364	556	598	566	644
Market Pulp	1 338	380	325	310	323	1 499	334	385	366	414
Currency hedging, etc.	-110	95	-12	-62	-131	28	-33	38	37	-14
Other and eliminations	236	75	50	63	48	69	37	9	4	19
Total Group	7 760	2 060	1 893	1 907	1 900	7 792	1 709	2 038	1 949	2 096

Quarterly operating profit/loss per business area and for the Group

SEKm	2009					2008				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	386	85	74	133	94	244	-23	76	50	141
Packaging Boards	230	37	68	25	100	248	29	83	50	86
Market Pulp	-148	8	-21	-58	-77	-145	-110	-39	-15	19
Currency hedging, etc.	-110	95	-12	-62	-131	28	-33	38	37	-14
Other and eliminations	-58	6	-45	4	-23	-86	-28	-32	-8	-18
Total Group	300	231	64	42	-37	289	-165	126	114	214

Quarterly operating margin per business area and for the Group

%	2009					2008				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	10	9	8	13	9	6	-3	8	5	14
Packaging Boards	10	7	12	4	15	10	5	14	9	13
Market Pulp	-11	2	-6	-19	-24	-10	-33	-10	-4	5
Group	4	11	3	2	-2	4	-10	6	6	10

Quarterly delivery volumes per business area and for the Group

ktonnes	2009					2008				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	508	128	130	132	118	482	103	128	123	128
Packaging Boards	488	126	123	114	125	469	108	121	113	127
Market Pulp	316	82	75	77	82	327	78	85	79	85
Total	1 312	336	328	323	325	1 278	289	334	315	340



5-year review

PROFIT AND LOSS ACCOUNTS, SUMMARY

SEKm	2009	2008	2007	2006	2005
Net sales	7 760	7 792	7 758	7 369	6 823
Other income	32	15	12	15	10
Operating income	7 792	7 807	7 770	7 384	6 833
Operating expenses	-6 931	-7 011	-6 707	-6 366	-6 620
Depreciation/Amortisation	-561	-507	-473	-466	-413
Operating profit/loss	300	289	590	552	-200
Net financial items	-114	-165	-117	-95	-78
Profit/Loss before tax	186	124	473	457	-278
Taxes	-21	28	-137	-145	95
Net profit/loss	165	152	336	312	-183

CAPITAL EMPLOYED, SUMMARY

SEKm	31 dec 2009	31 dec 2008	31 dec 2007	31 dec 2006	31 dec 2005
Non-current assets	5 555	5 824	5 712	5 539	5 350
Inventories	1 065	1 091	936	727	739
Accounts receivable	1 152	1 294	1 486	1 201	1 204
Other current assets	491	270	350	283	282
Total operating assets	8 263	8 479	8 484	7 750	7 575
Less:					
Deferred tax liabilities	1 357	1 254	1 369	1 225	1 081
Non-interest-bearing provisions	27	37	42	148	346
Accounts payable	1 056	1 019	870	591	555
Other non-interest-bearing liabilities	676	914	698	596	564
Capital employed	5 148	5 255	5 505	5 190	5 029

STATEMENT OF CASH FLOWS, SUMMARY

SEKm	2009	2008	2007	2006	2005
Operating surplus	862	716	960	802	555
Change in working capital	116	244	-102	42	-44
Net financial items	-128	-141	-113	-79	-89
Tax paid	4	-28	-15	29	-9
Cash flow from operating activities	854	791	730	794	413
Cash flow from investing activities	-292	-621	-656	-628	-1 069
Cash flow after investing activities	562	170	74	166	-656

KEY FINANCIAL INDICATORS

	2009	2008	2007	2006	2005
Margins					
Gross margin, %	11	10	14	14	3
Operating margin, %	4	4	8	7	-3
Return (rolling 12 months)					
Return on capital employed, %	6	5	11	11	-4
Return on total capital, %	3	3	7	7	-3
Return on equity, %	5	5	12	12	-7
Return on equity after full conversion, %	5	5	12	12	-7
Capital structure at end of period					
Capital employed, SEKm	5 148	5 255	5 506	5 190	5 029
Shareholders' equity, SEKm	3 995	2 638	2 898	2 678	2 526
Interest-bearing net debt, SEKm	1 152	2 617	2 607	2 513	2 503
Capital turnover, times	1.4	1.4	1.5	1.4	1.4
Interest coverage, times	2.6	1.7	4.5	5.1	neg
Net debt/equity ratio, times	0.29	0.99	0.90	0.94	0.99
Net debt/equity ratio after full conversion, times	0.29	0.99	0.90	0.92	0.97
Share of risk-bearing capital, %	59	41	46	48	46
Equity ratio, %	44	29	31	33	33
Equity ratio after full conversion, %	44	29	31	33	33
Self-financing ratio, times	3.3	1.6	1.3	1.3	0.5
Per share¹⁾					
Earnings per share, SEK	2.04	2.07	4.56	4.25	-2.49
Earnings per share diluted / full conversion, SEK	2.03	2.07	4.55	4.24	-2.49
Per share at end of period¹⁾					
Equity per share, SEK	38.80	35.79	39.32	36.41	34.37
Equity per share diluted / full conversion, SEK	38.79	35.79	39.26	36.61	34.59
Dividend per share, SEK	0.50	–	2.45	2.45	2.27
Cash flow per share, SEK	6.94	2.31	1.01	2.26	-8.95
Investments					
Investments in non-current assets, SEKm	271	613	657	643	1 075
Acquisition, SEKm	35	9			
Personnel					
Average number of employees	2 232	2 322	2 364	2 476	2 600

¹⁾ Historic figures recalculated taking the rights issue in 2009 into account.

ANALYSTS COVERING BILLERUD

COMPANY	ANALYST	PHONE
Carnegie	Johan Sjöberg	+46 8 676 87 55
Cheuvreux	Mikael Jåfs	+46 8 723 51 71
Erik Penser	Oskar Lindström	+46 8 463 80 27
Handelsbanken Capital Markets	Pekka Mikkonen	+358 10 444 24 83
HQ Bank	Alexander Vilval	+46 8 696 18 36
Nordea	Harri Taittonen	+358 9 16 55 99 24
SEB Enskilda	Linus Larsson	+46 8 52 22 97 01
Swedbank Markets	Claes Rasmuson	+46 8 58 59 25 71
UBS	Myles Allsop	+44 207 568 16 93



The Billerud share

Stock exchange listing

The Billerud share has been listed on NASDAQ OMX Stockholm among Mid Cap companies since 2 October 2006.

The Billerud share was listed on the Stockholm Stock Exchange's O list on 20 November 2001.

Number of shares and share capital

At 31 December 2009, the share capital totalled SEK 774 173 065, divided among 104 834 613 shares. The number of shares in the market is 102 983 140.

Rights issue

The Extraordinary General Meeting held on 27 August 2009 approved the Board's decision to issue new shares through preferential rights to existing shareholders to raise SEK 925 million net of transaction costs. The rights issue was concluded at the end of September 2009. The subscription ratio was 1:1, and the subscription price was SEK 19. This increased Billerud's total number of shares, from 53 343 043, to 104 834 613.

The rights issue was 27% guaranteed by existing shareholders and ended with a total subscription of 196%.

DISTRIBUTION OF SHARES 31 DEC 2009

Registered amount of shares at beginning of the year	53 343 043
Bought-back shares in company ownership	-1 851 473
Rights issue	51 491 570
Shares on the market	102 983 140

NUMBER OF SHARES ON THE MARKET

	2005	2006	2007	2008	2009
Average	73 498 662	73 510 781	73 667 182	73 711 346	81 029 295
Average after conversion	73 882 377	73 882 377	73 737 456	73 711 346	81 160 295
Closing day	73 498 662	73 536 629	73 711 346	73 711 346	102 983 140
Closing day after conversion	73 882 377	73 882 377	73 711 346	73 711 346	103 138 804

Dividend policy

The goal is for the dividend to average 50% of net profit over a business cycle. Dividends to shareholders will depend on Billerud's level of profits, financial position, and future growth opportunities, among other factors.

The Board proposes a dividend of SEK 0.50 (0) per share for 2009.

Share performance

From its first listing in 2001 up to 2006, Billerud's share price increased. However, in 2007 the company's share price was affected by the overall uncertainty that impacted on all listed companies, and in 2008 share performance was very weak as a result of the financial crisis and economic downturn. The share price continued down at the start of 2009 but turned around during February.

The last price paid in 2009 was SEK 53.25, which was 255% higher than the last price paid at the end of 2008 (SEK 15). During the same period, the NASDAQ OMX Stockholm Paper & Forest products index (SX151050PI) increased 27%, while the NASDAQ OMX Stockholm All Share Index (OMXSPI) increased 40%.

During the year, the share traded at its highest price, SEK 53.75, on 28 December 2009, and at its lowest, SEK 9.51, on 12 February 2009 (adjusted share price).

At the end of 2009, Billerud's market value was SEK 5 484 million.

Up to 16 February 2010, the price had fallen to SEK 49.20, down 8% on the final price paid in 2009. During the same period, the Paper & Forest products index increased by 2%, and the NASDAQ OMX Stockholm All Share Index fell 1%.

Trading volume

The total number of shares traded during 2009 was 101 million.

The average number of shares traded per trading day during 2009 was 403 375.

Ownership structure

At the end of 2009, the total number of shareholders was 122 192, compared to 118 222 at the previous year-end. The proportion of foreign ownership decreased, to 43.1% (47.9), excluding Billerud's own shares held in treasury (1 851 473). Other groups of shareholders are private individuals in Sweden, 37.9% (35.4), and legal entities in Sweden, 19.0% (16.7).

OWNERSHIP CATEGORIES 31 DECEMBER 2009¹⁾

	No. of shares	Holding/Votes (%)
Swedish legal entities	19 590 155	19.0
Frapag Beteiligungsholding AG	21 381 400	20.8
Other foreign legal entities	22 538 675	21.9
Total legal entities	63 510 230	61.7
Private individuals, foreign	462 955	0.4
Private individuals, Swedish	39 009 955	37.9
Private individuals, total	39 472 910	38.3
Total 31 December 2009	102 983 140	100.0

¹⁾ Excluding Billerud's own shareholding (1 851 473)
Source: Euroclear

CATEGORIES 31 DECEMBER 2009¹⁾

Category	No. of shares	Holding/Votes (%)
Financial institutions		
- Banks	179 378	0.17
- Investment companies and brokers	1 654	0.00
- Investment funds	4 531 111	4.32
- Insurance companies and pension funds	3 040 719	2.90
- Pension foundations	1 227 512	1.17
Total financial institutions	8 980 374	8.56
Other financial institutions	3 932	0.00
Social insurance funds	858 128	0.82
Swedish state	918 667	0.88
Municipal sector	9 845	0.01
Swedish municipalities	9 845	0.01
Special interest organisations		
- Aid organisations and trade unions	1 234 621	1.18
- Religious community	351 773	0.34
Total special interest organisations	1 586 394	1.52
Other Swedish legal entities	8 156 012	7.78
Uncategorised legal entities	928 276	0.89
Owners residing abroad	44 383 030	42.34
Private individuals, Swedish	39 009 955	37.21
Total 31 December 2009	104 834 613	100

¹⁾ Including Billerud's own shareholding (1 851 473)
Source: Euroclear

10 LARGEST SHAREHOLDERS 31 DEC 2009

Billerud's 10 largest owners as of 31 December 2009 (excluding Billerud's own shareholding)

Owner/manager/deposit bank	No. of shares (millions)	Percentage of shares on market (shares = votes)
Frapag Beteiligungsholding AG	21.4	20.8
Citibank	3.1	3.0
Government of Norway	2.2	2.1
Proad AB	2.0	1.9
Mellon	1.7	1.7
SEB Funds/SEB Trygg Liv/Securities	1.6	1.5
Handelsbanken Funds	1.5	1.4
Swedbank incl Swedbank Robur Funds ¹⁾	1.3	1.3
Avanza	1.3	1.2
Apoteket AB's pension foundations	1.1	1.0
Total top 10	37.0	36.0

¹⁾ Swedbank Robur Funds holdings amounts to 1.1 million shares.
Source: Euroclear

OWNERSHIP STRUCTURE 31 DECEMBER 2009¹⁾

Shareholding	No. of shares	%	No. of owners	%
1-100	3 063 224	2.9	46 228	37.8
101-500	14 242 673	13.6	64 814	53.0
501-10 000	19 321 496	18.4	10 656	8.7
10 001-50 000	7 518 463	7.2	370	0.3
50 001-	60 688 757	57.9	124	0.1
Total	104 834 613	100.0	122 192	100.0

¹⁾ Including Billerud's own shareholding
Source: Euroclear

KEY FIGURES PER SHARE

SEK per share unless stated otherwise

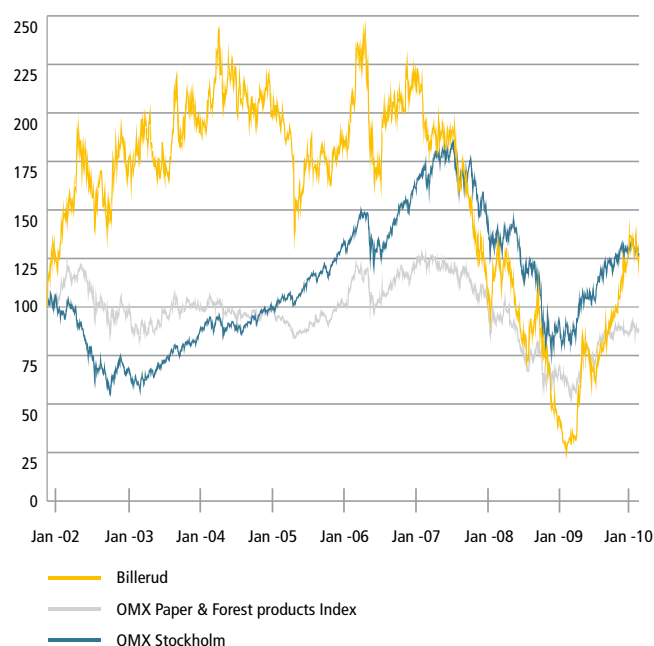
	2005	2006	2007	2008	2009
Profit/loss	-2.49	4.25	4.56	2.07	2.04
Profit/loss, diluted	-2.49	4.24	4.55	2.07	2.03
Dividend (for each financial year), actual	3.25	3.5	3.5	-	0.5 ¹⁾
Dividend (for each financial year), adjusted for effect of rights issue	2.27	2.45	2.45	-	0.5 ¹⁾
Dividend as % of					
- share price (yield)	3.1	2.9	5.3	-	0.9
- profit	²⁾	57.6	53.7	-	31.2
- Closing equity	6.6	6.7	6.2	-	1.3
Cash flow	-8.95	2.26	1.01	2.31	6.94
Equity	34.37	36.41	39.32	35.79	38.80
Equity, after full conversion /diluted	34.59	36.61	39.26	35.79	38.79
Share price/closing equity, %	211	233	118	41	137
P/E ratio, times	neg	20.0	10.2	7.2	26.1
EV/EBITDA, times	36.8	8.6	5.68	4.66	7.71
Share price ³⁾					
- Closing rate last trading day	73.57	85.95	47.04	15.00	53.25
- Year's highest closing rate	81.71	94.44	86.66	52.00	53.75
- Year's lowest closing rate	53.06	64.73	45.28	14.79	9.51
Share turnover	1.31	0.88	1.15	0.78	1.25

¹⁾ Board proposal

²⁾ Loss in 2005

³⁾ All prices historically adjusted for effect of rights issue

SHARE PERFORMANCE 20 NOVEMBER 2001 – 16 FEBRUARY 2010





Key figure definitions

Margins

Gross margin

Operating profit before depreciation (EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation)) as a percentage of net sales.

Operating margin

Operating profit as a percentage of net sales.

Return

Return on capital employed

Operating profit as a percentage of average capital employed.

Return on total capital

Operating profit as percentage of average total capital.

Return on equity

Net profit as a percentage of average shareholders' equity.

Return on equity after full conversion

Net profit plus convertible loan interest after tax as a percentage of average shareholders' equity plus the effect of full conversion of the convertible loan into shareholders' equity

Capital structure

Capital employed

Total assets less non-interest-bearing liabilities, non-interest bearing provisions and interest-bearing assets.

Shareholders' equity

Shareholders' equity at the end of the period.

Shareholders' equity after full conversion

Shareholders' equity at the end of the period plus the effect of full conversion of the convertible loan.

Interest-bearing net debt

Interest-bearing provisions and liabilities less interest-bearing assets.

Capital turnover

Net turnover divided by average capital employed.

Interest coverage

Operating profit plus financial income divided by financial costs.

Net debt/equity ratio

Interest-bearing net debt divided by shareholders' equity.

Net debt/equity ratio after full conversion

Interest-bearing net debt minus the effect of full conversion of the convertible loan into shareholders' equity divided by shareholders' equity plus the effect of full conversion of the convertible loan into shareholders' equity.

Share of risk-bearing capital

Shareholders' equity plus deferred tax liability as a percentage of total assets.

Equity ratio

Shareholders' equity as a percentage of total assets.

Equity ratio after full conversion

Shareholders' equity plus the effect of full conversion of the convertible loan into shareholders' equity as a percentage of total assets.

Self-financing ratio

Cash flow from operating activities, excluding paid and received financial items and paid tax, divided by investments in non-current assets.

Per share data¹⁾

Earnings per share

Net profit divided by the average number of shares on the market.

Earnings per share after dilution / full conversion

Net profit plus convertible loan interest after tax divided by the average number of shares on the market after dilution / full conversion and estimated utilisation of incentive programme.

Equity per share

Shareholders' equity at the end of the period divided by the number of shares at the end of the period.

Equity per share after dilution / full conversion

Shareholders' equity at the end of the period plus the effect of full conversion of the convertible loan divided by the number of shares on the market at the end of the period plus the effect of full conversion and estimated utilisation of incentive programme.

Cash flow per share

Cash flow before financing activities divided by the average number of shares on the market during the period.

P/E ratio

Share price at year-end divided by earnings per share.

EV/EBITDA

Stock market value plus interest-bearing net debt divided by the operating profit before depreciation and write-downs. (EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation.)

¹⁾ Total number of shares, see pages 113–114.

Glossary

Biofuels

Renewable fuels originating from the plant kingdom, for example from wood, including black liquor and bark.

Black liquor

The name given to the consumed cooking liquid in production of sulphate pulp. Black liquor is burnt in the soda recovery boiler at which time the wood substances (primarily lignin) provide energy for steam and electricity production. One requirement for both the environment and economy is that the chemicals consumed in black liquid are reproduced in the sulphate mill to new cooking chemicals.

Carbon Footprint

The amount of greenhouse gases a product releases or sequesters during its lifetime determines its Carbon Footprint.

Climate change

Also called the greenhouse effect. Human activity is contributing to global warming, which is raising temperatures, causing unexpected weather patterns and causing polar ice to melt.

COD - Chemical Oxygen Demand

COD is a measure of the amount of oxygen required to break down organic material in water.

Corrugated board

Corrugated board is manufactured by gluing two flat layers of paper (liner) with a rippled layer (fluting) in the middle.

Cup Stock

Board specially designed for drink cups.

Duty-free

Goods sold excluding taxes at international airports or on ferries sailing on international waters.

Energy Management System

Standard that provides guidance for how an organisation can document energy use in a structured way and record implementation of energy-saving measures.

Environmental Management System

Part of the main management system that describes the structure, principles, procedures and resources for systematic implementation of the company's environmental policy.

FibreForm

Paper with high stretchability, which can be formed to produce thermoformed and deep-drawn food and consumer packaging such as trays, blisters, etc.

FMCG producers

Producers of Fast Moving Consumer Goods such as soap, cosmetics, toothpaste, batteries and washing powders.

Fluting

The rippled middle layer in corrugated board, produced from either new or recycled fibre.

Forest cubic metre

Volume in cubic metres of tree trunks above the sawcut and including bark and tree top.

Forest with root

Trees are sold still standing on their roots in the forest and the buyer pays for felling and transportation of wood out of the forest.

Fossil fuels

Fuels based on organic carbon and hydrogen compounds deposited in sediments or rock deposits - mainly coal, oil and fossil gas.

Heavy-duty

Highly durable packaging based on several layers of paper. Used for heavy goods such as car components.

ISO14001

ISO's (The International Organisation for Standardisation) standard for an environmental management system.

MF Paper (machine finished)

A calendered paper with high printability in combination with high strength. Used for packaging with special need for this combination.

MG Paper (Mono Glazed Paper)

Paper which is dried on a highly polished Yankee cylinder thus producing paper which has a very smooth, glossy surface on one side.

Market pulp

Pulp which is sold to paper mills that do not produce their own pulp.

Micro corrugated board

Very thin corrugated board.

Nitrogen (N)

A chemical element naturally present in wood. Too much nitrogen in wastewater can cause nutrient enrichment (eutrophication) in lakes, leading to oxygen deficiency when dead plants decompose.

Nitrogen oxides (NO_x)

A group of gases composed of nitrogen and oxygen which are formed during combustion. In damp air, nitrogen oxides are converted to nitric acid, which causes acid precipitation.

Phosphorous (P)

A chemical element naturally present in wood. Too much phosphorous in wastewater can cause nutrient enrichment (eutrophication) in lakes, leading to oxygen deficiency when dead plants decompose.

Pulpwood

In Sweden this is primarily softwood (spruce and pine) and birch used to make pulp.

Recycled fibre

Fibre material that has previously been used in a paper or board product.

Sack paper

Paper with high strength properties and used for the production of sacks. Made from softwood sulphate pulp.

Shelf Ready Packaging/ Retail Ready Packaging

Attractive packaging ready for the shelf and contributing to increased promotional effectiveness.

Solid cubic metres under bark (m³sub)

Volume of solid wood under bark.

Sulphate pulp

Chemical pulp produced by cooking wood under high pressure and at a high temperature in cooking liquor, known as white liquor (sodium hydroxide and sodium sulphide). Sulphate pulp is also known as kraft pulp.

Sulphur dioxide (SO₂)

A gas consisting of sulphur and oxygen formed during combustion of sulphur-containing fuels such as black liquor and oil. In contact with damp air, sulphur dioxide is converted into sulphuric acid which causes acid precipitation.

Sustainable development

Basing decision-making on three united factors - economic growth, social viability and environmental awareness - so that society can meet current demands without compromising its future.



Billerud's units

MILLS

Billerud Beetham

Milnthorpe
Cumbria LA7 7AR
England
Tel: +44 15395 650 00

Billerud Gruvön

Storjohanns väg 4
SE-664 28 Grums, Sweden
Tel: +46 555 410 00

Billerud Karlsborg

SE-952 83 Karlsborgsverken,
Sweden
Tel: +46 923 660 00

Billerud Skärblacka

SE-617 10 Skärblacka,
Sweden
Tel: +46 11 24 53 00

HEADQUARTERS

Billerud AB

Box 703
SE-169 27 Solna, Sweden
Tel: +46 8 553 335 00

Billerud Tenova

Bioplastics AB
Torshagshuset
SE-616 33 Åby, Sweden
Tel: +46 11 10 52 75

Billerud Skog AB

Box 703, SE-169 27 Solna, Sweden
Tel: +46 8 553 335 00

Billerud Mediena UAB

Nemuno str. 2a
LT-91193 Klaipeda, Lithuania
Tel: +370 846 380 132

Billerud Wood Supply SIA

"Jaunbumani", Dreilini,
Stopinu novads
LV-2130 Riga, Latvia
Tel: +371 67 106 836

SALES OFFICES, EUROPE

England, Billerud Sales Ltd

Tel: +44 115 975 87 60
salesoffice.nottingham@billerud.com

France, Billerud France S.A.S.

Tel: +33 1 44 69 94 40
salesoffice.paris@billerud.com

Germany, Billerud GmbH

Tel: +49 40 320 160
salesoffice.hamburg@billerud.com

Italy, Billerud S.r.l.

Tel: +39 02 248 390 85
salesoffice.milano@billerud.com

The Netherlands, Billerud Benelux B.V.

Tel: +31 20 520 76 80
salesoffice.amsterdam@billerud.com

Scandinavian markets

Tel: +46 8 553 337 00
salesoffice.scandinavia@billerud.com

Spain, Billerud Ibérica S.L.

Tel: +34 93 470 05 56
salesoffice.barcelona@billerud.com

SALES OFFICES, OUTSIDE EUROPE

China, Billerud Trading (Shanghai) Co Ltd

Tel: +86 21 535 106 22
salesoffice.shanghai@billerud.com

Indonesia, Billerud Asia Pacific

Tel: +62 21 5299 4439
salesoffice.jakarta@billerud.com

United Arab Emirates, Billerud Gulf

Tel: +971 4 88 14 663
salesoffice.gulf@billerud.com

Other markets outside Europe

Tel: +46 8 553 336 00
salesoffice.international@billerud.com



BILLERUD AB
Box 703
SE-169 27 Solna, Sweden
Tel: +46 8 553 335 00
www.billerud.com

BILLERUD ANNUAL REPORT 2009

Annual report 2009

