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The Board of Directors of Billerud proposes long term incentive programmes to retain and motivate the employees

The Board of Directors of Billerud AB (publ) proposes implementation of an incentive programme for all employees with so called share matching, as well as an incentive programme with so called performance shares, comprising managers and key employees within the Billerud Group. The incentive programmes allow the participants to become shareholders by investing in Billerud shares.

The main objective of the proposed long term incentive programmes is to strengthen Billerud's ability to retain and motivate the employees. The incentive programmes aim to support the realization of Billerud's financial targets and commences in connection with the expiration of the Billerud Group's previous incentive programmes. The aim is further to motivate 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.

Share Match Programme for all employees

All employees within the Billerud Group are offered to participate in the proposed Share Match Programme. Participation in the programme assumes permanent employment as per May 16, 2007 whereas there are no other conditions to perform or act of the employee other than to remain employed. The employees in the Billerud Group have been divided into three different employment categories according to which the right to acquire shares is different. As a starting point, all employees have the right to acquire a maximum number of 150 Billerud shares, which will be locked in during the term of the programme. For each Billerud share the participant acquire and locks in, he/she will have the possibility during a period in 2010 to acquire one Billerud share for an exercise price equal to 40% of a reference price to be decided upon during the four trading days following Billerud's announcement of its first quarter report in the year 2007. This share is a Matching Share, which can be purchased if the participant remains employed within Billerud up to the first day for the exercise in year 2010.

Participants who are categorised as managers and key employees have, in place of the set number of 150 shares, the right to acquire Billerud shares to a maximum number based upon 10% and 7,5%, respectively, of their fixed salary as per yearend 2006 divided by the closing price or the Billerud share per March 13, 2007 (SEK 103.5), which shares allow the participant a similar right to acquire Matching Shares during a period in 2010.

Billerud is a packaging paper company. The company's business concept is to offer demanding customers packaging materials and solutions that promote and protect their products – packaging that is attractive, strong, sustainable and based on renewable materials. Billerud has a world-leading position within several product segment; within paper for consumer and industrial packaging. Production takes place at three integrated pulp and paper mills in Sweden and at one paper mill in the UK.

Performance Share Programme for managers and key employees

Managers and key employees, comprising a maximum of 69 persons, are offered to, in addition to their participation in the Share Match Programme, participate in the proposed Performance Share Programme.

For each Billerud share the participant acquire and locks in the programme, he/she will have the right to acquire a Matching Share in accordance with the terms and conditions of the Share Match Programme, as well as rights to, during the exercise period in 2010, acquire additional Billerud shares. These shares are Performance Shares, which means that in addition to the continued employment criterion, the possibility to acquire them depends on Billerud fulfilling certain financial targets. Rights to acquire Performance Shares are issued in several series with clear targets to be achieved.

In addition to the continued permanent employment criterion, the possibility to acquire Performance Shares is dependent on financial performance conditions which during 2007 are related to that Billerud's operating margin is between 7% and 11% and exceeds an industry average; during 2008 are related to that Billerud's operating margin is between 8% and 12% and exceeds an industry average; and that Billerud's total shareholder return (TSR) 2007-2009 has to exceed an index consisting of listed Nordic companies in the paper industry.

Joint terms and conditions

The exercise period, i.e. the period during which the locked in Billerud shares will give the participant the right to acquire Matching Shares and Performance Shares, respectively, is the day for announcement of the first quarter report in the year 2010 up to and including the thirtieth calendar day following Billerud's announcement of its first quarter report in the year 2010.

The profit per Matching and Performance share is capped to a maximum of SEK 150.

Hedging; Transfer of the Company's own shares

In order to implement the programme in a cost-efficient and flexible manner, the Board proposes that the programme will be hedged by the possibility for the board to enter into an equity swap agreement with a third party or to transfer the Company's own shares.

The proposal by the board means that the board is authorised to decide on transfer of a maximum of 905,000 Billerud shares to be transferred to participants in the incentive programmes during certain periods within the period commencing on and including May 16, 2007, up to and including 2010-12-31. It is further proposed that the Board shall have the right, prior to the Annual General Meeting 2008, to convey a maximum of 125,000 shares of the total possession of 1,910,000 shares, in order to cover certain costs, mainly social security costs.

The costs according to IFRS are expected to have a marginal impact on Billerud key ratios. The programmes are estimated to cost approximately SEK 26,5 millions, on an annualized basis equivalent to around 0.7% of Billerud's staff costs for the financial year 2006.

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Billerud AB (publ)

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