



INTERIM REPORT, JANUARY-MARCH 2003
5th May 2003

- **Boliden reports an improved profit after financial items. The profit totalled SEK 54 million for the first quarter of 2003, compared to SEK 17 million for the first quarter of 2002.**
- **The cash flow for the reporting period was SEK 31 million (SEK -328 m).**
- **Some of Boliden's dollar hedges have been closed out, thereby strengthening both the cash flow and the Group's shareholders' equity. The close out has not affected the earnings after net financial items.**
- **A programme designed to boost efficiency and cut costs was launched during Q1 2003. This programme, when combined with programmes already in progress, is expected to yield an annual effect on the result of SEK 300 million, the full impact being felt in 2004.**
- **As a result of the ongoing drilling programme, parts of the Lappberget deposit at Garpenberg can now be classified as an inferred mineral resource totalling 7.5 million tonnes.**

Turnover and result SEK million (unless stated otherwise)	First quarter		Change in
	2003	2002	%
Turnover	2 338	2 406	-3
Operating result	126	97	30
Operating margin (%)	5.4	4.0	
Earnings after net financial items	54	17	
Net result for the period	130	17	
Earnings per share, SEK	1.51	0.20	
Return on shareholders' equity (%)	18.7	2.7	
Return on capital employed (%)	7.0	5.4	
Cash flow from operating activities	174	-196	
Cash flow for the period	31	-328	

Metal prices (average LME/LBMA)	First quarter		Change in
	2003	2002	%
Copper (USD/lb.)	0.75	0.71	6
Zinc (USD/lb.)	0.36	0.36	0
Lead (USD/lb.)	0.21	0.22	-5
Gold (USD/oz.)	353	290	22
Silver (USD/oz.)	4.67	4.49	4

Exchange rates (average)	First quarter		Change in
	2003	2002	%
SEK/USD (realized by Boliden)	10.25	10.91	-6
SEK/USD	8.55	10.45	-18
USD/CAD	1.51	1.59	-5



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President's statement

Boliden reports an operating result of SEK 126 million (SEK 97 m) for the first quarter of 2003. The improved result is primarily due to increased mining production and higher metal prices, and to reduced costs and increased productivity in the various operating sectors. A lower exchange rate for the US dollar, combined with falls in prices and volumes in the Business Area Fabrication, had a negative effect on the operating result for the reporting period, in comparison with the corresponding period in 2002.

The result after financial items for the first quarter of 2003 improved to SEK 54 million (SEK 17 m). A lower net debt, coupled with lower interest rates, had a positive effect on the net interest items compared with the previous year.

Boliden has closed out some of the market value inherent in the company's currency hedging contracts in respect of the hedging of future dollar revenues during the reporting period. This allows the company to tie in part of its market value and, simultaneously, to strengthen the Group's shareholders' equity. An option programme has been implemented, whereby Boliden continues to hedge against a further weakening of the US dollar against the Swedish krona. Large parts of the company's dollar revenues are thus still hedged for the period from 2003 up to and including Q2 2005, thereby generating continued stability in the company's operations.

Cash flow improved during the first quarter of 2003 to SEK 31 million (SEK -328 m), primarily as a result of the improved result and the positive effects of the close out of the dollar futures.

The price of the majority of Boliden's metals was higher during the first quarter of 2003 than in the corresponding period in the previous year. The prices did, however, fall towards the end of the reporting period, and these lower prices have continued during the first part of the second quarter.

Production increased in the Business Area Mining Operations during the first quarter of 2003 in comparison with levels during the corresponding period last year. Copper production at Aitik increased, whilst gold production decreased slightly as a result of lower gold grades in the ore mined. Production continued to develop positively in the Boliden Area. Boliden's exploration work on the Lappberget discovery at Garpenberg continues to yield good results with very high grades of zinc, silver and lead in particular. As a result of the ongoing drilling programme, parts of the Lappberget deposit can now be classified as an inferred mineral resource totalling 7.5 million tonnes, and work on identifying the entire Lappberget deposit continues. Production also continued to develop positively at Myra Falls and the operating result remained positive.

Production at Rönnskär was lower during the first quarter of 2003 than in the corresponding period in 2002. Q1's lower production was mainly due to a shortfall in the availability of external mine concentrates resulting from continued production restrictions on the part of the major global market producers of copper concentrate. This materials shortfall, which was compensated for in part by increased deliveries from the Group's own mines, resulted in eight days of downtime at Rönnskär during the first quarter. Production at Boliden Bergsöe increased during the first quarter in comparison with the same period in 2002. Lower smelting and refining charges had a negative effect on the Business Area Smelting Operations' result during the first quarter of 2003.

Fabrication's market for both copper and brass products continued to be weak during the first quarter of 2003. Boliden has now initiated a restructuring and consolidation of the Nordic and UK brass market with a view to boosting the competitiveness and profitability of the company's brass operations. At the start of the year, we announced our intention to form a joint venture Nordic brass company in partnership with Hexagon. In April, a declaration of intent to acquire the assets of the British brass producer, Cerro Extruded Metals Limited, was also signed.

An extensive cost-cutting and efficiency-boosting programme was launched during the first quarter, and this, when combined with programmes already in progress, is expected to yield an annual effect on the result of SEK 300 million as early as next year. It is pleasing to note that our operations are developing positively, despite the continued weakness in the external market.

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Metals

The price trend for the metals produced by Boliden was mixed during the first quarter in comparison with the same period last year. Copper was the only one of the base metals to show positive development, with performance of other base metals being slightly weaker. The market did, however, fluctuate severely during the period. The market situation remains tight and the weakening in the US dollar has meant a pronounced fall in the price of base metals.

The gold price fluctuated severely during the first quarter, and Boliden consequently extended its price hedging of planned gold production. At the end of March 2003, 72 per cent of the planned production for this year was hedged at an average price of USD 338/oz. 54 per cent has been hedged for 2004 at USD 364/oz, and 25 per cent hedged for 2005 at US 344/oz. Boliden's exposure to changes in other metal prices remains considerable, however, in that gold production accounts for only a relatively small part of the company's total metal production and turnover.

Metal prices (average LME/LBMA)	First quarter		Change in %
	2003	2002	
Copper (USD/lb.)	0.75	0.71	6
Zinc (USD/lb.)	0.36	0.36	0
Lead (USD/lb.)	0.21	0.22	-5
Gold (USD/oz.)	353	290	22
Silver (USD/oz.)	4.67	4.49	4

Currencies

The US dollar continued to weaken against the Swedish krona, mainly as a result of the dollar's substantial weakening against the euro. The Canadian dollar also strengthened against the US dollar during the first quarter of 2003, compared to the same period last year.

Exchange rates (average)	First quarter		Change in %
	2003	2002	
SEK/USD (realised by Boliden)	10.25	10.91	-6
SEK/USD	8.55	10.45	-18
USD/CAD	1.51	1.59	-5

Hedges

Boliden has, in accordance with its hedging policy, revised its hedging strategy during the quarter, and the percentage of dollar revenues hedged through currency futures is consequently reduced. Futures contracts corresponding to 13 per cent of Boliden's dollar exposure between 2003 and 2005 have been closed out. These transactions had a positive effect on Boliden's cash flow of SEK 182 million and a positive effect on shareholders' equity, with a deferred tax deduction, totalling net SEK 233 million, without affecting the income statements. The deferred taxes recoverable pertaining to the deficit deduction, corresponding to the deferred tax on the closed out forward agreements, have been reported at SEK 79 million, equivalent to SEK 0.92 per share, as a tax income in the first quarter. The result of this transaction will be reported in the Income Statement concurrently as the underlying hedged flows are encountered, between 2003 and 2005. Boliden has, for the close out of hedge contracts, applied international accounting standards due to the absence of guidance in Swedish accounting standards. Additional close outs occurred during April, resulting in a boost of SEK 122 million to the cash flow and a corresponding increase in shareholders' equity, with a deferred tax deduction, totalling net SEK 88 million.

The closing out of hedges secures the profit generated by the future hedge for its duration up to the redemption date. A new currency option programme, involving a floor of SEK/USD 8.30 and a ceiling of SEK/USD 9.50, has been implemented in order to limit the risk associated with any further weakening in the dollar. Boliden already holds put options that constitute a floor of SEK/USD 9.00, corresponding to approximately 20 per cent of the currency exposure between 2003 and 2004. Currency contracts in respect of Boliden's exchange rate hedging, as of 31st March 2003, are presented in the table on page 12.



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Turnover and result per Business Area

Mining Operations

The turnover of Boliden's mining operations during the first quarter of 2003 totalled SEK 680 million (SEK 473 m). The operating result posted was SEK 71 million (SEK -15 m), corresponding to an operating margin of 10 (-2) per cent. The operating result was positively affected by increased metal prices, increased production, lower smelting and refining charges, and productivity improvements. At the same time, however, the result was negatively affected by a US dollar exchange rate that was lower during the reporting period than in the corresponding period last year.

Mining operations, SEK million	First quarter		Change in
	2003	2002	%
Turnover	680	473	44
Operating result	71	-15	-
Depreciation	74	70	6
Investments	99	60	65
Capital employed	1 336	1 103	21

Boliden's mines mainly produce copper, zinc, lead, gold and silver.

Total production of Boliden's main metals, copper and zinc, increased substantially during the first quarter of 2003 in comparison with the corresponding period last year. The increase is primarily due to the start up of production at the Canadian Myra Falls mine that was temporarily halted during the first quarter last year. The Myra Falls operations are continuing to report a positive performance after last year's implementation of a comprehensive action programme.

Ore production increased at Aitik, which mainly produces copper, with higher grades of copper and silver. Gold grades were lower than during the corresponding period last year.

The head grades can deviate from average at times, depending on the actual zone being mined.

In the Boliden Area, both ore production and milling continued to develop well. There were significant increases in the production of both zinc and copper during the first quarter, while gold and silver production levels fell slightly. Last year's successful exploration work in the Boliden area continued to show good results.

Production of the main metal, zinc, at Garpenberg during the first quarter of 2003 was on a par with levels during the corresponding period last year. Boliden's exploration work on the Lappberget discovery at Garpenberg continues to yield good results, with high grades of zinc, silver and lead in particular. As a result of the ongoing drilling programme, parts of the deposit can now be classified as an inferred mineral resource totalling 7.5 million tonnes, and work on identifying the entire Lappberget deposit continues.



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Metal production	First quarter		Change in
Total and per mine	2003	2002	%
Total ¹⁾			
Copper (tonnes)	21 761	15 453	41
Zinc (tonnes)	44 895	24 039	87
Lead (tonnes)	4 372	4 913	-11
Gold (ounces)	39 763	37 144	7
Silver (thousand ounces)	2 330	2 087	12
Boliden Area			
Copper (tonnes)	5 508	2 449	125
Zinc (tonnes)	19 153	12 935	48
Lead (tonnes)	656	688	-5
Gold (ounces)	21 259	22 955	-7
Silver (thousand ounces)	518	553	-6
Garpenberg			
Copper (tonnes)	125	226	-45
Zinc (tonnes)	10 084	10 558	-4
Lead (tonnes)	3 716	4 225	-12
Gold (ounces)	1 964	2 765	-29
Silver (thousand ounces)	1 152	1 154	0
Aitik			
Copper (tonnes)	13 247	12 698	4
Gold (ounces)	9 705	11 263	-14
Silver (thousand ounces)	463	377	23
Myra Falls ¹⁾			
Copper (tonnes)	2 881	80	3501
Zinc (tonnes)	15 658	546	2768
Gold (ounces)	6 835	149	4487
Silver (thousand ounces)	197	3	6467

¹⁾ The Myra Falls operations were temporarily halted from December 2001 until the end of March 2002.

Smelting Operations

The Business Area Smelting Operations' turnover during the first quarter of 2003 was SEK 1,415 million (SEK 1,794 m). The operating result was SEK 81 million (SEK 104 m), corresponding to an operating margin of 6 (6) per cent. The operating result was positively affected by higher metal prices and an increase in lead sales at Boliden Bergsöe in comparison with the corresponding period last year. Lower smelting and refining charges, coupled with lower production, had a negative effect on the result. The valuation of the process stocks at Rönnskär affected the result for the first quarter of 2003 to the tune of SEK -6 million (SEK 22 m).

Smelting Operations, SEK million	First quarter		Change in
	2003	2002	%
Turnover	1 415	1 794	-21
Operating result	81	104	-22
Depreciation	76	72	6
Investments	14	10	40
Capital employed	5 361	5 534	-3

Boliden's smelters (Rönnskär, Bergsöe) mainly produce copper, zinc clinker, lead and precious metals. The lower production during the first quarter was primarily due to a shortfall of external mine concentrates resulting from continued production restrictions on the part of the major global market producers of copper concentrate. This materials shortfall, which was successfully compensated for in part by increased deliveries from the Group's own mines, resulted in 8 days of downtime at Rönnskär during the first quarter. The market for mine concentrate is expected to remain problematic for the rest of the year. The operations at Boliden's lead smelter Bergsöe in Landskrona developed very positively during the first quarter.

Metal production	First quarter		Change in
	2003	2002	%
Copper (tonnes)	51 566	54 313	-5
Zinc clinker (tonnes)	7 286	9 223	-21
Lead (tonnes)	6 063	6 329	-4
Gold (kg)	2 941	4 543	-35
Silver (kg)	121 212	114 764	6
Lead alloy, Bergsöe (tonnes)	13 273	13 246	-

Fabrication

The turnover for the Business Area Fabrication, which specialises in manufacturing copper tubing and brass rods, totalled SEK 617 million (SEK 587 m) for the first quarter of 2003. The higher turnover is attributable to the acquisition of the Dutch copper tubing manufacturers, HME. The operating result for the reporting period was SEK -13 million (SEK 4 m).

Demand in both the copper tubing and brass markets remained weak during the first quarter of 2003. Programmes designed to boost efficiency continue within Fabrication, but they were unable to compensate for the significantly lower volumes and prices currently pertaining in the market.

At the start of the year, Boliden announced its intention to form a joint venture Nordic brass company in partnership with Hexagon. In April, Boliden also signed a declaration of intent to acquire the assets of the British brass producer, Cerro Extruded Metals Limited. Boliden has, through these measures, initiated a restructuring and consolidation of the Nordic and UK brass markets with a view to boosting the competitiveness and profitability of the company's brass operations.



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Fabrication, SEK million	First quarter		Change in %
	2003	2002	
Turnover	617	587	5
Operating result	-13	4	-
Depreciation	16	15	7
Investments	19	9	111
Capital employed	776	834	-7

Technology Sales

Boliden Contech, which markets and sells technical solutions, mainly for smelters, won a new order from China for SEK 40 million during the reporting period. The market for technology sales remains depressed due to lower investment levels in the mining and smelting industries.

Employees

The average number of employees in the Boliden Group at the end of the first quarter of 2003 was 3,811, of whom 2,532 were based in Sweden. This corresponds to a reduction of 54 employees from the end of 2002, when the group had 3,865 employees.

Stockholm, 5th May 2003

Jan Johansson
President & CEO

This Interim Report has been prepared in accordance with the Swedish Financial Accounting Standards Council's *RR22 Interim Reporting* recommendation. The accounting principles and methods of calculation correspond to those applied in the latest Annual Report. The Interim Report has not been subject to specific examination by the company's auditors.

The next reporting date is 19th August 2003.

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Boliden's homepage: www.boliden.com

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INCOME STATEMENTS

The Group	First quarter		Full year
	2003	2002	2002
SEK million			
Net sales	2 338	2 406	9 556
Cost of goods sold	-2 074	-2 168	-8 569
Gross result	264	238	987
Cost of sales	-87	-77	-316
Administrative expenses	-75	-82	-280
Research and development costs	-19	-23	-94
Other operating income and expenses	43	28	101
Share in associated companies' profits	0	13	16
Operating result	126	97	414
Financial items, net	-72	-80	-303
Result after financial items	54	17	111
Taxes	76	0	20
Minority shares in earnings	0	0	1
Net result for the period	130	17	132
EPS, SEK	1.51	0.20	1.54
Shareholders' equity per share, SEK	34.22	29.08	30.18
<i>No. shares</i>	<i>85 811 638</i>	<i>85 811 638</i>	<i>85 811 638</i>

Other key ratios	31 March	31 March	31 Dec
	2003	2002	2002
Return on capital employed, %	7.0	5.4	5.8
Return on shareholders' equity, %	18.7	2.7	5.2
Equity/assets ratio, %	27.0	22.9	24,2
Depreciation, SEK million	167	158	635
Investments, SEK million	132	79	505
Capital employed, SEK million	7 354	7 227	7 033
Net debt, SEK million	-4 704	-5 035	-4 730

¹ Full dilution results in only a negligible reduction in earnings per share. Dilution refers to options issued by Boliden Limited, which grant the right to obtain shares in Boliden AB. The options grant the right to obtain a maximum of 345,000 newly issued shares in Boliden AB.

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BALANCE SHEETS

The Group	31 March	31 March	31 Dec
SEK million	2003	2002	2002
Intangible fixed assets	9	9	9
Tangible fixed assets	7 496	7 645	7 548
Deferred tax	234	225	235
Interest-bearing assets	3	3	3
Other financial fixed assets	56	103	54
Inventories	1 255	1 417	1 192
Interest-bearing current receivables	93	67	98
Other receivables	918	983	787
Liquid funds	798	454	768
Total assets	10 862	10 906	10 694
Shareholders' equity	2 937	2 495	2 590
Minority interests	1	1	1
Pensions reserves	74	415	74
Other provisions	680	634	695
Interest-bearing long-term liabilities	5 183	5 140	5 195
Other long-term liabilities	102	6	101
Interest-bearing current liabilities	341	4	330
Other current liabilities	1 544	2 211	1 708
Total liabilities and shareholders' equity	10 862	10 906	10 694
Specification of changes in shareholders' equity	31 March	31 March	31 Dec
SEK million	2003	2002	2002
Opening balance	2 590	2 527	2 527
Net result for the period	130	17	132
Early terminated futures contracts, after tax	233	-	-
Revaluation due to termination of associated company relationships	-	-	-4
Translation differences	-16	-49	-65
Closing balance	2 937	2 495	2 590

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CASH FLOW ANALYSIS

SEK million	Jan-March 2003	Jan-March 2002	Full year 2002
Operating activities			
Earnings after net financial items	54	17	111
Adjustments for items not included in cash flow etc.	123	108	518
	177	125	629
Tax paid	–	–	-3
Cash flow from operating activities before changes in working capital	177	125	626
<i>Cash flow from changes in working capital</i>			
Increase(-)/Decrease(+) in inventories	-63	-6	202
Increase(-)/Decrease(+) in operating receivables	-111	-104	82
Increase(+)/Decrease(-) in operating liabilities	171	-211	-413
Cash flow from operating activities	174	-196	497
Investment activities			
Acquisition of operations	–	-52	-52
Acquisition of intangible fixed assets	–	–	-1
Acquisition of tangible fixed assets	-132	-79	-504
Sale of tangible fixed assets	–	–	15
Sale of financial assets	–	–	22
Cash flow from investment activities	-132	-131	-520
Financing activities			
Loans raised	–	–	576
Amortisation of loans	-11	-1	-195
Amortisation of pension liabilities	–	–	-372
Cash flow from financing activities	-11	-1	9
Cash flow for the period	31	-328	-14
Liquid funds, beginning of period	768	787	787
Exchange rate difference on liquid assets	-1	-5	-5
Liquid funds, end of period	798	454	768
Liquid funds			
<i>The following are included in liquid funds:</i>			
Cash and bank	204	369	231
Short-term investments, equated with liquid funds	594	85	537
	798	454	768

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INFORMATION PER BUSINESS AREA

SEK million

Q1 2003

	<u>Mining Operations</u>	<u>Smelting Operations</u>	<u>Fabrication</u>	<u>Other, inc. elim.</u>	<u>The Group</u>
Net turnover	680	1 415	617	-374	2 338
Operating result	71	81	-13	-13	126
Depreciation	74	76	16	1	167
Investments	99	14	19	–	132
Capital employed	1 336	5 361	776	-119	7 354

Q1 1 2002

	<u>Mining Operations</u>	<u>Smelting Operations</u>	<u>Fabrication</u>	<u>Other, inc. elim.</u>	<u>The Group</u>
Net turnover	473	1 794	587	-448	2 406
Operating result	-15	104	4	4	97
Depreciation	70	72	15	1	158
Investments	60	10	9	–	79
Capital employed	1 103	5 534	834	-244	7 227

As of December 2002

	<u>Mining Operations</u>	<u>Smelting Operations</u>	<u>Fabrication</u>	<u>Other, inc. elim.</u>	<u>The Group</u>
Net turnover	2 272	6 587	2 347	-1 650	9 556
Operating result	190	248	-6	-18	414
Depreciation	287	290	55	3	635
Investments	313	128	55	9	505
Capital employed	1 289	5 280	750	-286	7 033

Sensitivity analysis, 2003

The following table comprises an estimate of the effects of changes in metal prices, exchange rates and refining charges (TC/RC) on Boliden's result for the full year, based on planned production levels for 2003. The sensitivity does not take into account the effects of metal price hedging or currency hedging.

	Price changes +/-	Effect on result +/- (MSEK)		Price changes	Effect on result (MSEK)
Copper	0.10 USD per lb.	175	TC Copper	+10 USD per ton	+19
Zinc	0.10 USD per lb.	245	RC Copper	+1 cent per lb.	+13
Lead	0.10 USD per lb.	87	TC Zinc	+10 USD per ton	-30
Gold	10.00 USD per oz.	18	TC Lead	+10 USD per ton	-4
Silver	0.10 USD per oz.	8			
SEK/USD	0.10 SEK per USD	36			
CAD/USD	0.10 CAD per USD	31			

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Currency contracts in respect of exchange rate hedging of commercial operations exposure

The table shows unrealised futures and options contracts taken with a view to hedging commercial payment flows. Early terminated futures contracts and their inherent effects on the result have consequently not been taken into account.

"Floor" corresponds to the lowest contract rate and "Ceiling" to the highest contract rate for USD 95 million during the period from 2003 to 2005.

USD million		Currency futures	Currency options		Net flow	Percentage hedged
Matures in 2003 (Q2-Q4)	amount, rates sold ¹	147	68	46	<i>Plan</i> 268	97%
		10.74	9	8.3/9.5		
Matures in 2004	amount, rates sold ¹	198	68	22	393	73%
		10.64	9	8.3/9.5		
Matures in 2005	amount, rates sold ¹	83		27	409	27%
		10.25		8.3/9.5		
Total, unrealized contracts		428	135	95	1 070	61%
Market value of unrealised contracts ²	SEK m	752	22	0		
Closing day rate, 31 st March 2003		8.51				

¹ Contract rate, and strike for put options and call options, respectively

² Outstanding currency and hedging contracts valued at market value