



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

## **Annual General Meeting 2012 Billerud Aktiebolag (publ)**

Shareholders of Billerud Aktiebolag (publ) are hereby invited to attend the Annual General Meeting at 3 p.m. on Wednesday 9 May 2012 at Hotel Rival, Mariatorget 3, Stockholm, Sweden.

The premises where the meeting will be held will be open from 2 p.m.

### Participation

Shareholders wishing to take part in the Annual General Meeting must:

- Be registered in the Shareholders' Register held by Euroclear Sweden AB by Thursday 3 May 2012,
- Notify the company of their intention to attend the Annual General Meeting not later than 4 p.m. on Thursday 3 May 2012. Notification shall be made in writing by post to Billerud Aktiebolag, "AGM", P.O. Box 7841, SE-103 98 Stockholm, Sweden, or by telephone to +46 8 402 90 62. Notification can also be made via the company's website [www.billerud.se/anmalan](http://www.billerud.se/anmalan). In their notification shareholders should state their name, personal-/corporate identity number, address, daytime telephone number, number of shares held and, where applicable, number of representatives and assistants (maximum of two).

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 be temporarily registered in the share register kept by Euroclear Sweden AB. This procedure, so-called voting right registration, must be effected not later than on Thursday 3 May 2012, which means that the shareholder must inform the nominee well in time before this date.

If participation is to be made through a proxy or representatives of legal entities, the original document of their authorisation, registration certificate and other relevant authorisation documents should be submitted in good time before the Meeting. A form of power of attorney can be downloaded from the company's website, [www.billerud.se/anmalan](http://www.billerud.se/anmalan).

An entry card entitling participation in the Meeting will be sent out before the Meeting. If the entry card has not arrived on time, shareholders providing proof of their identity can obtain a new card at the information desk.

### **Proposed Agenda**

1. Opening of the Meeting.
2. Election of chairman for the Meeting.
3. Drawing up and approval of voting list.
4. Election of one or two persons to verify the minutes.
5. Determination as to whether the Meeting has been duly convened.
6. Approval of the Agenda.
7. Presentation of the Annual Report and the Auditors' Report as well as the Consolidated Accounts and Consolidated Auditors' Report for the 2011 financial year.

8. Report on the work of the Board and Board Committees over the past year.
9. Presentation by the Chief Executive Officer.
10. Resolution on:
  - a) the adoption of the income statement and the balance sheet as well as the consolidated income statement and consolidated balance sheet for 2011,
  - b) the appropriation of the company's profit according to the adopted balance sheet for 2011 and the adoption of the record date for the dividend, and
  - c) discharge from personal liability for Board Members and the CEO for their administration for the year 2011.
11. Report from the Nomination Committee and proposals.
12. Resolution on number of Board Members to be chosen by the Meeting.
13. Resolution on fees for Board Members and remuneration for Committee work and resolution on fees for auditors.
14. Election of Board Members and Chairman and Deputy Chairman of the Board.
15. Resolution on procedures for appointment of the Nomination Committee for the 2013 Annual General Meeting.
16. The Board's proposal for guidelines for remuneration to senior executives.
17. The Board's proposal for a decision regarding
  - (a) introduction of Long Term Incentive Program 2012, and
  - (b) transfer of shares under the Long Term Incentive Programme 2012.
18. The Board's proposal for a decision regarding authorisation for the Board to transfer the company's own shares.
19. The Board's proposal for a decision regarding amendment of the Articles of Association regarding the name of the company.
20. Closing of the Meeting.

## **Motions**

### **Item 2**

The Nomination Committee proposes that Chairman of the Board, Ingvar Petersson, be elected chairman of the Meeting.

### **Item 10 b**

The Board of Directors proposes a dividend of SEK 3.50 per share and Monday 14 May 2012 as record day for the dividend. If the Meeting approves the Board's proposal, payment via Euroclear Sweden AB is expected to be sent on Friday 18 May 2012.

### **Item 12**

The Nomination Committee proposes that the Board shall consist of nine (9) ordinary members, including the Chairman and Deputy Chairman.

### **Item 13**

The Nomination Committee proposes the following:

- that the annual fee to ordinary Board Members not employed by the Billerud Group shall be SEK 270,000 (previously SEK 250,000) per Member, that the annual fee to the Chairman shall be SEK 570,000 (previously SEK 525,000) and that the annual fee to the Deputy Chairman shall be SEK 430,000 (previously SEK 400,000),
- that the annual remuneration for work on Board Committees be paid to members appointed by the Board and shall be SEK 80,000 (unaltered) to the chairman of the Audit Committee, SEK 40,000 (unaltered) to each of the other members of the Audit Committee, SEK 50,000 (unaltered) to the chairman of the Compensation Committee and SEK 25,000 (unaltered) to each of the other members of the Compensation Committee;

- that fees to the auditors during the mandate period be paid by current account.

#### **Item 14**

The Nomination Committee proposes that Ingvar Petersson, Helena Andreas, Mikael Hellberg, Gunilla Jönson, Michael M.F. Kaufmann, Ewald Nageler and Yngve Stade are re-elected as Board Members.

The Nomination Committee proposes that Lennart Holm and Jan Homan are elected to the Board.

Lennart Holm is Chairman of the Board of Vida AB, Perstorp Holding AB, Nexam Chemical AB, CroViva AB, SI Technology Investments AB and Chamber Tech AB. He is a Board member of BioMass C Holding AB, Hempel A/S, Lahega Kemi AB, Vigmed AB and a senior advisor of PAI partners. He is also vice Chairman of the Board of SOS Children Villages Sweden. Lennart Holm has previously held various positions in Stora Enso, in PAI partners, inter alia, as member of the Investment Committee and head of the Nordic Team and as Board Member of Industrifonden and Chr Hansen AS. Lennart Holm has a Master of Science in Chemical Engineering from Chalmers University of Technology, Gothenburg, and a degree in Finance and Law, Gothenburg University, Sweden.

Jan Homan is Chairman of the Board in Constantia Flexibles Group and Board Member of the Foundation of Alfred Umdasch. Jan Homan was previously CEO in Constantia Flexibles Group. Jan Homan is a member of the Supervisory Board of Allianz Elementar Versicherungs AG, Erste Group Bank AG, CPC Holdings Coöperatief U.A. and European president of European Aluminium Foil Association and Flexible Packaging Association. Jan Homan has studied Economics at the University of Commerce, Vienna, Austria.

The Nomination Committee further proposes that the Annual General Meeting re-elects Ingvar Petersson as Chairman of the Board and Michael M.F. Kaufmann as Deputy Chairman.

#### **Item 15**

The Nomination Committee proposes that procedures for the appointment of the Nomination Committee for the 2013 Annual General Meeting be as follows:

The Nomination Committee shall comprise no more than four members. The Chairman of the Board shall be the secretary of the Nomination Committee. During the autumn of 2012 the Chairman shall contact the major shareholders (judged by size of shareholding) regarding the formation of a Nomination Committee. The names of the members of the Nomination Committee, and the names of the shareholders they represent, shall be published six months at the latest prior to the 2013 Annual General Meeting and be based upon the known shareholding immediately prior to the announcement. Unless Committee members decide otherwise, the Chairman of the Nomination Committee shall be the member representing the largest shareholder (judged by size of shareholding). The Committee forms a quorum when more than half of its members are present.

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

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

The Nomination Committee shall produce proposals for the following items to be decided by the 2013

Annual General Meeting: (a) proposal for chairman of the Meeting, (b) proposal for number of Board Members, (c) proposal for nomination of Board members, Chairman and Deputy Chairman of the Board, (d) proposals for nomination of auditors, (e) proposals for Board fees and distribution between Chairman and Deputy Chairman of the Board and other Members, and possible remuneration for Committee work, (f) proposal for fees to auditors, and (g) proposal for procedures for appointing the Nomination Committee.

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

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

#### **Item 16**

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

Billerud shall set the remuneration levels and employment terms that are appropriate in order to recruit and keep a management team with a high level of competence and the capability to achieve established goals. Remuneration shall motivate executives to do their utmost to secure shareholders' interests. Remuneration may be in the form of fixed salary, variable salary, long-term incentive programs and other benefits such as pension or company car. Fixed and variable salary shall be set in relation to competence, area of responsibility and performance. Variable remuneration will be based on outcomes in relation to established targets and shall be a maximum of a fixed percentage of annual fixed salary and vary between 30 per cent and 45 per cent. However, variable remuneration shall only be paid on condition that the company's operating result is positive. Long-term incentive programs within the company shall primarily be linked to certain pre-determined financial and share price related performance criteria. The programs shall ensure long-term commitment to the development of the company and shall be implemented on market terms. Long-term incentive programs shall run for at least three years. For more information about the existing long-term incentive programs adopted by the 2010 and 2011 Annual General Meeting respectively, see the company's annual report and website. For further information regarding the proposed Long Term Incentive Program 2012, please see the Board's proposal according to item 17 on the agenda. Pension benefits shall either be defined-benefit or defined-contribution, and normally give an entitlement to pension from age 65. In some cases the retirement age may be lower, although 62 is the lowest retirement age. Six to twelve months is the normal notification period for termination of employment, and severance pay shall be a maximum of 12 months' salary in the event of dismissal by the company.

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

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

#### **Item 17**

The Board of Directors proposes that the Meeting decide on the introduction of the Long Term Incentive Program ("LTIP 2012") and transfer of shares under the Long Term Incentive Program.

## a) **INTRODUCTION OF LONG TERM INCENTIVE PROGRAM 2012**

### **LTIP 2012 in brief**

The Board proposes a new long term incentive program ("LTIP 2012") based on essentially the same conditions as the long term incentive program that was adopted by the 2011 Annual General Meeting ("LTIP 2011"). The Board of Director's main objective with the proposal of LTIP 2012 is to strengthen Billerud's capability to retain the best talent for key leadership positions. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Billerud's result, profitability and value growth, to increased efforts by aligning their interests and perspectives with those of the shareholders. LTIP 2012 comprises up to 20 persons consisting of CEO, CFO, Senior Vice President Corporate Human Resources, Technical Director, Production Director and Business Area Directors, Mill Managers, CEO of Billerud Skog AB and other key employees. To participate in LTIP 2011, the participants must purchase Billerud shares at market price on NASDAQ OMX Stockholm ("Saving Shares"). Previously held Billerud shares which are not allocated to previously adopted long-term incentive programs are also included in the Saving Shares. Participants are offered to allocate Saving Shares not exceeding a number equal to 10 per cent of the participant's base salary as per year end 2011 divided by the closing price of the Billerud share per the last trading day of 2011, i.e. December 30, 2011 (SEK 58.50). Saving Shares shall normally be purchased or allocated to the program during a period of approximately two weeks during May 2012, after the Annual General Meeting. In the event of new hires of managers and key employees after that period, an offer to participate might still be given under LTIP 2012 and purchases and allocations of Saving Shares be granted to those managers and key employees until the end of November 2012. In the event of the participant having insider information regarding Billerud, an offer to participate might still be given under LTIP 2012 and purchases and allocations of Saving Shares be granted to those managers and key employees until the end of December 2012. Thereafter, the participants will be allotted Billerud shares, free of charge, after the vesting period of three years, commencing on the day when the LTIP 2012 agreement is entered into and ending in conjunction with the publication of Billerud's first quarter report for the year 2015, provided that certain conditions are fulfilled.

### **Matching Share Right**

For each Saving Share that the participant invests in and locks in to LTIP 2012, the participant is, free of charge, allotted one (1) Matching Share Right, which entitles the participant to, free of charge, receive one (1) Billerud share, based on the following conditions: (i) the participant must remain employed within the Billerud Group during the Vesting Period; and (ii) all Saving Shares must be retained during the Vesting Period.

### **Performance Share Right**

For each Saving Share that the participant invests in and locks in to LTIP 2012, the participant is, free of charge, allotted three (3) Performance Share Rights. The Performance Share Rights are divided into three series, series A-C. The allotment of Billerud Shares due to Performance Share Rights of series A-C requires that the conditions for the Matching Share Rights are fulfilled. In addition, allotment of Billerud Shares due to Performance Share Rights requires fulfillment of certain performance conditions. The performance conditions for the Performance Share Rights of series A relate to Billerud's average operating margin for the period 2012-2014. The performance conditions for the Performance Share Rights of series B relate to Billerud's EBIT margin in comparison with the average operating margin for the period 2012-2014 for a peer group of certain selected companies. The performance conditions for the Performance Share Rights of series C relate to Billerud's total shareholder return for the period 2012-2014 in comparison with the total shareholder return for the period 2012-2014 for a peer group of certain listed Nordic companies.

### **Terms and conditions for the Share Rights**

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

- The Share Rights are intended to be allotted, free of charge, during May 2012. The Board of Directors is authorized to do allotments within the scope of LTIP 2012 due to new hires made after the first date of allotment, however not later than November 2012, in case allotments cannot be made due to the participant having insider information regarding Billerud, however no later than end of December 2012 or in the case that Billerud is unable to launch LTIP 2012 during May 2012, however not later than November 2012.
- The participants are not entitled to transfer, pledge or dispose the Share Rights or perform any shareholder's rights regarding the Share Rights during the Vesting Period.
- Allotment, free of charge, of Billerud shares, on the basis of the Share Rights, will take place after the publication of Billerud's first quarter report for the year 2015, however not earlier than three years after the LTIP 2012 agreement is entered into.
- Billerud will make no adjustments or compensations to the participants of LTIP 2012 due to dividend regarding the shares that the respective Share Right qualifies for.
- The maximum profit per participant is limited to an amount of SEK 220 per Share Right, equal to a maximum of 18 monthly salaries. The calculation shall be done based on the salary on which the calculation of the number of Saving Shares that the participant has a right to purchase has been done (see item 1.4 above). In the event that the profit, when calculating the allotment according to LTIP 2012, should exceed this maximum limit of SEK 220 per Share Right, adjustment shall be made by consequently decreasing the number of Billerud shares that the participant is entitled to receive.

The Board of Directors, or a certain committee appointed by the Board of Directors, shall be responsible for determining the detailed terms and the administration of LTIP 2012, however within the scope of herein given frames and directions.

### **Scope**

In total, LTIP 2012 comprises a maximum of 60,700 Saving Shares, which can involve allotment of in total a maximum of 242,800 Billerud shares (a maximum of 60,700 due to the Matching Share Rights and a maximum of 182,100 due to the Performance Share Rights). An additional 57,000 Billerud shares are assigned for shares that can be transferred by Billerud in order to hedge certain costs, mainly social security costs. The maximum number of Billerud shares which are included in the LTIP 2012 are thus 299,800, which correspond to approximately 0,3 per cent of the number of outstanding Billerud shares and the number of outstanding votes. The number of shares included in the LTIP 2012 shall be subject to recalculation due to bonus issues, consolidation or share split, new issue of shares or similar measures carried out by Billerud according to accepted practice for similar incentive programs. In order to secure delivery of Billerud shares under LTIP 2012, the Board of Directors proposes that the Board of Directors shall have the right to decide on alternative methods for transfer of Billerud shares under LTIP 2012. The Board of Directors therefore proposes to have the right to decide to transfer own Billerud shares (under item b below) or to enter into so-called equity swap agreements with a third party in order to meet the requirements under LTIP 2012. Based on the use of the closing price for the Billerud share on 23 February 2012, a theoretical assumption of a yearly increase of 10 per cent of the share price, a 59 per cent fulfillment of the performance conditions and estimations on turnover of personnel and a Vesting Period of three years, the cost for LTIP 2012 including social security costs equals approximately SEK 10,000,000, which is on annualized basis equivalent to approximately 0.2 per cent of Billerud's total staff costs for the financial year 2011. The maximum cost for LTIP 2012, based on the above assumptions, equals approximately SEK 27,000,000, including SEK 17,000,000 in social security costs.

### **The Board of Directors proposal**

Referring to the above-mentioned description, the Board of Directors proposes that the Annual General Meeting resolves to adopt LTIP 2012.

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

**Background**

In order to implement the LTIP 2012 in a cost efficient and flexible manner, the Board of Directors has considered different hedging methods for the transfer of shares under the program. Based on these considerations, the Board of Directors intends to secure delivery of Billerud shares under LTIP 2012, by way of entering into an equity swap agreement with a third party (in accordance with the above), or, provided that the Annual General Meeting resolves in accordance with this item on the agenda, by way of transfer of Billerud's own shares held in treasury.

**The Board of Directors proposal**

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

- (i) Transfer may be made of a maximum of 242,800 Billerud shares to be transferred to participants in the LTIP 2012 (or the higher number of shares that may result from the conversion under the terms of the program due to changes bonus issue, consolidation or share split, new issue of shares or similar actions carried out by Billerud, according to accepted practice for similar incentive programs),
- (ii) Transfer of shares shall be made free of charge at the time and in accordance with the conditions that the participants in LTIP 2012 are entitled to receive allotment of shares.
- (iii) Further, the Billerud shall have the right, prior to the Annual General Meeting 2013, to
  - divest a maximum of 83,000 shares of Billerud's total own holdings of Billerud shares for the purpose of covering certain costs for LTIP 2010;
  - divest a maximum of 64,000 shares of Billerud's total own holding of Billerud shares, for the purpose of covering certain costs for LTIP 2011; and
  - divest a maximum of 57,000 shares of Billerud's total own holdings of Billerud shares, for the purpose of covering certain costs for LTIP 2012.
- (iv) Divestment of the shares under this item, shall be effected at NASDAQ OMX Stockholm at a price within the price interval registered at each time for the share.

The reasons for the deviation from shareholders' preferential rights are that the transfer of the shares is a step to achieve LTIP 2010, LTIP 2011 and LTIP 2012. Therefore, and in light of the above, the Board considers it to be an advantage for Billerud to transfer and divest shares in accordance with the above proposal in order to meet the requirements of the approved incentive program.

**Item 18**

The Board proposes that the Meeting authorise the Board during the period up to the next Annual General Meeting, on one or more occasions and with deviation from preferential rights for shareholders, to reach a decision regarding the transfer of Billerud shares that the company holds at the time of the Board's decision, either to a third party as payment in connection with acquisition of companies, and/or as a transfer on the stock exchange in order to raise liquid funds for payment in connection with such acquisitions. Payment for transferred shares may be made in cash, and for a transaction other than via the stock exchange, through contribution of property or set-off of a receivable against the company. A transfer on NASDAQ OMX Stockholm may only be carried out at a price per share within the range of share prices registered for the company at any given time. Any other transfer may take place at the market value, as a minimum, determined by the Board. The reason for enabling the Board to deviate from the principle of preferential rights for existing shareholders is to give the Board the required capacity to carry out the acquisition of all or parts of other companies and businesses.

**Item 19**

The Board proposes that the Meeting resolves to amend Section 1 in the Articles of Association so that the company name shall be Billerud Aktiebolag (publ).

**Number of shares**

At the time of the issuance of this notice there are 104,834,613 shares in the company representing one vote each. Thus the total number of votes is 104,834,613. The company owned 1,720,314 of its own shares, which may not be represented at the Meeting. The total number of votes in the company was therefore 103,114,299.

### **Specific majority requirements for the Board's proposals under item 17, 18 and 19**

To be valid, the Meeting's decision concerning item 17a must gain the support of shareholders representing at least half of the votes cast by shareholders attending the meeting and to be valid, the Meeting's decision concerning item 17(b) must gain the support of shareholders representing at least nine-tenths of both the votes cast and the shares held by shareholders attending the meeting. The Board's proposal pursuant to item 17(b) is conditional on that the Board's proposal regarding the introduction of a Long Term Incentive program 2012 has been approved by the General Meeting of Shareholders. The Meeting's decision concerning items 18 and 19 must gain the support of shareholders representing at least two-thirds of both the votes cast and the shares held by shareholders attending the meeting.

### **Documentation**

The Nomination Committee's complete proposals for decisions for items 2, 12-15 and the Board of Directors' complete proposal for item 19 are stated above. The company's Annual Report and the Auditors' Report for the 2011 financial year and the complete proposals for decisions concerning items 10b and 16-18 and the auditor's statement according to Chapter 8 Section 54 of the Swedish Companies Act will be made available by the company no later than on 18 April 2012. Report on the work of the Nomination Committee ahead of the 2012 Annual General Meeting including the Nomination Committee's statement regarding proposals for the Board etc. will be made available by the company no later than on 2 April 2012. All of the above mentioned documentation will be made available at the company's office on Frösundaleden 2 B, Solna, Sweden, and will be sent by post to shareholders who have requested to receive the documents and have stated their postal address. The documents are also available via the company's website, [www.billerud.com](http://www.billerud.com).

### **Information on the shareholders' right to request information**

Upon request by any shareholder and where the Board of Directors believes that such may take place without significant harm to the company, the Board of Directors and managing director shall provide information at the General Meeting in respect of any circumstances which may affect the assessment of a matter on the agenda and any circumstances which may affect the assessment of the company's financial position. The duty to provide information shall also apply to the company's relationship to other group companies and group accounts and such circumstances regarding subsidiaries as specified in the previous sentence.

Solna, March 2012

*The Board of Directors*

### **Non-Swedish speaking shareholders**

For the convenience of non-Swedish speaking shareholders the proceedings of the Annual General Meeting will be simultaneously interpreted into English. This service may be requested when attendance to the Annual General Meeting is notified.

**Statement of Auditor in accordance with Chapter 8, Section 54 of the Swedish Companies Act (SFS 2005:551), on whether or not the guidelines adopted by the Annual General Meeting regarding compensation to Directors and Management have been complied with.**

To the Annual General Meeting of Billerud AB (publ), org.nr. 556025-5001

**Introduction**

We have examined whether or not the Board of Directors and the Chief Executive Officer of Billerud AB (publ), during the year 2011 have complied with the guidelines on compensation to Directors and Management, which were adopted at the General Annual Meeting on 4 May, 2010 and the General Annual Meeting on 4 May, 2011, respectively. It is the responsibility of the Board of Directors and the Chief Executive Officer to ensure compliance with these guidelines. Based on our examination, it is our responsibility to issue a Statement to the Annual General Meeting wherein we pronounce an opinion on whether or not the guidelines have been complied with.

**The Scope of the Examination**

The examination has been performed in accordance with FAR SRS's recommendation RevR 8 *Granskning av ersättningar till ledande befattningshavare i aktiemarknadsbolag* (Examination of Compensation to Directors and Management in Listed Companies). This means, that we have planned and performed the examination in such a manner that we, with high, but not absolute assurance, may pronounce whether or not the guidelines, which were adopted by the General Annual Meeting, have been complied with. The examination has covered the company's organisation of, and documentation about, issues concerning compensation for Directors and Management, any and all new decisions concerning compensation, as well as a selection of the financial year's payments to Directors and Management. We believe that my/our examination provides a reasonable basis for the statement presented below:

**Conclusion**

It is our opinion that the Board of Directors and the Chief Executive Officer of Billerud AB (publ), during the year 2011 have complied with the guidelines on compensation to Directors and Management, which were adopted by the General Annual Meeting on 4 May, 2010 and 4 May, 2011, respectively.

Stockholm on 14 of March, 2012

Ernst & Young AB

Lars Träff  
Authorized Public Accountant

**Statement of Auditor in accordance with Chapter 8, Section 54 of the Swedish Companies Act (SFS 2005:551), on whether or not the guidelines adopted by the Annual General Meeting regarding compensation to Directors and Management have been complied with.**

To the Annual General Meeting of Billerud AB (publ), org.nr. 556025-5001

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**The Scope of the Examination**

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**Conclusion**

It is our opinion that the Board of Directors and the Chief Executive Officer of Billerud AB (publ), during the year 2011 have complied with the guidelines on compensation to Directors and Management, which were adopted by the General Annual Meeting on 4 May, 2010 and 4 May, 2011, respectively.

Stockholm on 14 of March, 2012

Ernst & Young AB

Lars Träff  
Authorized Public Accountant

## **Power of attorney**

Please send the original version of this power of attorney, signed and dated, together with other authorisation documents (if necessary) to **Billerud AB, "AGM", PO Box 7841, SE-103 98 Stockholm, Sweden** in good time before the Annual General Meeting to be held on 9<sup>th</sup> of May 2012. Please also notify an intention to attend the meeting within the prescribed time and in the prescribed way (see invitation).

### **Power of attorney for proxy**

The following person:

Name of proxy: .....

Personal code number of proxy (if owning shares): .....

Address: .....

Daytime telephone no.: .....

is hereby authorised to represent all of my/our shares at the Annual General Meeting of Billerud AB on 9<sup>th</sup> of May 2012.

Shareholders' name/company: .....

Personal code no. /Organisation no.: .....

Daytime telephone no.: .....

Place and date (obligatory): .....

Signature of shareholder granting power of attorney (or person authorised to sign on behalf of a legal entity).

.....  
Signature

.....  
Name in block letters

If the person granting power of attorney is signing on behalf of a legal entity than an up-to-date registration certificate or similar document must be enclosed with this power of attorney as evidence of authorisation to sign on behalf of the legal entity.

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## **Information regarding the nominees to the Board as per 2.6 of the Swedish Code of Corporate Governance**

*Proposed to be re-elected at the AGM 2012*

### **Ingvar Petersson**

Born 1941

Chairman and member of the Board of Directors since 2001.

Independent of owners and of the Company.

Chairman of the compensation committee and member of the audit committee.

### **Education**

Business economist, studies at Lund University.

### **Other assignments**

Chairman of the Board of Directors in Econova AB and RAM One AB and. Board member in Munksjö AB and other companies.

### **Previous assignments in the past five years/ Other work experience**

Senior Executive Vice-President, Stora Enso. First Executive Vice-President, Stora Group. CEO, Kopparfors AB.

### **Shareholding in Billerud**

16,000 shares

### **Gunilla Jönson**

Born 1943

Member of the Board of Directors since 2003.

Independent of owners and of the Company.

Member of the audit committee.

### **Education**

MSc and PhD in mechanical engineering and transport technology, Chalmers University of Technology, Gothenburg.

### **Other assignments**

Vice Chairman in the University Board of Chalmers, Board member in SIK, Blekinge Tekniska Högskola, Invest in Skåne AB and others. Member of the Royal Academy of Engineering Sciences.

Professor in packaging logistics, Lund Univeristy, Faculty of Engineering/LTH, Adjunct

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Professor in packaging technology at Michigan State University, USA.

**Previous assignments in the past five years/ Other work experience**

Dean at Lund University, Faculty of Engineering. Various directorships and other positions in SCA Packaging in Sweden, Belgium and UK. Research Director, the Swedish Packaging Research Institute, Stockholm.

**Shareholding in Billerud**

2,250 shares

**Michael M.F. Kaufmann**

Born 1948

Board member since 2005 and Vice Chairman.

Not independent of the company's owners.

Member of the compensation committee.

**Education**

Master of Business Administration, University of Stuttgart and Erlangen-Nürnberg.

**Other assignments**

CEO in Frapag Beteiligungsholding AG (Vienna, Austria), Board member in Hirsch Servo AG (Glanegg, Austria).

**Previous assignments in the past five years/ Other work experience**

Formerly held various of managerial positions in Frantschach/Mondi-group (Vienna, Austria).

**Shareholding in Billerud**

9,500 shares

**Ewald Nageler**

Born 1950

Member of the Board of Directors since 2006.

Not independent of Billerud's owners.

**Education**

Degree in Economics, University of Innsbruck, Austria.

**Other assignments**

CFO in Frapag Beteiligungsholding AG (Vienna, Austria).

**Previous assignments in the past five years/ Other work experience**

CFO, Egger Holzindustrie Beteiligungsgesellschaft m b H (St. Johann, Austria). Member of managing board of Creditanstalt AG (Vienna, Austria). 25 years of experience in banking and member of the boards of many financial institutions and companies in Austria and elsewhere.

**Shareholding in Billerud**

8,000 shares

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### **Yngve Stade**

Born 1947

Member of the Board of Directors since 2005.

Independent of owners and the company.

Member of the compensation committee.

### **Education**

MSc in engineering and PhD ( h.c.), Royal Institute of Technology, Stockholm.

### **Other assignments**

Board member and chairman of RISE Holding AB. Member of the Royal Academy of Engineering Sciences and Board member in Mantex AB.

### **Previous assignments in the past five years/ Other work experience**

CEO, Stora Enso AB and member of executive management of 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 (STFI). Board member in MoDo Chemetics, Innventia AB, the Swedish Forest Industries Foundation, and Chairman in boards of several research foundations associated with the forest industry issues. Board member in Falu Rödfärgs AB/ Stora Kopparbergs Bergslags AB and in Mantex AB.

### **Shareholding in Billerud**

1,100 shares

### **Helena Andreas**

Born 1975

Member of the Board of Directors since 2011.

Independent of owners and of the company.

### **Education**

Master of Business Administration, INSEAD, France/Singapore

MSc in Engineering Technical Physics, Lund University, the Faculty of Engineering, LTH/Caltech.

Degree in Economics and Business, Lund University.

### **Other assignments**

Board member in Extenda Holding AB. Head of Retail at the Vodafone Group.

### **Previous assignments in the past five years/Other work experience**

Formerly held various positions in the retail and the consumer goods industry, including Head of Marketing of Tesco UK, Management consultant Accenture.

### **Shareholding in Billerud**

5,000 shares

### **Mikael Hellberg**

Born 1954

Member of the Board of Directors since 2011.

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Independent of owners and of the company.  
Chairman of the audit committee.

### **Education**

BSc in Business Administration, University of Minnesota. Studies at Stockholm School of Economics, Stockholm.

### **Other assignments**

Chairman of the Board of Directors of Delicato Bakverk AB, NCS Colour AB, Pelly Industrier AB, Berntson Brands AB, Björnkläder AB and Wallvision AB. Board member in AB Annas Pepparkakor, Cederroth Intressenter AB, Color Processing Systems (CPS) and others.

### **Previous assignments in the past five years/Other work experience**

CEO of Wasabröd AB, Pripps Bryggerier/Carlsberg Sverige AB and Alcro-Beckers AB. Advisor to Ericssons Business Unit Systems. Category Manager in Procter & Gamble Norden.

### **Shareholding in Billerud**

10,000 shares

### ***Proposed to be elected at the AGM 2012***

### **Lennart Holm**

Born 1960

Independent of owners and of the company.

### **Education**

Master of Science in Chemical Engineering from Chalmers University of Technology, Gothenburg, and a degree in Finance and Law, Gothenburg University, Sweden.

### **Other assignments**

Chairman of the Board of Directors of Vida AB, Perstorp Holding AB, Nexam Chemical AB, CroViva AB, SI Technology Investments AB and Chamber Tech AB. Member of the Board of Directors of BioMass C Holding AB, Hempel A/S, Lahega Kemi AB, Vigmed AB and senior advisor of PAI partners. Vice chairman of the Board of Directors of SOS Children Villages Sweden.

### **Previous assignments in the past five years/Other work experience**

He has held various positions in Stora Enso, in PAI partners, inter alia, as a member of the Investment Committee and head of the Nordic Team and as Board member of Industrifonden and Chr Hansen AS.

### **Shareholding in Billerud**

0 shares

### **Jan Homan**

Born 1947

Independent of owners and of the company.

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**Education**

Economic Studies at the University of Commerce in Vienna, Austria.

**Other assignments**

Chairman of the Board of Directors of Constantia Flexibles Group and Board member of the Foundation of Alfred Umdasch. Member of the Supervisory Board of Allianz Elementar Versicherungs AG, Erste Group Bank AG and CPC Holding Coöperatief U.A. European president of European Aluminium Foil Association and Flexible Packaging Association.

**Previous assignments in the past five years/Other work experience**

CEO in Constantia Flexibles Group.

**Shareholding in Billerud**

0 shares

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Shareholdings in Billerud refer to individuals' own holding and those of related parties as of 21 March 2012.

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## **REPORT BY THE BOARD OF DIRECTORS OF BILLERUD AKTIEBOLAG IN ACCORDANCE WITH SECTION 10.3 OF THE SWEDISH CODE OF CORPORATE GOVERNANCE REGARDING THE REMUNERATION COMMITTEE'S EVALUATION**

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### **INTRODUCTION**

The Remuneration Committee, which is established by the Board of Billerud Aktiebolag (publ) ("Billerud"), monitors and evaluates annually the current remuneration structures and remuneration levels in the company. The Remuneration Committee also monitors and evaluates ongoing and completed programs for variable remuneration as well as the application by the AGM's adopted guidelines for remuneration to senior executives ("Guidelines"). The Board of Billerud hereby provides, in accordance with section 10.3 of the Swedish Code of Corporate Governance, its report on the results of the evaluation performed by the Remuneration Committee.

Remuneration of the CEO and other members of the senior management team consists of fixed salary, variable salary, long-term share based incentive programs and other benefits such as company cars and pension schemes. This form of remuneration is intended to motivate the senior management team to do their utmost to ensure the company' and the shareholders' interests.

### **VARIABLE REMUNERATION**

The variable remuneration of the Billerud senior management team consists of a short-term cash based variable remuneration program and a long term share based incentive program.

The cash based variable remuneration models run for one financial year at the time and are based on predetermined, measurable financial and individual goals. At the end of the term, the individual manager's performance is evaluated from the predetermined objectives considering competence, area of responsibility and performance.

The variable cash based remuneration is paid only if the company's operating result is positive and shall be a maximum of a fixed percentage of the annual fixed salary and vary between 30% and 45%.

The company currently has two existing long-term share based incentive programs, adopted by the 2010 Annual General Meeting ("LTIP 2010") and by the 2011 Annual General Meeting ("LTIP 2011"). LTIP 2011 is essentially based on the same terms as LTIP 2010. LTIP 2010 includes a maximum of 90 and LTIP 2011 includes a maximum of 20 managers and other key employees in the Billerud Group, identified as essential to the future development of the Billerud Group. In order to participate, the participants must invest in own Billerud shares. The programs have a vesting period of three years and are based on the condition of continued employment and investment and the fulfillment of certain pre-determined financial and share price related performance criteria. Provided these conditions are met, participants will at the end of the vesting period be allotted shares in Billerud free of charge, in proportion to their own initial investment in Billerud shares.

For further information on the LTIP 2010 and LTIP 2011 please refer to the company's annual report and information on the company's website.

## **EVALUATION OF PROGRAMS FOR VARIABLE REMUNERATION**

As regards the short term cash based variable remuneration in 2011 of the CEO and other members of the executive management, the Remuneration Committee has established that all the objectives and target areas of 2011 in respect of the variable salary are considered as relevant. In 2011, the outcome of the variable cash based remuneration was 20.0 per cent for the CEO and 13.0 per cent on average for the management.

During December 2011 the Remuneration Committee carried out an evaluation of the existing LTIP 2010 and LTIP 2011. The evaluation shows that the pre-determined financial and share price related performance criteria for LTIP 2010 and LTIP 2011 respectively, are considered as relevant. The evaluation also shows that the participants believe that each respective program contributes to aligning the participants' interests and perspectives with those of the shareholders. In light of this evaluation, the Remuneration Committee considers that long-term share based incentive programs based on the same principles as for LTIP 2010 and LTIP 2011 strengthen Billerud's capability to retain the best talent for key leadership positions and encourage participants to increased efforts by aligning their interests and perspectives with those of the shareholders. On the basis of the Remuneration Committee's evaluation, the Board can thus lay down that the existing programs for variable remuneration are appropriately designed and has therefore proposed to the 2012 Annual General Meeting to introduce a new long term share based incentive program ("LTIP 2012") based on, essentially, the same principles as LTIP 2010 and LTIP 2011.

## **EVALUATION OF GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES**

As regards the application of the Guidelines, the Remuneration Committee has found that the Guidelines have been appropriate and applied in accordance with their terms. The Board has not exercised its right to deviate from the Guidelines. The company's auditor has provided a statement to the Board that Billerud has complied with the Guidelines as established by the 2011 Annual General Meeting.

The Board can thus lay down that compensation to the Billerud senior management team comply with the principles that have been established for the present year.

## **COMPENSATION STRUCTURES AND COMPENSATION LEVELS**

The Remuneration Committee has established that the structures and levels of remuneration applied in the company have been in accordance with the market and thus provide the pre-conditions necessary to recruit and retain a senior management with high competence and skills to achieve the goals which have been set.

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Billerud Aktiebolag (publ)  
The Board of Directors  
March 2012

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## **Report on the work of the Nomination Committee for Billerud Aktiebolag ahead of the 2012 Annual General Meeting and the Nomination Committee's statement regarding proposals for the Board etc.**

### **Background**

In accordance with the decision of the 2011 Annual General Meeting ("AGM") of shareholders in Billerud Aktiebolag (publ) ("Billerud") regarding procedures for the appointment of the Nomination Committee, the Chairman of the Board, Ingvar Petersson, contacted in the autumn of 2011 the largest shareholders in Billerud in terms of number of shares owned to prepare the establishment of a Nomination Committee. The composition of the Nomination Committee was announced on 2 November 2011 and information about the Nomination Committee has since then been made available on the company's website.

The Nomination Committee comprises the following members:

Michael M.F. Kaufmann, Frapag Beteiligungsholding AG,  
Hans Ek, SEB Fonder and SEB Trygg Liv, and  
Björn Franzon, Swedbank Robur Fonder.

In accordance with the decision of the 2011 AGM, Michael M.F. Kaufmann was chosen as chairman of the Nomination Committee, since Michael M.F. Kaufmann has been the representative of the shareholder owing most shares in Billerud.

Ingvar Petersson, Chairman of Billerud, has been the secretary of the Nomination Committee.

Together, the three members of the Nomination Committee represent around 25.7 % of the shares and votes in Billerud.<sup>1</sup>

The Nomination Committee has held four meetings at which minutes were kept. Members have also been in contact via telephone and email. A section of Billerud's website entitled "Nomination Committee" on Billerud's website, under "Corporate governance", has given shareholders the opportunity to communicate with the Nomination Committee. No proposals from the shareholders have been submitted to the Nomination Committee.

The task of the Nomination Committee has been to make proposals regarding the following points that will be put to the vote at the 2012 AGM:

- a) proposal for Chairman of the Meeting,
- b) proposal for number of Board members,
- c) proposal for nomination of Board members, Chairman and Deputy Chairman of the Board,
- d) proposals for Board fees and distribution between Chairman and Deputy Chairman of

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<sup>1</sup> Calculated as per 31 December 2011 on total number of shares, excluding shares held in treasury by the company, amounting to 1,720,314.

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

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

#### *Chairman of the Meeting*

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

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

The Nomination Committee proposes that the Board shall comprise of nine elected Board members, including Chairman and Deputy Chairman of the Board. According to the proposal, the number of Board members will increase with two additional Board members.

#### *Board members*

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

Against the above background the Nomination Committee has decided to propose the following for re-election to the Board: Ingvar Petersson, Helena Andreas, Mikael Hellberg, Gunilla Jönsson, Michael M.F. Kaufmann, Ewald Nageler and Yngve Ståde.

The Nomination Committee has decided to propose the following for election to the Board: Lennart Holm and Jan Homan.

Lennart Holm is Chairman of the Board of Vida AB, Perstorp Holding AB, Nexam Chemical AB, CroViva AB, SI Technology Investments AB and Chamber Tech AB. He is a Board Member of BioMass C Holding AB, Hempel A/S, Lahega Kemi AB, Vigmed AB and a senior advisor of PAI partners. He is also vice Chairman of the Board of SOS Children Villages Sweden. Lennart Holm has previously held various positions in Stora Enso, in PAI partners, inter alia, as member of the Investment Committee and head of the Nordic Team and as Board Member of Industrifonden and Chr Hansen AS. Lennart Holm has a Master of Science in Chemical Engineering from Chalmers University of Technology, Gothenburg, and a degree in Finance and Law, Gothenburg University Sweden.

Jan Homan is Chairman of the Board of Constantia Flexibles Group and Board Member of the Foundation of Alfred Umdasch. Jan Homan was previously CEO in Constantia Flexibles Group. Jan Homan is a member of the Supervisory Board of Allianz Elementar Versicherungs AG, Erste Group Bank AG, CPC Holdings Coöperatief U.A. and European president of European Aluminium Foil Association and Flexible Packaging Association. Jan Homan has studied Economics at the University of Commerce, Vienna, Austria.

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

The Nomination Committee has taken what is stated in point 4.1 in the Swedish code of corporate governance into consideration. The Nomination Committee assess that the proposed

composition of the Board covers the areas that are significant for Billerud and that the Board's composition should have a diversity and breadth of qualifications, experience and background that will benefit the continued development of the Billerud. The Nomination Committee strives in its work for equal gender distribution of the Board.

The proposal to increase the Board with two additional Board members is to be reviewed against the following background. The Nomination Committee's intention is to achieve both renewal and to ensure continuity. The current Chairman of the Board, Ingvar Petersson, has announced that he wishes to resign from his duties at the Annual General Meeting 2013. Given that two Board members were elected at the Annual General Meeting 2011, the Nomination Committee is of the opinion that the Board, during a transition period, should increase the number of Board members in order to ensure the continuity of the Board's work.

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

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

#### *Board fees*

It is proposed that SEK 570,000 (previously SEK 525,000) be paid to the Chairman of the Board, and SEK 270,000 (previously SEK 250,000) be paid to ordinary Board members who are not employees of the Billerud Group. It is proposed that SEK 430,000 (previously SEK 400,000) be paid to the Deputy Chairman.

#### *Remuneration for committee work*

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

#### *Auditors' fees*

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

#### *Procedures for appointing the Nomination Committee*

The Nomination Committee proposes that procedures for the appointment of the Nomination Committee for the 2013 AGM be as follows:

The Nomination Committee shall comprise no more than four members. The Chairman of the Board shall be the secretary of the Nomination Committee. During the autumn of 2012 the Chairman shall contact the major shareholders (judged by size of shareholding) regarding the formation of a Nomination Committee. The names of the members of the Nomination Committee, and the names of the shareholders they represent, shall be published six months at the latest prior to the 2013 AGM and be based upon the known shareholding immediately prior to the announcement. Unless Committee members decide otherwise, the Chairman of

the Nomination Committee shall be the member representing the largest shareholder (judged by size of shareholding). The Nomination Committee forms a quorum when more than half of its members are present.

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

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

The Nomination Committee shall produce proposals for the following items to be decided by the 2013 AGM:

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

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

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

Stockholm, March 2012

Michael M.F. Kaufmann  
Chairman

Hans Ek

Björn Franzon

Ingvar Petersson  
Secretary

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**PROPOSAL BY THE BOARD OF DIRECTORS OF BILLERUD AKTIEBOLAG FOR A DECISION REGARDING AUTHORISATION FOR THE BOARD TO TRANSFER THE COMPANY'S OWN SHARES (ITEM 18 ON THE AGENDA)**

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The Board proposes that the Meeting authorise the Board during the period up to the next Annual General Meeting, on one or more occasions and with deviation from preferential rights for shareholders, to reach a decision regarding the transfer of Billerud shares that the company holds at the time of the Board's decision, either to a third party as payment in connection with acquisition of companies, and/or as a transfer on the stock exchange in order to raise liquid funds for payment in connection with such acquisitions. Payment for transferred shares may be made in cash, and for a transaction other than via the stock exchange, through contribution of property or set-off of a receivable against the company. A transfer on NASDAQ OMX Stockholm may only be carried out at a price per share within the range of share prices registered for the company at any given time. Any other transfer may take place at the market value, as a minimum, determined by the Board. The reason for enabling the Board to deviate from the principle of preferential rights for existing shareholders is to give the Board the required capacity to carry out the acquisition of all or parts of other companies and businesses.

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Billerud Aktiebolag (publ)  
Board of Directors  
March 2012

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**THE PROPOSAL BY THE BOARD OF DIRECTORS OF BILLERUD AKTIEBOLAG FOR APPROPRIATION OF PROFIT AND MOTIVATED STATEMENT IN ACCORDANCE WITH CHAPTER 18 SECTION 4 OF THE SWEDISH COMPANIES ACT (ITEM 10B ON THE AGENDA)**

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The Board of Directors proposes that the Annual General Meeting of 9 May 2012 decides to pay a dividend of SEK 3.50 per share. The Board of Directors proposes Monday 14 May, 2012 as record day for the dividend. If the Meeting approves the Board's proposal, payment via Euroclear Sweden AB is expected to be sent on Friday 18 May, 2012.

The Board submits the following motivated statement in accordance with Chapter 18 Section 4 of the Swedish Companies Act (2005:551):

As presented on page 96 of the 2011 annual report, non-restricted shareholders' equity in the parent company, Billerud Aktiebolag, amounted to SEK 2,167,519,060 on 31 December 2011. The Board of Directors of Billerud proposes that the dividend for 2011 shall be SEK 3.50 per share, equalling a total of approximately MSEK 361. The remaining amount shall be carried forward in a new account. The reason for this proposal is as follows:

According to Billerud's financial goals, the dividend shall be 50% of the net profit per share and the net debt/equity ratio shall be between 0.6-0.9 times over a business cycle. At the end of 2011 Billerud's net debt/equity ratio was -0.05, a decrease by 0.08 compared with 2010, and also lower than target. The Board of Directors of Billerud proposes that of the profit of 2011 per share of SEK 6.63, a dividend for 2011 of SEK 3.50 per share is distributed and that the remaining amount shall be carried forward in a new account. The Board of Directors of Billerud's proposal means that the dividend for 2011 will be 53 % of the net profit.

Relating to the above, the Board of Directors of Billerud believes that the proposed dividend appear to be justified taken into consideration;

1. the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations of Billerud (and also the Billerud group), and
2. Billerud's (and also the Billerud group) need to strengthen its balance sheet, liquidity and financial position in general.

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Billerud Aktiebolag (publ)  
The Board of Directors  
March 2012

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## **PROPOSAL BY THE BOARD OF DIRECTORS OF BILLERUD AKTIEBOLAG TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS 2012 REGARDING THE INTRODUCTION OF THE LONG TERM INCENTIVE PROGRAM AND TRANSFER OF SHARES UNDER THE PROGRAM (ITEM 17 ON THE AGENDA)**

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### **a) INTRODUCTION OF LONG TERM INCENTIVE PROGRAM ("LTIP 2012")**

#### **1.1 Background**

The 2010 Annual General Meeting decided to introduce a share related long term incentive program for Billerud ("LTIP 2010") and transfer of shares under the program. The program is conditioned on the participants (managers and other key employees) investing in Billerud shares (which are either already held or acquired on the market) which will be "locked up" in the program. For each share the participants invest in and lock in LTIP 2010 the participants are free of charge allotted so-called "Matching Share Rights" and "Performance Share Rights". Each share right entitles the participants, after a three year vesting period, to, free of charge, receive shares in Billerud, provided that certain conditions are met. The conditions are linked to the participant's continued employment and ownership of the shares, and the fulfillment of certain pre-determined financial and share price related performance criteria. The intention was that LTIP 2010 would be succeeded by similar programs in the coming years and the 2011 Annual General Meeting decided to introduce an additional long term incentive program for Billerud ("LTIP 2011").

The Board proposes a new long term incentive plan ("LTIP 2012") based on essentially the same conditions as LTIP 2010 and LTIP 2011. The basic principles for compensation under LTIP 2010, LTIP 2011 and LTIP 2012 are that the compensation shall be dependent on the creation of long term shareholder value and the fulfillment of Billerud's financial objectives. The main difference between LTIP 2010, on the one hand, and LTIP 2011 and LTIP 2012, on the other hand, is that LTIP 2011 and LTIP 2012 comprises up to 20 participants, while LTIP 2010 comprised up to 90 participants.

#### **1.2 LTIP 2012 in brief**

The Board of Director's main objective with the proposal of LTIP 2012 is to strengthen Billerud's capability to retain the best talent for key leadership positions. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Billerud's result, profitability and value growth, to increased efforts by aligning their interests and perspectives with those of the shareholders.

LTIP 2012 comprises up to 20 managers and other key employees within the Billerud Group, identified as essential to the future development of the Billerud Group. To participate in LTIP 2012, the participants must own Billerud shares. The Billerud shares could be previously held or purchased in the market in conjunction to the notification of participation under the program. Thereafter, the

participants will be allotted Billerud shares, free of charge, after the vesting period of three years, commencing on the day when the LTIP 2012 agreement is entered into and ending in conjunction with the publication of Billerud's first quarter report for the year 2015, provided that certain conditions are fulfilled.

The Board of Directors intends to propose to future annual general meetings to adopt long term incentive programs with principles similar to those of the now proposed LTIP 2012.

### **1.3 Participants in LTIP 2012**

LTIP 2012 comprises up to 20 persons consisting of CEO, CFO, Snr Vice President Corporate Human Resources, Technical Director, Production Director and Business Area Directors, Mill Managers, the CEO of Billerud Skog AB and other key employees.

### **1.4 Personal investment and allotment of share rights**

To participate in LTIP 2012, the participants must purchase Billerud shares at market price on NASDAQ OMX Stockholm ("Saving Shares"). Previously held Billerud shares which are not allocated to previously adopted long-term incentive programs are also included in the Saving Shares.

Participants are offered to allocate Saving Shares not exceeding a number equal to 10 per cent of the participant's base salary as per year end 2011 divided by the closing price of the Billerud share per the last trading day of 2011, i.e. December 30, 2011 (SEK 58.50) (the "Closing Price").

Saving Shares shall normally be purchased or allocated to the program during a period of approximately two weeks during May 2012, after the Annual General Meeting. In the event of new hires of managers and key employees during or after that period, an offer to participate might still be given under LTIP 2012 and purchases and allocations of Saving Shares be granted to those managers and key employees until the end of November 2012. In the event of the participant having insider information regarding Billerud, an offer to participate might still be given under LTIP 2012 and purchases and allocations of Saving Shares be granted to those managers and key employees until the end of December 2012.

For each Saving Share that the participant invests in and locks in to LTIP 2012, the participant is, free of charge, allotted one (1) matching share right ("Matching Share Right") and three (3) performance share rights ("Performance Share Right") (together referred to as "Share Rights"). Provided that the conditions set out below in 1.5 and 1.6, respectively, are fulfilled, the Share Rights entitle to allotment of Billerud shares as described below. Allotment of Billerud shares, by virtue of the holding of Share Rights, is made after the publication of Billerud's first quarter report for the year 2015, however not earlier than three years after the LTIP 2012 agreement is entered into ("Vesting Period").

### **1.5 Matching Share Right**

For each Saving Share that the participant invests in and locks in to LTIP 2012, the participant is, free of charge, allotted one (1) Matching Share Right, which entitles the participant to, free of charge, receive one (1) Billerud share, based on the conditions set out below:

- (i) the participant must remain employed within the Billerud Group during the Vesting Period; and

- (ii) all Saving Shares must be retained during the Vesting Period.

## **1.6 Performance Share Right**

For each Saving Share that the participant invests in and locks in to LTIP 2012, the participant is, free of charge, allotted three (3) Performance Share Rights. The Performance Share Rights are divided into three series, series A-C. The allotment of Billerud Shares due to Performance Share Rights of Series A-C requires that the conditions for the Matching Share Rights are fulfilled. In addition, allotment of Billerud Shares due to Performance Share Rights requires fulfillment of certain performance conditions. The performance conditions vary for the respective series and are based on financial goals during the financial years 2012-2014. The Board of Directors intends to present whether the conditions have been fulfilled in the annual report of 2014.

### *1.6.1 Series A*

The performance conditions for the Performance Share Rights of series A relate to Billerud's average operating margin for the period 2012-2014 ("EBIT Margin"). The maximum level of allotment under the performance conditions is an EBIT Margin of 13 per cent and the minimum level of allotment is an EBIT Margin of 10 per cent.

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

### *1.6.2 Series B*

The performance conditions for the Performance Share Rights of series B relate to Billerud's EBIT margin in comparison with the average operating margin for the period 2012-2014 for a peer group of certain selected companies ("Comparing EBIT-margin"). The peer group consists of companies and their business areas with businesses within the packaging paper and pulp industry that the Board of Directors has considered to be comparable to Billerud. The Board of Directors shall be authorized, in particular situations, to adjust the peer group's composition, which is composed by 80 per cent respectively of Gascogne, Korsnäs, Mondi (Bags and Coating), Smurfit Kappa Globalo and Stora Enso (Renewable Packaging), and 20 per cent of Södras paper pulp division – Södra Cell.

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

### *1.6.3 Series C*

The performance conditions for the Performance Share Rights of series C relate to Billerud's total shareholder return for the period 2012-2014 ("TSR") in comparison with the total shareholder return for the period 2012-2014 for a peer group of certain listed Nordic companies ("Comparing TSR"), where the lowest and highest quotation of total shareholder return in the peer group shall be excluded

when calculating the Comparing TSR. The Board of Directors shall be authorized, in particular situations, to adjust the peer group's composition which is composed by the listed Nordic companies in the paper-packing business Ahlstrom, Holmen, M-Real, Rottneros, SCA, Stora Enso and UPM. The maximum level of allotment under this performance condition is that TSR exceeds Comparing TSR by 10 percentage points or more and the minimum level is that TSR exceeds Comparing TSR.

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

### **1.7 Terms and conditions for the Share Rights**

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

- The Share Rights are intended to be allotted, free of charge, during May 2012. The Board of Directors is authorized to do allotments within the scope of LTIP 2012 due to new hires made after the first date of allotment, however not later than November 2012, in case allotments cannot be made due to the participant having insider information regarding Billerud, however no later than end of December 2012 or in the case that Billerud is unable to launch LTIP 2012 during May 2012, however not later than November 2012.
- The participants are not entitled to transfer, pledge or dispose the Share Rights or perform any shareholder's rights regarding the Share Rights during the Vesting Period.
- Allotment, free of charge, of Billerud shares, on the basis of the Share Rights, will take place after the publication of Billerud's first quarter report for the year 2015, however not earlier than three years after the LTIP 2012 agreement is entered into.
- Billerud will make no adjustments or compensations to the participants of LTIP 2012 due to dividend regarding the shares that the respective Share Right qualifies for.
- The maximum profit per participant is limited to an amount of SEK 220 per Share Right, equal to a maximum of 18 monthly salaries. The calculation shall be done based on the salary on which the calculation of the number of Saving Shares that the participant has a right to purchase has been done (see item 1.4 above). In the event that the profit, when calculating the allotment according to LTIP 2012, should exceed this maximum limit of SEK 220 per Share Right, adjustment shall be made by consequently decreasing the number of Billerud shares that the participant is entitled to receive.

### **1.8 Detailed terms and administration**

The Board of Directors, or a certain committee appointed by the Board of Directors, shall be responsible for determining the detailed terms and administration of LTIP 2012 to be applicable between Billerud and the participant, however within the scope of herein given frames and directions. In connection therewith, the Board of Directors shall be authorised to establish divergent terms for LTIP 2012 regarding *inter alia* the Vesting Period, allotment of Billerud shares in the event of

termination of employment during the Vesting Period due to early retirement or consequences of a change of control. The Board of Directors shall be authorised to make the necessary adjustments to fulfil certain rules or market prerequisites in other jurisdictions. If delivery of shares cannot be accomplished at reasonable costs and with reasonable administrative efforts to persons outside Sweden, the Board of Directors shall be entitled to decide that the participating person may instead be offered a cash based settlement. The Board of Directors shall also be entitled to decide on other adjustments in the event that major changes in the Billerud Group, the market or otherwise in the Billerud industry would occur, which would entail that resolved conditions for allotment and the possibility to use the Share Rights under LTIP 2012 would no longer appropriate.

### **1.9 Scope**

In total, LTIP 2012 comprises a maximum of 60,700 Saving Shares, which can involve allotment of in total a maximum of 242,800 Billerud shares (a maximum of 60,700 due to the Matching Share Rights and a maximum of 182,100 due to the Performance Share Rights). An additional 57,000 Billerud shares are assigned for shares that can be transferred by Billerud in order to hedge certain costs, mainly social security costs. The maximum number of Billerud shares which are included in the LTIP 2012 are thus 299,800, which correspond to approximately 0,3 per cent of the number of outstanding Billerud shares and the number of outstanding votes.

The number of shares included in the LTIP 2012 shall be subject to recalculation due to bonus issues, consolidation or share split, new issue of shares or similar measures carried out by Billerud according to accepted practice for similar incentive programs.

In total, LTIP 2012 comprises a maximum of 299,800 Billerud shares. On 31 December 2011, LTIP 2010 comprised a maximum of 235,092 Billerud shares and 83,000 Billerud shares which are assigned for shares to be transferred by Billerud in order to hedge certain costs, mainly social security costs. On 31 December 2011, LTIP 2011 comprised a maximum of 88,224 Billerud shares and 64,000 Billerud shares which are assigned for shares to be transferred by Billerud in order to hedge certain costs, mainly social security costs. The proposed LTIP 2012 together with LTIP 2011 and LTIP 2010 would entail a dilution of shares of approximately 0.7 per cent of the number of outstanding Billerud shares and the number of outstanding votes.

### **1.10 Hedging**

In order to secure delivery of Billerud shares under LTIP 2012, the Board of Directors proposes that the Board of Directors shall have the right to decide on alternative methods for transfer of Billerud shares under LTIP 2012. The Board of Directors therefore proposes to have the right to decide to transfer own Billerud shares (under item b below) or to enter into so-called equity swap agreements with a third party in order to meet the requirements under LTIP 2012. The Board of Directors regards the first alternative to be the most cost efficient and flexible arrangement for the conveyance of Billerud shares and for covering certain cost, mainly social security cost.

### **1.11 Estimated costs and values of the LTIP 2012**

The Share Rights cannot be pledged or transferred to others. An estimated value for each right can however be calculated. The Board of Directors has estimated the average value of each Share Right to SEK 43.10. The estimation is based on generally accepted valuation models using the closing price for the Billerud share on 23 February 2012, statistics on the share price development as well as projected

dividends. The aggregate estimated value of all the 60,700 Matching Share Rights and 182,100 Performance Share Rights, based on a 59 per cent fulfillment of the performance conditions and estimations on turnover of personnel, is approximately SEK 6,000,000. The value is equivalent to approximately 0.10 per cent of the market capitalisation for Billerud as of 23 February 2012. The costs are treated as a staff cost in the profit and loss accounts and it is expensed over the first 36 months, i.e. the Vesting Period, in accordance with IFRS 2 on share-based payments. In the profit and loss accounts, social security costs will accrue in accordance with UFR 7 during the Vesting Period. The size of these costs will be calculated on the Billerud share price development during the Vesting Period and allotment of the Share Rights. Based on a theoretical assumption of a yearly increase of 10 per cent of the share price and a Vesting Period of three years, the cost for LTIP 2012 including social security costs equals approximately SEK 10,000,000, which is on annualized basis equivalent to approximately 0.2 per cent of Billerud's total staff costs for the financial year 2011. The maximum cost for LTIP 2012, based on the above assumptions, equals approximately SEK 27,000,000, including SEK 17,000,000 in social security costs.

### **1.12 Effects on key ratios**

In the event of full participation in LTIP 2012, Billerud's staff costs are expected to increase with approximately SEK 3,000,000 annually. On a proforma basis for 2011, these costs equal a negative effect on Billerud's operating margin of approximately 0.03 percentage points and a decrease of earnings per share of approximately SEK 0.02.

Nevertheless, the Board of Directors considers that the positive effects on the result, which are expected to arise from the increase of the shareholding by managers and key employees and which, in addition, may further be expanded by the shareholding in LTIP 2012, exceed the costs related to LTIP 2012.

### **1.13 The preparation of the proposal**

LTIP 2012, which is based on the previous long term incentive program, has been initiated and prepared by the Billerud's Compensation Committee together with external advisors. At the Board meeting on March 13, 2012 the Board of Directors resolved to introduce a long term incentive program under present principles and instructed the Remuneration Committee to further draw up the terms for the long term incentive program.

### **1.14 Other incentive programs in Billerud**

Please refer to Billerud's annual report or the Billerud website [www.billerud.com](http://www.billerud.com) for a description of all other Billerud share based incentive programs. Billerud has no other share based incentive programs than those described above.

### **1.15 The Board of Directors proposal**

Referring to the above-mentioned description, the Board of Directors proposes that the Annual General Meeting resolves to adopt LTIP 2012.

### **1.16 Majority Requirement**

A resolution to introduce LTIP 2012, in accordance with the Board of Directors's proposal, is valid where supported by shareholders holding more than half of the votes cast at the Annual General Meeting of Shareholders.

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

**1.1 Background**

In order to implement the LTIP 2012 in a cost efficient and flexible manner, the Board of Directors has considered different hedging methods for the transfer of shares under the program. Based on these considerations, the Board of Directors intends to secure delivery of Billerud shares under LTIP 2012, by way of entering into an equity swap agreement with a third party (in accordance with the resolution under item 1.10 above), or, provided that the Annual General Meeting resolves in accordance with this item on the agenda, by way of transfer of Billerud's own shares held in treasury.

**1.2 The Board of Directors proposal**

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

- (i) Transfer may be made of a maximum of 242,800 Billerud shares to be transferred to participants in the LTIP 2012 (or the higher number of shares that may result from the conversion under the terms of the program due to changes bonus issue, consolidation or share split, new issue of shares or similar actions carried out by Billerud, according to accepted practice for similar incentive programs),
- (ii) Transfer of shares shall be made free of charge at the time and in accordance with the conditions that the participants in LTIP 2012 are entitled to receive allotment of shares.
- (iii) Further, the Billerud shall have the right, prior to the Annual General Meeting 2013, to
  - divest a maximum of 83,000 shares of Billerud's total own holdings of Billerud shares for the purpose of covering certain costs for LTIP 2010;
  - divest a maximum of 64,000 shares of Billerud's total own holding of Billerud shares, for the purpose of covering certain costs for LTIP 2011; and
  - divest a maximum of 57,000 shares of Billerud's total own holdings of Billerud shares for the purpose of covering certain costs for LTIP 2012.

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

The reasons for the deviation from shareholders' preferential rights are that the transfer of the shares is a step to achieve LTIP 2010, LTIP 2011 and LTIP 2012. Therefore, and in light of the above, the Board considers it to be an advantage for Billerud to transfer and divest shares in accordance with the above proposal in order to meet the requirements of the approved incentive program.

**Majority Requirement**

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

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Billerud Aktiebolag (publ)  
The Board of Directors  
March 2012

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

**PROPOSAL BY THE BOARD OF DIRECTORS OF BILLERUD AKTIEBOLAG FOR A  
DECISION REGARDING AMENDMENT OF THE ARTICLES OF ASSOCIATION  
REGARDING THE NAME OF THE COMPANY (ITEM 19 ON THE AGENDA)**

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The Board proposes to amend Section 1 in the Articles of Association as follows:

**§ 1 Name of the Company**

**Present wording**

The name of the company shall be Billerud Aktiebolag. The company is public (publ).

**Proposed wording**

The name of the company shall be Billerud Aktiebolag (publ).

A valid decision under this item, the Annual General Meeting's decision must gain the support of shareholders representing at least two-thirds of both the votes cast and the shares held by shareholders attending the Meeting.

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Billerud Aktiebolag (publ)  
Board of Directors  
March 2012