

Contact person: Bo Krogvig, Senior Vice President Communication
Phone: +46 (0)8 429 34 45
E-Mail: bo.krogvig@lkab.com

Interim Report July – September 2017: Continued strong demand for highly upgraded climate efficient iron ore products

Demand for LKAB's highly upgraded climate efficient iron ore products in the global market remains strong. The positive price trend resulted in strong earnings and cash flow for the third quarter.

Operating profit for the third quarter was MSEK 1,813 (273) and net sales amounted to MSEK 5,990 (4,258). Profits and sales were positively impacted by a higher iron ore price and a higher pellet premium when comparing with the same period last year.

The average price level for the global spot price of iron ore was USD 71/tonne for the quarter, compared with USD 59/tonne for the same period last year. However, we are seeing continued volatility since the quarter ended at a price level of USD 61/tonne. Pellet premiums remained stable at a high level during the quarter.

Total production and delivery volumes were slightly lower compared to the same period last year. The production volume was 6.5 (6.8) Mt and deliveries amounted to 7.1 (7.2) Mt. The lower production volume is mainly a result of a lengthy maintenance shutdown scheduled in order to replace a mantle ring in one of the pelletizing plants in the Southern Division. The production for the first nine months was 20.0 (19.7) Mt and deliveries amounted to 20.3 (20.1) Mt.

Our strategy to maximize the production of pellets remains in place and 81 percent of the quarter's total deliveries consisted of pellets. Work to streamline and increase production within the framework of previous investments also continues. The current production plan does not include crushed ore from Mertainen and LKAB currently assesses that the open-pit mine will not be taken into production during the upcoming five-year period.

Parts of Mertainen's machinery fleet was therefore sold during the quarter, which had a positive impact of MSEK 202 on profits.

Improved profits, a lower level of investments and a reduction of working capital tied up, resulted in an improved operating cash flow that amounted to MSEK 1,916 (214) for the quarter.

Growth that is sustainable in the long run

LKAB's customers are continuing to demand more iron ore pellets than what is contracted. It is key that LKAB increases its volumes, both in the short and long term.

"LKAB has three strategic priorities: highly upgraded climate efficient products, highly productive mine production, and energy- and climate-efficient processes. Work on continuous improvements in the daily operations is of great importance, but it is also important to raise our sights in order to achieve growth that is sustainable in the long term," says LKAB's President and CEO Jan Moström.

During the quarter, LKAB initiated broad strategy work that focused on the shape that LKAB should take after 2030 when the current main haulage levels are expected to be mined out. This work is aimed at putting the right conditions in place, and it includes matters such as increased in-depth knowledge of our deposits, and the development of new technology and new methods to enhance competitiveness.