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Stable Deliveries and Reduced Costs

JULY-SEPTEMBER

- Net sales totalled MSEK 4,258 (4,203)
- Underlying operating profit¹ was MSEK 762 (798)
- Operating profit/loss was MSEK 273 (-6,951)
- Costs for urban transformation provisions totalled MSEK -489 (-613)
- Profit/loss for the period was MSEK 509 (-5,641)
- Operating cash flow was MSEK 235 (-417)
- Deliveries of iron ore totalled 7.2 (6.2) Mt

JANUARY – SEPTEMBER

- Net sales totalled MSEK 11,826 (11,948)
- Underlying operating profit¹ was MSEK 1,095 (1,420)
- Operating profit/loss was MSEK 167 (-6,805)
- Costs for urban transformation provisions totalled MSEK -928 (-1,088)
- Profit for the period was MSEK 628 (-5,451)
- Operating cash flow was MSEK -2,366 (-1,612)
- Deliveries of iron ore totalled 20.1 (17.4) Mt

¹ Underlying operating profit is defined as operating profit excluding costs for urban transformation provisions and impairment of property, plant and equipment.

The operating profit was MSEK 273 (-6,951), with impairment losses of MSEK -7,136 on property, plant and equipment having been charged to earnings in the third quarter of 2015. The underlying operating profit¹ for the quarter was MSEK 762 (798).

“LKAB’s third quarter saw stable production, increased delivery volumes and positive cash flow. Continued efficiency improvements and cost savings have had an effect, primarily as a result of measures to improve productivity in daily

operations and more efficient capacity utilization,” says Jan Moström, President and CEO.

LKAB’s delivery volumes increased by 16 percent compared with the same period the previous year. At the same time the average spot price² for the quarter increased to USD 59 (55)/tonne.

The positive impact of higher delivery volumes and a higher iron ore price remains countered by the results of hedging activities. The hedges were entered into at the lower iron ore prices that prevailed during the fourth quarter of 2015 and the first quarter of 2016. Hedging was carried out in order to alleviate the effects of changes in prices and exchange rates in the market. This meant that LKAB was not able to take full advantage of the price increase during the year.

“To sum up the year’s third quarter, business was better than in the same period last year. The focus on maximizing pellet production remains and demand for LKAB’s processed iron ore products is strong. The price of processed iron ore products developed well compared to the market situation earlier in the year”, says Jan Moström.

All mining operations require the use of land, and LKAB’s commitment to and responsibility for urban transformation in the mining communities remains unchanged.

“LKAB will strengthen its long-term competitiveness through increased production, a focus on costs and the efficient use of the investments made in LKAB, and will do this in partnership with the communities where we operate. The goal is mining operations that are financially, socially and environmentally sustainable in the long term,” says Jan Moström, President and CEO.

2 Platts IODE X 62% Fe CFR North China