



## **Annual General Meeting 2010 Billerud Aktiebolag (publ)**

Shareholders of Billerud AB (publ) are hereby invited to attend the Annual General Meeting at 3 p.m. on Tuesday 4 May 2010 at Nalen, Regeringsgatan 74, Stockholm, Sweden.

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

As a service to shareholders who cannot attend the meeting, the CEO's speech will be published in Swedish at the company's website, [www.billerud.com](http://www.billerud.com), after the end of the meeting.

### Participation

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

- Be registered in the Shareholders' Register held by Euroclear Sweden AB (formerly VPC AB) by Tuesday 27 April 2010,
- Notify the company of their intention to attend the Annual General Meeting not later than 4 p.m. on Tuesday 27 April 2010. Notification shall be made in writing by post to Billerud AB, "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) or by e-mail to [arsstamma@billerud.com](mailto:arsstamma@billerud.com). 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).

Representatives and representatives of legal entities are requested to submit in good time before the Meeting the original document of their authorisation, registration certificate and other relevant authorisation documents. A form of power of attorney can be downloaded from the company's website, [www.billerud.se](http://www.billerud.se).

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 (formerly VPC AB). This procedure, so-called voting right registration, must be effected not later than on Tuesday 27 April 2010, which means that the shareholder must inform the nominee well in time before this date.

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.

There are 104,834,613 shares in the company representing one vote each. Thus the total number of votes is 104,834,613. As of 25 March 2010 the company owned 1,851,473 of its own shares, which may not be represented at the Meeting. The total number of votes in the company as of 25 March 2010 was therefore 102,983,140.

### **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 2009 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 2009,
  - b) the appropriation of the company's profit according to the adopted balance sheet for 2009 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 2009.
11. Report from the Nominations Committee and proposals
12. Resolution on number of Board Members and possible deputy 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, if applicable, deputy Board Members, Chairman and Deputy Chairman of the Board.
15. Resolution on procedures for appointment of the Nominations Committee for the 2011 Annual General Meeting.
16. The Board's proposal for guidelines for remuneration to senior executives.
17. The Board's proposal for a decision regarding the transfer of shares due to the decision on Long Term Incentive Program at the Annual General Meeting of 2007.
18. The Board's proposal for a decision regarding
  - (a) introduction of Long Term Incentive Program 2010, and
  - (b) transfer of shares under the Long Term Incentive Programme 2010
19. The Board's proposal for a decision regarding authorisation for the Board to transfer the company's own shares.
20. Closing of the Meeting.

## **Motions**

### **Item 2**

The Nominations 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 0.50 per share and Friday 7 May 2010 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 Wednesday 12 May 2010.

### **Item 12**

The Nominations Committee proposes that the Board shall consist of seven ordinary members, including the Chairman and Deputy Chairman.

### **Item 13**

The Nominations Committee proposes the following:

- that the annual fee to ordinary Board Members not employed by the Billerud Group shall be SEK 225,000 per Member (unaltered), that the annual fee to the Chairman shall be SEK 450,000 (unaltered) and that the annual fee to the Deputy Chairman shall be SEK 350,000 (unaltered),

- that the annual remuneration for work on Board Committees be paid to members appointed by the Board and shall be SEK 70,000 to the chairman of the Audit Committee, SEK 30,000 to each of the other members of the Audit Committee, SEK 40,000 to the chairman of the Compensation Committee and SEK 15,000 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 Nominations Committee proposes that Ingvar Petersson, Gunilla Jönson, Michael M.F. Kaufmann, Per Lundberg, Ewald Nageler, Yngve Stade and Meg Tivéus are re-elected as Board Members.

The Nominations 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 Nominations Committee proposes that procedures for the appointment of the Nominations Committee for the 2011 Annual General Meeting be as follows:

The Nominations Committee shall comprise no more than four members. The Chairman of the Board shall be the secretary of the Nominations Committee. During the autumn of 2010 the Chairman shall contact the major shareholders (judged by size of shareholding) regarding the formation of a Nominations Committee. The names of the members of the Nominations Committee, and the names of the shareholders they represent, shall be published six months at the latest prior to the 2011 Annual General Meeting and be based upon the known shareholding immediately prior to the announcement. Unless Committee members decide otherwise, the Chairman of the Nominations Committee shall be the member representing the largest shareholder (judged by size of shareholding). The Committee forms a quorum when more than half of its members are present.

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

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

The Nominations Committee shall produce proposals for the following items to be decided by the 2011 Annual General Meeting: (a) proposal for chairman of the Meeting, (b) proposal for number of Board Members, (c) proposal for nominations of Board members, Chairman and Deputy Chairman of the Board, (d) proposals for Board fees and distribution between Chairman and Deputy Chairman of the Board and other Members, and possible remuneration for Committee work, (e) proposal for fees to auditors, and (f) proposal for procedures for appointing the Nominations Committee.

The Nominations 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 Nominations Committee shall in performing its duties meet the requirements set by the Swedish code of corporate governance for nominations committees, and Billerud shall at the request of the Nominations 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% and 45%. However, variable remuneration shall only be paid on condition that the company's result is positive. Incentive programs within the company shall primarily be linked to financial requirements of performance and shall ensure long-term commitment to the development of the company and shall be implemented on market terms. For more information about the existing incentive programs adopted by the 2007 Annual General Meeting, see the company's annual report and website. For further information regarding the proposed Long Term Incentive Program 2010, please see the Board's proposal according to item 18 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 2007 Annual General Meeting decided to introduce (i) a long-term incentive program for all employees featuring so-called share matching, and (ii) a long-term incentive program with so-called performance shares, comprising a maximum of 69 managers and key employees of the Billerud Group (together referred to as "LTIP 2007"). More information about LTIP 2007 is available in the company's annual report and on the company's website. In order to implement the LTIP 2007, the Board proposes that the Meeting take a decision on transfer of the company's own shares under the following principal terms: (a) transfer may be made of a maximum of 160,000 shares to be transferred to participants in the LTIP 2007 in the form of so-called matching shares and performance shares, (b) transfer of shares shall be made at the time and in accordance with the terms of the LTIP 2007 on which the participants are entitled to granting of shares, and (c) also, the Board shall be entitled to convey a maximum of 50,000 shares of the total own possession of shares in Billerud, in order to cover certain costs, mainly social security costs, relating to LTIP 2007. Transfer of the shares shall be effected on NASDAQ OMX Stockholm at a price within the price interval registered at each time for the share.

The reasons for the deviation from shareholders' preferential rights are that it is an advantage for Billerud to transfer shares in accordance with the above proposal in order to meet the requirements of the approved incentive program.

#### **Item 18**

The Board of Directors proposes that the Meeting decide on the introduction of the Long Term Incentive Program ("LTIP 2010") and transfer of shares under the Long Term Incentive Program.

## a) INTRODUCTION OF LONG TERM INCENTIVE PROGRAM

### **LTIP 2010 in brief**

Considering that the long term incentive program from 2007 ("LTIP 2007") will expire during 2010, the Board of Directors now proposes a new Long Term Incentive Program ("LTIP 2010"). The Board of Director's main objective with LTIP 2010 is, like LTIP 2007, 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 2010 comprises a total of maximum 90 managers and other key employees within the Billerud Group divided into two categories. Category 1 consists of CEO, CFO, Snr Vice President Corporate Human Resources, Technical Director, Production Director and Business Area Directors (maximum nine persons). Category 2 consists of Mill Managers, Forestry Director, Management Teams of the Mills, Business Area Managers, Sales Office Managers and certain other executives (maximum 81 persons). To participate in LTIP 2010, the participants must purchase Billerud shares at market price on NASDAQ OMX Stockholm ("Saving Shares"). Previously held Billerud shares are also included in the Saving Shares. The participants are offered to allocate Saving Shares not exceeding a number equal to 10%, as regards participants in Category 1, and 5%, as regards participants in Category 2, of the participant's base salary as per year end 2009 divided by the closing price of the Billerud share per December 30, 2009 (SEK 53.25). Saving Shares shall normally be purchased or allocated to the program during a period of approximately two weeks during May 2010, 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 2010 and purchases and allocations of Saving Shares be granted to those managers and key employees until the end of August 2010. Thereafter, the participants will, after a three year vesting period, commencing on the day when the LTIP 2010 agreement is entered into and ending in conjunction with the publication of Billerud's first quarter report for the year 2013, however not earlier than three years after the LTIP 2010 agreement is entered into ("Vesting Period"), free of charge, be allotted Billerud shares, provided that certain conditions are fulfilled.

### **Matching Share Right**

For each Saving Share that the participant invests in and locks in to LTIP 2010, the participant is, free of charge, allotted one matching share right ("Matching Share Right"), which entitles the participant to, free of charge, receive one Billerud share, provided that (i) the participant remain employed within the Billerud Group during the Vesting Period, and (ii) all Saving Shares are retained during the Vesting Period.

### **Performance Share Right**

For each Saving Share that the participant invests in and locks in to LTIP 2010, the participant is, free of charge, allotted three performance share rights ("Performance Share Rights"). The Performance Share Rights are divided into three series, series A-C, where each Performance Share Right entitles to, free of charge, allotment of maximum one Billerud share. 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 and also that certain performance conditions are fulfilled. The performance conditions for the Performance Share Rights of series A relate to Billerud's average operating margin for the period 2010-2012. 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 2010-2012 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 2010-2012 in comparison with the total shareholder return for the period 2010-2012 for a peer group of certain listed Nordic companies.

### **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 2010. The Board of Directors is authorized to do allotments within the scope of LTIP 2010 due to new hires made after the first date of allotment, or in the case that Billerud is unable to launch LTIP 2010 during May 2010, however not later than August 2010.
- The participants are not entitled to transfer, pledge or dispose the Share Rights or perform any shareholder's rights regarding the Share Rights during the Vesting Period.
- Allotment, free of charge, of Billerud shares will take place after the publication of Billerud's first quarter report for the year 2013, however not earlier than three years after the LTIP 2010 agreement is entered into.
- Billerud will make no adjustments or compensations to the participants of LTIP 2010 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 200 per Share Right, equal to a maximum of 18 monthly salaries as regards participants in Category 1, and an amount equal to a maximum of nine monthly salaries as regards participants in Category 2.

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 2010, however within the scope of given frames and directions.

### **Scope, hedging and costs**

In total, LTIP 2010 comprises a maximum of 86,600 Saving Shares, which can involve allotment of in total a maximum of 346,000 Billerud shares (a maximum of 86,600 due to the Matching Share Rights and a maximum of 259,800 due to the Performance Share Rights). An additional 109,000 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 2010 are thus 455,400, which correspond to approximately 0.4 % of the number of outstanding Billerud shares. The LTIP 2010 leads to a certain financial exposure for Billerud, due to market price changes for the Billerud share. In order to hedge the financial exposure for Billerud, the Board of Directors proposes that the Board of Directors shall have the right to decide on alternative methods for transfer of shares under LTIP 2010. The Board of Directors therefore proposes to have the right to decide to transfer own 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 2010. Based on a theoretical assumption of a yearly increase of 10% of the share price and a Vesting Period of three years, the cost for LTIP 2010 including social security costs equals approximately SEK 12,000,000, which is on annualized basis equivalent to approximately 0.3% of Billerud's total staff costs for the financial year 2009. The maximum cost for LTIP 2010, based on the above assumptions, equals approximately SEK 35,000,000, including SEK 22,000,000 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 2010.

### **Majority Requirement**

A resolution to introduce LTIP 2010, in accordance with the Board of Directors's proposal, is valid where supported by shareholders holding more than half of the votes cast at the General Meeting of Shareholders

### **b) TRANSFER OF SHARES UNDER LTIP 2010**

#### **Background**

In order to implement the LTIP 2010 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 hedge the financial exposure related to LTIP 2010, by way of entering into an equity swap agreement with a third party, or, provided that the

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

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

The Board of Directors proposes that the Annual General Meeting resolves on transfer of shares under the LTIP 2010 in accordance with the terms and conditions set out below:

- (i) Transfer may be made of a maximum of 346,400 Billerud shares to be transferred to participants in the LTIP 2010.
- (ii) Transfer of shares shall be made free of charge at the time and in accordance with the conditions that the participants in LTIP 2010 are entitled to receive allotment of shares, i.e. after the publication of Billerud's first quarter report for the year 2013.
- (iii) Further, the Board of Directors shall have the right, prior to the Annual General Meeting of Shareholders 2011, to divest a maximum of 109,000 shares of Billerud's total own holding of Billerud shares, in order to cover certain costs (primarily social security costs) and to fulfill Billerud's responsibilities under LTIP 2010. Divestment of the shares under this item, shall be effected at NASDAQ OMX Stockholm at a price within the price interval registered at each time for the share.

The reasons for the deviation from shareholders' preferential rights are that it is an advantage for Billerud to transfer and divest shares in accordance with the above proposal in order to meet the requirements of the approved incentive program.

### **Majority Requirement**

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

### **Item 19**

The Board proposes that, in addition to the transfers of own shares as follows from items 17-18 on the agenda, 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.

### **Other**

To be valid, the Meeting's decision concerning item 17 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. To be valid, the Meeting's decision concerning item 18(a) 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 18(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 18 (b) is conditional on that the Board's proposal regarding the introduction of a long term incentive program has been approved by the General Meeting of Shareholders. The Meeting's decision concerning item 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 Nominations Committee's complete proposals for decisions for items 2 and 12-15 are stated above. The company's Annual Report and the Auditors' Report for the 2009 financial year and the complete proposals for decisions concerning items 10b and 16-19 will not later than on 20 April 2010 be made available by the company at its office on Gustav III:s Boulevard 18, 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).

Solna, March 2010

*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 to English. This service may be requested when attendance to the Annual General Meeting is notified.