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REPORT BY THE BOARD OF DIRECTORS OF BILLERUD AB (PUBL) IN ACCORDANCE WITH SECTION 10.3 OF THE SWEDISH CODE OF CORPORATE GOVERNANCE REGARDING THE REMUNERATION COMMITTEE'S EVALUATION

INTRODUCTION

The Remuneration Committee, which is established by the Board of Billerud AB (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 the remuneration of directors ("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 executive management consists of fixed salary, variable salary, long-term share based incentive programs and other benefits such as company cars and pension schemes. This remuneration is designed to motivate executives to do their utmost to secure shareholders' interests.

VARIABLE REMUNERATION

The variable remuneration of the Billerud management consists of a short term cash based variable remuneration program and a long term share based incentive program. These programs are drawn up with a purpose to promote the company's long-term value creation.

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 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 an existing long term share based incentive program, adopted by the 2010 Annual General Meeting ("LTIP 2010"). The program includes a maximum of 90 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 program has a vesting period of three years and is based on the condition of continued employment and the fulfillment of certain predetermined financial 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.

In 2010, a share based incentive program adopted by the AGM 2007 ("LTIP 2007") ended. LTIP 2010 was based essentially on the same principles as LTIP 2007. For further information on the LTIP 2007 and LTIP 2010, including information on the outcome of the LTIP 2007, 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 2010 of the CEO and other members of the executive management, the Remuneration Committee has established that all the objectives and target areas of 2010 in respect of the variable salary are considered as relevant. In 2010, the outcome of the variable cash based remuneration was 38.6 per cent for the CEO and 30.4 per cent on average for the management.

During January and February 2011, the Remuneration Committee carried out an evaluation of LTIP 2007, which ended in 2010, and of the existing LTIP 2010. The evaluation shows that the financial objectives of LTIP 2010 are considered as relevant. The evaluation also shows that a majority of the participants believe that the 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 2007 and LTIP 2010 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. The Board has therefore proposed to the 2011 AGM to introduce a new long term share based incentive program (LTIP 2011) based on the same principles as LTIP 2010, which has been designed and discussed in the light of this evaluation.

EVALUATION OF GUIDELINES FOR THE REMUNERATION OF DIRECTORS

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 2010 AGM.

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 senior management with high competence and skills to achieve the goals which have been set.

Billerud Aktiebolag (publ)
The board of directors
March 2011