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INTERIM REPORT APRIL – JUNE 2017

STABLE PRODUCTION AND STRONG CASH FLOW

LKAB is reporting continued stable production and delivery volumes for the second quarter. Both operating profit and operating cash flow have strengthened in a year-on-year comparison. Demand for LKAB's high-grade iron ore products in the global market remains strong and efforts to increase efficiency in the production continue as planned.

Operating profit for the second quarter was MSEK 1,166 (-277) and net sales amounted to MSEK 5,713 (3,800). Profits and sales were positively impacted by a higher iron ore price and a higher pellet premium than in the same period last year.

The quarter began with a relatively high global spot price for iron ore of USD 79/tonne in April. The price then gradually fell to USD 54/tonne in June. The average price level for the quarter was USD 63/tonne, compared with USD 56/tonne in the same period in 2016. Quoted pellet premiums remained stable at a high level throughout the quarter.

Improved profits, a lower level of investment and a reduction in working capital tied up also resulted in improved operating cash flow, which totalled MSEK 3,063 (-644) for the quarter.

The production volume amounted to 6.3 (6.1) Mt and deliveries to 6.6 (6.7) Mt for the second quarter.

Towards a more competitive LKAB

The supply of high quality pellets on the market remains low and LKAB's steel mill customers are demanding more iron ore pellets than contracted. The oversupply situation within iron ore fines is expected to continue, however, which is putting pressure on iron ore prices and thus also on LKAB's profitability.

The strategy to maximize pellet production remains in place and 84 percent of the quarter's total deliveries consisted of iron ore pellets. Work to streamline and increase production within the framework of investments made previously is continuing.

"LKAB has three strategic priorities: high-grade products, highly productive mine production and energy- and climate-efficient processes. In view of the market development in recent years, LKAB has a clear ambition to increase its flexibility on all fronts in order to track the general economy more closely. Investing during good times and having the capacity to slow things down and safeguard our cash flow when there is a downturn is a clear example of this," says LKAB's President and CEO Jan Moström.

Intensive work on the urban transformations

The urban transformations in the Swedish orefields are essential for continued mining, and during the quarter this included relocating LKAB's heritage buildings in Kiruna.

"Development must precede phase-out in the transformation processes that our operating locations are facing, and it is important that heritage buildings are also relocated. Work on the urban transformation is going on continually but is now moving into a more intensive phase with continued provisions and an increased number of acquisitions, which will lead to increased expenditure over the coming year," says Jan Moström.