

CONTINUED PRICE DROP PUTS PRESSURE ON PROFITABILITY

The global iron ore market continues to be influenced by the structural oversupply of iron ore fines. The price level was reflected in LKAB's operating profit for the first quarter, which amounted to MSEK 375 (1,946) with an operating margin of 9 (32) percent.

The price of iron ore on the world market fell by more than 50 percent in 2014 and the drop continued during the quarter, putting pressure on profitability. However, demand for LKAB's upgraded products is expected to remain stable.

A programme to reduce production costs by MSEK 700 in 2015 continues, which includes measures such as cutting 400 positions from the workforce. About 40 positions were cut during the quarter, which will be followed by a reorganisation that focuses on streamlining the LKAB processes.

Production volume for the quarter was 6.2 (6.6) million tonnes, which was 7 percent lower than at the same period last year. Deliveries of iron ore totalled 5.9 (6.6) million tonnes for the quarter. Intensive work has been ongoing during the quarter to reduce costs and ensure a trouble-free production..

On 2 April, we received the good news from the Land and Environment Court that LKAB can resume mining in the Leveäniemi mine. The decision means that, seven years after the first application was filed, LKAB now has permits for all three open-pit mines. The new open-pit mines ensures LKAB increased production flexibility in a pressured iron ore market.