



# Interim Report

## January – June 2008

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**BOLIDEN**

# Second Quarter Highlights

## Market

- Stable global demand for base metals
- Stable price development for copper, gold and silver, positive development for sulphuric acid
- Continued decline in zinc price, sharp downturn in lead price
- Further weakening of the dollar

## Boliden

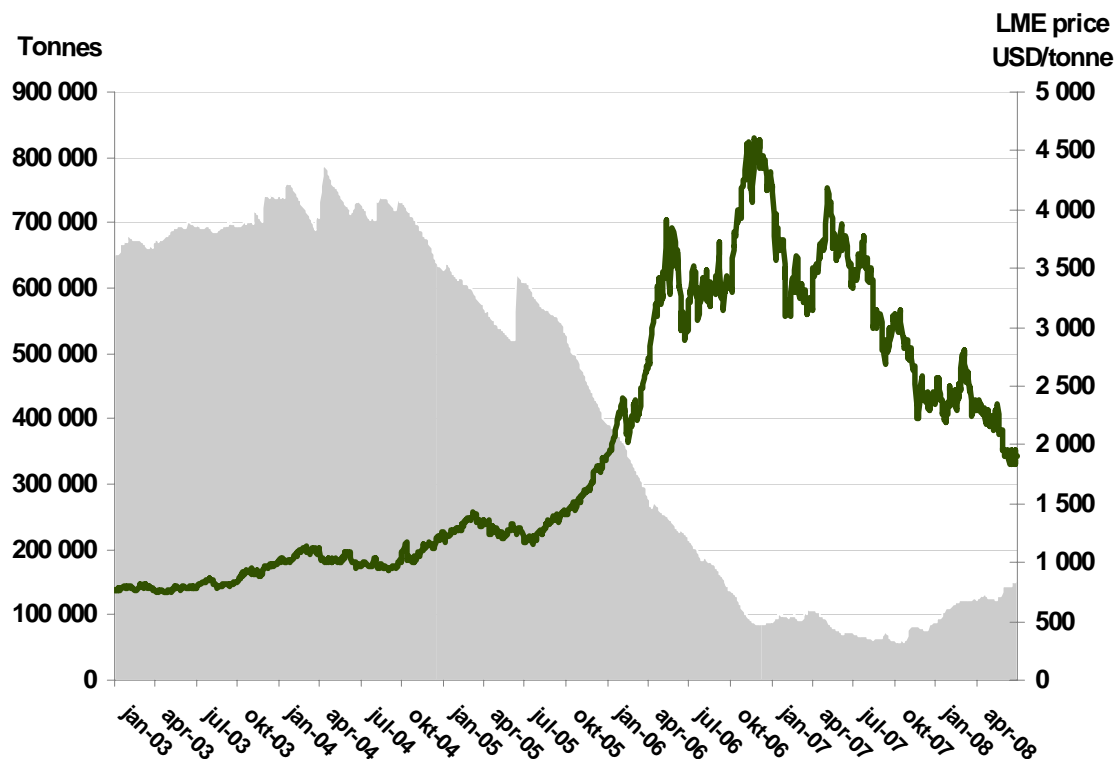
- Lower volumes in Mines, lower zinc volumes in Smelters
- Revenues SEK 7,885 million (9,292)
- Operating profit SEK 406 million (2,220)
- Operating margin 5% (24%)
- Return on equity 22% (12 months)
- Strong development of operating capital, good cash flow



# The Market

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# Zinc prices under pressure as a result of increased global production



Zinc price (LME average)		
	USD/t	Q2-08 vs. period
Q2 2007	3,664	- 42%
Q3 2007	3,238	- 35%
Q4 2007	2,646	- 20%
Q1 2008	2,426	- 13%
Q2 2008	2,115	0%

- Stable demand driven by China
- A large number of small-scale mines contribute to global zinc concentrate output
- Increased global zinc smelter capacity, large contribution from Chinese smelters
- Global zinc stocks continue to rise, but levels are still at historical lows
- Production costs expected to continue rising



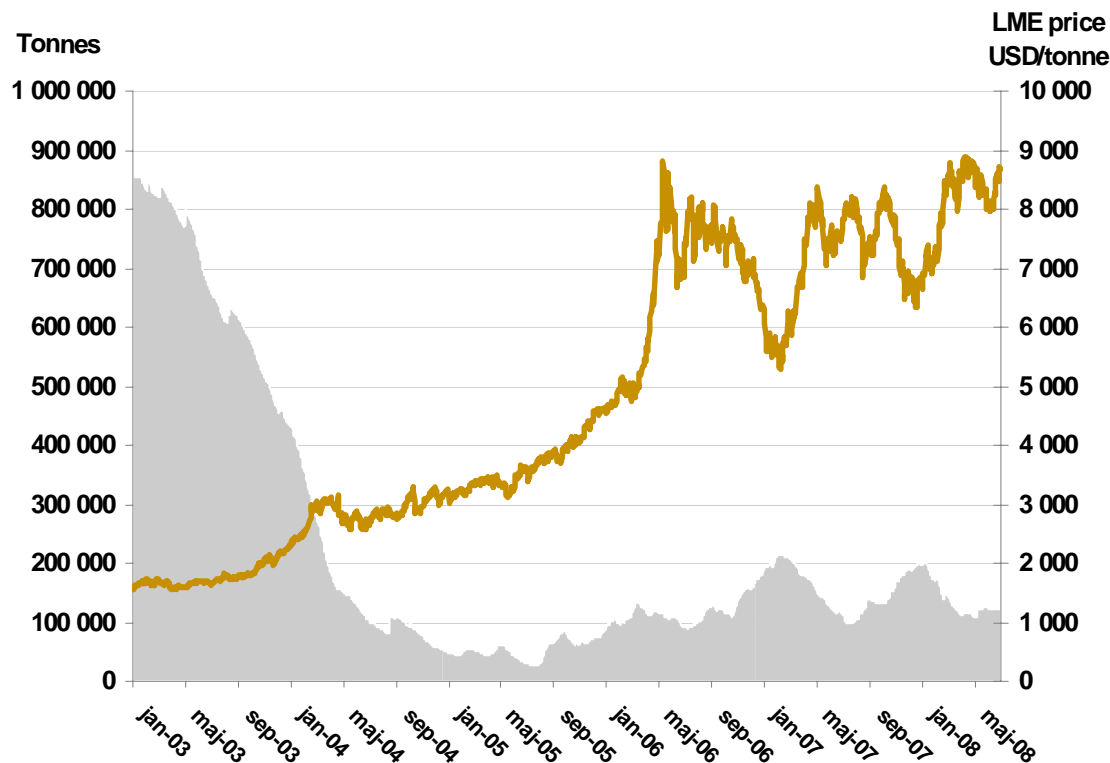
# Stable global demand for zinc in Q2

Zinc	Q2-08 vs. Q2-07	Q2 vs. Q1	Q2-08 kton
<b>Global</b>			
– Consumption	3.2%	1.6%	2,880
– Production	7.1%	8.3%	3,050
<b>China</b>			
– Consumption	8.4%	2.7%	960
<b>Europe</b>			
– Consumption	1.5%	1.0%	693
<b>USA</b>			
– Consumption	-0.4%	-0.4%	249

- Continued strong demand in China and other emerging economies
- Reasonable growth in Europe
- Weakening US demand caused by weak performance in construction and automotive industries
- Output from known deposits not expected to meet even modest long-term zinc demand

Source: CRU

# Copper prices supported by supply constraints



## Copper price (LME average)

	USD/t	Q2-08 vs. period
Q2 2007	7,635	+ 11%
Q3 2007	7,714	+ 10%
Q4 2007	7,239	+ 17%
Q1 2008	7,763	+ 9%
Q2 2008	8,448	0%

- Continued strong demand in China, weak in USA
- Production losses caused by labour conflicts, lower ore grades etc, mines still struggle to meet production targets
- Planned maintenance shutdowns at many smelters

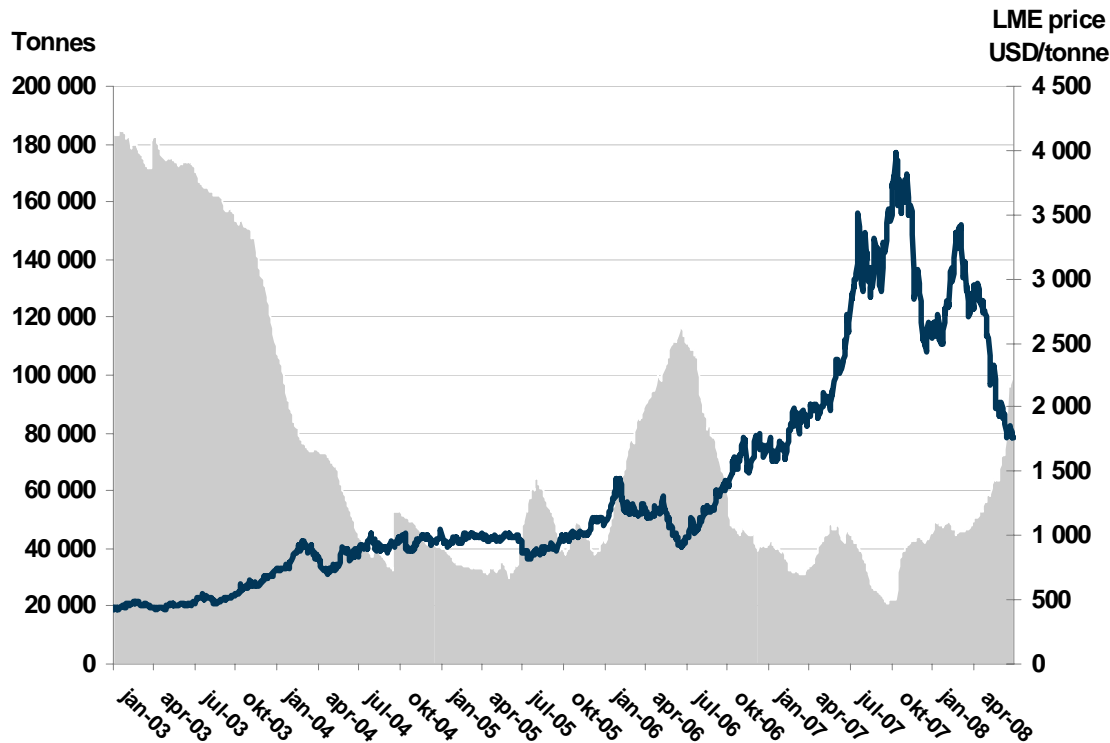
# Flat global demand for copper in Q2

Copper	Q2-08 vs. Q2-07	Q2 vs. Q1	Q2-08 kton
<b>Global</b>			
– Consumption	-0.5%	1.6%	4,674
– Production	-0.4%	0.5%	4,466
<b>China</b>			
– Consumption	11.3%	0.1%	1,262
<b>Europe</b>			
– Consumption	-7.1%	3.3%	1,196
<b>USA</b>			
– Consumption	-7.1%	-2.5%	540

- Strong demand in China despite problems in Q2 (earthquake and harsh winter)
- Slowdown in Europe
- Downturn in US consumption caused by weak performance in construction and automotive industries
- Delays in copper projects
- Lower quality concentrates on world market

Source: CRU

# Lead, higher stocks put pressure on price



## Lead price (LME average)

	USD/t	Q2-08 vs. period
Q2 2007	2,182	+ 6%
Q3 2007	3,141	- 26%
Q4 2007	3,262	- 29%
Q1 2008	2,891	- 20%
Q2 2008	2,316	0%

- Increasing stocks, trend accelerated in June
- Global economic slowdown
- Good availability of concentrate and scrap

# Gold price

LBMA price  
USD/oz



## Gold price (LBMA)

	USD/oz	Q2-08 vs. period
Q2 2007	668	34%
Q3 2007	679	32%
Q4 2007	788	14%
Q1 2008	926	- 3%
Q2 2008	897	0%

# Silver price

LBMA price  
USD/oz



## Silver price (LBMA)

	USD/oz	Q2-08 vs. period
Q2 2007	13.33	29%
Q3 2007	12.70	35%
Q4 2007	14.21	21%
Q1 2008	17.59	- 2%
Q2 2008	17.18	0%

# Segment Smelters

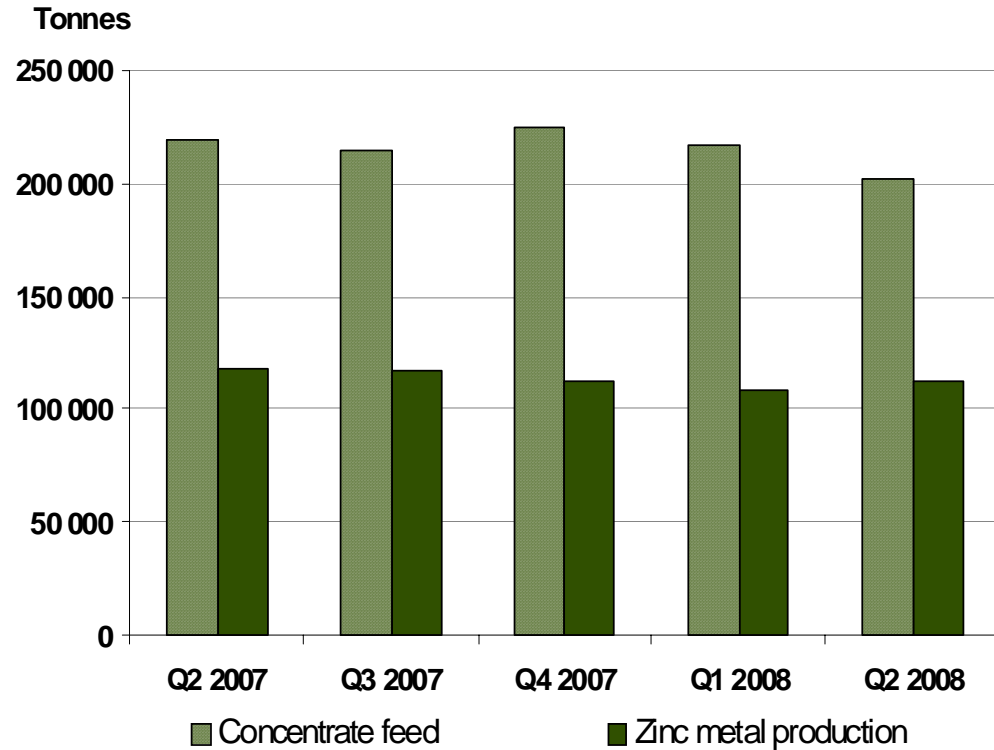
# Smelters' feed and production of zinc metal in Q2

## ■ Kokkola

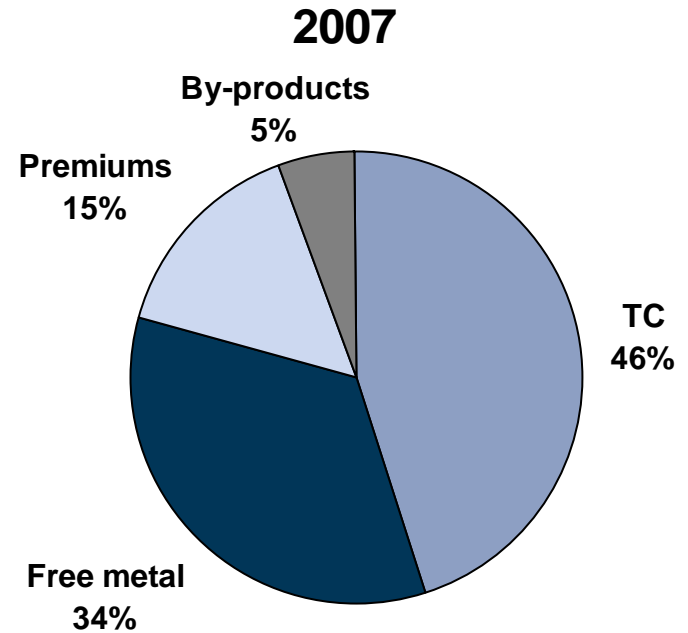
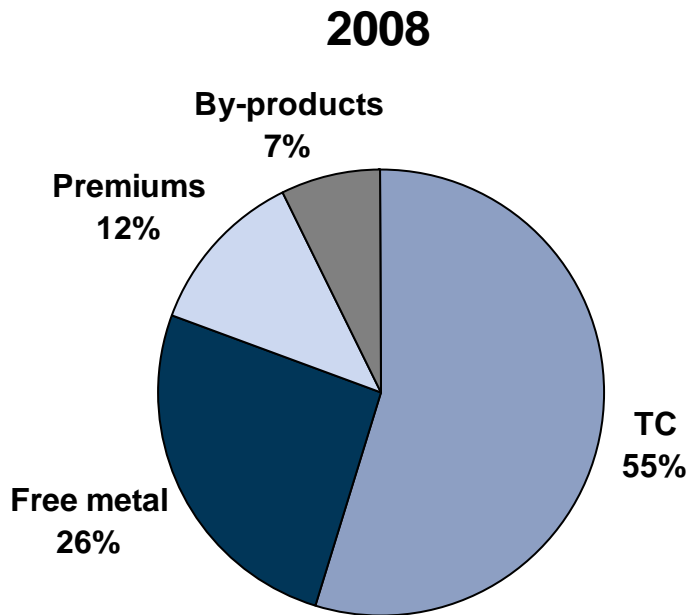
- Stable production
- Planned maintenance shutdown

## ■ Odda

- Unplanned stops
- Initiated synergy work with Kokkola



# Zinc smelters' approximate revenue distribution YTD



# Smelters' feed and production of copper cathodes in Q2

## ■ Rönnskär

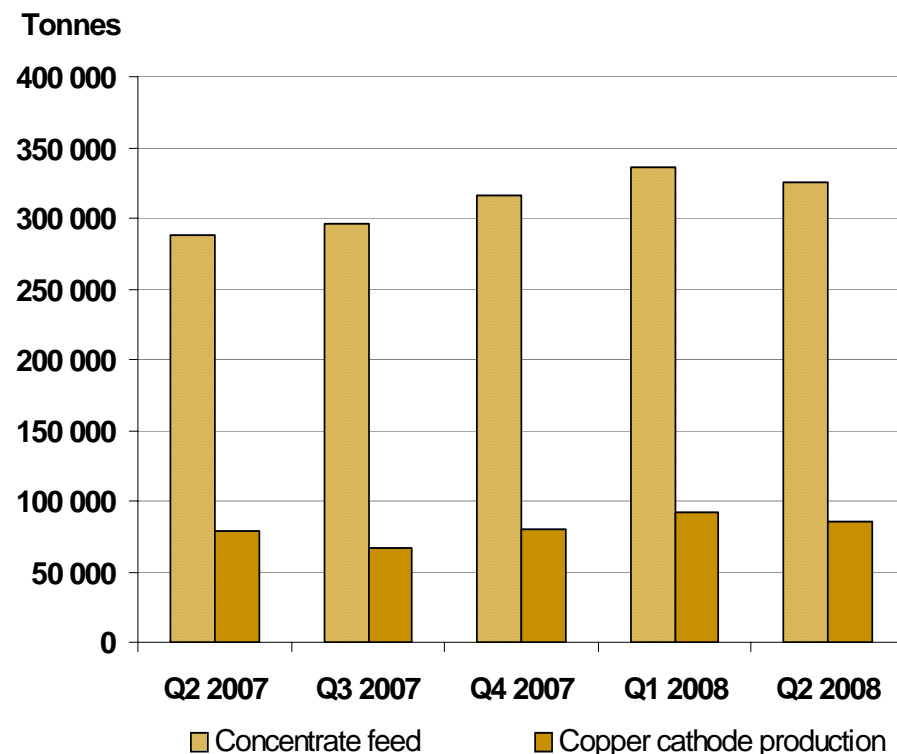
- Higher concentrate feed
- Electronic scrap campaign

## ■ Harjavalta

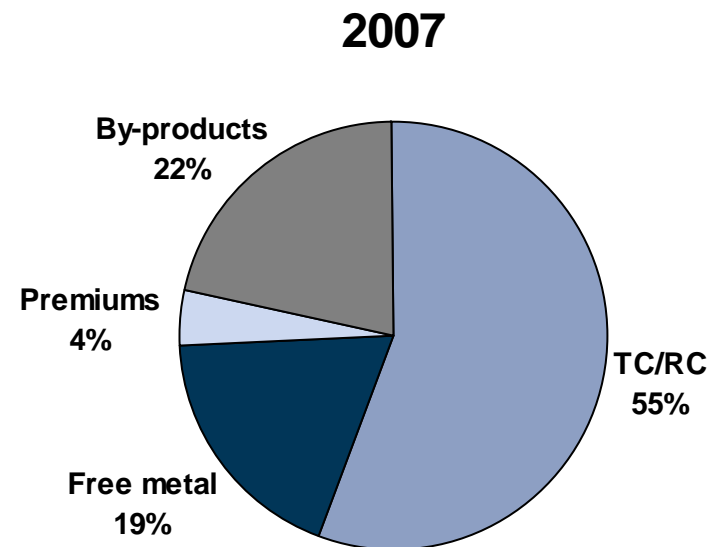
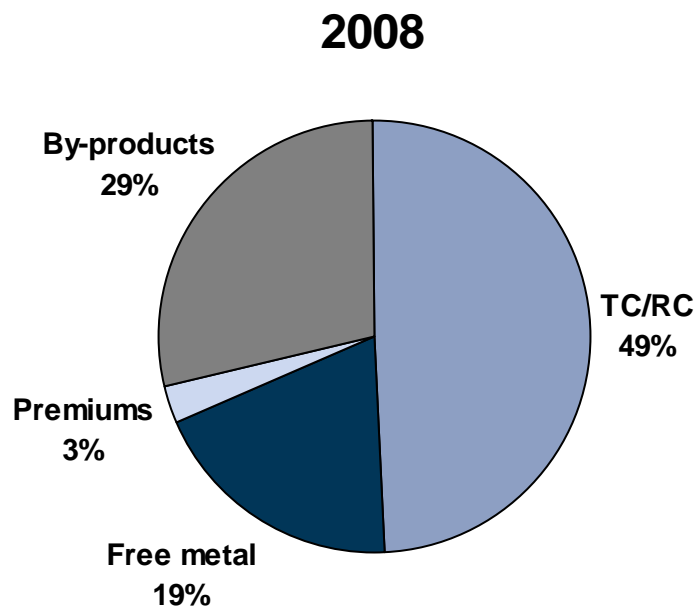
- Increased concentrate feed
- Planned maintenance shutdown
- Quality of concentrates remains variable

## ■ Bergsöe (lead)

- Stable production



# Copper smelters' approximate revenue distribution YTD



# Segment Mines



# Mines' zinc production in Q2

## ■ Tara

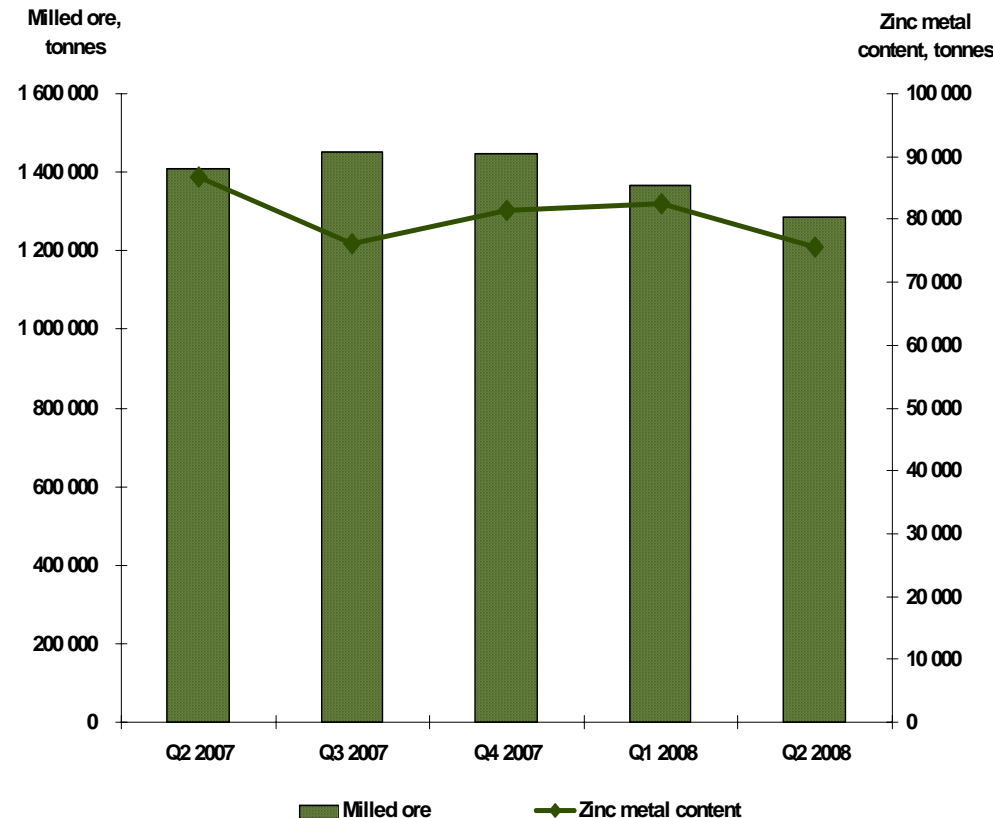
- Imbalance between development and production in mine will hamper production for next 6-9 months

## ■ Garpenberg

- Expansion from 1.2 to 1.4 million tonnes in progress

## ■ Boliden area

- Closure of the Storliden mine end of June
- Maurliden push-back in progress
- Hötjärn tailings pond under construction
- Back in full production 2010



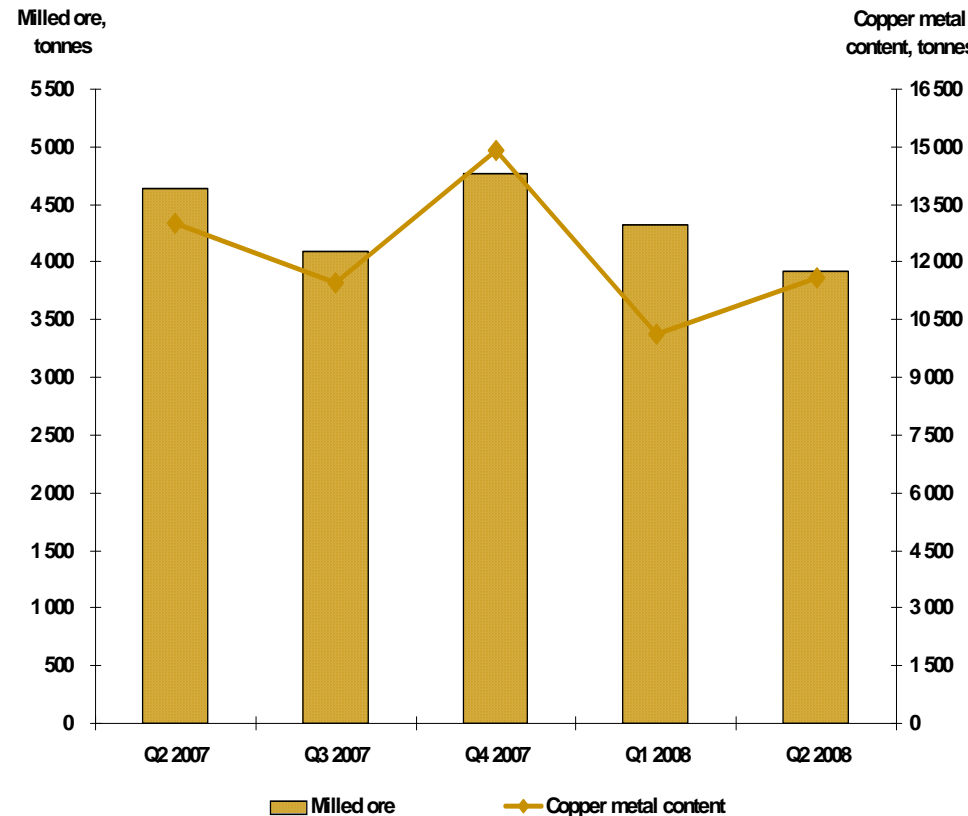
# Mines' copper production in Q2

## ■ Aitik

- Low grindability due to hard ore

## ■ Boliden area

- Closure of the Storliden mine end of June
- Maurliden push-back in progress
- Hötjärn tailings pond under construction
- Back in full production 2010





# Financials

# Financial summary

SEK m	Q2 08	Q2 07	Change	6M 08	6M 07	Change
Revenues	7,885	9,292	-15%	17,187	17,748	-3%
Operating profit (EBIT)	406	2,220	-82%	1,637	3,506	-53%
EBIT margin, %	5	24		10	20	
Free cash flow	290	451	-36%	1,488	1,568	-5%
Earnings per share, SEK	0.95	5.56	-83%	5.56	8.74	-36%
Gearing	39%	27%		39%	27%	

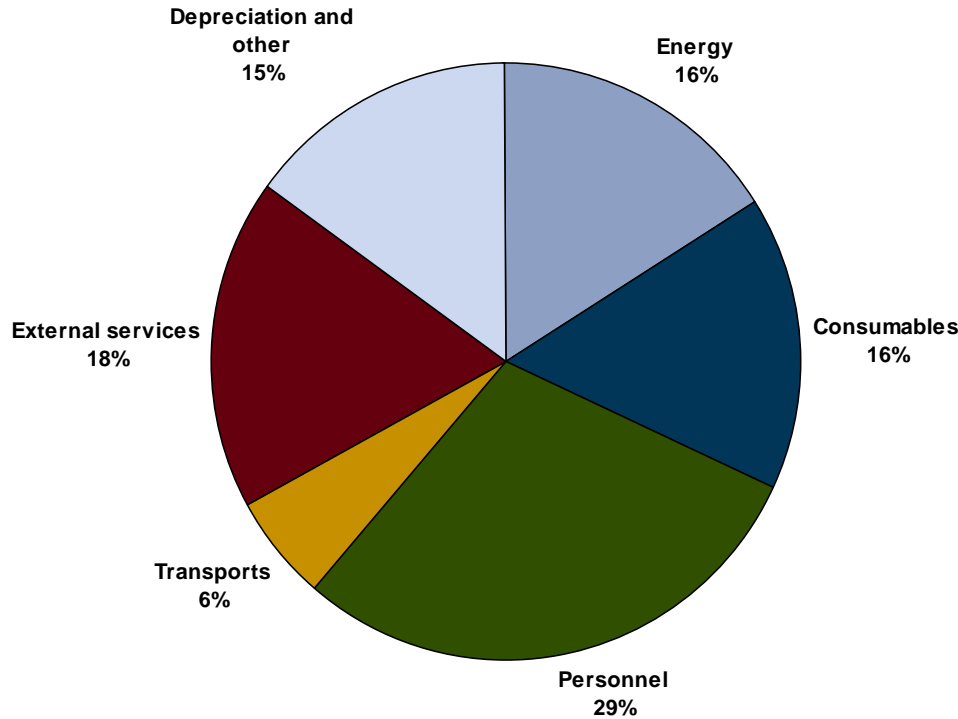
# EBIT – 2008 vs. 2007

SEK m	Q2	6M
<b>EBIT 2007</b>	<b>2,220</b>	<b>3,506</b>
Exchange rate effects	-410	-850
Metal prices and terms	-793	-839
Difference – Metal price hedging	444	693
Difference – Iron stock result	-338	21
Definite prices (MAMA)	-113	212
TC/RC terms	-85	-171
Premiums	-64	-90
Total effect prices and terms	-949	-174
Volume variation, Smelters	71	-3
Volume variation, Mines	-352	-519
Total volume variation	-281	-522
Change in costs	-195	-347
Other	21	24
<b>EBIT 2008</b>	<b>406</b>	<b>1,637</b>

# EBIT – Q2 2008 vs. Q1 2008

SEK m	
<b>EBIT Q1 2008</b>	<b>1,231</b>
Exchange rate effects	-51
Metal prices and terms	-356
Difference – Metal price hedging	53
Difference – Iron stock result	-431
Definite prices (MAMA)	-14
TC/RC terms	-14
Premiums	-11
<b>Total effect prices and terms</b>	<b>-773</b>
Volume variation, Smelters	68
Volume variation, Mines	21
<b>Total volume variation</b>	<b>89</b>
Change in costs	-101
Other	11
<b>EBIT Q2 2008</b>	<b>406</b>

# Operating costs in 6M 2008



Operating costs	6M 2008 vs. 6M 2007
Energy	+6%
Consumables	+5%
Personnel	+9%
Transports	+25%
External services	+16%
Depreciation & other	+1%

- Operating costs increased by 8% in 6M compared to the previous year.

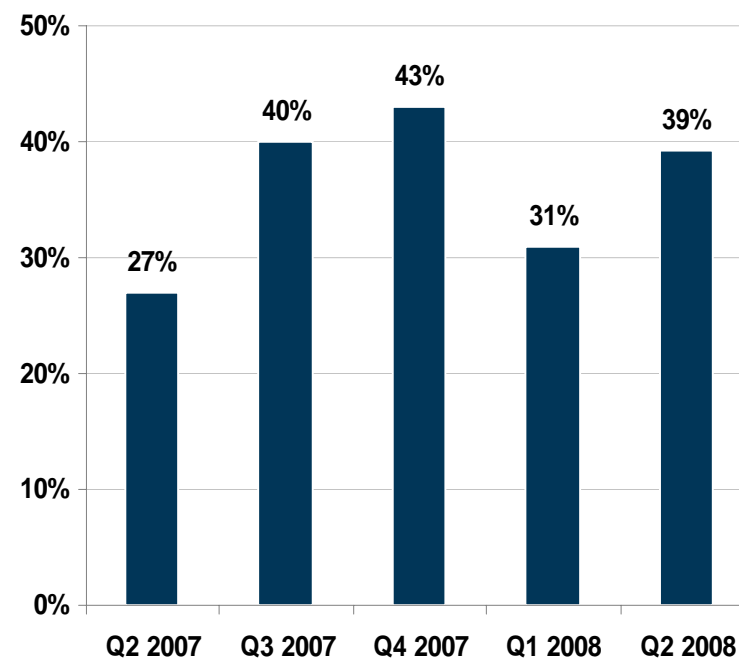
# Cash flow

SEK m	Q2 08	Q2 07	6M 08	6M 07
Op profit before depreciation (EBITDA)	752	2,564	2,344	4,201
Cash flow from changes in operating capital	1,072	-894	1,285	-702
Capital expenditure	1,317	688	1,934	1,061
Free cash flow	290	451	1,488	1,568
Net debt	5,137	3,469	5,137	3,469

# Capital structure on 30<sup>th</sup> June 2008

SEK bn	31 June 2008	30 June 2007
Balance sheet, total	27.2	26.1
Capital employed	19.7	18.5
Shareholders' equity	13.1	13.0
Net debt	5.1	3.5
Gearing, %	39	27
Equity/assets ratio, %	48	50

## Gearing



# EBIT by segment

SEK m	Q2 08	Q2 07	6M 08	6M 07
Smelters	176	1,136	903	1,680
Mines	201	1,121	657	1,907
Other / Eliminations	29	-37	77	-81
<b>The Boliden Group</b>	<b>406</b>	<b>2,220</b>	<b>1,637</b>	<b>3,506</b>

## Smelters – EBIT analysis 6M period

- Exchange rate effects SEK -392 million
- Prices and terms SEK -174 million
- Volume variation SEK -3 million
- Cost changes SEK -229 million
- Other SEK 21 million

## Mines – EBIT analysis 6M period

- Exchange rate effects SEK -458 million
- Prices and terms SEK -142 million
- Volume variation SEK -519 million
- Cost changes SEK -142 million
- Other SEK 11 million

# Sensitivity analysis on 30<sup>th</sup> June 2008

Change in metal prices, +10%	EBIT effect, SEK m	Change in USD, +10%	EBIT effect, SEK m	Change in TC/RC, +10%	EBIT effect, SEK m
Zinc	360	USD/SEK	570	TC Zn	35
Copper	315	EUR/USD	310	TC/RC Cu	50
Lead	75	USD/NOK	90	TC Pb	-15
Gold	65				
Silver	75				

Estimate of the 12-month effect on Group EBIT on 30<sup>th</sup> June 2008, based on planned production volumes. Effects of hedging, contracted TC/RC or stock exposures in the smelters are not taken into account.

# Metal price hedging on 30<sup>th</sup> June 2008

<b>Metal futures</b>	<b>Maturity year</b>	<b>Metal price, USD</b>	<b>Quantity</b>	<b>Market value, SEK m</b>	<b>Coverage rate<sup>1</sup></b>
Copper (tonne)	2008	6,157	16,450	-280	65%
	2009	5,920	42,600	-545	
	2010	7,606	62,700	-68	
				<b>-893</b>	
Lead (tonne)	2008	1,273	19,050	-68	50%
	2009	1,252	36,300	-115	
				<b>-183</b>	
Gold (troy oz)	2008	753	46,600	-65	75%
	2009	702	102,000	-147	
	2010	961	105,850	-15	
				<b>-227</b>	
Silver (troy oz)	2008	13,60	3,660,000	-102	80%
	2009	14,59	5,676,000	-115	
	2010	18,46	5,170,000	-8	
				<b>-225</b>	
<b>Market value of outstanding contracts, SEK m</b>				<b>-1,528</b>	

1) Approximate metal price hedging on outstanding metal positions during the 2008-2010 period.

# Currency hedging on 30<sup>th</sup> June 2008

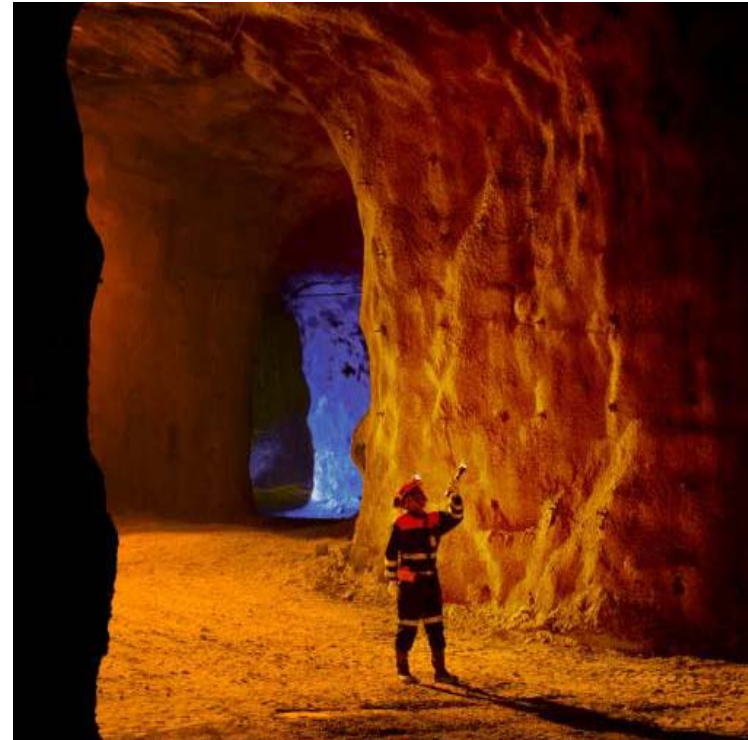
Currency options (floor)	Maturity year	Rate <sup>1</sup>	Amount sold, SEK m	Market value, SEK m	Coverage rate <sup>2</sup>
USD/SEK	2008	6.50	196	99	45%
	2009	6.00	452	111	
	2010	5.30	695	78	
<b>Market value of outstanding contracts, SEK m</b>				<b>288</b>	

1) Refers to the average strike rates for currency options.

2) Approximate currency hedging on outstanding currency positions during the 2008-2010 period.

# Looking into Q3

- Maintenance shutdowns at Odda, Rönnskär and Bergsöe
  - EBIT impact approx. -100 MSEK



# Ongoing growth and improvement projects

- Boliden Area
  - Maurliden push-back
  - Construction of Hötjärn tailings pond
  - Area back into full production by 2010
- Doubling the capacity of Aitik by 2014 to 36 million tonnes, production start 2010
- Garpenberg expansion 2007/2008
- Productivity improvements at Tara
- Continued de-bottle-necking at Kokkola and Odda
- Operating capital reductions

A nighttime photograph of a city skyline, likely New York City, featuring several illuminated skyscrapers. The buildings are lit up with warm yellow and white lights, contrasting against the dark blue and black sky. In the foreground, a dark body of water is visible, reflecting some of the city lights. The overall scene conveys a sense of modern urban life and industry.

**Boliden produces metals  
that make modern life work**

**BOLIDEN**