



August 16, 2012

Dear Billerud shareholder,

Billerud is now going through its biggest changes ever. In 2012 it will make the transition from a medium-sized Swedish industrial group to a leading European player in packaging materials. In June, we concluded our acquisition of UPM's packaging paper business in Finland and our biggest-yet business transaction was announced — the combination of Billerud and Korsnäs, BillerudKorsnäs.

The acquisitions are part of our strategy to become a world-class packaging materials company. At a stroke, we will double in size and will gain a broader and more well-balanced product portfolio.

Throughout our 10-year history as a listed company, we have consistently pursued the goal of increasing the value-added share. In recent years, Billerud has established itself as a leading innovative company in packaging materials and packaging solutions. This has laid down excellent conditions for growth and expansion, not only in new geographical markets but also in new customer categories. We have also significantly reduced our former dependence on the business cycle for market pulp. Our focus is to deliver customer value via process efficiency and by developing packaging solutions and materials distinguished by insight, innovation and sustainability.

Billerud will effect the proposed combination between Billerud and Korsnäs, today a subsidiary of Kinnevik, by acquiring all shares outstanding in Korsnäs from Kinnevik. The purchase consideration will consist of new shares in BillerudKorsnäs and a cash payment. The combined company, BillerudKorsnäs, will also assume Korsnäs' net debt. On completion of the planned combination, Kinnevik will be the largest shareholder in BillerudKorsnäs. The combination with Korsnäs is conditional on approval by the relevant competition authorities and by the Extraordinary General Meeting (EGM) at Billerud, to be held on 14 September 2012.

As President and CEO of Billerud, I am very positive towards the proposed combination. It is my hope that you, as shareholder, will also view the combination in a similar light. For that reason, I would like to describe both Korsnäs and the reasons for the combination in slightly more detail.

Korsnäs, founded in 1855, is a highly specialised and very well positioned packaging materials business with annual sales of around SEK 9 billion. Historically, the company has reported high and stable profitability. It has a conscious strategy focusing on high value-added products and an extensive product portfolio especially in consumer packaging. The biggest product sector is cartonboard, primarily for beverage packaging, which represents a major global market with

This letter is not a prospectus. Its purpose is to serve as information to shareholders in Billerud AB (publ) (the "Company") regarding the proposed combination between Billerud AB (publ) and Korsnäs AB. This letter must not be made public, published or distributed, in whole or in part, directly or indirectly, in or into the United States, Canada, Japan, Hong Kong or Australia or in any other country where such publication or distribution would be in breach of applicable laws or regulations or would necessitate further documentation being drawn up or registered, or would necessitate any other action being taken, in addition to the requirements laid down by Swedish law.

good growth. Like Billerud, Korsnäs focuses on primary fibre from wood as raw material. Korsnäs operates two main production units in Sweden, at Gävle and Frövi. The proposed transaction also includes a 5% ownership stake in Bergvik Skog, one of the biggest forest-owners in Sweden, plus a majority holding in Latvian pellet manufacturer Latgran.

The operations of the two companies, Billerud and Korsnäs, complement each other very effectively and the combination is a natural progression for both companies. We are building a solid platform for further expansion in new markets, creating the scope for sustainable profitability in the future. The combination will deliver a comprehensive product portfolio in packaging paper, cartonboard and containerboard. Considerable synergies are expected, for example by consolidation of purchasing and optimisation of logistics and production processes. BillerudKorsnäs will also benefit from an extended knowledge base, enabling us to step up the pace of innovation and development of smart solutions for current and new customers. The objective is to create one of the most focused and innovative businesses in the packaging world, capable of long-term growth and high profitability, which will establish favourable conditions for enhancing shareholder value. BillerudKorsnäs will have annual sales of around SEK 20 billion, 4,400 employees and three business areas (Packaging Paper, Containerboard and Cartonboard).

The acquisition of Korsnäs will burden Billerud's otherwise strong balance sheet. To strengthen the capital structure and allow the new company a reasonable level of debt, Billerud's Board of Directors proposes that the Board should be authorised to carry out a new share issue with preferential rights for BillerudKorsnäs shareholders in the amount of around SEK 2 billion once the acquisition is completed, which is expected to occur during Q4 2012.

The EGM should, according to the Board's proposal, approve the acquisition of Korsnäs, resolve to authorise the Board to carry out a new share issue to Kinnevik as part of the purchase consideration in the acquisition of Korsnäs, resolve to authorise the Board to carry out a new share issue with preferential rights for BillerudKorsnäs shareholders and resolve to approve amendments to the Articles of Association, including change of the company's name to BillerudKorsnäs. Frapag, currently the largest shareholder in Billerud, will vote for the combination at the EGM and has undertaken to subscribe for its pro rata share of the rights issue. Kinnevik has undertaken to subscribe for shares corresponding to SEK 500 million in the rights issue.

To make it easier for you as shareholder to take a view on the resolutions proposed by the Board, an information package is available on www.billerud.com.

It is with great pleasure and confidence that I welcome you to the exciting developments at Billerud and invite you to attend the EGM to be held on 14 September 2012!

Yours sincerely,



Per Lindberg, President and CEO
Billerud AB (publ)

Billerud's EGM will be held at 3.00 p.m. on Friday, 14 September 2012 at Grünewaldsalen, Konserthuset, Stockholm, Sweden. For information on how to register to the EGM, please visit www.billerud.com
