

Economic Performance (EC)

The locations of Boliden's operations are determined by the localisation of mineral resources and the ability to explore and expand operations in connection with them. Good community relations and mutual understanding are a prerequisite for Boliden's business success and to enable the business to grow. Boliden also contributes to long-term economic growth by providing metals that are important for society's industrialisation and development.

Financial targets

RETURN ON INVESTMENTS	The return on investments shall be a minimum of 10% (NPV)
NET DEBT/EQUITY RATIO	The net debt/equity ratio in an economic upturn shall be no higher than 20%
DIVIDEND	The dividend shall correspond to one third of the net profit

Material Economic Aspects

The economic aspects identified as material to Boliden are economic performance, market presence and indirect economic impact. All of these aspects are closely linked to Boliden's overall performance. They are both the result of and a precondition for trust from the local communities where Boliden operates. By taking these aspects into account and performing well in respect of them, Boliden maintains its licence to operate and the ability to develop the business.

Boliden's contribution to the community is multi-faceted and includes investing in education and engaging with students, nurturing competence and enabling conversion from one occupation to another to make people employable; sponsoring local organisations; making investments that benefit the company and the community, etc. These are matters that support job creation and strengthen rural communities' contribution to national economic stability. Looking back, one of the Group's focus areas has been to generate a positive economic impact on the local community.

Several of Boliden's most important locations and locations where major investments have been made are regions where growth injections are needed. Boliden is aware of the company's role and significance as what is often the biggest employer in the

community and a generator of positive trickle-down effects, such as tax income to finance public services, and as a foundation for a private service sector. This brings both privileges and responsibilities.

Salaries are an important part of the economic compensation to the community. In general, the entry level wages for employees are set higher than the minimum wage, and average salaries and wages are often higher than the national industrial average. For blue-collar employees, there is an entry-level wage stated within the local salary agreement that is used for new employees.

For white-collar employees hired directly out of universities, Boliden applies entry-level wages, depending on the level of education needed for different jobs.

Social impact assessments are conducted in order to assess the consequences for the local community, both in connection with expansions of and other significant changes to operations, and in conjunction with the closure of operations.

Please see the following sections of this report and pp. 48-49 of the Annual Report to learn more, over and above the indicator reporting, about the ways in which Boliden manages, follows up on and monitors its performance in relation to these aspects.

Financial Performance

RETURN ON INVESTMENTS



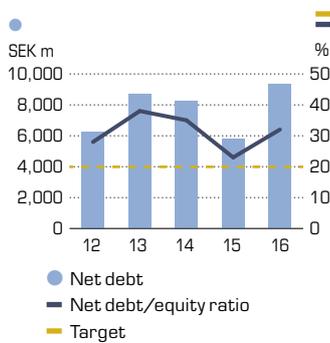
Results 2016

The return on capital employed totalled 15% (10). The average per annum return during the period from 2012 to 2016 has been 10%. Any investments made shall demonstrate a high return and shall be made in line with both Boliden's strategy and available resources. The projects' internal interest rates shall be higher than Boliden's weighted average cost of capital (WACC), adjusted for a risk premium.

Comments

The WACC before tax is currently nominally set at 12%, which corresponds to 10% in real terms. Calculations for major and long-term projects are normally conducted in real terms. They are based on forecast interest rates, metal prices, exchange rates, inflation and other relevant assumptions drawn from internal analyses and external assessments.

NET DEBT/EQUITY RATIO



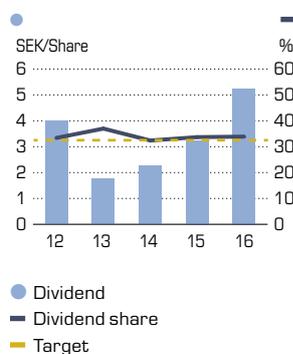
Results 2016

The net debt/equity ratio at the end of 2016 was 32% (23). The increase from 2015 is due to the acquisition of Kevitsa.

Comments

The net debt/equity ratio in an economic upturn shall be no higher than 20 per cent. The aim is to maintain a reasonable financial ability to act in a recession.

DIVIDEND



Results 2016

The proposed dividend is SEK 5.25 per share (3.25), corresponding to 33.9% (33.7) of the net profit for the year. The dividend share during the period from 2012 to 2016 was 33.8% of the aggregate net profit for the period.

Comments

Boliden's dividend policy states that the dividend shall correspond to approximately one third of the net profit.

Material Aspect: Economic Performance

EC1 Direct economic value generated and distributed

Net sales in 2016 totalled SEK 40,316 million (40,242). Boliden has developed the description of the company's value creation and has therefore redefined some of the economic indicators com-

pared to previous GRI reports. All of the indicators are reported with two comparative years. Boliden also reports revenues and operating profit per Business Unit and country-by-country tax payments in the Annual Report.

Component, SEK m	Stakeholder group	2014	2015	2016	Comment
Direct economic value generated					
a) Revenues	From customers	36,891	40,242	40,316	Net sales plus revenues from financial investments and sales of assets.
Economic value distributed					
b) Purchasing	To suppliers	-31,552	-33,304	-30,340	Payments for materials, energy, machines, other components and services purchased.
c) Employee wages and benefits	To employees	-3,442	-3,480	-3,925	Total payroll and benefits incl. employee taxes and funds on behalf of employees.
d) Payments to providers of capital	To shareholders, banks and institutions	-906	-1,127	-1,747	Dividends to shareholders and interest paid to providers of loans.
e) Payment to government	To society	-572	-715	-1,135	Gross taxes.
Economic value retained					
f) Retained earnings	Shareholders	967	1,677	1,688	Reinvestments or reserves.

EC2 Financial implications and other risks and opportunities due to climate change

Boliden is impacted by the effects of climate change, and the effects are both physical and financial. The stress that heavy rain puts on Boliden's water management systems is one example of a physical implication. Over the past years, heavy rains have led to capacity investments by Boliden in order to comply with the limits stipulated in relevant permits and to achieve the Group target of reducing discharges to water.

Metals production is a very energy-intensive process that generates both direct and indirect carbon dioxide emissions. Boliden's direct carbon dioxide emissions primarily arise from the metallurgical processes, transportation, and heating requirements. The indirect carbon dioxide emissions derive from purchased electricity. To address the climate change issue, Boliden takes part in development projects focusing on, for example, improving heat recovery, the further electrification of transports, and trials involving replacing fossil fuels with biofuels in process applications.

All of Boliden's smelter operations (Odda, Bergsöe, Rönnskär, Kokkola and Harjavalta) have been fully exposed to ETS, the European Emission Trading Scheme, since 2013. The ETS is a strong strategic challenge for Boliden, entailing not only calculating the costs that may be entailed in future purchases of emission allowances, but also working on opportunities to reduce emissions, given the production levels and available technology. The allocated emissions allowances for Boliden's smelters for the period 2013–2020 total 3.9 Mtonnes, which is in line with the direct emissions forecast. The rules for emissions trading, and the financial implications for Boliden after 2020, are uncertain.

In 2013, the Group management formulated new targets for the stabilisation of Boliden's carbon dioxide emissions until 2018. This target, expressed as intensity (tonne CO₂/tonne metal), is together with internal carbon budget pricing, a basis for evaluating investments and mitigation opportunities.

EC3 Benefit plan coverage

Pension undertakings

Boliden Group companies have various pension schemes in accordance with local conditions and practices in the countries in which they operate. They are generally financed through payments to insurance companies or through own provisions. Boliden has defined benefit plans in Sweden, and Ireland and a very small number of such plans in Norway. The defined benefit plan provides the employee with a fixed amount of their final salary in conjunction with the retirement. The pension costs for the year comprise service costs, financing costs, special payroll taxes, administrative costs and settlements/reductions of pension plans. Revaluations of the defined benefit net pension liability are reported under Other comprehensive income.

Costs, undertakings and other factors in pension plans are calculated by means of the Projected Unit Credit Method. The Group's reported pension liability totals SEK 925 million (SEK 1,075 m) which sum includes endowment insurance totalling SEK 94 million (SEK 91 m) in respect of defined premium plans in Sweden.

Detailed information on provisions for pension and similar undertakings can be found in Note 23 of the Annual Report. Boliden is currently not able to report information in addition to that presented above.

Reason for omission: data is unavailable

EC4 Financial assistance received from government

In 2016, government grants totalling SEK 35 million (30) were obtained and SEK 32 million (29) was recognized in the income statement. This mainly consisted of assistance received in Norway for carbon dioxide compensation and for energy efficiency measures.

Material Aspect: Market Presence

EC6 Proportion of senior management hired from the local community

Boliden reports this indicator for each Business Unit which corresponds to significant locations of operation. Senior managers are defined as managers involved in the local management team. Managers are deemed to be hired from the local community if they are permanently resident in the geographical vicinity of their place of work (i.e. not commuting from other regions).

Boliden acquired the Kevitsa mine in northern Finland in 2016. The local management team remained after Boliden's takeover.

Proportion of senior management hired from the local community at significant locations of operation

Operation	2015		2016	
	Senior Managers on site	Hired from local community %	Senior Managers on site	Hired from local community %
Aitik	10	90	11	100
Boliden Area	10	100	7	100
Garpenberg	5	100	5	100
Tara	7	86	7	86
Kylylahti	8	75	8	88
Kevitsa	-	-	10	100
Rönnskär	7	86	7	86
Bergsöe	6	100	6	100
Odda	5	100	5	100
Kokkola	6	100	6	100
Harjavalta	6	100	6	100
Total in Group	70	92.9	78	96.2

Material Aspect: Indirect Economic Impacts

Aspect Specific DMA

Boliden's operations affect and touch the lives of many people – sometimes entire communities. Value creation depends on the ability to show consideration for people, society and the environment throughout the value chain. Boliden aims to make a positive contribution to the development of communities, regions and countries in which they operate.

Boliden currently operates in countries where the infrastructure is well developed and the need for Boliden to contribute to society by directly investing in and developing infrastructure and social services is limited.

Boliden is, however, often one of the bigger companies in the local area, paying taxes in the areas in which Boliden operates, and its contribution can, therefore, be considered significant.

EC8 Significant indirect economic impact, including the extent of impacts

Boliden's mining and smelting operations are often of considerable importance in terms of employment in the local community, making Boliden an important local stakeholder. The Group's operations have not only a substantial impact on job opportunities but also affect suppliers' purchasing power elsewhere in the local business sector, which, in the long term, impacts the development of the communities' service sectors.

In 2016, Boliden commissioned EY to review its economic contributions to the economy in the four countries with mining and smelting operations. The analysis is based on Boliden's financial data, purchasing pattern and publicly available statistics. The newly acquired Kevitsa operation has not been included in the assessment. The results show that Boliden's activities support the creation of 25,300 jobs, in Sweden (14,300), Finland (7,800), Norway (1,400), and Ireland (1,700). These are direct jobs (5,100), those indirectly supported through subcontractors and

suppliers (8,900), or those supported through the induced effect of the employees' expenditure (11,400). The average amount of jobs created per Boliden employee is 4.0, and as a consequence, Boliden also contributes to the public finances both through direct taxes and through the taxes paid by suppliers and customers. In our most recent calculation, based on the preliminary 2016 financial results, Boliden's total contribution to public finances through taxes in Sweden, Finland, Norway and Ireland is estimated at SEK 11,500 million.

Compared to earlier assessments based on the 2014 results, job creation is slightly lower in Sweden and Ireland, but on a higher level in Norway. The variations can to some extent be explained by the ongoing investment programmes.

Boliden participates in the development of education for future engineers within the mining and metals industry.

The Group's operations not only impact the local communities at large: employees, shareholders, customers and suppliers all depend on Boliden's profitability, and by improving this aspect of the operations even further, Boliden will be able to continue making a positive economic and social contribution to the development of these communities and their society.

JOBS CREATED PER COUNTRY

