

STABLE PRODUCTION, BUT PROFITS BROUGHT DOWN BY NON-RECURRING ITEMS

LKAB's fourth quarter indicates stable production and delivery volumes. However, profits were weighed down by the costs of urban transformation provisions and impairment losses for the Mertainen open-pit mine. For full year 2016 LKAB is reporting increased production and delivery volumes, record levels of pellet production and reduced costs. Despite this, non-recurring items meant that the result for the year was a loss.

OPERATIONS – FOURTH QUARTER

| MSEK | Note | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|------|---------------|-------------|----------------|----------------|
| Net sales | | 4,517 | 4,252 | 16,343 | 16,200 |
| Underlying operating profit | 7 | 527 | 128 | 1,621 | 1,548 |
| Costs for urban transformation provisions | | -1,179 | -479 | -2,106 | -1,568 |
| Impairment of property, plant and equipment | | -1,192 | | -1,192 | -7,136 |
| Operating profit/loss | | -1,844 | -351 | -1,677 | -7,156 |
| Net financial income/expense | | -34 | 156 | 613 | -115 |
| Profit/loss before tax | | -1,878 | -195 | -1,063 | -7,271 |
| Profit/loss for the period | | -1,606 | -235 | -978 | -5,686 |
| Operating cash flow | | -356 | -736 | -2,762 | -2,370 |
| Investments in property, plant and equipment | | 756 | 1,793 | 3,341 | 6,354 |
| Depreciation | | -792 | -625 | -2,746 | -2,800 |
| Production of iron ore products, Mt | | 7.1 | 6.7 | 26.9 | 24.5 |
| Deliveries of iron ore products, Mt | | 6.8 | 6.8 | 27.0 | 24.2 |
| Proportion of pellets, % | | 84 | 82 | 84 | 84 |
| Return on equity, % | 7 | neg | neg | neg | neg |
| Net debt/equity ratio, % | 7 | 20.7 | 10.0 | 20.7 | 10.0 |



“2016 was our best production year for a very long time, particularly as regards pellets.”

Jan Moström,
President and CEO

- Production and delivery volumes remained stable in the fourth quarter. In 2016 pellet deliveries reached their highest ever level at 22.7 (20.3) Mt.
- Net sales were positively impacted by higher market prices and exchange rates, while hedging had a negative effect.
- The operating loss for the fourth quarter was MSEK -1,844 (-351). During the quarter LKAB's board of directors decided that the Mertainen open-pit mine would be moth-balled, resulting in an impairment loss of MSEK 1,192 for property, plant and equipment.
- During the quarter the costs of urban transformation provisions increased, mainly relating to the new section of road E10 around Kiruna.
- The cost-efficiency programme is continuing according to plan.
- Operating cash flow in the quarter improved somewhat, mainly due to a lower level of capital expenditure, and amounted to MSEK -356 (-736).
- The net debt/equity ratio increased to 20.7 (10.0) percent, primarily as a result of increased borrowing and increased provisions for urban transformation.
- The Board proposes to the Annual General Meeting that no dividend is paid to the owner.

7.1 Mt

Produced during the quarter

6.8 Mt

Delivered during the quarter

84%

Pellet share for the quarter

THE LKAB GROUP

NET SALES AND OPERATING PROFIT/LOSS

| ANALYSIS OF CHANGE MSEK | Q4 2016 | Full year 2016 |
|---|---------------|-------------------|
| Operating profit/loss 2015 | -351 | -7,156 |
| Delivery volumes and mix | 365 | 1,825 |
| Prices | 1,192 | 672 |
| Currency effect | 269 | 233 |
| Hedging of currency and iron ore prices | -1,561 | -2,587 |
| Costs for urban transformation provisions | -700 | -538 |
| Impairment of property, plant and equipment | -1,192 | 5,944 |
| Depreciation | -167 | 54 |
| Production volumes, stock | 96 | -694 |
| Other income and other expenses | 205 | 570 |
| Operating profit/loss 2016 | -1,844 | -1,677 |

Net sales for the fourth quarter were six percent higher than in the same period last year, due to a greater percentage of highly processed products. Higher market prices and exchange rates had a positive impact, while hedging activities had a negative effect. The average spot price for the quarter was USD 71 (47)/tonne. The hedges were mainly entered into at the lower iron ore prices that prevailed during the fourth quarter 2015 and first quarter 2016. The hedging was carried out in order to alleviate the effects of price and exchange rate changes in the market. This meant that LKAB was not able to take full advantage of the price increase during 2016.

During the quarter the costs of urban transformation provisions increased, partly as an effect of the agreement between the Swedish Transport Administration and LKAB in which LKAB is to pay for the routing of road E10 through Kiruna. In addition, in December 2016 the company's Board of Directors decided that the open-pit mine in Mertainen would be mothballed, resulting in an impairment loss for property, plant and equipment of MSEK 1,192.

For full year 2016, higher delivery volumes, improved prices and the effects of the cost-cutting programme made a positive contribution to the improved result. During the year cost-efficiency measures cut costs by around MSEK 700, which was according to plan. Impairment losses on property, plant and equipment had a negative effect on operating profit of MSEK 1,192, compared with MSEK 7,136 for full year 2015.

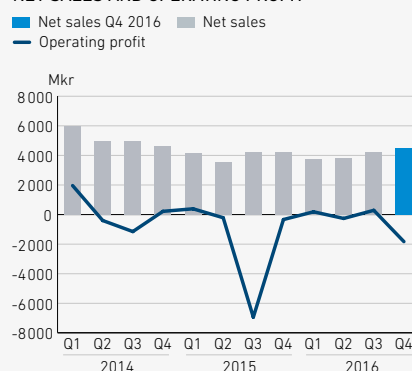
CASH FLOW

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|---|-------------|-------------|-------------------|-------------------|
| Cash flow from operating activities before changes in working capital | 1,391 | 715 | 3,569 | 3,672 |
| Change in working capital | -993 | 333 | -3,043 | 162 |
| Capital expenditures (net) | -754 | -1,784 | -3,288 | -6,204 |
| Operating cash flow | -356 | -736 | -2,762 | -2,370 |

Operating cash flow for the fourth quarter was MSEK -356 (-736). The improvement is mainly due to improved profits and lower capital expenditures payments; this was countered primarily by increased capital tied up in pledged assets for outstanding hedging positions and for accounts receivable.

Operating cash flow for full year 2016 was MSEK -2,762 (-2,370). Cash flow from operating activities is in line with the previous year, which is mainly an effect of improved profits, which were offset by increased expenditures for urban transformation. Working capital was negatively impacted by an increased level of capital tied up in pledged assets for outstanding hedging positions and for accounts receivable. Lower capital expenditures made a positive contribution.

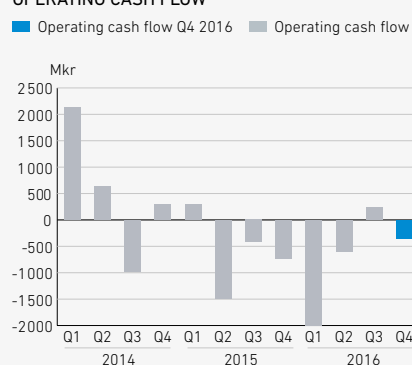
NET SALES AND OPERATING PROFIT



RETURN ON EQUITY



OPERATING CASH FLOW



THE LKAB GROUP

NET FINANCIAL INCOME/EXPENSE AND NET FINANCIAL INDEBTEDNESS

Net financial income/expense for the fourth quarter was MSEK -34 (156). The change is mainly due to a new assessment of the financial costs of the urban transformation measures, which had a positive effect on net financial income/expense of MSEK 147 in the fourth quarter 2015.

Net financial income/expense for 2016 was MSEK 613 (-115), which is mainly due to a better return on investments, positive exchange gains and positive effects of hedging activities.

Net financial indebtedness amounts to MSEK 6,330 (3,202). The increase is mainly due to increased borrowing and increased provisions for urban transformation. Net financial indebtedness thereby increased to 20.7 (10.0) percent.

PROPOSED DIVIDEND

The Board proposes to the Annual General Meeting that no dividend is paid to the owner.

CREDIT FACILITIES

| MSEK | Nominal | Utilized (nominal) | Available |
|--|---------------|--------------------|---------------|
| Commercial paper programme, maturing within one year | 5,000 | 800 | 4,200 |
| Bond programme | 7,000 | | 4,000 |
| Maturing December 2019 | | 2,000 | |
| Maturing June 2021 | | 1,000 | |
| Other bond financing | 250 | 250 | |
| Credit facility | 5,000 | | 5,000 |
| Total | 17,250 | 4,050 | 13,200 |

During the year LKAB issued corporate bonds to a value of MSEK 1,000 and increased other bond financing by MSEK 250. Utilization of commercial papers decreased by MSEK 200. All credit facilities are subject to 100 percent retention of title.

OUTLOOK FOR 2017

LKAB expects the market situation to remain largely unchanged in 2017. The over-supply situation within iron ore fines remains, which means continued pressure on iron ore prices and thus also on LKAB's profitability.

The strategy to maximize pellet production remains in place. In the prevailing market situation, however, planned volume increases for fines products are being deferred until a later date. With iron ore prices expected to remain low, LKAB is continuing its adaptation work, focusing on profitability, productivity improvements and cost cutting in order to improve competitiveness.

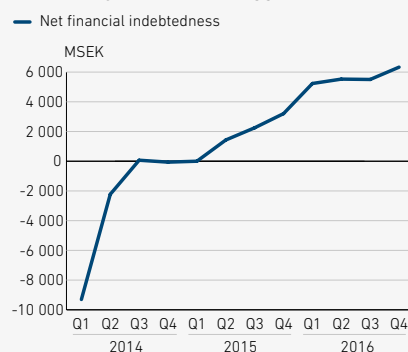
Work on urban transformation is continuing in 2017 and is moving into a more intensive phase with an increased number of acquisitions, which means increased payments over the coming year. Provisions for urban transformation will continue to be extensive during 2017.

SEGMENT REPORTING

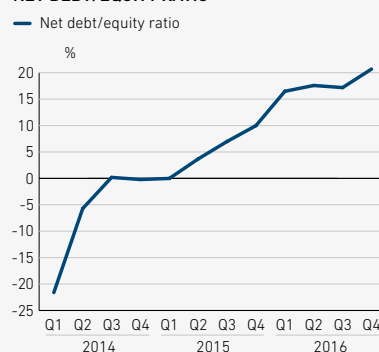
In 2016 LKAB implemented a new group structure that divides the business into the divisions Production North, Production South and Speciality Products, as well as a segment for supporting operations such as group-wide functions and operations that take place in operating companies. From and including the fourth quarter 2016, the business is being managed and followed up according to the new structure. Earlier periods have been restated in accordance with the new segmentation.

Note 8 provides an overall summary of earnings for each division and for other operating segments, as well as for the Group.

NET FINANCIAL INDEBTEDNESS



NET DEBT/EQUITY RATIO



MARKET DEVELOPMENT

THE STEEL AND IRON ORE MARKET

THE GLOBAL STEEL AND IRON ORE INDUSTRY

Global production of crude steel increased in the fourth quarter by 4.5 percent compared with the same period last year. During the quarter steel prices developed positively. Steel exports by China reduced, with increased domestic demand a contributory factor, along with increased trade barriers in the form of protective tariffs in the USA and Europe.

Demand for LKAB's iron ore products remains good, particularly for pellets and high-grade fines. LKAB's European, US and MENA customers are continuing to demand more pellets than contracted due to insufficient deliveries from competitors. Due to the shortage of DR pellets in the market, blast furnace pellets are now being delivered to certain DRI facilities.

Europe

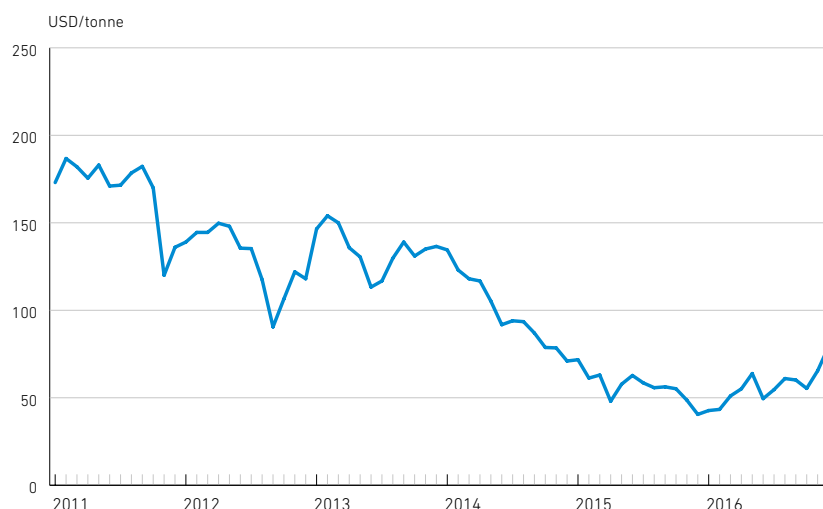
Production of crude steel within the EU28 increased by 5.7 percent during Q4 compared with the same period last year. The automotive industry remains the sector that is doing best and that is driving demand for steel in Europe. Protective tariffs and rising commodity prices have helped keep up steel prices in Europe.

Middle East and North Africa (MENA)

Production of crude steel increased by 24.7 percent during Q4 compared with the same period last year. The oil price strengthened during the quarter, which is positive for the region, but political unrest remains. Demand for DR pellets remains high in the region.

IRON ORE SPOT PRICE DEVELOPMENTS

1 January 2011 – 31 December 2016
Source: PLATTS IODEX 62% Fe CFR North China



USA

Production of crude steel increased by 3.8 percent during Q4 compared with the same period last year. The outcome of the presidential election in the USA has created expectations of major infrastructure investments, which has created optimism in the US steel industry. Imports from China slowed and steel prices increased during the quarter.

China

Production of crude steel increased by 4.1 percent during Q4 compared with the same period last year. China's iron ore imports amounted to 1,020 Mt in 2016, the highest level to date. During the quarter port stocks of iron ore in China increased to around 114 Mt, an increase of 9 percent. The increase since the start of the year is 23 percent.

Iron ore spot price developments

Q4 began with a spot¹ price of USD 55/tonne. The price then rose strongly during the quarter, peaking at USD 84/tonne in mid-December. The price subsequently fell back somewhat, ending the quarter at

USD 80/tonne. The average for the fourth quarter was USD 71/tonne, which was USD 12/tonne higher than in the preceding quarter. The price increase during the quarter was largely speculation-driven, with the outcome of the presidential election in the USA a contributory factor. Quoted pellet premiums for blast furnace pellets and DR pellets increased during the quarter by USD 1/tonne, to USD 36/tonne and USD 46/tonne respectively. The pellet premium in China decreased during the quarter. The price difference between Platts IODEX 65% Fe and 62% Fe remained large and peaked at USD 4.8/ton per % Fe unit. This reflects increased demand for high quality iron ore products combined with a limited supply of pellets.

THE INDUSTRIAL MINERALS MARKET

Forecasts indicate an increase in the number of gas pipeline projects requiring heavy concrete in the coming years, which has resulted in increased market interest. The water treatment market is stable over time. The construction market, which is project-based and regional in nature, is also relatively steady over time.

¹ Platts iodox 62% fe cfr north china

DIVISION NORTH

Division North comprises mines and processing plant in Kiruna.

OPERATIONS SUMMARY

| MSEK | Note | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|---|------|------------|-------------|----------------|----------------|
| Net sales | | 3,305 | 2,237 | 10,376 | 8,606 |
| Underlying operating profit | 7 | 1,179 | 305 | 2,891 | 1,002 |
| Costs for urban transformation provisions | | -954 | -475 | -1,727 | -1,308 |
| Impairment of property, plant and equipment | | | | | -3,641 |
| Operating profit/loss | | 225 | -170 | 1,164 | -3,947 |
| Capital expenditure | | 279 | 312 | 884 | 1,258 |
| Depreciation | | -364 | -317 | -1,264 | -1,332 |
| Deliveries of iron ore, Mt | | 4.0 | 4.1 | 15.5 | 14.2 |
| Proportion of pellets, % | | 88 | 87 | 90 | 87 |
| Production of iron ore products, Mt | | 4.1 | 3.9 | 15.2 | 13.8 |

Production remained stable during the quarter. In the processing plants, production was somewhat limited as a result of a fire in one of the beneficiation plants. The production volume for the fourth quarter was 4.1 (3.9) Mt.

Sales for the quarter were affected mainly by a higher iron ore price compared with the same period last year. The costs, excluding provisions for urban transformation, were somewhat higher than in the same period last year, which was primarily an effect of ongoing chute renovations and higher energy prices. The underlying operating profit for the fourth quarter was MSEK 1,179 (305). Costs of provisions for urban transformation increased, mainly as a result of the agreement between the Swedish Transport Administration and LKAB relating to road E10.

For full year 2016 the production volume increased by 10 percent, primarily through improved production stability. Deliveries increased by nine percent and amounted to 15.5 (14.2) Mt, with the proportion of pellets at 90 (87) percent.

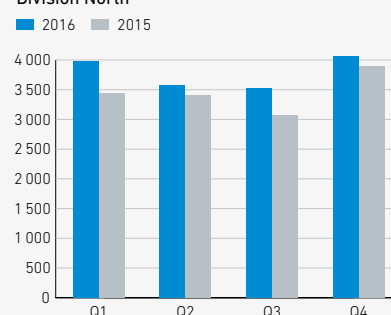
For full year 2016 sales increased by 20 percent, which was mainly due to higher delivery volumes and somewhat higher iron ore prices than last year. Costs, excluding provisions for urban transformation, were somewhat lower than last year. Increased costs as a result of higher production and delivery volumes, as well as chute renovations, were offset by cost efficiencies. Underlying operating profit for full year 2016 was MSEK 2,891 (1,002).

FACTS



- Division North mines and processes iron ore products in Kiruna.
- The mining takes place in the Kiruna underground mine, which has an inclined slab of magnetite that is around 80 metres wide, four kilometres long and extends around two kilometres underground.
- The ore is processed above ground in three beneficiation plants and three pelletizing plants.
- Division North produces both blast furnace pellets and pellets for steel-making via direct reduction, known as DR pellets.
- The processed iron ore products are transported along the Malmbanan and Ofotbanen railway lines to the port in Narvik, for shipment to steelworks customers around the world.
- The iron ore operations have a sales organization for the markets in Europe, Asia and the Middle East.

Production of iron ore (k tonnes), Division North



DIVISION SOUTH

Division South covers mines and processing plants in Malmberget and Svappavaara.

OPERATIONS SUMMARY

| MSEK | Note | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|---|------|-------------|-------------|----------------|----------------|
| Net sales | | 2,119 | 1,423 | 7,162 | 5,998 |
| Underlying operating profit | 7 | 638 | -147 | 1,293 | 479 |
| Costs for urban transformation provisions | | -224 | -5 | -379 | -260 |
| Impairment of property, plant and equipment, MSEK | | -1,192 | | -1,192 | -3,495 |
| Operating profit/loss | | -778 | -152 | -278 | -3,276 |
| Capital expenditure | | 286 | 1,184 | 1,997 | 4,004 |
| Depreciation | | -243 | -143 | -782 | -794 |
| Deliveries of iron ore products, Mt | | 2.8 | 2.8 | 11.5 | 10.1 |
| Proportion of pellets, % | | 76 | 74 | 76 | 80 |
| Production of iron ore products, Mt | | 3.1 | 2.8 | 11.7 | 10.7 |

Production remained stable during the final quarter of the year. In Malmberget the production of fines products has been reduced in favour of increased pellet production. The production volume for the quarter was 3.1 (2.8) Mt.

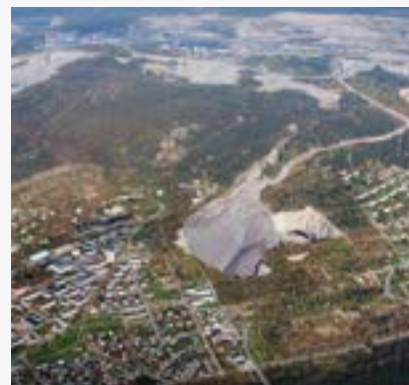
Sales for the quarter increased, primarily as an effect of high iron ore prices, resulting in an improved underlying operating profit. Impairment losses for the Mertainen open-pit mine had a negative effect on operating profit of MSEK 1,192.

For full year 2016 the production volume increased by nine percent, primarily through improved production stability. Deliveries increased by 14 percent and amounted to 11.5 (10.1) Mt, with the proportion of pellets at 76 (80) percent.

For full year 2016 sales increased by 19 percent, due to higher delivery volumes and somewhat higher iron ore prices than last year. Costs, excluding provisions for urban transformation and impairment losses, were higher than last year. The increased costs are mainly due to higher production and delivery volumes and higher energy prices, which to a certain extent were offset by cost efficiencies. The underlying operating profit for full year 2016 was MSEK 1,293 (479).

In November an agreement was reached with Gällivare municipality on compensation for municipal premises and land in the affected areas of Malmberget.

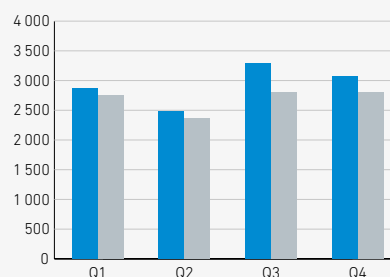
FACTS



- Division South mines and processes iron ore products in Malmberget and Svappavaara.
- The mining takes place in Malmberget's underground mine and the Svappavaara open-pit mines.
- Magnetite is mainly mined in the Malmberget mine, but also hematite. The mine has around 20 orebodies, of which around 10 are currently mined.
- In Svappavaara ore is mined in the Leveäniemi and Gruvberget open-pit mines.
- The ore is processed above ground in two beneficiation and pelletizing plants in Malmberget and in one beneficiation and pelletizing plant in Svappavaara.
- Division South produces both blast furnace pellets and fines.
- The processed iron ore products are transported on the Malmaban railway line mainly to the port in Luleå and on to European steelworks customers.
- The iron ore operations have a sales organization for the markets in Europe, Asia and the Middle East.

Production of iron ore (k tonnes), Division South

■ 2016 ■ 2015



SPECIALITY PRODUCTS

The Speciality Products division encompasses LKAB Minerals, which sells minerals for industrial use, and LKAB Wassara, which sells drilling systems for the mining and construction industries.

OPERATIONS SUMMARY

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|------------|------------|-------------------|-------------------|
| Net sales | 470 | 363 | 1,598 | 1,619 |
| Operating profit before capital gain on sale of operations | 24 | 2 | 95 | 89 |
| Operating profit/loss | 24 | 2 | 95 | 137 |
| Capital expenditure | 4 | 13 | 14 | 31 |
| Depreciation | -10 | -9 | -33 | -36 |

Net sales for the fourth quarter were 30 percent higher than in the same quarter last year and amounted to 470 (363) Mt. The positive performance is due to, among other things, deliveries of the magnetite product MagnaDense for tunnel construction in London and a number of radiation protection projects in Europe, as well as water treatment in the USA. Operating profit for the quarter was MSEK 24 (2).

In December a major contract was signed for deliveries of MagnaDense to the Tuxpan gas pipeline on the border between the USA and Mexico, which strengthens LKAB Minerals' position in the offshore market. During the period LKAB Wassara received a large order relating to the supply of drilling and pumping equipment for the rebuilding of Slussen in Stockholm.

For full year 2016 net sales and operating profit before capital gains on the sale of operations were higher than last year. Sales volumes increased by 11 percent to 757 (680) kt. To counter the trend towards lower prices and margins, an efficiency programme was implemented during the year which had a positive effect on profits.

FACTS



- The subsidiaries LKAB Minerals and LKAB Wassara form the Speciality Products division.
- LKAB Minerals mines and sells minerals, and processes and sells iron ore for applications outside the steel industry. The business has sales offices and production units in Europe, the US and Asia.
- LKAB Wassara develops and manufactures water-powered precision drilling systems for mining, construction and exploration drilling along with dam construction and geothermal energy. Customers are located throughout the world.

OTHER SEGMENTS

Other Segments covers supporting operations such as group-wide functions¹ and operations that take place in certain subsidiaries such as LKAB Berg och Betong. Other operating segments also include financial operations, including transactions and profits relating to financial hedging for iron ore prices, currencies and the purchase of electricity.

OPERATIONS SUMMARY

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|-----------------------------|-------------|------------|-------------------|-------------------|
| Net sales excluding hedging | 529 | 566 | 1,918 | 2,250 |
| Net sales hedging | -1,371 | 190 | -2,733 | -146 |
| Total net sales | -842 | 756 | -815 | 2,104 |
| Operating profit/loss | -1,325 | -103 | -2,680 | -195 |
| Capital expenditure | 188 | 285 | 447 | 1,061 |
| Depreciation | -175 | -156 | -667 | -638 |

In the fourth quarter hedging activities had a negative effect on net sales and operating profit of MSEK 1,371. The hedges were effected when price levels were low, and this meant that LKAB was not able to take full advantage of the price increase during 2016. The hedging was carried out in order to alleviate the effects of price and exchange rate changes in the market. For full year 2016 net sales and profit were negatively affected by MSEK 2,733 in relation to the hedging activities. Net sales excluding hedging mainly covers the operations within LKAB Berg och Betong.

¹ Group-wide functions within other segments include mainly Group functions within HR, communication, finance, and strategic R&D and exploration.

PARENT COMPANY

OPERATIONS SUMMARY

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|------------|------------|-------------------|-------------------|
| Net sales | 4,424 | 3,935 | 14,904 | 14,770 |
| Underlying operating profit | 735 | 5 | 902 | 1,010 |
| Urban transformation expenses | -1,179 | -479 | -2,106 | -1,568 |
| Impairment of property, plant and equipment | -1,184 | | -1,184 | -6,096 |
| Operating profit/loss | -1,628 | -474 | -2,388 | -6,654 |
| Investments in property, plant and equipment | 657 | 1,673 | 3,087 | 5,817 |
| Depreciation | -651 | -540 | -2,213 | -2,151 |
| Deliveries of iron ore, Mt | 6.8 | neg | 27.0 | 24.2 |
| Production of iron ore, Mt | 7.1 | neg | 26.9 | 24.5 |

The underlying operating result for full year 2016 was MSEK 902 and was in line with the previous year.

SIGNATURES

This report was not subject to review by the company's auditors.

Luleå, 15 February 2017
Luossavaara-Kiirunavaara AB (publ)

Jan Moström
President and CEO

FINANCIAL INFORMATION

Year-end report 2016

15 February 2017

Annual Report 2016

31 March 2017

Annual General Meeting

27 April 2017

Interim Report

Q1 2017

27 April 2017

Reports are available at
www.lkab.com

Any questions concerning the Interim Report may be directed to Jan Moström, President and CEO, or to Peter Hansson, Senior Vice President, Finance, +46 920 381 00.



LKAB – GROUP

CONSOLIDATED INCOME STATEMENT

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|---------------|-------------|-------------------|-------------------|
| Net sales | 4,517 | 4,252 | 16,343 | 16,200 |
| Cost of goods sold | -6,107 | -4,264 | -17,116 | -22,280 |
| Gross profit/loss | -1,589 | -11 | -773 | -6,080 |
| Selling expenses | -40 | -46 | -143 | -165 |
| Administrative expenses | -121 | -150 | -464 | -512 |
| Research and development expenses | -92 | -115 | -245 | -365 |
| Other operating income | 61 | 44 | 227 | 318 |
| Other operating expenses | -63 | -73 | -279 | -354 |
| Operating profit/loss | -1,844 | -351 | -1,677 | -7,156 |
| Financial income | 38 | 163 | 898 | 293 |
| Financial expense | -72 | -7 | -285 | -408 |
| Net financial income/expense | -34 | 156 | 613 | -115 |
| Profit/loss before tax | -1,878 | -195 | -1,063 | -7,271 |
| Tax | 272 | -40 | 85 | 1,585 |
| Profit/loss for the period | -1,606 | -235 | -978 | -5,686 |
| Attributable to Parent Company shareholders | -1,606 | -235 | -978 | -5,686 |
| Earnings per share before and after dilution (SEK) | -2,294 | -335 | -1,397 | -8,122 |
| Number of shares | 700,000 | 700,000 | 700,000 | 700,000 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|---------------|-------------|-------------------|-------------------|
| Profit/loss for the period | -1,606 | -235 | -978 | -5,686 |
| Other comprehensive income for the period | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Actuarial gains and losses | 235 | 141 | -79 | 173 |
| Tax attributable to actuarial gains and losses | -52 | -31 | 17 | -38 |
| Total items that will not be reclassified to profit for the year | 183 | 110 | -62 | 135 |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Gains/losses on translation of foreign operations for the period | -18 | -61 | 67 | -85 |
| Change in fair value of available-for-sale financial assets for the period | 203 | -74 | 345 | -284 |
| Changes in fair value of cash flow hedges for the period | -792 | 124 | -969 | 126 |
| Changes in fair value of cash flow hedges transferred to profit for the year | 421 | -77 | -232 | 414 |
| Tax attributable to components of cash flow hedges | 81 | -11 | 264 | -119 |
| Total items that may be reclassified subsequently to profit or loss | -105 | -99 | -525 | 52 |
| Other comprehensive income | 78 | 11 | -587 | 187 |
| Total comprehensive income for the period attributable to the Parent Company shareholders | -1,528 | -224 | -1,565 | -5,499 |

LKAB – GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| MSEK | 31 Dec 2016 | 31 Dec 2015 |
|---|---------------|---------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 212 | 215 |
| Property, plant and equipment for operations | 32,076 | 32,462 |
| Property, plant and equipment for urban transformation | 2,009 | 2,235 |
| Participations in associated companies | 38 | 45 |
| Financial investments | 1,096 | 581 |
| Deferred tax asset | 30 | 19 |
| Total non-current assets | 35,461 | 35,558 |
| Current assets | | |
| Inventories | 2,836 | 2,915 |
| Accounts receivable | 2,094 | 1,320 |
| Prepaid expenses and accrued income | 815 | 282 |
| Other current receivables | 2,525 | 1,392 |
| Current investments | 11,271 | 10,225 |
| Cash and cash equivalents | 2,624 | 4,335 |
| Total current assets | 22,165 | 20,470 |
| TOTAL ASSETS | 57,626 | 56,028 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 700 | 700 |
| Reserves | -373 | 152 |
| Retained earnings incl. profit for the year | 30,224 | 31,264 |
| Equity attributable to Parent Company shareholders | 30,551 | 32,116 |
| Total equity | 30,551 | 32,116 |
| Non-current liabilities | | |
| Non-current interest-bearing liabilities | 3,234 | 1,996 |
| Other liabilities | 4 | |
| Provisions for pensions and similar commitments | 1,877 | 1,860 |
| Provisions for urban transformation | 9,914 | 10,951 |
| Other provisions | 1,198 | 1,178 |
| Deferred tax liabilities | 1,512 | 1,915 |
| Total non-current liabilities | 17,740 | 17,900 |
| Current liabilities | | |
| Current interest-bearing liabilities | 1,871 | 1,000 |
| Trade payables | 1,283 | 1,573 |
| Other current liabilities | 1,343 | 443 |
| Accrued expenses and deferred income | 1,559 | 1,560 |
| Provisions for urban transformation | 3,148 | 1,283 |
| Other provisions | 131 | 152 |
| Total current liabilities | 9,335 | 6,011 |
| Total liabilities | 27,075 | 23,911 |
| TOTAL EQUITY AND LIABILITIES | 57,626 | 56,028 |

LKAB – GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | | EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | | | |
|---|---------------|---------------------|--|-----------------|---|---------------|
| | | | Reserves | | | |
| MSEK | Share capital | Translation reserve | Fair value reserve | Hedging reserve | Retained earnings including profit for the year | Total equity |
| Opening equity 1 Jan 2015 | 700 | -65 | 481 | -316 | 36,954 | 37,754 |
| Profit/loss for the year | | | | | -5,686 | -5,686 |
| Other comprehensive income for the year | | -85 | -284 | 421 | 135 | 187 |
| Comprehensive income for the year | | -85 | -284 | 421 | -5,551 | -5,499 |
| Dividend | | | | | -139 | -139 |
| Closing equity 31 Dec 2015 | 700 | -150 | 197 | 105 | 31,264 | 32,116 |

| | | | EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | | | |
|---|---------------|---------------------|--|-----------------|---|---------------|
| | | | Reserves | | | |
| MSEK | Share capital | Translation reserve | Fair value reserve | Hedging reserve | Retained earnings including profit for the year | Total equity |
| Opening equity 1 Jan 2016 | 700 | -150 | 197 | 105 | 31,264 | 32,116 |
| Profit/loss for the year | | | | | -978 | -978 |
| Other comprehensive income for the year | | 67 | 345 | -937 | -62 | -587 |
| Comprehensive income for the year | | 67 | 345 | -937 | -1,040 | -1,565 |
| Dividend | | | | | | |
| Closing equity 31 Dec 2016 | 700 | -83 | 542 | -832 | 30,224 | 30,551 |

LKAB – GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January – 31 December

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|---------------|--------------|-------------------|-------------------|
| Operating activities | | | | |
| Profit/loss before tax | -1,878 | -195 | -1,063 | -7,271 |
| Adjustment for items not included in cash flow | 3,083 | 974 | 5,780 | 11,559 |
| Income tax paid | 379 | -13 | -58 | -315 |
| Expenditures, urban transformation | -152 | -51 | -1,035 | -291 |
| Expenditures, other provisions | -40 | | -55 | -10 |
| Cash flow from operating activities before changes in working capital | 1,391 | 715 | 3,569 | 3,672 |
| Cash flow from changes in working capital | | | | |
| Increase (-)/Decrease (+) in inventories | -101 | 108 | 79 | -362 |
| Increase (-)/Decrease (+) in operating receivables | -802 | -270 | -2,610 | 300 |
| Increase (+)/Decrease (-) in operating liabilities | -90 | 495 | -511 | 224 |
| Change in working capital | -993 | 333 | -3,043 | 162 |
| Cash flow from operating activities | 399 | 1,048 | 526 | 3,834 |
| Investing activities | | | | |
| Acquisition of property, plant and equipment | -756 | -1,793 | -3,341 | -6,354 |
| Disposal of property, plant and equipment | 2 | 9 | 53 | 150 |
| Acquisition/divestment of financial assets | -794 | 1,193 | -1,159 | 1,357 |
| Cash flow from investing activities | -1,548 | -591 | -4,447 | -4,847 |
| Financing activities | | | | |
| Borrowing | 532 | 200 | 2,114 | 204 |
| Adjustment of other provisions | | -96 | | -96 |
| Dividends paid to Parent Company shareholders | | | | -139 |
| Cash flow from financing activities | 532 | 104 | 2,114 | -31 |
| Cash flow for the period | -618 | 561 | -1,807 | -1,044 |
| Cash and cash equivalents at start of period | 3,187 | 3,775 | 4,335 | 5,358 |
| Exchange rate difference in cash and cash equivalents | 55 | 0 | 96 | 22 |
| Cash and cash equivalents at end of period | 2,624 | 4,335 | 2,624 | 4,335 |
| Change in cash and cash equivalents | -618 | 561 | -1,807 | -1,044 |
| Sub-components of cash and cash equivalents | | | | |
| Cash and bank balances | | | 2,524 | 2,548 |
| Current investments (maturity <90 days) | | | 100 | 1,787 |
| Cash and cash equivalents | | | 2,624 | 4,335 |
| Consolidated operating cash flow | | | | |
| Cash flow from operating activities | 399 | 1,048 | 526 | 3,834 |
| Acquisition of property, plant and equipment | -756 | -1,793 | -3,341 | -6,354 |
| Disposal of property, plant and equipment | 2 | 9 | 53 | 150 |
| Operating cash flow (excluding current investments) | -356 | -736 | -2,762 | -2,370 |
| Acquisition/disposal of financial assets (net) | -794 | 1,193 | -1,159 | 1,357 |
| Cash flow after investing activities | -1,150 | 457 | -3,921 | -1,013 |
| Cash flow from financing activities | 532 | 104 | 2,114 | -31 |
| Cash flow for the period | -618 | 561 | -1,807 | -1,044 |

LKAB – PARENT COMPANY

INCOME STATEMENT

1 January – 31 December

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|---------------|--------------|-------------------|-------------------|
| Net sales | 4,424 | 3,935 | 14,904 | 14,770 |
| Cost of goods sold | -5,868 | -4,162 | -16,687 | -20,675 |
| Gross profit/loss | -1,444 | -227 | -1,784 | -5,905 |
| Selling expenses | -11 | -18 | -38 | -51 |
| Administrative expenses | -78 | -105 | -293 | -343 |
| Research and development expenses | -97 | -122 | -278 | -373 |
| Other operating income | 12 | 4 | 15 | 36 |
| Other operating expenses | -10 | -5 | -10 | -17 |
| Operating profit/loss | -1,628 | -474 | -2,388 | -6,654 |
| Profit/loss from financial items | -72 | 62 | 854 | -52 |
| Profit/loss after financial items | -1,700 | -412 | -1,534 | -6,706 |
| Appropriations | -752 | 1,645 | -752 | 1,645 |
| Profit/loss before tax | -2,451 | 1,233 | -2,285 | -5,061 |
| Tax | 403 | -312 | 421 | 1,082 |
| Profit/loss for the year | -2,048 | 921 | -1,865 | -3,979 |

STATEMENT OF COMPREHENSIVE INCOME

| MSEK | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|---------------|------------|-------------------|-------------------|
| Profit/loss for the period | -2,048 | 921 | -1,865 | -3,979 |
| Other comprehensive income for the period | | | | |
| Comprehensive income for the period | -2,048 | 921 | -1,865 | -3,979 |

LKAB – PARENT COMPANY

BALANCE SHEET

As at 31 December

| MSEK | 31 Dec 2016 | 31 Dec 2015 |
|--|----------------|----------------|
| Assets | | |
| Non-current assets | | |
| Intangible assets | 48 | 38 |
| Property, plant and equipment for operations | 26,449 | 27,076 |
| Property, plant and equipment for urban transformation | 2,009 | 2,235 |
| Financial assets | | |
| Participations in subsidiaries | 2,120 | 1,884 |
| Participations in associated companies | 40 | 40 |
| Receivables from subsidiaries | 1,604 | 1,242 |
| Other non-current securities | 246 | 131 |
| Other non-current receivables | 110 | 107 |
| Deferred tax asset | 2,380 | 1,960 |
| Total financial assets | 6,501 | 5,365 |
| Total non-current assets | 35,007 | 34,714 |
| Current assets | | |
| Inventories | 2,333 | 2,277 |
| Current receivables | | |
| Accounts receivable | 1,785 | 1,063 |
| Receivables from subsidiaries | 1,201 | 1,324 |
| Other current receivables | 2,414 | 961 |
| Prepaid expenses and accrued income | 769 | 296 |
| Total current receivables | 6,170 | 3,645 |
| Current investments | 11,115 | 11,800 |
| Cash and bank balances | 2,124 | 2,338 |
| Total current assets | 21,742 | 20,060 |
| Total assets | 56,748 | 54,774 |

LKAB – PARENT COMPANY

BALANCE SHEET

| MSEK | 31 Dec 2016 | 31 Dec 2015 |
|--------------------------------------|----------------|----------------|
| Equity and liabilities | | |
| Equity | | |
| Restricted equity | | |
| Share capital (700,000 shares) | 700 | 700 |
| Statutory reserve | 697 | 697 |
| Non-restricted equity | | |
| Retained earnings | 16,025 | 20,003 |
| Profit/loss for the year | -1,865 | -3,979 |
| Total equity | 15,557 | 17,422 |
| Untaxed reserves | 17,663 | 16,624 |
| Provisions | | |
| Provisions for urban transformation | 9,914 | 10,951 |
| Other provisions | 1,486 | 1,526 |
| Total provisions | 11,400 | 12,478 |
| Non-current liabilities | | |
| Bond loans | 3,234 | 1,996 |
| Other non-current liabilities | 4 | |
| Total non-current liabilities | 3,238 | 1,996 |
| Current liabilities | | |
| Liabilities to credit institutions | 1,871 | 1,000 |
| Trade payables | 929 | 1,099 |
| Liabilities to subsidiaries | 1,298 | 1,170 |
| Other current liabilities | 109 | 204 |
| Accrued expenses and deferred income | 1,403 | 1,346 |
| Provisions for urban transformation | 3,148 | 1,283 |
| Other provisions | 131 | 152 |
| Total current liabilities | 8,890 | 6,254 |
| Total equity and liabilities | 56,748 | 54,774 |

NOTES

NOTE 1

Accounting principles

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting, and applicable regulations in the Annual Accounts Act. Disclosures in accordance with IAS 34 are provided both in notes and elsewhere in the interim report. The interim report for the Parent Company was prepared in accordance with Chapter 9 of the Annual Accounts Act, Interim Reporting.

All amounts in this interim report are presented in SEK millions (MSEK) unless otherwise indicated. Rounding differences may occur.

The accounting principles applied in this interim report conform with the accounting principles applied in the preparation of the 2015 Annual Report. New and amended standards and interpretations from the IASB have had no impact on consolidated earnings, financial position or formulation of the interim report. There have been no significant changes in the structure of the Group during the period.

NOTE 2

Risks and uncertainties

LKAB is exposed to various risks. Risk management plays a vital part in minimising the impact of factors that lie beyond the Group's control. The Group employs methods for evaluating and limiting these risks by ensuring that they are managed according to approved guidelines and methods.

LKAB works actively to identify, analyze and control how various types of risks affect the business and how LKAB can best avoid or confront them. Effective risk management is a business-critical success factor.

Major risks are LKAB's access to land for the mining operations, volume dependency, the price of iron ore products and transaction exposure in USD.

For further information concerning risks, please refer to LKAB's 2015 Annual Report.

NOTE 3

Significant assumptions and estimates

The preparation of financial statements requires management and the Board of Directors to make assessments and assumptions that affect recognized assets, liabilities, income and expenses and other information provided, such as contingent liabilities. For further information concerning these, please refer to LKAB's 2015 Annual Report.

NOTE 4

Events after the end of the reporting period

There are no significant events after the end of the reporting period to report.

NOTE 5

Transactions with related parties

No transactions that have significantly affected the company's financial position and earnings took place between LKAB and related parties.

NOTE 6

Disclosures regarding financial instruments

The table below shows the financial instruments measured at fair value in the statement of financial position.

Group, 31 Dec 2016

| (MSEK) | Level 1 | Level 2 | Level 3 | Total |
|---|-------------|---------------|---------|---------------|
| Shares, financial assets | 738 | | | 738 |
| Shares, current holdings | | 3,496 | | 3,496 |
| Interest-bearing instruments | | 7,775 | | 7,775 |
| Cash and cash equivalents (short-term investments with maturities under three months) | | 100 | | 100 |
| Derivatives | -911 | -189 | | -1,100 |
| Total | -173 | 11,182 | | 11,009 |

Group, 31 Dec 2015

| (MSEK) | Level 1 | Level 2 | Level 3 | Total |
|---|------------|---------------|---------|---------------|
| Shares, financial assets | 279 | | | 279 |
| Shares, current holdings | | 3,014 | | 3,014 |
| Interest-bearing instruments | | 7,211 | | 7,211 |
| Cash and cash equivalents (short-term investments with maturities under three months) | | 1,787 | | 1,787 |
| Derivatives | 244 | -70 | | 174 |
| Total | 523 | 11,942 | | 12,465 |

Fair value calculation

The following summarizes the methods and assumptions mainly used in determining the fair value of financial instruments reported in the table above.

Level 1

Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest-bearing instruments

The value of interest-bearing instruments is calculated using data from the interest-bearing securities market, obtained from Bloomberg.

Shares and alternative investments

The value of these investments is calculated using data from the stock market or received directly from brokers.

Derivatives

The fair value of derivative contracts is calculated using official quotations obtained from Bloomberg.

No transfers have been made between Levels 1 and 2.

Fair value of other receivables and liabilities

The carrying amount of other receivables and liabilities is estimated to be a reasonable approximation of fair value.

NOTES

NOTE 7

Key ratios – disclosures

Alternative key ratios

The company also presents certain non-IFRS financial benchmarks and key ratios in the interim report. The management considers this supplementary information to be important if readers of this report are to obtain an understanding of the company's financial position and performance.

Definitions

| | |
|-----------------------------|--|
| Return on equity | Profit/loss after tax as a percentage of average equity (rolling 12-month figures). |
| Underlying operating profit | Operating profit/loss excluding costs for urban transformation provisions and impairment of property, plant and equipment. |
| Operating cash flow | Cash flow from operating activities and investing activities relating to property, plant and equipment. |
| Net financial indebtedness | Interest-bearing liabilities less interest-bearing assets. |
| Net debt/equity ratio | Net financial indebtedness divided by equity. |

Reconciliation

Underlying operating profit

| | Q4 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|---|------------|------------|----------------------|----------------------|
| (MSEK) | | | | |
| Operating profit/loss | -1,844 | -351 | -1,677 | -7,156 |
| Less: | | | | |
| Costs for urban transformation provisions | 1,179 | 479 | 2,106 | 1,568 |
| Impairment of property, plant and equipment | 1,192 | | 1,192 | 7,136 |
| Underlying operating profit | 527 | 128 | 1,621 | 1,548 |

Operating cash flow

A reconciliation of operating cash flow can be found in the section The LKAB Group in summary.

Net financial indebtedness

| | 31 Dec 2016 | 31 Dec 2015 |
|-----------------------------------|----------------|----------------|
| (MSEK) | | |
| Loans payable | 5,105 | 2,996 |
| Provisions for pensions | 1,877 | 1,860 |
| Provisions, urban transformation | 13,062 | 12,234 |
| Provisions, remediation | 1,276 | 1,253 |
| Less: | | |
| Cash and cash equivalents | -2,624 | -4,335 |
| Current investments | -11,271 | -10,225 |
| Financial investments | -1,096 | -581 |
| Net financial indebtedness | 6,330 | 3,202 |

Net debt/equity ratio

| | 31 Dec 2016 | 31 Dec 2015 |
|----------------------------------|----------------|----------------|
| (MSEK) | | |
| Net financial indebtedness, MSEK | 6,330 | 3,202 |
| Equity, MSEK | 30,551 | 32,116 |
| Net debt/equity ratio, % | 20.7 | 10.0 |

NOTE 8

Group overview

Segment information is provided on pages 5–8 of the interim report.

The divisions in summary, Q1–Q4 2016

| MSEK | Division North | Division South | Speciality Products | Other | Eliminations/ group adjustments | Group |
|------------------------------|----------------|----------------|---------------------|---------------|------------------------------------|---------------|
| External income | 10,301 | 6,998 | 1,542 | -2,559 | 61 | 16,343 |
| Internal income | 75 | 164 | 56 | 1,744 | -2,039 | |
| Total | 10,376 | 7,162 | 1,598 | -815 | -1,978 | 16,343 |
| Operating profit/loss | 1,164 | -278 | 95 | -2,680 | 22 | -1,677 |

The divisions in summary, Q1–Q4 2015

| MSEK | Division North | Division South | Speciality Products | Other | Eliminations/ group adjustments | Group |
|------------------------------|----------------|----------------|---------------------|-------------|------------------------------------|---------------|
| External income | 8,519 | 5,860 | 1,556 | 265 | | 16,200 |
| Internal income | 87 | 138 | 63 | 1,839 | -2,127 | |
| Total | 8,606 | 5,998 | 1,619 | 2,104 | -2,127 | 16,200 |
| Operating profit/loss | -3,947 | -3,276 | 137 | -195 | 125 | -7,156 |

NOTES

NOTE 9

Pledged assets and contingent liabilities

Pledged assets

| (MSEK) | 31 Dec 2016 | 31 Dec 2015 |
|---|----------------|----------------|
| <i>As pledged assets for own liabilities and provisions</i> | | |
| Company-owned endowment insurance | 110 | 107 |
| Deposit of cash and cash equivalents | 121 | 159 |
| Collateral provided, derivatives | 1,465 | 461 |
| Collateral provided, bonds | 1,071 | |
| Total pledged assets | 2,767 | 727 |

Contingent liabilities

| (MSEK) | 31 Dec 2016 | 31 Dec 2015 |
|-------------------------------------|----------------|----------------|
| Guarantees, FPG/PRI | 14 | 14 |
| Guarantees, GP plan | 5 | 4 |
| Guarantees, Swedish Tax Agency | 76 | 76 |
| Surety given for subsidiaries | 49 | 57 |
| Collateral, remediation | 72 | 88 |
| Total contingent liabilities | 216 | 240 |

NOTE 10

Quarterly data for the Group

The table below shows the performance of the LKAB Group by quarter.

Quarterly data LKAB Group

| MSEK | Note | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|--|------|---------------|------------|-------------|------------|-------------|---------------|-------------|------------|
| Net sales | | 4,517 | 4,258 | 3,800 | 3,768 | 4,252 | 4,203 | 3,567 | 4,177 |
| Underlying operating profit | | 527 | 762 | -174 | 507 | 128 | 798 | 23 | 599 |
| Costs for urban transformation provisions | | -1,179 | -489 | -103 | -335 | -479 | -613 | -251 | -224 |
| Impairment of property, plant and equipment | | -1,192 | | | | | -7,136 | | |
| Operating profit/loss | | -1,844 | 273 | -277 | 171 | -351 | -6,951 | -228 | 375 |
| Net financial income/expense | | -34 | 359 | 108 | 180 | 156 | -313 | -320 | 361 |
| Profit/loss before tax | | -1,878 | 632 | -169 | 352 | -195 | -7,264 | -548 | 736 |
| Operating cash flow | | -356 | 214 | -644 | -1,978 | -736 | -417 | -1,488 | 293 |
| Investments in property, plant and equipment | | 756 | 673 | 1,024 | 888 | 1,793 | 1,369 | 1,595 | 1,597 |
| Deliveries of iron ore products, Mt | | 6.8 | 7.2 | 6.7 | 6.3 | 6.8 | 6.2 | 5.3 | 5.9 |
| Proportion of pellets, deliveries % | | 84 | 84 | 83 | 86 | 82 | 83 | 84 | 87 |
| Production of iron ore products, Mt | | 7.1 | 6.8 | 6.1 | 6.9 | 6.7 | 5.9 | 5.8 | 6.2 |
| Return on equity | | neg | 1.2 | neg | neg | neg | neg | neg | neg |
| Net debt/equity ratio | | 20.7 | 17.2 | 17.6 | 16.5 | 10.0 | 7.0 | 3.7 | 0 |

LKAB IN BRIEF

EUROPE

LKAB is the EU's largest iron ore producer and mines around 76 percent of all iron ore within the EU

100%

LKAB is a 100% state-owned company

2

LKAB is the world's second largest supplier of iron ore pellets

125 YEARS

LKAB is one of Sweden's oldest industrial companies and has customer relationships dating back more than a century

4,200

The Group has around 4,200 employees in total

LKAB is organized into 3 divisions

PRODUCTION NORTH:
Kiruna

PRODUCTION SOUTH:
Malmberget and Svappavaara

SPECIALITY PRODUCTS:
LKAB Minerals and LKAB Wassara

