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HIGHER IRON ORE PRICE STRENGTHENS EARNINGS

The year has started positively for LKAB with an increased production volume and operating profit for the first quarter. The cost efficiency programmes implemented in recent years have strengthened LKAB's competitiveness, while at the same time iron ore prices have risen. During the quarter the spot price¹ for iron ore was traded at the highest price level since autumn 2014 and demand for upgraded iron ore products remains good.

The operating profit for the first quarter amounted to MSEK 1,710 (171) and net sales to MSEK 5,541 (3,768). It is mainly higher market prices for iron ore and stronger US dollar exchange rates that had a positive effect, while previous hedging had an opposite effect. Improved profits, lower capital expenditures for investments and a reduction in capital tied up also improved operating cash flow, which amounted to MSEK 1,571 (-1,978) for the quarter.

The production volume amounted to 7.2 (6.9) Mt and deliveries were 6.6 (6.3) Mt for the first quarter. This means that production increased by four percent and delivery volumes by five percent compared with the same period the previous year. The strategy of maximizing pellet production remains in place and of the deliveries, 86 percent were iron ore pellets.

Demand for pellets from LKAB's customers is higher than contracted due to continued poor supply of high-quality pellets on the market. Quoted pellet price premiums increased and remained stable during the beginning of the year.

The global spot price¹ for iron ore products increased during the quarter, peaking at USD 95/tonne in February. The average price was USD 86/tonne. This is USD 15/tonne higher than listed in the fourth quarter of 2016.

"The global iron ore price has increased compared to the pressured market situation at the beginning of last year. We have strengthened our operational capacity, production is stable and the focus is now on continuing to increase our volumes within the framework of the investments already made. The foundation has been laid for a stronger and more sustainable LKAB, and even if the price situation worsens in the future, we are cautiously optimistic," says Jan Moström, LKAB's President and CEO.

LKAB's commitment to and responsibility for the urban transformations in the mining communities, which are essential for securing continued mining, remain unchanged. During the quarter a number of major acquisitions of real estate were made in the municipalities of both Kiruna and Gällivare, as part of the work to secure access to land for our mining. In Malmberget, more detailed plans have been announced since it is clear that our mining will affect a larger area and that this will occur faster than previously announced.

¹ Platts IODE X 62% Fe CFR North China