



# Capital allocation & financials

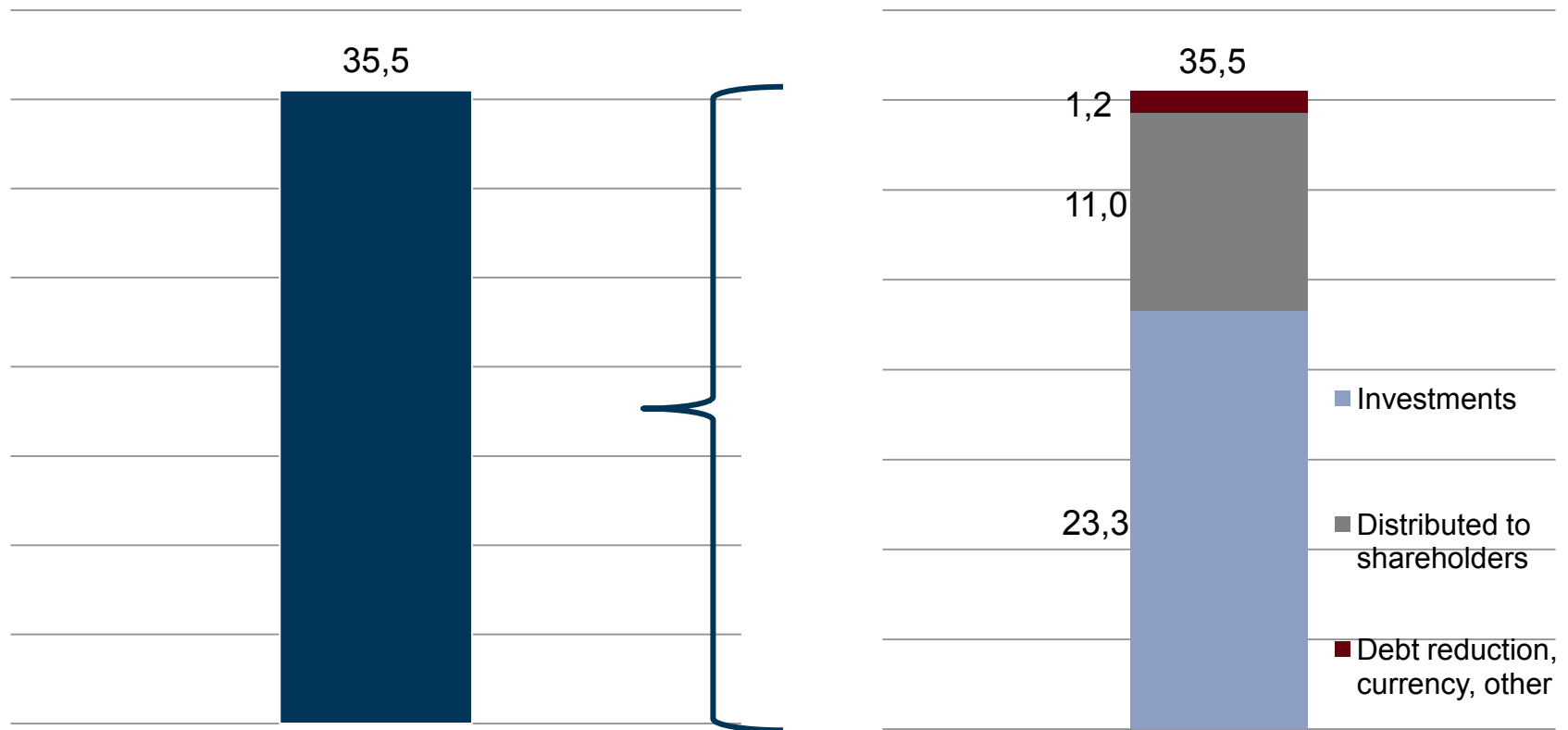
Capital Markets Day  
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# Operating cash-flow 2004-2011



## Operating Cash Flow, SEK bn



# Financial targets and fulfillment 2004-2012

	Average	High	Low	12Q3
ROCE %	19	52	4	15
Gearing %	37	71	0	26
Dividend %	37	109	0	-

## Boliden financial targets

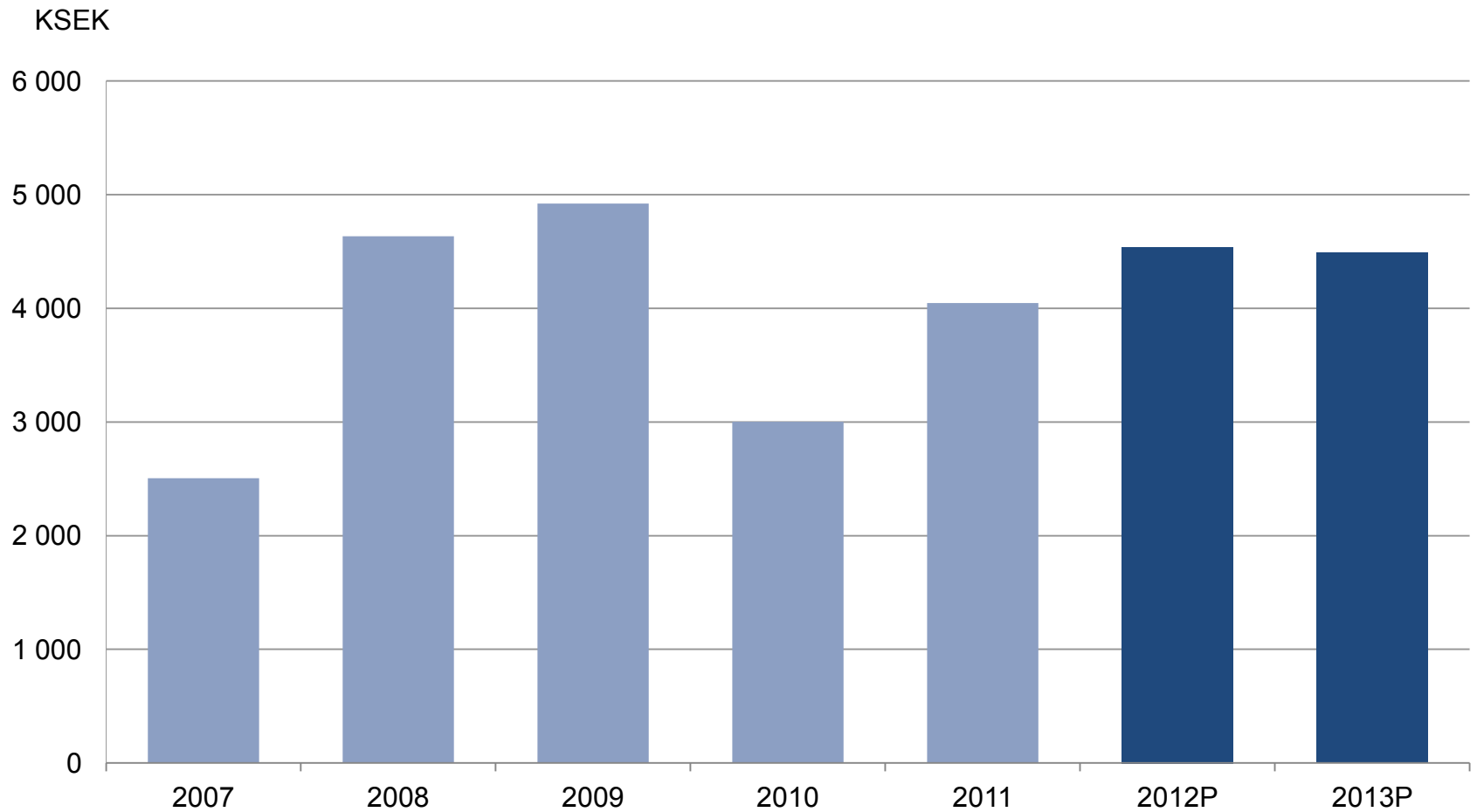
- ROCE over 10% over a business cycle 
- Gearing at 20% at the end of a high cycle
- Dividend one third of net profit 

# How do we work with investments

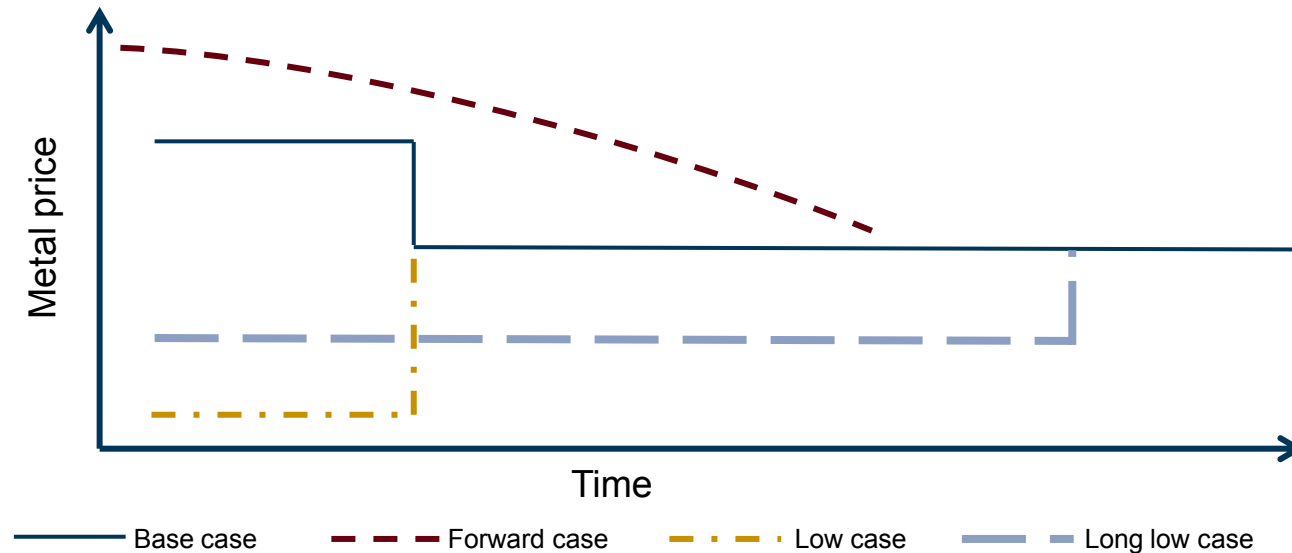
- Project evaluation
  - NPV, IRR, payback
  - All revenue streams included
  - Risk & strategic priority
  - Management capacity
- First year forward prices, after that LTP
- Calculation at real prices, pre tax
- IRR and NPV calculated. Cut-off at WACC (currently 10% real)
- Mines focus on expansions, Smelters on de-bottle necking

Long Term Prices (LTP)	2012	2011
Copper USD/ton	6,300	5,500
Zink USD/ton	2,300	2,100
Lead USD/ton	2,300	2,000
Gold USD/oz	1,200	1,100
Silver USD/oz	20	20
USD/SEK	7.00	7.00
EUR/SEK	8.90	9.00

# Investment levels 2012 and 2013 - indicative



# Scenario analysis



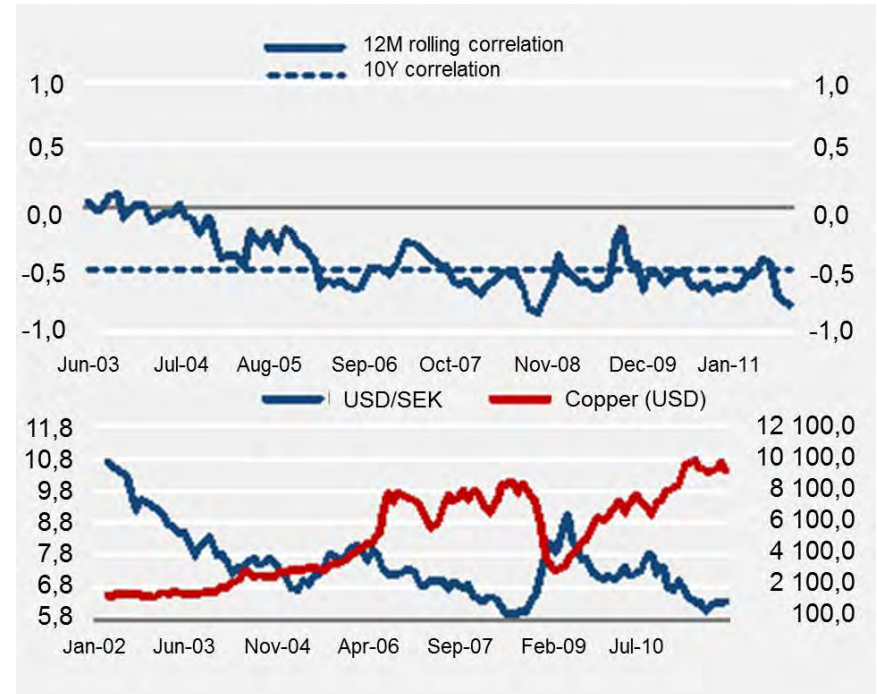
- Scenario analysis done regularly on all investments and on full plans
- Used internally and in communications with lenders
- Scenarios used include
  - Base case based upon budget prices and long term assumptions
  - Forward case based upon forward prices
  - Low case based upon floor prices one year and then long term
  - Long low case based upon low prices for four years

# Sensitivities 30 September 2012

Change in metal prices +10%	Effect on EBIT, SEK m	Change in USD +10 %	Effect on EBIT, SEK m	Change in TC/RC +10%	Effect on EBIT, SEK m
Copper	435	USD/SEK	1,015	TC/RC Copper	70
Zinc	400	EUR/USD	305	TC Zinc	50
Lead	85	USD/NOK	70	TC Lead	-20
Gold	200				
Silver	175				

# Correlation between Copper and USD

- Negative correlation between copper price and USD/SEK exchange rate
- Negative correlation has been especially clear over the last five years





# Correlation between Zinc and USD

- Also negative correlation between zinc price USD/SEK exchange rate
- Negative correlation has been clear over the last five years



# School book repetition



# Process inventory, volumes and values

**September 30, 2012**

External concentrate	Quantity (tonnes)	Value (MSEK)
Copper	29 000	837
Zinc	17 000	155
Lead	300	2
Gold*	2 200	606
Silver*	66 200	370
Other (internal concentrates etc.)	500	391
<b>Total</b>		<b>2 361</b>

- Booked at lowest of cost (last month average) and market (balance day price)

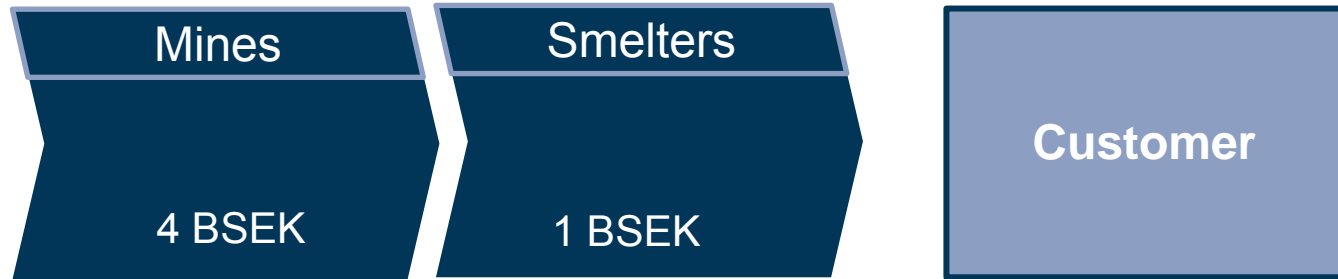
# Process inventory in Q3 2012

Metallprispåverkan i SEK		2012, 30 June			2012, 30 September				
Metal	Tonnes/Kg*	EOP	Avg.	Lowest	EOP	Avg.	Lowest	Delta	Value (MSEK)
Copper	29 000	53 559	52 514	52 514	53 608	53 363	53 363	848	25
Zinc	17 000	13 094	13 134	13 094	13 476	13 241	13 241	147	3
Lead	300	12 866	13 127	12 866	14 847	14 347	14 347	1 481	0
Gold*	2 200	351 361	363 064	351 361	373 813	370 395	370 395	19 034	42
Silver*	66 200	6 062	6 382	6 062	7 273	7 146	7 146	1 084	72
Palladium*	500	127 157	139 330	127 157	133 909	139 744	133 909	6 752	3
<b>Total</b>									145
<b>Actual</b>									172

# The new Swedish tax proposal and its implications

- Draft presented by the government in the budget proposition for 2013
- Calls for a decrease of the corporate tax from 26,3% to 22% starting January 1, 2013
- The tax change would have had the following effects on Boliden pro forma (based on 2011 figures):
  - Lower tax by approximately 150 MSEK per year
  - Cash flow increased by the same amount as above
- Deferred tax provisions will be reduced by around 400 MSEK as a one time effect in 2012
- These 400 MSEK will be reported as negative tax expense in the income statement and will increase profit after tax. This will not have any cash flow implications

# Internal profits



- Large part of earnings in Mines, i.e. beginning of value chain
- Mines sells internally to Smelters
- Internal profit elimination required in group accounting until material has been sold externally
- Consequently, internal profit elimination can vary between quarters as a result of changes in metal prices and internal stock levels



# Product flow through Boliden and internal profit eliminations

- Internal shipments
  - Mine to Smelter, market terms
- Processing times
  - One month but varying
- Accounting
  - Mines profit (market price – production cost) is eliminated in group accounting until the smelter has sold metal externally
- Implications on quarterly reports
  - Consequently, internal profit elimination varies between quarters as a result of changes in metal prices, internal stock levels and internal stock value



# Metals for modern life

