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## Finance

Generating strong returns through the cycle

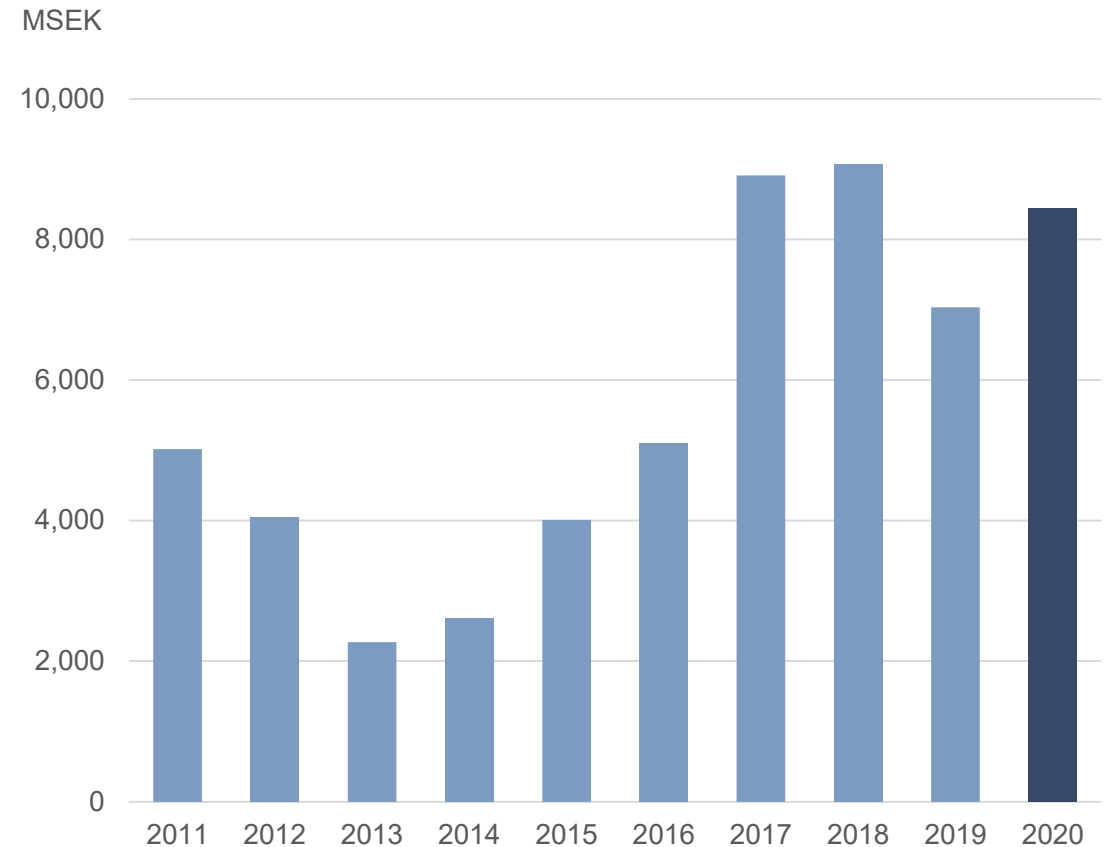
Håkan Gabrielsson, CFO

**CMD 2021**

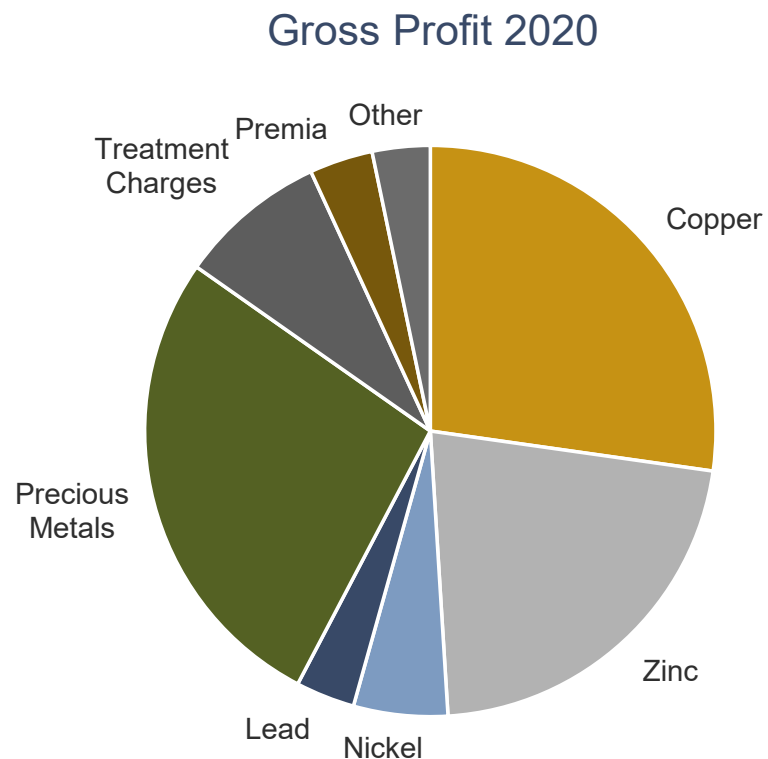
# Maintaining a strong performance, despite the challenges of 2020

- EBIT excl. PIR 8,438 MSEK (7,035)
- Increased volumes
  - Higher milled volume in Kevitsa, Aitik and Garpenberg following expansions
  - Higher capacity, complex materials & improved process stability in Smelters
  - Less extensive maintenance stops
- Limited cost increase despite rise in volumes
- Improved prices & terms

EBIT excl. PIR



# A diversified portfolio for today's society



- Strong fundamentals
- Well balanced
- Low risk, negative correlations
- No precious metals streaming

# EBIT Sensitivity by Business Area

Effect on operating profit, MSEK

<b>Change in metal prices, +10%</b>	<b>BA Mines</b>	<b>BA Smelters</b>	<b>Total Group</b>
Copper	750	65	815
Zinc	590	170	760
Gold	295	95	390
Silver	230	40	270
Nickel	200	30	230
Lead	100	30	130
Palladium	40	70	110
Platinum	25	10	35
<b>Change in TC/RC, +10%</b>			
Zinc TC	-140	230	90
Copper TC/RC	-50	90	40
Lead TC	-15	5	-10
<b>Change in USD, +10%</b>			
USD/SEK	1,345	390	1,735
EUR/USD	615	495	1,110
USD/NOK	0	155	155

# Provisional pricing



- Provisional pricing at delivery from Mines
- Open positions revalued to market prices each month-end
- Definitive pricing; average market prices 1-4 months after month of arrival
- Inventory in Smelters hedged

# Outlook



- Aitik
  - 2021: Cu 0.21 %, Au 0.11 g/tonne
  - Lower in Q1
- Garpenberg
  - 2021: Zn 3.8 %, Ag 110 g/tonne
- Q1 production issues
  - Covid-19
  - Aitik, Tara
- Maintenance stops
  - 2021: -550 (-345) MSEK
- Capex
  - 2021: Slightly above 7 BSEK

# Stable maintenance capital expenditure

## Mine sustaining

- Slightly above 2.5 BSEK in 2021
- Stripping, development and successive raising of dams
- Aitik and Kevitsa ~ 1 BSEK each
- Stable until stripping in Kevitsa starts tapering off in 2024
  - Unless pushback 5 goes ahead

## Replacement

- 2 BSEK in 2021
  - 35 BSEK Property, plant and equipment in balance sheet\*
- 50% in each Business Area
- Stable
- Some flexibility in timing

\*Excludes stripping and development

# Capital expenditure to extend and expand

## Stay in business capex

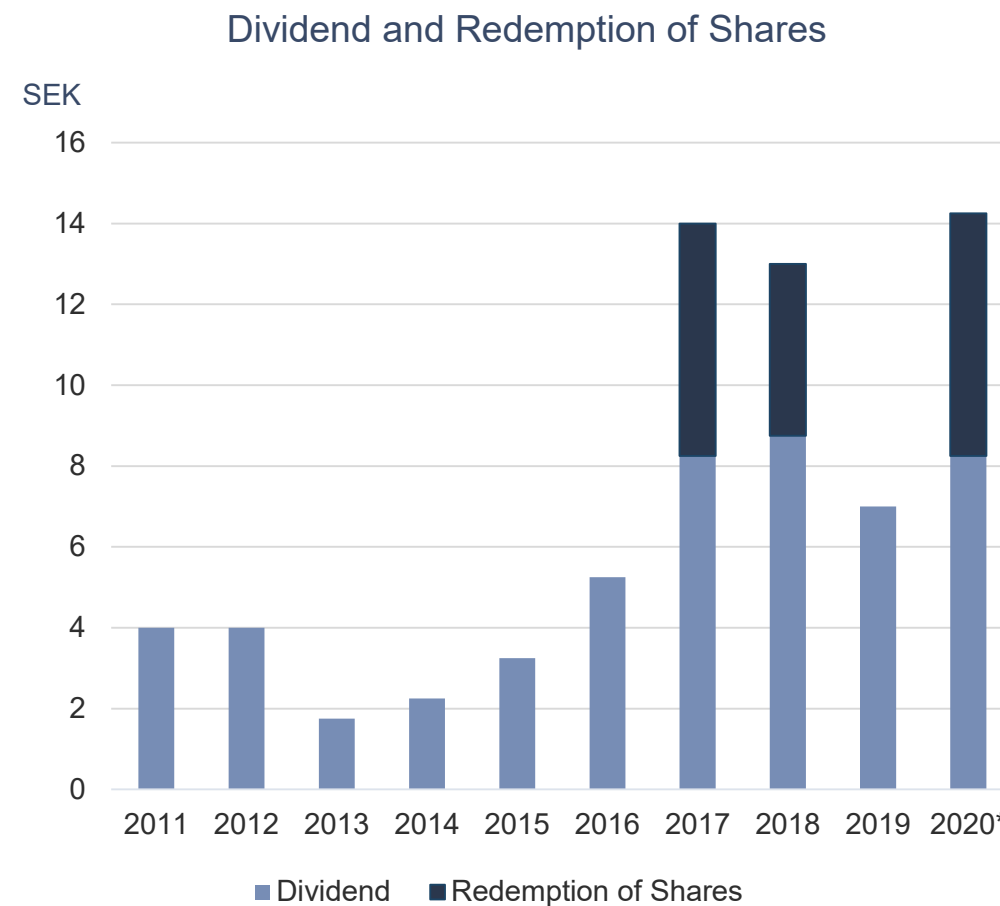
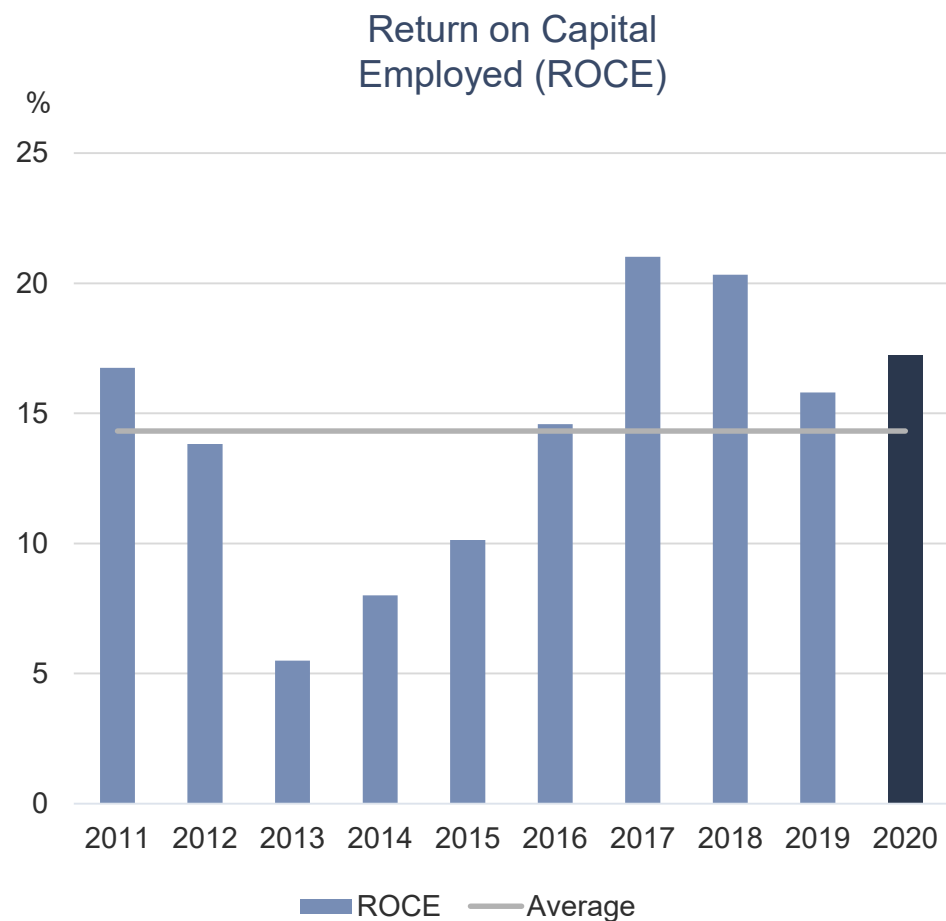
- 1.5 BSEK in 2021
- Foundation to extend and develop business
  - Efficiency investments to strengthen the competitive position
  - Capabilities to treat complex raw materials
  - Environmental performance & social license to operate
- Driven by financial return and market requirements

## Expansions

- 1 BSEK in 2021
- Expansions vs existing plan
- Required return > 10 %
- Potential large projects going forward include (estimated time of decision):
  - Rävliiden (2021)
  - Odda 4.0 (2021)
  - Tara Deep (~2024)
  - Pushback 5 in Kevitsa (~2024)
  - Laver (TBD)
- Limitations primarily permits and management resources



# Strong return on invested capital



\*2020; proposal to AGM

# Long-term commitment to financial targets and dividend policy

**Return on investments  
≥ 10%**

**Dividend policy:  
1/3 of  
net profit**

**Net Debt/Equity  
at about 20%  
at economic  
peaks\***

\*The target also includes net reclamation liability