

Billerud develops  
materials for the  
packaging of the future

**ANNUAL REPORT 2010**



Billerud is a leading supplier of primary fibre-based packaging paper. Innovative solutions and expert support focus on meeting customers' growing demand for optimised packaging.



### THREE BUSINESS AREAS

Three business areas, four mills and eleven sales offices in ten countries provide 1 000 customers in 100 countries with products and services. Europe is Billerud's core market, while growth markets outside Europe account for approximately 20% of sales. The company's focus on sustainable, renewable packaging materials has been met with great interest and rising demand.



#### PACKAGING & SPECIALITY PAPER

Sales of sack and kraft paper chiefly for food packaging, paper carrier bags, sack solutions and industrial applications. The largest markets are Europe and Asia.

Read more on pages 24-27

**47%**

Share of Group net sales



#### PACKAGING BOARDS

Sales of containerboard (fluting and liner), liquid board and Cup Stock primarily as packaging for fruit and vegetables and consumer goods. Europe is the largest market.

Read more on pages 28-31

**28%**

Share of Group net sales



#### MARKET PULP

Sales of long-fibre market pulp, to tissue manufacturers and others. The largest markets are Europe and Asia.

Read more on pages 32-33

**20%**

Share of Group net sales



With sustainability top of mind, Billerud has its sights set on three growth areas.



### Food & Consumer Packaging

Replacing fossil plastics with paper in consumer packaging. Page 27.



### Fresh Foods

Cutting expensive packaging-related wastage in fruit and vegetables. Page 31.



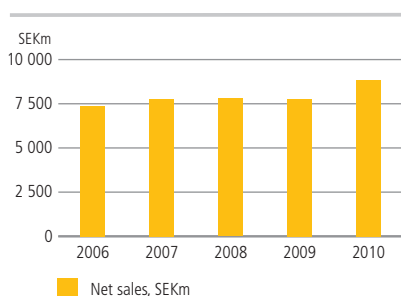
### Sack Solutions

Offering specially tailored sack concepts. Pages 26-27.

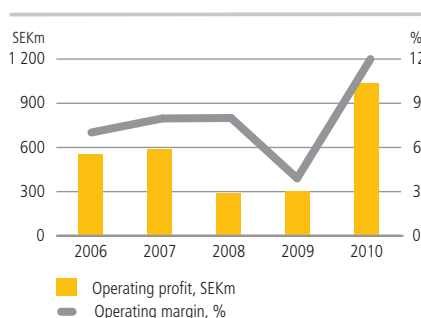
# 2010

- » Net sales rose by 14% to SEK 8 828 million
- » Operating profit improved by 246% to SEK 1 037 million, which equates to an operating margin of 12%  
The increase was mainly attributable to improved prices and a better product mix
- » Operating cash flow amounted to SEK 1 062 million (562)  
The increase was due to an improved operating surplus
- » The net debt/equity ratio was 0.03 (0.29)
- » The Board proposes a dividend of SEK 3.50 per share (0.50)
- » Billerud FibreForm® received several international innovation awards
- » Emissions of fossil carbon dioxide in the manufacturing process were 21% lower than in the base year 2008, exceeding the target for 2013

#### NET SALES



#### OPERATING PROFIT AND OPERATING MARGIN



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This document is a translation of the original, published in Swedish. In cases of any discrepancies between the Swedish and English versions, or in any other context, the Swedish original shall have precedence.

I am pleased, happy and impressed with the progress that we made in 2010. Demand for our products rose very strongly over the year, resulting in an operating margin of 12%. I interpret that as proof of how strong our customer offering is.

## STRONG POSITION FOR BILLERUD

The global economy picked up again. The Nordic region and Germany made good progress while the economies of Asia, large parts of the Middle East and North Africa continued to make even better progress. We supply all these markets and are naturally benefitting from the economic recovery. However, when I look at what happened within Billerud in 2010, I see even more reason to be pleased.

### OPERATING MARGIN WHERE IT SHOULD BE

With a figure of 12% in 2010, we have now achieved our target, set in 2006, of a 10% operating margin. It is pleasing that we met the target by a good margin, off the back of strong growth over the year in both of our paper segments. We managed to increase average prices in local currency for our papers by 15% compared to 2009 averages, which more than compensated for the higher cost of inputs, particularly wood. During the third and fourth quarters, the operating margin averaged 12% and 15% respectively in our business areas of Packaging & Speciality Paper and Packaging Boards.

### STRONG GROWTH IN PACKAGING PAPER

These positive results are due to a number of key factors.

Over the past ten years, sack paper has gone from an area where many players were cutting capacity to an area with an emerging global shortage. Demand for sack paper is being driven by growth in cement capacity and an ever-increasing focus on sustainability and the environment. The main demand is

for high-quality paper such as that provided by Billerud. With our focus on product development and sustainability, we are extremely well positioned in this area.

Fluting is another area that has been somewhat underrated in the packaging industry. Once again, we have shown that, through product development, we can make a major difference to the performance and environmental impact of packaging.

Taken as a whole, our products for consumer packaging and for industrial use are looking increasingly well positioned, as the drivers of cost reduction and environmental performance begin to bite. As a consequence, we are shifting more and more of our industrial product sales to Asia and focusing on the development of sustainable solutions for consumer packaging in Europe.

### NEW STRATEGIC POSITION

Our goal is to be a global leader in developing the packaging solutions and materials of the future. In recent years, we have therefore worked intensively to reposition ourselves from a production-oriented company to a customer- and solution-driven company in order to achieve a higher and more sustainable profit margin. I believe that in all value chains some positions are better than others. This will mean a closer long-term partnership with customers, more intensive product and business development and greater flexibility.

I have no doubt that Billerud's position is strengthened by its ability to offer products that have environmental sustainability at

their core. We need to continue developing our range of alternatives to traditional plastic in packaging. I have seen clear signs that our customers and the wider world appreciate the direction that Billerud is taking.

Over the year, we received awards for our new product Billerud FibreForm® in China (Technology Innovation Award) and at Salon Emballage in Paris (Coup de Coeur). Billerud FibreForm® has generated huge interest both from existing and potential customers, and is just one example of the opportunities that lie ahead.

We are also working on new packaging materials based on bioplastics, on packaging design and on packaging logistics. Our offering will continue to expand as customers demand new components.

### SUCCESSFUL NICHING STRATEGY

When sights are set on new territory, nobody can know how things will turn out. Sometimes it is only with hindsight that we can see how far we have come. Looking back on 2010, it is clear that we successfully broke new ground. This is particularly gratifying as our approach contradicts a widespread belief in the industry that upscaling is the key to success. I believe that success relies on a strong focus on one area – in our case, selected packaging segments – and on being the first to develop materials and solutions. Scale and capacity come in as stage two, once the positioning and focus are established, not as the first stage. In my opinion, this is where many in the industry have gone wrong.





**NET SALES GROWTH 14%**  
**OPERATING MARGIN 12%**  
**RETURN ON EQUITY 17%**



Focusing on developing niche products also means that we can view our production facilities in a slightly different light. The structure that we have in place, with numerous small machines, gives us a platform for developing exciting new products. We have high productivity and a good cost situation compared with our competitors, teamed with great environmental performance. As European energy systems are restructured and demand for renewable and sustainable materials increases, we see promising opportunities to develop our mills. I am pleased to announce that we have managed to cut emissions of fossil carbon dioxide in the manufacturing process by 21% compared with 2008, which takes us beyond our 15% target for cutting emissions by 2013. We will now have to revise our target.

#### **STRONG BALANCE SHEET**

Our balance sheet is strong, with a net debt/equity ratio of 0.03 at the end of the year. We thus have capacity to grow organically and through acquisitions, and work on both options is intense. But once again, an ambition to become larger must not pressure us into making investments and acquisitions that do not fit in with our strategy. Our areas of focus are Fresh Foods, Food & Consumer Packaging, and Sack Solutions.

I know that some players questioned the size of our rights issue in 2009, particularly considering the strength of our balance sheet now, but I still stand by that decision wholeheartedly. In 2009 we had no idea which way the world economy would go or how

long the recovery would take. Financing ourselves using more shareholders' equity made good sense under the circumstances. We now have a very strong position and I am convinced that we can generate a good yield on the capital that we manage.

#### **FOCUS ON SKILLS**

In order to meet future challenges, we have to be attractive to future employees. Saying that our people are our most important resource can sound like empty words, but it is absolutely true. And as such, we have spent the year bringing new talent on board at Billerud. We have new mill managers at all three Swedish mills, bringing considerable youth to some of our leading positions, as well as useful experience and new ways of thinking. We have also had our first trainee programme for 10 young graduates, which has proven very popular. It is both interesting and flattering to note that we had around 500 applicants for these 10 places, which shows just how attractive we are to students. In 2011 we will continue to strengthen our organisation with key appointments in the mills and business areas.

Skills development, leadership and work environment are areas that we are tackling on a broad front as an investment in the future.

#### **BUSINESS DEVELOPMENT CREATES VALUE FOR THE FUTURE**

Here at Billerud we have a clear commitment to sustainability. We already have a solid foundation with regard to the environmental

credentials of our products and we know that we are contributing to sustainable development. However, we are not going to leave it at that. We will be focusing even more on developing renewable materials as alternatives to traditional plastics and we will continue to invest in making our production more efficient in terms of energy and the environment.

I am confident that product development will successfully drive growth and profitability, but once again in 2011 we will avoid giving detailed profit forecasts, since history has shown how problematic such predictions can be with sharp shifts in costs and economic conditions. It is, however, my view that we will continue to create value in the future.

Solna, March 2011

Per Lindberg  
*President and CEO*

# VISION

We set the highest global standards for renewable, protective and attractive packaging solutions.



Billerud FibreForm® was launched in 2009 and has received several international innovation awards. With its revolutionary elasticity, the paper can be shaped and replace fossil plastics as a packaging material.

# BUSINESS CONCEPT

Billerud offers demanding customers packaging material and solutions that promote and protect their products – packaging that is attractive, strong and made of renewable material.



# STRATEGY

Billerud aims to lead the development of future packaging with a focus on function, design and sustainability.

2006 saw Billerud embark on its repositioning from a production-focused company to a customer- and solution-driven company with customer-focused development at its heart. This work has resulted in a continuously improving range of products and services that have enabled Billerud to break into new geographical markets and markets that were previously dominated by other packaging materials.

## NATURAL PARTNER

With Billerud repositioning itself in the value chain, the company is increasingly turning directly to end-customers, including brand owners, rather than just packaging manufacturers. Billerud has the packaging expertise to make a natural partner for customers and end-customers.

In order to offer innovative solutions, Billerud has set up several laboratories and development facilities to identify and solve the packaging problems of the future. Billerud continues to have high ambitions for future development. Demand for renewable, functional and attractive packaging is rising, creating large opportunities for Billerud.

## STRATEGY FOR GROWTH

Billerud's strategy is based on two cornerstones for generating growth – World-class process efficiency and Customer-focused development.

Billerud works constantly to increase process efficiency in order to ensure lasting competitiveness and to minimise any waste of resources in production.

Billerud's business development is based on customer insights and sustainability. If Billerud is to lead the development of future packaging, the company needs to understand and anticipate the needs of customers and end-customers at various stages, as well as the trends that dominate the market.

## THREE FOCUS AREAS

Billerud sees attractive growth potential in three main areas: Food & Consumer Packaging, Sack Solutions and Fresh Foods.

### Food & Consumer Packaging

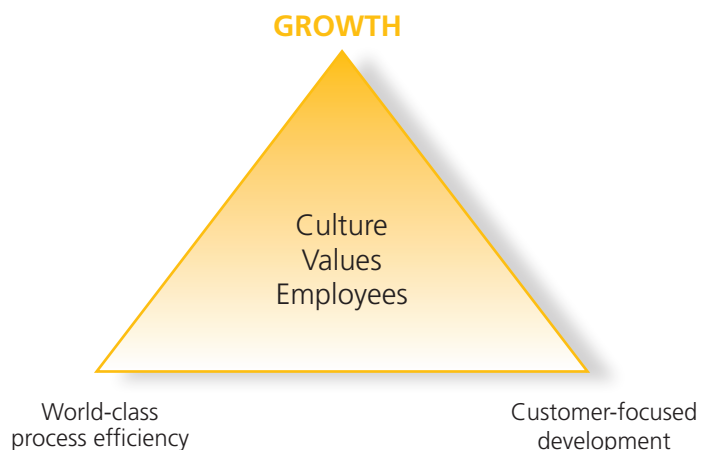
Customers and consumers prefer packaging made from renewable materials over fossil plastics. Billerud develops and offers renewable materials that are competitive alternatives to fossil plastics in consumer packaging. Page 27

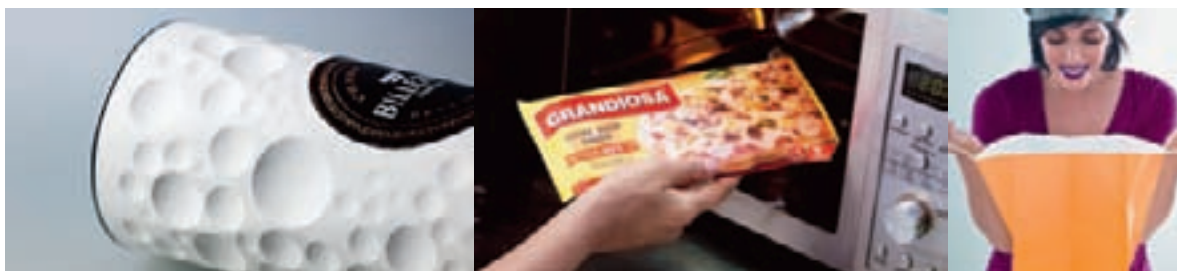
### Sack Solutions

Billerud has a leading position in the market for sack paper and is thus well positioned to develop and offer customer-specific sack concepts primarily for the growing global construction industry. Pages 26-27

### Fresh Foods

Every day tonnes of fresh produce are transported around the world, with a significant proportion never reaching the end-consumer. Inferior packaging is one cause of this loss. Billerud is helping to improve packaging for fruit and vegetables and so reduce expensive packaging-related wastage. Page 31





## CUSTOMER-FOCUSED DEVELOPMENT

### INNOVATION

By building up in-depth knowledge about the whole value chain, Billerud is able to offer innovative solutions to customers' packaging problems. Alongside technical advances, innovation is just as much about developing new business models and services. This work is conducted in cross-functional teams together with customers and suppliers, as well as stakeholders not usually associated with the forest industry.

#### IMPLEMENTED 2010

- Billerud FibreForm® received China's most prestigious industry accolade, the Technology Innovation Award, and the Coup de Coeur award at Europe's biggest packaging fair, Salon Emballage
- Billerud FibreForm® attracted several prestige contracts, including with well-known international retailers
- A new series of sack concepts was launched
- Billerud's development centre Box Lab scientifically proved the difference in durability and long-term performance between different grades of corrugated board
- New testing method CCT10 introduced to measure paper performance in corrugated board
- Launch of new packaging concepts made using paper and bioplastic from Billerud, including the new BioTex sack concept

#### FOCUS NEXT 5 YEARS

- Strengthen and develop implemented business development initiatives, for example by:
  - Producing innovative new packaging materials and solutions in partnership with brand owners and retailers
  - Continuing to develop Billerud FibreForm® to optimise its use in more segments
  - Continuing to work on producing bioplastic barriers that combine with paper to create a brand new degradable packaging solution
- Seek out acquisitions that may increase the pace of growth for business development initiatives
- Strive to take a position in the biorefinery field – production of forest-based fuels and new raw materials from the forest

### CUSTOMER FOCUS

By identifying and analysing customer and end-customer need for profitable packaging solutions, Billerud can provide better service to markets that demand a range of different packaging solutions and grades of paper.

Billerud continuously works on improving its customer structure. The aim is to increase the proportion of sales to consumer industries in order to reduce cyclical effects and thus ensure more stable growth and profitability in the long term.

#### IMPLEMENTED 2010

- Several industry seminars were organised, including for:
  - The sector for sugar, grain and flour packaging
  - The Asian and European sack industry
  - The corrugated board industry
- The packaging design company Nine TPP successfully increased end-customers' interest in eco-friendly packaging
- A new sales organisation, Sustainable Packaging Solutions, was formed to increase the focus on end-customers
- The proportion of end-customer contacts rose markedly, ensuring a better platform for continued product development
- Increased sales to the consumer sector tissue

#### FOCUS NEXT 5 YEARS

- Increase sales to consumer segments in Europe and to industry in Asia and the Middle East
- Increase focus on end-customers
- Continue optimising the customer and market mix

### SUSTAINABILITY

Billerud's processes are dominated by sustainable production from tree to finished product and on to customer delivery. By working with a natural and renewable raw material, Billerud helps to create sustainable development of the earth's resources. Smart energy solutions and sensible use of resources are key factors for the company's profitability as well as for global climate change.

#### IMPLEMENTED 2010

- Launch of new, fully degradable packaging concepts made using paper and bioplastic from Billerud
- Increased marketing of Billerud FibreForm®, which can be shaped into three-dimensional packaging, has opened up new scope to manufacture climate-smart packaging solutions
- In order to increase the proportion of certified wood raw material, Billerud developed a system for certifying individual forest owners, a system that is set to be approved in 2011

#### FOCUS NEXT 5 YEARS

- The materials and solutions offered to customers must be eco-friendly and resource-efficient
- Lower emissions of fossil carbon dioxide in the manufacturing processes and in transport
- Ongoing assessment of business partners from a sustainability perspective
- Further improve the work environment, with safety as a key aspect
- The organisation must have diversity at all levels
- Further improve employee skills and focus on leadership development





Successful business development drives growth and improves profitability

## WORLD-CLASS PROCESS EFFICIENCY

### PROCESS EFFICIENCY

Billerud works systematically to improve process efficiency and cost-efficiency to ensure long-term competitiveness and the ability to generate stable cash flow. Focus on quality at every level and on the development of suppliers of additives and logistics will contribute to the efficiency.

#### IMPLEMENTED 2010

- New logistics system implemented
- Introduction of new production monitoring system started
- New method of preparing and following up investments implemented to ensure efficient use of capital
- Group-wide code structure for financial reporting drawn up
- Continued work on improvement programme
- New production organisation with increased focus on process efficiency introduced
- New mill managers appointed at all three Swedish mills
- Measures for more efficient utilisation of capacity at the mills in Skärblacka and Gruvön were identified and decided on

#### FOCUS NEXT 5 YEARS

- Continued energy efficiencies
- Increased production by identifying and eliminating bottlenecks
- Modernising chemical recovery at the mill in Skärblacka
- Continued improvements in delivery reliability
- Continued quality improvements to the customer offering
- Improvement and provision of skills



Billerud regularly meets its customers to discuss solutions and future development opportunities. Customers include packaging manufacturers and brand owners.

Billerud will create value for shareholders and other stakeholders through sustainable profitability and growth. The business is driven by financial targets and sustainability targets.

## BILLERUD'S TARGETS





## FINANCIAL TARGETS

### ORGANIC GROWTH

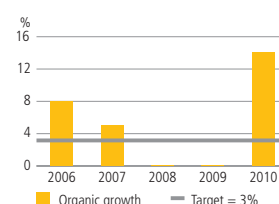
3%

The company's target is to establish long-term organic growth in the order of 3% per year from 2008 onwards.

Growth will be generated from increasing the proportion of paper in relation to market pulp, improving the product mix and customer structure and from new growth projects in the value chain.

#### Performance 2010

Organic growth was 14% in 2010, compared with 0% the previous year. During a five-year period, the annual growth rate has been approximately 5%.



### OPERATING MARGIN

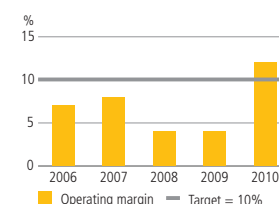
≥10%

Over an economic cycle, the operating margin should be at least 10%.

Historically, the development of the pulp and paper industry has followed a cycle with corresponding swings in the earning capabilities of the actors in the industry. When setting a profit target for Billerud, the Board of Directors considered the company's profit history, average exchange rates and price trends for pulp and paper in recent years.

#### Performance 2010

The operating margin was 12% in 2010, compared with 4% the previous year. The increase was mainly attributable to improved prices and a better product mix.



### RETURN ON INVESTMENTS

>  
WACC

Completed investments are to provide a return that is significantly above the weighted average cost of capital (WACC).

Billerud is to ensure a return on investment that meets the demands of shareholders while more than covering the company's costs for liabilities. In practice the company will apply different return requirements depending on the risk level of the investment, with a basic requirement that return on investment is significantly above WACC.

#### Performance 2010

Return on capital employed was 21% in 2010, exceeding the company's WACC of 11%.



### NET DEBT/EQUITY RATIO

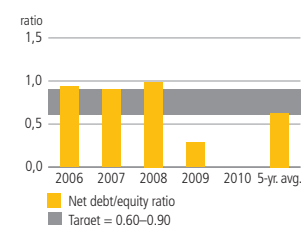
0.6  
–0.9

Over an economic cycle, the net debt/equity ratio should be between 0.6 and 0.9.

Billerud's business is influenced to a large extent by general economic conditions, which means that the operating risk is considerable. Strengthening the financial position in good years is therefore essential in order to sustain the company in bad years.

#### Performance 2010

The net debt/equity ratio was 0.03 in 2010, compared with 0.29 in the previous year.



### DIVIDEND POLICY

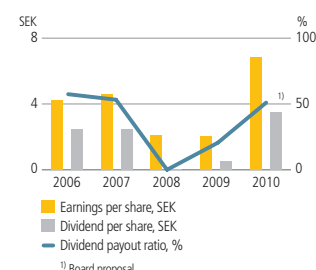
50%

Over an economic cycle, the dividend should average out at 50% of net profit.

The dividend paid to shareholders will be dependent on, among other factors, Billerud's profit level, financial position and future development opportunities.

#### Performance 2010

The Board's proposal at the 2011 AGM is for a dividend per share of SEK 3.50, which equates to a dividend payout ratio of 51%.



<sup>1)</sup> Board proposal



## SUSTAINABILITY TARGETS

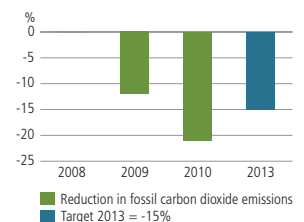
### EMISSIONS OF FOSSIL CARBON DIOXIDE IN THE MANUFACTURING PROCESS

-15%

Emissions of fossil carbon dioxide from the manufacturing process per tonne of product will be cut by 15% by 2013 (base year 2008). Emissions of fossil carbon dioxide are considered to have a major impact on climate change. Billerud's aim is to cease using fossil oil in manufacturing processes in the long term.

#### Performance 2010

Emissions of fossil carbon dioxide per tonne of product were 21% lower in 2010 than in the base year of 2008. Since the 2013 target for reducing carbon dioxide has now been met, it will have to be set at a new, even higher, level.



### TRANSPORT

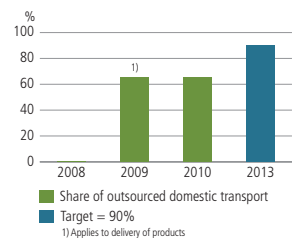
90%

90% of outsourced domestic lorry transport is to be carried out by drivers trained in eco-driving by 2013.

Billerud is to develop the most efficient transport solutions possible for raw materials and other materials into factories and products out of factories, with a view to cutting emissions of fossil carbon dioxide from transport.

#### Performance 2010

During 2010, 70% of Billerud's deliveries of pulp and paper within Sweden and 59% of domestic deliveries of wood to Billerud's mills were transported by drivers trained in eco-driving.



### BUSINESS PARTNERS

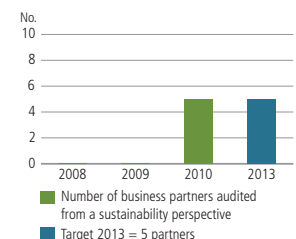
≥5

At least five business partners must be audited annually from a sustainability perspective.

In addition to being evaluated on the basis of commercial targets, business partners must also be evaluated from an environmental and social perspective. The aim of the audit is to increase business partners' insight into the importance of continuing to make progress in these areas.

#### Performance 2010

Five business partners were audited in 2010. The assessment showed that transport partners have developed better systems for reporting actual carbon emissions for transporting loads, as well as providing online information for drivers regarding energy consumption. Audited chemical suppliers have set goals for reducing energy consumption.



### WORK ENVIRONMENT AND SAFETY



The number of work-related accidents is to fall constantly through a focus on safety and through incident reporting on an ongoing basis.

A safe and smoothly functioning workplace is always paramount. Billerud works continuously to develop a culture that will prevent all work-related accidents in the long-term.

#### Performance 2010

There were 43 work-related accidents leading to sick leave, an increase of 17 on the previous year. A hard-hitting push to break the trend will be carried out in 2011.







## DIVERSITY AND EQUALITY

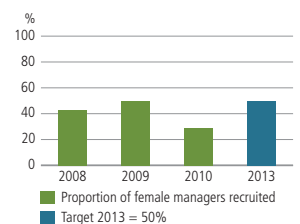
50%

50% of the managers recruited during 2013 must be women (managers refers to everyone in a position of leadership).

It is important for Billerud to create an organisation that makes the most of the full potential of its employees, irrespective of their sex, age or ethnic background. This diversity must be found at all levels in the organisation.

### Performance 2010

In 2010, 29% of managers recruited were female, compared with 50% in the previous year.



## SKILLS

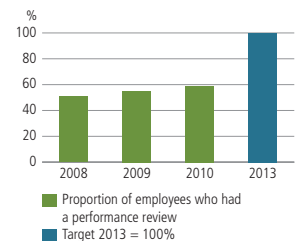
100%

All employees must be able to develop their skills and receive personal feedback on their development and performance.

Since skills are such a key factor for motivated employees, improving skills is a constant area of focus.

### Performance 2010

In 2010, 59% of employees received personal feedback in a performance review, compared with 55% in the previous year.

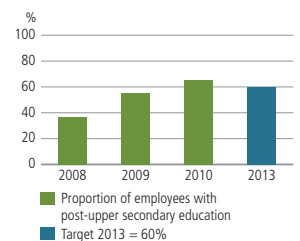


60%

60% of the employees recruited in 2013 must have completed post-upper secondary education.

### Performance 2010

The proportion of new recruits with post-upper secondary education rose to 65% in 2010, compared with 55% in the previous year.



## LEADERSHIP

100%

All managers must receive personal feedback on their leadership and access to tools to help them develop.

The world around us is constantly changing and this demands modern, situational leadership. This means that leadership development is a prioritised and strategic issue that will contribute towards the company's success and profitability.

### Performance 2010

One way of providing managers with feedback is the staff survey carried out every two years. In 2010, 66% of managers received feedback on their leadership through this survey, compared with 62% in 2008.



3

When recruiting managers, three candidates must always be internal to increase development opportunities and internal mobility.

### Performance 2010

When recruiting managers in 2010, an average of 2.2 candidates were internal applicants compared with 1.8 in the previous year.



Billerud offers the global packaging market innovative and sustainable products and services. The Group has a leading position in primary fibre-based packaging paper and a growing share of the bioplastic market. Packaging is a growth market and its importance to brand owners and consumers is on the rise.

## MARKET AND **TRENDS**





Around 10% of the fruit and vegetables transported in Europe never reach the end-consumer and one reason for this wastage is inferior packaging. Effective management of resources is becoming increasingly important and packaging plays a significant role in ensuring that the contents are protected. High-quality packaging has both financial and sustainability benefits.

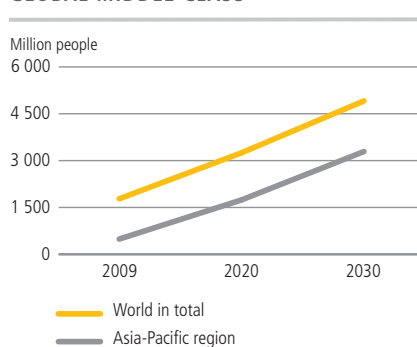
The global packaging market saw an upturn in 2010 after falling back in 2009. Billerud estimates that the market grew by 3% to around USD 580 billion.

According to Pira International Ltd, the market is expected to rise to USD 740 billion by 2014, representing forecast growth of about 6% year on year. Since 2004, the market has shown annual growth in real terms of around 4%.

#### STEADY GROWTH FOR PACKAGING

The packaging market is expanding faster in growth regions such as Asia and the Middle East than in Europe and North America. Figures from the World Packaging Organisation show that packaging consumption in the growth regions has risen by about 7% per year since 2003. China is the third largest packaging market after the USA and Japan, accounting for almost a 10th of the global market. Growth in Europe and North America is more modest, at an average of around 3% per year, with major variations between countries and regions. Since 2003, the annual growth for packaging consumption in Eastern Europe has been more than double that of Western Europe.

#### GLOBAL MIDDLE CLASS



Middle class is defined as people in households with daily expenditures between USD 10 to USD 100 per person in purchasing power parity terms.

Source: OECD 2010.

#### Three drivers

There are three main drivers affecting the development of the packaging market: globalisation, increased prosperity and changing patterns of consumption.

With production and consumption taking place in very different locations, globalisation has brought about a rise in transport needs. Optimum transportation of goods depends on good packaging that is fit for purpose.

Global prosperity is increasing and growth economies are approaching the levels of consumption and demand in the Western world. According to the OECD, the global middle class in the Asia-Pacific region is expected to increase from 0.5 billion people in 2009 to 3.2 billion in 2030. Increased production and consumption also brings an increased need for packaging.

Finally, patterns of consumption and purchasing are changing in the Western world. Take-out food and drink as well as online shopping are further increasing demand for packaging.

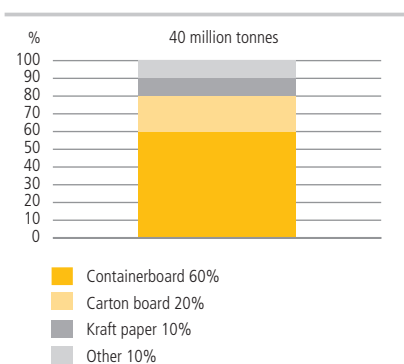
#### STRONG TREND FOR PAPER

Demand for packaging paper is driven primarily by four trends: increased demand for sustainability and product optimisation, plus an increased focus on product differentiation and product safety. Demand for bioplastics is driven mainly by an increased awareness of the negative environmental impact of fossil plastics and a desire to convert to degradable materials.

#### Renewable material attractive

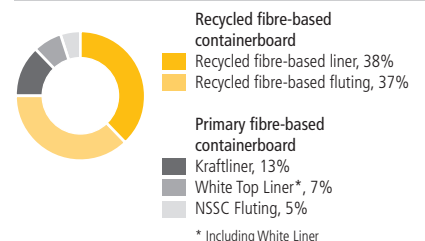
Today's customers and consumers are increasingly keen on a sustainable society and prefer packaging made from sustainable materials. According to an IPSOS survey from 2007, 87% of consumers in Europe preferred paper to plastic in their packaging. And yet paper accounts for only 12% of the flexible packaging market in Europe, making the difference between supply and demand for paper and plastic the reverse of what it should be.

#### PACKAGING PAPER IN EUROPE



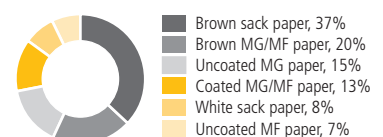
Source: European Pulp and Paper Industry, CEPI Eurokraft 2008, Billerud.

#### CONTAINERBOARD IN EUROPE 23 MILLION TONNES



\* Including White Liner

#### KRAFT PAPER IN EUROPE 3.5 MILLION TONNES



Source: European Pulp and Paper Industry, CEPI Eurokraft 2008, Billerud.





Billerud is well placed to benefit from increasing demand for sustainable packaging. According to an IPSOS survey from 2007, 87% of consumers in Europe preferred paper to plastic in their packaging. And yet, paper accounts for only 12% of the flexible packaging market in Europe.

Political moves are promoting renewable alternatives. Many countries are taking strong action to reduce the amount of plastic, above all the use of fossil plastic carrier bags, which is increasing demand for paper and bioplastics.

Particularly in Asia, there is very large potential for the sale of packaging paper and bioplastics, since fossil plastics currently have a dominant position as a packaging material.

#### **Right quality crucial**

More and more packaging manufacturers, brand owners and food retailers are appreciating the value of high-quality packaging to protect their products. Around 10% of the fruit and vegetables transported in Europe never reaches the end-consumer and one reason for this wastage is inferior packaging. Both the financial and environmental cost will be high if packaging cannot carry out its most fundamental task of protecting goods. Using primary fibre in paper makes packaging strong enough to survive the stresses to which it is exposed. A primary fibre-based box can also be made lighter, with the same or better function and strength, compared with packaging made from recovered fibre-based paper. Good packaging quality also brings with it increased profitability for the various players in the chain – the packaging manufacturers, logistics companies, brand owners, retailers and consumers.

#### **Packaging communicates**

The battle for consumer attention in store is becoming ever tougher, with more and more brand owners seeing packaging as an effective marketing channel. Packaging innova-

tion is thus becoming increasingly important to brand owners as a way of differentiating their products from the competition. The performance of the packaging material is critical for sales, since consumers reject broken or damaged packaging on the shelves.

#### **Product safety critical**

Packaging that comes into close contact with food and medicine has long required certification in order to be sold within the EU. It is generally the case that the paper has to be made from primary fibre. Europe is driving the Asian trend towards similar safety requirements, particularly with regard to medical items manufactured in Asia for export to the EU.

#### **THE TRENDS FAVOUR BILLERUD**

As a supplier of primary fibre-based packaging paper, Billerud is well placed to benefit from the underlying drivers in the packaging market and the trend for renewable packaging materials. There is also much greater quality awareness in the packaging market. An increasing number of companies are demanding strong, primary fibre-based materials that form sustainable packaging, reduce losses along the logistics chain and contribute to increased profitability.

#### **A strong position in a growing market**

Western Europe is Billerud's biggest market, and Asia the second largest. A large part of Billerud's brown sack paper heads to growth markets in Asia and North Africa, and the company is also serving a growing market for containerboard in South America.

Billerud is a quality leader for several products, including sack paper, where the company is a market leader in high-porosity

brown sack paper to Asia, and primary fibre-based fluting, where Billerud is the biggest player in Europe. The market for kraft paper, which is used for consumer products among other things, is relatively consolidated when it comes to carrier bags, sugar and flour packaging, but is more fragmented for MG paper, where Billerud for uncoated white MG has a market-leading position.





Billerud operates in the global packaging market. The company has 11 sales offices in ten countries, providing 1 000 customers in 100 countries with products and services.



Billerud has sales offices in the following cities

- Stockholm
- Hamburg
- Nottingham
- Paris
- Amsterdam
- Barcelona
- Milan
- Dubai
- Shanghai
- Jakarta

#### EUROPE



**77%**  
Share of Group net sales

The European market is growing through the changing patterns of consumption and purchasing. The increasing environmental awareness of consumers is promoting renewable materials such as paper over materials based on fossil fuels. The Mediterranean region is an important exporter of fruit and vegetables, which generates demand for activities that improve the quality of packaging for fruit and vegetables.

#### ASIA



**12%**  
Share of Group net sales

With greater prosperity, certain Asian countries are approaching Western levels of consumption and demand, which in turn is increasing the need for packaging. Fossil plastics are the dominant material in consumer packaging in Asia and in sacks in China and India, so there is considerable potential to replace fossil plastics with renewable materials such as paper.

#### SOUTH AMERICA



**2%**  
Share of Group net sales

Countries such as Brazil are important exporters of fruit, which generates demand for activities that improve the quality of packaging for fruit.

#### AFRICA



**7%**  
Share of Group net sales

In North Africa, cement is usually packed in 50 kg sacks, even for major construction projects, making the region an important market for brown sack paper. North Africa is also an exporter of fruit and vegetables, which generates demand for activities that improve the quality of packaging for fruit and vegetables.

## OVERVIEW – BILLERUD'S PRODUCT MARKETS

	PRODUCTS AND BRANDS	CUSTOMERS	DRIVING FORCES
PACKAGING & SPECIALITY PAPER	<b>KRAFT PAPER</b> (20% of volumes)  FibreForm® Medikraft® Sterikraft®	<b>Producers of packaging for the food industry – 58% of volume</b> <ul style="list-style-type: none"> <li>• Flour, sugar, grain, muesli bags</li> <li>• Spice bags, powdered foods</li> <li>• Paper carrier bags</li> </ul> <b>Producers of industrial applications – 42% of volume</b> <ul style="list-style-type: none"> <li>• Interleaving paper for steel</li> <li>• Medical packaging</li> <li>• Silicon base paper</li> </ul>	<b>Increased demand for kraft paper</b> <ul style="list-style-type: none"> <li>• Environmental awareness and political decisions against plastic are increasing interest in paper solutions and renewable materials</li> <li>• Increased demand for product optimisation</li> <li>• Prosperity is increasing and driving demand for hygiene products, medical products and disposable consumer packaging</li> <li>• The economic growth in Asia is driven by manufacturing, with China now the world's biggest steel producer</li> <li>• Increased demand for attractive packaging</li> </ul>
	<b>SACK PAPER</b> (20% of volumes)  QuickFill®	<b>Sack manufacturers that supply producers of powdered goods such as</b> <ul style="list-style-type: none"> <li>• Building materials</li> <li>• Minerals and chemicals</li> <li>• Food</li> </ul> <b>The cement industry with its own sack production and integrated filling processes</b>	<b>Good sack quality provides greater profitability</b> <ul style="list-style-type: none"> <li>• Increased construction in growth regions boosts demand</li> <li>• Requirements for cost reduction, improved functionality and more rapid air release boost demand for high-porosity sack paper</li> <li>• Increased in-store sales place greater demands on the appearance and printability of sacks</li> </ul>
PACKAGING BOARDS	<b>FLUTING</b> (25% of volumes)  Billerud Flute®	<b>Producers of</b> <ul style="list-style-type: none"> <li>• Packaging for fruit and vegetables</li> <li>• Packaging for components for the car industry, white goods and electronics</li> <li>• Directly-packaged fast food</li> <li>• Shelf-ready packaging solutions</li> </ul>	<b>Strong structure cuts wastage</b> <ul style="list-style-type: none"> <li>• Increased demand for stronger packaging that protects the goods</li> <li>• Increased awareness of the importance of packaging for the environment</li> <li>• Globalisation has brought about increased transport of goods</li> </ul>
	<b>LINER</b> (9% of volumes)	<b>Producers of packaging such as</b> <ul style="list-style-type: none"> <li>• Corrugated board</li> <li>• Luxury and gift items</li> <li>• Fast food</li> <li>• Shelf-ready packaging</li> </ul>	<b>Increased focus on sales value of packaging</b> <ul style="list-style-type: none"> <li>• Consumers' volatile purchasing choices require packaging with excellent printability that stands out on the store shelf</li> <li>• Increased demand for sustainable packaging solutions</li> <li>• Primary fibre-based liner cuts material consumption</li> <li>• Greater focus on product safety and hygiene</li> </ul>
	<b>LIQUID BOARD</b> (2% of volumes)	<b>Producers of portion-packed drinks</b> <ul style="list-style-type: none"> <li>• Milk</li> <li>• Juice</li> </ul>	<b>Increased demand for portion-packed drinks</b> <ul style="list-style-type: none"> <li>• Rising global prosperity and new consumption patterns are increasing demand for portion-packed drinks</li> </ul>
	<b>CUP STOCK</b> (1% of volumes)  Billerud Pure Board®	<b>Producers of disposable cups mainly for drinks</b>	<b>Increased demand for disposable cups</b> <ul style="list-style-type: none"> <li>• Changed consumption patterns with higher sales of take-away drinks</li> </ul>
	<b>NORDIC LONG-FIBRE BLEACHED SULPHATE PULP</b> (23% of volumes)	<b>Producers of</b> <ul style="list-style-type: none"> <li>• Hygiene products (tissue)</li> <li>• Writing and printing paper</li> <li>• Packaging paper</li> <li>• Speciality products such as air filters for cars</li> </ul>	<b>Primary fibre ensures high quality</b> <ul style="list-style-type: none"> <li>• Long-fibre sulphate pulp results in good strength and good runability at the paper mills</li> <li>• Billerud's pulp is an eco-friendly alternative for environmentally certified products</li> </ul>



## MARKET AND CAPACITY

## OUR POSITION

## MAIN COMPETITORS

### 2010: Stable position and good price structure

- The market for products relating to retail are relatively consolidated (MF paper). The market for packaged food and industrial applications is more fragmented
- Good progress over the year and strong demand in all markets
- Improved prices in all business segments

### Long term: Favourable conditions for kraft paper

- Greater global prosperity raises consumption and demand for packaging
- Increasing demand for renewable materials
- Continued drive to reduce amounts and weights of packaging
- More and more countries are introducing restrictions on plastic carrier bags

Leading producer of strong, high-quality kraft paper.

### Market share:

25% for uncoated white MG paper <sup>1)</sup> and 24% for uncoated white MF paper in Europe. <sup>2)</sup>

### Packaged food:

Highly fragmented market. Main competitors are Mondi and UPM

### Carrier bags:

UPM, Korsnäs

### Industrial applications:

Ahlstrom, Arjowiggins, Mondi, Nordic Paper, Paper Ararar, UPM

### 2010: Strong demand in growing market

- The growth regions continued to see a strong growth in the construction market, which increased demand primarily for brown sack paper
- The European market is choosing white sack paper to improve attractiveness in in-store sales

### Long term: Continued growth in demand globally

- The construction industry is expected to continue growing globally, not least in Asia, North Africa, Latin America and the Middle East
- Continued consolidation of both the sack and sack paper industry is expected in Europe

Market leader in high-porosity brown sack paper and the largest producer of white sack paper globally.

### Market share:

25% of white sack paper and 4% of brown sack paper in the global market. Close to 20% global market share of the high-end segment of functional and cost-efficient brown sack paper. <sup>2)</sup>

### Brown sack paper:

Mondi, Segezha, Smurfit Kappa

### White sack paper:

UPM, Korsnäs, Canfor

### 2010: Strong demand and stable market

- Improved prices and rising demand
- Sales of fruit and vegetables are less sensitive to economic fluctuations
- More customers are seeing the added value of high-quality packaging
- Reduced production capacity since one producer shut down their production in 2010

### Long term: Major potential for growth

- The demand for strong packaging is being pushed up by rising populations, stricter environmental requirements and a greater focus on profitability and reducing wasteful use of resources
- Increased globalisation has led to increased transport of goods
- New markets in South America offer great growth potential

Quality leader and market-leading producer in top segment with strong position in fruit and vegetables.

### Market share:

42% of primary fibre-based fluting in Europe. <sup>3)</sup>

### Stora Enso

Powerflute Oy  
Mondi Swieci

### 2010: Demand still good

- Greater focus on smart and attractive boxes strengthens the product
- Stable customer relations and more stable demand

### Long term: Outlook still good

- Increased focus on material savings, packaging appearance and good quality ensures continued stable development
- Product safety is expected to be a future issue, which bodes well for demand for primary fibre-based liner

Leading supplier of low grammage pure white liner. A small number of specialist players in the market.

### Market share:

Around 70% in Europe. <sup>4)</sup>

### M-real

Korsnäs  
Mondi  
UPM

### Short and long term: Increased global prosperity boosts demand

- Increased prosperity in Asia and elsewhere is leading to greater consumption of individual packs

Leading supplier of raw materials for individual drink packaging in lower grammage segment.

### Korsnäs

### Short and long term: Changing patterns of consumption are driving demand

- Broad demand and few suppliers
- Promising future segment, the market is forecast to increase steadily

New product launched in 2009.

### Stora Enso

### Short and long term: Positive position in the global market

- The market for Nordic long-fibre market pulp remains fragmented
- Increased global demand
- Limited addition of new capacity for long-fibre market pulp
- Changed communication patterns are having a negative impact on printing and writing paper but increased demand for hygiene products in Asia is compensating for this

Strategic supplier to large parts of the European paper industry. Many years of business relations with and geographic proximity to customers who have high quality demands.

Södra  
Stora Enso  
Botnia  
Mercer Group

<sup>1)</sup> The principle for calculating market share for uncoated white MG paper has changed since the 2009 annual report. Formerly, the figure was based on CEPI Eurokraft's statistics, which only include around half of the market. Billerud's market share in 2010 was 50% according to CEPI Eurokraft.

<sup>2)</sup> Source: CEPI Eurokraft 2010, Billerud

<sup>3)</sup> Source: CEPI Containerboard Organisation 2010

<sup>4)</sup> Source: Billerud 2010

Innovation is a core focus at Billerud, which constantly works to develop products and services that add value for customers. Successful business development drives growth and improves profitability, which in turn creates value for shareholders.

## FOCUS ON INNOVATION

The aim of Billerud's business development work is to drive growth and improve profitability. Tomorrow's packaging solutions are created by constantly developing products and services with greater added value for customers as well as lower production costs. Alongside technical advances, innovation is just as much about developing new business models and services.

Billerud's business model is based on a holistic view of the entire value chain for packaging. In order to stay at the cutting edge of business development, it is crucial for Billerud to identify the changing needs and demands of customers and end-customers – both in financial and sustainability terms. Innovation is the key if Billerud is to continue differentiating itself from its competitors.

### KNOWING THE WHOLE VALUE CHAIN

The strength of Billerud's business development lies in combining resources from many different parts of the organisation. Specialists from different departments form segment teams with combined knowledge of the whole chain from paper production to end-customer. The method of forming networks also helps to make the whole of Billerud customer-focused.

Product development also takes place in close collaboration with customers and suppliers, as well as stakeholders not usually associated with the forest industry, such as design agencies, brand owners and super-market chains. Billerud also works with research institutes and universities.

### STRONG MARKET POSITION CREATES OPPORTUNITIES

Several of the markets and value chains where Billerud is active are fragmented, which offers opportunities for new approaches and total solutions. By using its strong position in some segments, Billerud can develop business opportunities and offer new, more comprehensive packaging solutions.

### SUCCESSFUL BUSINESS DEVELOPMENT – BILLERUD FIBREFORM®

Billerud FibreForm® has a unique elasticity that enables it to replace other packaging materials, not least fossil plastics, in various areas. Customers and end-customers have shown great interest in Billerud FibreForm®, which was launched in 2009 and whose applications have included food packaging. Read more on page 27 about why Marks & Spencer chose Billerud FibreForm®. Billerud FibreForm® has received several international awards as an innovative packaging material, including China's most prestigious

industry accolade, the Technology Innovation Award, and the Coup de Coeur award at Europe's biggest packaging fair, Salon Emballage.

### LABORATORIES ADD VALUE

Billerud has several laboratories and development facilities that test performance of customer packaging, helping customers and end-customers to minimise packaging-related losses and increase the value of sales. The laboratories also develop the packaging solutions of tomorrow, with a focus on function, design and sustainability.

**ADDED  
VALUE  
FOR THE  
CUSTOMER**

**BUSINESS DEVELOPMENT**

Billerud works constantly to develop its offering in order to create added value for the customer. It is therefore crucial for Billerud to identify the changing needs and demands of customers and end-customers – both in financial and sustainability terms – in order to successfully develop the packaging solutions of tomorrow.





### PACK LAB

supplies converters and brand owners with packaging knowledge and shows how the right design, construction and material choice improves the performance of different packaging solutions and carrier bags.



### SACK LAB

helps customers and end-customers to optimise their processes through better paper choice and sack design. The laboratory tests and analyses sacks and provides suggestions for new and improved sack solutions.



### BARRIER LAB

tests and analyses barrier properties in order to improve packaging barriers.



### SEAL LAB

provides services which give manufacturers of medical items a better seal in packaging where paper is combined with plastic film.



### BOX LAB

assesses the function and performance of corrugated board boxes, primarily for packaging fresh produce, on behalf of corrugated board producers and brand owners. Based on the results of these tests, the right material choice is made and the structural design improved to create a packaging solution that minimises wastage, cuts environmental impact and saves money.



### NINE TPP

specialises in designing and developing packaging. With Nine TPP, Billerud has managed to bring expertise in material choice, packaging, design, brand exposure and logistics under one roof. Nine TPP is a joint venture owned by Billerud together with design agency No Picnic.



### FRESH SERVICES

works to minimise packaging-related wastage along the delivery chain for fruit and vegetables by optimising the packaging. Fresh Services carries out quality measurements, using sensors and other means, to understand where in the delivery chain the contents inside the packaging are being damaged.



### BILLERUD TENOVA

develops biodegradable plastics based on renewable raw materials, thus strengthening Billerud's offering in renewable packaging materials. The combination of paper and bioplastic paves the way for new environmentally neutral packaging solutions.

## VALUE CHAIN



### PURCHASING OF WOOD

Wood raw material purchases for Billerud's mills are bound by the company's rules on environmental responsibility.

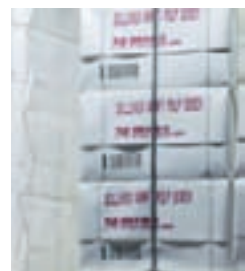
**Customers:** When purchasing standing forest, Billerud sells the sawtimber to sawmills.



### PULP

Development, manufacture and sale of primary fibre-based, long-fibre pulp, Northern Bleached Softwood Kraft (NBSK).

**Customers:** Producers of tissue, board, packaging paper, writing and printing paper, and speciality products.



## FULL CONTROL OVER PRODUCTION ENSURES HIGH QUALITY

Billerud's packaging paper and pulp are made from the strongest fibre around – 100% primary fibre from slow-growing Nordic forests. All the products provide premium quality, which is maintained in part due to Billerud's complete control over the whole production process.

Billerud's pulp is used primarily in the company's own paper manufacturing. The surplus pulp that Billerud does not use is sold mainly to manufacturers of tissue, printing paper and writing paper. Billerud has a broad product range comprising advanced technical kraft paper, sack paper, liquid board and containerboard. On top of this are all the value-adding services and solutions that meet customer demand for optimised packaging.

### QUALITY-ASSURED PURCHASES

To ensure the purity of the paper, Billerud carefully checks both chemicals and raw materials, with wood raw materials being the largest input. Billerud does not own any forest of its own; instead it buys all its wood raw materials on the timber market. Billerud Skog is responsible for the procurement of the fibre and biofuel for Billerud's mills and for ensuring that the company's guidelines on environmental responsibility are adhered to. Approximately 42% of the total volume purchased comes from FSC and/or PEFC-certified suppliers. The remainder meets the criteria for FSC Controlled Wood.

Billerud's purchasing of chemicals is coordinated as far as possible among the Swedish mills. The company's chemical suppliers and the chemicals themselves meet all applicable legal and environmental requirements. All the chemicals are checked before use and on an ongoing basis in terms of environmental risks, health and safety and product safety, with a view to constantly reducing environmental impact and cost.

Five suppliers, which account for 7% of Billerud's purchasing volume, have during 2010 been audited from a sustainability perspective.

### INTEGRATED AND EFFICIENT PRODUCTION

Production takes place at the Group's four mills: Gruvön, Skärblacka and Karlsborg in Sweden and Beetham in the UK. All the mills maintain an extremely high standard of technology, productivity and environmental awareness. They have ISO 9001 quality certification and ISO 14001 environmental certification.

The three Swedish mills are integrated, which means that they combine both pulp and paper production. Integrated mills have several advantages:

- » High product quality: Full control over the production process is important in ensuring high product quality.
- » High level of self-sufficiency in electricity: Surplus energy from the pulp production is used in the paper manufacturing process.
- » Reduced energy consumption: The pulp can immediately be used in the production of paper, which saves energy.

Billerud works constantly to improve process efficiency in order to secure long-term competitiveness. Several efficiency programmes have been implemented since 2005, resulting in cost savings of SEK 750 million. These savings break down into a reduction in employee numbers (SEK 350 million), reduced consumption of inputs such as chemicals, energy and wood (SEK 150 million) and a rise in electricity self-sufficiency from 30% to 60% (SEK 250 million).

Sustainable quality development, teamed with efficient production and logistics, enables Billerud to offer customers the best products and solutions.

### CUSTOMER-FOCUSED ORGANISATION

In order to concentrate leading expertise and create proximity to customers and the market, the company's operations are organised into three business areas: Packaging & Speciality Paper and Packaging Boards are responsible for sales of the Group's packaging paper, while Market Pulp is responsible for sales of Billerud's pulp. The business areas are responsible for developing a sales culture within Billerud and thus creating a sharp focus on customers and profitability.

Billerud's business areas are divided into customer segments with direct responsibility for developing products and services, technical services, sales planning and pricing. The segment teams are responsible for developing know-how about the requirements of customers and end-users throughout the value chain in order to supply them, over time, with the most comprehensive and sustainable packaging solutions.



## PACKAGING PAPER

Development, manufacture and sale of primary fibre-based packaging paper; such as technical kraft paper, liquid board, sack paper and containerboard.

**Customers:** Producers of packaging, sacks, paper carrier bags, corrugated board boxes, portion-packed drinks. End-customers and brand owners.



## PACKAGING DEVELOPMENT

Development and sale of packaging-optimising services and solutions, with a focus on material choice, function, design and sustainability.

**Customers:** Producers of packaging, sacks, paper carrier bags, corrugated board boxes, portion-packed drinks. End-customers and brand owners. Wholesalers and distributors of fruit and vegetables.

## PRODUCTION AT FOUR MILLS

### GRUVÖN MILL, SWEDEN

Production capacity: 685 000 tonnes/year  
Number of employees: 879  
Products: Kraft paper, sack paper, containerboard (fluting, liner), liquid board, Cup Stock, market pulp

### SKÄRBLACKA MILL, SWEDEN

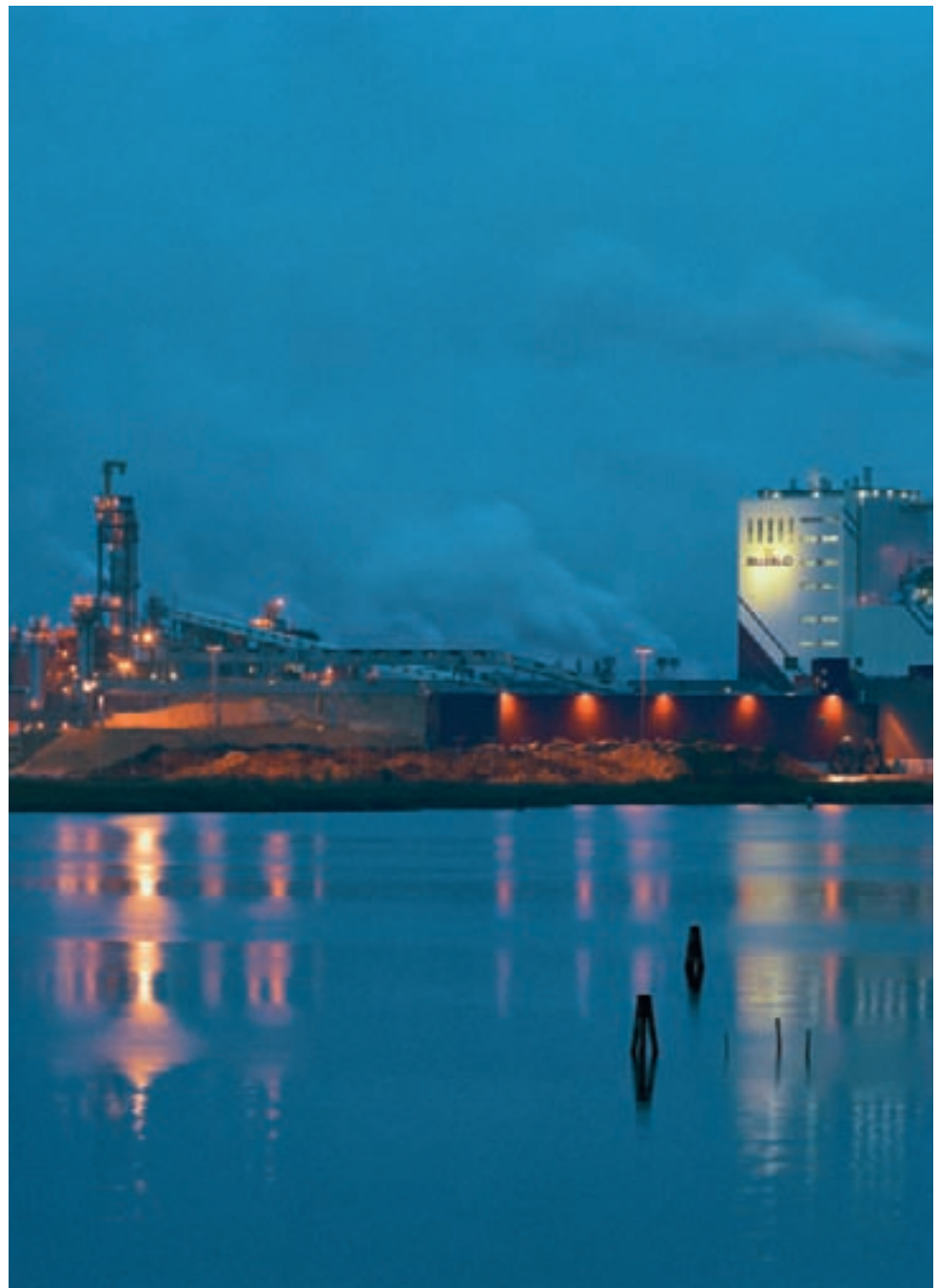
Production capacity: 400 000 tonnes/year  
Number of employees: 640  
Products: Kraft paper, sack paper (brown), containerboard (fluting), market pulp

### KARLSBORG MILL, SWEDEN

Production capacity: 300 000 tonnes/year  
Number of employees: 427  
Products: Kraft paper, sack paper (white), market pulp

### BEETHAM MILL, UK

Production capacity: 45 000 tonnes/year  
Number of employees: 141  
Products: Kraft paper





Billerud has three business areas: Packaging & Speciality Paper and Packaging Boards are responsible for sales of the Group's packaging paper, while Market Pulp is responsible for sales of Billerud's pulp.

## BUSINESS AREAS



### PACKAGING AND SPECIALITY PAPER

Sales of sack and kraft paper chiefly for food packaging, paper carrier bags, sack solutions and industrial applications. The largest markets are Europe and Asia. Increased demand for product optimisation and product safety, increased demand for renewable materials and the increased importance of packaging in product differentiation drive demand for the business area's products. Deliveries during the year amounted to 524 ktonnes (508).



### PACKAGING BOARDS

Sales of containerboard (fluting and liner), liquid board and Cup Stock primarily as packaging for fruit and vegetables and consumer goods. Europe is the largest market. Demand for the business area's products is driven by increased demand for strong and light packaging, the increased importance of packaging in product differentiation, the increased focus on product safety and new patterns of consumption. Deliveries during the year amounted to 482 ktonnes (488).



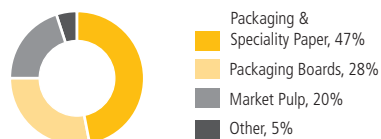
### MARKET PULP

Sales of Billerud's long-fibre market pulp, for example to tissue manufacturers. The largest markets are Europe and Asia. Key competitive advantages are high product quality, Billerud's environmental profile and good technical support. Deliveries during the year amounted to 301 ktonnes (316).

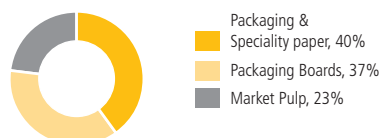




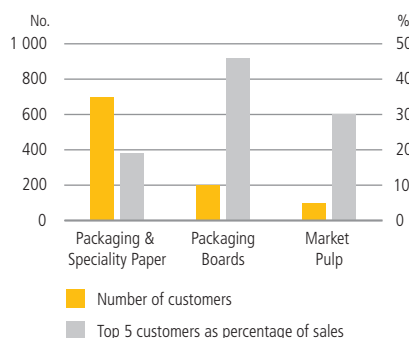
#### NET SALES PER BUSINESS AREA



#### DELIVERIES PER BUSINESS AREA

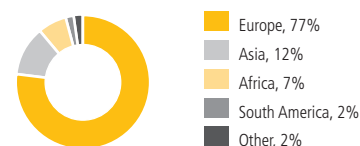


#### CUSTOMERS PER BUSINESS AREA



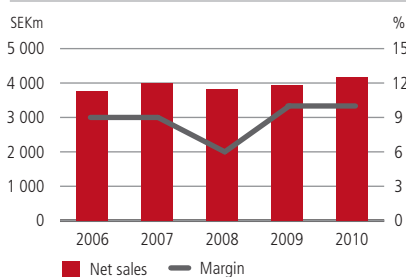
The total number of customers amounts to approximately 1 000, of which the five largest account for 21% of the Group's sales.

#### NET SALES PER GEOGRAPHIC AREA

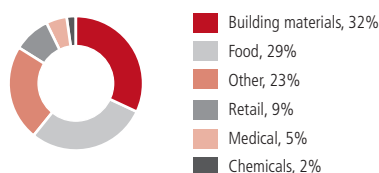


Billerud delivered to a total of approximately 100 countries in 2010.

#### NET SALES AND OPERATING MARGIN

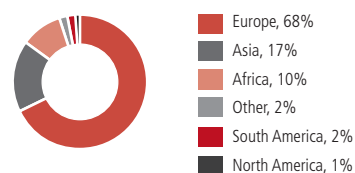


#### NET SALES PER CUSTOMER CATEGORY

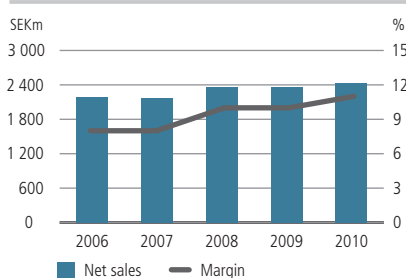


The total number of customers amounts to approximately 700, of which the five largest account for 19% of sales.

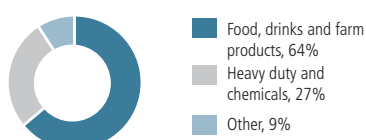
#### NET SALES PER GEOGRAPHIC AREA



#### NET SALES AND OPERATING MARGIN

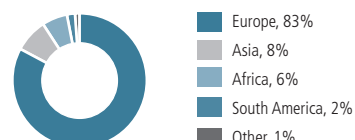


#### NET SALES PER CUSTOMER CATEGORY

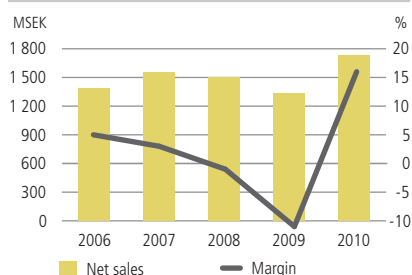


The total number of customers amounts to approximately 200, of which the five largest account for 46% of sales.

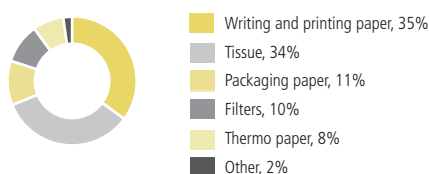
#### NET SALES PER GEOGRAPHIC AREA



#### NET SALES AND OPERATING MARGIN

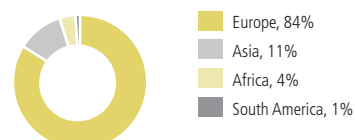


#### NET SALES PER CUSTOMER CATEGORY



The total number of customers amounts to approximately 100, of which the five largest account for 30% of sales.

#### NET SALES PER GEOGRAPHIC AREA



Packaging & Speciality Paper delivers first-class kraft and sack paper to a growing and demanding market. 2010 was a successful year for the business area, with a greater shift in position towards brand owners and the launch of new sustainable packaging solutions.

## BUSINESS AREA **PACKAGING & SPECIALITY PAPER**

### Strong customer relations and products right on trend

#### OFFERING

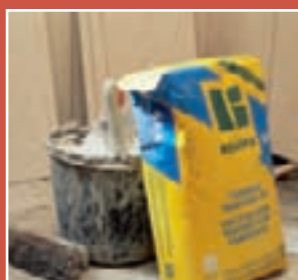
Packaging & Speciality Paper is responsible for sales of two of Billerud's product categories: primary fibre-based kraft paper and sack paper. In addition, customers are offered packaging-optimising services and solutions, with a focus on material choice, function, design and sustainability.

#### MARKET SHARE – GLOBALLY

WHITE SACK PAPER  
– MARKET LEADER

**25%**

Size: 430 000 tonnes  
Source: CEPI Eurokraft 2010, Billerud



White sack paper is strong and is ideal when good printability is required, for example for powdered building materials for the DIY market.

BROWN SACK PAPER  
– MARKET LEADER IN  
HIGH-POROSITY PAPER

**4%**<sup>1)</sup>

Size: 3 900 000 tonnes  
Source: CEPI Eurokraft 2010, Billerud



Brown sack paper is used primarily for powdered products such as cement, where the paper needs to be strong and highly porous.

#### MARKET SHARE – EUROPE

UNCOATED WHITE MG  
– MARKET LEADER

**25%**<sup>2)</sup>

Size: 450 000 tonnes  
Source: CEPI Eurokraft 2010, Billerud



MG paper is a kraft paper with one matt and one glossy side, which is excellent for medical purposes, foods such as bread and Release Liners – silicon base paper for stickers and labels.

UNCOATED WHITE MF  
– SECOND LARGEST MARKET SHARE

**24%**

Size: 230 000 tonnes  
Source: CEPI Eurokraft 2010, Billerud



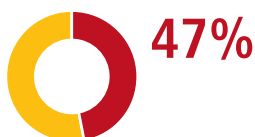
MF paper is a kraft paper that is matt on both sides. It is used in contexts where the strength of the paper is paramount, for example in carrier bags and in packaging for flour and sugar.

<sup>1)</sup> Close to 20% global market share of the high-end segment of functional and cost-efficient brown sack paper.

<sup>2)</sup> The principle for calculating market share for uncoated white MG paper has changed since the 2009 annual report. Formerly, the figure was based on CEPI Eurokraft's statistics, which only include around half of the market. Billerud's market share in 2010 was 50% according to CEPI Eurokraft.



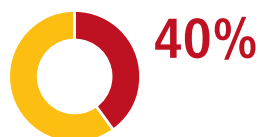
#### SHARE OF GROUP NET SALES



NET SALES, SEK M

4 166

#### SHARE OF GROUP OPERATING PROFIT



OPERATING PROFIT, SEK M  
(OPERATING MARGIN)

417 (10%)

Packaging & Speciality Paper had a very good year. Operating profit for the year was SEK 417 million, an increase of 8% compared with the previous year. A less favourable currency situation and increased costs were compensated by improved prices in local currency and higher delivery volumes. The operating margin was 10% (10).

### OFFERING

Packaging & Speciality Paper is responsible for sales of two of Billerud's product categories: primary fibre-based kraft paper and sack paper.

The kraft paper is used primarily for food and consumer packaging, carrier bags, sterile medical packaging, silicon base paper for stickers, interleaving paper for steel and metal plus several other niche areas. Primary fibre-based kraft paper provides efficient packaging manufacture, good printability and strong, hygienic packaging.

High-porosity sack paper is used mainly for powdered products for the construction industry such as cement and plaster, but also for industrial minerals, chemicals and bakery products such as flour and sugar. Strong, high-porosity sack paper provides major material savings, reduced material loss in conjunction with filling and distribution, faster filling processes and a dust-free work environment. Another advantage is that the sacks are filled evenly, which makes handling easier along the logistics chain.

### Value-adding services and solutions

Packaging & Speciality Paper also offers services and solutions aimed at generating increased sales and profitability for the customer.

#### Development centres add value

Pack Lab, Seal Lab, Barrier Lab and Sack Lab help customers and brand owners to improve packaging manufacturing, packaging quality, sales of the end-product and profitability.

Pack Lab assesses the strength and performance of carrier bags and other consumer packaging solutions, develops packaging designs and produces prototypes with attractive properties. Seal Lab's services give manufacturers of medical items a better seal in packaging where paper is combined with plastic film. Barrier Lab brings longer life to products with improved barrier properties in packaging. Sack Lab optimises all stages

relating to sack function along the value chain.

In addition to the services of the development centres, Billerud also shares its knowledge with packaging manufacturers and brand owners by arranging seminars and courses on the importance of material choice in the performance of packaging.

#### Nine TPP and Billerud Tenova

Billerud has joined forces with design agency No Picnic to form Nine TPP, with a view to improving knowledge about the sales value of packaging and its role in strengthening brands. With Nine TPP, Billerud has managed to bring expertise in material choice, packaging, design, brand exposure and logistics under one roof.

As a complement to Billerud's renewable packaging paper, the company now also offers biodegradable plastics and biobarriers via Billerud Tenova. The combination of paper and bioplastic paves the way for new environmentally neutral packaging solutions.

### CUSTOMERS

The majority of the business area's customers are packaging manufacturers who convert the paper to packaging and sell their products on to brand owners. In some industries, the paper is delivered directly to the brand owner, who both manufactures the packaging and packages the goods. The latter group includes manufacturers of medical consumables, integrated cement industries with their own sack production and sugar, grain and flour producers, who manufacture the packaging and pack the products in the same process, known as form, fill & seal packaging.

### FACTORS DRIVING DEMAND

Sales in Packaging & Speciality Paper are driven by a number of trends in the packaging market – increased demand for product optimisation and sustainability, plus an increased focus on product differentiation and product safety.



Around the beginning of 2010 a new sales organisation, Sustainable Packaging Solutions (SPS), was established with a view to increasing the business area's focus on end-customers. Over the year, SPS has helped brand owners with their development of innovative consumer packaging solutions and successfully launched Billerud FibreForm® on the market together with partners in the conversion business.



Billerud's new sack concepts extend the life of powdered products and have been specially developed for the growing DIY market.



### Stronger and lighter paper

The market's focus on product optimisation is increasing and Billerud's kraft and sack papers are meeting this demand. The products offer excellent functionality in modern production lines, with packaging manufacture both cost-effective and reliable. At the same time, the strength of the paper makes it possible to use less of the material in the packaging while maintaining or improving performance. Lighter packaging also plays a role in transport optimisation. In addition, Billerud's Sack Lab and Pack Lab are on hand to help customers with material choices and designs.

### Paper prioritised

The prioritising of renewable materials over fossil plastics and a tightening of legal requirements in several markets, particularly for carrier bags but also in packaged food, provide good opportunities for kraft paper to make further gains as a packaging material in Europe. Billerud's position is strengthened by its focus on developing renewable materials that are a competitive alternative to fossil plastics, for example Billerud FibreForm® and bioplastics.

### Greater focus on product differentiation

Brand owners and packaging manufacturers require attractive and innovative packaging that best promote products and brands. Billerud's kraft paper strengthens the sale of consumer products, while Billerud's white sack paper with its good printability is ideal for DIY products, where appearance is a key sales factor. Billerud also offers design services, for example through Nine TPP.

### Clean and safe paper

There are strict hygiene and product safety standards for medical paper and food packaging – standards that Billerud's primary fibre-based paper meets.

### MARKET

#### Kraft paper

The market for kraft paper, which is used for consumer products among other things, is relatively consolidated when it comes to carrier bags as well as packaging for sugar and flour, but is more fragmented for MG paper. In Europe, Billerud is the largest producer of uncoated white MG and the second largest in uncoated white MF.

Billerud's kraft paper is very popular in Europe. The Eastern European market remains limited, but there is great potential for growth as the economy recovers and more credit is made available. There is also potential for further sales in Asia, where fossil plastics currently have a dominant position as a packaging material for consumer products.

#### Sack paper

The applications for Billerud's sack paper are dominated by building materials, industrial minerals and chemicals, which account for around two thirds of sack paper sales.

Most of Billerud's white sack paper is sold on the European market. Billerud is the biggest producer of white sack paper in Europe and globally.

Around 70% of Billerud's range of brown sack paper is sold in growth regions outside Europe, with North Africa and South-East Asia dominating. In these markets, cement is usually filled in 50 kg sacks in high-speed filling machines, which demands high levels of strength and functionality from the paper during filling, handling and distribution. The company's brown sack paper is of the highest quality and in this segment Billerud has a leading position globally.

### STRATEGY

Packaging & Speciality Paper's ambition is to continuously develop and offer new materials, solutions and services that provide

added value for customers. An improved product mix in markets with high demand and profitability is a strategic priority.

Innovation work maintains a focus on sustainable materials that improve the performance and attractiveness of the packaging, and on seeking new ways to integrate packaging with the product and increase its usability. This work is carried out in close collaboration with the market's stakeholders. Billerud's packaging materials will always promote sustainable development and back up the customer's own environmental work.

### Knowledge transfer and seminars

Through knowledge transfer and good relations, Billerud is able to reach further along the value chain. Several seminars were organised over the year to improve industries' packaging knowledge. A major event was held in June for the sugar, grain and flour packaging segment and in spring Billerud brought the Asian sack industry together in Indonesia.

### Sustainable Packaging Solutions

Over the year, the business area's new sales organisation, Sustainable Packaging Solutions (SPS), helped brand owners with their product development and successfully launched Billerud FibreForm® on the market together with partners in the conversion business.

### Billerud FibreForm®

Billerud FibreForm® is a paper with unique elasticity that enables it to replace other packaging materials, not least fossil plastics, in various areas. Launched in 2009, Billerud FibreForm® attracted a great deal of interest from customers and end-customers over the year.





## HOLISTIC APPROACH TO SACKS

With a growing global construction industry and increasing demand for the world's strongest sack paper, Billerud sees a bright future for the Sack Solutions area.

Global production of cement is forecast to increase 28% by 2020. Excluding China and India, cement production is predicted to increase 50% by 2020.\* In contrast to most other countries, China and India mainly use plastic sacks due to the lack of a modern conversion industry for paper sacks and of cost-effective strong paper.

Sack Solutions is working, through product development, technical services and high service levels, to make the function and properties of the packaging better and more efficient, primarily when filling and distributing powdered products.

During the year, Billerud launched six technical consultancy services aimed at improving sack performance. In addition, a new series of sack concepts was launched under the QuickFill® brand. All the concepts offer good functionality during filling, coupled with effective moisture barriers that extend the life of powdered

products, something that is particularly important for the growing DIY market. Each concept also offers a particular customer benefit, such as extra good printability and extra good airflow for demanding filling processes. The launch was preceded by comprehensive testing at the Sack Lab along with industrial trials in collaboration with customers. The concepts include QuickFill® BioTex, which contains a biodegradable plastic film from Billerud Tenova. This launch consolidates Billerud's position as a supplier of sustainable packaging solutions.

\* Source: Construction Perspectives, Oxford Economics, United Nations World Population Prospects, Holcim.



## MARKS & SPENCER CHOOSES BILLERUD FIBREFORM®

Consumer packaging is an enormous and growing market. Paper accounts for only 12% of the flexible packaging market in Europe.\* And yet 87% of consumers in Europe prefer paper over plastic for their packaging.\*\* There is thus great demand for a higher proportion of paper in consumer packaging.

Billerud FibreForm®, which was only launched last year, has already won several awards and been recognised as an alternative to plastics offering a premium look. The packaging manufacturers and brand owners who now want to switch to Billerud FibreForm® can do so without costly investment in new machinery. For the first time, paper can be used in thermoforming machines, a very common type of packaging equipment for fresh foods such as sliced meats. The market for thermoformed plastic in Europe amounts to around 1.6 million tonnes per year, which offers large potential for Billerud FibreForm®.

The first to choose Billerud FibreForm® as a packaging solution was the respected British food chain Marks & Spencer, which packs its organic Yorkshire ham in the unique paper. After Marks & Spencer's launch, several other important supermarkets chose Billerud FibreForm® for sliced meats.

*"Marks and Spencer are delighted to have launched this first-to-market innovation in packaging with Billerud. The FibreForm Packaging provides a premium look to our ham and is constructed from sustainable FSC sourced paper. It is important to Marks & Spencer to work with innovative solution providers to develop packaging for the future and Billerud has supported our innovation work through their proactive approach," says Mark Caul, Packaging Technologist at Marks & Spencer.*



Over the year, customers and end-customers have shown great interest in Billerud FibreForm®, which also won several awards.

Source: \*PCI, \*\*IPSOS 2007



Picture from Marks & Spencer



Corrugated board is the single most common packaging material. Every day thousands of tonnes of goods are shipped around the world, packaged in corrugated board boxes. Billerud's popular containerboard makes the boxes stronger, more hygienic and more attractive. The added value provided by the products includes better performance, increased sales and reduced wastage.

## BUSINESS AREA PACKAGING BOARDS

### Protecting goods – the market's highest priority

#### OFFERING

Packaging Boards is responsible for sales of Billerud's primary fibre-based containerboard, liquid board for portion-packed drinks and Cup Stock. With deep insight into the market's conditions and requirements, Packaging Boards provides customers with technical consultations and knowledge regarding the role of packaging throughout the value chain.

#### MARKET SHARE IN EUROPE

WHITE LINER\*  
– MARKET LEADER

**70%**

\* Low grammage

Source: Billerud, 2010



White liner is the outer layer of corrugated board, but is also used in packaging for luxury and consumer goods.

NSSC FLUTING (SEMI-CHEMICAL FLUTING) \*\*  
– MARKET LEADER

**42%**

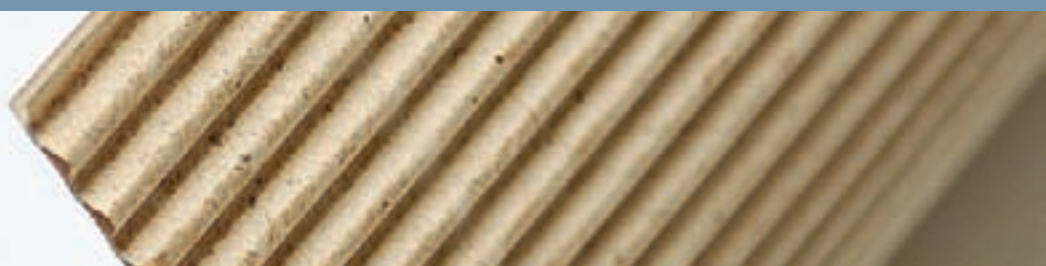
\*\* 100% primary fibre

Size: 580 000 tonnes

Source: CEPI Containerboard Organisation 2010

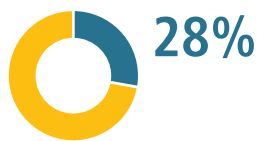


Fluting is the rippled middle layer in corrugated board and is used to transport sensitive goods such as fruit and vegetables and consumer durables.





#### SHARE OF GROUP NET SALES



NET SALES, SEK M

2 428

#### SHARE OF GROUP OPERATING PROFIT



OPERATING PROFIT, SEK M  
(OPERATING MARGIN)

271 (11%)

2010 was a successful year for Packaging Boards. Operating profit totalled SEK 271 million, an increase of 18%. Improved prices in local currency compensated for a less favourable currency situation and increased costs. The operating margin was 11% (10).

#### OFFERING

Packaging Boards supplies the corrugated board industry with primary fibre-based containerboard, including the corrugated middle layer, fluting, and the outer layer, white liner.

Billerud's fluting, Billerud Flute®, is the world leader for lasting performance and produces extremely strong boxes that protect the contents. This product is in particular demand for applications that involve transporting goods such as fruit, vegetables and consumer durables.

Billerud's clean, white liner offers excellent printability and give corrugated boxes an attractive exterior. They are also ideal for packaging of luxury and consumer goods and are approved for direct contact with food.

Packaging Boards is also responsible for sales of Billerud's liquid board for portion-packed drinks and the new area: board for disposable cups – Cup Stock.

#### Value-adding services and solutions

Packaging Boards also offers several value-adding services and solutions in areas such as material choice and design. In addition, seminars and courses are held for customers on the subject of packaging optimisation.

#### Fresh Services

Fresh Services helps brand owners with logistics monitoring and packaging optimisation. In the area of fruit and vegetables, Fresh Services is focused on reducing expensive packaging-related wastage. The approach of Fresh Services is to examine handling all the way along the logistics chain and suggest improvements to packaging.

#### Box Lab

Box Lab works on packaging development on behalf of customers. Corrugated board producers and brand owners can send in their packaging solutions and have their function and performance assessed in line with the requirements placed on these.

#### CUSTOMERS

The majority of the business area's customers are corrugated board manufacturers who see the added value in offering their customers premium quality. Billerud's liners are also in demand among manufacturers of luxury and consumer packaging. The business area's other customers include producers of disposable cups and manufacturers of portion packs for drinks.

#### FACTORS DRIVING DEMAND

Packaging Boards' sales are benefiting from the market's increased demand for product optimisation, product differentiation and product safety. New patterns of consumption are also having a positive impact on the business area.

#### Increased demand for product optimisation

More and more brand owners, growers, distributors and wholesalers are realising that strong packaging is a smart investment in reducing expensive wastage. Billerud's containerboard create extremely strong packaging that protects the contents from going to waste.

Material savings are of great interest along the value chain. Strong materials in primary fibre make it possible to reduce the amount of material per box by up to 15-20% – and still improve the strength of the box. Billerud's primary fibre-based containerboard also offers excellent efficiency in packaging production, producing an end-result of high and consistent quality.



The appearance of packaging on the store shelf is becoming increasingly important, since the packaging has a strong sales function. Billerud's white liner, with its excellent printability, helps the brands and logos stand out, making it particularly suitable for luxury and consumer goods packaging.



The market for disposable cups is growing strongly due to new patterns of consumption, with more and more people buying coffee and other drinks to take away. This trend has been noticeable in Billerud's Cup Stock product segment – board for disposable cups.

### Product differentiation more important

Many packs in corrugated board are shelf-ready solutions that are placed directly out in the store. The appearance of these packs is becoming increasingly important in terms of sales, as proven in a study by The Packaging Arena in 2009. The study showed that products in boxes made from Billerud's white liner attracted more attention in the store, since printability is better and the white liner is better at making the brands and logos stand out.

### Clean and safe paper

Packaging paper made from primary fibre is approved for direct contact with food and Billerud's products have the relevant product safety certification with regard to hygiene and health. However, the European Directives are not consistent on paper in contact with food. For example, pizza boxes made from recovered fibre are prohibited in Italy but permitted in many other countries, including Sweden. Billerud's quality makes it well positioned to benefit from an increased awareness of product safety and greater knowledge of how packaging affects its contents.

### Globalisation, increased prosperity and changing patterns of consumption

Increasing globalisation has led to increased transportation of goods, which in turn places greater demands on packaging solutions. The packaging has to be up to the task of packing, stacking and protecting the products. This is good news for Billerud's sales of materials and services.

As more and more people buy coffee and other drinks to take away, the market for disposable cups has grown sharply, which has had a positive impact on Billerud's product Cup Stock. Increased global prosperity has also lifted demand for disposable packaging, particularly in Asia, which is seeing a growing market for portion-packed drinks.

### MARKET

The European market dominates Packaging Boards' sales, due to its geographic proximity and the fact that Billerud has spent a long time developing good customer relations. The market is large in the Mediterranean region, which is an important exporter of fruit and vegetables. Around two thirds of Billerud's fluting is used in packaging for this purpose.

The European market for primary fibre-based fluting and liner is relatively consolidated. In Europe, Billerud is the leading supplier of containerboard such as low grammage white liner, which has 70% market share, and semi-chemical fluting, which has 42%.

### STRATEGY

With its customer-focused business development, Packaging Boards constantly endeavours to improve packaging performance, with cleaner, stronger and more attractive packaging. Product markets with high demand and profitability take priority in developing the business area's product mix. The desire for environmentally optimised products, solutions and services is a common thread throughout the business area.

### A new standard for corrugated board performance

In a move to offer its customers better knowledge about corrugated board packaging, over the year Billerud's Box Lab scientifically demonstrated the difference in durability and long-term performance between various grades of corrugated board. The method, developed to take measurements under transport conditions that are as realistic as possible, proves that Billerud Flute® is the world's strongest fluting. Billerud has received mass media coverage for the method, which goes under the name of CCT10 – Corrugated Crush Test for 10 days.

### Successful launch of lightweight fluting

The past year has seen the quality of lightweight fluting optimised. This has led to major advances in applications where the boxes do not require the same strength and thickness as the other fluting offered by Packaging Boards. The lightweight fluting is primarily used for shelf-ready packaging and packaging used for e-commerce and food handling.

### Greater networking with the value chain

Over the year, several well-attended seminars were held with a focus on optimising packaging and increasing networking between the industry's stakeholders. In September, an important forum, Corrugated X, was set up for the corrugated board industry and its customers, as well as designers and printers. This created a good platform for exchange of knowledge, good relations and a greater understanding of the value of primary fibre-based packaging paper.

### Lucrative focus on Cup Stock

Over the year, Billerud increased its volumes in the Cup Stock product segment. The strong demand for disposable cups, combined with a limited number of material suppliers, led to the business area reducing deliveries of liner and instead switching production to Cup Stock.



## RIGHT PACKAGING LEADS TO BETTER DELIVERIES

Every day, tonnes of fresh produce are transported around the globe. In Europe alone, its annual value is put at EUR 100 billion. However there is considerable wastage – 10% of the fruit and vegetables transported in Europe is never sold. Inferior packaging is one cause of this waste of resources.

The aim of Fresh Services is simple – to reduce this expensive packaging-related wastage. At every stage that involves the packaging, Fresh Services seeks out weak points that may jeopardise safe delivery. A comprehensive survey of the handling process is carried out – from the grower to the packing station, along every stage of transportation, until the delivery finally reaches the retailer and consumer. Box Lab plays a significant role in this offering, which can scientifically show Billerud's customers the key factors in reducing losses and improving packaging strength.

As a result of the work carried out in the focus area of Fresh Foods, demand for Billerud's fluting is expected to increase over the next few years in markets other than Europe. The agreement signed with Brazilian corrugated board producer Rigesa last year opened an important door to Brazil, as well as to India, where Rigesa also runs a packaging business. Brazil is a major exporter of fruit and India is expected to become increasingly important in the international fruit market. Rigesa is part of the multinational packaging group Mead Westvaco.

Spring 2011 will see Billerud Fresh Services launching an alliance of leading suppliers of corrugated board boxes to the fruit industry globally. The aim is to improve the competitiveness of its partners and eliminate fruit wastage in the chain from producer to consumer.

Fresh Services and Box Lab show customers the key factors in reducing losses and improving packaging strength.





Billerud produces high-quality pulp based on primary fibre. The Scandinavian climate and distinctive soil make the trees grow more slowly, which results in stronger fibres. Brightness, purity and high tear and wear strength are characteristic features of Billerud's pulp.

## BUSINESS AREA MARKET PULP

### High-quality pulp

#### OFFERING

Billerud produces long-fibre pulp, Northern Bleached Softwood Kraft (NBSK), primarily for its own needs, with the surplus sold by the Market Pulp business area on the global market.

#### APPLICATIONS

##### TISSUE



Billerud's pulp is particularly well suited to the manufacture of tissue products, as it results in high quality.

##### PRINTING AND WRITING PAPER



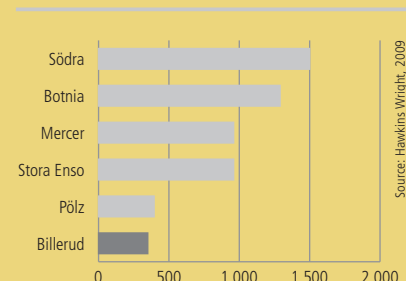
Printing and writing paper requires extra high strength, which Billerud's pulp is able to offer.

##### PACKAGING PAPER



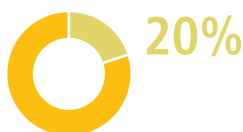
Billerud's pulp is also ideal for manufacturing packaging paper where good tear strength is an important property.

LARGEST WESTERN EUROPEAN MANUFACTURERS OF NORDIC BLEACHED LONG-FIBRE SULPHATE PULP, KTONNES





SHARE OF GROUP NET  
SALES



NET SALES, SEKM

1 731

SHARE OF GROUP  
OPERATING PROFIT



OPERATING PROFIT, SEKM  
(OPERATING MARGIN)

276 (16%)

2010 was a successful year for Market Pulp, with increased profitability. Operating profit for the year was SEK 276 million, an increase of SEK 424 million compared with the previous year. The increase is mainly due to improved prices which compensated for increased costs. The operating margin was 16% (-11).

### OFFERING

Billerud's long-fibre pulp, Northern Bleached Softwood Kraft (NBSK), is a high-quality softwood pulp that meets increasing demand in the world market. Around 75% of the pulp is used in Billerud's own paper production, the rest is sold on the global market. NBSK is based on slow-growing Scandinavian pine and spruce, whose strong, long fibres give high-quality end-products. The properties of the pulp also contribute to a cost-effective process for the customers – the paper producers.

The grades of pulp from Billerud's three pulp mills are all very high, but each has its own particular properties. The geographic locations of the trees affect the fibres in the wood raw material which, used correctly, can produce different characteristics. This enables Billerud to offer paper manufacturers the specialist properties that each end-product requires – high bulk for board, good tear strength for packaging or extra high strength and durability for printing paper and tissue.

### CUSTOMERS

Europe remains the largest market for Market Pulp. Billerud has longstanding customer relations in this territory and can also benefit from the geographic proximity and an efficient logistics system. Asia, with its growing prosperity, is also an important market for the business area. The largest customer groups include producers of tissue, writing and printing paper, packaging paper and board.

### FACTORS DRIVING DEMAND

Market Pulp's sales are benefiting from increased demand for NBSK, coupled with the limited availability of quality pulp. In addition, demand for environmentally certified pulp is on the rise, along with the global consumption of paper products.

### Continued increase in tissue

Tissue products are experiencing strong growth as a consequence of greater global prosperity. An increase in the standard of living is accompanied by the increased use of toilet paper, paper towels, tissues and similar products. Billerud's long-fibre sulphate pulp is particularly well suited to the manufacture of tissue products, as it results in high quality.

### Eco-certified pulp in demand

Environmental awareness remains strong, which favours Billerud's pulp. The raw material derives from sustainable Scandinavian forestry, where replanting is guaranteed and regulated under strict legislation. Today around 50% of Billerud's market pulp is currently FSC/PEFC-certified, while the other wood meets the criteria for FSC Controlled Wood.

### MARKET

The year started with a continuing positive trend in demand and prices for the business area. The global market price for NBSK rose by USD 180 per tonne from the year-end 2009/2010 and reached USD 980 per tonne in the third quarter, before stabilising at a price of USD 950 per tonne until the end of 2010. The price rise can be explained in part by the reduction in capacity that occurred during the year. Two Canadian mills remained mothballed after the financial crisis and when Chile was hit by a major earthquake early in the year, the market lost even more volume. The Chinese market, which during the first half of the year reduced its pulp purchases and mainly supplied its operations from stock, started to ramp up its purchases in the autumn. Although supply rose once the Chilean mills reopened much of their production, a good balance in demand remained into late 2010. The supply of NBSK is also limited in comparison to the rise in demand for paper and paper products globally.

### STRATEGY

The Market Pulp business area promotes quality and offers customers eco-friendly products that support their activities. Market Pulp sees great potential in consumer paper products and is therefore consciously increasing its focus on the tissue segment for example.

### Increased sales to tissue

When people reach a better standard of living, demand rises for products that meet fundamental needs such as food and hygiene. Billerud's long-term strategy of steering sales towards the consumer product area of tissue proved successful over the year. There is every indication that demand for hygiene products will continue to rise, particularly in developing countries. Printing and writing paper, on the other hand, is expected to lose ground to e-mail, tablet computers and the internet.

### Close customer relations and a good reputation

Over the years, Billerud has built up close customer relations with European paper manufacturers. Market Pulp has promoted itself as a trustworthy supplier that provides good technical support for the production of various paper products and that is also known for its reliable deliveries.

### Focus on environmentally certified pulp

Market demand for environmentally certified products is growing, with more and more customers demanding FSC-certified pulp. Billerud works constantly to encourage more forest owners to apply for traceability certification, since certified products are in short supply on the global market. Forest products from Sweden have a good reputation, which Billerud emphasises in its marketing and its meetings with customers.

# SUSTAINABILITY REPORT

Billerud's products come from renewable raw materials and the company focuses on product development in which sustainability is key.

Billerud must never strive for financial success at the expense of future generations. Manufacturing uses resources from nature: forests, energy and water. This means that Billerud also takes responsibility for minimising the impact on the environment at every step of the process.

## PART OF AN ETERNAL ECO-CYCLE

- » Growing forest binds carbon dioxide
- » Several new trees are planted for every one tree harvested
- » Sweden has more forest than ever before, thanks to effective forestry
- » Once paper packaging has been used, the fibres can be re-used four or five times
- » Once use of the fibres has been exhausted, they can be composted or used as biofuel







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The environment and society are affected by Billerud's ups and downs. Innovative product development means Billerud is able to manufacture renewable packaging materials with new and improved properties.

## BILLERUD'S IMPACT ON ITS SURROUNDINGS

### SUSTAINABLE AND INNOVATIVE PAPER PACKAGING

Billerud's packaging paper from renewable and climate-friendly forest raw materials is an alternative to fossil-based packaging material. Innovation is a cornerstone of Billerud's strategy. Innovative product development means Billerud is able to manufacture packaging materials with new and improved properties, helping the entire industry to use fossil-based plastics, for example, to a lesser extent.

Billerud's products have a positive effect on the environment and resource management in many ways:

- » **Renewable and climate-friendly raw materials**  
Billerud's products come from renewable wood raw materials from active and sustainable forestry where growing trees absorb carbon dioxide and so have a positive impact on the climate.
- » **High degree of innovation**  
Product development is based on innovative ideas, aiming to be able to offer renewable packaging material with new and improved properties. One example is Billerud FibreForm®, whose unique elasticity makes it an excellent alternative to fossil plastics in packaging, for example.
- » **Recyclable**  
Paper packaging, unlike many other types of packaging, can be composted, recycled into new products or used as a source of energy through incineration.
- » **Strong – resource optimisation**  
Billerud's paper from primary fibre is comparatively strong. This means that the paper can be made thinner, so using less raw materials in the paper manufacturing process and less materials in the packaging itself. This optimises resources at several stages of the process.

» **Strong – reduces waste**  
The strong material protects the products, cutting down on resource loss and wastage. For example, most foodstuffs have a considerably greater negative environmental impact than the packaging that surrounds them. Producing food often involves high energy and water consumption as well as large amounts of emissions. Reducing waste leads to a more sustainable food industry.

» **Strong – minimises transport**  
Billerud's strong materials mean that packaging can be filled to a greater capacity and can also be stacked higher, increasing the amount that can be transported. The result is lower transport costs and lower emissions.

» **Efficient**  
Billerud offers its customers training in resource-optimised packaging design and services that improve efficiency in the logistics chain.

### SWEDISH FORESTRY BENEFITS THE CLIMATE

Approximately 75% of the wood Billerud uses comes from Swedish forests.

Sweden's first Forestry Act, requiring replanting after felling, was introduced back in 1903. The amount felled is lower than the annual growth and stocks of standing forest in Sweden are greater than ever before.

The active forestry carried out to supply the forestry industry with timber means well-managed forests with growing trees that absorb more carbon dioxide than mature forests that are not managed. Sustainable Swedish forestry thus has a beneficial effect on the climate.

Under the Forestry Act, the Swedish Forest Agency must be notified of all clear-cutting. Prior to felling an area, Billerud Skog performs an individual natural value assessment on each area scheduled for felling. If the forest is shown to have high natu-

ral value, that value is taken into account at the time of felling, or Billerud refrains completely from felling. Billerud Skog performs a natural value assessment to avoid felling protective forests and to ensure the preservation of biodiversity. Billerud Skog's staff in the field are trained to be able to offer private forest owners professional advice and thereby promote sustainable forestry. During the past year, staff in the field have been trained in numerous areas: regeneration, soil scarification, felling near watercourses, assessment, valuation and more.

42% of the wood that Billerud buys is FSC and PEFC-certified. The proportion of certified wood is constantly growing and the aim in the long term is for all wood purchased by Billerud in Sweden to be certified.

### RENEWABLE FOREST FUEL MEETS ALMOST ALL BILLERUD'S ENERGY NEEDS

Producing pulp and paper takes large amounts of energy. This energy is produced by burning various fuels, which release carbon dioxide. Billerud's operations create an opportunity to use renewable biofuel from forest raw materials for energy recovery and heating. 95% of Billerud's energy needs are met by forest fuel such as black liquor and bark, the rest by fossil oil. The aim is to phase out fossil fuels entirely in the long term. To reduce energy use, Billerud's mills are constantly working to improve energy efficiency.

### MINIMISING THE IMPACT FROM CHEMICALS AND EMISSIONS

Pulp and paper manufacturing uses a certain amount of chemicals. The mills' use of chemicals is covered by the EU's chemicals legislation REACH and all the chemicals are checked before use regarding environmental risks, health and safety and product safety. More environmentally friendly chemicals are brought into use as soon as this becomes possible.



Billerud FibreForm® makes it possible to develop unique packaging solutions with exciting, natural shapes and deep embossing to reinforce the brand. The environmental value of the paper is crucial. FibreForm is FSC-certified – a guarantee that the raw material comes from sustainable forestry.



The production process creates emissions to air and water, including sulphur dioxide, nitrogen oxide and carbon dioxide to air and nitrogen and phosphorus to water. Billerud is constantly working to reduce emissions, including improving processes and purification methods.

#### OPTIMISING TRANSPORT

The transport of forest raw materials to the mills and finished products from the mills also causes the release of carbon dioxide and other emissions. Billerud is working to optimise transport to make it more cost-effective while also reducing environmental impact. This is being achieved by exchanging wood raw materials, so reducing the distance the raw material has to be transported to each mill and partly by reducing road transport wherever possible in favour of transport by rail or by boat.

Inward transport is more dependent on the roads than outward transport because lorries are the only means of transport capable of reaching deep into the forest. However, Billerud does its utmost to switch loads to rail for transport over long distances. Currently approximately 75% of outward transport is carried out by rail or by boat. To reduce the environmental burden from road transport, Billerud requires Euro class engines and eco-driving. The aim is for 90% of domestic lorry transport to be carried out by drivers who have been trained in eco-driving by 2013. A large proportion of Billerud's transport is intermodal, in other words a combination of road, rail and boat, entirely in line with ambitions within the EU.

#### TAKING RESPONSIBILITY FOR MILLS' LOCAL COMMUNITIES

Billerud is by far the largest employer in all the communities in which the company's mills are located. This brings great responsibility as well as a certain amount of influence over the long-term survival of the local community.

Billerud prides itself on its long-term, stable and trusting relations with local residents, politicians, schools, the local media and the authorities. For example, Billerud Karlsborg invited 60 14–15 year-old girls from Manhemsskolan in Kalix to the mill for a half-day visit. The aim was to generate interest in interesting jobs in maintenance. At the moment there are no female employees in the mechanical and electrical/automation departments. Feedback showed that the students, the school and those involved at the company thought the initiative was a success.

Billerud's Code of Conduct sums up the company's responsibilities, guidelines, procedures, values and targets. The aim is for it to serve as a guideline for all employees in their day to day work.

## MANAGING **WORK ON** SUSTAINABILITY

The Code of Conduct, drawn up in 2009, states that Billerud's core values are professionalism, effectiveness and creativity. Customers must be treated in a professional manner, characterised by competence, experience and good business ethics. What Billerud delivers must exceed the market's expectations. Billerud must also launch initiatives and actively influence customers and other business partners in a positive direction. Billerud's employees must always act ethically, legally and with respect for the local community and the environment.

The Code of Conduct is based on the UN Declaration on Human Rights and other international guidelines:

- » The UN's Global Compact on sustainable business practices  
[www.unglobalcompact.org](http://www.unglobalcompact.org)
- » The OECD's guidelines for multinational companies  
[www.oecd.org](http://www.oecd.org)
- » The ILO's fundamental conventions on human rights at work  
[www.ilo.org](http://www.ilo.org)

Billerud also complies with Principle 15 of the Rio Declaration on the Precautionary Approach, which means taking a preventive and risk-minimising approach to environmental issues throughout the business.

### CODE OF CONDUCT – A LIVING DOCUMENT

Billerud's Code of Conduct is a summary of responsibilities, guidelines, procedures, values and targets that have been developed by and for the business (see [www.billerud.com](http://www.billerud.com)). The Code should guide the present and future behaviour of Billerud's employees and their relations with each other, the company, third parties and society in general. The Code of Conduct was distributed to all employees in 2010. Managers at Billerud are responsible for ensuring that the code is complied with. The aim is to keep the Code of Conduct alive in day-to-day operations by means of focused activities in which it is explained and examined in depth. During the year training material has been drawn up and training courses commenced for different groups, e.g. purchasers. Issues brought up include corruption. Billerud's employees are not permitted to give or receive gifts of more

than a symbolic value or participate in activities which may affect their objectivity when making decisions.

### BILLERUD'S ETHICS COUNCIL

All employees are to receive training on the Code of Conduct in the long term. Billerud's Ethics Council was established in 2009 to monitor compliance with the code. The council comprises the Group's Director of Human Resources and human resources managers at the mills. The council is to investigate and propose measures if it receives reports of breach of the Code of Conduct. Incidents can be reported to the Ethics Council or directly to the audit committee, via the company's intranet. Reports may be made anonymously.



## AWARDS AND PRIZES 2010

PRODUCT/AREA	FROM
» Highest environment rating on the Mid Cap list	Folksam's Corporate Responsibility Index
» Best website: <a href="http://www.billerud.com">www.billerud.com</a>	The Swedish Shareholders' Association/Kanton
» Billerud FibreForm®: Technology Innovation Award 2010, Packaging Industry China	Ringier Trade Media Ltd
» Billerud FibreForm®: Innovation Award – Coup de Coeur	Salon Emballage, Paris
» Best Financial Communication 2nd place	The Swedish Shareholders' Association/Kanton
» Best Report, Mid Cap Companies	Finforum/OMX Nasdaq



Billerud's Code of Conduct is a summary of responsibilities, guidelines, procedures, values and targets that have been developed by and for the business. The Code of Conduct shall influence employees' behaviour and their relationships with one another, the Company, external stakeholders and society at large, now and in the future.

## COMPLIANCE

- » No corruption incidents were reported in 2010.
- » Billerud has not had to investigate the different business units or its business partners on corruption grounds as no suspicions of irregularities have arisen.
- » Billerud has not been the object of any legal measures for anti-competitive behaviour, or forming a cartel or a monopoly and has therefore not been ordered to pay any fines or other non-monetary sanctions.

## CSR COMMITTEE HEADS WORK ON SUSTAINABILITY

Billerud has had a CSR Committee since 2009, tasked with ensuring that sustainability work is as efficient, professional and integrated in the day-to-day work of the company as possible. A CSR manager is responsible for sustainability at overall level and reports directly to the CEO. The CSR Committee works on an ongoing basis to draft proposals, and draw up documentation for the management, propose targets and carry out monitoring.

## GOVERNANCE VIA POLICIES

Billerud's Board has laid down the Code of Conduct and a number of policies that act as guiding documents for employees. Each policy incorporates a varying number of practical guidelines adopted by the senior management team. These are supplemented by rules and regulations at local level. All policy documents are available on the intranet and are revised at regular intervals.

On the basis of the policy documents, the senior management has formulated overall sustainability targets at Group level. These are to be achieved by 2013. Work towards these targets will be measured and reported annually in the Sustainability Report.

### POLICIES AND GUIDELINES

Code of Conduct  
Policy for quality, the environment and social responsibility  
Personnel policy  
Sponsoring policy  
Guidelines for energy consumption  
Environmental guidelines for purchasing wood  
Product safety and hygiene guidelines  
Purchasing guidelines  
Finance policy  
Credit policy

## SYSTEMS IMPROVE THE BUSINESS

Various management systems are in place at the mills to ensure that their operations are carried out systematically and effectively. All the mills have certified quality and environmental management systems (ISO 9001 and ISO 14001). The Swedish mills and the purchasing company Billerud Skog are traceability certified under FSC and PEFC. The Swedish mills also use certified energy management systems.

Billerud Beetham has certified its health and safety work under the occupational health and safety management system OHSAS 18001.

The management systems are audited regularly. To guarantee that Billerud complies with the requirements, any deviations must be corrected within the time agreed.

These management systems help Billerud to develop as many of them feature constant improvements as a set requirement.

## WORKING WITH OTHERS

Billerud actively participates in various collaborative ventures and is a member of a large number of organisations for exchanging knowledge and experiences. Billerud is also part of a number of networks.

Examples of organisations of which Billerud is a member:

**Confederation of European Paper Industries** (Paper Impact, Eurokraft)

**European Federation of Corrugated Board Manufacturers** (Fefco)

**Innventia** (pulp and paper research institute)

**Miljöpack** (Swedish group of companies working together for environmentally efficient packaging)

**Normpack** (internal control systems for materials and articles intended to come into contact with food)

**Paper Province** (member cluster, industry, public sector and university)

**Skogsindustrierna** (sector organisation)

Several local water and air conservation associations



Dialogue with various stakeholders means that Billerud is constantly able to improve processes and working methods. This is a long-term communication process characterised by openness and respect. During the year, in-depth dialogue with investors and analysts brought Billerud new angles on reporting sustainability performance.

## DIALOGUE WITH **STAKEHOLDERS**

Billerud's five most important stakeholder groups are investors, customers, employees, business partners and society. These have been identified on the basis of the mutual value created in the relationship between Billerud and the respective groups. Identifying, understanding and managing the expectations of stakeholders is crucial to the company's long-term survival. For the stakeholders, this dialogue offers a potential platform to promote issues in a respectful and solution-oriented manner. The dialogue continues throughout the year, informally and in a more structured form.

Billerud constantly seeks to deepen the dialogue to forge closer links with stakeholders, to find out whether the company is fulfilling its undertakings and to ensure that its work on sustainability is correctly focused. A closer and deeper dialogue also gives the stakeholders an opportunity to think about

sustainability issues, in turn leading to increased awareness and development of sustainability in general.

### INVESTORS

During the year three separate meetings on sustainability issues were held with investors and analysts.

The analysts wanted the sustainability report to be based on the company's strategy and business model, consistently demonstrating how these questions affect work on sustainability. It is important that the business is healthy from a social perspective and is characterised by proactivity. It is also important that work on sustainability addresses the entire impact of the products. It was pointed out that taking the natural environment into account is a key question from the point of view of sustainability. A clearer link to the challenges in the area of human resources and the targets set was desired.

### STAKEHOLDER GROUPS

#### INVESTORS

#### CUSTOMERS

#### EMPLOYEES

#### BUSINESS PARTNERS

#### SOCIETY





DEFINITION	TYPE OF DIALOGUE	SUSTAINABILITY ISSUES	RESULTS
<b>Shareholders Analysts Potential investors</b>	Annual report including sustainability report, interim reports, Website, Investor meetings, Press conferences, Meetings with analysts, Surveys from ethical and environmental investment funds.	Economic value development sustainable in the long term, Business and product development perspective linked to sustainability trends.	Sustainability report, OMX GES Nordic Services Sustainability Index.
<b>Existing customers Customers' customers End-consumers</b>	Personal meetings, daily contact, Fairs, seminars & customer meetings, Customer surveys/questionnaires.	General requirements for sustainable corporate management and Code of Conduct. Specific questions, such as: certified volumes of forest, illegal felling, key biotopes, carbon footprint, REACH, groundwater.	Environment brochure, Carbon footprint study, Sales support material on environmental issues, Product development.
<b>Existing suppliers</b>	Supplier evaluations.	Have discussed codes of conduct and sustainability issues with suppliers during procurement.	Revised purchasing policy.
<b>Lenders</b>	Personal meetings. Financial communication.	Economic value development sustainable in the long term.	
<b>Existing employees</b>	Workplace meetings, Work environment groups, Staff surveys (including leadership index), Incident follow-up, Performance reviews.	Skills development, Work environment and safety, Fitness measures. Diversity.	Skills development model, Extensive work on the work environment and safety, Action plan for victimisation at work. Diversity survey.
<b>Union representatives</b>	Local joint meetings, Working committee meetings, European Works Council.	Work environment and safety, Skills development, Terms of contract.	Open and constructive dialogue, Greater respect and understanding of each other's situation.
<b>Future employees</b>	Mill visits, Careers fairs at colleges and universities, Industry evenings.	Environmental issues. Ethical issues. Terms of employment.	Employer branding. Trainee programme.
<b>Partners</b>	Close contacts and development projects.	Developing sustainable and resource-efficient packaging, Developing bioplastic barriers.	New products and packaging solutions, such as FibreForm.
<b>Local residents</b>	Focus groups, Information meetings, Environmental reports at mill level, Environment panels.	Emissions to air and water, What has happened, Plans for the future at mills.	Greater respect and understanding of each other's situation and actions.
<b>Schools and universities</b>	Close contact with educational institutions, Study visits.	Regional skills-boosting initiatives: training, work placements.	Built a basis for future recruitment. Greater range of technical vocational training courses.
<b>Authorities</b>	Contact with County Administrative Boards and municipalities in conjunction with supervision, Statutory environmental reports.	Emissions to air and water, noise, energy, land issues, waste, use of chemicals.	Better understanding of each other's points of view on environmental issues.
<b>Certification bodies</b>	On-site visits and other kinds of dialogue in conjunction with audits.	Legislation and criteria of the standard in question.	Views of external bodies on the business and proposed improvements.
<b>SP Technical Research Institute of Sweden</b>	External audit of FSC and PEFC certification.	Legislation and criteria of the standard in question.	Views of external bodies on the business and proposed improvements.

Billerud manufactures pulp and paper for packaging from renewable forest raw materials. Strong packaging protects its valuable contents and helps to reduce the environmental burden caused by wastage of damaged products. Billerud is working to reduce energy needs by improving efficiency and today 95% of Billerud's energy needs are met by biofuel.

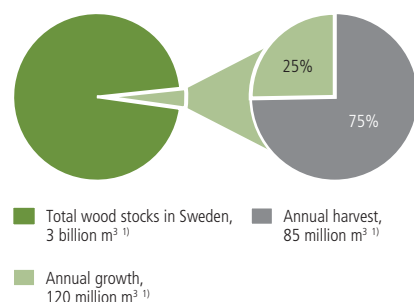
## FOREST PRODUCTS GOOD FOR THE ENVIRONMENT

Pulp and paper manufacture is regulated by extensive environmental legislation. Manufacture requires a permit under the Swedish Environmental Code. The permit grants the right to carry out production and contains conditions regulating emissions to water and air, as well as noise levels, waste and chemicals management.

The primary work on the environment is carried out locally at the mills. In the past two decades the environmental impacts of the process have been reduced considerably. As well as complying with statutory requirements, the mills also hold environmental certification under ISO 14001. Certification demands a structured, target-driven way of working to gradually reduce the environmental impact of operations. Work on the environment is regularly audited by external auditors. The mills' suppliers are checked and assessed under ISO 14001. The FSC and PEFC systems for purchasing wood raw materials also check that raw materials suppliers comply with the requirements for sustainable forestry and biodiversity.

All employees have been trained in fundamental environmental issues and are constantly kept informed of environmental work carried out by Billerud. Key staff such as production and maintenance managers receive extra training.

### FOREST GROWTH & HARVEST IN SWEDEN



<sup>1)</sup> Cubic metres of forest (stem volume above the cut including top and bark)  
Source: Swedish National Forest Inventory, Swedish Forest Agency

### THE IMPORTANT ROLE OF THE FOREST FOR THE CLIMATE

The Swedish Forestry Act of 1903 required replanting. Today fewer trees are felled than the annual growth and Sweden has almost twice as much forest as when the law was first passed.

Carbon dioxide is absorbed in the growing forest through photosynthesis, thus lowering the carbon dioxide content in the atmosphere. Growing forests absorb more carbon dioxide than mature forest. This means that active forestry, responsible thinning and felling while replanting, is better for the climate than a forest that is left alone.

### STRICT RULES FOR PURCHASING WOOD

The dominant raw material in Billerud's processes is wood. Billerud owns no forest land of its own but buys in wood via its wholly-owned subsidiary Billerud Skog. The total volume purchased is approximately 5 400 000 m<sup>3</sup> sub a year, about 75% of which is felled in Sweden and 5% each in Norway and in Finland. The remaining proportion, approximately 15% is imported from the Baltic.

### PURCHASE OF RAW MATERIALS\* (EN 1)

	2010	2009	2008
Wood, million m <sup>3</sup> sub	5.2	5.1	5.1
Recovered paper, '000 tonnes <sup>1)</sup>	15	24	32
Pulp, '000 tonnes	37	34	35

<sup>1)</sup> Recovered paper 1.8% of total fibre requirement

Most of the wood is purchased from suppliers who are responsible for felling and transport, but Billerud Skog itself carries out felling and off-road transport on privately owned forest land in Norrbotten and parts of Vasterbotten in northern Sweden. Billerud's own felling and felling carried out by others is in line with the company's guidelines for environmental considerations when purchasing wood. The guidelines state that the origin of the wood must be regulated in the con-

tract and that the rights of citizens must not be infringed.

Approximately 42% of the total volume purchased comes from FSC and/or PEFC-certified suppliers, up on last year's 35%. Internal and external audits are carried out annually to ensure that the company complies with the FSC and PEFC standards.

Billerud's aim is to constantly increase the amount of certified wood. Billerud Skog currently buys in as much certified wood raw material as is available on the market. However, it takes time for private forest owners to become certified. This is why Billerud has started work aiming to help small private forest owners to gain FSC certification in a process known as umbrella certification. The private landowners who meet the FSC standard can become affiliated to Billerud's FSC certificate, thus gaining certification.

Billerud has FSC and PEFC traceability certificates covering Gruvön, Skärblacka, Karlsborg and Billerud Skog.

### MORE EFFICIENT ENERGY USE

The paper industry is energy-intensive. Billerud works actively to improve energy efficiency and makes efforts to greatly reduce dependence on fossil fuels. The aim is to cease using fossil oil in manufacturing processes in the long term.

### Turning forest waste into energy

Today Billerud is approximately 60% self-sufficient in electrical energy at full use of capacity. About 95% of the heating energy and internal electricity production is currently based on biofuel from forest raw materials. Energy comes primarily from combustion of the black liquor and bark not used during pulp production, and from external biofuel.

Billerud also helps to meet some of the energy needs of its local communities. The surplus heat from Gruvön and Skärblacka is diverted from the processes to the district heating network, equivalent to the energy content of 16 000 m<sup>3</sup> oil.

\* The figures refer to production units at Billerud.



### Billerud and the environment Future challenges

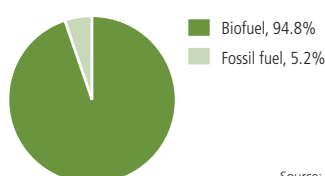
#### Short term

- \* Apply to renew environmental permit (Skärblacka)
- \* Handle weak malodorous gases cost-efficiently (Karlsborg)

#### Long term

- \* Further energy efficiency initiatives in stage III of the EU's emission rights programme 2013
- \* Phase out fossil fuels entirely
- \* Use 100%-certified wood

### FUEL CONSUMPTION 2010



Source: Billerud 2010

### HEAT ENERGY\* (EN 3)

	2010	2009	2008
<b>Biofuels:</b>			
Recovered liquor, GWh	5 230	5 360	5 220
Bark, wood residuals, GWh	1 700	1 650	1 670
Tar oil/tall oil, GWh	420	340	330

	2010	2009	2008
<b>Fossil fuels* 2):</b>			
Oil, GWh	247	298	336
LPG, GWh	38	41	38
Natural gas, GWh	115	108	104

2) Fuel consumption from transport and vehicles is not included

### ELECTRICAL ENERGY\*

	2010	2009	2008
Electricity purchased for the manufacturing process, GWh	822	777	767
Self-generated electricity, GWh	731	800	777

Due to a planned comprehensive maintenance review of one of the Group's turbines, the amount of electricity purchased from external sources rose during 2010.

### Efficiency improvements continue

Billerud was part of the Swedish Energy Agency's energy efficiency programme, PFE, between 2004 and 2009. Here Billerud undertook to invest in electricity saving measures with a repayment period of a maximum of three years and introduced an energy management system. The annual saving was 63 GWh.

Billerud's energy efficiency improvements are continuing. Work at the mills has moved into a new survey phase, where

\* The figures refer to production units at Billerud.

additional efficiency improvements are being identified and processes fine-tuned. This year's energy efficiency measures resulted in savings of 11 GWh.

At Beetham too, located in the UK and thereby not part of the PFE project, intensive work is underway on energy efficiency improvements. 2010 saw a new energy saving heat exchanger installed in one water inflow. It is planned that next year three older boilers will be replaced with two new ones, so improving energy efficiency.

### CAREFUL CHECKING OF CHEMICALS

Manufacturing uses process chemicals such as sodium hydroxide and sodium chlorate in the cooking and bleaching processes. Different additives and auxiliary chemicals are also used. The cooking chemicals used in the pulp manufacturing process can be recycled more than 10 times.

All the chemicals are checked before use regarding environmental risks, health and safety and product safety. More environmentally friendly chemicals are brought into use as soon as this becomes possible.

In 2010 Billerud concluded its work on registering all chemical substances manufactured in the mills in line with the EU's new chemicals legislation, REACH, which seeks to protect public health and the environment. Work on safety under the REACH regulations is being implemented and updated safety data sheets for chemicals are being drawn up. Billerud is primarily a user of chemicals, known as a downstream user, and as such has secure procedures for and documentation of how the chemicals are handled at each facility. Current safety data must be checked in terms of area of use and risk of exposure for humans and the environment.

Billerud has worked to adapt its operations to the new legislation jointly with other European pulp and paper mills. Testing, compiling the results and registration have been procured and carried out jointly, saving tens of millions of Swedish kronor.

### USE OF CHEMICALS\* (EN 1)

	2010	2009	2008
Chemicals, '000 tonnes	151	148	147

### EMISSION LEVELS STABLE

Production at the mills results in various kinds of emissions, the most important of which are regulated by the mills' permits from the environmental courts. Billerud is constantly working to reduce emissions, including improving processes and purification methods.

### Emissions to air

With one exception, emissions to air were below current criteria at all mills during 2010. The current criteria for dust from the soda recovery boiler were marginally exceeded at Skärblacka.

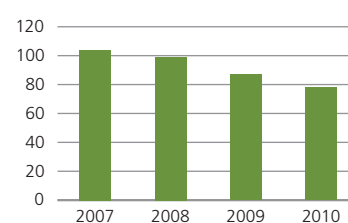
### TARGET

Emissions of fossil CO<sub>2</sub> from the manufacturing process per tonne of product will be cut by 15% between 2008 and 2013.

	2010	2009	2008
Emissions of fossil carbon dioxide	-21%	-12%	base year

As the target for reducing fossil CO<sub>2</sub> by 2013 has been achieved as early as 2010 the target for 2013 will be set at a new, even higher, level.

### FOSSIL CARBON DIOXIDE PER TONNE OF PRODUCT (KG/TONNE)



Source: Billerud 2010



Emissions to air mainly consist of dust, sulphur dioxide and nitrogen oxides, which are formed during combustion in boilers and kilns. These two gases are acidifying for the environment, while nitrogen oxides also cause eutrophication. The mills also emit malodorous gases such as hydrogen sulphide and organic sulphur compounds.

#### EMISSIONS TO AIR\* (EN 20, EN 16)

	2010	2009	2008
<b>Emissions to air</b>			
Sulphur dioxide (calculated as S), tonnes	260	275	300
Nitrogen oxides, tonnes	1 670	1 700	1 710
Dust, tonnes	840	880	820
Carbon dioxide, fossil, '000 tonnes <sup>3)</sup>	104	117	128
Carbon dioxide, bio-generation, '000 tonnes	3 200	3 200	3 200

<sup>3)</sup> Emissions from transports and vehicles are excluded

#### Water consumption and emissions to water

Producing pulp and paper takes a lot of water. Thanks to good access to large water sources close to its mills, Billerud only uses surface water, in other words water from lakes and watercourses. After use, the surface water is treated in Billerud's biological treatment plants before being released into the watercourses again. Because Billerud does not use groundwater in its manufacturing processes, there is no significant effect on protected water and wetlands.

Emissions to water remained at the same level as last year in all mills apart from Gruvön. This means that for two years Skärblacka has had record low emissions of phosphorus, which shows that the water purification plant is working satisfactorily and that water purification work is sustainable and stable. Emissions of COD, substances in suspension and nutritive salts from the Gruvön biopurification plant were higher in the second half of 2010. The main cause was a series of disruptions to the biopurification plant itself and upstream in the factory. However, Gruvön had lower emissions to air during 2010. For example, total NOx emissions were the lowest recorded since continuous measurements were introduced.

Emissions to water primarily comprise oxygen-consuming substances, nitrogen, phosphorus and metals that come from the timber.

#### WATER CONSUMPTION\* (EN 8)

	2010	2009	2008
Water consumption, million m <sup>3</sup> <sup>4)</sup>	116	116	119

<sup>4)</sup> Surface water

#### EMISSIONS INTO WATER\* (EN 21)

	2010	2009	2008
Process waste water, million m <sup>3</sup>	93	92	101
COD, '000 tonnes	22	21	22
Substances in suspension, tonnes	2 500	2 600	2 500
Nitrogen, tonnes	290	270	290
Phosphorus, tonnes	35	34	33

#### Incidents during the year

Two oil emission incidents occurred at Gruvön in 2010. In both cases, the leaked oil was almost completely contained and the consequences for the environment were judged to be negligible. However, the incidents were reported to the police and preliminary investigations have commenced.

In 2010 no fines or non-monetary sanctions were imposed on Billerud as a result of breach of environmental legislation.

#### WASTE LARGELY RECYCLED

Waste from the Swedish pulp mills is dominated by various ash and lime fractions. The largest proportion is green liquor sludge derived from the burning of black liquor in the recovery boiler. Currently most of this sludge goes to Billerud's own landfill.

Waste is being recycled to an increasingly greater extent. Organic process waste is processed and turned into energy in the mill. Other waste can be used for a variety of purposes. The pure lime fractions are used as soil improvers. Ash from bark burning is used for a range of construction purposes. Non-hazardous waste is sorted and the majority goes for material or energy recovery. Hazardous waste is sent to external recycling companies with the necessary expertise and permits.

#### MAJOR NEED FOR TRANSPORT

Every day large amounts of wood and other raw materials are transported into the mills. At the same time the finished products are transported out to customers worldwide. Emissions from transport account for a significant proportion of Billerud's total emissions to air.

Opportunities to significantly improve the transport system are limited for inward transport of wood. For natural reasons, lorries are the only option for transporting wood raw materials and biofuel from the felling areas in the forest. Despite this, Billerud seeks to minimise transport as far as



possible, firstly by buying in wood from forests located as close to the mills as possible. Secondly Billerud collaborates with other companies in the sector by exchanging timber. This means that other forestry companies receive raw materials from forests near their mills in exchange for Billerud receiving timber from forests closer to home. This benefits both companies financially thanks to shorter transport distances, while also placing less of a burden on the environment.

The wood Billerud buys in Sweden and the wood bought from Finland and Norway is transported by road and rail. On long journeys, if possible, the transport is switched from road to rail as this is both cheaper and more beneficial to the environment. The wood imported from the Baltic countries, currently about 15%, is transported by boat.

Approximately 75% of outward transport is carried out by rail or boat. For outward transport too, Billerud collaborates with other companies in the industry to make environmental and financial gains. Together with four other forestry industry companies, Billerud is a joint owner of ScandFibre Logistics, a company that optimises rail transport. This is achieved by combining goods wagons loaded with products from

\* The figures refer to production units at Billerud.



different mills at designated nodes before transporting them further, e.g. to Central Europe, and by selling the return transport capacity to other importers.

Billerud has incorporated a requirement in its contracts with road haulage companies to reduce the environmental burden from road transport. This states that the fuel must be environmental class 1 and that drivers must be trained in eco-driving.

In 2010 carbon dioxide emissions from transport amounted to 95 000 tonnes. Of this 39 000 tonnes was from transporting raw materials into the factories and 56 000 tonnes from transporting finished products from the mills.

#### TARGET

90% of outsourced domestic road haulage is to be carried out by drivers trained in eco-driving by 2013.

	2010	2009	2008
Percentage trained in eco-driving	65%	65% <sup>1)</sup>	–

<sup>1)</sup> Billerud's deliveries of pulp and paper in Sweden.

#### ENVIRONMENTALLY FRIENDLY PRODUCTS

Billerud's pulp and paper is based on renewable wood raw materials and the products are biodegradable. The production process uses virtually exclusively primary fibre, as primary fibre meets the requirements for what Billerud manufactures – strong and hygienic packaging paper. However, Billerud's products are recycled to a considerable extent and can be used by other manufacturers to make different types of product where the hygiene and strength requirements are not so stringent.

Billerud's packaging material reduces the burden on the environment by protecting products such as food, medical instruments and construction materials. If more products reach their users in perfect condition, this leads to less waste of resources and lower emissions of greenhouse gases, by avoiding overproduction and unnecessary transport. Good packaging helps to reduce food waste, for example, which is good for the environment as food production almost always involves a far greater burden on the environment than paper manufacture.

Billerud's ambition is to be at the forefront on environmentally smart and economically sustainable packaging solutions. Thanks to successful product development Billerud has, for example, produced the packaging paper Billerud FibreForm®, which with its unique elasticity challenges non-renewable fossil plastic, so making a major contribution towards reducing the burden on the environment.

FSC, the Forest Stewardship Council, is an independent international organisation that works actively to ensure that forests are managed responsibly and sustainably. The FSC develops rules and recommendations for sustainable forestry and certifies the forestry of those who comply with these rules. Products from FSC-certified forests are also FSC labelled. An FSC-labelled product must be traceable, which means that it must be able to be demonstrated that it really comes from timber from an FSC-certified forest at every stage of the process.

The fundamental principle of the FSC labelling system is that the labelled products originate from timber from forests managed in line with FSC rules, which include protecting:

- endangered animals and plants
- the future ability of the land to grow forest
- safe and healthy working conditions for the people who work in the forest
- the rights of indigenous populations

[www.fsc.org](http://www.fsc.org)

The Programme for the Endorsement of Forest Certification schemes, PEFC, is an international system for sustainable forestry. The Swedish PEFC has grown from a standard that was developed by the forest owners' organisations during the 1990s and was approved by the international PEFC in 2000. It covers forestry standards, environmental standards and social standards. PEFC has mainly been used by smaller forest owners but has gradually also been adopted by several of the large forestry companies.

[www.pefc.se](http://www.pefc.se)

#### PRODUCTION\*

	2010	2009	2008
Packaging & Speciality Paper, '000 tonnes	526	516	482
Packaging Boards, '000 tonnes	483	505	465
Market Pulp, '000 tonnes	321	315	346
<b>Total</b>	<b>1 330</b>	<b>1 336</b>	<b>1 293</b>

#### OTHER OUTWARD DELIVERIES\*

	2010	2009	2008
Heating energy, GWh <sup>2)</sup>	163	199	127
Tall oil, '000 tonnes	42	43	34
Turpentine, '000 tonnes	2.6	2.6	2.4

<sup>2)</sup> District heating for local community and industry.

#### ENVIRONMENTAL INVESTMENTS (EN 30)

	2010	2009	2008
Environmental investments, SEKm <sup>3)</sup>	53	32	46

#### KEY RATIO\*

	2010	2009	2008
Share of fossil fuel, % <sup>4)</sup>	5.2	5.7	6.2
Fossil carbon dioxide per tonne of product, kg/tonne <sup>4)</sup>	78	87	99
COD per tonne of product, kg/tonne	16	16	17
Nitrogen oxides per tonne of product, kg/tonne	1.3	1.3	1.3

<sup>3)</sup> Process changes that reduce emissions

<sup>4)</sup> Emissions from transports and vehicles are excluded

\* The figures refer to production units at Billerud.

#### PAPER VERSUS PLASTIC

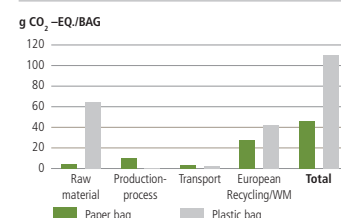
Billerud commissioned the IVL Swedish Environmental Research Institute to conduct two case studies comparing:

- » Two functionally equal paper and plastic carrier bags based on a complete carbon footprint analysis
- » Two functionally equal paper and plastic sacks based on a complete carbon footprint analysis.

#### Result:

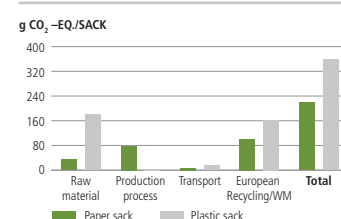
Paper is better for the climate than plastic! From a climate perspective, the paper alternative has a much lower impact than the plastic one, irrespective of the end-of-life scenarios (combustion, material recycling or landfill). The main reason is that paper is made from a renewable resource.

#### PAPER BAG VERSUS PLASTIC BAG



Greenhouse gas emissions from paper and plastic bags, with a European average waste handling scenario including recycling, incineration and landfill.

#### PAPER SACK VERSUS PLASTIC SACK



Greenhouse gas emissions from paper and plastic sacks, with a European average waste handling scenario including recycling, incineration and landfill.

Billerud's human resources activities are to ensure that employees develop and contribute towards the company's value creation. Billerud is to be a workplace that stimulates its employees and attracts new ones. Billerud will also have a functioning work environment and be a safe place in which to work.

## A RESPONSIBLE EMPLOYER

Billerud's core values are professionalism, efficiency and creativity. Billerud needs increasingly competent employees if the company is to remain competitive as an employer and to live up to increasing demands from customers, society and business partners.

The director of human resources is the person who is ultimately responsible for all human resources issues, for ensuring that the regulatory framework is complied with and that human resources strategies are implemented. Each of the four mills also has its own human resources manager. Strategic work on HR and Group-wide projects are led by the director of human resources in close dialogue with the business through collaboration with mill managers, business area directors and human resources managers. Local, operational HR activities are carried out under the leadership of the local human resources manager.

Billerud Beetham is certified under the standard OHSAS 18001. The Swedish mills operate under the guidelines of the Swedish Work Environment Act on Systematic Work Environment Management. Work in this area involves constantly identifying focus areas for improvement, setting targets, monitoring progress and communicating the results achieved.

Every other year a staff survey is carried out to measure motivation and value-creation and evaluate leadership at Billerud. The results are analysed and play an important role in working towards improvements.

### A SMOOTH GENERATIONAL TRANSITION

In 2010 Billerud carried out a survey of re-tirements coming up in 2011–2015. This shows that just over 200 people will reach the retirement age of 65 during this period. Managing these retirements is not expected to be complicated and can be handled within the framework of the normal budget. Work on drawing up plans for ongoing skills development and skills transfer will be carried out in the first part of 2011. The aim is to

increase the level of education and to increase diversity while safeguarding the transfer of expertise from experienced staff.

The company's trainee programme makes Billerud a more attractive employer and increases the level of education in the company. In 2010 Billerud carried out its first trainee programme for young engineers. The trainees were given placements in the Swedish mills and at head office. They then rotated through different posts across the organisation during the year. Blocks of training linked to the different responsibilities of the functions in the company, and personal development also formed part of the year-long trainee programme. A new trainee programme will be starting in 2011.

### SKILLS ARE THE KEY TO SUCCESS

Constantly increasing the level of education and expertise is an ongoing process at Billerud. All employees are constantly able to develop their skills and receive personal feedback on their development and performance. Performance reviews identify any skill gaps in relation to the organisation's objectives, and development plans are drawn up. 59% of employees had performance reviews in 2010.

#### TARGET

All employees must be able to develop their skills and receive personal feedback on their development and performance.

	2010	2009	2008
Skills development	59%	55%	51%

#### TARGET

60% of staff recruited will have completed some form of post-upper secondary education

	2010	2009	2008
Post-upper secondary education or equivalent	65%	55%	37%

### LEADERSHIP DEVELOPMENT A PRIORITY

Leadership development is a prioritised and strategic issue that will contribute towards Billerud's success and profitability.

#### TARGET

When recruiting managers, three candidates must be internal in order to increase development opportunities and internal mobility.

	2010	2009	2008
Management recruitment	2.2	1.8	1.6

#### TARGET

Every manager must receive personal feedback on their leadership and access to tools to help them develop.

	2010	2008
Leadership (LA12)	66%	62%

### INCREASING DIVERSITY IN THE ORGANISATION

Increased diversity is important for creating an organisation that makes the most of the full potential of its employees, irrespective of their sex, age, ethnic background or similar factors. Therefore Billerud needs to recruit more younger employees and more women at all levels in the organisation. On 31 December 2010 the average age of the company's employees was 46.5 and the proportion of women 19%.

The average age of the Board of Directors was 65.5 and the proportion of women 30%. In senior management the corresponding figures were average age 48 and 12.5% women. 23% of Billerud's 'Top 100' managers were women. Other diversity factors are not reported with reference to Swedish legislation.

To retain female employees and attract more women to the company, Billerud is actively engaged in work to boost gender equality. With the aim of changing attitudes and behaviours in the organisation, Billerud has produced Group-wide diversity targets and an action plan against victimisation at





work. The company takes a zero tolerance approach to discrimination. Irrespective of ethnic origin, nationality, gender, religion, sexual orientation, age, disability, union membership or political allegiance, the equal rights and obligations of each and every individual must be conveyed and emphasised.

#### TARGET

50% of managers appointed to jobs with personnel management duties to be women.

	2010	2009	2008
Female managers	29%	50%	43%

Work to identify talented women and develop them to take on management posts in the future continues as we work towards the target of 50%.

To avoid unjustified pay differences on the basis of gender, pay in the Swedish units is surveyed every three years in line with Swedish legislation. This work is carried out with the help of an external consultant and the unions examine the results. Only isolated cases of material differences have been encountered in the surveys and action plans have been formulated to remedy the situation.

Billerud is working to attract young women to the company by attending education fairs and arranging information evenings for young women. This work has paid off, and interest from young women is increasing. Four of the ten trainees on the trainee programme for young engineers that finished this year were women.

#### HIGHER SCORES IN STAFF SURVEY

Every other year Billerud carries out a staff survey to measure the climate and leadership in the company. The response rate for the 2010 survey was 81%. Compared with 2008, scores were higher for all 13 parameters measured apart from one, Skills development, where scores fell somewhat. The greatest increase was seen in the areas Loyalty and Image of Billerud.

The results of the survey indicate that Billerud is developing in the right direction

but the aim is to continue to improve performance on all parameters and the Group management has highlighted Customer orientation, Leadership/Communication and Skills development as priority areas for improvement in the period ahead. Local improvement work is also carried out on an ongoing basis.

#### FOCUS ON A SAFE WORKPLACE

Billerud is working continuously to reduce the number of work-related accidents and injuries. This involves focused work on safety with a joint process for risk assessment and risk analysis of the work environment. Work on safety also includes reporting all near-misses, focused safety inspections and work to increase awareness of safe behaviour, as well as new technology and automation. The work is headed by local work environment groups together with union representatives.

No fatal accidents occurred in 2010.

#### TARGET

The number of accidents resulting in sick leave is to be continuously reduced through focused work on safety and ongoing systematic incident reporting.

	2010	2009	2008
Work-related accidents	43	26	45

A major initiative to turn around the negative trend will be implemented in 2011.

Several Swedish pulp and paper mills have invested large amounts of money in modern biopurification plants in the past decade. Unfortunately it has proven to be the case that the conditions that are ideal for the bacteria and micro-organisms that break down different pollutants in the waste water are equally ideal for the legionella bacterium, which can cause the serious lung infection legionnaire's disease. At Billerud all the Swedish units have carried out risk analyses and taken various preventive measures. The highest counts of legionella bacteria have been measured at the Gruvön biopurification plant.

No-one suffered legionella at Billerud in 2010.

As a consequence of swine flu, Billerud drew up an emergency plan for potential pandemics at central level and local action plans at each unit. In collaboration with local occupational health services Billerud will ensure that the plans are implemented effectively.

To ensure everyone's safety and for the sake of the individual's health, alcohol and drugs are not allowed in the workplace. A policy and guidelines are also in place governing both the company's preventive work and follow-up within the sphere.

#### FITNESS MEASURES REDUCE SICK LEAVE

Billerud is keen to be an attractive workplace where employees enjoy working, develop and feel healthy. Fitness is run in partnership with the local occupational health service. To prevent musculoskeletal injuries and to combat poor health, all employees have access to various exercise facilities. There is also a fitness allowance for all employees in Sweden.

In 2010 sick leave went up to 2.9%, an increase of 0.1%.

#### CO-DETERMINATION

Billerud's management is keen to create a good working climate and desires a good dialogue with its union partners. Such contacts are very frequent at Billerud. A general cooperative agreement that follows the guidelines for the sector and ensures that the dialogue functions is supplemented by local agreements. All employees are entitled to join the union of their choice and collective agreements are in place at Billerud.

At Group level there is a collaborative forum whose members include the CEO, the Director of Human Resources and the employee representatives on the Board of Directors. The group meets before each Board meeting to conduct a dialogue on issues that are important for the employer and the employees.



There is also a union reference group with representatives of all agreement areas and mills. This group also meets before each Board meeting, approximately every other month.

In addition to these meetings, regular dialogue is carried out within the framework of European Works Councils (EWC). All dialogue between the employer and employee partners is based on mutual respect and openness.

#### INCIDENTS DURING THE YEAR

In 2010 one confrontation took place at central level in the agreement negotiations between the Swedish Paper Workers' Union (Pappers) and the employers' organisation the Swedish Forest Industries Federation. Skärblacka was one of the six paper mills run by different forest industry companies which the central union Pappers chose to bring out on strike. 466 employees at Skärblacka were affected and the mill's production came to a standstill for ten days. When the conflict was stepped up, Pappers also issued a warning

regarding the Gruvön mill but the mill's employees only downed tools for a brief period before the parties reached agreement and the strike was called off.

#### INTERNAL COMMUNICATION CREATES PARTICIPATION

Effective communication channels and clear leadership are vital in involving all employees in the company's development. Personal communication, through spontaneous meetings or workplace meetings, is supplemented by a Group-wide intranet and the staff magazine Billerud Focus, which plays an important role in fostering a corporate culture. Employees from different departments are on the editorial boards of the intranet and the magazine to create wide-ranging participation throughout the organisation.

#### REWARD SYSTEM LEADS TO IMPROVEMENTS

The contribution and commitment of all employees is necessary to achieve the desired results and this is therefore constantly mea-

sured against the targets set. The aim is to create a working climate where each employee is encouraged to take active responsibility for daily tasks by clearly seeing the results of his or her work. All employees at Billerud have a flexible pay component linked to the company's profitability and local targets. The aim is to reward improvement. There is also a profit sharing system which provides a maximum SEK 5 000 a year for all staff apart from the senior management team.

#### BILLERUD AS A LOCAL EMPLOYER

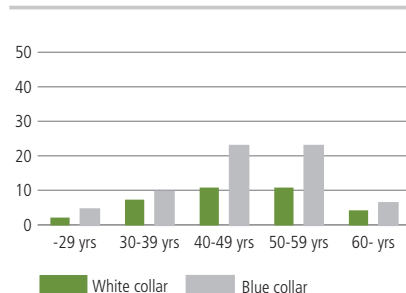
Billerud plays a dominant role locally. The business contributes towards the wellbeing of the communities in which its mills are situated on several levels, partly through jobs and tax revenue and partly through active participation in the local community. The latter includes Billerud sponsoring local sporting and cultural activities to improve the leisure time of Billerud's employees and their families as well as other local people.

**AVERAGE NUMBER OF EMPLOYEES**  
(LA 1, LA 13)



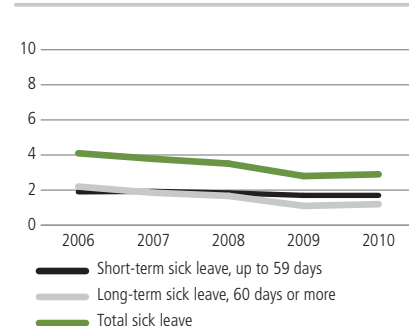
In 2010 the average number of employees rose by 8.

**AGE DISTRIBUTION (%)**  
(LA 4)



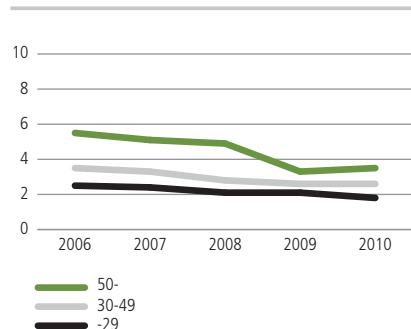
The proportion of employees aged 50 or older was 43% (41) among white collar staff and 44% (42) among blue collar staff. The proportion of employees under 40 was 26% (27) among white collar staff and 21% (22) among blue collar staff.

**TOTAL SICK LEAVE AS % OF HOURS WORKED**  
(LA 7)

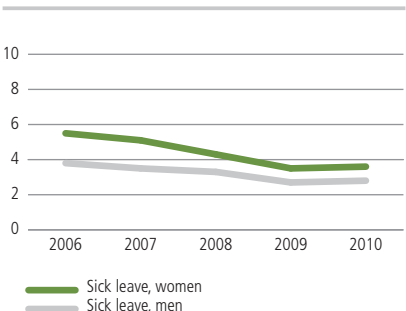


Sick leave has continued to fall and is now just 2.8% of ordinary working hours.

**SICK LEAVE DIVIDED BY AGE AS % OF HOURS WORKED**  
(LA 7)



**SICK LEAVE DIVIDED BY GENDER AS % OF HOURS WORKED**  
(LA 7)



Sick leave rose marginally for both men and women (0.1% each).



## POLICIES AND GUIDELINES

### Human resources policy

Alcohol and drugs policy

### Guidelines on:

Work environment  
Diversity  
Skills development  
Fitness  
Rehabilitation  
Maternity/paternity pay  
Recruitment

## Billerud and its employees

### Future challenges

#### Short term

- \* Continue reporting incidents to further heighten awareness and thus reduce the number of accidents
- \* Continue working on skills development
- \* Attract more women into the Company

#### Long term

- \* Enhance competitiveness for well-trained labour



EMPLOYEE STATISTICS 2010	TOTAL	GRUVÖN	SKÄR- BLACKA	KARLS- BORG	BEETHAM	B.SKOG	HQ	SALES OFFICES	TENOVA
<b>Employees</b>									
Average number of employees <sup>1)</sup> (LA1)	2 240	873	636	426	139	32	51	68	15
No. of employees at year-end	2 263	879	640	427	141	33	59	67	17
of whom women (LA13)	% 19	19	18	14	6	23	49	66	0
of whom covered by collective bargaining (LA4)	% 67	71	71	71	67	0	0	0	65
of whom white collar	% 33	29	29	29	33	100	100	100	35
Average age	46.5	48.1	45.6	48.6	47.4	41.8	42.1	42.9	39.7
Employee turnover	% 2.8	2.4	3.9	1.9	0	7.7	9.1	5.0	0
<b>Sick leave (LA7)</b>									
Total sick leave as % of hours worked	% 2.9	3.4	2.6	2.6	3.2	1.7	1.2	3.3	0.5
<b>Work-related injuries and near-misses</b>									
Work-related injuries with sick leave	% 2.1	2.0	2.8	1.4	0	0	0	0	0

<sup>1)</sup> 100% of employees in Sweden and Beetham are covered by collective agreement.

FIVE-YEAR OVERVIEW, EMPLOYEE STATISTICS	2010	2009	2008	2007	2006
Average number of employees	2 240	2 232	2 322	2 364	2 476
No. of employees at year-end	2 263	2 214	2 281	2 352	2 437
Employee turnover, %	2.8	6.0	5.2	7.0 <sup>1)</sup>	12.5 <sup>1)</sup>
Average age, years	46.5	46.9	46.1	45.0	44.7
Work-related injuries <sup>2)</sup> , %	2.1	1.3	2.0	1.9	1.7
Total sick leave, %	2.9	2.8	3.5	3.8	4.1
Of which long-term leave (> 60 days) of total sick leave, %	39	41	47	49	53

Details of work-related injuries, sick leave and average age are for the Group's Swedish companies up to and including 2008.

<sup>1)</sup> Corrected for Billerud 2007, staff turnover was 2.1% in 2006 and 2.3% in 2007.

<sup>2)</sup> Number of injuries resulting in sick leave as % of total no. of employees. Industry average 1.7%.

Billerud's product responsibility is a cornerstone of the business. The company's products and services are developed to fulfil the highest demands in terms of quality, function, safety and the environment.

## BILLERUD'S PRODUCT RESPONSIBILITY

Billerud's customers are predominantly companies that make packaging, known as converters, and Billerud's responsibility towards them is:

- » that the product does not contain hazardous substances
- » that the right product is sold for the right purpose
- » that the product information is correct

A number of management systems make working on product responsibility easier:

- ISO 14001 (environment)
- ISO 9001 (quality)
- BRC IoP (hygiene)
- FSC/PEFC (raw materials selection)

### RESPONSIBILITY SHARED BY THE MILLS AND THE BUSINESS AREAS

The mills are responsible for ensuring that various product safety requirements are met.

The business areas are responsible for ensuring that the right product is sold for the respective application and that specific guidelines for packaging on different markets are complied with.

In 2010 a product safety council was set up comprising members from mills and business areas to coordinate and develop work on product safety.

Billerud is constantly working to raise awareness of product safety in the organisation. Employees in the business areas and some of the mills' production and development staff have been trained in the rules on product responsibility and product safety in 2010.

### SAFE AND CORRECTLY LABELLED PRODUCTS

Billerud's products must be safe to use and must not be harmful to people's health or the environment. The products must meet the requirements set for the respective area of use – food packaging, medical applications and toys. As far as packaging which comes into contact with food is concerned – over

50% of Billerud's production – the mills must undergo extra stringent checks, primarily for the chemicals and other inputs used in production. The products are also tested for chemical purity, smell and taste.

Billerud complies with relevant requirements from customers and product safety legislation. Customers and the authorities require documentation that guarantees that the products are safe for consumers and the environment. Third party laboratories are used to issue third party certificates.

Customer requirements, and therefore needs, vary depending on the product and the market.

During the year Billerud was not involved in any incidents regarding product safety or incorrectly labelled products leading to complaints, legal action or similar.

### FOREST-CERTIFIED PRODUCTS

In 2010 42% of the raw materials that Billerud bought in was FSC or PEFC-certified. This means that Billerud in turn can sell a corresponding amount of paper and pulp labelled as such. It is the responsibility of the business areas to ensure that sales of the allocated volumes of FSC-labelled products are not exceeded and it is the mills' responsibility to ensure that the transport documents contain the correct information.

Basic training on FSC/PEFC for the sales offices commenced in 2010.

### MARKET COMMUNICATION

The Code of Conduct contains principles on how employees should behave towards the company's stakeholders, including customers, suppliers and business partners. Strict requirements are made of employees regarding privacy.

Central purchasers of market communication were trained in the new common European marketing legislation and comply with the rules on good marketing practice.

Billerud has never been reported for any form of infringement in the field of market communication.



### MEDICAL PACKAGING

The combination of high strength and well-balanced porosity makes paper suitable for medical packaging. Billerud's paper allows sterilising agents to pass through while providing long-term protection against microorganisms. In addition, high-quality papers have extremely low linting characteristics, which means that the paper does not release fibres that could end up on the sterilised content.



Product safety means that products must be safe to use for humans and the environment. Many applications, such as food packaging and medical applications, place specific requirements on product safety.



#### PIZZA BOXES

Many of Billerud's products come into contact with food. Such applications are subject to multiple laws and regulations, meaning stringent demands on thorough control of the chemicals and other input materials used. The products must also be tested for purity, smell and taste. Billerud's liner and fluting, used in pizza boxes, for example, are approved under FDA and BfR guidelines for packaging intended for food.

The following are examples of legal requirements that must be met in the work on product safety:

- FDA (Food and Drug Administration, USA)
- BfR (Bundesinstitut für Risikobewertung, Federal Institute for Risk Assessment, Germany)
- EU regulations (the general regulation for materials, Regulation (EC) No 1935/2004, there is no specific regulation for paper)
- EU regulation 2023/2006, Good Manufacturing Practice (GMP), inkl. Annex regarding set-off
- REACH (Registration Evaluation and Authorisation of Chemicals)



Billerud's sustainability report describes how the company works strategically and operationally from an environmental, social and economic perspective, and the results that have been achieved. The content relates to the financial year 2010 and covers the activities of the whole Group.

## REPORTING AT GRI LEVEL A

The report follows the guidelines of the Global Reporting Initiative (GRI) for sustainability reporting. This year Billerud has raised its ambitions compared with the previous year by moving from level B to level A and at the same time increasing the focus of its reporting. The report has increased the focus on what is essential and material for its intended readers, as is completely in line with GRI. For Billerud this means that the stakeholders who are not primarily the intended readers will have their needs for information met via other information channels. Billerud hopes this will ensure that the right information is conveyed to the right stakeholders in a more efficient way. The focus has been consistent and geared towards the capital market in an effort to report sustainability areas that may involve risks or facilitate stronger financial results. These are presented in Billerud's focused sustainability report.

Besides the separate sustainability report on pages 34–55, reporting of sustainability is integrated in other aspects of the annual report. Work on sustainability is monitored and reported annually.

### TARGET GROUP

Billerud has contacted investors and analysts who monitor the company on an ongoing basis, to discuss Billerud's work on sustainability. They have given their views on the areas, questions and indicators they consider to be value drivers (capable of generating or

degenerating value) for Billerud and in which areas Billerud can improve its work on sustainability and its sustainability reporting.

For example, improved performance in one of these selected areas/indicators should show that Billerud has either improved its results or reduced the risk of undesirable events occurring. Sustainable development for Billerud therefore means working towards a good performance in these areas in line with the company's strategy and targets.

An overview of Billerud's dialogue channels is provided in the section on dialogue with stakeholders.

### DELIMITATION AND DEFINITION OF THE CONTENT OF THE REPORT

The sustainability report covers all of Billerud's business and its majority-owned subsidiaries. The following companies are not covered by the sustainability report due to too small a shareholding and because their business cannot be considered to have any material impact on sustainability: BasEl i Sverige AB, Vindln AB and Kalix Vindkraft AB.

The report has not been audited by a third party. However, a 'third party check' was carried out, which means that a third party, in this case Billerud's auditors, confirmed Billerud's own assessment that the report contains the information that complies with the standard for level A.

### REPORTING SYSTEM

The data underlying the report is primarily documented information from the reporting systems within the Billerud Group, e.g. within the framework of the ISO systems. Content is also based on oral information from key people within the Group and other written information within the company.

Billerud has calculated CO<sub>2</sub> from inward transport of raw materials to the mills and outward transport of products from the mills according to the Swedish Network for Transport and Environment's (NTM) calculation formula for basic freight ([www.ntmcalc.se](http://www.ntmcalc.se)).

Billerud's production and the majority of its sales take place in Europe, where legislation regulates human rights. This dimension of the Group's work on sustainability and thereby reporting has therefore been focused on employee rights. A zero-tolerance approach to discrimination, freedom of speech and freedom of association, a safe work environment and other issues concerning human rights are guided and communicated by Billerud's Code of Conduct.

In 2010 no major changes took place regarding shareholder circumstances or accounting principles that affect the comparison with reports for previous financial years.

The previous year's sustainability report was published in March 2010, establishing an annual reporting cycle.



OMX GES Swedish and Nordic Sustainability Index. This index was set up in 2008 and ranks the 50 leading companies in the Nordic region in terms of environmental responsibility, social responsibility and corporate governance. [indexes.nasdaqomx.com](http://indexes.nasdaqomx.com)



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### BILLERUD WORKS WITH ACTIONAID ON "THE RIGHT TO FOOD" PROJECT

Today, over a billion people will go to bed hungry, and one child will die every five seconds. This happens despite the fact that there is enough food on the planet; but that food is not in the right place.

Billerud works daily to reduce food waste by producing strong packaging materials. The collaboration with ActionAid is a further step in efforts to make the most of earth's resources and to help more people access available food.

Through an internal program, all employees have the opportunity to donate SEK 60 per month, the equivalent of one lunch. For every lunch donated, Billerud makes an additional contribution of SEK 100, representing dinner.

SEK 160 is enough to provide five at-risk families with enough seeds and tools to start a small-scale farm, or to give five orphans porridge for school lunches for an entire year.

In 2010, two Billerud employees went to Nepal with ActionAid to help build a house for former debt slaves. In this project, Billerud funded the construction of six houses for as many families.

Mary Njeri has received goats via ActionAid in a project aiming to enable people to obtain a sustainable food supply.



Georgina Cranston/ActionAid

2010 is the second year that Billerud has reported its sustainability work in line with the Global Reporting Initiative's Sustainability Reporting Guidelines (version 3.0). Billerud applies reporting level A, as confirmed by Billerud's auditors Ernst & Young.

## GRI INDEX

Work on determining the content of the report is based on weighing up what is important to Billerud's business, the company's responsibility for the rights of its employees, its impact on society and the environmental responsibility incumbent upon a pulp and paper manufacturing

industry. Billerud intends to report sustainability in line with GRI each year as an integrated part of the annual report and on the company's website. Billerud applies GRI's performance indicators and reports on all key indicators that are relevant to its business.

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# ANNUAL REPORT

# DIRECTORS' REPORT

The Board and CEO of Billerud AB (publ), corporate identity number 556025-5001, herewith submit the Annual Report and consolidated annual accounts for the 2010 financial year.

Billerud's operating profit improved substantially in 2010, advancing to SEK 1 037 million, up SEK 737 million from 2009. This was chiefly a result of significantly better selling prices (in each respective sales currency) and an improved product mix. The rise in prices was partly offset by negative exchange rate effects and increased costs.

Billerud's corporate governance report is presented separately on pages 100–107.

## Markets

Billerud's business activities comprise the production and sale of market pulp and niche products in packaging paper. Customers are primarily in Europe, although an increasing share of deliveries is made to other parts of the world.

Billerud's activities are divided into three business areas:

Packaging & Speciality Paper, Packaging Boards and Market Pulp.

The year began with robust demand in all segments for packaging paper and with repeated price increases. Demand strengthened further during the year for some segments and remained strong at year-end. Additional price increases were implemented for all products in the packaging paper business area. Thus efforts to restore prices to levels sustainable in the long-term have succeeded.

In the market for Nordic long-fibre sulphate pulp, demand remained robust in the beginning of the year. However, global production decreased, chiefly as a result of the earthquake in Chile in February that caused the Chilean pulp mills to temporarily shutdown production. This led to consumers and producers having extremely low inventory levels. During the second and third quarters, demand from Asia – mainly China – decreased, but consumers and producers continued to report lower inventory levels. The pulp market remained healthy toward year-end, and demand from China increased in the last quarter.

Prices in USD rose steadily during the year, from a relatively high level, to a very high level in the third quarter. Toward year-end, prices declined slightly in USD.

For 2010, deliveries of packaging paper totalled 1 006 000 tonnes, compared with 996 000 tonnes in the previous year, an increase of 1%.

Deliveries of market pulp totalled 301 000 tonnes for 2010, compared with 316 000 tonnes in the previous year, a decrease of 5%. The decrease was largely attributable to a labour conflict that resulted in production losses during the second quarter.

Billerud's total deliveries for 2010 amounted to 1 307 000 tonnes, a decrease of 5 000 tonnes compared with the previous year.

## DELIVERY VOLUMES BY BUSINESS AREA

'000 tonnes	2010	2009
Packaging & Speciality Paper	524	508
Packaging Boards	482	488
Market Pulp	301	316
<b>Total</b>	<b>1 307</b>	<b>1 312</b>

## NET SALES BY BUSINESS AREA

SEKm	2010	2009
Packaging & Speciality Paper	4 166	3 934
Packaging Boards	2 428	2 362
Market Pulp	1 731	1 338
Currency hedging, etc.	153	-110
Other <sup>1)</sup> and eliminations	350	236
<b>Total</b>	<b>8 828</b>	<b>7 760</b>

<sup>1)</sup> Relates to external sales from the wood supply operation as well as for Tenova Bioplastics AB.

## NET SALES BY GEOGRAPHIC AREA

SEKm	2010	2009
Germany	1 338	1 240
Italy	1 083	1 050
Sweden	870	658
United Kingdom	711	520
France	507	421
Rest of Europe	2 302	2 022
Rest of the world	2 017	1 849
<b>Total</b>	<b>8 828</b>	<b>7 760</b>

## Net sales and profits

Net sales totalled SEK 8 828 million, up 14% from the previous year. Despite industrial action that caused production losses of about 26 000 tonnes, 2010 deliveries totalled 1 307 000 tonnes, on a par with 2009 deliveries. Billerud has received full compensation from the Confederation of Swedish Enterprise for costs related to the strike. Compensation of SEK 77 million was paid by the Confederation to Billerud in the fourth quarter.

Operating profit reached SEK 1 037 million, an increase of SEK 737 million, which was mainly attributable to better prices and an improved product mix. The impact of higher variable costs equalled SEK -228 million, including SEK -110 million owing to changes in wood prices and SEK -51 million to changes in electricity prices. Fixed costs increased SEK 99 million, chiefly as a result of increased costs for maintenance. The operating margin equalled 12% (4%).

## CHANGE IN OPERATING PROFIT FROM CORRESPONDING PERIOD PREVIOUS YEAR

SEKm	2010–2009	2009–2008
Deliveries and production volumes, including product mix	61	223
Selling prices (in respective sales currency)	1 387	-1 106
Compensation for strike	77	–
Change in variable costs	-228	341
Change in fixed costs	-99	54
Change in depreciation	-49	-54
Effects of exchange rate fluctuations, including hedging <sup>1)</sup>	-412	553
<b>Total change in operating profit</b>	<b>737</b>	<b>11</b>

<sup>1)</sup> Effects of exchange rate fluctuations totalling SEK -412 million comprise the following components: change in spot rates SEK -685 million, currency hedging SEK 362 million and exchange rate effects from revaluation of accounts receivable and customer payments etc. SEK -89 million.

Net financial items amounted to SEK -77 million (-114), an improvement of SEK 37 million as a result of lower debt.

Profit before tax amounted to SEK 960 million. Estimated tax was SEK -255 million, making net profit SEK 705 million.

#### CHANGE IN OPERATING PROFIT BY PRODUCT AREA

Product area <sup>1)</sup> (% of sales)	Operating margin, %		Operating profit/loss, SEKm		Change SEKm
	2010	2009	2010	2009	
Packaging paper (~80%)	10	10	688	616	72
Market pulp (~20%)	16	-11	276	-148	424
Currency hedging and other			73	-168	241
<b>Total</b>	<b>12</b>	<b>4</b>	<b>1 037</b>	<b>300</b>	<b>737</b>

<sup>1)</sup> Market Pulp refers to the Market Pulp business area, packaging paper refers to the Packaging & Speciality Paper and Packaging Boards business areas together, Currency hedging and other relates to the lines Currency hedging, etc., and Other and eliminations according to the specification on page 110.

#### SUMMARISED PROFIT AND LOSS ACCOUNTS

	2010	2009
Net sales, SEKm	8 828	7 760
Operating profit/loss, SEKm	1 037	300
Operating margin, %	12	4
Profit/Loss after financial items, SEKm	960	186
Net profit/loss, SEKm	705	165
Earnings per share, SEK	6.84	2.04

Return on shareholders' equity in the period was 17% (5), and the return on capital employed was 21% (6). A dividend of SEK 3.50 (0.50) per share is proposed.

#### NET OPERATING PROFIT/MARGIN PER BUSINESS AREA

	2010		2009	
	SEKm	%	SEKm	%
Packaging & Speciality Paper	417	10	386	10
Packaging Boards	271	11	230	10
Market Pulp	276	16	-148	-11
Currency hedging, etc.	153		-110	
Other and eliminations	-80		-58	
<b>Total</b>	<b>1 037</b>	<b>12</b>	<b>300</b>	<b>4</b>

For quarterly data see page 110.

#### Earnings per operating segment

Since 2009 Billerud has applied IFRS 8 Operating Segments, which replaced IAS 14 Segment Reporting. Billerud has identified its operating segments in accordance with IFRS 8 to reflect Billerud's three business areas: Packaging & Speciality Paper, Packaging Board and Market Pulp. See Accounting policies on page 76.

#### Packaging & Speciality Paper

Operating profit increased SEK 31 million, or 8%, to SEK 417 million. A deterioration in exchange rates and increased costs were offset by improved prices in local currency and higher delivery volumes. The operating margin equalled 10% (10).

#### Market development

The market trend for orders and deliveries improved in the beginning of the year but stagnated somewhat during the rest of the year, compared with the previous year. However, order bookings remained excellent for sack and kraft paper at the end of the year. Efforts to restore prices from the low levels of 2009 continued throughout 2010. Prices on all products steadily increased in local currency in 2010, compared with the previous year.

#### Packaging Boards

Operating profit increased SEK 41 million, to SEK 271 million, compared with the previous year. Improved prices in local currency offset a deterioration in exchange rates and increased costs. The operating margin equalled 11% (10).

#### Market development

Early in the year, the market trend was strong, and that set the tone for all of 2010. Price increases were implemented at the end of 2009 and had a positive impact on earnings in the first quarter of 2010.

Thereafter the price level for all products steadily increased in local currency during the year.

#### Market Pulp

Operating profit increased SEK 424 million, to SEK 276 million, compared with the previous year, chiefly as a result of greatly improved prices that offset slightly higher costs. Exchange rates had a negative impact but not to the same extent as for paper products. The operating margin equalled 16% (-11).

#### Market development

The market for market pulp (NBSK) remained strong in the beginning of the year and improved steadily during the year. Despite a slight slowdown at the end of the year, the market remained healthy. The improvement resulted in increased prices. The price at the beginning of the year was about USD 800 and advanced to a high of USD 980 during the third quarter. At the end of the fourth quarter, the price decreased to about USD 950.

#### Investments and capital employed

Gross investment in property, plant and equipment and intangible assets including company acquisitions totalled SEK 334 million (306).

Billerud's capital employed totalled SEK 4 792 million at 31 December 2010, compared with SEK 5 148 million at 31 December 2009.

Return on capital employed, calculated over the past 12-month period, amounted to 21% (6). If the effects of currency hedging are excluded, return on capital employed was 14% (6). Return on equity after tax was 17% (5).

#### Cash flow and financial position

##### STATEMENT OF CASH FLOWS, SUMMARY

SEKm (positive figure indicates reduction in debt)	Jan-Dec 2010	Jan-Dec 2009
Operating surplus, etc.	1 625	862
Change in working capital, etc.	-147	116
Net financial items, taxes, etc.	-85	-124
<b>Cash flow from operating activities</b>	<b>1 393</b>	<b>854</b>
Current net investments	-331	-257
Business combinations	-	-35
<b>Operating cash flow</b>	<b>1 062</b>	<b>562</b>
Rights issue	-	925
Dividend	-52	-
Other items, not affecting cash flow	-13	-22
<b>Change in net debt during the period</b>	<b>997</b>	<b>1 465</b>

Cash flow from operating activities totalled SEK 1 393 million in 2010, compared with SEK 854 million in the previous year.

Operating cash flow totalled SEK 1 062 million, compared with SEK 562 million in the previous year.

Interest-bearing net debt equalled SEK 155 million at 31 December 2010, compared with SEK 1 152 million at 31 December 2009. The Group's net debt/equity ratio at the end of the period was 0.03, compared with 0.29 at 31 December 2009. Billerud's financial target



for the debt/equity ratio is between 0.60 and 0.90 over a business cycle. Thus the current net debt/equity ratio is substantially less than the average debt/equity ratio Billerud aims at over time. Cash and cash equivalents were SEK 740 million (818) at 31 December 2010.

### Significant risks and uncertainties

Billerud's products are generally dependent on the business cycle in terms of both price development and delivery volumes. The Group is exposed to changes in exchange rates because most of its revenues are invoiced in foreign currency while operating expenses are incurred in SEK.

Billerud's mills have higher capacity for production of sulphate pulp than it requires to produce packaging paper. To produce efficiently, Billerud is largely dependent on being able to sell surplus sulphate pulp as market pulp.

For an analysis of business sensitivity and further details of risks, see pages 71–75.

### Tax position

The Group's effective tax rate is normally about 26.5%–27%. Effective 1 January 2009, the Swedish statutory tax rate was reduced, from 28%, to 26.3%. The tax rate in the foreign subsidiaries is on average somewhat higher than the Swedish tax rate. The tax expense for 2010 is estimated at SEK 255 million, equivalent to a tax rate of 26.6%.

### Parent company

Billerud AB comprises the Grevön mill, the sales organisation for the Nordic markets and markets outside Europe and the head office functions.

In 2010, net sales totalled SEK 3 760 million (3 278). Operating profit was SEK 525 million (85), an increase of SEK 440 million compared with the previous year, mainly because of improved results from currency hedging in the parent company and improved operating profit for Grevön mill. This profit included SEK 9 million (44) in dividends received from subsidiaries.

The parent company hedges its own net currency flows and those of the Group. The parent company's profit includes the results of these hedging measures. Those results totalled SEK 344 million (-18).

Investments in property, plant and equipment and intangible assets excluding shares amounted to SEK 128 million (78) in 2010. The average number of employees was 924 (933). Cash, cash equivalents and investments in securities etc. equalled SEK 644 million (741).

### Environment and permit issues

Billerud has three operations in Sweden and one in the UK that require permits under Swedish and UK environmental legislation. These permits apply for the production of pulp and paper. Billerud has all permits necessary to conduct operations at the volumes produced in 2010.

The environmental impact of operations is mainly in the form of emissions to air and water and the creation of waste and noise.

No new permits were awarded in 2010. Billerud's Swedish mills have been awarded emission rights for carbon dioxide within the EU. The allocation for the five-year period starting in 2008 exceeds in total the calculated emissions.

### Long-term incentive programme (LTIP 2007)

The 2007 AGM agreed to introduce a long-term incentive programme for Billerud and a related transfer of shareholdings. The programme comprised both a share matching programme for all employees, involving "matching shares", and an incentive scheme with "performance shares" for senior executives and other key individuals within the Billerud Group. The main purpose of the proposed long-term incentive programme was to strengthen Billerud's ability to retain and motivate staff. The programme was aimed at helping Billerud achieve its financial targets and came into effect as previous programmes came to an end. The purpose of the performance share

programme was to encourage senior executives and other key individuals whose activities have a direct impact on Billerud's earnings, profitability and growth in value, by linking their interests and perspective with those of the Company's shareholders.

The opportunity to buy performance shares was linked to financial performance in 2007–2009 as well as to continued employment at Billerud. In 2007 this meant that Billerud's operating margin had to be 7%–11% and surpass that of certain comparable companies. In 2008 and 2009 this meant that Billerud's operating margin had to be 8%–12% and surpass that of certain comparable companies. For 2007–2009 overall, Billerud's total return to shareholders had to exceed the total return for certain comparable pulp and paper companies in the Nordic region.

Within the framework of the programme, Billerud's employees bought 58 527 shares at a price per share of SEK 104.50 from Billerud AB during May 2007.

The LTIP 2007 incentive programme was concluded in 2010, and the total cost of the programme was SEK 6 million. For 2010, net profit was marginally affected positively because of the reversal of former provisions. The vested rights to acquire shares totalled 144 414, of which 131 159 were exercised to purchase shares in Billerud AB. The purchase price totalled SEK 5 million.

### Long-term incentive programme (LTIP 2010)

The 2010 AGM agreed to introduce a long-term incentive programme (LTIP 2010) for Billerud and a related transfer of shareholdings.

The Board's main objective in proposing LTIP 2010 is to strengthen Billerud's ability to retain the best talent for key leadership positions. The purpose is also to encourage senior management and other key individuals whose efforts have a direct impact on Billerud's earnings, profitability and growth in value, by aligning their interests and perspectives with those of the shareholders.

LTIP 2010 will include in total a maximum of 90 senior managers and other key individuals within the Billerud Group, who are deemed to have a significant impact on the future development of the Group. To participate in LTIP 2010, a person must own Billerud shares referred to as "saving shares". Following a three-year vesting period that begins on the date the agreement for LTIP 2010 takes effect and ends when Billerud releases its interim report for the first quarter of 2013, the participants will be allocated at no charge one right to matching shares and three rights to performance shares for each saving share. These rights entitle holders to Billerud shares provided certain criteria are met. For both types of rights, throughout the vesting period the participant must remain an employee of the Billerud Group and must not divest the saving shares. For the rights to performance shares, additional financial performance targets must be achieved. These targets are related to Billerud's average operating margin for the period 2010–2012 in absolute terms and in comparison with a benchmark group consisting of specially designated companies, as well as Billerud's total return for the period 2010–2012 in comparison with the total return for the same period for a benchmark group consisting of specially designated listed companies in the Nordic region.

LTIP 2010 consisted per 31 December 2010 of 65 729 saving shares, which entail the allocation of in total a maximum of 262 916 Billerud shares. Moreover LTIP 2010 consists of an additional 109 000 Billerud shares that are related to shares that can be transferred by Billerud for the purpose of covering certain costs, chiefly social fees. Thus the maximum number of Billerud shares included in LTIP 2010 is 371 916, which corresponds to about 0.4% of the total number of Billerud shares outstanding. On the allocation date, the programme comprised 67 150 saving shares, which initially entitled their owners to an allotment of a maximum of 268 600 Billerud shares in total.

Based on a theoretical assumption of an annual 10% increase in share price, from SEK 47.2 when the programme started, and a vesting



period of three years, the cost of LTIP 2010 including social fees is estimated at about SEK 10 million, which, on an annual basis, corresponds to about 0.3% of Billerud's total employee benefits expense during financial year 2009. The maximum cost of LTIP 2010 based on the above assumptions is estimated at about SEK 33 million, including SEK 22 million in social fees. For 2010, earnings were charged SEK 2 million.

For further information about the content of the programme, please refer to the press release dated 24 March 2010 and the documents for the 2010 AGM, which are available on Billerud's website.

### Product and process development

The costs of product and process development, to the extent attributable to research activities, are charged to expenses in the year that they occur and in 2010 they corresponded to about 0.5% of Billerud's operating costs.

### Seasonal factors

Billerud's activities are relatively unaffected by seasonal variations. Order flows are usually highest during the spring but, because available capacity determines deliveries, they are relatively constant over the year. Annual maintenance shutdowns have the largest impact, as each mill stops production for around one week. This means that deliveries are somewhat lower for quite some time before, during and after the shutdown. Billerud's costs are relatively stable throughout the year. Fixed costs are slightly lower in the summer, when fewer maintenance jobs are performed. Energy costs are slightly higher in the winter because of higher energy consumption and normally higher energy prices, especially for electricity.

### Maintenance stops

In addition to continuous maintenance while machines are running, Billerud's mills normally require more extensive maintenance at some point during the year. To perform this maintenance, production of pulp and paper is stopped – known as a maintenance shutdown. Estimates of planned maintenance shutdowns and those already carried out are shown below.

Mill	2011	2010
Gruvön	Q4, 10 days	Q2, 10 days
Karlsborg	Q3, 10 days	Q3, 10 days
Skärblacka	Q2, 8 days	Q3, 8 days

Maintenance stops at Beetham have an insignificant effect on Billerud's overall earnings.

The effect of the stoppage on earnings varies depending on the extent of measures carried out, their character and the actual length of stoppage. Billerud works continually to spread the cost of maintenance shutdowns more evenly over the year.

### Other seasonal factors

A significant part of Billerud Flute® volumes are used to package fruit exports from the Mediterranean area. Demand from this customer group varies with the fruit seasons and is normally highest from

September to March. A significant portion of Billerud's sack paper and QuickFill® sack paper is used as packaging for cement and building materials. Demand for building materials in Europe is generally higher during the period May to October.

### Financing

In the first quarter of 2010, Billerud reduced the credit limit for its syndicated credit facility maturing in 2012, from SEK 1 800 million, to SEK 1 200 million. In the third quarter, a new seven-year credit facility for SEK 800 million maturing in 2017 was raised with AB Svensk Exportkredit. The credit facility is not being utilised at present. In the fourth quarter, SEK 150 million of the syndicated bank loan was repaid. After the end of the year, the SEK 1 200 million syndicated credit facility maturing in 2012 was replaced by a new five-year facility for SEK 801 million with a consortium of banks.

Interest-bearing loans amounted to SEK 948 million at 31 December 2010. Of this amount, utilisation of the syndicated credit facility (maximum: SEK 1 200 million) accounted for SEK 121 million, bond loans for SEK 825 million, utilisation of Billerud's commercial paper programme (maximum: SEK 1 500 million) for SEK 0 million and other interest-bearing liabilities for SEK 2 million.

### FINANCING AT 31 DECEMBER 2010

Loan	Maximum credit (SEKm)	Utilised (SEKm)	Maturity
Syndicated credit facility	1 200	121	April 2012
Commercial paper		0	1–6 months
Bond loan 2		150	September 2011
Bond loan 4		300	February 2013
Bond loan 7		225	June 2013
Bond loan 8		150	March 2016
SEK credit facility	800	–	July 2017
<b>Total</b>	<b>2 000</b>	<b>946</b>	

### CAPITAL STRUCTURE, SUMMARY

	31 Dec 2010	31 Dec 2009
Capital employed, SEKm	4 792	5 148
Financing:		
Interest-bearing net debt, SEKm	155	1 152
Shareholders' equity, SEKm	4 637	3 995
Net debt/equity ratio, multiple	0.03	0.29

### Currency hedging

During 2010, net flows were hedged at EUR/SEK 10.56 (9.95), USD/SEK 7.56 (7.58), GBP/SEK 11.46 (12.12) and DKK/SEK 1.45 (1.36). Currency hedging had an overall earnings impact of SEK 344 million (-18) (compared to no hedging having been in place).

Billerud AB:s forward currency contracts outstanding at 31 December 2010 had a market value of SEK 202 million. The contracts matching accounts receivable affected earnings in the fourth quarter. Other contracts had a market value of SEK 144 million.

For its Swedish operations, Billerud hedges around 50% of

### HEDGED PROPORTIONS OF CURRENCY FLOWS FOR EUR, USD AND GBP AND EXCHANGE RATES AGAINST SEK

Currency		Jan–Mar 2011	April–June 2011	July–Sep 2011	Oct–Dec 2011	Jan–Mar 2012	12-month total
EUR	Proportion of flow	86%	54%	30%	48%	48%	48%
	Rate	9.64	9.43	9.40	9.46	9.48	9.51
USD	Proportion of flow	82%	61%	38%	15%	–	55%
	Rate	7.08	7.42	7.97	6.98	–	7.35
GBP	Proportion of flow	85%	52%	31%	12%	–	44%
	Rate	10.86	11.05	11.03	10.90	–	10.94

The table shows the situation as of 31 December 2010.



forecast net flows over the coming 12-month period, but in line with its financial policy the Company has the possibility to increase currency hedging to 100% of net flows over the coming 15 months.

The hedged amount of currency flows and the SEK exchange rates for EUR, USD and GBP at 31 December 2010 are shown in the table on page 60. DKK accounts for less than 0.1% of total hedged flows and is therefore not included in the table.

Besides the hedging of net currency flows in the Swedish operations, Billerud Beetham Ltd hedges its net inflow of USD and EUR against GBP.

### Share structure

At 31 December 2010, the share capital totalled SEK 774 173 065, divided among 104 834 613 shares. There were 103 114 299 shares in the market.

Since the end of 2004 there have been no share buy backs.

### DISTRIBUTION OF SHARES

	31 Dec 2010
Registered number of shares at beginning of the year	104 834 613
Bought-back shares in company ownership	-1 720 314
Shares in the market	103 114 299

### Financial targets

In November 2006 Billerud's Board established the following long-term financial targets.

- » Organic growth of at least 3% on average per year.
- » Operating margin of 10% over a business cycle.
- » Investments shall produce a return well above the Company's weighted cost of capital.
- » Debt/equity ratio of between 0.60 and 0.90 over a business cycle.
- » Over the business cycle, 50% of net profit to be passed on in dividends to shareholders.

The targets focus on long-term growth. The target for operating margin creates greater transparency in the governing of the Company and a better link between the financial targets communicated internally and those communicated externally.

### The Billerud share

The share capital of Billerud AB is divided among 104 834 613 ordinary shares, of which 1 720 314 are owned by Billerud AB. Each share entitles one vote at the AGM. Transfer of shares is not restricted by law or by the Company's articles of association. The 2010 Annual General Meeting (AGM) authorised the Board of Directors to decide whether the Company would issue new shares or acquire its own shares.

The largest shareholder, Frapag Beteiligungsholding AG, owned 21 621 400 shares, corresponding to 21% of shares in the market, as of 31 December 2010. No other shareholder owned 10% or more of the total number of shares at 31 December 2010. The Company knows of no agreements between shareholders that may restrict the right to transfer shares. Appointment and dismissal of Board members, and changes to the articles of association, are made by the AGM. No significant agreement to which the Company, or other Group company, is a party would come into effect, be changed or cease to be valid if control of the Company changed as a result of a public acquisition bid. There are agreements between the Company, other Group companies and senior executives that entail compensation if they were to resign, be dismissed without reasonable grounds or if their employment were to end due to a public bid to acquire shares in the Company. These agreements are described in note 24. Agreements between the Company and other employees that regulate their own resignation or dismissal by the Company follow normal labour market practice.

### Guidelines for remuneration to senior executives

The Board proposes that the 2011 AGM approve the following guidelines for remuneration to senior management. Senior management includes the CEO and other members of the senior management team.

Billerud shall apply market-related remuneration levels and employment terms that are appropriate in order to recruit and keep a senior executive team that has the competence and capacity to achieve set goals. Remuneration forms shall motivate senior managers to do their best to secure shareholders' interests. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salaries shall be established with regard to skills, area of responsibility and performance. Variable remuneration shall be based on meeting clearly set targets, and shall be a maximum of a fixed percentage of fixed annual salary and vary between 30% and 45%. The incentive programme shall primarily be related to financial performance criteria, ensure long-term commitment to the development of the Company and be implemented on commercial terms. For further information about the current long-term incentive programme adopted by the 2010 AGM, see the Billerud website as well as the section "Long-term incentive programme (LTIP 2010)". Pension benefits shall either be defined-benefit or defined-contribution plans and will normally give a pension entitlement after age 65. In certain cases, the age may be reduced but never lower than 62. Notice of termination is normally 6–12 months, and if the company gives notice severance pay shall be a maximum of 12 months' salary.

Remuneration and other employment terms for the CEO are prepared by the compensation committee and decided by the Board. Remuneration and other employment terms for members of the senior executive team are determined by the CEO following approval by the compensation committee. The Board of Billerud is entitled to deviate from these guidelines in an individual case if there are particular reasons to do so. See note 24 for 2010 guidelines.

### Risk management, parent company

For a description of the Group's risk management, see the section titled "Risk management and sensitivity analysis". The description applies, where appropriate, to both the Group and parent company. Specific differences concerning the parent company receive comment under this heading.

For an understanding of the risk exposure in the parent company, the following should be taken into account.

### Customer credit

The parent company's accounts receivable represent more than 90% of the Group's accounts receivable, because the mills' accounts receivable are taken over by the parent company after invoicing and the monies collected by the parent company. However, the risk of any bad debts remains with the invoicing company. Of total provisions within the Group for doubtful accounts receivable in 2010, SEK 15 million (11) was attributable to the parent company.

### Currency exposure

All forward foreign exchange contracts for the Swedish operations are taken out by the parent company, while the exposure to payment flows in foreign currency is borne by all the Swedish mills. Exposure for the parent company is thus less than that of the forward contracts taken out. This applies up to the invoicing date, because the parent company takes over the accounts receivable for the Swedish mills. At year-end 2010, foreign exchange contracts not yet recognised in the parent company's profit and loss statement totalled a nominal SEK 2 633 million (2 558), all of which will be recognised in 2011. The corresponding net currency flows in the parent company in 2011 are estimated at approximately SEK 7 200 million (5 900).

**Interest rate risk**

The Group's borrowing is conducted primarily via the parent company and accounted for 97% of the Group's total borrowing at 31 December 2010. As a result, the parent company has largely the same exposure to changes in interest rates as the Group. All interest derivatives are attributable to the parent company.

**Expenses****Energy**

The parent company is the contracted party in all electricity hedging contracts, which are based on electricity consumption at the three Swedish mills. The parent company's exposure is therefore less than the total hedged amounts. However, when the contract is settled, any profit or loss on the contract is distributed in proportion to the forecast consumption of each mill. Consequently the parent company's earnings are only affected by the amount corresponding to the parent company's (Gruvön mill) electricity consumption. During 2010, the Company had no electricity hedging contracts, and no contracts have been signed for 2011.

**Proposed allocation of profit**

As reported on page 98 of this Annual Report, non-restricted equity in the parent company, Billerud AB, amounted to SEK 2 992 million at 31 December 2010.

According to Billerud's financial targets, the dividend shall equal 50% of the net profit and the net debt/equity ratio shall be between 0.60 and 0.90 over a business cycle. At the end of 2010, the Company's net debt/equity ratio was 0.03, a decrease of 0.26 compared with the end of 2009 and significantly less than the target range. Billerud's Board proposes that, of the earnings per share of SEK 6.84, SEK 3.50 per share be paid to shareholders and that the remaining amount be carried forward.

**Events after the close of the financial year**

A new SEK 801 million syndicated credit facility maturing in 2016 was raised, replacing the previous facility of SEK 1 200 million maturing in 2012.

**Outlook**

- » Order bookings remain good or excellent in most areas for Billerud's packaging paper, providing the basis for ongoing progress in Billerud's segments for packaging paper and solutions.
- » The outlook is bright for additional price increases in local currency for packaging paper to counter the negative impact of a weaker EUR exchange rate.
- » A weaker USD will reduce the operating margin for the Market Pulp business area.



## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

SEKm	Notes	2010	2009
Net sales	1, 23 2, 34	8 828	7 760
Other operating income	3	85	32
<b>Total operating income</b>		<b>8 913</b>	<b>7 792</b>
<b>Operating expenses</b>			
Change in inventories		105	26
Raw materials and consumables		-4 241	-3 870
Other external costs	4	-1 753	-1 706
Employee benefits expense	5	-1 377	-1 380
Depreciation, amortisation and impairment of non-current assets	10, 11	-610	-561
Profit/Loss from participations in associated companies and joint ventures	14	0	-1
<b>Total operating expenses</b>		<b>-7 876</b>	<b>-7 492</b>
<b>Operating profit/loss</b>	2, 34	<b>1 037</b>	<b>300</b>
<b>Financial income and expenses</b>	6		
Financial income		5	4
Financial expenses		-82	-118
<b>Net financial income/expense</b>		<b>-77</b>	<b>-114</b>
<b>Profit/Loss before tax</b>		<b>960</b>	<b>186</b>
Taxes	8	-255	-21
<b>Net profit/loss for the year</b>		<b>705</b>	<b>165</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Notes	2010	2009
<b>Net profit/loss for the year</b>		<b>705</b>	<b>165</b>
<b>Other comprehensive income</b>			
Differences arising from the translation of foreign operations' accounts		-15	-3
Changes in fair value of available-for-sale financial assets during the period		0	-
Change in fair value of cash flow hedges		-315	366
Change in fair value of cash flow hedges transferred to net profit/loss for the year		313	-1
Tax attributable to cash flow hedges in other comprehensive income		1	-96
<b>Total comprehensive income for the year</b>		<b>689</b>	<b>431</b>
<b>Earnings per share, SEK</b>	9	<b>6.84</b>	<b>2.04</b>
<b>Diluted earnings per share, SEK</b>	9	<b>6.83</b>	<b>2.03</b>

Dividend per share is reported in note 17.



# CONSOLIDATED BALANCE SHEET

SEKm	Notes	31 Dec 2010	31 Dec 2009
<b>ASSETS</b>	1, 23		
<b>Non-current assets</b>			
Intangible assets	11	77	96
Property, plant and equipment	10	5 177	5 443
Participations in associated companies and joint ventures	14	4	4
Other holdings	15	11	11
Deferred tax assets	8	1	1
Long-term receivables	23	261	0
<b>Total non-current assets</b>		<b>5 531</b>	<b>5 555</b>
<b>Current assets</b>			
Inventories	16	1 070	1 065
Tax assets		21	16
Accounts receivable		1 412	1 152
Receivables from associated companies	30	7	0
Prepaid expenses and accrued income		69	83
Other receivables		350	392
Cash and cash equivalents	25	740	818
<b>Total current assets</b>		<b>3 669</b>	<b>3 526</b>
<b>Total assets</b>		<b>9 200</b>	<b>9 081</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1, 23		
<b>Shareholders' equity</b>	17		
Share capital		774	774
Additional paid-in capital		903	903
Reserves		74	90
Profit brought forward		2 886	2 228
<b>Total shareholders' equity</b>		<b>4 637</b>	<b>3 995</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	20	798	1 080
Provisions for pensions	18	207	193
Other provisions	19	27	27
Deferred tax liabilities	8	1 434	1 357
<b>Total non-current liabilities</b>		<b>2 466</b>	<b>2 657</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	20	150	697
Accounts payable		1 155	1 049
Liabilities to associated companies	30	2	7
Tax liabilities		174	3
Accrued expenses and deferred income	22	527	593
Other liabilities		88	78
Provisions	19	1	2
<b>Total current liabilities</b>		<b>2 097</b>	<b>2 429</b>
<b>Total liabilities</b>		<b>4 563</b>	<b>5 086</b>
<b>Total shareholders' equity and liabilities</b>		<b>9 200</b>	<b>9 081</b>

See note 29 for information on the Group's pledged assets and contingent liabilities.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Notes	Share capital	Additional paid-in capital	Translation reserve	Fair value reserve	Hedge reserve	Profit brought forward incl. profit/loss for the year	Total shareholders' equity
	17							
Opening balance, 1 January 2009		667	85	-1	–	-175	2 062	2 638
Total comprehensive income for the year				-3	–	269	165	431
Dividends paid							–	–
Rights issue		257	668					925
Reduction of quotient value		-400	400					–
Bonus issue		250	-250					–
Share-based payments to be settled in equity instruments, IFRS 2							1	1
Closing balance, 31 December 2009		774	903	-4	–	94	2 228	3 995

SEKm	Notes	Share capital	Additional paid-in capital	Translation reserve	Fair value reserve	Hedge reserve	Profit brought forward incl. profit/loss for the year	Total shareholders' equity
	17							
Opening balance, 1 January 2010		774	903	-4	–	94	2 228	3 995
Total comprehensive income for the year				-15	0	-1	705	689
Dividends paid							-52	-52
Share-based payments to be settled in equity instruments, IFRS 2							0	0
Sale of shares, incentive programme							5	5
Closing balance, 31 December 2010		774	903	-19	0	93	2 886	4 637

# CONSOLIDATED CASH FLOW STATEMENT

SEKm	Notes	2010	2009
	25		
<b>Operating activities</b>			
Profit/Loss before tax		960	186
Adjustments for non-cash items		592	548
Income tax paid		-12	4
<b>Cash flow from operating activities before changes in working capital</b>		<b>1 540</b>	<b>738</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-11	40
Increase (-)/Decrease (+) in operating receivables		-218	-23
Increase (+)/Decrease (-) in operating liabilities		82	99
<b>Cash flow from operating activities</b>		<b>1 393</b>	<b>854</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-1	-8
Acquisition of property, plant and equipment		-333	-262
Disposal of property, plant and equipment		3	2
Acquisition of operations, net effect on cash and cash equivalents	31	-	-35
Acquisition of financial assets		-261	-1
Disposal of financial assets		-	12
<b>Cash flow from investing activities</b>		<b>-592</b>	<b>-292</b>
<b>Cash flow after investing activities</b>		<b>801</b>	<b>562</b>
<b>Financing activities</b>			
Rights issue		-	978
Share issue costs		-	-53
Dividend		-52	-
Transfer of own shares, incentive programme		5	-
New borrowings		25	73
Repayment of borrowings		-845	-1 280
<b>Cash flow from financing activities</b>		<b>-867</b>	<b>-282</b>
<b>Cash flow for the year</b>		<b>-66</b>	<b>280</b>
<b>Cash and cash equivalents, opening balance</b>		<b>818</b>	<b>542</b>
<b>Translation difference in cash and cash equivalents</b>		<b>-12</b>	<b>-4</b>
<b>Cash and cash equivalents, closing balance</b>		<b>740</b>	<b>818</b>



## PROFIT AND LOSS ACCOUNTS FOR PARENT COMPANY

SEKm	Notes	2010	2009
	1, 23		
Net sales	2	3 760	3 278
Change in inventories		54	6
Other operating income	3	67	38
<b>Total operating income</b>		<b>3 881</b>	<b>3 322</b>
<b>Operating expenses</b>			
Raw materials and consumables		-1 641	-1 527
Other external costs	4	-851	-851
Employee benefits expense	5	-608	-604
Depreciation, amortisation and impairment of non-current assets	10, 11	-256	-255
<b>Total operating expenses</b>		<b>-3 356</b>	<b>-3 237</b>
<b>Operating profit/loss</b>		<b>525</b>	<b>85</b>
<b>Financial income and expenses</b>	6		
Profit/Loss from participations in Group companies		9	44
Interest income and similar items		4	2
Interest expenses and similar items		-74	-120
<b>Total financial income and expenses</b>		<b>-61</b>	<b>-74</b>
<b>Profit/Loss after financial income and expenses</b>		<b>464</b>	<b>11</b>
Appropriations	7	2 098	-2 098
<b>Profit/Loss before tax</b>		<b>2 562</b>	<b>-2 087</b>
Taxes	8	-673	579
<b>Net profit/loss for the year</b>		<b>1 889</b>	<b>-1 508</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR PARENT COMPANY

SEKm	Notes	2010	2009
<b>Net profit/loss for the year</b>		<b>1 889</b>	<b>-1 508</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the year</b>		<b>1 889</b>	<b>-1 508</b>



## BALANCE SHEET FOR PARENT COMPANY

SEKm	Notes	31 Dec 2010	31 Dec 2009
<b>ASSETS</b>	1, 23		
<b>Non-current assets</b>			
Intangible assets	11	17	21
Property, plant and equipment	10	2 638	2 762
Participations in Group companies	12	1 195	1 195
Participations in associated companies and joint ventures	14	6	6
Other holdings	15	7	7
Other long-term receivables	23	283	27
<b>Total non-current assets</b>		<b>4 146</b>	<b>4 018</b>
<b>Current assets</b>			
Inventories	16	376	326
Accounts receivable		1 338	1 104
Receivables from Group companies	13	454	1 069
Receivables from associated companies	30	4	0
Prepaid expenses and accrued income		51	59
Other receivables		60	69
Cash and bank balances	25	644	741
<b>Total current assets</b>		<b>2 927</b>	<b>3 368</b>
<b>Total assets</b>		<b>7 073</b>	<b>7 386</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1, 23		
<b>Shareholders' equity</b>	17		
<b>Restricted equity</b>			
Share capital (104 834 613 ordinary shares)		774	774
Statutory reserve		149	149
<b>Total restricted equity</b>		<b>923</b>	<b>923</b>
<b>Non-restricted equity</b>			
Share premium reserve		827	827
Profit/Loss brought forward		276	1 986
Net profit/loss for the year		1 889	-1 508
<b>Total non-restricted equity</b>		<b>2 992</b>	<b>1 305</b>
<b>Total shareholders' equity</b>		<b>3 915</b>	<b>2 228</b>
<b>Untaxed reserves</b>	26	–	<b>2 098</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	18	196	190
Provisions for taxes	8	673	223
Other provisions	19	–	1
<b>Total provisions</b>		<b>869</b>	<b>414</b>
<b>Non-current liabilities</b>			
Syndicated loan	21	58	182
Bond loan	21	675	825
Other interest-bearing non-current liabilities	21	3	3
Liabilities to Group companies	13	341	268
<b>Total non-current liabilities</b>		<b>1 077</b>	<b>1 278</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	21	150	697
Accounts payable		224	203
Liabilities to Group companies		426	191
Liabilities to associated companies	30	–	3
Tax liabilities		167	–
Accrued expenses and deferred income	22	221	268
Other liabilities		24	6
<b>Total current liabilities</b>		<b>1 212</b>	<b>1 368</b>
<b>Total shareholders' equity and liabilities</b>		<b>7 073</b>	<b>7 386</b>
<b>Pledged assets and contingent liabilities of parent company</b>			
Pledged assets	29	23	27
Contingent liabilities	29	97	104



# STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

SEKm	Notes	Restricted equity		Non-restricted equity			Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Profit/Loss brought forward	Net profit/loss for the year	
	17						
Opening balance, 1 January 2009		667	149	9	106	1 365	2 296
Previous year's profit/loss brought forward					1 365	-1 365	–
Group contributions received, after tax effect					515		515
Net profit/loss for the year						-1 508	-1 508
Dividends paid							–
Rights issue		257		668			925
Reduction of quotient value		-400		400			–
Bonus issue		250		-250			–
Closing balance, 31 December 2009		774	149	827	1 986	-1 508	2 228

SEKm	Notes	Restricted equity		Non-restricted equity			Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Profit/Loss brought forward	Net profit/loss for the year	
	17						
Opening balance, 1 January 2010		774	149	827	1 986	-1 508	2 228
Previous year's profit/loss brought forward					-1 508	1 508	–
Group contributions paid/received, after tax effect					-155		-155
Net profit/loss for the year						1 889	1 889
Dividends paid					-52		-52
Sale of shares, incentive programme					5		5
Closing balance, 31 December 2010		774	149	827	276	1 889	3 915

## CASH FLOW STATEMENT FOR PARENT COMPANY

SEKm	Notes	2010	2009
	25		
<b>Operating activities</b>			
Profit/Loss after financial income and expenses		464	11
Adjustments for non-cash items		253	239
Income tax paid		0	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>717</b>	<b>250</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-50	15
Increase (-)/Decrease (+) in operating receivables		261	-61
Increase (+)/Decrease (-) in operating liabilities		-467	-53
<b>Cash flow from operating activities</b>		<b>461</b>	<b>151</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-	-5
Acquisition of property, plant and equipment		-128	-73
Disposal of property, plant and equipment		0	1
Acquisition of shares in subsidiaries		-	-46
Acquisition of financial assets		-260	-2
Disposal of financial assets		-	12
Change in financial receivables		4	0
<b>Cash flow from investing activities</b>		<b>-384</b>	<b>-113</b>
<b>Cash flow after investing activities</b>		<b>77</b>	<b>38</b>
<b>Financing activities</b>			
Rights issue		-	978
Share issue costs		-	-53
Dividend		-52	-
Sale of shares, incentive programme		5	-
New borrowings		99	938
Repayment of borrowings		-924	-1 250
Settlement of Group contributions		698	-353
<b>Cash flow from financing activities</b>		<b>-174</b>	<b>260</b>
<b>Cash flow for the year</b>		<b>-97</b>	<b>298</b>
<b>Cash and cash equivalents, opening balance</b>		<b>741</b>	<b>443</b>
<b>Cash and cash equivalents, closing balance</b>		<b>644</b>	<b>741</b>



# RISK MANAGEMENT AND SENSITIVITY ANALYSIS

Billerud is affected by the general economic climate, changes in exchange rates and other factors more specific to the Company. This section describes the most important risks that influence Billerud's ability to achieve the goals set for the Group and the management of each risk. Billerud seeks to minimise risk through preventive measures. Wherever possible, risk is hedged or insured against. Many of the risks discussed below can influence Billerud positively or negatively. Risk management is governed at the overall level by the Board and audit committee and at an operational level by the CEO, senior management team and other staff. Risk management pays special attention to achieving a balance between control activities and the development of an effective control environment with individual accountability throughout the organisation.

## OPERATIONAL RISKS

DESCRIPTION OF RISKS	RISK MANAGEMENT	COMMENTS ON 2010
<p><b>Variations in market prices and volumes for Billerud's products</b></p> <p>Billerud's products are generally dependent on the business cycle in terms of both price trends and delivery volumes. Market pulp, which accounts for around 20% of Billerud's sales, is considerably more sensitive to the business cycle than packaging paper is. Variations in the market prices of Billerud's products can influence Billerud's profit or loss unless the price variations are related to changes in Billerud's costs. Demand for Billerud's products is influenced by the behaviours and attitudes of Billerud's customers and end-customers.</p>	<p>There are various pricing models for packaging paper, the most common being interim pricing. Fixed price contracts extending over a long period only occur to a limited extent.</p> <p>The price of market pulp is determined by the current market price. Billerud's mills have higher capacity for production of sulphate pulp than it requires to produce packaging paper. To produce in a cost-effective way, Billerud is largely dependent on being able to sell surplus sulphate pulp as market pulp.</p> <p>Billerud works continually on its process efficiency to adapt its costs, to counter the negative influence that lower market prices have on Billerud's operating profit.</p> <p>Nearly all sales are based on framework agreements specifying general delivery conditions and planned delivery volumes. A minor portion of sales consists of spot sales, that is, sales not subject to a framework agreement. Spot prices may be higher or lower than framework agreement prices, and such sales occur above all in the market pulp sector.</p> <p>Billerud works continuously to increase product differentiation based on customers' needs and to boost the proportion of sales to consumer-related industries, for example to reduce cyclical fluctuations.</p>	<p>During 2010, Billerud increased prices on packaging paper in line with the market with the purpose of restoring prices to the level prevailing before the recession. Thus average prices for Billerud's packaging paper segment rose 15% in local currency, compared to the average prices in 2009 in local currency.</p> <p>The market price of market pulp increased, from USD 800 per ton at the end of 2009, to USD 950 per ton at the end of 2010.</p> <p>During 2010, a customer survey and numerous other activities were carried out to further improve our insight into customers. The product launches done during the year were the result of in-depth dialogue with customers about what kinds of products they demand.</p>
<p><b>Customer dependence and customer credit risk</b></p> <p>Billerud has about 1 000 active customers in about 100 countries, the five largest customers accounting for 21% of the Group's sales in 2010. If Billerud cannot live up to the demands made by its largest customers, and if the customers do not fulfil their payment obligations, Billerud could be adversely affected.</p>	<p>Customers consist chiefly of producers of packaging, and the relationship with the customer is usually long-lasting. To a growing extent, Billerud is offering packaging solutions directly to end-customers and brand owners. By expanding its customer base, Billerud can reduce its dependence on a small number of customers.</p> <p>The granting of credit to customers varies, depending on the market and the product. The Group has developed a special credit policy to manage customer credit, with the policy of insuring all customer credit that can be insured. Billerud's excess on credit losses is a maximum of SEK 5 million as of 1 January 2011.</p>	<p>At year-end 2010, accounts receivable totalled SEK 1 412 million, representing an average customer credit period of about 57 days. In 2010, about 85% of sales were insured through a credit insurance agreement. Bad debts totalled SEK 1 million in 2010.</p>

### PROVISION FOR BAD DEBTS

SEKm	2010	2009
<b>Group</b>		
Provision at beginning of year	16	15
Provision for anticipated bad debts	12	3
Confirmed bad debts	-1	-2
<b>Provision at year-end</b>	<b>27</b>	<b>16</b>

### BREAKDOWN OF ACCOUNTS RECEIVABLE BY AGE

SEKm	2010			2009		
<b>Group</b>	<b>Impair-</b>			<b>Impair-</b>		
	Gross	ment	Net	Gross	ment	Net
Accounts receivable not due	1 359	-1	1 358	1 087	-1	1 086
Accounts receivable overdue 0–30 days	71	–	71	35	0	35
Accounts receivable overdue >30–90 days	9	–	9	30	-2	28
Accounts receivable overdue >90–180 days	-2	–	-2	1	0	1
Accounts receivable overdue >180–360 days	2	-10	-8	3	-2	1
Accounts receivable overdue >360 days	0	-16	-16	12	-11	1
<b>Total</b>	<b>1 439</b>	<b>-27</b>	<b>1 412</b>	<b>1 168</b>	<b>-16</b>	<b>1 152</b>



## OPERATIONAL RISKS

### DESCRIPTION OF RISKS

### RISK MANAGEMENT

### COMMENTS ON 2010

#### Risk at production facilities

Billerud has three production facilities that operate round the clock, every day of the year. The only planned shutdown is the periodic maintenance shutdown at each mill. Continual operation means high efficiency in the utilisation of capital, but it also raises sensitivity to unplanned disruptions to production. If disruptions in operations occur that lead to major production losses, they may result in loss of income to Billerud.

Extensive effort is devoted to developing production plant so as to ensure operational reliability. This is in addition to structured work on documentation, skills development for employees, a well thought-out approach to preventive maintenance and careful follow-up and analysis of deviations. To protect Billerud in the event of serious breakdowns or other production problems, the facilities are insured against disruptions. For disruptions that result from serious breakdowns or other damage, such as a fire, power failure, water damage, Billerud will be compensated by the insurance company for damages beyond the excess. Billerud is also insured for property up to replacement costs.

During 2010, a strike occurred at Billerud's Swedish mills which adversely affected production at two mills. During the year, Billerud was fully compensated for these strike-related costs by the Confederation of Swedish Enterprise.

#### Supplies of wood raw materials

Supplies of fresh fibre are vital to Billerud's production of paper. Billerud does not own any forest; it buys all its wood raw materials on the timber market.

These purchases are made from a small number of major suppliers, such as Stora Enso, Holmen and Sveaskog, as well as from a larger number of private landowners in northern Sweden. In addition, about 25% of the company's timber requirements are imported, mainly from the Baltic states. Billerud's assessment is that its partnership with the major suppliers will account for the main share of wood raw material deliveries for the foreseeable future.

In 2010, the wood market was in balance.

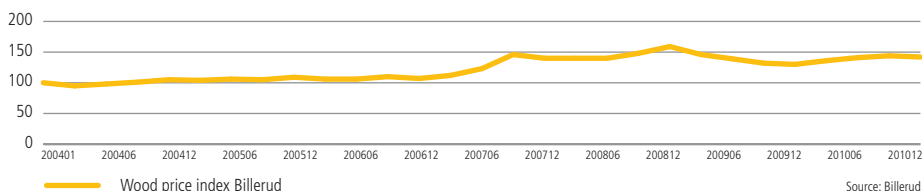
#### Wood price risk

Market prices for wood vary over time, which can affect Billerud's earnings. These prices are influenced by demand from the pulp industry, indicating that changes in the overall output of the pulp industry in the Nordic region may subsequently affect the level of costs of wood raw materials. Demand in other sectors such as in sawn timber and wood used for combustion, especially in connection with the use of biofuels for generating electricity and heat may also indirectly affect the price of pulp wood. Changes in customs duties may also impact on the price of imported timber.

In general, prices in contracts with major suppliers are set each quarter or six months. This may create problems with deliveries to Billerud if the parties cannot reach agreement on the market price that will apply.

The price of wood increased in 2010.

WOOD PRICE INDEX



#### Energy price risk

Energy costs represent a major component of the manufacturing costs. Billerud consumes electricity, biofuel, oil and smaller amounts of other types of energy. Higher energy prices could result in higher operating expenses for the Group and have a negative effect on operating earnings.

The biofuel-based portion of Billerud's electricity generation capacity entitles the Company to "electricity certificates", sold on an ongoing basis. A change in the system for electricity certificates and the price of electricity certificates could lead to changed expenses for Billerud.

In 2005 and 2006, Billerud carried out a comprehensive investment programme in the energy sector that has reduced the amount of electricity it needed to purchase, from 1.2 TWh, to approximately 0.8 TWh since the start of 2007. Thus Billerud's self-sufficiency in electricity is around 60% at full output. In May 2007, Billerud signed a 10-year supply agreement for electricity at fixed prices with Vattenfall. The agreement covers basic power requirements of around 0.4 TWh per year for the period 2008–2017. Through this agreement and its own power generation capacity, Billerud has secured, since the beginning of 2008, approximately 80% of its electricity energy requirement in a satisfactory manner, with a balanced combination of in-house generated electricity and long-term supply agreements. The remainder of the external energy requirement will be bought on the spot market or reduced by further energy savings.

In 2010, total electricity consumption was about 1.5 TWh, of which about 48% was generated in-house, about 29% was basic power purchased from Vattenfall at fixed prices and about 23% was purchased in the spot market.

#### Costs of other inputs

Besides wood and energy, many other inputs are used in the manufacture of Billerud's products. Market prices for these inputs vary over time, which can affect Billerud's earnings.

Certain process chemicals are by-products from chemical processes and their price can therefore vary significantly between years. Prices for other chemicals have been much more stable. Overall, however, chemical price trends have been stable.

Historically, prices for other input materials, such as packaging material and machine covers, have been stable.

In 2010, chemicals accounted for 7% of Billerud's total operating costs, compared to 8% in 2009. Other inputs accounted for 4%, compared to 4% in 2009.



## OPERATIONAL RISKS

### DESCRIPTION OF RISKS

### RISK MANAGEMENT

### COMMENTS ON 2010

#### Cost of purchased services

Billerud purchases services such as freight to customers and maintenance services. Market prices for these services vary over time, which can affect Billerud's earnings.

Freight costs are fixed annually via agreements. Freight costs are affected by energy prices, wage costs and competition between freight companies.

Other purchased services mainly comprises maintenance services in connection with the annual maintenance shutdowns and regular maintenance. The prices of services are primarily affected by trends in wage costs in Sweden.

In 2010, freight to customers accounted for 11% of Billerud's total operating costs, compared to 12% in 2009. Shipments by railway accounted for 30% of freight costs incurred by Billerud's mills, while shipments by sea accounted for 40% and road freight 30%.

In 2010, other purchased services accounted for 5% of Billerud's total operating costs, compared to 4% in 2009.

#### Risks related to employees

Access to skilled and motivated employees and managers is a prerequisite for achieving the goals Billerud has set.

Personnel costs constitute the second largest expense item.

Billerud works continually to manage generational succession and the conversion of skills. So as not to risk losing vital know-how, the Company needs to attract skilled employees. To avoid a skills gap in the years ahead, Billerud is working now to strengthen its brand as an employer.

Wages and salary costs are primarily regulated by collective agreements, payroll taxes and other related legal requirements.

2010 saw the start of the Group's first graduate training programme with the aim of employing 10 trainees a year over the years to come. In addition, new managers were recruited to all Swedish mills. Billerud also launched its Employer Branding project, which aims to profile Billerud as an employer focusing on sustainability.

In recent years, wage costs have risen through agreements around 3% per year.

#### Environmental impacts and renewal of permits

Billerud's operations are governed by extensive environmental legislation and require permits under current legislation. These permits entitle the mills to produce a certain volume of pulp and paper but also stipulate a large number of conditions regarding, for example, emissions into water and the air, as well as noise and waste and chemicals management. Non-compliance with the permits may incur costs of environmental restoration, environmental penalty charges or criminal liability.

In Sweden and internationally, the trend is towards increasingly strict environmental legislation, in which new permits normally stipulate lower thresholds for maximum environmental impact. These rule changes can lead to requirements for major new investment to enable production to continue and requirements under existing legislation being made more stringent.

Even if the Company is meeting legal requirements, there is a risk of negative reactions from the community.

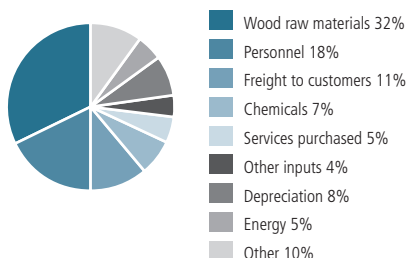
To minimise negative environmental impact, Billerud has established an environmental management system and an energy management system at each mill. The systems are certified under ISO so that environmental and energy aspects are identified and assessed and goals set with the aim of reducing the environmental impact of the operation. Training, supplier assessments and extensive follow-up of environmental activities are also included. Follow-up includes measurements and analyses, periodic audits and an annual evaluation of the management systems.

Operations at the Swedish mills are governed by the Swedish Environmental Code. Permits for conducting operations are obtained from the Swedish Environmental Court. The County Management Board supervises compliance with the environmental permits obtained by each mill. This work is ongoing. If necessary, feasible investments are introduced into the Group's investment plan.

Billerud works actively to reduce its impact on climate change by reducing energy consumption and emissions of fossil carbon dioxide in production and in transportation. Read more about these efforts in the sustainability report in this annual report.

Environmental efforts were carried out during the year in a satisfactory manner. An application for a new production permit under the Swedish Environmental Code for the mill in Skärblacksåsa was submitted to the Environmental Court.

### BREAKDOWN OF OPERATING COSTS



## FINANCIAL RISKS

### DESCRIPTION OF RISKS

#### Currency risk – Transaction exposure

Transaction exposure is the risk that changes in exchange rates for revenues from exports and costs of imports will negatively affect Billerud's operating income and the acquisition cost of its property, plant and equipment. The Group's net currency exposure is considerable; the main currencies involved are USD, EUR and GBP. However, the majority of operating costs are in SEK. The main exceptions are freight costs and the costs of imported wood raw materials and chemicals, which are affected above all by fluctuations in EUR and USD exchange rates.

Nominal amount of foreign exchange derivatives	2010	2009
EURm	254	214
USDm	136	104
GBPm	16	11
DKKm	1	10
<b>Market value of foreign exchange derivatives, SEKm</b>	<b>2010</b>	<b>2009</b>
Forward foreign exchange contracts	202	215

#### Currency risk – Translation exposure

Translation exposure is the risk that Billerud is exposed to when foreign subsidiaries' profit and loss accounts and balance sheets are translated into SEK.

To reduce the consequences of currency exposure, Billerud continuously hedges forecast net flows in foreign currencies. Under the finance policy adopted by the Board, around 50% of net flows over the coming 12-month period must always be hedged. However, this figure may rise to 100% of net flows over the coming 15 months if it is deemed appropriate with regard to profitability and the currency situation.

Control of Billerud's business areas is based on exchange rates current at any one time, in order to continually adjust commercial terms to the prevailing currency situation. The main target for each business area is the operating margin, which is measured net of the earnings effects of hedging currency flows. Since 2007, the earnings effects of exchange rate changes in operating capital have been managed centrally and matched against earnings for currency hedging.

Billerud also has assets in foreign currency mainly through its ownership of Billerud Beetham Ltd. Net assets in GBP are partly hedged by loans in the same currency.

SEKm	Capital employed	Net borrowings	Net assets
GBP	121	-3	124
EUR	-8	-43	35
Other currencies	5	-8	13
<b>Total</b>	<b>118</b>	<b>-54</b>	<b>172</b>

#### Financing risk

Financing risk is the risk that Billerud will have difficulty raising new loans. Access to further financing will be affected by a number of factors, including market conditions, the general availability of credit and Billerud's creditworthiness and credit capacity. In addition, access to further financing will be affected by any negative perceptions that customers, suppliers or lenders may acquire about Billerud's long and medium-term financial prospects. Disruptions and uncertainty in the capital and credit markets may also limit availability to the capital needed to operate the business.

To ensure that the Group always has access to external financing, the finance department must ensure that short and long-term credit commitments are available. Maximum cost-efficiency within established limits shall be the goal.

The lender base shall also be reasonably diversified to avoid excessive dependency on individual sources of financing. The repayment structure for loans shall be arranged such that the loan maturity in any particular year is evenly spread over a period.

### COMMENTS ON 2010

At year-end 2010, foreign exchange contracts not yet recognised in profit/loss totalled a nominal SEK 2 633 million (2 558), of which foreign exchange contracts representing SEK 2 633 million (2 558) will be recognised in profit/loss in 2011. The corresponding net currency flows for the Group in 2011 are estimated at around SEK 5 800 million (4 500).

At 31 December 2010, the market value of Billerud's outstanding forward currency contracts was SEK 202 million. The contracts matched by accounts receivable affected earnings. The market value of the remaining contracts was SEK 144 million.

As of 31 December 2010, total capital employed in foreign currency was SEK 118 million, of which SEK 127 million was financed by shareholders' equity. Of total net assets in GBP, corresponding to SEK 124 million, 33% was hedged through loans raised by the parent company. No hedging has been arranged for net assets in other currencies. Earnings are affected when the earnings of subsidiaries are translated at an exchange rate that differs from the one on the balance sheet date. This had an impact on earnings of SEK 2 million in 2010.

In 2010, a new seven-year credit facility for SEK 800 million, maturing in 2017, was raised with AB Svensk Exportkredit. At 31 December 2010, outstanding bond loans totalled SEK 825 million. In addition, the credit limit for the syndicated credit facility maturing in 2012, which raised with a consortium of banks, was reduced, from SEK 1 800 million, to SEK 1 200 million. See note 20 for more information.

Billerud's net debt amounted to SEK 155 million at 31 December 2010, down SEK 997 million from 31 December 2009. The decrease was chiefly attributable to improved cash flow.



## FINANCIAL RISKS

### DESCRIPTION OF RISKS

### RISK MANAGEMENT

### COMMENTS ON 2010

#### Interest rate risk

The interest rate risk is the effect on earnings that could be caused by a change in interest rates. The speed with which a change in the interest rate trend affects earnings depends on the refixing periods for interest rates on loans and investments.

To ensure cost-efficient financing for the Group and avoid excessive impacts on earnings of large negative changes in interest rates, the norm for Billerud is that the average refixing period for the borrowing portfolio shall be 18 months, with a permitted deviation of +/-12 months. The interest refixing period for an individual loan or interest swap shall not exceed 10 years. To achieve this norm, interest rate derivatives, mainly interest rate swaps, are used. Price risk is defined as the effect on earnings that may be caused by changes in the prices of outstanding capital instruments. Billerud is a net borrower and does only to minor extent invest in listed instruments. Consequently, market risk on investments usually does not occur.

Even if Billerud's exposure to interest rate fluctuations and other interest rate risks is to a certain extent reduced by these measures, there are no guarantees that the measures will be effective or sufficient to prevent Billerud's financial position and results from being adversely affected.

If the Group's entire borrowing portfolio had a variable interest rate, the effect on earnings for one year from a 1 percentage point change in interest rates would be SEK 9 million, based on liabilities of SEK 948 million at year-end.

The Group's average interest rate refixing period was around 15 months at year-end. A 1 percentage point change in interest rates would have an annualised effect of SEK 3 million on earnings given the current refixing period.

Nominal value of interest rate derivatives SEKm	2010	2009
Interest rate swaps		
Duration less than 1 year	150	400
Duration 1–2 years	–	150
Duration more than 2 years	525	525
<b>Total</b>	<b>675</b>	<b>1 075</b>

Market value of interest derivatives	2010	2009
Interest rate swaps	-9	-23

#### Financial credit risk

Credit risk refers to situations such as when a counterpart in a financial transaction cannot meet commitments. If measures taken by Billerud to minimise credit risk are not sufficient, Billerud's financial position and results may be adversely affected.

To avoid this, Billerud's finance policy defines clearly how any excess liquidity may be invested.

When calculating credit risks, the positive effects on earnings of derivative contracts with counterparts are also taken into account. Billerud's maximum credit risk exposure is equal to the fair value of financial assets, disclosed in note 23.

At year-end, total credit exposure was SEK 1 000 million (818).

## SENSITIVITY ANALYSIS

Variable	Approximate effects on earnings before tax	
	Change	SEKm
Volume of sales	+/- 10%	+/-400
Price of pulp	+/- 10%	+/-150
Exchange rates, SEK <sup>1)</sup>	+/- 10%	+/-600
Price of wood	+/- 10%	-/+330
Price of electricity	+/- 10%	-/+17
Interest rate on loans	+/- 1 pctg. point	-/+3

<sup>1)</sup> Excluding effects of currency hedging



# NOTES AND ACCOUNTING POLICIES

## 1 SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 concerning supplementary accounting rules for Groups has been applied.

The parent company applies the same accounting policies as the Group except in the cases indicated under "Parent company's accounting policies".

### Basis of measurement in preparing the financial reports

Assets and liabilities are stated at historical cost, except for certain financial assets and liabilities that are measured at fair value or amortised cost. Financial assets and liabilities measured at fair value consist of derivatives as well as financial assets classified either as financial assets recognised at fair value through profit and loss or as available for sale.

### Functional and presentation currencies

The functional currency of the parent company is SEK, which is also the presentation currency used for the accounts of both the parent company and the Group. Thus financial reports are presented in SEK. All amounts, unless stated otherwise, are rounded to the nearest million.

### Use of estimates and judgments in the financial reports

Preparing financial reports in accordance with IFRS requires company management to make judgments and estimates as well as assumptions that affect the application of accounting policies and the amounts disclosed for assets, liabilities, income and expenses. The actual outcome can differ from the assumptions and estimates.

Assumptions and estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period the change occurs if the change only affects that period, or in the period the change occurs and in future periods if the change affects both current and future periods.

Judgements made by the Company's management when applying IFRS that have a significant impact on financial reports and estimates made that may involve significant adjustments to subsequent financial reports are described in more detail in note 32.

### Accounting policies applied in the reports

The accounting policies specified below, excepting those described in greater detail, have been applied consistently when reporting and consolidating the parent company and subsidiaries as well as when incorporating associated companies and joint ventures in the consolidated accounts.

### Changes in accounting policies

The following describes which changes in accounting policies the Group has applied effective 1 January 2010.

Billerud chose to use in 2009 the new titles of the reports introduced in IAS 1 (2007). However, effective 2010 Billerud has chosen to return to the titles of the reports previously used: Profit and loss accounts, Statement of comprehensive income, Balance sheet, Statement of changes in shareholders' equity and Cash flow statement.

Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements entail changes regarding consolidated reporting and reporting of acquisitions.

The application of IFRS 3R and IAS 27R has not influenced disclosure for 2010 because there were no business combinations or transactions with non-controlling interests.

Revisions in IFRS 3R and IAS 27R will affect the disclosure of future acquisitions and transactions with owners with non-controlling interests.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation specifies, among other things, that only the risk in the functional currencies in the parent company and corresponding foreign operations can be hedged.

This interpretation has not influenced the Group in 2010.

- » Amendments to IFRS 2 Share-based Payment with respect to group cash-settled share-based payment transactions.
- » Amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding items qualified for hedge accounting.
- » IFRIC 17 Distributions of Non-cash Assets to Owners.
- » Annual improvements not already applicable, primarily published in April 2009.

These amendments have not had any effect on the consolidated accounts for 2010.

### New IFRS and interpretations coming into effect in future accounting periods

A number of new or changed standards and interpretations will come into effect in coming financial years but have not been applied in advance when preparing this report. New rules and changes applicable after 2011 are not scheduled to be applied in advance. The expected effects on the financial reports of the application of the following new or amended standards and interpretations have been judged to be limited.

- » IFRS 9 Financial Instruments: Recognition and Measurement. (Not yet adopted by the EU and currently lacking a timetable for adoption.)
- » Amendment to IAS 24 Related Party Disclosures. (Adopted by the EU on 19 July 2010.)
- » Amendment to IAS 32 Financial Instruments: Presentation, Classification of rights issues. (Adopted by the EU on 23 December 2009.)
- » Amendment to IFRIC 14 Prepayment of a Minimum Funding Requirement. (Adopted by the EU on 23 July 2010.)
- » Amendment to IFRS 7 Financial Instruments: Disclosures. (Adoption by EU expected in Q2 2011.)
- » Improvements in IFRS. (Issued in May 2010.)

### Classifications etc.

Non-current assets and liabilities in the parent company and the Group consist largely only of amounts that are expected to be recovered or paid more than 12 months after the end of the reporting period. Current assets and liabilities in the parent company and the Group consist largely only of amounts that are expected to be recovered or paid within 12 months of the end of the reporting period.

### Operating segments

Billerud's operations are divided into operating segments based on which parts of the operations the Company's ultimate executive decision makers monitor, that is, according to the management approach.



The Group's operations are organised so that the senior management team monitors the profit or loss and the operating margin generated by the Group's various goods. Each operating segment has a manager responsible for the operations who periodically reports to the senior management team the outcome of the operating segment's efforts and its resource requirements. The senior management team monitors the operation's profit or loss and determines resource allocations based on the goods the Group manufactures and sells, so these constitute the Group's operating segments. Billerud's operating segments have been identified as per IFRS 8 and comprise the business areas Packaging & Speciality Paper, Packaging Boards and Market Pulp.

## **Basis of consolidation**

### **Subsidiaries**

Subsidiaries are companies in which Billerud AB has a controlling influence. Controlling influence means the right to formulate, directly or indirectly, the company's financial and operating strategies in order to obtain financial advantages. This usually means that Billerud controls more than 50% of the voting rights. An assessment of whether or not a controlling influence exists must consider potential vote-entitling shares that can be utilised or converted without delay.

Subsidiaries are recognised using the purchase method. By this method, the acquisition of a subsidiary is considered a transaction in which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The acquisition cost upon consolidation is determined using a purchase price allocation analysis in connection with the acquisition. This analysis establishes the acquisition cost for the participation or business and the fair value at the acquisition date of the acquired identifiable assets as well as assumed liabilities and any contingent liabilities. The acquisition cost of the subsidiary company's shares and the business consists of the total of the fair values at the acquisition date for assets provided, liabilities arising or assumed and equity instruments on issue that are provided as consideration in exchange for the net assets acquired. Transaction costs directly attributable to the acquisition are recognised as an expense in the Group. If the acquisition cost exceeds the fair value of assets acquired, assumed liabilities and contingent liabilities recognised separately, the difference is recognised as goodwill. When the difference is negative, it is charged directly to profit and loss.

Financial statements of subsidiaries are included in the consolidated accounts from the date of acquisition up to the date when control ceases.

### **Associated companies**

Associated companies are companies in which the Group has a significant influence, but not control, over operating and financial strategies, usually via a shareholding corresponding to 20%–50% of voting rights. From the time when the Group gains its significant influence, participations in the associated company are recognised in accordance with the equity method.

By the equity method, the carrying amount of participations in associated companies recognised in the consolidated accounts corresponds to the Group's participation in the associated companies' equity, any goodwill and any other remaining fair value adjustments. In the consolidated profit and loss accounts, Profit/Loss from participations in associated companies and joint ventures includes the Group's participation in the earnings of associated companies net after tax attributable to the parent company shareholders and after adjustment for any depreciation, amortisation, impairment losses or reversals of goodwill or negative goodwill. Such profit or loss, less dividends received from the associated companies, accounts for most of the change in the carrying amount of the participations.

Any differences at the time of acquisition between the acquisition cost of the holding and the owner's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is recognised according to the same policies as for the acquisition of a subsidiary.

When the Group's share of losses recognised in an associated company exceeds the fair value of its participations in the associate, the value of the participations is reduced to zero. Losses may also be settled against long-term financial dealings without security which in economic terms represent a part of the owner's net investment in the associate. Additional losses are not recognised unless the Group has made guarantees to cover losses incurred by the associated company. The equity method is applied up to the date when the significant influence ceases.

### **Joint ventures**

Joint ventures in the accounts are those companies in which the Group, through partnership agreements with one or several partners, has a joint decision-making influence in operational and financial control. The Group's participating interest may exceed 50%. Joint ventures are consolidated in the accounts in accordance with the equity method (see above, Associated companies).

### **Transactions eliminated on consolidation**

Intra-Group receivables and liabilities, income or costs and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety when the consolidated accounts are prepared. Unrealised gains arising from transactions with associated companies and joint ventures are eliminated to the extent of the Group's interest in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **Foreign currency**

#### **Transactions in foreign currency**

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency of the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currency are translated to the functional currency using the exchange rate prevailing at the end of the reporting period. Exchange rate differences arising from translation are recognised in the profit and loss accounts. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the time of the transaction. Non-monetary assets and liabilities reported at fair values are translated into the functional currency at the exchange rate prevailing on the date the fair value was determined.

#### **Financial statements of foreign operations**

Assets and liabilities of foreign operations, including goodwill and other fair value adjustments, are translated from foreign operations' functional currency to the Group's reporting currency, SEK, using the exchange rate prevailing at the end of the reporting period. Revenue and expenses of foreign operations are translated to SEK using an average rate approximating the rates on each transaction date. Translation differences that arise when translating the financial statements of foreign operations are recognised directly in other comprehensive income as a translation reserve. When a foreign operation is sold, the accumulated translation differences attributable to the operation are recognised in the consolidated profit and loss accounts.

#### **Hedging of net investments in foreign operations**

The Group has business in several countries. In the consolidated balance sheet, investments in foreign operations are recognised as net assets in subsidiaries (including monetary items that constitute a part of the net investments in the companies). To some extent, measures have been taken to reduce currency risk associated with these investments, by raising loans in the same currency as the net investments (hedging instrument). At the close of accounts, these loans

are recognised translated at the rate at the end of the period. The effective part of the period's changes in exchange rates relating to hedge instruments is recognised directly in other comprehensive income in the translation reserve to meet and partly or wholly match the translation differences that are recognised for net assets in the foreign operations that have been hedged. Translation differences from net investments and hedge instruments are reversed and recognised in profit and loss when the foreign operation is sold. If hedging is not effective, the ineffective portion is recognised directly in profit and loss.

## Revenue

### *Sale of goods and performance of services*

Billerud's revenue is generated mostly from the sale of manufactured products. Revenue from the sale of goods is recognised in the statement of comprehensive income provided that all significant risks and rewards related to owning the goods have been transferred to the buyer. Revenue from services is recognised in net profit/loss for the year based on the degree of completion at the end of the reporting period. Income is not recognised if it is probable that the economic benefits will not flow to Billerud. If there is significant uncertainty concerning payment, associated costs or risk of return, and if the seller retains an interest in the ongoing management normally associated with ownership, no revenue is recognised. Revenue is recognised at fair value of what is received, or is expected to be received, less agreed discounts.

## Government support

Government grants are recognised in the balance sheet as deferred income when there is reason to assume that the conditions connected with receiving a grant will be fulfilled and that the grant will be paid out. Grants are distributed systematically in the profit and loss accounts in the same way and over the same periods as the costs that the grants are intended to compensate. Government grants related to assets are recognised in the balance sheet as deferred income and are distributed as other operating income over the useful life of the asset.

## Leasing

### *Operating leases*

Expenses for operating leases are recognised in profit and loss over the leasing period on a straight-line basis. Incentives received in connection with the signing of a lease are recognised in the profit and loss accounts as a reduction in the lease payments over the period of the lease on a straight-line basis. Variable expenses are recognised in the periods when they arise.

### *Finance leases*

The minimum lease payments are divided between interest costs and repayment of the outstanding liability.

Interest costs are distributed over the period of the lease so that each accounting period includes an amount corresponding to a fixed interest rate for the liability recognised in each period. Variable payments are recognised in the periods when they arise.

## Financial income and expenses

Financial income consists of interest income on invested funds, dividend income, gains on changes in the value of financial assets measured at fair value through profit and loss and gains on hedge instruments recognised in the profit and loss accounts.

Interest income from financial instruments is recognised using the effective interest method (see below). Dividend income is recognised when the right to the received payment is established. Gains on the disposal of financial instruments are recognised when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer controls the instrument.

Financial expenses comprises interest costs for loans, the effects of reversals of present value estimates for provisions, losses on the

change in value of financial assets measured at fair value through profit and loss, impairment of financial assets and losses on hedge instruments that are recognised in the profit and loss accounts. All borrowing costs are recognised in profit/loss with the application of the effective interest rate method regardless of how the borrowed funds have been used. Borrowing costs are not recognised in profit/loss in the proportion that they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for intended use or sale. In these cases, they are included in the assets' acquisition costs.

Exchange rate gains and losses are recognised net. Effective interest is the rate used to discount estimated future receipts and disbursements during the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by contracted parties that are part of the effective interest, transaction costs and all other fair value adjustments.

## Taxes

Income taxes comprises current tax and deferred tax. Income taxes are recognised in the profit and loss accounts except when the underlying transaction is recognised directly in equity whereupon the associated tax effect is also recognised in equity.

Current tax is tax to be paid or recovered for the current year using the tax rates already enacted or substantially enacted at the end of the reporting period; adjustments of current tax attributable to earlier periods is included.

Deferred tax is calculated using the balance sheet method starting with the temporary differences between the recognised and taxable values of assets and liabilities. Temporary differences are not considered when the temporary differences arise from the initial recognition of goodwill nor when temporary differences arise from initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither recognised nor taxable earnings. In addition, temporary differences are not recognised when attributable to participations in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Measurement of deferred tax is based on how the carrying amount of underlying assets and liabilities is expected to be recovered or settled. Deferred tax is calculated using the tax rates and regulations enacted or substantially enacted at the end of the reporting period.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only to the extent it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer probable that they can be utilised.

Any additional income tax relating to the dividend is recognised at the same time as the dividend is recognised as a liability.

## Financial instruments

Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, accounts receivable, financial investments and derivatives. The liabilities side has accounts payable, borrowings and derivatives.

### *Recognition on, and removal from, the balance sheet*

A financial asset or liability is recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. Accounts receivable are recognised when the invoice is sent. Liabilities are recognised when the counterparty has performed and there is a contractual liability to pay, even if the invoice has not been received. Accounts payable are recognised when the invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire or the company loses control over them. The same applies for portions of a financial asset. A financial liability is removed from the balance sheet when the



obligation in the agreement is discharged or otherwise expires. The same applies for portions of a financial liability.

A financial asset and a financial liability are offset against each other and recognised as a net sum on the balance sheet only when there exists a legal right to offset the amounts and an intention to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Acquisitions and sales of financial assets are recognised at the trade date, which is the date when the company commits to acquire or sell the asset.

### **Classification and measurement**

Financial instruments that are not derivatives are initially recognised at the acquisition cost, which corresponds to the instrument's fair value including direct transaction costs for all financial instruments except those belonging to the category financial assets measured at fair value through profit and loss, which are recognised excluding transaction costs. A financial instrument is classified upon initial recognition based on the purpose of the acquisition of the instrument. The classification of a financial instrument determines how it is measured after initial recognition as follows.

Derivative instruments are initially reported at fair value, meaning that transaction costs are charged to profit/loss for the period. After the initial recognition, derivative instruments are recognised as follows. If the derivative is used for hedge accounting, then to the extent that it is effective the change in value of the derivative is recognised on the same line as the hedged item in the profit and loss accounts. Even if hedge accounting is not used, increases and decreases in the value of the derivative are recognised as income or expense in operating profit/loss or in financial income and expenses based on what the derivative is used for and to what extent the use is related to an operating item or financial item. If hedge accounting is used, the ineffective portion is recognised in the same way as value changes in a derivative not used for hedge accounting. If hedge accounting is not used for interest swaps, then the interest coupon is recognised as interest, and other changes in value of the interest swap are recognised as other financial income or other financial expenses.

The fair value amounts are based on directly observed market prices or derived from market prices.

Cash and cash equivalents comprise cash and funds immediately available at banks and similar institutions as well as current investments with terms of less than three months at the acquisition date and which are exposed to an insignificant risk for changes in value.

### **Financial assets measured at fair value through the profit and loss accounts**

This category consists of two subcategories: financial assets held for trading and other financial assets that the Company initially chooses to put in this category. A financial asset is classified as held for trading if it is acquired with the aim of being sold in the short term. Derivatives that are independent, as well as embedded derivatives, are classified as held for trading. Assets in this category are measured continually at fair value, and the changes in value are recognised in the profit and loss accounts, except for derivatives that are identified as effective hedge instruments.

### **Loan receivables and accounts receivable**

Loan receivables and accounts receivable are non-derivative financial assets with payments that are fixed or can be determined and that are not listed on an active market. These assets are measured at amortised cost. The amortised cost is determined based on the effective rate of interest estimated at the time of acquisition. Receivables shorter than three months are recognised at acquisition cost. Accounts receivable are recognised at the amounts expected to be received, that is, after deductions for doubtful receivables.

### **Held-to-maturity investments**

Held-to-maturity investments are financial assets and include interest-bearing securities with fixed or determinable payments and a fixed term that the company has clearly stated it intends to hold to maturity and has the capability to do so. Assets in this category are measured at the amortised cost.

### **Available-for-sale financial assets**

The category of available-for-sale financial assets includes financial assets not included in any other category or financial assets that the company initially chooses to put in this category. Holdings of shares and participations not reported as subsidiaries, associated companies or joint ventures are recognised here. Assets in this category are measured continually at fair value with value changes recognised in equity, though not those changes relating to impairment (see accounting policies for impairment), nor interest on receivables instruments or dividend income, nor exchange rate differences for monetary items recognised in profit and loss. Shares and participations of insignificant value are recognised at acquisition cost. When the investment is sold, accumulated gains or losses previously recognised in equity are transferred to the profit and loss accounts.

### **Other financial liabilities**

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortised cost. Liabilities shorter than three months are recognised at acquisition cost.

The categories to which the Group's financial assets and liabilities belong are explained in note 23, Financial assets and liabilities.

### **Derivatives and hedge accounting**

The Group's derivative instruments have been acquired to hedge the interest, currency and pulp price risk exposure of the Group. Embedded derivatives are recognised separately unless they are closely related to the host contract.

To meet the requirements of hedge accounting in accordance with IAS 39 there must be a clear connection to the hedged item. Furthermore, the hedging must protect the hedged item efficiently, hedging documents must be prepared and the efficiency must be measurable. Gains and losses on hedging are recognised in the profit and loss accounts at the same time as profit and loss are recognised for the items being hedged.

### **Receivables and liabilities denominated in foreign currencies**

Forward contracts are used to hedge receivables and liabilities against foreign exchange risk. Hedge accounting is not used to protect against currency risks, because a financial hedge is reflected in the accounts by recognising the underlying receivable or liability and its hedge instrument at the rate at the end of the reporting period and by recognising changes arising from exchange rate fluctuations in the profit and loss accounts.

### **Hedging of foreign currency – Cash flow hedging**

Foreign exchange contracts used to hedge future cash flows and forecast sales and purchases in foreign currency are recognised at fair value on the balance sheet. Changes in value are recognised directly in equity in the hedge reserve until the time when the hedged flow is recognised in the profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they then meet and match the profit/loss effects of the hedged transaction.

When the hedged future cash flow refers to a transaction capitalised on the balance sheet, the hedge reserve is reversed when the hedged item is recognised on the balance sheet. If the hedged item is a financial asset or liability, the hedge reserve is reversed gradually in the profit and loss accounts at the same rate as the hedged item affects profit/loss.



When a hedging instrument expires, is sold, terminated or exercised, or the company revokes the designation of the hedge relationship before the hedged transaction occurs and the forecast transaction is still expected to occur, the accumulated profit/loss remains in the hedge reserve in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated gains or losses on the hedge instrument are reversed immediately into the profit and loss accounts in accordance with the principles described above for derivatives.

#### ***Hedging of fixed interest – Cash flow hedging***

Interest rate swaps are used to hedge against the uncertainty of future interest flows related to loans carrying variable rates of interest. Swaps are measured at fair value on the balance sheet. The interest coupon is recognised in the profit and loss accounts continually as interest income or expense. Other value changes in swaps are recognised directly in the hedge reserve in equity until the hedged item affects the profit and loss accounts and as long as the criteria for hedge accounting and efficiency are fulfilled. The gain or loss attributable to the ineffective portion is recognised in the profit and loss accounts.

#### ***Hedging of fair value***

When a hedging instrument is used to hedge fair value, the derivative is recognised at fair value on the balance sheet and the hedged asset/liability is also recognised at fair value with regard to the risk being hedged. Changes in the value of the derivative are recognised in the profit and loss accounts together with changes in the value of the hedged item.

Hedging of fair values is used to hedge the value of assets and liabilities on the balance sheet that are not recognised at fair value and of contracted flows.

#### ***Hedging of fixed interest – Fair value hedging***

Interest swaps are used as instruments to hedge against the risk of changes in the fair value of borrowings with fixed interest rates. Thus fair value hedges are used in the accounts, the hedged item is translated into fair value regarding the hedged risk (risk-free interest), and the change in value is recognised in the profit and loss accounts in the same way as the hedge instrument is.

#### ***Hedging of net investments***

See the description above for foreign currencies.

#### ***Electricity derivatives***

Billerud buys electricity from external suppliers. To continually hedge the electricity price, Billerud enters into derivative contracts for electricity. Electricity derivatives that protect the forecast outward flow of electricity expenses are recognised in the balance sheet at fair value. Changes in value are recognised directly in equity in the hedge reserve until the hedged outward flow is recognised in profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they meet and match the profit/loss impact of the hedged transaction. The gains or losses realised on these contracts are recognised continuously in operating profit/loss as a correction of electricity costs.

#### ***Pulp derivatives***

Billerud buys some of the pulp it requires from external suppliers. To continually hedge pulp prices, Billerud enters into derivative contracts for pulp. Pulp derivatives that protect the forecast outflow of expenses for pulp are recognised on the balance sheet at fair value. Changes in value are recognised directly in equity in the hedge reserve until the hedged outward flow is recognised in profit and loss, at which time the hedging instrument's accumulated changes in value are transferred to the profit and loss accounts, where they meet and match the profit/loss

impact of the hedged transaction. The gains or losses realised on these contracts are recognised continuously in operating profit/loss as a correction of raw material costs.

Billerud also hedges a portion of its external sales of pulp. These hedges are recognised in the accounts in a way similar to purchases. The gains or losses realised on these contracts are recognised continuously in operating profit/loss as a correction of operating income.

### **Property, plant and equipment**

#### ***Owned assets***

The Group recognises property, plant and equipment at cost less deductions for accumulated depreciation and any impairment losses. Acquisition cost includes the purchase price and costs directly attributable to the asset in order to bring it into place in the right condition to be used as intended. Examples of directly attributable costs are costs for delivery and handling, installation, title registration, consulting services and legal services. Borrowing costs directly attributable to the purchase, construction or production of assets that take considerable time to complete for intended use or sale are capitalised starting in 2009, as per an amendment to IAS 23.

The acquisition cost of internally produced non-current assets includes costs for materials, employee benefits, other production overheads directly attributable to the assets and estimated outlays for dismantling and removing the assets and restoring the site or area where they are located. Property, plant and equipment that consists of parts with different useful lives is treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is removed from the balance sheet upon scrapping or disposal or when no future economic benefit is expected from its use, scrapping or disposal. Any gain or loss arising from the scrapping or disposal of an asset is the difference between the sale proceeds and the asset's carrying amount less deductions for direct selling costs. Gains and losses are recognised as other operating income or expense.

The accounting policies for impairment are explained below.

#### ***Leased assets***

Leases are classified in the consolidated accounts either as finance leases or operating leases. A finance lease substantially transfers the economic risks and rewards associated with ownership to the lessee; any other case is an operating lease.

Assets leased under finance leases are recognised as assets on the balance sheet and are initially measured at the lease object's fair value or the present value of minimum leasing payments at the start of the agreement, whichever is less. The obligation to pay future lease payments is recognised as current and non-current liabilities. The leased assets are depreciated over the period of use of each asset, while leasing payments are recognised as interest and repayment of liabilities.

Assets hired in accordance with operating leases are not normally recognised as assets on the balance sheet. Operating leases do not result in a liability, either.

#### ***Subsequent costs***

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

A subsequent cost is added to the acquisition cost if the expenditure relates to the replacement of identified components or parts thereof. Even if new components are created, the expenditure is added to the cost of the asset. Any remaining carrying amount for replaced components, or parts of them, is scrapped and expensed in connection with the replacement. Repairs are expensed as incurred.



Maintenance stops are performed at the paper mills at regular intervals. The more significant maintenance measures carried out on these occasions are treated as a separate component. Depreciation is recognised periodically until the next maintenance stop, normally after 12–18 months.

#### **Depreciation policies**

Assets are depreciated on a straight-line basis over the estimated useful life of the asset, though land is not depreciated. The Group applies component depreciation, which means that each component's estimated useful life is the basis for depreciation.

The following depreciation periods are applied:

Industrial buildings	20 years
Residential and office buildings	30–50 years
Land improvements	20 years
Machinery used for pulp and paper	20 years
Other machinery	10 years
Vehicles, equipment and components	1–5 years
The residual value and useful life of each asset is assessed annually.	

#### **Intangible assets**

##### **Goodwill**

Goodwill is measured at acquisition cost less any accumulated impairment. Goodwill is distributed among cash-generating units and tested for impairment at least once a year (see the accounting policies for Impairment of property, plant and equipment and intangible assets as well as participations in subsidiaries, associated companies and joint ventures). Goodwill arising upon the acquisition of associated companies and joint ventures is included in the carrying amount of the participations.

##### **Research and development**

Billerud's product and process development focuses primarily on meeting customer requirements on product characteristics and adaptations. Activities are divided into a research phase and a development phase. Examples of expenditure included in the research phase are costs related to acquiring new knowledge and costs for the evaluation of and search for alternative grades and processes. Costs for the research phase are expensed continually in the profit and loss accounts as per IAS 38.

Costs for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognised as an asset on the balance sheet, if the product or process is technically and commercially feasible and the company has sufficient resources to complete the development and then use or sell the intangible asset. The carrying amount includes costs for materials, direct costs for salaries and indirect costs that can be attributed to the asset in a reasonable and consistent manner. Other costs for development are recognised in the profit and loss accounts as expenses when incurred.

##### **Software**

Costs for the development and maintenance of software are expensed as incurred. Costs that are directly linked with the development of identifiable and unique software products controlled by the Group and likely to have economic benefits for more than one year that exceed the costs, are recognised as intangible assets.

##### **Electricity certificates**

Electricity certificates are awarded for production of renewable electricity and are measured at the estimated market value and recognised as intangible assets. Production entitled to electricity certificates but which had not yet been awarded certificates at the end of the reporting period is recognised as accrued income and initially measured at the estimated market price. Corresponding income is recognised in operating profit/loss as a correction of electricity costs.

#### **Emission rights**

Billerud's Swedish mills have been allocated emission rights for carbon dioxide within the EU. The allotment for the initial three-year period 2005–2007 exceeded the actual total emissions. The allotment for 2008–2012 also exceeded somewhat the expected emissions. When emission rights are received, they are recognised as intangible assets at market value and as grants received on the liabilities side.

As emissions are released, they are expensed at market value, while this expense is reduced by the utilised portion of the received contribution. When a surplus is sold, the income is recognised in profit/loss.

#### **Subsequent costs**

Subsequent costs are added to the acquisition cost of an asset only if it is probable that the future economic benefits associated with the asset will accrue to the company and the acquisition cost can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur.

#### **Amortisation policies**

Amortisation is recognised in the profit and loss accounts on a straight-line basis throughout the estimated useful life of an intangible asset unless this period is indeterminable. Useful life is tested at least once a year. Goodwill and other intangible assets with an indeterminable useful life or intangible assets not yet ready for use are tested for impairment annually and are also tested as soon as there is an indication that the value of the asset has decreased. An intangible asset with a determinable useful life is depreciated from the time it is available for use. The expected useful life of capitalised development expenditure and software is 3–7 years. Useful life is tested each year.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. The FIFO (first in, first out) formula is used to calculate the cost of inventories. This includes costs arising upon the acquisition of the asset and transport to the current site. For manufactured goods and work in progress, the cost includes a reasonable portion of indirect costs based on normal capacity.

The net realisable value is the expected selling price in the ordinary course of business, less expected costs for completion and selling.

#### **Impairment losses**

The carrying amounts of Group assets are tested at the end of each reporting period to determine whether they are impaired. IAS 36 is applied to test if an impairment loss shall be recognised for assets other than financial assets, which are recognised in accordance with IAS 39, assets for sale, inventories and deferred tax assets. For the excluded assets above, the carrying amount is assessed in accordance with the relevant standard.

#### **Impairment of property, plant, equipment and intangible assets as well as participations in subsidiaries, associated companies and joint ventures**

If there is an indication that an asset is impaired, the recoverable amount of the asset is calculated (see below). For goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is assessed annually or as soon as the need is indicated. If it is not possible to establish significantly independent cash flows for an individual asset, and if its fair value less selling costs cannot be used, the assets are grouped to test impairment at the lowest level at which it is possible to identify significantly independent cash flows (a cash-generating entity).

An impairment loss is recognised when the carrying amount of an asset, cash-generating entity or group of entities exceeds the recoverable amount. Impairment is recognised as an expense in the profit and loss accounts. Impairment identified for a cash-generating unit (group of units) is applied first of all to goodwill and then to other

assets of the unit (group of units) pro rata based on the carrying amount of each asset.

The recoverable amount is the higher of the fair value less selling costs and value in use. When calculating the value in use, future cash flows are discounted using a discount factor taking into account risk-free interest and the risk associated with the specific asset.

#### **Impairment of financial assets**

At the end of each accounting period, the Company assesses whether there is any objective evidence that a financial asset or group of assets is impaired. Objective evidence may consist of observable events that have occurred and that have a negative impact on the feasibility of recovering the acquisition cost, or may consist of a significant or prolonged reduction in the fair value of a financial investment classified as a financial asset available-for-sale.

The value reduction recognised in profit and loss is the difference between the acquisition cost and the current fair value, less deductions for any previously recognised impairment.

The recoverable amount of assets belonging to the categories held-to-maturity, loan receivables and accounts receivable that are recognised at amortised cost is calculated as the present value of future cash flows discounted with the effective interest rate applied when the asset was initially recognised. Assets of short maturity are not discounted. Impairment is recognised as an expense in the profit and loss accounts.

#### **Reversal of impairment losses**

Impairment of assets covered by IAS 36 is reversed if there is an indication that impairment no longer exists and also there has been a change in the assumptions on which the estimate of recoverable value was based. However, impairment recognised on goodwill is never reversed. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, minus appropriate depreciation, if no impairment loss had been recognised.

Recognised impairments of held-to-maturity investments or loan receivables and accounts receivable carried at amortised cost are reversed if a later increase in the recovery value can be objectively attributed to an event that occurred after the impairment was recognised.

Impairment of equity instruments classified as available-for-sale financial assets, which were previously recognised in the profit and loss accounts, are not reversed through profit and loss.

The impaired value is the value upon which subsequent revaluations are based, which are recognised directly in equity. Impairment of interest-bearing instruments classified as financial assets available-for-sale are reversed in the profit and loss accounts if their fair value increases and the increase can be objectively attributed to an event that occurred after the impairment was charged.

#### **Capital payments to shareholders**

##### **Buy-back of own shares**

Acquisition of the Company's own shares is recognised as a deduction from equity. Consideration received from the sale of such treasury shares is recognised as an increase in equity. Any transaction costs are recognised directly in equity.

#### **Dividends**

Dividends are recognised as a liability after the AGM has approved the dividend.

#### **Earnings per share**

Calculation of earnings per share is based on the consolidated profit/loss attributable to parent company shareholders and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, profit/loss and the average

number of shares are adjusted to take account of the dilution effects of potential ordinary shares, which during the reporting period are linked to convertible promissory notes and employee share options. Dilution resulting from share options affects the total number of shares and arises only when the subscription price is lower than the market price and increases as the difference between subscription price and market price increases. The subscription price is adjusted by adding the value of future service connected to the equity-regulated employee share options scheme, which is recognised as a share-based payment in accordance with IFRS 2. Dilution attributable to convertible promissory notes is calculated by increasing the total number of shares by the number of shares corresponding to convertibles and increasing earnings by the interest cost recognised after tax.

#### **Employee benefits**

##### **Defined-contribution plans**

Pension plans in which the company's commitments are restricted to the fees the company has undertaken to pay are classified as defined-contribution pension plans. In those cases, the size of an employee's pension depends on the fees the company pays into the pension plan or to an insurance company and the capital return on those fees. Consequently it is the employee who bears the actuarial risk (that the benefit is less than expected) and the investment risk (that the invested assets will be insufficient to support the expected benefit). The company's commitments concerning fees paid to defined-contribution pension plans are recognised as a cost in the profit and loss accounts at the rate at which they are earned through the employee performing services for the company during a period.

##### **Defined-benefit plans**

The Group's net commitments for defined-benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the current period and previous periods; this benefit is discounted to its present value. The discount rate is the interest rate at the end of the reporting period for a first class corporate bond with a duration corresponding to the Group's pension commitments. When there is no active market for such corporate bonds, the market rate for government bonds of corresponding duration is used instead. The calculation is made by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets are calculated at the report date.

In the determination of the present value of the commitment and the fair value of plan assets, actuarial gains or losses may arise. They arise either because the fair value deviates from earlier assumptions or because the assumptions change. The corridor rule is applied for actuarial gains and losses. The corridor rule means that the proportion of the accumulated actuarial gains and losses that exceeds 10% of the larger of the present value of the commitment and the fair value of related plan assets is recognised in the profit and loss accounts over the expected average remaining service period for the employees covered by the plan. Actuarial gains and losses are otherwise not recognised.

The carrying amount of pensions and similar commitments on the balance sheet represents the present value of commitments at the end of the period, less the fair value of plan assets and unrecognised actuarial gains or losses.

When there is a difference between how the pension cost is established for legal entities and the Group, a provision or receivable is recognised for special payroll taxes based on this difference. The present value of the provision or claim is not calculated.

Net interest income on pension liabilities and forecast returns on the related pension plan assets is recognised in net financial items. Other components are recognised in operating profit/loss.

Commitments for retirement pensions and family pensions for white-collar employees in Sweden are safeguarded via insurance with Alecta. This is a multi-employer defined-benefit plan. The Company



has not had access to information for the 2010 financial year to enable it to disclose this plan as a defined-benefit plan. ITP pension plans secured via insurance with Alecta are therefore disclosed as defined-contribution plans.

#### **Other long-term employee benefits**

The Group's net commitment for other long-term employee benefits, aside from pensions, constitutes the value of future benefits that the employee has earned through employment both in the current period and previous periods. This benefit is discounted to its present value, and the fair value of any plan assets is deducted. The discount rate is determined on the same basis as for defined-benefit pension plans, and the calculations are performed using the projected unit credit method. Any actuarial gains or losses are recognised in the profit and loss accounts for the period when they arise.

#### **Termination benefits**

A provision is recognised in connection with termination of staff only if the company is clearly committed, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time. When a termination benefit is offered to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

#### **Short-term benefits**

Short-term benefits to employees are calculated without discounting and are recognised as a cost when the related services are received.

#### **Share-based payments**

The long-term incentive programmes introduced in 2007 and 2010 are recognised as share-based payments settled with treasury shares in accordance with IFRS 2. This means that their fair value is calculated based on forecast achievement of targets set for the measurement period. The value is distributed over the vesting period. Once the fair value has been determined, it is not revalued, except for changes in the number of shares resulting from nonfulfilment of the condition on continued employment during the vesting period.

Social fees attributable to share-based payments are recognised as per the Swedish Financial Reporting Board's statement UFR 7, which states that the cost shall be distributed among the periods when services are performed. The resulting provision is revalued at the end of each period to correspond to the estimated fees that will be paid at the end of the vesting period. The incentive programme introduced in 2007 was concluded in 2010.

#### **Provisions**

Provisions are different from other liabilities, because the time of payment or the size of the payment are uncertain. A provision is posted on the balance sheet when the company has an existing legal or informal commitment as the result of a past event and it is probable that an outlay of resources will be required to settle the commitment and a reliable estimate of the amount can be made.

A provision is made based on the best estimate of what will be required to settle the existing commitment at the end of the reporting period. When the effect of the time value of money is material, the amount of the provision is calculated by discounting forecast cash flows using a pre-tax interest rate that reflects current market assessments of the time value of money and, if applicable, the risks specific to the liability.

#### **Warranties**

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historic data on warranties and a weighing of possible outcomes in relation to the probability of these outcomes occurring.

#### **Restructuring**

A provision for restructuring is recognised when the Group has established a detailed and formal restructuring plan, and the restructuring has either started or been publicly announced. No provisions are made for future operating expenses.

#### **Recovery of contaminated land**

In accordance with the Group's publicised environmental principles and appropriate legal requirements, a provision is recognised for recovery of land when it becomes contaminated.

#### **Contingent liabilities**

A contingent liability is recognised whenever there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or there is an obligation not reported as a liability or provision because it is not probable that resources will have to be used to settle the obligation.

#### **Parent company's accounting policies**

The parent company prepares its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's standard RFR 2 Reporting by legal entities. Statements published by the Swedish Financial Reporting Board applicable to listed companies are also followed. Under RFR 2, the parent company in its annual report for the legal entity shall apply all IFRS and interpretations endorsed by the EU as far as possible within the limitations of the Annual Accounts Act, the Swedish law safeguarding pension commitments and with consideration to the connection between accounting and taxation. The standard indicates which exceptions from and additions to IFRS are recommended. Several amendments and additions to RFR 2 refer to business combinations.

- » Acquisition cost is recognised as per the Annual Accounts Act, that is, the balance sheet item shall include transaction costs and conditional purchase payments.
- » Negative goodwill need not be recognised as revenue immediately.
- » Amendments to the Annual Accounts Act allow recognition of additional purchase consideration as a liability at fair value. However, voluntary exceptions remain because of uncertainty about tax implications.

#### **Other material amendments to RFR 2.**

- » A requirement has been added that invoices shall comply with IAS 1. The Swedish Financial Reporting Board has determined that a complete statement of comprehensive income is not consistent with the Annual Accounts Act but a company may follow the alternative of an income statement followed by a separate statement of comprehensive income.
- » Participations in subsidiaries, associated companies and joint ventures may be measured at fair value if other financial instruments are measured as per IAS 39.
- » IFRIC 17 Distributions of Non-cash Assets to Owners shall not be applied by legal entities.
- » Dividends from subsidiaries, associated companies and joint ventures are always recognised in full as revenue. Previously, only distributions of profits earned after acquisition could be recognised as revenue.

#### **Differences between the Group's accounting policies and those of the parent company**

The differences between the Group's accounting policies and those of the parent company are set out below. The accounting policies of the parent company described below have been applied consistently in all periods presented in the parent company's financial statements.



### **Classifications and forms of presentation**

The parent company's profit and loss accounts and balance sheet are presented based on the schedule in the Swedish Annual Accounts Act. The differences from IAS 1 Presentation of Financial Statements, which is applied for the consolidated accounts, mainly concern reporting of financial income and expenses, non-current assets and equity and the use of provisions in the balance sheet.

### **Subsidiaries, associated companies and joint ventures**

Participations in subsidiaries, associated companies and joint ventures are recognised in the parent company in accordance with the cost method. All dividends from subsidiaries, associated companies and joint ventures are recognised in the profit and loss accounts for the parent company. Under special circumstances, such dividends can serve as an indication that the shares have declined in value and thus a test for impairment should be performed.

### **Financial instruments and hedge accounting**

Because of the connection between accounting and taxation, the rules in IAS 39 concerning financial instruments and hedge accounting are not applied by the parent company as a legal entity.

The parent company measures non-current financial assets at acquisition cost less any impairment losses and current financial assets at the lesser of cost or market. The cost of interest-bearing instruments is adjusted for the accrued difference between the amount originally paid, after deducting transaction costs, and the amount paid on the due date (at a discount or premium).

Forward contracts used to hedge changes in foreign exchange rates for receivables and liabilities in foreign currency are measured at the spot rate on the date the contract is made for measurement of the underlying receivable or liability. The difference between the forward rate and the rate prevailing when the contract is entered into (forward premium) is allocated across the period of the forward contract and is included in the net financial income/expense item.

Interest swaps that effectively hedge cash flow risks in interest payments for liabilities are measured at the net of accrued receivables at variable interest and accrued liabilities with regard to fixed interest, and the difference is recognised as either interest income or expense. Hedging is effective if the economic outcome of hedging and the liability is the same as if the liability had instead been reported at a fixed market interest rate when the hedge was made. Any premium paid for a swap agreement is allocated across the contract period as interest.

Derivatives not used for hedging are measured in the parent company according to the lower of cost or market. Recognition of derivatives used for hedging is governed by the hedged item. This means that the derivative is treated as an off-balance-sheet item as long as the hedged item is not on the balance sheet or is recognised on the balance sheet at cost.

### **Anticipated dividends**

Anticipated dividends from subsidiaries are recognised if the parent company has the sole right to determine the size of the dividend and has determined the size of the dividend before publishing its financial statements.

### **Intangible assets – Goodwill etc.**

Goodwill and other intangible assets with an indeterminable useful life that are not normally subject to amortisation in the Group are amortised in the parent company in accordance with the Annual Accounts Act. This normally means an amortisation period of five years, but the period can be longer in special cases.

### **Employee benefits – Defined-benefit plans**

The parent company uses different assumptions than those set out in IAS 19 when calculating defined-benefit pension plans. The parent

company follows the Swedish law on safeguarding pension commitments and the Swedish Financial Supervisory Authority's rules, because they are a condition for tax deductions. The most material differences compared to the IAS 19 rules are how the discount rate is determined, that the calculation of the defined-benefit commitment is based on current salary levels with no consideration of future increases and that all actuarial gains and losses are recognised in the profit and loss accounts as they occur.

### **Taxes**

In the parent company, untaxed reserves are recognised on the balance sheet without dividing them into equity and deferred tax liabilities, unlike in the consolidated accounts. Correspondingly, the parent company does not recognise in its profit and loss accounts deferred tax expense as a part of appropriations.

### **Group contributions and shareholder contributions for legal entities**

The company reports Group contributions and shareholder contributions in accordance with statement UFR 2 from the Swedish Financial Reporting Board. Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in shares and participations for the contributor, as far as no impairment is determined. Group contributions are recognised in accordance with their financial substance. This means that Group contributions made with the purpose of minimising the Group's total tax are recognised directly in profit brought forward net of their related current tax effect.

Group contributions equivalent to a dividend are recognised as a dividend. This means that a received Group contribution and its current tax effect are recognised in profit and loss. A paid Group contribution and its effect on current tax are recognised directly in profit brought forward.

Group contributions equivalent to shareholder contributions are recognised, net of the related current tax effect, by the recipient directly in profit brought forward. The contributor recognises the Group contribution and its current tax effect as an investment in participations in Group companies, as far as no impairment is determined.





## 2 NET SALES BY MARKET AND OPERATING PROFIT/LOSS BY BUSINESS AREA

External net sales are distributed among Billerud's various markets as follows.

SEKm	Packaging & Speciality Paper	Packaging Boards	Market Pulp	Currency hedging, etc.	Other eliminations	Total
<b>2010</b>						
<b>Group</b>						
Sweden	149	143	130	153	295	870
Other EU countries	2 453	1 745	1 116		55	5 369
Rest of Europe	241	128	203			572
<b>Total Europe</b>	<b>2 843</b>	<b>2 016</b>	<b>1 449</b>	<b>153</b>	<b>350</b>	<b>6 811</b>
Other markets	1 323	412	282			2 017
<b>Group total</b>	<b>4 166</b>	<b>2 428</b>	<b>1 731</b>	<b>153</b>	<b>350</b>	<b>8 828</b>

Of net sales of SEK 8 828 million (7 760), SEK 1 million (0) was sales of services. Income in the Group related to the exchange of goods and services totalled SEK 293 million (171). For net sales by business area, see note 34.

SEKm	Packaging & Speciality Paper	Packaging Boards	Market Pulp	Currency hedging, etc.	Other eliminations	Total
<b>2010</b>						
<b>Parent company</b>						
Sweden	50	97	66	162	1	376
Other EU countries	692	1 504	250			2 446
Rest of Europe	27	103	112			242
<b>Total Europe</b>	<b>769</b>	<b>1 704</b>	<b>428</b>	<b>162</b>	<b>1</b>	<b>3 064</b>
Other markets	177	383	136			696
<b>Parent company total</b>	<b>946</b>	<b>2 087</b>	<b>564</b>	<b>162</b>	<b>1</b>	<b>3 760</b>

Of net sales of SEK 3 760 million (3 278), SEK 1 million (1) was sales of services.

SEKm	Packaging & Speciality Paper	Packaging Boards	Market Pulp	Currency hedging, etc.	Other eliminations	Total
<b>2009</b>						
<b>Group</b>						
Sweden	210	159	196	-110	203	658
Other EU countries	2 460	1 612	706		33	4 811
Rest of Europe	188	126	128			442
<b>Total Europe</b>	<b>2 858</b>	<b>1 897</b>	<b>1 030</b>	<b>-110</b>	<b>236</b>	<b>5 911</b>
Other markets	1 076	465	308			1 849
<b>Group total</b>	<b>3 934</b>	<b>2 362</b>	<b>1 338</b>	<b>-110</b>	<b>236</b>	<b>7 760</b>

SEKm	Packaging & Speciality Paper	Packaging Boards	Market Pulp	Currency hedging, etc.	Other eliminations	Total
<b>2009</b>						
<b>Parent company</b>						
Sweden	62	111	82	-108	1	148
Other EU countries	673	1 417	133			2 223
Rest of Europe	25	100	75			200
<b>Total Europe</b>	<b>760</b>	<b>1 628</b>	<b>290</b>	<b>-108</b>	<b>1</b>	<b>2 571</b>
Other markets	128	432	147			707
<b>Parent company total</b>	<b>888</b>	<b>2 060</b>	<b>437</b>	<b>-108</b>	<b>1</b>	<b>3 278</b>

## Operating profit/loss per business area

	Group		Parent company	
SEKm	2010	2009	2010	2009
Packaging & Speciality Paper	417	386	104	100
Packaging Boards	271	230	251	221
Market Pulp	276	-148	101	-38
Currency hedging, etc.	153	-110	161	-110
Other units	23	38	6	5
Group staff and eliminations	-103	-96	-98	-93
<b>Group total</b>	<b>1 037</b>	<b>300</b>	<b>525</b>	<b>85</b>

Business area earnings are reported excluding the effects of currency hedging and also excluding the impact on earnings of revaluing accounts receivable in foreign currencies and currency effects in connection with payments. These effects are reported separately in Currency hedging, etc. That portion of foreign currency exposure attributable to changes in invoicing rates will continue to be included in business area earnings.

Non-current assets and capital investments cannot be broken down by business area, because the business areas are highly integrated in terms of production.

## 3 OTHER OPERATING INCOME

SEKm	2010	2009
<b>Group</b>		
Services sold	3	3
Damages	77	19
Other	5	10
<b>Group total</b>	<b>85</b>	<b>32</b>

### Parent company

Services sold	2	4
Commissions	21	20
Damages	40	6
Other	4	8
<b>Parent company total</b>	<b>67</b>	<b>38</b>

## 4 AUDITORS' FEES AND COSTS

SEKm	Group		Parent company	
Ernst & Young	2010	2009	2010	2009
Auditing assignments <sup>1)</sup>	2	1	1	1
Audit activities besides audit engagements	0	0	0	0
Tax consultancy	0	0	0	0
Other services	0	0	—	—
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>

SEKm	Group		Parent company	
Other auditors	2010	2009	2010	2009
Auditing assignments <sup>1)</sup>	0	1	—	0
Tax consultancy	0	0	0	0
Other services	2	1	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

<sup>1)</sup> Audit assignments refers to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's administration of the Company, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during audits or the performance of similar tasks.

## 5 EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

Average number of employees	2010	Men, %	2009	Men, %
<b>Parent company</b>				
Sweden	920	81	930	80
Other countries	4	100	3	100
<b>Parent company total</b>	<b>924</b>	<b>81</b>	<b>933</b>	<b>80</b>

Average number of employees	2010	Men, %	2009	Men, %
<b>Subsidiaries</b>				
Sweden	1 102	85	1 097	85
Germany	15	33	15	33
Netherlands	6	17	6	17
France	11	36	9	44
Italy	10	40	9	44
Spain	10	30	8	38
United Kingdom	149	91	145	91
China	6	33	6	50
Lithuania	5	20	4	25
Latvia	2	50	—	—
<b>Subsidiaries total</b>	<b>1 316</b>	<b>83</b>	<b>1 299</b>	<b>83</b>
<b>Group total</b>	<b>2 240</b>	<b>82</b>	<b>2 232</b>	<b>82</b>

	Group		Parent company	
Employee benefits expense	2010	2009	2010	2009
<b>SEKm</b>				
Salaries and other remuneration				
Board, CEO and management teams <sup>1)</sup>	63	67	27	31
of which, variable remuneration	10	9	5	6
Other employees	915	922	398	397
of which, variable remuneration	48	58	23	26
<b>Total salaries and other remuneration</b>	<b>978</b>	<b>989</b>	<b>425</b>	<b>428</b>

	Group		Parent company	
Social security costs	2010	2009	2010	2009
Contractual pensions to CEO and management teams <sup>1)</sup>				
Defined-benefit pensions	2	2	1	2
Defined-contribution pensions	11	11	4	4
Contractual pensions, other				
Defined-benefit pensions	14	13	9	12
Defined-contribution pensions	61	58	26	18
Other social security costs	311	307	143	140
<b>Total social security costs</b>	<b>399</b>	<b>391</b>	<b>183</b>	<b>176</b>
<b>Total employee benefits expense</b>	<b>1 377</b>	<b>1 380</b>	<b>608</b>	<b>604</b>

<sup>1)</sup> For the Group, CEO includes all staff with the chief executive role in any Group company. Board includes the members of all boards of Group companies. Management teams includes all management teams in Group companies. In total, CEOs, Boards and management teams comprise 84 (86) people.

Sick leave in parent company, %	2010	2009
Total sick leave as proportion of normal working hours	3.3	3.0
Proportion of total sick leave that is contiguous 60 days or more	43	40

### Sick leave in parent company as proportion of each category's normal working hours, %

Sick leave by sex:		
Men	3.0	2.6
Women	4.2	4.4

Sick leave by age:		
29 or younger	2.0	2.6
30–49	3.0	2.5
50 or older	3.7	3.7

Number of women in management positions, %	2010	2009
<b>Group</b>		
Boards	12	14
CEO and management teams	12	14
<b>Parent company</b>		
Board	18	25
CEO and management teams	12	17

For information about the benefits of senior executives in accordance with the Annual Accounts Act, see note 24.

## 6 NET FINANCIAL INCOME/EXPENSE

<b>SEKm</b>		
<b>Group</b>	<b>2010</b>	<b>2009</b>
Interest income on cash and investments in securities etc.	5	4
<b>Financial income</b>	<b>5</b>	<b>4</b>
Interest expense for financial liabilities measured at amortised cost	-42	-90
Interest expense for pension provision	-9	-6
Net change in exchange rates	0	2
Other financial expenses	-31	-24
<b>Financial expenses</b>	<b>-82</b>	<b>-118</b>
<b>Net financial income/expense</b>	<b>-77</b>	<b>-114</b>

<b>SEKm</b>		
<b>Parent company</b>		
<b>Profit/Loss from participations in Group companies</b>	<b>2010</b>	<b>2009</b>
Dividend	9	44
<b>Parent company total</b>	<b>9</b>	<b>44</b>
<b>Interest income and similar profit/loss items</b>		
Interest income, Group companies	0	0
Interest income, other	4	2
<b>Parent company total</b>	<b>4</b>	<b>2</b>

<b>Interest expense and similar profit/loss items</b>		
Interest expense, Group companies	0	0
Interest expense for pension provision	-8	-6
Interest expense, other	-39	-84
Interest expense for derivatives in hedge accounting	-1	-8
Net change in exchange rates	5	1
Other financial expenses	-31	-23
<b>Parent company total</b>	<b>-74</b>	<b>-120</b>
<b>Net financial income/expense</b>	<b>-61</b>	<b>-74</b>

## 7 APPROPRIATIONS

	Parent company	
<b>SEKm</b>	<b>2010</b>	<b>2009</b>
Difference between scheduled and recognised depreciation/amortisation		
Plant and equipment	2 098	-2 098
<b>Parent company total</b>	<b>2 098</b>	<b>-2 098</b>

At year-end 2010, the parent company switched from theoretical depreciation method to the residual value method for tax depreciation of plant and equipment.

## 8 TAXES

Profit/Loss before tax	Group		Parent company	
SEKm	2010	2009	2010	2009
Sweden, Group companies	912	124	2 562	-2 087
Rest of world, Group companies	48	62	–	–
<b>Total profit/loss before tax</b>	<b>960</b>	<b>186</b>	<b>2 562</b>	<b>-2 087</b>
<b>Tax expense</b>	<b>Group</b>		<b>Parent company</b>	
SEKm	2010	2009	2010	2009
<b>Current tax</b>				
Tax expense for the period	-177	-14	-222	184
Tax attributable to previous periods	0	0	–	–
<b>Total current tax</b>	<b>-177</b>	<b>-14</b>	<b>-222</b>	<b>184</b>
<b>Deferred tax</b>				
Deferred tax income/expense related to temporary differences	-78	-7	-451	395
<b>Total tax expense</b>	<b>-255</b>	<b>-21</b>	<b>-673</b>	<b>579</b>

For the parent company, current tax of SEK 55 million in 2010 and SEK -184 million in 2009 on Group contributions paid and received, respectively, are recognised in shareholders' equity.

Difference between nominal and effective tax rate	Group		Parent company	
%	2010	2009	2010	2009
Swedish income tax rate	26.3	26.3	26.3	26.3
Effect of other tax rates for foreign subsidiaries	0.2	-0.1		
Tax-exempt dividends			-0.1	0.6
Losses in subsidiaries for which deferred tax assets were previously not recognised	–	-0.6		
Tax effect of non-deductible expenses	0.1	-7.4	0.1	-0.2
Tax effect of tax-exempt income	0	0	0	1.1
Tax effect of change in corporate tax rate in Sweden 1 Jan 2009		-6.8		–
<b>Effective tax rate according to profit and loss accounts</b>	<b>26.6</b>	<b>11.4</b>	<b>26.3</b>	<b>27.8</b>

### Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance 1 Jan 2010	Recognised in net profit/loss	Recognised in other comprehensive income	Closing balance 31 Dec 2010
<b>Group</b>				
<b>Deferred tax liability</b>				
Other non-current assets	1 473	-25		1 448
Hedge reserve	34		0	34
<b>Total deferred tax liability</b>	<b>1 507</b>	<b>-25</b>	<b>0</b>	<b>1 482</b>
<b>Deferred tax asset</b>				
Buildings and land	33	-4		29
Inventories	0	1		1
Accounts receivable	4	4		8
Provisions	23	-13	1	11
Loss carry-forwards	91	-91		0
<b>Total deferred tax asset</b>	<b>151</b>	<b>-103</b>	<b>1</b>	<b>49</b>
<b>Total net deferred tax liability</b>	<b>1 356</b>	<b>78</b>	<b>-1</b>	<b>1 433</b>
Portion recognised as deferred tax asset				1
Portion recognised as deferred tax liability				1 434

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 13 million. The assessment is based on uncertainty whether this deferred tax benefit can be claimed.

### Change in deferred tax in temporary differences and loss carry-forwards

SEKm	Opening balance 1 Jan 2009	Recognised in net profit/loss	Recognised in other comprehensive income	Closing balance 31 Dec 2009
<b>Group</b>				
<b>Deferred tax liability</b>				
Other non-current assets	1 387	86		1 473
Hedge reserve	-62		96	34
<b>Total deferred tax liability</b>	<b>1 325</b>	<b>86</b>	<b>96</b>	<b>1 507</b>
<b>Deferred tax asset</b>				
Buildings and land	36	-3		33
Inventories	0	0		0
Accounts receivable	3	1		4
Provisions	21	2		23
Loss carry-forwards	12	79		91
<b>Total deferred tax asset</b>	<b>72</b>	<b>79</b>	<b>–</b>	<b>151</b>
<b>Total net deferred tax liability</b>	<b>1 253</b>	<b>7</b>	<b>96</b>	<b>1 356</b>
Portion recognised as deferred tax asset				1
Portion recognised as deferred tax liability				1 357

Temporary differences and/or loss carry-forwards that are not balanced by recognised deferred tax assets total SEK 13 million. The assessment is based on uncertainty whether this deferred tax benefit can be claimed.

SEKm	Opening balance 1 Jan 2010	Recognised in profit and loss accounts	Closing balance 31 Dec 2010
<b>Parent company</b>			
<b>Deferred tax liability</b>			
Other non-current assets	339	355	694
<b>Total deferred tax liability</b>	<b>339</b>	<b>355</b>	<b>694</b>
<b>Deferred tax asset</b>			
Buildings and land	6	0	6
Accounts receivable	3	1	4
Provisions	11	0	11
Loss carry-forwards	96	-96	0
<b>Total deferred tax asset</b>	<b>116</b>	<b>-95</b>	<b>21</b>
<b>Total net deferred tax liability</b>	<b>223</b>	<b>450</b>	<b>673</b>

Participations in subsidiaries contain no material temporary differences.

SEKm	Opening balance 1 Jan 2009	Recognised in profit and loss accounts	Closing balance 31 Dec 2009
<b>Parent company</b>			
<b>Deferred tax liability</b>			
Other non-current assets	638	-299	339
<b>Total deferred tax liability</b>	<b>638</b>	<b>-299</b>	<b>339</b>
<b>Deferred tax asset</b>			
Buildings and land	6	0	6
Accounts receivable	3	0	3
Provisions	11	0	11
Loss carry-forwards	–	96	96
<b>Total deferred tax asset</b>	<b>20</b>	<b>96</b>	<b>116</b>
<b>Total net deferred tax liability</b>	<b>618</b>	<b>-395</b>	<b>223</b>

Participations in subsidiaries contain no material temporary differences.

## 9 EARNINGS PER SHARE

	2010	2009
<b>Basic earnings per share</b>		
Profit/Loss for the period, SEKm	705	165
Weighted number of outstanding ordinary shares	103 062 031	81 029 295
<b>Basic earnings per share, SEK</b>	<b>6.84</b>	<b>2.04</b>
<b>Diluted earnings per share</b>		
Profit/Loss for the period, SEKm	705	165
Adjusted profit/loss, SEKm	705	165
Weighted number of outstanding shares	103 062 031	81 029 295
Adjustment for assumed dilution from incentive scheme	191 603	131 000
No. of shares used to calculate earnings per share	103 253 634	81 160 295
<b>Diluted earnings per share, SEK</b>	<b>6.83</b>	<b>2.03</b>

## 10 PROPERTY, PLANT AND EQUIPMENT

2010 SEKm Group	Buildings and land	Plant and equipment <sup>1)</sup>	Construction in progress and advance payments	Total
<b>Acquisition cost</b>				
Opening balance, 1 Jan 2010	1 752	12 156	125	14 033
Investments	4	206	123	333
Reclassifications	6	174	-180	—
Sales and disposals	-17	-299	—	-316
Translation difference	-1	-41	—	-42
<b>Closing balance, 31 Dec 2010</b>	<b>1 744</b>	<b>12 196</b>	<b>68</b>	<b>14 008</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 Jan 2010	-995	-5 692	—	-6 687
Depreciation	-53	-527	—	-580
Sales and disposals	18	297	—	315
Translation difference	1	36	—	37
<b>Closing balance, 31 Dec 2010</b>	<b>-1 029</b>	<b>-5 886</b>	<b>—</b>	<b>-6 915</b>
<b>Accumulated impairment losses</b>				
Opening balance, 1 Jan 2010	-111	-1 792	—	-1 903
Impairment losses	—	-13	—	-13
Sales and disposals	—	—	—	—
<b>Closing balance, 31 Dec 2010</b>	<b>-111</b>	<b>-1 805</b>	<b>—</b>	<b>-1 916</b>
<b>Carrying amount on the balance sheet, 31 Dec 2010</b>	<b>604<sup>2)</sup></b>	<b>4 505</b>	<b>68</b>	<b>5 177</b>
<b>2010 SEKm Parent company</b>				
<b>Acquisition cost</b>				
Opening balance, 1 Jan 2010	770	6 248	27	7 045
Investments	2	111	15	128
Reclassifications	1	23	-24	—
Sales and disposals	—	-1	—	-1
<b>Closing balance, 31 Dec 2010</b>	<b>773</b>	<b>6 381</b>	<b>18</b>	<b>7 172</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 Jan 2010	-456	-2 929	—	-3 385
Depreciation	-26	-225	—	-251
Sales and disposals	—	0	—	0
<b>Closing balance, 31 Dec 2010</b>	<b>-482</b>	<b>-3 154</b>	<b>—</b>	<b>-3 636</b>
<b>Accumulated impairment losses</b>				
Opening balance, 1 Jan 2010	—	-898	—	-898
Sales and disposals	—	—	—	—
<b>Closing balance, 31 Dec 2010</b>	<b>—</b>	<b>-898</b>	<b>—</b>	<b>-898</b>
<b>Carrying amount on the balance sheet, 31 Dec 2010</b>	<b>291<sup>3)</sup></b>	<b>2 329</b>	<b>18</b>	<b>2 638</b>

<sup>1)</sup> Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.

<sup>2)</sup> Including land totalling SEK 32 million (33).

<sup>3)</sup> Including land totalling SEK 8 million (8).

2009 SEKm Group	Buildings and land	Plant and equipment <sup>1)</sup>	Construction in progress and advance payments	Total
<b>Acquisition cost</b>				
Opening balance, 1 Jan 2009	1 744	12 048	11	13 803
Investments	12	136	114	262
Investments through business combinations	—	5	—	5
Sales and disposals	-4	-37	—	-41
Translation difference	0	4	—	4
<b>Closing balance, 31 Dec 2009</b>	<b>1 752</b>	<b>12 156</b>	<b>125</b>	<b>14 033</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 Jan 2009	-943	-5 230	—	-6 173
Business combinations	—	-1	—	-1
Depreciation	-55	-490	—	-545
Sales and disposals	3	32	—	35
Translation difference	0	-3	—	-3
<b>Closing balance, 31 Dec 2009</b>	<b>-995</b>	<b>-5 692</b>	<b>—</b>	<b>-6 687</b>

<b>Accumulated impairment losses</b>				
Opening balance, 1 Jan 2009	-111	-1 792	—	-1 903
Sales and disposals	—	—	—	—
<b>Closing balance, 31 Dec 2009</b>	<b>-111</b>	<b>1 792</b>	<b>—</b>	<b>-1 903</b>
<b>Carrying amount on the balance sheet, 31 Dec 2009</b>	<b>646<sup>2)</sup></b>	<b>4 672</b>	<b>125</b>	<b>5 443</b>

<b>2009 SEKm Parent company</b>				
<b>Acquisition cost</b>				
Opening balance, 1 Jan 2009	763	6 217	6	6 986
Investments	10	42	21	73
Sales and disposals	-3	-11	—	-14
<b>Closing balance, 31 Dec 2009</b>	<b>770</b>	<b>6 248</b>	<b>27</b>	<b>7 045</b>

<b>Accumulated depreciation</b>				
Opening balance, 1 Jan 2009	-431	-2 715	—	-3 146
Depreciation	-27	-223	—	-250
Sales and disposals	2	9	—	11
<b>Closing balance, 31 Dec 2009</b>	<b>-456</b>	<b>-2 929</b>	<b>—</b>	<b>-3 385</b>

<b>Accumulated impairment losses</b>				
Opening balance, 1 Jan 2009	—	-898	—	-898
Sales and disposals	—	—	—	—
<b>Closing balance, 31 Dec 2009</b>	<b>—</b>	<b>-898</b>	<b>—</b>	<b>-898</b>

<b>Carrying amount on the balance sheet, 31 Dec 2009</b>	<b>314<sup>3)</sup></b>	<b>2 421</b>	<b>27</b>	<b>2 762</b>
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<sup>1)</sup> Light machinery and equipment represent only a minor proportion of the value of plant and equipment and thus are not disclosed separately.

<sup>2)</sup> Including land totalling SEK 33 million (33).

<sup>3)</sup> Including land totalling SEK 8 million (8).

The assessed value of buildings and land in Sweden totalled SEK 1 620 million (1 623), SEK 1 530 million (1 528) of which was buildings. The assessed value includes assets posted on the balance sheet under plant and equipment. The assessed value of buildings and land for the parent company totalled SEK 830 million (830), SEK 780 million (780) of which was buildings.

### Rental agreements and leases

Future contractual lease commitments for the Group totalled SEK 206 million, SEK 53 million of which payable within one year and SEK 206 million 1–5 years. The corresponding figure for the parent company is SEK 169 million, SEK 38 million of which payable within one year and SEK 169 million 1–5 years. In 2010, leasing expenses totalled SEK 56 million for the Group. For the parent company, the total was SEK 37 million.



## 11 INTANGIBLE ASSETS

		Intangible assets acquired			
2010	SEKm	Software	Other contractual assets	Goodwill	Total
<b>Group</b>					
<b>Acquisition cost</b>					
Opening balance, 1 Jan 2010	64	26	30	120	
Investments	0	–	–	0	
Investment through business combinations	–	–	–	–	
Translation differences	–	–1	–	-1	
<b>Closing balance, 31 Dec 2010</b>	<b>64</b>	<b>25</b>	<b>30</b>	<b>119</b>	
<b>Accumulated amortisation</b>					
Opening balance, 1 Jan 2010	-18	-6	–	-24	
Business combinations	–	–	–	–	
Amortisation	-13	-4	–	-17	
Translation differences	–	-1	–	-1	
<b>Closing balance, 31 Dec 2010</b>	<b>-31</b>	<b>-11</b>	<b>–</b>	<b>-42</b>	
<b>Carrying amount on the balance sheet, 31 Dec 2010</b>	<b>33</b>	<b>14</b>	<b>30</b>	<b>77</b>	
<b>2010</b>					
<b>Parent company</b>					
<b>Acquisition cost</b>					
Opening balance, 1 Jan 2010	23	5	–	28	
Investments	–	–	–	–	
Sales	–	–	–	–	
<b>Closing balance, 31 Dec 2010</b>	<b>23</b>	<b>5</b>	<b>–</b>	<b>28</b>	
<b>Accumulated amortisation</b>					
Opening balance, 1 Jan 2010	-7	–	–	-7	
Amortisation	-4	0	–	-4	
<b>Closing balance, 31 Dec 2010</b>	<b>-11</b>	<b>0</b>	<b>–</b>	<b>-11</b>	
<b>Carrying amount on the balance sheet, 31 Dec 2010</b>	<b>12</b>	<b>5</b>	<b>–</b>	<b>17</b>	
<b>2009</b>					
<b>SEKm</b>					
<b>Group</b>					
<b>Acquisition cost</b>					
Opening balance, 1 Jan 2009	61	19	–	80	
Investments	3	5	–	8	
Investment through business combinations	–	3	30	33	
Translation differences	–	-1	–	-1	
<b>Closing balance, 31 Dec 2009</b>	<b>64</b>	<b>26</b>	<b>30</b>	<b>120</b>	
<b>Accumulated amortisation</b>					
Opening balance, 1 Jan 2009	-4	-2	–	-6	
Business combinations	–	-2	–	-2	
Amortisation	-14	-2	–	-16	
Translation differences	–	0	–	0	
<b>Closing balance, 31 Dec 2009</b>	<b>-18</b>	<b>-6</b>	<b>–</b>	<b>-24</b>	
<b>Carrying amount on the balance sheet, 31 Dec 2009</b>	<b>46</b>	<b>20</b>	<b>30</b>	<b>96</b>	
<b>2009</b>					
<b>Parent company</b>					
<b>Acquisition cost</b>					
Opening balance, 1 Jan 2009	23	–	–	23	
Investments	–	5	–	5	
Sales	–	–	–	–	
<b>Closing balance, 31 Dec 2009</b>	<b>23</b>	<b>5</b>	<b>–</b>	<b>28</b>	
<b>Accumulated amortisation</b>					
Opening balance, 1 Jan 2009	-2	–	–	-2	
Amortisation	-5	–	–	-5	
<b>Closing balance, 31 Dec 2009</b>	<b>-7</b>	<b>–</b>	<b>–</b>	<b>-7</b>	
<b>Carrying amount on the balance sheet, 31 Dec 2009</b>	<b>16</b>	<b>5</b>	<b>–</b>	<b>21</b>	

## 12 PARTICIPATIONS IN GROUP COMPANIES

SEKm	2010	2009
<b>Acquisition cost</b>		
Opening balance 1 January	1 315	1 273
Investments <sup>1)</sup>	–	42
<b>Closing balance 31 December</b>	<b>1 315</b>	<b>1 315</b>
<b>Accumulated impairment losses</b>		
Opening balance 1 January	-120	-120
Impairment losses for the year <sup>2)</sup>	–	–
<b>Closing balance 31 December</b>	<b>-120</b>	<b>-120</b>
<b>Carrying amount on the balance sheet</b>	<b>1 195</b>	<b>1 195</b>

<sup>1)</sup> Investments for the year 2009 consist of the acquisition of Tenova Bioplastics AB for SEK 31 million and shareholder contributions of SEK 11 million to the company as well as the formation of a new company in Latvia, Billerud Wood Supply SIA, for SEK 0 million.

<sup>2)</sup> No impairment was charged to shares in 2010.

### Specification of parent company's participations in Group companies

Subsidiary/Reg. office/Reg. no.	No. of shares	Pctg. participation <sup>3)</sup>	Carrying amount
Billerud Karlsborg AB, Kalix 556310-4198	1 250 000	100	300
Billerud Skärblacka AB, Norrköping 556190-3179	1 000 000	100	740
Billerud Skog AB, Stockholm 556724-4641	1 000	100	1
Scankraft Paper AB, Stockholm 556459-7572	1 000	100	0
Billerud Beetham Ltd, Cumbria 3 500 000	3 500 000	100	81
Billerud Benelux B.V., Amsterdam 200	200	100	3
Billerud France S.A.S., Paris 4 000	4 000	100	1
Billerud GmbH, Hamburg –	–	100	1
Billerud Iberica S.L., Barcelona –	–	100	1
Billerud S.r.l., Milano –	–	100	0
Billerud Sales Ltd, Nottingham 5 000	5 000	100	7
Billerud Trading (Shanghai) Co Ltd –	–	100	4
Billerud Mediena Uab <sup>4)</sup> 200	200	70	14
Tenova Bioplastics AB, Åby 556639-6197	2 500	100	42
Billerud Wood Supply SIA 2 000	2 000	100	0
<b>Carrying amount, 31 Dec 2010</b>			<b>1 195</b>

<sup>3)</sup> Refers to participating interest in capital, which is the same as the proportion of votes in the total number of shares.

<sup>4)</sup> There is an option to purchase the remaining 30%.

## 13 RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES, INTEREST-BEARING

SEKm	2010	2009
<b>Parent company</b>		
<b>Receivables from Group companies</b>		
Carrying amount, 1 January	10	0
Change for the year	2	10
<b>Carrying amount, 31 December</b>	<b>12</b>	<b>10</b>
<b>SEKm</b>		
<b>Liabilities to Group companies</b>		
Carrying amount, 1 January	15	13
Change for the year	16	2
<b>Carrying amount, 31 December</b>	<b>31</b>	<b>15</b>

Interest-bearing receivables and liabilities refers to Group cash pools carrying intra-Group interest rates.



## 14 PARTICIPATIONS IN ASSOCIATED COMPANIES/JOINT VENTURES

SEKm	2010	2009
<b>Group</b>		
Carrying amount, 1 January	4	4
Participations in associated companies' / joint ventures' earnings after tax	0	-1
Other changes in associated companies' / joint ventures' equity	–	1
<b>Carrying amount, 31 December</b>	<b>4</b>	<b>4</b>

The Group's share of revenue, profit/loss, assets and liabilities through participations is specified below.

### Associated companies / Joint ventures

SEKm		Country	Revenue	Profit/ Loss	Assets	Liabili- ties	Equity	Pctg. owned
<b>2010</b>								
ScandFibre								
Logistics AB	Sweden	860	1	98	90	8	20	
Nine Total Packaging Partner AB	Sweden	2	0	1	1	0	60	
<b>Total</b>		<b>862</b>	<b>1</b>	<b>99</b>	<b>91</b>	<b>8</b>		

<b>2009</b>								
ScandFibre								
Logistics AB	Sweden	891	1	84	74	10	20	
Nine Total Packaging Partner AB	Sweden	2	-1	1	0	1	60	
<b>Total</b>		<b>893</b>	<b>0</b>	<b>85</b>	<b>74</b>	<b>11</b>		

SEKm	2010	2009
<b>Parent company</b>		
<b>Acquisition cost</b>		
Opening balance	6	6
Investments	–	–
Divestments	–	–
<b>Carrying amount, 31 December</b>	<b>6</b>	<b>6</b>

Specification of parent company's directly owned holdings of participations in associated companies / joint ventures

Name, corp. id. no. and registered office	Votes and capital, %	Carrying amount
<b>31 Dec 2010</b>		

### Associated companies / Joint ventures

ScandFibre Logistics AB, 556253-1474 Stockholm	20	1
Nine Total Packaging Partner AB, 556727-5658 Stockholm	60	5
<b>Parent company total</b>		<b>6</b>

### 31 Dec 2009

### Associated companies / Joint ventures

ScandFibre Logistics AB, 556253-1474 Stockholm	20	1
Nine Total Packaging Partner AB, 556727-5658 Stockholm	60	5
<b>Parent company total</b>		<b>6</b>

## 15 OTHER HOLDINGS

SEKm	No. of participa- tions	Pctg. participa- tion	Carrying amount
<b>Group</b>			
<b>Name / Corp. id. no.</b>			
<b>31 Dec 2010</b>			
1 tenant-owner's right			2
BasEl i Sverige AB, 556672-5858	50	5	0
VindIn AB, 556713-5172	100	7	5
Kalix Vindkraft AB, 556686-1729	20 000	10	4
<b>Total</b>			<b>11</b>

SEKm	No. of participa- tions	Pctg. participa- tion	Carrying amount
<b>Parent company</b>			
<b>Name / Corp. id. no.</b>			
<b>31 Dec 2010</b>			
1 tenant-owner's right			2
BasEl i Sverige AB, 556672-5858	50	5	0
VindIn AB, 556713-5172	100	7	5
<b>Total</b>			<b>7</b>

SEKm	No. of participa- tions	Pctg. participa- tion	Carrying amount
<b>Group</b>			
<b>Name / Corp. id. no.</b>			
<b>31 Dec 2009</b>			
1 tenant-owner's right			2
BasEl i Sverige AB, 556672-5858	50	5	0
VindIn AB, 556713-5172	100	7	5
Kalix Vindkraft AB, 556686-1729	20 000	10	4
<b>Total</b>			<b>11</b>

SEKm	No. of participa- tions	Pctg. participa- tion	Carrying amount
<b>Parent company</b>			
<b>Name / Corp. id. no.</b>			
<b>31 Dec 2009</b>			
1 tenant-owner's right			2
BasEl i Sverige AB, 556672-5858	50	5	0
VindIn AB, 556713-5172	100	7	5
<b>Total</b>			<b>7</b>

## 16 INVENTORIES

	Group		Parent company	
SEKm	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Raw materials and consumables	372	422	96	99
Finished goods	650	547	280	227
Work in progress	47	46	–	–
Advances from suppliers	1	50	–	–
<b>Total</b>	<b>1 070</b>	<b>1 065</b>	<b>376</b>	<b>326</b>

Operating costs include SEK 18 million (23) for impairment of inventories. SEK 25 million (146) of the inventory of finished goods has been measured at net realisable value.

## 17 SHAREHOLDERS' EQUITY

### Share capital

Owners of ordinary shares are entitled to a dividend approved at a later date, and the shareholding entitles the owner to vote at the AGM, with one vote per share. All shares have the same rights to Billerud's remaining net assets. For shares owned by the Company (see under Shares bought back), all rights are waived until the shares are re-issued.



### Additional paid-in capital

This refers to shareholders' equity contributed by the owners and includes the share premium reserves transferred to the statutory reserve at 31 December 2005. Provisions to the share premium reserve from 1 January 2006 onward are also recognised as paid-in capital.

### Reserves

#### Translation reserve

The translation reserve comprises all exchange rate differences resulting from the translation of financial reports of foreign operations that have prepared their financial reports in a currency other than the Group's functional (reporting) currency. The parent company and Group present their financial reports in Swedish kronor. In addition, the translation reserve consists of exchange rate differences resulting from the revaluation of debts raised to hedge net investments in foreign operations.

#### Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets until the asset is taken off the balance sheet.

#### Hedge reserve

The hedge reserve comprises the effective portion of accumulated net changes in the fair value of a cash-flow hedge instrument attributable to hedge transactions that have not yet occurred.

### Profit brought forward

Profit brought forward including profit/loss for the year includes profit earned by the parent company and its subsidiaries, by associated companies as well as by joint ventures. Previous provisions to the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

### Shares bought back

Shares bought back comprises the acquisition cost of the Company's own shares held by the parent company. At 31 December 2010, the Group's holdings of its own shares totalled 1 720 314 (1 851 473).

### Dividend

After the end of the reporting period, the Board of Directors proposed to the AGM a dividend of SEK 3.50 per ordinary share, totalling SEK 361 million. This proposal will be voted on at the AGM on 4 May 2011.

	2010	2009
Dividend, SEKm	52	—
Recognised dividend per ordinary share, SEK	0.50	—

### Parent company

#### Restricted reserves

Restricted reserves cannot be reduced by distributing them as dividends.

### Share capital

The share capital at year-end consists of 104 834 613 (104 834 613) ordinary shares with a quotient value of SEK 7.38 (7.38) and entitling holders to one vote per share.

### Statutory reserve

The purpose of the statutory reserve is to save a part of net earnings that is not needed to cover losses brought forward.

### Non-restricted equity

#### Share premium reserve

When shares are issued at a premium, that is, at a price that is greater than the shares' quotient value, an amount corresponding to the amount received in excess of the quotient value of the shares shall be transferred to the share premium reserve.

### Profit/Loss brought forward

This consists of the preceding year's non-restricted equity after payment of dividends, if any. Together with net profit/loss for the year and any fair value reserves, this constitutes non-restricted equity, that is, the amount available for distribution as a dividend to shareholders.

## 18 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Billerud has defined-benefit pension plans for white-collar workers in Sweden (ITP plan) and to some extent for employees in the German subsidiary Billerud GmbH. These plans are unfunded. Some pension commitments for white-collar workers in Sweden are secured through provisions on the balance sheet in accordance with the FPG/PRI system. Billerud also has defined-contribution pension plans. Some pension commitments for white-collar workers in Sweden are secured through insurance with Alecta. Alecta cannot provide sufficient information to recognise the ITP plan as a defined-benefit plan, so the plan is recognised as a defined-contribution plan in accordance with UFR 3. For 2010, the fee for pension insurance with Alecta totalled SEK 27 million (10).

### Defined-benefit commitments

#### SEKm

Group	31 Dec 2010	31 Dec 2009
Present value of unfunded defined-benefit commitments	253	239
Adjustments:		
Accumulated unrecognised actuarial gains (+) and losses (–)	-46	-46
<b>Carrying amount</b>	<b>207</b>	<b>193</b>

The amount is recognised in the following item on the balance sheet.

<b>Provisions for pensions and similar commitments</b>	<b>207</b>	<b>193</b>
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The net amount is divided among plans in the following countries.

Sweden	198	183
Germany	9	10
<b>Commitments recognised on balance sheet</b>	<b>207</b>	<b>193</b>

### Pension costs

#### SEKm

Group	2010	2009
Cost of defined-benefit plans earned during the year	16	9
Interest expense	9	6
Cost of defined-benefit plans	25	15
Cost of defined-contribution plans	72	75
Payroll tax	20	19
<b>Total cost of remuneration after employment ends</b>	<b>117</b>	<b>109</b>

The cost is recognised in the following items in the profit and loss account.

Employee benefits expense	108	103
Financial expenses	9	6
<b>Total cost of remuneration after employment ends</b>	<b>117</b>	<b>109</b>

### Reconciliation of provisions for pensions on the balance sheet

The following table explains how provisions for pensions on the balance sheet changed during the period.

	2010	2009
Commitments on the balance sheet at start of year	193	183
Cost of defined-benefit plans	19	15
Pensions paid	-5	-5
<b>Commitments on the balance sheet at year-end</b>	<b>207</b>	<b>193</b>

Unrecognised actuarial gains (–) and losses (+)	2010	2009
Carrying amount, 1 January	46	35
Changed assumptions for commitments	3	13
Amortisation for the year	-3	-2
Translation differences for the year	0	0
<b>Unrecognised actuarial losses at year-end</b>	<b>46</b>	<b>46</b>

## 18 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS (CONT'D.)

**Actuarial assumptions** 31 Dec 2010 31 Dec 2009  
The following material actuarial assumptions have been used in the calculation of commitments (weighted average).

Discount rate	3.8%	3.9%
Future salary increases	3.0%	3.0%
Future increases in pensions	2.0%	2.0%
Employee turnover	5.0%	5.0%
Expected remaining period of service	11 years	11 years

### Present value of pension commitments

<b>SEKm</b>		
<b>Parent company</b>	<b>2010</b>	<b>2009</b>
Present value of pension commitments related to retirement under the management of the Company at the start of the year	153	145
Costs excluding interest expense charged to earnings	7	6
Interest expense	8	6
Pensions paid	-5	-4
Present value of pension commitments related to retirement under the management of the Company at year-end	163	153
Commitments paid to pension insurance held by Billerud	23	27
Other provisions	10	10
<b>Commitments recognised on the balance sheet</b>	<b>196</b>	<b>190</b>
Of which covered by credit insurance with FPG/PRI	163	153

### Costs relating to pensions

<b>SEKm</b>		
<b>Parent company</b>	<b>2010</b>	<b>2009</b>
<b>Direct pensions</b>		
Cost excluding interest expense	7	6
Interest expense	8	6
<b>Total cost of direct pensions</b>	<b>15</b>	<b>12</b>
<b>Retirement through insurance</b>		
Insurance premiums paid	32	29
Provision for future premiums	1	1
Dissolution of provision for future premiums	—	—
<b>Sub-total</b>	<b>33</b>	<b>30</b>
Tax on returns from pension funds	1	1
Special payroll tax for pension costs	10	11
Cost of credit insurance	0	0
<b>Pension cost for the year</b>	<b>59</b>	<b>54</b>

<b>Group</b>	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
<b>Assets pledged for pension commitments</b>		
Endowment insurance	29	33
<b>Group total</b>	<b>29</b>	<b>33</b>

<b>Parent company</b>		
<b>Assets pledged for pension commitments</b>		
Endowment insurance	23	27
<b>Parent company total</b>	<b>23</b>	<b>27</b>

<b>Group</b>		
Amount of provision expected to be paid within 12 months	9	9
Amount of provision expected to be paid beyond 12 months	198	184

<b>Parent company</b>		
Amount of provision expected to be paid within 12 months	14	14
Amount of provision expected to be paid beyond 12 months	182	176

## 19 PROVISIONS

<b>SEKm</b>		
<b>Group</b>	<b>2010</b>	<b>2009</b>
<b>Provisions that are non-current liabilities</b>		
Severance pay, lay-off pay	3	3
Costs of environmental measures	24	24
<b>Group total</b>	<b>27</b>	<b>27</b>
<b>Provisions that are current liabilities</b>		
Costs of restructuring measures	1	2
<b>Group total</b>	<b>1</b>	<b>2</b>

### Parent company

Costs of restructuring measures	—	1
<b>Parent company total</b>	<b>—</b>	<b>1</b>

### Group

<b>Costs of restructuring measures</b>		
Carrying amount, 1 January	2	12
Provisions made during the year	0	—
Unutilised amount reversed during the year	0	-7
Amount utilised during the year	-1	-3
<b>Carrying amount, 31 December</b>	<b>1</b>	<b>2</b>

### Severance pay, lay-off pay

Carrying amount, 1 January	3	2
Provisions made during the year	0	1
Amount utilised during the year	0	0
<b>Carrying amount, 31 December</b>	<b>3</b>	<b>3</b>

### Costs of environmental measures

Carrying amount, 1 January	24	23
Provisions made during the year	0	1
<b>Carrying amount, 31 December</b>	<b>24</b>	<b>24</b>

### SEKm

#### Group

<b>Group's total provisions</b>		
Total carrying amount, 1 January	29	37
Provisions made during the year	0	2
Unutilised amount reversed during the year	0	-7
Amount utilised during the year	-1	-3
<b>Total carrying amount, 31 December</b>	<b>28</b>	<b>29</b>
Of which total non-current portion of provisions	27	27
Of which total current portion of provisions	1	2

### Parent company

<b>Costs of restructuring measures</b>		
Carrying amount, 1 January	1	7
Unutilised amount reversed during the year	0	-4
Amount utilised during the year	-1	-2
<b>Carrying amount, 31 December</b>	<b>—</b>	<b>1</b>

### Parent company's total provisions

Total carrying amount at start of period	1	7
Unutilised amount reversed during the year	0	-4
Amount utilised during the period	-1	-2
<b>Total carrying amount at end of period</b>	<b>—</b>	<b>1</b>
Of which total non-current portion of provisions	—	—
Of which total current portion of provisions	—	1

<b>Payments</b>	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
-----------------	--------------------	--------------------

<b>SEKm</b>		
<b>Group</b>		
Amount of provision expected to be paid beyond 12 months	27	27

### Parent company

Amount of provision expected to be paid beyond 12 months	—	—
--	---	---



## 20 INTEREST-BEARING LIABILITIES

SEKm		
Group	31 Dec 2010	31 Dec 2009
<b>Non-current liabilities</b>		
Syndicated loans	121	252
Bond loans	675	825
Other interest-bearing liabilities	2	3
<b>Carrying amount</b>	<b>798</b>	<b>1 080</b>
<b>Current liabilities</b>		
Current portion of bond loans	150	400
Commercial paper	–	297
Other interest-bearing liabilities	0	0
<b>Carrying amount</b>	<b>150</b>	<b>697</b>

### Conditions and repayment periods

#### Loan facility 2010

On 12 July 2010, Billerud signed a new loan agreement with AB Svensk Exportkredit. This loan facility for SEK 800 million extends seven years. None of the loan had been utilised at 31 December 2010. The conditions for the loan include compliance with the following ratios.

The net debt/equity ratio shall not exceed 1.1.

The interest coverage rate shall not be less than 4.0.

#### Syndicated loan facility 2009

This loan facility is for three years from 8 April 2009 and was originally SEK 1 800 million. On the initiative of Billerud, the credit limit was reduced to SEK 1 200 million effective 22 February 2010. At 31 December 2010, GBP 11.5 million, corresponding to SEK 121 million, of the loan had been utilised. The parent company carries GBP 5.5 million, or SEK 58 million, and the subsidiary Billerud Beetham Ltd GBP 6.0 million, or SEK 63 million. The conditions for the loan include compliance with the following ratios.

The net debt/equity ratio shall not exceed 1.1 during the period 1 July 2010 through 31 December 2011 and thereafter not exceed 1.0.

The interest coverage rate shall exceed 4.5 during the period 1 October through 31 December 2010, exceed 5.0 during the period from 1 January through 31 December 2011 and thereafter exceed 5.5.

On 28 January 2011, Billerud signed a new loan agreement to replace the loan facility described above. This syndicated loan facility for SEK 801 million extends five years. Effective 8 April 2009, loans under the syndicated loan facility were transferred to the new syndicated loan facility. The conditions for the loan include compliance with the following ratios.

The net debt/equity ratio shall not exceed 1.1.

The interest coverage rate shall not be less than 4.0.

#### Syndicated loan 2008

The syndicated loan from 3 December 2008, originally SEK 450 million, was repaid and discontinued in November 2010.

#### Bond loan no. 2 (FRN loan)

Loan no. 2 runs from 22 September 2003 for eight years with interest of STIBOR plus 0.85 percentage points. The loan amounts to SEK 150 million. At 31 December 2010, SEK 150 million of the loan had been utilised.

#### Bond loan no. 4 (FRN loan)

Loan no. 4 runs from 23 February 2005 for eight years with interest of STIBOR plus 0.45 percentage points. The loan amounts to SEK 300 million. At 31 December 2010, SEK 300 million of the loan had been utilised.

#### Bond loan no. 7 (FRN loan)

Loan no. 7 runs from 27 June 2005 for eight years with interest of STIBOR plus 0.58 percentage points. The loan amounts to SEK 225 million. At 31 December 2010, SEK 225 million of the loan had been utilised.

#### Bond loan no. 8 (FRN loan)

Loan no. 8 runs from 10 March 2006 for 10 years with interest of STIBOR plus 0.75 percentage points. The loan amounts to SEK 150 million. At 31 December 2010, SEK 150 million of the loan had been utilised.

#### Commercial paper programme

The programme runs from 18 June 2003 and enables Billerud to issue commercial paper with a face value of SEK 1 million, or EUR 100 000, up to a limit of SEK 1 500 million or the equivalent in euros. The commercial paper shall run for at least one day and at most one year. At 31 December 2010, no commercial paper was on issue. There are no special conditions for renegotiation linked to the liabilities above.

## 21 LIABILITIES TO CREDIT INSTITUTIONS

SEKm		
Parent company	31 Dec 2010	31 Dec 2009
<b>Non-current liabilities</b>		
Syndicated loans	58	182
Bond loans	675	825
Other interest-bearing liabilities	3	3
<b>Carrying amount</b>	<b>736</b>	<b>1 010</b>
<b>Current liabilities</b>		
Current portion of bond loans	150	400
Commercial paper	–	297
Other interest-bearing liabilities	–	–
<b>Carrying amount</b>	<b>150</b>	<b>697</b>

Liabilities due for payment more than five years after the end of the reporting period

Bond loan 8, maturing 2016 150

## 22 ACCRUED EXPENSES AND DEFERRED INCOME

SEKm	Group		Parent company	
	2010	2009	2010	2009
Employee costs including				
social fees	260	247	135	131
Excise duties	3	7	1	5
Delivery costs	115	112	58	53
Wood costs	68	44	–	–
Energy costs	9	9	–	–
Other	72	174	27	79
<b>Total</b>	<b>527</b>	<b>593</b>	<b>221</b>	<b>268</b>

## 23 FINANCIAL ASSETS AND LIABILITIES

Fair values and carrying amounts are presented in the balance sheet below.

Group 2010	Derivatives used in hedge accounting	Loan and accounts receivable	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Other shares and participations			11		11	11
Long-term receivables <sup>1)</sup>			260		260	260
Accounts receivable		1 412			1 412	1 412
Other receivables	146	204			350	350
Cash and cash equivalents <sup>2)</sup>		740			740	740
<b>Total</b>	<b>146</b>	<b>2 356</b>	<b>271</b>		<b>2 773</b>	<b>2 773</b>
Non-current interest-bearing liabilities				798	798	798
Current interest-bearing liabilities				150	150	150
Accounts payable				1 157	1 157	1 157
Other liabilities	19			69	88	88
<b>Total</b>	<b>19</b>			<b>2 174</b>	<b>2 193</b>	<b>2 193</b>
<b>Group 2009</b>						
Other shares and participations			11		11	11
Long-term receivables		0			0	0
Accounts receivable		1 152			1 152	1 152
Other receivables	160	232			392	392
Cash and cash equivalents <sup>2)</sup>		818			818	818
<b>Total</b>	<b>160</b>	<b>2 202</b>	<b>11</b>		<b>2 373</b>	<b>2 373</b>
Non-current interest-bearing liabilities				1 080	1 080	1 080
Current interest-bearing liabilities				697	697	697
Accounts payable				1 056	1 056	1 056
Other liabilities	32			46	78	78
<b>Total</b>	<b>32</b>			<b>2 879</b>	<b>2 911</b>	<b>2 911</b>

Net changes in the value of cash flow hedges recognised in the profit and loss accounts totalled SEK 313 million (-1) in 2010, of which SEK 344 million (-18) is recognised in Net sales and SEK 31 million (17) in Raw materials and consumables.

<sup>1)</sup> Billerud has invested a total of SEK 260 million in six different bonds. The bonds mature in 2012–2015 and carry a rating of AA- or better.

<sup>2)</sup> Investments in securities etc. are classified as Cash and cash equivalents when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

Fair values and carrying amounts are presented in the balance sheet below.

Parent company 2010	Derivatives used in hedge accounting	Loan and accounts receivable	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Other shares and participations			7		7	7
Other long-term receivables <sup>3)</sup>		23	260		283	283
Accounts receivable		1 343			1 343	1 343
Other receivables		60			60	206
Cash and bank balances <sup>4)</sup>		644			644	644
<b>Total</b>		<b>2 070</b>	<b>267</b>		<b>2 337</b>	<b>2 483</b>
Bond and syndicated loans				732	732	732
Liabilities to credit institutions				150	150	150
Other interest-bearing liabilities				3	3	3
Accounts payable				224	224	224
Other liabilities				24	24	43
<b>Total</b>				<b>1 133</b>	<b>1 133</b>	<b>1 152</b>
<b>Parent company 2009</b>						
Other shares and participations			7		7	7
Other long-term receivables		27			27	27
Accounts receivable		1 104			1 104	1 104
Other receivables		69			69	229
Cash and bank balances <sup>4)</sup>		741			741	741
<b>Total</b>		<b>1 941</b>	<b>7</b>		<b>1 948</b>	<b>2 108</b>
Bond and syndicated loans				1 007	1 007	1 007
Liabilities to credit institutions				697	697	697
Other interest-bearing liabilities				3	3	3
Accounts payable				206	206	206
Other liabilities				6	6	38
<b>Total</b>				<b>1 919</b>	<b>1 919</b>	<b>1 951</b>

<sup>3)</sup> Billerud has invested a total of SEK 260 million in six different bonds. The bonds mature in 2012–2015 and carry a rating of AA- or better. SEK 23 million of loan and accounts receivable is attributable to the value of pledged endowment insurance.

<sup>4)</sup> Investments in securities etc. are classified as Cash and bank balances when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.





## 24 REMUNERATION OF SENIOR MANAGEMENT

### Remuneration to Board

The Annual General Meeting decides the fees to be paid to the Chairman of the Board and Board members. Additional fees are paid for work on committees. The Chairman received SEK 520 thousand in 2010, of which SEK 70 thousand was for committee work. Other Board members received a total of SEK 1 605 thousand, of which SEK 130 thousand was for committee work.

#### Directors' fees SEK thousand

Name	Annual fee 2009–2010	Annual fee 2010–2011	Audit committee fee 2009–2010	Audit committee fee 2010–2011	Compensation committee fee 2009–2010	Compensation committee fee 2010–2011	Fee paid 2010 <sup>1)</sup>
Ingvar Petersson	450	450	30	30	40	40	520
Michael M.F. Kaufmann	350	350	–	–	–	–	350
Gunilla Jönson	225	225	–	–	–	–	225
Per Lundberg	225	225	70	70	15	15	310
Ewald Nageler	225	225	–	–	–	–	225
Yngve Ståde	225	225	–	–	15	15	240
Meg Tivén	225	225	30	30	–	–	255

<sup>1)</sup> The fees decided by the Annual General Meetings in 2009 and 2010.

### Remuneration to the CEO and senior management

The 2010 Annual General Meeting established the following guidelines for remuneration to senior executives. Senior management includes the CEO and other members of the senior management team. Billerud shall apply commercial employment terms and levels of remuneration as required to recruit and retain senior management that have the expertise and capacity to achieve the goals set. Forms of remuneration shall motivate senior managers to do their utmost to safeguard the interests of shareholders. Remuneration may be in the form of fixed or variable salary, long-term incentive programmes and other benefits such as company car and pension. Fixed and variable salary shall be determined in relation to expertise, area of responsibility and performance. Variable remuneration is paid depending on actual results compared to explicit targets, up to a maximum percentage of a fixed annual salary that may vary between 30% and 45%. However, variable salary shall be paid only if the Company makes a profit. The incentive programme shall primarily be related to financial performance criteria, ensure long-term commitment to the development of the Company and be implemented on commercial terms. For more information about the incentive programme adopted by the 2010 AGM, see the Company's website. Pension benefits shall be either defined-benefit or defined-contribution plans and normally entitle the executive to a pension from age 65. In certain cases, the age may be reduced but never less than 62. Notice of termination is normally 6–12 months, and if the company gives notice severance pay shall be a maximum of 12 months' salary. Remuneration and other employment terms for the CEO are prepared by the compensation committee and decided by the Board. Remuneration and other employment terms for members of the senior executive team are determined by the CEO following approval by the compensation committee.

The Board of Directors is entitled to deviate from these guidelines if there is good reason in individual cases.

In 2010, the actual bonus was 38.6% for the CEO and an average of 30.4% for the senior management team.

#### Remuneration and benefits to the CEO

SEK thousand	Year	Gross salary	Variable remuneration	Other benefits	Pension costs	Total
Per Lindberg	2010	4 966 <sup>1)</sup>	1 946	519	761	8 194
Per Lindberg	2009	4 938 <sup>2)</sup>	1 937	245	1 148	8 267

#### Remuneration and other benefits to rest of senior management team during the year

SEK thousand	Year	Gross salary	Variable remuneration	Other benefits	Pension costs	Total
Senior management team <sup>3)</sup>	2010	10 662	3 304	1 216	3 963	19 145
Senior management team <sup>4)</sup>	2009	11 390	3 223	791	4 274	19 678

<sup>1)</sup> This amount includes holiday pay supplement, allowances for expenses and lunch coupons totalling SEK 100 thousand in addition to fixed salary.

<sup>2)</sup> This amount includes holiday pay supplement, allowances for expenses and lunch coupons totalling SEK 96 thousand in addition to fixed salary.

<sup>3)</sup> These amounts include remuneration and other benefits for a person who left the senior management team in 2010. These amounts refer to the period that person was a member of the team.

<sup>4)</sup> These amounts include remuneration and other benefits for a person who left the senior management team in 2009. These amounts refer to the period that person was a member of the team.

#### Comments

- The variable remuneration for 2010 refers to amounts to be paid out in 2011 but charged to 2010, while the variable remuneration for 2009 refers to remuneration paid out in 2010 but charged to 2009. The actual amounts are based on financial and individual targets linked to the development of the business and to profit for 2010 and 2009.
- Other benefits include company car, housing, incentive programme and other taxable benefits.
- Pension plans are of the defined-benefit and defined-contribution types. Pension costs refers to the costs charged to net profit/loss for the year.
- In Billerud's long-term incentive programme LTIP 2007, the CEO was entitled to acquire 5 585 matching shares at a price of SEK 28.92 per share and 11 595 performance shares at a price of SEK 36.12 per share at the end of the programme in 2010. Other members of the senior management team were entitled all together to acquire 9 857 matching shares at a price of SEK 28.92 per share and 19 710 performance shares at a price of SEK 36.12 per share at the end of the programme in 2010. The CEO acquired 17 180 shares all together at a value of SEK 580 330. The rest of the senior management team acquired 27 344 shares all together at a value of SEK 996 990.
- In contrast with the previous programme, Billerud's long-term incentive programme LTIP 2010 involves no rights to acquire Billerud shares at a discount during a redemption period following a vesting period. Instead, participants are allocated a certain number of Billerud shares free of charge after a three-year vesting period, provided certain criteria are met. The performance criteria are based on principles similar to those for LTIP 2007. In LTIP 2010, the CEO participates with 9 093 Billerud shares, referred to as "saving shares". Other members of the senior management team participate with 18 357 saving shares.

All participants can achieve a 4:1 exchange ratio. Each saving share entitles the holder to:

1 matching share right

3 performance share rights (1 share right for the operating margin, 1 share right for the relative margin and 1 share right for total return)

## 25 ADDITIONAL INFORMATION FOR THE CASH-FLOW STATEMENT

SEKm	Group		Parent company	
	2010	2009	2010	2009
<b>Interest paid and received and dividends</b>				
Interest and dividends received	5	4	13	46
Interest paid	-79	-132	-73	-133
<b>Total</b>	<b>-74</b>	<b>-128</b>	<b>-60</b>	<b>-87</b>
<b>Adjustments for non-cash items, etc.</b>				
Depreciation, amortisation and impairment of assets	610	561	256	255
Interest adjustment	4	-14	0	-13
Anticipated dividend			—	—
Impairment of shares in subsidiaries			—	—
Pensions and other provisions	-22	1	-3	-2
Capital gains/losses	0	0	0	-1
<b>Total</b>	<b>592</b>	<b>548</b>	<b>253</b>	<b>239</b>

Cash and cash equivalents<sup>1)</sup>

The following are included in cash and cash equivalents:

Investments in securities etc.	—	250	—	250
Cash and bank balances	740	568	644	491
<b>Total</b>	<b>740</b>	<b>818</b>	<b>644</b>	<b>741</b>

<sup>1)</sup> Investments in securities etc. are classified as cash and cash equivalents when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

## 26 UNTAXED RESERVES

SEKm	Parent company	
	2010	2009
<b>Accumulated additional depreciation</b>		
Plant and equipment		
Carrying amount, 1 January	2 098	—
Change for the year in addition to plan	-2 098	2 098
<b>Carrying amount, 31 December</b>	<b>—</b>	<b>2 098</b>
<b>Total untaxed reserves</b>	<b>—</b>	<b>2 098</b>

## 27 EVENTS AFTER THE CLOSING DATE

A new SEK 801 million syndicated facility maturing in 2016 was raised, replacing the previous facility of SEK 1 200 million maturing in 2012.

## 28 INVESTMENT COMMITMENTS

### Group

In 2010, the Group signed agreements to acquire property, plant and equipment for SEK 133 million (70). Of these commitments, SEK 133 million (66) will be settled in 2011.

### Parent company

In 2010, the parent company signed agreements to acquire property, plant and equipment for SEK 42 million (59). Of these commitments, SEK 42 million (55) will be settled in 2011.

## 29 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

SEKm	Group		Parent company	
	2010	2009	2010	2009
<b>Assets pledged for own liabilities and provisions</b>				
Pledged endowment insurance	27	33	23	27
<b>Total pledged assets</b>	<b>27</b>	<b>33</b>	<b>23</b>	<b>27</b>
<b>Contingent liabilities</b>				
Guarantee commitment, FPG/PRI	3	3	3	3
Other guarantees	5	5	5	5
Warranties	—	—	26	26
Guarantees for Group companies	—	—	63	70
<b>Total contingent liabilities</b>	<b>8</b>	<b>8</b>	<b>97</b>	<b>104</b>

## 30 RELATED PARTIES

### Relationships

The parent company has relationships with its subsidiaries subject to related party disclosure, see note 12.

### Summary of related party transactions

		Sales of goods and services to related parties	Purchase of goods and services from related parties	Debts to related parties	Receivables from related parties
SEKm					
<i>Group</i>					
Relationships	Year				
Associated companies / Joint ventures	2010	1	269	2	7
Associated companies / Joint ventures	2009	1	324	7	0
<i>Parent company</i>					
Relationships	Year				
Subsidiaries	2010	11	1 127	767	454
Subsidiaries	2009	2	1 094	459	1 069
Associated companies / Joint ventures	2010	1	104	—	4
Associated companies / Joint ventures	2009	1	133	3	0

### Transactions with key individuals in executive positions

Recognition of salaries, remuneration and other benefits is found in notes 5 and 24.

## 31 BUSINESS COMBINATIONS

Billerud did not carry out any business combinations in 2010.

Billerud acquired during 2009 100% of the shares in Tenova Bioplastics AB.



## 32 KEY ESTIMATES AND ASSESSMENTS

The audit committee has discussed the application of the Group's accounting policies and made assessments and estimates in connection with the application of these policies. The following key estimates and assessments require further explanation.

### Pension liabilities

The discount rate for calculating the commitment related to Billerud's defined-benefit pension plans was reduced, from 3.9% in 2009, to 3.8% in 2010, which is consistent with the nominal interest rate on Sweden's 30-year government bond. For other actuarial assumptions, see note 18.

### Valuation of subsidiaries

Billerud's production of bioplastic products in Tenova Bioplastics AB yielded a loss during the year. An impairment test was performed for the capital employed in the company. Based on the Company's calculations, using a discount rate of 8.7% the value of future cash flows exceeds the carrying amount, so the Group does not need to recognise any impairment.

Following a test for impairment, the parent company's shareholding in the subsidiary Tenova Bioplastics AB retained its carrying amount.

## 34 OPERATING SEGMENTS

The Group's business is managed and reported by business area as set out below. The introduction of IFRS 8 on 1 January 2009 did not lead to any change in accounting for the business areas. Billerud has identified its operating segments to reflect Billerud's three business areas.

- » The Packaging & Speciality Paper business area is responsible for sales of sack paper and kraft paper with a focus on packaged food, paper carrier bags, sack solutions and industrial applications.
- » The Packaging Boards business area is responsible for sales of fluting, liner and liquid board with a focus on fruit and vegetables and consumer goods.
- » The Market Pulp business area is responsible for sales of long-fibre market pulp.

## 33 INFORMATION ABOUT THE PARENT COMPANY

Billerud AB is a Swedish limited liability company whose domicile is in Stockholm. The shares of the parent company are registered with NASDAQ OMX Stockholm AB. The address of the head office is Box 703, SE-169 27 Solna. The consolidated accounts for 2010 are for the parent company and its subsidiaries, which form the Group. The Group also includes participations in associated companies and joint ventures.

» In addition to the business areas, Billerud's operations include group-wide functions such as corporate headquarters, wood supplies and the sales organisations. These functions are reported as Other business, as are profit/loss in associated companies/joint ventures, Nine TPP AB and ScandFibre Logistics AB as well as earnings from the subsidiary Tenova Bioplastics AB. Other business also includes gains/losses from hedging of the Group's net currency flows and eliminations.

Non-current assets and capital investments cannot be broken down by operating segment, because the business areas are highly integrated in terms of production.

Operating earnings for Other business consisted of SEK 153 million (-110) for Currency hedging, etc., SEK -103 million (-96) for Group staff and eliminations and SEK 23 million (38) for Other units.

	Packaging & Speciality Paper		Packaging Boards		Market Pulp		Other business		Group total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	4 166	3 934	2 428	2 362	1 731	1 338	503	126	8 828	7 760
Other income	40	–	26	–	12	–	7	32	85	32
Operating expenses, other	-3 461	-3 265	-2 023	-1 967	-1 352	-1 382	-430	-316	-7 266	-6 930
Depreciation, amortisation and impairment	-328	-283	-160	-165	-115	-104	-7	-9	-610	-561
Profit/Loss from participations in associated companies/joint ventures	–	–	–	–	–	–	0	-1	0	-1
Operating profit/loss	417	386	271	230	276	-148	73	-168	1 037	300
Operating margin	10%	10%	11%	10%	16%	-11%			12%	14%
Financial income and expenses									-77	-114
Taxes									-255	-21
<b>Net profit/loss</b>									<b>705</b>	<b>165</b>

# PROPOSED ALLOCATION OF PROFIT

## Non-restricted equity in the parent company consists of SEK

Profit brought forward from preceding year	1 304 965 117
Dividend for 2009	-51 529 613
Group contributions paid, after tax effect	-155 027 950
Sale of own shares in incentive programme (LTIP 2007)	4 245 052
Net profit for the year	1 889 384 974
<b>Total</b>	<b>2 992 037 580</b>

The Board proposes

<b>SEK</b>	
A dividend of 3.50 per share be paid to shareholders	360 900 046
and that the remaining amount be carried forward	2 631 137 534
<b>Total</b>	<b>2 992 037 580</b>

The undersigned affirm that the consolidated accounts and the annual accounts, respectively, have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices and give a true and fair view of the financial position and results for the Group and parent company, respectively. The Directors' report for the Group and the parent company includes a fair review of the operations, financial position and results of the Group and the parent company and describe the principal risks and uncertainties facing the parent company and the companies included in the Group.

The annual accounts and consolidated accounts were approved for publication by the Board on 10 March 2011. The consolidated statement of comprehensive income and consolidated balance sheet as well as the statement of comprehensive income for the parent company and balance sheet for the parent company will be subject to adoption by the Annual General Meeting of shareholders on 4 May 2011.

Solna, 10 March 2011

Ingvar Petersson, Chairman

Michael M. F. Kaufmann, Deputy Chairman

Stewe Cato, Board member

Helen Gustafsson, Deputy member

Gunilla Jönson, Board member

Per Lundberg, Board member

Ewald Nageler, Board member

Yngve Ståde, Board member

Meg Tivéus, Board member

Per Lindberg, CEO

Our audit report was issued on 11 March 2011

Ernst & Young AB

Lars Träff  
Authorised Public Accountant



# AUDITORS' REPORT

To the annual meeting of the shareholders of Billerud AB (publ)  
Corporate identity number 556025-5001

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Billerud AB for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 56-98. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as

evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 11 March 2011  
Ernst & Young AB

Lars Träff  
Authorised Public Accountant



# BILLERUD'S CORPORATE GOVERNANCE IN 2010

This report on corporate governance in the Billerud Group for 2010 has been organised in accordance with regulations in the Swedish Code on Corporate Governance, which took effect 1 July 2005 and was most recently revised effective 1 February 2010. The Code was introduced at Billerud in spring 2005. The Swedish Annual Accounts Act now requires a corporate governance report.

In 2010, Billerud complied with the Swedish Code of Corporate Governance in all respects except for the following. Item 2.1.2 concerns the composition of the Board of Directors, the reason for non-compliance being that the 2010 AGM resolved that the chairman of the nomination committee shall be the Board member representing the largest shareholder in number of shares. Michael M.F. Kaufmann represents the largest shareholder and is therefore chairman of the nomination committee. He is also a Board member and Deputy chairman of the Board. Other exceptions to the Code were item 6.2 concerning the Chairman of the Board and item 9.3 concerning remuneration of senior management. The latter two items are not applicable to the Billerud Group.

## OWNERSHIP STRUCTURE AND SHARES

At year-end 2010, the total number of shareholders was 120 733, compared to 122 192 at the previous year-end. The proportion of foreign ownership increased, to 44.0% (43.1), excluding shares that Billerud bought back (1 720 314). Other groups of shareholders consist of private individuals in Sweden, 38.5% (37.9), and legal entities in Sweden, 17.5% (19.0). Further details about the Company's shares, shareholders and the like are presented in the 2010 Annual Report, under "The Billerud share", and on the Company's website.

## SHAREHOLDER MEETINGS AND RELATED MATTERS

### 2010 Annual General Meeting

The 2010 Annual General Meeting (AGM) took place on 4 May 2010 at Nalen, Regeringsgatan 74, Stockholm. Among other matters, the AGM voted to re-elect the existing Board: Ingvar Petersson, Gunilla Jönson, Michael M.F. Kaufmann, Per Lundberg, Ewald Nageler, Yngve Ståde and Meg Tivéus.

### Rules for shareholders' meetings

Under the Companies Act, the shareholders' meeting is the Company's ultimate decision-making body. Shareholders exercise their voting rights at the meeting. All shareholders entered in the share register on the record date who have notified the Company in time are entitled to participate in the meeting and vote their total holdings of shares. Resolutions are usually passed at a shareholders' meeting by simple majority except in those cases when the Companies Act stipulates a higher proportion of votes cast and shares represented at the meeting. Resolutions passed at a shareholders' meeting are made public after the meeting in a press release, and the minutes of the meeting are published on the Company's website. The meeting decides on matters such as whether to adopt the Company's annual accounts, how to appropriate the Company's profit/loss and whether to discharge the members of the Board and the CEO from liability for the year. The Annual General Meeting also elects members of the Board and auditors and votes on the establishment of a nomination committee, fees for the Board of Directors and auditors and guidelines for determining the salaries and other remuneration for the CEO and Group management. The AGM shall be held in Stockholm within six months from the end of the financial year. Notice of the AGM will be published as an advertisement in Post och Inrikes Tidningar and an announcement in Svenska Dagbladet and be posted on the Company's website. Information about Billerud's major shareholders is provided under "The Billerud share" in the Directors' report.

### 2011 Annual General Meeting

The 2011 AGM will take place on 4 May 2011 at 3 pm at Hotel Rival, Mariatorget 3, Stockholm. Billerud's website contains information about how to register to attend the AGM and how to submit a matter to be dealt with by the AGM.

### Nomination committee for the 2011 AGM

Pursuant to a decision by Billerud AB's AGM held 4 May 2010, the Chairman of the Board contacted the largest shareholders, after which a nomination committee was appointed. On 1 November 2010, the nomination committee for the 2011 AGM was announced.

## COMPOSITION OF AND VOTING REPRESENTATION ON THE NOMINATION COMMITTEE

Representative	Shareholder	Pctg. share-holding
Michael M.F. Kaufmann, chairman	Frapag Beteiligungsholding AG	21.0
Hans Ek	SEB Fonder and SEB Trygg Liv	2.0
Björn Franzon	Swedbank Robur Fonder	1.6
Ingvar Petersson, Chairman of the Board of Billerud, convening but not a member	Billerud	–

No separate remuneration was paid to the chairman or any other members of the nomination committee.

Ahead of the 2011 AGM, the nomination committee held four meetings (with minutes taken), keeping in contact in between meetings by phone and e-mail. Shareholders have been welcome to submit proposals and opinions to the nomination committee by e-mail or mail. On Billerud's website, a section for the nomination committee in the corporate governance area provides information to shareholders who wish to communicate with the committee.

## THE BOARD

### Composition

The articles of association stipulate that the Board of Directors of Billerud AB contain at least six members and at most 10 members, with at most six deputies. Board members are appointed for one year at a time. The Company's CEO is not a member of the Board. All but two members of the Board elected by the AGM are independent of the Company, Group management and major shareholders. Michael M. F. Kaufmann is the CEO and Ewald Nageler the CFO of the parent company of Frapag Beteiligungsholding AG, Billerud AB's largest shareholder, and are thus not independent of the Company's major shareholders, as defined by the Swedish Code of Corporate Governance and the regulations of NASDAQ OMX Stockholm AB. The Board also includes two members and two deputies appointed by the trade unions in accordance with the law on board representation for employees in the private sector. These four Board members are employees and thus not independent of the Company.

In 2010, the Board's external secretary was Wilhelm Lünig, of the legal firm Advokatfirman Cederquist.

All Board members have completed NASDAQ OMX Stockholm AB's training for board members and senior executives in listed companies.



### Organisation of the work of the Board

The work of the Board follows written rules of procedure and a meeting schedule, to ensure that the Board receives comprehensive information and that all Company activities concerning the Board are dealt with. The rules of procedure prescribe the information to be supplied to the Board, among other things, and are available on the Company's website, as are the instructions for Billerud's CEO.

The Board has also established a number of general policies for the Company's activities. These policies are revised as necessary. They include policies on corporate governance, finance and communications and a single policy covering quality, the environment and the community. The latter policy covers Billerud's approach to ethical business conduct and the environment.

### Work of the Board in 2010

During 2010 the Board held 11 meetings, of which one was per capsulam, in addition to the meeting following election. One meeting is mainly devoted to strategy and one to finance issues. The Chairman leads the work of the Board, monitors the business in dialogue with the CEO and is responsible for the other Board members receiving the information and documentation necessary for discussions and decisions. During 2010 the work of the Board focused on managing, in addition to ordinary agenda items:

- » January/February: Annual financial statements, year-end report, audit
- » March: AGM agenda, financing
- » April/May: AGM, interim report, investments, audits and financing
- » June: mill visit, review of corporate governance, legal issues relating to competition and financing
- » September: strategy, investments
- » October: interim report
- » December: financing including finance policy, issues regarding the annual financial statements, budget for 2011, audit, sustainability report and evaluation of the work of the Board and CEO

In 2010, extra emphasis was placed on the continued development of new products and customer concepts in close cooperation with end customers, growth, sustainability issues as well as cost savings and wood supply.

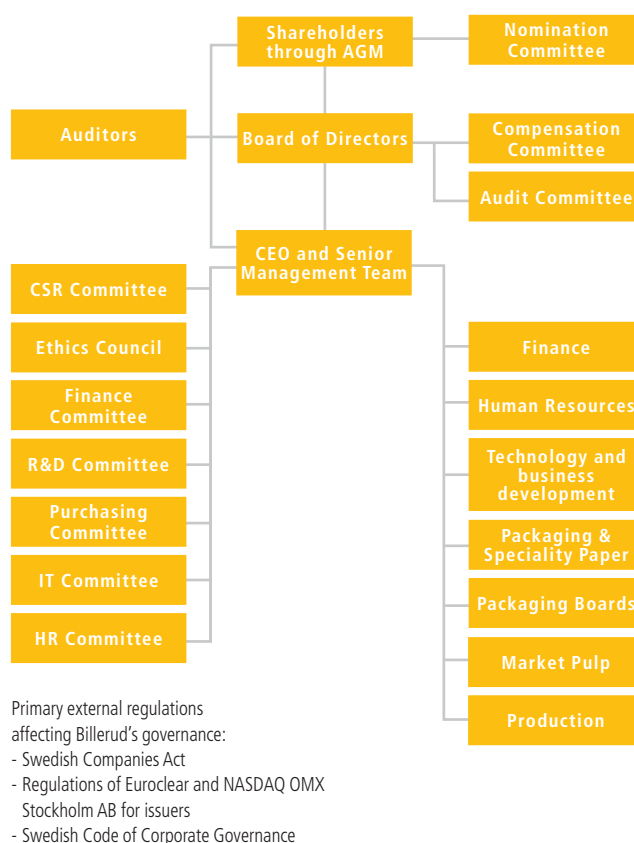
During the year, mill managers and other senior management have also made presentations about and discussed their areas of responsibility with the Board. Minutes are taken at all Board meetings and distributed to Board members in compliance with the Swedish Code of Corporate Governance.

### Assessment

Billerud has routines for assessing the work of the Chairman and members of the Board each year. For 2010, the Board of Directors was assessed by an external party who took into account economic, social and environmental aspects. The external party reported the results to the Board and the nomination committee. The assessment serves as input for an action plan for improvement as well as background for the nomination committee's work as they assemble a Board.

The Board also continually evaluates the work of the CEO. Once a year an assessment is made of the CEO without the CEO being present.

### CORPORATE GOVERNANCE AT BILLERUD



### BOARD COMMITTEES

The Board currently has two committees: the audit committee, established in 2004, and the compensation committee, established in 2001. The Board appoints the members of these committees. The composition of these committees in 2010 is presented on page 101-102.

### AUDIT COMMITTEE

The Board is ultimately responsible for ensuring that satisfactory controls are in place for risk management, accounting, financial reporting and similar issues. To support the Board in its supervisory role, an audit committee was established in 2004.

The chief task of the committee is to contribute to policies adopted for financial reporting and internal control and to ensure compliance with those policies as well as to maintain an appropriate relationship with the Company's auditors as per the Board of Directors' instructions to the audit committee. The audit committee is a preparatory body and part of the Board. The audit committee continually reports the results of its work, in the form of observations, recommendations and proposed resolutions and corrective actions, to the Board, which must make any decisions that result from the committee's work. Further, the committee shall monitor the

Company's accounting policies, risk management and internal control. Finally, the committee shall organise the election of the auditors and their fees. Minutes are kept of the meetings of the audit committee and provided to the Board. The rules of procedure for the audit committee are presented in full on the Company's website. The audit committee consists of four members: Per Lundberg (chair), Ingvar Petersson, Kurt Lindvall and Meg Tivéus. All members except one are independent of the Company. Kurt Lindvall is a Billerud employee and thus not independent of the Company. During 2010, the secretary of the audit committee was Wilhelm Lünig, of the legal firm Advokatfirman Cederquist.

#### Work in 2010

During 2010, the audit committee held six meetings, two of which were teleconferences. The table on pages 104-105 presenting members of the Board shows attendance by the committee members. During the year, the committee addressed various accounting issues, the audit plan for 2010, risk analysis, internal control and policy issues. The committee also met ahead of the publication of each interim report and the year-end report, when the members addressed accounting and reporting issues related to each publication. The chairman of the audit committee regularly reports to the Board on committee meetings. The Board's work on internal control related to financial reporting is summarised in "Internal controls and risk management for financial reporting in 2010".

#### COMPENSATION COMMITTEE

The 2010 AGM voted on guidelines for remuneration of senior executives; see note 24 in the 2010 annual report. The Board set up a compensation committee tasked with proposing a general policy for salaries, remuneration and other general employment terms within Billerud as well as approving the CEO's proposal for salaries and remuneration for the senior management team within the framework of the policy. The committee also makes proposals to the Board, which decides on the salary and other remuneration for the CEO. The rules of procedure for the compensation committee are presented in full on the Company's website. The members of the committee are Ingvar Petersson, (chairman), Per Lundberg and Yngve Ståde. Cecilia Lundin, Senior Vice President Corporate Human Resources, was during 2010 the secretary but not a member of the committee.

#### Work in 2010

The committee held three meetings in 2010. Attendance of members of the committee is shown in the table presenting the Board on pages 104-105. In 2010, the committee considered the actual 2009 variable salaries, criteria for the 2010 variable salaries, criteria for the 2011 variable salaries for the senior management team and salary reviews for the senior management team in 2010. Further the committee addressed the outcome of LTIP 2007, the structure of LTIP 2010 and the graduate training programme.

The principles for remuneration to the CEO and other senior executives, as well as actual figures, are contained in note 24 of the 2010 annual report.

#### AUDITORS

Accounting firm is Ernst & Young AB, represented by authorised public accountant Lars Träff, managing auditor, for three years until the 2013 AGM.

#### Lars Träff

Born 1954. Authorised public accountant at Ernst & Young AB. Auditor of Billerud from 2009 until the financial year of 2012.

Public accountant for Boliden, Posten, Lantmännen, the ÅF Group, Scania and Öresund.

To ensure that the work of the Board and the audit committee is performed in a structured manner and to satisfy the Board's information requirements, Billerud's auditors met with the audit committee on three occasions and with the Board on one occasion in 2010.

#### CEO AND SENIOR MANAGEMENT TEAM

The CEO is appointed by the Board and is responsible for the ongoing management of the Company's and Group's business operations in accordance with instructions established by the Board. The CEO also chairs the senior management team and makes decisions in consultation with the other senior executives. The senior management team has seven members in addition to the CEO: the Chief Financial Officer (CFO), Senior Vice President Corporate Human Resources, Production Director, Technical Director and the three Business Area Directors. The senior management team normally meets once a week, alternate weeks in face-to-face meetings and in video- or teleconferences.

In 2010, the senior management team addressed issues concerning financing, crisis management, cost savings, wood supplies and wood prices, production, energy, markets and pricing, environmental issues and permits, investment, strategy and human resources. The executives also report on projects underway in their areas of responsibility. At each meeting, a situation report is presented for each unit in the Company and the current financial report is reviewed.

Billerud is divided into three business areas: Packaging & Speciality Paper, Packaging Boards and Market Pulp. These were chosen deliberately to sharpen our customer focus and clarify our offering for the market. Each business area is responsible for sales, marketing and development in its own product area. Each area is also accountable for its own profit, based on predetermined production costs. The Billerud mills are responsible for production and efficiency, which is the basis for their financial accountability. The senior management team has organised several Group-wide networks, each of which is convened and chaired by a member of the team or some other person who reports directly to the CEO.

The following committees were active in 2010:

CSR committee	Stina Blombäck
Finance committee	Bertil Carlsén
Ethics council	Cecilia Lundin
R&D committee	Magnus Wikström
Purchasing committee	Per Lindberg
IT committee	Bertil Carlsén
HR committee	Cecilia Lundin

All members of the senior management team have attended NASDAQ OMX Stockholm AB's training for board members and senior executives of listed companies.

#### PRINCIPLES FOR REMUNERATION OF SENIOR EXECUTIVES

The 2010 AGM adopted the principle that remuneration and employment terms should be market-based. Satisfactory work shall be remunerated with a fixed salary.

In addition, variable remuneration may be offered as a reward for achieving fixed targets. For the complete resolution on principles for remuneration, see note 24 of the 2010 annual report. The Board's proposal for guidelines in 2011 is presented in the Directors' report.



## GROUP MANAGEMENT



**PER LINDBERG**

**Position:** President and CEO  
**Education:** MSc, Chalmers University of Technology; PhD, Chalmers University of Technology  
**Year employed:** 2005  
**Year born:** 1959  
**Nationality:** Swedish  
**Other assignments:** Board member Vindin AB, Middlepoint AB and YKI  
**Background:** CEO, Korsnäs AB; EVP, Investment AB Kinnevik; Mgmt. and Strategy Consultant, Applied Value Corporation, US  
**Own and related parties' shareholdings:** 10 182



**PER BJURBOM**

**Position:** Production Director  
**Education:** MSc Mechanical Engineering, Royal Institute of Technology, Stockholm  
**Year employed:** 2007  
**Year born:** 1961  
**Nationality:** Swedish  
**Other assignments:** –  
**Background:** Site Mgr., Holmen Paper Hallsta; Site Mgr., Stora Enso Skoghall mill; Production Mgr., Stora Enso Skoghall mill; Production Mgr. PM53, Holmen Paper Braviken; Product Mgr., Braviken Holmen Paper; Technical mktg., telephone directory paper, Holmen Paper; Operator PM52, Holmen Paper Braviken  
**Own and related parties' shareholdings:** 6 000



**BERTIL CARLSÉN**

**Position:** CFO  
**Education:** MBA, Stockholm School of Economics and UC Berkeley Business School  
**Year employed:** 2006  
**Year born:** 1960  
**Nationality:** Swedish  
**Other assignments:** Board member, Samhall AB  
**Background:** SVP, CFO, Acando AB; SVP, Customer Segment Mgr., Acando AB; EVP, Commercial Services & IT, AGA Group; Staff Mgr., Controllers, AGA AB, Latin America Region. CFO, AGA AB, North & South America Division; CFO, AGA Chile, Santiago; Vice CEO, Treasury & IR, AGA AB; Finance staff, AGA AB  
**Own and related parties' shareholdings:** 6 241



**LENNART EBERLEH**

**Position:** Business Area Director Packaging Boards  
**Education:** MSc, Technische Universität Carolo Wilhelmina, Braunschweig, Germany; Executive MBA  
**Year employed:** 2001  
**Year born:** 1969  
**Nationality:** German  
**Other assignments:** –  
**Background:** Product Area Mgr., Containerboard, Billerud AB; Sales Mgr., Containerboard, Stora Enso Gruvön; Stora Support Team, Stora Kopparberg Bergslags AB; Product Mgr., Containerboard, Stora Gruvön  
**Own and related parties' shareholdings:** 2 000



**CECILIA LUNDIN**

**Position:** Senior Vice President Corporate Human Resources  
**Education:** MSc, Business Administration, Linköping University.  
**Year employed:** 2006  
**Year born:** 1970  
**Nationality:** Swedish  
**Other assignments:** –  
**Background:** HR Mgr., Nordic region, Novartis Sverige AB; Business Area Mgr., Adcore Consulting AB; Consulting Mgr., Connecta AB; Unit Mgr., Ericsson; Project Mgr., Ericsson; Business Developer, Ericsson  
**Own and related parties' shareholdings:** 1 800

Shareholdings in Billerud refer to individuals' own holdings and those of related parties at 1 March 2011.



**JOHAN NELLBECK**

**Position:** Business Area Director Packaging & Speciality Paper  
**Education:** MSc, Business Administration, Uppsala University; Executive MBA  
**Year employed:** 2006  
**Year born:** 1964  
**Nationality:** Swedish  
**Other assignments:** Board member of CEPI Eurokraft and PaperImpact  
**Background:** Sales Mgr., Tele2 Stockholm; MD, AssiDomän Kraft Products Nordic Sales AB; Sales Mgr., AssiDomän Scandinavia  
**Own and related parties' shareholdings:** 12 000



**NIKLAS SÖDERSTRÖM**

**Position:** Business Area Director Market Pulp  
**Education:** Economics degree  
**Year employed:** 2001  
**Year born:** 1950  
**Nationality:** Swedish  
**Other assignments:** Chairman of the Board of Bjurfors i Uppsala AB  
**Background:** Market director, AssiDomän; Market director, Rottneros; Sales Mgr., Utansjö mill; Order/Logistics Mgr., Varnamo Gummi; Board member, Scand-Fibre Logistics.  
**Own and related parties' shareholdings:** 7 423



**MAGNUS WIKSTRÖM**

**Position:** Technical Director  
**Education:** MSc Chemical Engineering, PhD Technology, Associate Professor, Royal Institute of Technology  
**Year employed:** 2006  
**Year born:** 1963  
**Nationality:** Swedish  
**Other assignments:** Board member of Innventia AB  
**Background:** R&D Director, Korsnäs AB; Research Mgr., Korsnäs Development, Project Area Mgr., Swedish Pulp and Paper Research Institute (STFI);  
**Own and related parties' shareholdings:** 1 500



## BOARD OF DIRECTORS



**INGVAR  
PETERSSON**

**Chairman of the Board**  
**Position:** –  
**Education:** Business Economist, studies at University of Lund  
**Year elected:** 2001  
**Year born:** 1941  
**Nationality:** Swedish  
**Other assignments:** Chair, Försäkringsbolaget PRI Pensionsgaranti ömsesidigt, Econova AB and RAM One AB; Board member, Munksjö AB and other companies  
**Background:** Senior EVP, Stora Enso; First EVP, Stora Group; CEO, Kopparfors AB  
**Remuneration:** 520 000  
**Board meeting attendance:** 12/12  
**Audit committee attendance:** 6/6  
**Compensation committee attendance:** 3/3  
**Own and related parties' shareholdings:** 16 000  
**Independent/Not independent:** Independent of owners and of the Company



**MICHAEL  
M.F. KAUFMANN**

**Vice chairman**  
**Position:** CEO, Frapag Beteiligungsholding AG, Vienna, Austria  
**Education:** MBA at universities in Stuttgart and Erlangen-Nürnberg  
**Year elected:** 2005  
**Year born:** 1948  
**Nationality:** Austrian  
**Other assignments:** Board member, Hirsch Servo AG, Glanegg, Austria  
**Background:** Formerly held various managerial positions in Frantschach/Mondi, Vienna, Austria  
**Remuneration:** 350 000  
**Board meeting attendance:** 8/12  
**Own and related parties' shareholdings:** –  
**Independent/Not independent:** Not independent of Billerud's owners.



**STEW  
CATO**

**Employee Representative, Board Member**  
**Position:** Chair, Swedish Paper Workers Union local 96, Billerud Gruvön  
**Year elected:** 2001  
**Year born:** 1953  
**Nationality:** Swedish  
**Other assignments:** –  
**Background:** –  
**Remuneration:** –  
**Board meeting attendance:** 11/12  
**Own and related parties' shareholdings:** –  
**Independent/Not independent:** Not independent of the Company (employee)



**HELÉN  
GUSTAFSSON**

**Employee Representative**  
**Position:** Development Engineer, Process Development, Billerud Skärblacka AB  
**Year elected:** 2010  
**Year born:** 1971  
**Nationality:** Swedish  
**Other assignments:** –  
**Background:** –  
**Remuneration:** –  
**Board meeting attendance:** 11/12  
**Own and related parties' shareholdings:** 517  
**Independent/Not independent:** Not independent of the Company (employee)



**GUNILLA  
JÖNSON**

**Board Member**  
**Position:** Professor, Packaging Logistics, Lund Institute of Technology, and Adjunct Professor, Packaging Technology, Michigan State University  
**Education:** MSc and PhD, Mech. Eng. and Transport Technology, Chalmers University of Technology, Gothenburg  
**Year elected:** 2003  
**Year born:** 1943  
**Nationality:** Swedish  
**Other assignments:** Vice chair, University Board of Chalmers; Board member, SIK, Blekinge Institute of Technology, Invest Skåne AB and Invest Sweden; Member, Royal Swedish Academy of Engineering Sciences (IVA)  
**Background:** Dean, Lund Institute of Technology; Various directorships and other positions in SCA Packaging, in Sweden, Belgium and the UK; Research Director, Swedish Packaging Research Institute, Stockholm  
**Remuneration:** 225 000  
**Board meeting attendance:** 12/12  
**Own and related parties' shareholdings:** 2 000  
**Independent/Not independent:** Independent of owners and of the Company



**KURT  
LINDVALL**

**Employee Representative**  
**Position:** Chair, Swedish Paper Workers Union local 165, Billerud Karlsborg  
**Year elected:** 2001  
**Year born:** 1951  
**Nationality:** Swedish  
**Other assignments:** –  
**Background:** –  
**Remuneration:** –  
**Board meeting attendance:** 12/12  
**Audit committee attendance:** 6/6  
**Own and related parties' shareholdings:** –  
**Independent/Not independent:** Not independent of the Company (employee)

Shareholdings in Billerud refer to individuals' own holdings and those of related parties at 1 March 2011.





**PER  
LUNDBERG**

**Board Member**  
**Position:** –  
**Education:** MBA, Stockholm School of Economics (SSE)  
**Year elected:** 2001  
**Year born:** 1943  
**Nationality:** Swedish  
**Other assignments:** Chair, Sophiahemmet, Institute for Economic and Business History Research at SSE, Swedish Warmblood Association; Vice chair, Sällskapet Vänner till Pauvres Honteux; Board member, Uppsala Center for Business History, Uppsala University, and other organisations  
**Background:** Stockholms Enskilda Bank/SEB; Acting CEO, Investor AB; President & CEO, Gota Bank; Group Chief Credit Officer, SEB; Chair, Bohusbanken, LM Ericsson Finans AB, ÅF Group and others; Board member, Alfa Laval, Atlas Copco, Haldex, Ericsson, Saab, SPP, Stora Timber, Trygg Hansa and others  
**Remuneration:** 310 000  
**Board meeting attendance:** 12/12  
**Audit committee attendance:** 6/6  
**Compensation committee attendance:** 3/3  
**Own and related parties' shareholdings:** 3 000  
**Independent/Not independent:** Independent of owners and of the Company



**EWALD  
NAGELER**

**Board Member**  
**Position:** CFO, Frapag Beteiligungsholding AG, Vienna, Austria  
**Education:** Economics degree, University of Innsbruck, Austria  
**Year elected:** 2006  
**Year born:** 1950  
**Nationality:** Austrian  
**Other assignments:** –  
**Background:** CFO, Egger Holzindustrie Beteiligungsgesellschaft m b H, St Johann, Austria; 25 years' experience in banking; Member of the managing board of Creditanstalt AG, Vienna; Member of the boards of many financial institutions and companies in Austria and elsewhere  
**Remuneration:** 225 000  
**Board meeting attendance:** 10/12  
**Own and related parties' shareholdings:** 8 000  
**Independent/Not independent:** Not independent of Billerud's owners



**STEFAN  
RAGNARSSON**

**Employee representative, Board Member**  
**Position:** Head Production Engineer, Billerud Gruvön  
**Year elected:** 2009  
**Year born:** 1975  
**Nationality:** Swedish  
**Other assignments:** –  
**Background:** –  
**Remuneration:** –  
**Board meeting attendance:** 10/12  
**Own and related parties' shareholdings:** 500  
**Independent/Not independent:** Not independent of the Company (employed)



**YNGVE  
STADE**

**Board Member**  
**Position:** –  
**Education:** MSc Engineering and PhD (hc), Royal Institute of Technology, Stockholm  
**Year elected:** 2005  
**Year born:** 1947  
**Nationality:** Swedish  
**Other assignments:** Chairman of RISE Holding AB; Member of the Royal Swedish Academy of Engineering Sciences  
**Background:** CEO, Stora Enso AB, and member of exec. mgmt., 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); Member of the board of MoDo Chemetics, Innventia AB, Swedish Forest Industries Federation and Chairman of the board in several research institutions associated with forest industry issues; Member of the board of Falu Rödfärgs AB/ Stora Kopparbergs Bergslags AB  
**Remuneration:** 240 000  
**Board meeting attendance:** 12/12  
**Compensation committee attendance:** 3/3  
**Own and related parties' shareholdings:** 1 100  
**Independent/Not independent:** Independent of owners and of the Company



**MEG  
TIVÉUS**

**Board Member**  
**Position:** –  
**Education:** MBA, Stockholm School of Economics (SSE)  
**Year elected:** 2001  
**Year born:** 1943  
**Nationality:** Swedish  
**Other assignments:** Chair, National Dental Service in Stockholm and Arkitektkopia AB; Member of the board of Swedish Match AB, Cloetta AB, Nordea Fonder AB, Viktoria Park AB and Apoteket Farmaci AB.  
**Background:** Board member and CEO, AB Svenska Spel; EVP, Posten; Division Head, Holmen; Division Head, Ähléns; Product Mgr., MoDo; Chair, Boss Media AB, Swedish Spirits & Wine Suppliers Assoc. and Frösunda LSS AB; Member of the board of Postgirot AB, Postbanken AB, SJ AB, Kommentus AB, the Technical Research Institute of Sweden, Swedish Board of Agriculture, Operan AB, Framfab AB, Cloetta Fazer AB, Danderyds Sjukhus AB and other organisations  
**Remuneration:** 255 000  
**Board meeting attendance:** 12/12  
**Audit committee attendance:** 6/6  
**Own and related parties' shareholdings:** 4 000  
**Independent/Not independent:** Independent of owners and of the Company

# INTERNAL CONTROLS AND RISK MANAGEMENT FOR FINANCIAL REPORTING IN 2010

The report on internal control related to financial reporting for financial year 2010 was prepared and submitted by the Board in compliance with the Swedish Code of Corporate Governance and the guidelines drawn up by FAR SRS and the Confederation of Swedish Enterprise and through the application of the instructions for 2007 issued by the Swedish Corporate Governance Board. The report describes how internal control related to financial reporting is organised. This year's report is presented below.

## INTERNAL CONTROL

Billerud has set the following goals for its internal control.

### 1. Compliance with regulations

Internal control shall ensure that Billerud complies with applicable laws and regulations.

### 2. Financial reporting

Internal control shall ensure that Billerud's financial reporting is reliable and provides managers, the Board and shareholders with information adequate for assessing the Company's development.

### 3. Operational activities

Internal control shall ensure that the Company's operational activities are effective, efficiently organised and performed in such a way that the risk of the business not achieving its financial and operational targets is assessed and dealt with continually. To achieve these goals, work is carried out in a process based on the framework for internal control published by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). The process includes a control environment that provides the discipline and structure for the other four components in the process: risk assessment, control activities, information & communication, and monitoring, which are described in more detail below.

The process is governed at the overall level by the Board and audit committee and at an operational level by the CEO, senior management

team and other staff. The process pays special attention to ensure that the application of internal controls achieves a balance between the control activities and the development of an effective control environment with individual accountability throughout the organisation.

## PRIORITY AREAS IN 2010

During financial year 2010, work on internal control focused on the development of a common accounting model and account code structure for the Swedish units and a common accounting system. The development of uniform routines and common working methods, as far as possible.

### Financial reporting

» Development of a common accounting model and account code structure for the Swedish units and a common accounting system. The development of uniform routines and common working methods, as far as possible.

### Operational risks

» Further development of processes and the organisation for production.

## CONTROL ENVIRONMENT

The Board adopts

- Accounting and reporting instructions
- Finance policy
- Financial targets
- CEO & Company management

Risk assessment and control activities

Information & communication

## TRANSPARENT ROLES & RESPONSIBILITIES

Rules of procedure for the Board and its committees  
Instructions for the CEO

Internal audit

Monitoring



### EXTERNAL FINANCIAL REPORTING

The following report has been prepared in accordance with the Swedish Code of Corporate Governance and current instructions to the Code and constitutes the Board's report on internal control for financial reporting. The purpose of internal control for financial reporting is to provide suitable safeguards as to the reliability of external financial reports in the form of interim reports, year-end reports and annual reports, and to ensure that external financial reports are prepared in compliance with all laws, applicable accounting standards and other requirements for listed companies.

#### Control environment

Solid internal control is basic to the proper functioning of the Board. The rules of procedure for the Board and Board committees as well as the instructions for the CEO are intended to establish a clear division of roles and responsibilities that will facilitate the efficient management of risks identified in operations. The Board has also established a series of fundamental policies significant to internal control activities, such as accounting and reporting instructions, a finance policy and financial goals, and has adopted a suitable organisation, including the Company's senior management team. The senior management team reports regularly to the Board based on predetermined procedures. The audit committee also reports to the Board. The senior management team is responsible for ensuring that internal control is implemented as necessary to manage significant risks in day-to-day activities. This includes guidelines for how the individual employee shall understand his or her role in maintaining good internal control.

### Risk assessment and control activities

The Company uses a model for assessing the risk of errors in financial reporting and continually monitors items where there is special risk for material error. An assessment was performed at the end of 2010 and is discussed in "Risk management and sensitivity analysis" and in note 32 of the 2010 annual report.

#### Information and communication

Key guidelines, manuals and the like that are significant to financial reporting are kept up-to-date and communicated continually to the staff involved. Both formal and informal information channels carry important information from staff to the senior management team and the Board. Guidelines for external communication ensure that the Company meets the strict requirements on accurate information for financial markets.

#### Monitoring

The audit committee prepares information that the senior management team and auditors submit prior to the Board's assessment. The audit committee's tasks include ensuring, on behalf of the Board, that actions are taken concerning the errors and proposed actions identified in the external audit.

#### Internal audit

Considering the monitoring performed by the accounting and controller organisation and the organisation for internal control, the Board has decided that a special internal audit or review function is not necessary at present.

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders in Billerud AB (publ), corporate identity number 556025-5001.

It is the board of directors who is responsible for the corporate governance statement for the year 2010 on pages 100-107 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance statement and assessed its statutory content based on our knowledge of the company.

A corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 11 March 2011  
Ernst & Young AB

Lars Träff  
Authorised Public Accountant

# FIVE-YEAR REVIEW

## PROFIT AND LOSS ACCOUNTS, SUMMARY

SEKm	2010	2009	2008	2007	2006
Net sales	8 828	7 760	7 792	7 758	7 369
Other income	85	32	15	12	15
Operating income	8 913	7 792	7 807	7 770	7 384
Operating expenses	-7 266	-6 931	-7 011	-6 707	-6 366
Depreciation/Amortisation	-610	-561	-507	-473	-466
Operating profit/loss	1 037	300	289	590	552
Net financial items	-77	-114	-165	-117	-95
Profit/Loss before tax	960	186	124	473	457
Taxes	-255	-21	28	-137	-145
<b>Net profit/loss</b>	<b>705</b>	<b>165</b>	<b>152</b>	<b>336</b>	<b>312</b>

## CAPITAL EMPLOYED, SUMMARY

SEKm	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006
Non-current assets excluding interest-bearing receivables	5 271	5 555	5 824	5 712	5 539
Inventories	1 070	1 065	1 091	936	727
Accounts receivable	1 412	1 152	1 294	1 486	1 201
Other current assets	447	491	270	350	283
<b>Total operating assets</b>	<b>8 200</b>	<b>8 263</b>	<b>8 479</b>	<b>8 484</b>	<b>7 750</b>
Less:					
Deferred tax liabilities	1 434	1 357	1 254	1 369	1 225
Non-interest-bearing provisions	27	27	37	42	148
Accounts payable	1 157	1 056	1 019	870	591
Other non-interest-bearing liabilities	790	676	914	698	596
<b>Capital employed</b>	<b>4 792</b>	<b>5 148</b>	<b>5 255</b>	<b>5 505</b>	<b>5 190</b>

## STATEMENT OF CASH FLOWS, SUMMARY

SEKm	2010	2009	2008	2007	2006
Operating surplus	1 625	862	716	960	802
Change in working capital	-147	116	244	-102	42
Net financial income/expense	-73	-128	-141	-113	-79
Tax paid	-12	4	-28	-15	29
<b>Cash flow from operating activities</b>	<b>1 393</b>	<b>854</b>	<b>791</b>	<b>730</b>	<b>794</b>
Cash flow from investing activities	-592	-292	-621	-656	-628
<b>Cash flow after investing activities</b>	<b>801</b>	<b>562</b>	<b>170</b>	<b>74</b>	<b>166</b>



## KEY FINANCIAL INDICATORS

	2010	2009	2008	2007	2006
<b>Margins</b>					
Gross margin, %	19	11	10	14	14
Operating margin, %	12	4	4	8	7
<b>Return (trailing 12 months)</b>					
Return on capital employed, %	21	6	5	11	11
Return on total capital, %	12	3	3	7	7
Return on equity, %	17	5	5	12	12
Return on equity after full conversion, %	17	5	5	12	12
<b>Capital structure at end of period</b>					
Capital employed, SEKm	4 792	5 148	5 255	5 506	5 190
Shareholders' equity, SEKm	4 637	3 995	2 638	2 898	2 678
Interest-bearing net debt, SEKm	155	1 152	2 617	2 607	2 513
Capital turnover, multiple	1.8	1.4	1.4	1.5	1.4
Interest coverage, multiple	12.8	2.6	1.7	4.5	5.1
Net debt/equity ratio, multiple	0.03	0.29	0.99	0.90	0.94
Net debt/equity ratio after full conversion, multiple	0.03	0.29	0.99	0.90	0.92
Share of risk-bearing capital, %	66	59	41	46	48
Equity ratio, %	50	44	29	31	33
Equity ratio after full conversion, %	50	44	29	31	33
Self-financing ratio, multiple	2.5	3.3	1.6	1.3	1.3
<b>Per share<sup>1)</sup></b>					
Earnings per share, SEK	6.84	2.04	2.07	4.56	4.25
Earnings per share, diluted with full conversion, SEK	6.83	2.03	2.07	4.55	4.24
<b>Per share at end of period<sup>1)</sup></b>					
Shareholders' equity per share, SEK	44.97	38.80	35.79	39.32	36.41
Shareholders' equity per share, diluted with full conversion, SEK	44.88	38.75	35.79	39.26	36.61
Dividend per share, SEK	3.50	0.50	—	2.45	2.45
Cash flow per share from operating activities, SEK	13.52	10.54	15.36	14.18	15.46
Operating cash flow per share, SEK	10.30	6.94	2.31	1.01	2.26
<b>Investments</b>					
Investments in non-current assets, SEKm	334	271	613	657	643
Acquisitions, SEKm	—	35	9		
<b>Human Resources</b>					
Average number of employees	2 240	2 232	2 322	2 364	2 476

<sup>1)</sup> Historic figures recalculated taking into account the 2009 rights issue.



## QUARTERLY DATA

Billerud's net sales and operating profit/loss by business area are presented below. The results of the business areas are reported excluding the effects of currency hedging and excluding the effect on profit/loss of the translation of trade receivables in foreign currency and currency effects in connection with payments. These effects are reported separately on the line Currency hedging, etc. The part of currency exposure relating to changes in invoicing rates is included in the business area's profit or loss.

### Quarterly net sales per business area and for the Group

SEKm	2010					2009				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	4 166	1 020	1 085	1 009	1 052	3 934	953	965	1 023	993
Packaging Boards	2 428	648	649	518	613	2 362	557	565	573	667
Market Pulp	1 731	450	452	445	384	1 338	380	325	310	323
Currency hedging, etc.	153	54	-17	52	64	-110	95	-12	-62	-131
Other and eliminations	350	107	82	84	77	236	75	50	63	48
<b>Total</b>	<b>8 828</b>	<b>2 279</b>	<b>2 251</b>	<b>2 108</b>	<b>2 190</b>	<b>7 760</b>	<b>2 060</b>	<b>1 893</b>	<b>1 907</b>	<b>1 900</b>

### Quarterly operating profit/loss per business area and for the Group

SEKm	2010					2009				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	417	131	106	84	96	386	85	74	133	94
Packaging Boards	271	122	107	-14	56	230	37	68	25	100
Market Pulp	276	53	92	100	31	-148	8	-21	-58	-77
Currency hedging, etc.	153	54	-17	52	64	-110	95	-12	-62	-131
Other and eliminations	-80	-34	-12	-21	-13	-58	6	-45	4	-23
<b>Total</b>	<b>1 037</b>	<b>326</b>	<b>276</b>	<b>201</b>	<b>234</b>	<b>300</b>	<b>231</b>	<b>64</b>	<b>42</b>	<b>-37</b>

### Quarterly operating margin per business area and for the Group

%	2010					2009				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	10	13	10	8	9	10	9	8	13	9
Packaging Boards	11	19	16	-3	9	10	7	12	4	15
Market Pulp	16	12	20	22	8	-11	2	-6	-19	-24
<b>Group</b>	<b>12</b>	<b>14</b>	<b>12</b>	<b>10</b>	<b>11</b>	<b>4</b>	<b>11</b>	<b>3</b>	<b>2</b>	<b>-2</b>

### Quarterly delivery volumes per business area and for the Group

ktonnes	2010					2009				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	524	121	133	132	138	508	128	130	132	118
Packaging Boards	482	121	125	106	130	488	126	123	114	125
Market Pulp	301	81	74	71	75	316	82	75	77	82
<b>Total</b>	<b>1 307</b>	<b>323</b>	<b>332</b>	<b>309</b>	<b>343</b>	<b>1 312</b>	<b>336</b>	<b>328</b>	<b>323</b>	<b>325</b>



# KEY FIGURE DEFINITIONS

Margins	Return	Capital structure	Per share data <sup>1)</sup>
<b>Gross margin</b> Operating profit before depreciation and amortisation (EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation) as a percentage of net sales.	<b>Return on capital employed</b> Operating profit as a percentage of average capital employed. <b>Return on total capital</b> Operating profit as a percentage of average total capital. <b>Return on equity</b> Net profit as a percentage of average shareholders' equity. <b>Return on equity after full conversion</b> Net profit plus convertible loan interest after tax as a percentage of average shareholders' equity plus the effect of full conversion of the convertible loan into shareholders' equity.	<b>Capital employed</b> Total assets less non-interest-bearing liabilities, non-interest-bearing provisions and interest-bearing assets. <b>Shareholders' equity</b> Shareholders' equity at the end of the period. <b>Shareholders' equity after full conversion</b> Shareholders' equity at the end of the period plus the effect of full conversion of the convertible loan. <b>Interest-bearing net debt</b> Interest-bearing provisions and liabilities less interest-bearing assets. <b>Capital turnover rate</b> Net sales divided by average capital employed. <b>Interest coverage</b> Operating profit plus financial income divided by financial expenses. <b>Net debt/equity ratio</b> Interest-bearing net debt divided by shareholders' equity. <b>Net debt/equity ratio after full conversion</b> Interest-bearing net debt minus the effect of full conversion of the convertible loan into shareholders' equity divided by shareholders' equity plus the effect of full conversion of the convertible loan into shareholders' equity. <b>Share of risk-bearing capital</b> Shareholders' equity plus deferred tax liability as a percentage of total assets. <b>Equity ratio</b> Shareholders' equity as a percentage of total assets. <b>Equity ratio after full conversion</b> Shareholders' equity plus the effect of full conversion of the convertible loan into shareholders' equity as a percentage of total assets. <b>Self-financing ratio</b> Cash flow from operating activities, excluding paid and received financial items and paid tax, divided by investments in non-current assets.	<b>Earnings per share</b> Net profit divided by the average number of shares on the market. <b>Earnings per share, diluted with full conversion</b> Net profit plus convertible loan interest after tax, divided by the average number of shares on the market after full conversion and estimated participation in the incentive programme. <b>Shareholders' equity per share</b> Shareholders' equity at the end of the period divided by the number of shares on the market at the end of the period. <b>Shareholders' equity per share, diluted with full conversion</b> Shareholders' equity at the end of the period plus the effect of full conversion of the convertible loan, divided by the number of shares on the market at the end of the period plus the effect of full conversion and estimated participation in the incentive programme. <b>Cash flow from operating activities per share</b> Cash flow from operating activities divided by the average number of shares in the market during the period. <b>Operating cash flow per share</b> Cash flow after investing activities adjusted with acquisition/divestment of financial assets divided by the average number of shares on the market during the period. <b>P/E ratio</b> Share price at year-end divided by earnings per share. <b>EV/EBITDA</b> Market capitalisation plus interest-bearing net debt, divided by operating profit before depreciation, amortisation and impairment losses (EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation).

<sup>1)</sup> For number of shares, see section titled "The Billerud share".

# GLOSSARY

## Biofuels

Renewable fuels originating from the plant kingdom, for example from wood, including black liquor and bark.

## Black liquor

The name given to the consumed cooking liquid in production of sulphate pulp. Black liquor is burnt in the soda recovery boiler at which time the wood substances (primarily lignin) provide energy for steam and electricity production. One requirement for both the environment and economy is that the chemicals consumed in black liquid are reproduced in the sulphate mill as new cooking chemicals.

## Carbon footprint

The amount of greenhouse gases a product releases or sequesters during its lifetime determines its carbon footprint.

## Chemical oxygen demand (COD)

COD is a measure of the amount of oxygen required to break down organic material in water.

## Climate change

Also called the greenhouse effect. Human activity is contributing to global warming, which is raising temperatures, causing unexpected weather patterns and causing polar ice to melt.

## Corrugated board

Corrugated board is manufactured by gluing two flat layers of paper (liner) with a rippled layer (fluting) in the middle.

## Cubic metre standing volume (m<sup>3</sup>sk)

Stem volume from stump to tip in addition to bark.

## Cup stock

Board specially designed for drink cups.

## Duty-free

Goods sold excluding taxes at international airports or on ferries sailing on international waters.

## Energy management system

Standard that provides guidance for how an organisation can document energy use in a structured way and record implementation of energy-saving measures.

## Environmental Management System

Part of the main management system that describes the structure, principles, procedures and resources for systematic implementation of the Company's environmental policy.

## FibreForm®

Paper with high elasticity, which can be shaped to produce thermoformed and deep-drawn food and consumer packaging such as trays, blisterpacks, etc.

## Fluting

The rippled middle layer in corrugated board, produced from either new or recycled fibre.

## FMCG producers

Producers of fast moving consumer goods (FMCGs) such as soap, cosmetics, toothpaste, batteries and washing powders.

## Forest with root

Trees are sold still standing on their roots in the forest, and the buyer pays for felling and transportation of wood out of the forest.

## Fossil fuels

Fuels based on organic carbon and hydrogen compounds deposited in sediments or rock deposits, mainly coal, oil and fossil gas.

## Heavy-duty

Highly durable packaging based on several layers of paper. Used for heavy goods such as car components.

## ISO 14001

The standard of the International Organisation for Standardisation (ISO) for an environmental management system.

## Market pulp

Pulp which is sold to paper mills that do not produce their own pulp.

## MF Paper (machine finished)

A calendered paper with high printability combined with high strength. Used for packaging with a special need for this combination.

## MG Paper (mono glazed paper)

Paper which is dried on a highly polished Yankee cylinder, giving it a smooth, glossy surface on one side. Used for packaging with stringent demands on purity, for example.

## Micro corrugated board

Very thin corrugated board.

## Nitrogen (N)

A chemical element naturally present in wood. Too much nitrogen in water can cause nutrient enrichment (eutrophication) in lakes, leading to oxygen deficiency when dead plants decompose.

## Nitrogen oxides (NO<sub>x</sub>)

A group of gases composed of nitrogen and oxygen which are formed during combustion. In damp air, nitrogen oxides are converted to nitric acid, which causes acid precipitation. Also acts as a fertilising agent.

## Phosphorous (P)

A chemical element naturally present in wood. Too much phosphorous in wastewater can cause nutrient enrichment (eutrophication) in lakes, leading to oxygen deficiency when dead plants decompose.

## Pulpwood

In Sweden this is primarily softwood (spruce and pine) and birch used to make pulp.

## Recycled fibre

Fibre material that has previously been used in a paper or board product.

## Sack paper

Paper with high strength properties and used for the production of sacks. Made from softwood sulphate pulp.

## Shelf Ready Packaging/ Retail Ready Packaging

Attractive packaging ready for the shelf and contributing to increased promotional effectiveness.

## Solid cubic metres under bark (m<sup>3</sup>sub)

Volume of solid wood under bark.

## Sulphate pulp

Chemical pulp produced by cooking wood under high pressure and at a high temperature in cooking liquor, known as white liquor (sodium hydroxide and sodium sulphide). Sulphate pulp is also known as kraft pulp.

## Sulphur dioxide (SO<sub>2</sub>)

A gas consisting of sulphur and oxygen formed during combustion of sulphur-containing fuels such as black liquor and oil. In contact with damp air, sulphur dioxide is converted into sulphuric acid which causes acid precipitation.

## Suspended Solids

Suspended substances in water consisting of fibres and other particles which can largely be removed by filtration.

## Sustainable development

Basing decision-making on three united factors - economic growth, social viability and environmental awareness - so that society can meet current demands without compromising its future.



# SHAREHOLDER INFORMATION AND KEY DATES

## ANNUAL GENERAL MEETING

Billerud AB's Annual General Meeting will be held at 3 p.m. on 4 May 2011 at Hotel Rival, Mariatorget 3, Stockholm, Sweden.

Notice of the 2011 Annual General Meeting was issued on Wednesday 30 March 2011 and published in its entirety in Post- och Inrikes Tidningar on Friday 1 April 2011. An announcement that the notice had been issued was published in Svenska Dagbladet on Friday 1 April 2011.

## NOTIFICATION

Shareholders wishing to take part in the AGM should be registered in the shareholders' register held by Euroclear (the Swedish Central Securities Depository) by Thursday 28 April 2011 and notify the company by Thursday 28 April 2011 at 4 p.m. at the latest.

Notification can be made by telephone to +46 8 402 90 62 or by post to Billerud AB, AGM, Box 7841, SE-103 98 Stockholm, Sweden. Notification can also be made via [www.billerud.se/anmalan](http://www.billerud.se/anmalan).

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 are temporarily registered in the shareholders' register kept by Euroclear. This procedure, referred to as voting right registration, must be completed by Thursday 28 April 2011, which means that the shareholder must inform the nominee well before this date.

## DIVIDEND

The Board proposes a dividend of SEK 3.50 per share (0.50) for 2010. The proposed dividend corresponds to 51% of net profit for 2010.

## INTERIM REPORTS IN 2011

First quarter January-March 2011

20 April

Second quarter January-June 2011

21 July

Third quarter January-September 2011

28 October

## FINANCIAL INFORMATION

All financial information is available in both Swedish and English and is also published on [www.billerud.com](http://www.billerud.com) in English and [www.billerud.se](http://www.billerud.se) in Swedish.

The 2010 annual report is printed in English and Swedish, with a total print-run of 23 000 copies, and is distributed to those who have requested a copy either on the company's website or via the form that every new shareholder receives. The same procedure is followed for the year-end report and interim reports.

Billerud's annual report may also be ordered through the leading Swedish media outlets, either in print or as a pdf file.

The 2010 annual report is available as a pdf on Billerud's website. There is also an html version that includes Excel files for downloading. These versions of the annual report can be found in English at [www.billerud.com/reports](http://www.billerud.com/reports) and in Swedish at [www.billerud.se/rapporter](http://www.billerud.se/rapporter).

## OTHER INFORMATION

ISIN code SE0000862997

NASDAQ OMX Stockholm ticker: BILL



# THE BILLERUD SHARE

## THE SHARE

The Billerud share has been listed since 20 November 2001 and traded on the Mid Cap list of NASDAQ OMX Stockholm since 2 October 2006. The share's ticker symbol is BILL.

At 31 December 2010, the share capital totalled SEK 774 173 065, divided among 104 834 613 shares. The number of shares on the market totalled 103 114 299. Each share on the market entitles its holder to an equal right in the Company's earnings and capital.

## DISTRIBUTION OF SHARES AT 31 DECEMBER 2010

Registered number of shares	104 834 613
Bought-back shares in Company ownership	-1 720 314
<b>Shares on the market</b>	<b>103 114 299</b>

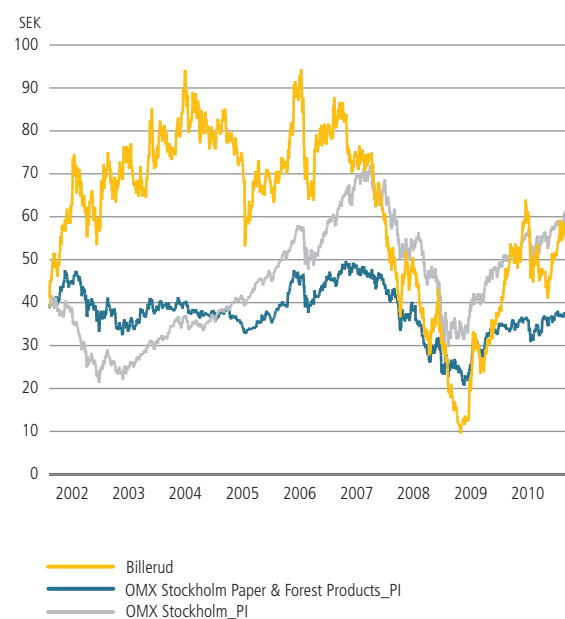
## NUMBER OF SHARES ON THE MARKET

	2010	2009	2008	2007	2006
Average	103 062 031	81 029 295	73 711 346	73 667 182	73 510 781
Average after conversion	103 253 634	81 160 295	73 711 346	73 737 456	73 882 377
Closing date	103 114 299	102 983 140	73 711 346	73 711 346	73 536 629
Closing date after conversion	103 305 902	103 138 804	73 711 346	73 711 346	73 882 377

## SHARE PERFORMANCE

The Billerud share closed at SEK 58.25 on 30 December 2010, corresponding to a market capitalisation of SEK 6 006 million. Billerud's share price increased 9% during 2010. During the same period, the

## SHARE PERFORMANCE 20 NOVEMBER 2001-30 DECEMBER 2010



NASDAQ OMX Stockholm Paper & Forest products index (SX151050PI) increased 12%, while the NASDAQ OMX Stockholm All Share Index (OMXSPI) increased 21%.

In 2010, the share recorded its highest closing price, SEK 64.00, on 7 April, and its lowest closing price, SEK 40.90, on 25 August.

## TRADING VOLUME

During 2010, 114 million Billerud shares were traded on NASDAQ OMX Stockholm, worth SEK 5 827 million. The average number of shares traded each trading day was about 449 000, corresponding to SEK 23 million. On average, about 583 trades were made each trading day.

## OWNERSHIP STRUCTURE

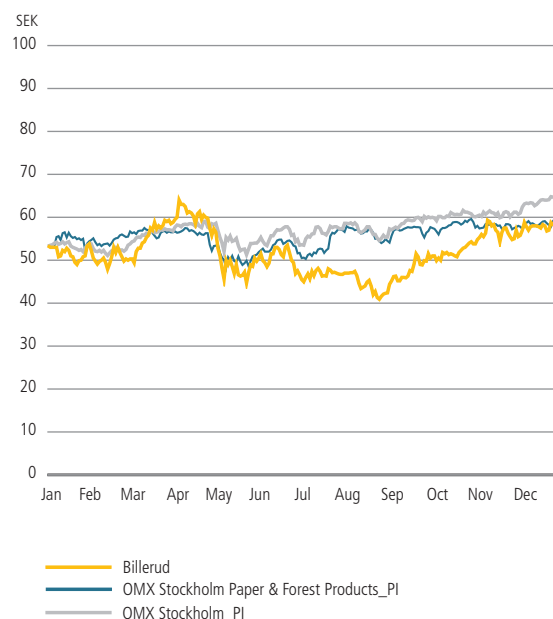
At year-end 2010, the total number of shareholders was 120 733, compared to 122 192 at the previous year-end. The proportion of foreign ownership increased, to 44.0% (43.1), excluding Billerud's own shares held in treasury (1 720 314). The largest groups of shareholders registered outside Sweden are in Austria and the United States, representing 21.0% and 11.1% of the votes, respectively. Other groups of shareholders are private individuals in Sweden, 38.5% (37.9), and legal entities in Sweden, 17.5% (19.0).

## DIVIDEND

The goal is for the dividend to average 50% of net profit over a business cycle. Dividends to shareholders will depend on Billerud's level of profits, financial position, and future growth opportunities, among other factors.

The Board proposes a dividend of SEK 3.50 per share (0.50) for 2010. The proposed dividend corresponds to 51% of net profit for 2010.

## SHARE PERFORMANCE 2010





## 10 BIGGEST SHAREHOLDERS

Billerud's 10 largest shareholders at 30 December 2010 (excluding Billerud's treasury shares)

Shareholder	No. of shares (millions)	Percentage of shares on market (shares = votes)
Frapag Beteiligungsholding AG	21.6	21.0
Handelsbanken funds	2.9	2.9
DFA funds	2.8	2.8
Government of Norway	1.8	1.7
SEB funds	1.8	1.7
Swedbank Robur funds	1.6	1.6
DnB/Carlson funds	1.3	1.3
Avanza Pension Försäkring AB	1.1	1.0
The Foundation for Baltic and East European Studies	1.0	1.0
CIP-Resolutionasset	1.0	1.0
Total top 10 shareholders	36.9	35.8

Source: SIS Ägarservice, 30 December 2010

## OWNERSHIP STRUCTURE<sup>1)</sup>

Shareholding	No. of shares	%	No. of owners	%
1-100	3 052 625	2.9	46 612	38.6
101-500	13 987 643	13.3	63 334	52.5
501-10 000	17 976 600	17.1	10 300	8.5
10 001-50 000	7 369 888	7.0	354	0.3
50 001 -	62 447 857	59.6	133	0.1
Total	104 834 613	100.0	120 733	100.0

<sup>1)</sup> Including Billerud's treasury shares

Source: SIS Ägarservice, 30 December 2010

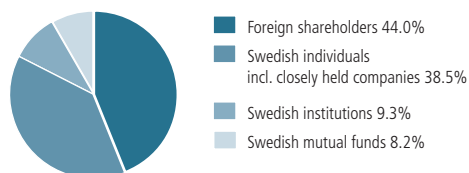
## KEY FIGURES PER SHARE

SEK per share, unless stated otherwise	2010	2009	2008	2007	2006
Profit/Loss	6.84	2.04	2.07	4.56	4.25
Diluted profit/loss	6.83	2.03	2.07	4.55	4.24
Dividend (for each financial year), actual	3.50 <sup>1)</sup>	0.50	-	3.50	3.50
Dividend (for each financial year), adjusted for effect of rights issue	3.50 <sup>1)</sup>	0.50	-	2.45	2.45
Dividend as pctg. of					
- share price (dividend yield)	6.0	0.9	-	5.3	2.9
- profit/loss	51.1	31.2	-	53.7	57.6
- equity (closing balance)	7.8	1.3	-	6.2	6.7
Cash flow from operating activities	13.52	10.54	15.36	14.18	15.46
Operating cash flow	10.30	6.94	2.31	1.01	2.26
Shareholders' equity	44.97	38.80	35.79	39.32	36.41
Shareholders' equity after full conversion/dilution	44.88	38.75	35.79	39.26	36.61
Share price/closing equity, %	130	137	41	118	233
P/E ratio	8.5	26.1	7.2	10.2	20.0
EV/EBITDA	3.7	7.7	4.7	5.7	8.6
Share price <sup>2)</sup>					
- Closing price, last trading day	58.25	53.25	15.00	47.04	85.95
- Highest closing price for year	64.00	53.75	52.00	86.66	94.44
- Lowest closing price for year	40.90	9.51	14.79	45.28	64.73
Share turnover	1.10	1.25	0.78	1.15	0.88

<sup>1)</sup> Board proposal

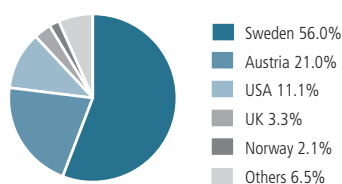
<sup>2)</sup> All prices historically adjusted for effect of rights issue

## SHAREHOLDER CATEGORIES, VOTES



Source: SIS Ägarservice, 30 December 2010

## GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS, VOTES



Source: SIS Ägarservice, 30 December 2010

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Billerud's Annual Report 2010 was produced in co-operation with Wildeco  
Photography: Billerud image bank, Peter Nerström, Paulina Westerlind. Printing: Intellecta Infolog, Solna.



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