

Auditor's Report

To the general meeting of the shareholders of Boliden AB (publ) corporate identity number 556051-4142

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Boliden AB (publ) for the financial year 2016-01-01–2016-12-31 except for the corporate governance statement on pages 58-67. The annual accounts and consolidated accounts of the company are included on pages 25-47 och 54-99 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 58-67. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Recognition of revenues from sales of metals at the appropriate price and in the correct period

The group's sales of metals are to a large extent priced in US dollars and sales are often made to predetermined price terms. Individual sales transactions may represent significant amounts. Contractual prices are hedged for variations in metal prices and exchange rates. Taken together, this requires good practices to ensure that revenues are recognized at agreed prices adjusted for the effects from hedging and that revenues are recognized in the correct period.

For the group's accounting principles for revenue recognition please refer to note 1, and for the group's revenues by geographical area and revenues disaggregated on metal, concentrate and other please refer to note 2.

Our audit procedures

Our audit procedures included, but were not limited to:

- review of the group's accounting policy for revenue recognition for compliance with IFRS,
- evaluating the group's controls for recognizing revenues at appropriate prices and in the correct accounting period,
- analysis of revenues by metal based on sales volumes, metal prices and exchange rates, and
- on a sample basis testing of sales transactions against sales contracts, invoices and shipping documents to assess that revenues have been recognized at appropriate prices and in the correct accounting period.

Valuation of inventory

The group's inventory consists primarily of metal concentrate, materials tied up in the production process of the smelters and finished metal. The group's accounting and valuation of inventory is complex and requires judgment about stock levels, metal content, metal prices, exchange rates and internal profits.

For the group's accounting principles for valuation of inventory please refer to note 1, and please refer to 18 for a breakdown of the group's inventory.

Our audit procedures

Our audit procedures included, but were not limited to:

- review of the group's valuation policy for inventory and its compliance with IFRS,
- assessing the group's controls for inventory valuation,
- observations of physical inventory counts,
- on a sample basis testing that the inventory has been valued to current metal prices and exchange rates,
- review of the process inventory revaluation and eliminations for intragroup profits in inventory.

Accounting and valuation of financial instruments

The group is exposed to changes in metal prices, exchange rates and interest rates. To reduce its exposure in larger investment projects and in contracted purchase and sales commitments the group uses various types of financial instruments, including derivatives. The group also manages its exposure to changes in interest rates by reducing or extending the interest duration period via interest rate swaps. The accounting for financial instruments is complex and may have significant impact on the group's earnings and financial position.

For the group's financial risks and management of these risks

please refer to page 55-57, refer to note 1 for the group's principles for the valuation of financial instruments and note 27 for the group's financial derivatives.

Our audit procedures

Our audit procedures included, but were not limited to:

- review of the group's financial policy and hedging strategies,
- review of hedging activities to ensure that these have been properly authorized and accounted for in accordance with IFRS, and
- review of the relevance of market data and methodologies used to determine fair value of derivative contracts.

Capitalization and depreciation of deferred mining costs

In conjunction with excavation of waste rock and production of ore in open pit mines, the costs of waste rock removal which improves access to the ore body are capitalized. Deferred mining costs are depreciated per push-back and the depreciation is based on the units of production for the entire push-back. Both the initial capitalization and the depreciation rate are dependent on planned production and estimated Mineral Reserves and, as a consequence among other things, expected future metal prices. Hence, the carrying value and depreciation of deferred mining costs are dependent on a number of complex assumptions and estimates.

For the group's accounting principles related to deferred mining costs please refer to note 1 and note 13 for the group's investments and depreciation of deferred mining costs.

Our audit procedures

Our audit procedures included, but were not limited to:

- review of accounting policy for deferred mining costs for compliance with IFRS,
- review of model used for capitalization and depreciation of deferred mining costs against production costs and production volumes, and
- analytical review of capitalization and depreciation in relation to production costs and production volumes.

Provisions for reclamation costs

The group has commitments for reclamation of closed mines and for reclamation costs that are expected to arise for mines when the mine operations are decommissioned. The provision for these commitments is judgmental and dependent on several factors including cost estimates for different reclamation measures, life of mine, regulatory decisions, future inflation and discount rates. Any changes in these estimates and assumptions may have a significant impact on the group's earnings and financial position.

For the group's accounting principles for reclamation provisions please refer to note 1 and note 13 for this year's change in capitalized reclamation costs, and note 24 for the group's reclamation provisions.

Our audit procedures

Our audit procedures included, but were not limited to:

- review of accounting policy for reclamation provisions for compliance with IFRS,
- evaluating the group's controls to account for reclamation provisions,

- review of external and internal opinions on expected reclamation measures and the costs for these, and
- review of assumptions used to estimate the reclamation provisions for consistency with approved production plans, life of mines expectancies, and current financial conditions (inflation and interest rates).

Valuation of intangible and tangible fixed assets

The group's intangible and tangible assets represent significant amounts. Impairment testing of these assets is based on production plans, which in turn are based on assumptions about future metal prices, treatment and refining charges, and exchange rates. Changes in market prices for metals, treatment and refining charges, and exchange rates have a significant impact on the group's future cash flows and thus the estimated recoverable value of intangible and tangible assets and any impairment needs.

For the group's principles to prepare impairment tests for intangible and tangible assets please refer to note 1 and for significant assumptions applied in the impairment tests, please refer to note 13.

Our audit procedures

Our audit procedures included, but were not limited to:

- review of the group's process and principles for preparing impairment tests for compliance with IFRS,
- evaluation of key assumptions such as estimated life of mines, production plans, metal prices, treatment and refining charges, and exchange rates and the sensitivity in these assumptions to any changes, and
- review of the model used to discount future cash flows for arithmetical correctness.

Accounting for acquisition of Kevitsa

During the year the group acquired the Kevitsa mine for a purchase price of SEK 5 961 million. Accounting for business combinations requires significant judgments and estimates by management to determine the fair value of acquired assets and assumed liabilities. The purchase price for Kevitsa was also hedged with forward contracts which needs to be considered when determining the final purchase price.

For the Group's purchase price allocation for the Kevitsa acquisition, please refer to note 11.

Our audit procedures

Our audit procedures included, but were not limited to:

- review of fair values assigned to acquired assets and assumed liabilities, and
- review of forward contracts for appropriate allocation to the purchase price.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-24, 48-53 och 105-119. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may in-

volve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Boliden AB (publ) for the financial year 2016-01-01 - 2016-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal on page 99 and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 58-67 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, February 10, 2017
Deloitte AB

Jan Berntsson
Authorised Public Accountant