

## STABLE PRODUCTION AND STRONG DEMAND ENHANCE COMPETITIVENESS

LKAB continued to demonstrate stable production and delivery volumes in the last quarter of 2017 and demand for LKAB's highly upgraded iron ore products remained strong. For the full year LKAB is reporting increased volumes, improved earnings and stronger cash flow compared with the previous year.

### OPERATIONS – FOURTH QUARTER

MSEK	Note	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales		6,248	4,517	23,492	16,343
Underlying operating profit	7	1,701	527	7,197	1,621
Costs for urban transformation provisions		-353	-1,179	-1,147	-2,106
Impairment of non-current assets		-14	-1,192	-26	-1,192
Operating profit/loss		1,334	-1,844	6,024	-1,677
Net financial income/expense		37	-34	241	613
Profit/loss before tax		1,371	-1,878	6,266	-1,063
<b>Profit/loss for the period</b>		<b>979</b>	<b>-1,606</b>	<b>4,803</b>	<b>-978</b>
Operating cash flow		587	-356	7,136	-2,762
Investments in property, plant and equipment		600	756	2,008	3,341
Depreciation		-797	-792	-2,887	-2,746
Production of iron ore products, Mt		7.2	7.1	27.2	26.9
Deliveries of iron ore products, Mt		7.3	6.8	27.6	27.0
Proportion of pellets, %		81	84	83	84
Return on equity, %	7	14.4	neg	14.4	neg
Net debt/equity ratio, %	7	-6.6	20.7	-6.6	20.7



“Further increases in volumes, higher iron ore prices and strong demand for our highly upgraded and climate-efficient products enhanced our competitiveness over the year.”

- Production and delivery volumes remained stable during the fourth quarter. Pellet deliveries for 2017 were at their highest ever level and amounted to 22.9 (22.7) Mt. In total, deliveries amounted to 27.6 (27.0) Mt, the highest volumes since LKAB became primarily a pellet producer in the early 2000s.
- Operating profit for the fourth quarter was MSEK 3,178 higher than in the same period the previous year, mainly as a result of improved earnings from price and currency hedging, the impairment loss applied to property, plant and equipment in the last quarter of 2016 and lower costs for urban transformation provisions.
- The average global spot price<sup>1</sup> for iron ore products in the fourth quarter was USD 66 (71)/tonne compared with USD 71/tonne in the third quarter 2017. The global spot price increased at the end of the quarter and at the end of the year was USD 74/tonne. The premium for pellet sales stayed at a high level.
- Operating cash flow improved during the quarter by MSEK 943 in a year-on-year comparison.
- The net debt/equity ratio decreased to -6.6 (20.7) percent.
- The return on equity increased to 14.4 percent.

<sup>1</sup>Platts IODEX 62% Fe CFR North China

**7.2 Mt**

Produced during the quarter

**7.3 Mt**

Delivered during the quarter

**81 %**

Percentage of pellets for the quarter

# THE LKAB GROUP

## NET SALES AND OPERATING PROFIT/LOSS

### ANALYSIS OF CHANGE IN OPERATING PROFIT MSEK

	Q4 2017	Full year 2017
<b>Operating profit 2016</b>	<b>-1,844</b>	<b>-1,677</b>
Prices, iron ore	528	4,976
Currency effect, iron ore	-495	-334
Hedging of currency and iron ore price	1,432	1,662
Volume and mix, iron ore	-18	-197
Volume, price and currency, industrial minerals	46	130
Costs for urban transformation provisions	826	959
Depreciation	-5	-141
Impairment of non-current assets	1,178	1,166
Other income and expenses	-314	-520
<b>Operating profit 2017</b>	<b>1,334</b>	<b>6,024</b>

Net sales for the fourth quarter were 38 percent higher when compared year-on-year. The improvement is mainly due to a better result from price and currency hedging. With effect from the first quarter of 2017 LKAB adopted a new hedging strategy, as a result of which LKAB does not normally hedge price and currency risks. The average spot price for iron ore for the quarter was USD 66 (71)/tonne and the pellet premium remained at a high level, compensating for the lower spot price for the quarter. A lower average dollar exchange rate had a negative effect during the quarter.

The cost level increased for the quarter, primarily as a result of higher costs for the supply of crushed ore within the Southern Division, the costs of unplanned shutdowns in the processing plants in Kiruna and an increased rate of exploration.

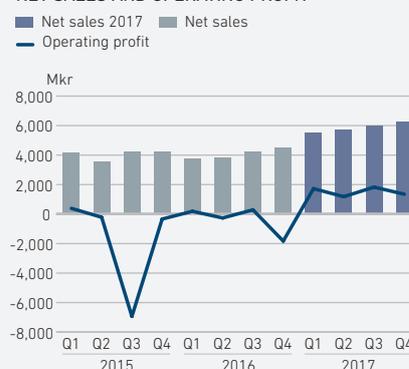
Operating profit for full year 2017 improved by MSEK 7,701 in a year-on-year comparison. The improvement is mainly due to higher market prices for highly upgraded iron ore products and a better result from price and currency hedging.

## CASH FLOW

MSEK	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Cash flow from operating activities before changes in working capital	1,248	1,391	6,970	3,569
Change in working capital	-66	-993	1,890	-3,043
Capital expenditures (net)	-595	-754	-1,724	-3,288
<b>Operating cash flow</b>	<b>587</b>	<b>-356</b>	<b>7,136</b>	<b>-2,762</b>

Operating cash flow improved by MSEK 943 for the quarter and by MSEK 9,898 for full year 2017 in a year-on-year comparison. The improvement is mainly due to improved profits, lower capital expenditures for investments and a reduction in capital tied up in accounts receivable and in pledged assets for outstanding hedging positions. This was countered by higher expenditure on tax and urban transformation.

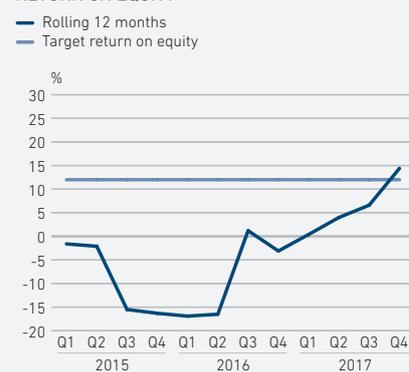
### NET SALES AND OPERATING PROFIT



### OPERATING CASH FLOW



### RETURN ON EQUITY



# THE LKAB GROUP

## NET FINANCIAL INCOME/EXPENSE AND NET FINANCIAL INDEBTEDNESS

Net financial income/expense for the fourth quarter was MSEK 37 (-34). The return on financial investments was higher than in the previous year. Net other financial income/expense also had a positive effect.

Net financial income/expense for the full year was MSEK 241 (613). The return on financial investments was higher than in the previous year. Net other financial income/expense, mainly in the form of lower net exchange gains/losses, had a negative effect.

Strong cash flow during the year resulted in lower net financial indebtedness. The net debt/equity ratio decreased to -6.6 (20.7) percent.

## PROPOSED DIVIDEND

The Board of Directors is proposing to the Annual General Meeting that an ordinary dividend is paid amounting to MSEK 2,882. The dividend is in accordance with the group's dividend policy.

## CREDIT FACILITIES

MSEK	Nominal	Utilized (nominal)	Available
Commercial paper programme, maturing within one year	5,000	200	4,800
Bond programme	7,000		4,009
Maturing December 2019		1,991	
Maturing June 2021		1,000	
Other bond financing, maturing 2022	250	250	
Credit facility	5,000		5,000
<b>Total</b>	<b>17,250</b>	<b>3,441</b>	<b>13,809</b>

There were no changes in nominal credit facilities during the quarter. All credit facilities are subject to 100 percent retention of title.

## OUTLOOK FOR 2018

LKAB assesses that the oversupply situation within iron ore fines will continue, which is putting pressure on iron ore prices; at the same time, the premium for highly upgraded iron ore products is expected to remain high. Demand for LKAB's pellets continues to be strong and the strategy of maximizing pellet production remains in place. LKAB is continuing its work focusing on profitability and productivity improvements to enhance competitiveness. Work on the urban transformation is in an intensive phase with continued provisions and an increased number of acquisitions, which means increased expenditure over the coming year.

Under the current environmental ruling, continued mining in Kiruna is conditional upon the municipality redesignating "Land for residential purposes" as "Land for industrial purposes" by amending local plans. It is the municipality that decides on such changes.

## SEGMENT REPORTING

With effect from the first quarter of 2017 LKAB Berg & Betong AB, LKAB Mekaniska AB and LKAB Kimit AB are being reported in the Special Products Division, rather than under Other Segments as in 2016. Earlier periods have been restated in accordance with the change.

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 five percent compared with the same period last year. During the quarter steel prices increased, while steel exports from China remained lower than in the same period last year.

Steel prices increased in the fourth quarter and steelmakers' profitability is regarded as good, while global capacity utilization increased. LKAB's DR customers are continuing to demand more pellets than contracted due to low market supply. The trend to mix in lump ore and blast furnace pellets in DRI plants to compensate for the shortfall in DR pellets continued during the quarter. Demand for LKAB's iron ore products remained strong.

### Europe

Production of crude steel within the EU28 increased by 4.2 percent during the fourth quarter compared with the same period last year. The construction sector and the automotive industry remain strong.

### Middle East and North Africa (MENA)

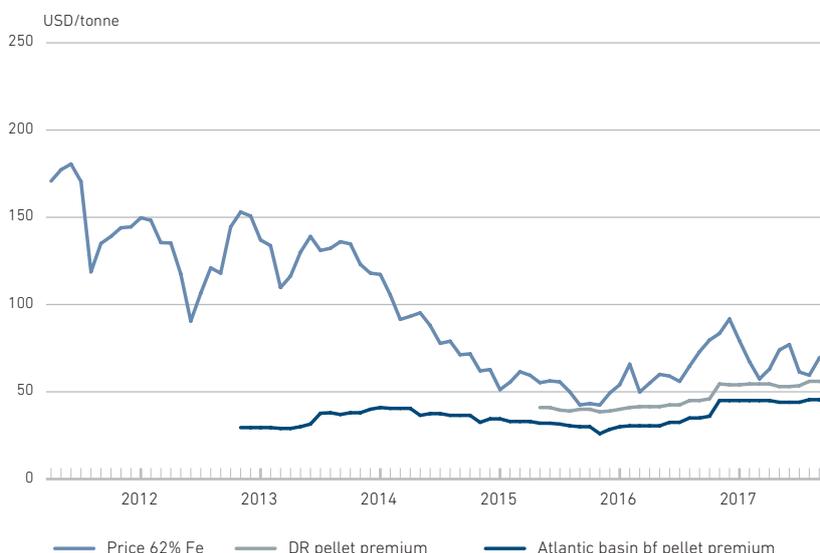
Production of crude steel increased by nine percent during the fourth quarter compared with the same period last year. The oil price increased substantially over the quarter, which is positive for the region. Demand for DR pellets remains high due to continued weak supply on the market.

### USA

In the USA production of crude steel increased by 7.2 percent during the fourth quarter compared with the same period last year. Demand for steel in the USA recovered well in 2017. A growing percentage of unpaid car loans represents a risk to continued recovery in the automotive industry.

### THE DEVELOPMENT OF THE SPOT PRICE FOR IRON ORE AND QUOTED PELLET PREMIUMS

1 January 2011 – 31 December 2017



Source: PLATTS IODEX 62% Fe CFR North China

### China

China's production of crude steel increased in the fourth quarter by three percent compared with the same period last year. Normally, the fourth quarter is a period in which China's steel producers build up stocks, but this year the seasonal pattern was broken because of more stringent environmental restrictions. China's iron ore exports remained stable during the quarter, reducing by one percent to 258 Mt. For full year 2017 exports increased by five percent. Port inventories of iron ore increased, amounting to 148 Mt at the end of the quarter – an increase of 34 Mt compared with the same period in the previous year.

### Iron ore spot price developments

The fourth quarter began with a spot price<sup>1</sup> of USD 61/tonne and stayed fairly stable at that level for the first half of the quarter. The spot price then increased quite substantially, ending the quarter at USD 74/tonne. The average for the fourth quarter was USD 66/tonne, which was USD 5/tonne lower than in the preceding quarter. Quoted pellet premiums for blast furnace pellets

and DR pellets increased during the quarter to USD 46/tonne and USD 56/tonne respectively. The pellet premium in China was extremely volatile during the quarter and in November reached its highest level for the year at USD 60/tonne, but then decreased and ended the quarter at USD 43/tonne. The premium for lump ore reduced throughout the quarter and was quoted at USD 5/tonne at the end of December. The price difference between Platts IODEX 65% Fe and 62% Fe gradually reduced over the quarter, but remained relatively large and the average for the quarter was USD 18/tonne. The market continues to place a premium for high quality iron ore products.

### THE INDUSTRIAL MINERALS MARKET

The market for industrial minerals was relatively stable over the year. Certain minerals were affected by restrictions on production and availability in China and elsewhere. LKAB Minerals works continuously with a number of suppliers to ensure a good supply of minerals.

<sup>1</sup>Platts IODEX 62% Fe CFR North China

# NORTHERN DIVISION

The Northern Division comprises mines and processing plants in Kiruna.

## OPERATIONS SUMMARY

MSEK	Note	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales		3,149	3,305	13,672	10,376
Underlying operating profit	7	954	1,179	5,253	2,891
Costs for urban transformation provisions		-342	-954	-1,060	-1,727
<b>Operating profit/loss</b>		<b>612</b>	<b>225</b>	<b>4,194</b>	<b>1,164</b>
Investments in property, plant and equipment		312	279	748	884
Depreciation		-409	-364	-1,344	-1,264
Deliveries of iron ore products, Mt		4.1	4.0	16.7	15.5
Proportion of pellets, %		84	88	86	90
Production of iron ore products, Mt		4.0	4.1	16.1	15.2

The production volume for the fourth quarter decreased by two percent and deliveries increased by three percent compared with the same period last year. In the processing plants, production was limited somewhat as a result of a number of unplanned shutdowns in the pelletizing plants. Increased deliveries to the Special Products Division resulted in a lower percentage of pellets during the period.

Sales for the quarter decreased by five percent year-on-year, mainly as a result of a lower percentage of pellets and a weaker dollar exchange rate.

Costs, excluding provisions for urban transformation, were three percent higher than in the same period last year, which was primarily an effect of increased development volumes and rock reinforcement in the mine as well as production disruption in the processing plants. Underlying operating profit for the fourth quarter decreased by MSEK 225 compared with the fourth quarter 2016.

Higher production and delivery volumes, as well as higher iron ore prices, meant that operating profit for the year was MSEK 3,030 higher than in the previous year. Costs for the year increased by 12 percent, mainly as a result of increased volumes, higher energy prices and production disruption.

## FACTS



- The Northern Division 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 concentrating plants and three pelletizing plants.
- The Northern Division produces both blast furnace pellets and pellets for steelmaking via direct reduction, known as DR pellets.
- The processed iron ore products are transported along the Malmbanan and Ofotbanen ore railway to the port in Narvik, for shipment to steel mill 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 products (k tonnes)  
Production North



# SOUTHERN DIVISION

The Southern Division covers mines and processing plants in Malmberget and Svappavaara.

## OPERATIONS SUMMARY

MSEK	Note	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales		2,520	2,119	8,837	7,162
Underlying operating profit/loss	7	645	638	2,733	1,293
Costs for urban transformation provisions		-11	-224	-87	-379
Impairment of non-current assets			-1,192		-1,192
<b>Operating profit/loss</b>		<b>635</b>	<b>-778</b>	<b>2,646</b>	<b>-278</b>
Investments in property, plant and equipment		225	286	956	1,997
Depreciation		-207	-243	-868	-782
Deliveries of iron ore products, Mt		3.2	2.8	10.9	11.5
Proportion of pellets, %		77	76	77	76
Production of iron ore products, Mt		3.3	3.1	11.2	11.7

Production and delivery volumes in the fourth quarter were higher than in the same period in the previous year. Deliveries for the quarter amounted to 3.2 (2.8) Mt, with pellets accounting for 77 (76) percent of this.

Sales for the quarter increased by 19 percent, mainly as a result of higher delivery volumes and higher prices for highly upgraded iron ore products. This was countered by a weaker dollar exchange rate.

Costs, excluding provisions for urban transformation, were 27 percent higher than in the same quarter last year, which was mainly due to higher production and delivery volumes as well as higher costs for supplying the processing plants with crushed ore from the mines in Svappavaara. Underlying operating profit for the fourth quarter was in line with the same period the previous year.

Underlying operating profit for the full year was MSEK 1,440 higher than in the previous year, mainly as a result of higher iron ore prices. This was countered by lower delivery volumes and a weaker dollar exchange rate. Costs for the full year were four percent higher, mainly due to increased costs for supplying crushed ore during the year. Some of the machinery fleet at the open-pit mine in Mertainen was sold during the third quarter, with a positive effect on profits of MSEK 202.

## FACTS



- The Southern Division 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 concentrating and pelletizing plants in Malmberget and in one concentrating and pelletizing plant in Svappavaara.
- The Southern Division produces both blast furnace pellets and fines.
- The processed iron ore products are transported along the Malmbanan ore railway, mainly to the port in Luleå and on to European steel mill customers.
- The iron ore operations have a sales organization for the markets in Europe, Asia and the Middle East.

Production of iron ore products (k tonnes)  
Production South



# SPECIAL PRODUCTS DIVISION

The Special Products Division is a leading global supplier of industrial minerals, with a major focus on its own minerals of magnetite, mica and huntite. The division also provides products and services to LKAB such as drilling systems, mechanical services, concrete production, contract work and rockwork. These products and services are also marketed to external customers.

## OPERATIONS SUMMARY

MSEK	Note	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales		1,083	841	3,936	3,364
Underlying operating profit		124	93	417	351
Impairment of non-current assets		-14		-26	
Operating profit/loss		110	93	391	351
Investments in property, plant and equipment		8	12	35	25
Depreciation		-12	-16	-57	-68

Net sales for the fourth quarter were 29 percent higher than in the same period last year and amounted to MSEK 1,083 (841). The improvement is mainly due to increased sales of magnetite to the water treatment industry in the US and deliveries to the offshore gas pipeline project Nord Stream II. Sales of mineral sands in Asia developed positively.

Underlying operating profit was MSEK 124 (93). The improvement is mainly due to increased sales volumes for industrial minerals. Impairment losses of MSEK 14 (-) were charged to the quarter and related to goodwill impairment as well as impairment losses on property, plant and equipment associated with the Refractory & Foundries market area within the LKAB Minerals group. In China the production facility in Tianjin, which mainly produced refractory minerals and products, underwent a planned shutdown during the quarter which will be completed during the first quarter 2018.

For the full year both net sales and operating profit were higher than in the previous year, mainly as a result of higher delivery volumes. A total of 1.4 Mt of magnetite was delivered to external customers during the year, which is the highest annual delivered quantity achieved by the division. This includes deliveries of magnetite used to ballast the world's first floating wind farm, Hywind Scotland. Overall, this has resulted in record sales levels for MagnaDense, the magnetite product used for these applications.

Operating profit for the year amounted to MSEK 391 (351). Profit for the year 2016 was positively impacted by a non-recurring effect of MSEK 27 in respect of internal group restructuring.

## FACTS



- The Special Products Division covers LKAB Minerals, LKAB Wassara, LKAB Berg & Betong, LKAB Kimit and LKAB Mekaniska.
- LKAB Minerals mines and sells minerals and also 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 as well as dam building and geothermal energy. Customers are located throughout the world.
- LKAB Berg & Betong is a leading provider of full service solutions for the mining and construction industries. LKAB Berg & Betong is also the world's largest producer of sprayed concrete.
- LKAB Kimit supplies explosives to the mining and construction industries.
- LKAB Mekaniska is a quality-conscious engineering company offering services throughout the supply chain, from planning and design to final inspection.

# OTHER SEGMENTS

Other Segments covers supporting operations such as Group-wide functions<sup>1</sup> and certain operations that are run as subsidiaries. Other Segments also covers financial operations, including transactions and gains/losses relating to financial hedging for iron ore prices, foreign currency effects and the purchase of electricity.

## OPERATIONS SUMMARY

MSEK	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales excl. hedging	40	38	157	212
Net sales hedging	61	-1,371	-1,070	-2,733
<b>Total net sales</b>	<b>101</b>	<b>-1,333</b>	<b>-913</b>	<b>-2,521</b>
Operating profit/loss	-71	-1,394	-1,266	-2,936
Investments in property, plant and equipment	56	180	270	436
Depreciation	-171	-169	-620	-632

Improved profits for the quarter are mainly due to a better result for hedging activities compared with previous periods. Costs increased somewhat, mainly as a result of increased exploration during 2017.

<sup>1</sup> Group-wide functions within Other Segments mainly refers to the Group functions for HR, communication and finance, as well as strategic R&D and exploration.

# PARENT COMPANY

The Parent Company LKAB consists of the Northern Division and the Southern Division and the Group-wide functions reported under Other Segments. The Parent Company includes the majority of LKAB's operating activities as well as the company's financial activities.

## OPERATIONS SUMMARY

MSEK	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales	5,778	4,424	21,604	14,904
Underlying operating profit	1,458	735	6,412	902
Costs for urban transformation provisions	-353	-1,179	-1,147	-2,106
Impairment of non-current assets		-1,184		-1,184
<b>Operating profit/loss</b>	<b>1,105</b>	<b>-1,628</b>	<b>5,264</b>	<b>-2,388</b>
Investments in property, plant and equipment	572	657	1,860	3,087
Depreciation	-661	-651	-2,365	-2,213
Deliveries of iron ore products, Mt	7.3	6.8	27.6	27.0
Production of iron ore products, Mt	7.2	7.1	27.2	26.9

# SIGNATURES

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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

**Annual and Sustainability Report 2017**  
30 March 2018

**Interim Report Q1 2018**  
26 April 2018

**Annual General Meeting**  
26 April 2018

Reports are available at [www.lkab.com](http://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

## CONDENSED INCOME STATEMENT

MSEK	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales	6,248	4,517	23,492	16,343
Cost of goods sold	-4,544	-6,107	-16,639	-17,116
<b>Gross profit/loss</b>	<b>1,703</b>	<b>-1,589</b>	<b>6,853</b>	<b>-773</b>
Selling expenses	-40	-40	-124	-143
Administrative expenses	-143	-121	-440	-464
Research and development expenses	-156	-92	-398	-245
Other operating income	78	61	486	227
Other operating expenses	-108	-63	-352	-279
<b>Operating profit/loss</b>	<b>1,334</b>	<b>-1,844</b>	<b>6,024</b>	<b>-1,677</b>
Financial income	97	38	515	898
Financial expense	-60	-72	-274	-285
<b>Net financial income/expense</b>	<b>37</b>	<b>-34</b>	<b>241</b>	<b>613</b>
<b>Profit/loss before tax</b>	<b>1,371</b>	<b>-1,878</b>	<b>6,266</b>	<b>-1,063</b>
Tax	-392	272	-1,462	85
<b>Profit/loss for the period</b>	<b>979</b>	<b>-1,606</b>	<b>4,803</b>	<b>-978</b>
Attributable to Parent Company shareholders	979	-1,606	4,803	-978
Earnings per share before and after dilution (SEK)	1,398	-2,294	6,862	-1,397
Number of shares	700,000	700,000	700,000	700,000

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q4 2017	Q4 2016	Full year 2017	Full year 2016
<b>Profit/loss for the period</b>	<b>979</b>	<b>-1,606</b>	<b>4,803</b>	<b>-978</b>
<b>Other comprehensive income for the period</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of defined benefit pension plans	187	235	123	-79
Tax attributable to actuarial gains and losses	-40	-52	-27	17
<b>Total items that will not be reclassified to profit for the year</b>	<b>147</b>	<b>183</b>	<b>96</b>	<b>-62</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Gains/losses on translation of foreign operations for the period	-62	-18	-139	67
Change in fair value of available-for-sale financial assets for the period	116	203	212	345
Changes in fair value of cash flow hedges for the period	25	-792	40	-969
Changes in fair value of cash flow hedges transferred to profit for the year	-22	421	1,017	-232
Tax attributable to components of cash flow hedges		81	-232	264
<b>Total items reclassified to profit or loss</b>	<b>57</b>	<b>-105</b>	<b>898</b>	<b>-525</b>
<b>Other comprehensive income for the period</b>	<b>204</b>	<b>78</b>	<b>994</b>	<b>-587</b>
<b>Total comprehensive income for the period attributable to the Parent Company shareholders</b>	<b>1,183</b>	<b>-1,528</b>	<b>5,797</b>	<b>-1,565</b>

# LKAB – GROUP

## CONDENSED STATEMENT OF FINANCIAL POSITION

MSEK	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	167	212
Property, plant and equipment for operations	30,882	32,076
Property, plant and equipment for urban transformation	1,890	2,009
Participations in associated companies	39	38
Financial investments	1,303	1,096
Deferred tax asset	28	30
<b>Total non-current assets</b>	<b>34,309</b>	<b>35,461</b>
<b>Current assets</b>		
Inventories	2,602	2,836
Accounts receivable	1,948	2,094
Prepaid expenses and accrued income	145	815
Other current receivables	1,203	2,525
Current investments	18,041	11,271
Cash and cash equivalents	2,051	2,624
<b>Total current assets</b>	<b>25,990</b>	<b>22,165</b>
<b>TOTAL ASSETS</b>	<b>60,298</b>	<b>57,626</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	700	700
Reserves	525	-373
Retained earnings incl. profit for the year	35,124	30,224
<b>Equity attributable to Parent Company shareholders</b>	<b>36,348</b>	<b>30,551</b>
<b>Total equity</b>	<b>36,348</b>	<b>30,551</b>
<b>Non-current liabilities</b>		
Non-current interest-bearing liabilities	3,235	3,234
Other non-current liabilities	3	4
Provisions for pensions and similar commitments	1,642	1,877
Provisions for urban transformation	9,198	9,914
Other provisions	1,211	1,198
Deferred tax liabilities	1,851	1,512
<b>Total non-current liabilities</b>	<b>17,139</b>	<b>17,740</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	935	1,871
Trade payables	1,320	1,283
Tax liabilities	542	34
Other current liabilities	230	1,309
Accrued expenses and deferred income	926	1,559
Provisions for urban transformation	2,713	3,148
Other provisions	147	131
<b>Total current liabilities</b>	<b>6,811</b>	<b>9,335</b>
<b>Total liabilities</b>	<b>23,950</b>	<b>27,075</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>60,298</b>	<b>57,626</b>

# LKAB – GROUP

## CONDENSED STATEMENT OF CHANGES IN EQUITY

### Equity attributable to Parent Company shareholders

	Share capital	Reserves			Retained earnings including profit for the year	Total equity
		Translation reserve	Fair value reserve	Hedging reserve		
<b>2016</b>						
<b>MSEK</b>						
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						
<b>Closing equity 31 Dec 2016</b>	<b>700</b>	<b>-83</b>	<b>542</b>	<b>-832</b>	<b>30,224</b>	<b>30,551</b>

### Equity attributable to Parent Company shareholders

	Share capital	Reserves			Retained earnings including profit for the year	Total equity
		Translation reserve	Fair value reserve	Hedging reserve		
<b>2017</b>						
<b>MSEK</b>						
Opening equity 1 Jan 2017	700	-83	542	-832	30,224	30,551
Profit/loss for the year					4,803	4,803
Other comprehensive income for the year		-139	212	825	96	994
Comprehensive income for the year		-139	212	825	4,900	5,797
Dividend						
<b>Closing equity 31 Dec 2017</b>	<b>700</b>	<b>-222</b>	<b>754</b>	<b>-7</b>	<b>35,124</b>	<b>36,348</b>

# LKAB – GROUP

## CONDENSED STATEMENT OF CASH FLOWS

MSEK	Q4 2017	Q4 2016	Full year 2017	Full year 2016
<b>Operating activities</b>				
Profit/loss before tax	1,371	-1,878	6,266	-1,063
Adjustment for items not included in cash flow	1,069	3,083	3,783	5,780
Income tax paid	-813	379	-879	-58
Expenditures, urban transformation	-357	-152	-2,178	-1,035
Expenditures, other provisions	-22	-40	-22	-55
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,248</b>	<b>1,391</b>	<b>6,970</b>	<b>3,569</b>
<b>Cash flow from changes in working capital</b>				
Increase (-)/Decrease (+) in inventories	93	-101	234	79
Increase (-)/Decrease (+) in operating receivables	-394	-802	1,648	-2,610
Increase (+)/Decrease (-) in operating liabilities	235	-90	8	-511
<b>Change in working capital</b>	<b>-66</b>	<b>-993</b>	<b>1,890</b>	<b>-3,043</b>
<b>Cash flow from operating activities</b>	<b>1,182</b>	<b>399</b>	<b>8,860</b>	<b>526</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	-600	-756	-2,008	-3,341
Disposal of property, plant and equipment	5	2	284	53
Acquisition/divestment of financial assets	-2,981	-794	-6,770	-1,159
<b>Cash flow from investing activities</b>	<b>-3,576</b>	<b>-1,548</b>	<b>-8,494</b>	<b>-4,447</b>
<b>Financing activities</b>				
Repayments/borrowing	-923	532	-937	2,114
<b>Cash flow from financing activities</b>	<b>-923</b>	<b>532</b>	<b>-937</b>	<b>2,114</b>
<b>Cash flow for the period</b>	<b>-3,317</b>	<b>-618</b>	<b>-571</b>	<b>-1,807</b>
Cash and cash equivalents at start of period	5,367	3,187	2,624	4,335
Exchange difference in cash and cash equivalents	1	55	-2	96
Cash and cash equivalents at end of period	2,051	2,624	2,051	2,624
<b>Change in cash and cash equivalents</b>	<b>-3,317</b>	<b>-618</b>	<b>-571</b>	<b>-1,807</b>
<b>Sub-components of cash and cash equivalents</b>				
Cash and bank balances			2,051	2,524
Current investments (maturity <90 days)				100
<b>Cash and cash equivalents</b>			<b>2,051</b>	<b>2,624</b>
<b>Consolidated operating cash flow</b>				
<b>Cash flow from operating activities</b>	<b>1,182</b>	<b>399</b>	<b>8,860</b>	<b>526</b>
Acquisition of property, plant and equipment	-600	-756	-2,008	-3,341
Disposal of property, plant and equipment	5	2	284	53
<b>Operating cash flow (excluding current investments)</b>	<b>587</b>	<b>-356</b>	<b>7,136</b>	<b>-2,762</b>
Acquisition/disposal of financial assets (net)	-2,981	-794	-6,770	-1,159
<b>Cash flow after investing activities</b>	<b>-2,394</b>	<b>-1,150</b>	<b>366</b>	<b>-3,921</b>
Cash flow from financing activities	-923	532	-937	2,114
<b>Cash flow for the period</b>	<b>-3,317</b>	<b>-618</b>	<b>-571</b>	<b>-1,807</b>

# LKAB – PARENT COMPANY

## CONDENSED INCOME STATEMENT

MSEK	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales	5,778	4,424	21,604	14,904
Cost of goods sold	-4,440	-5,868	-15,870	-16,687
<b>Gross profit/loss</b>	<b>1,338</b>	<b>-1,444</b>	<b>5,734</b>	<b>-1,784</b>
Selling expenses	-11	-11	-33	-38
Administrative expenses	-77	-78	-269	-293
Research and development expenses	-151	-97	-381	-278
Other operating income	9	12	231	15
Other operating expenses	-3	-10	-18	-10
<b>Operating profit/loss</b>	<b>1,105</b>	<b>-1,628</b>	<b>5,264</b>	<b>-2,388</b>
<b>Profit/loss from financial items</b>	<b>-34</b>	<b>-72</b>	<b>196</b>	<b>854</b>
<b>Profit/loss after financial items</b>	<b>1,071</b>	<b>-1,700</b>	<b>5,460</b>	<b>-1,534</b>
Appropriations	2,842	-752	2,842	-752
<b>Profit/loss before tax</b>	<b>3,913</b>	<b>-2,451</b>	<b>8,302</b>	<b>-2,285</b>
Tax	-957	403	-1,895	421
<b>Profit/loss for the period</b>	<b>2,955</b>	<b>-2,048</b>	<b>6,406</b>	<b>-1,865</b>

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q4 2017	Q4 2016	Q1–Q3 2017	Full year 2016
Profit/loss for the period	2,955	-2,048	6,406	-1,865
Other comprehensive income for the period				
<b>Comprehensive income for the period</b>	<b>2,955</b>	<b>-2,048</b>	<b>6,406</b>	<b>-1,865</b>

# LKAB – PARENT COMPANY

## CONDENSED BALANCE SHEET

MSEK	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	34	48
Property, plant and equipment for operations	25,688	26,449
Property, plant and equipment for urban transformation	1,890	2,009
<b>Financial assets</b>		
Participations in subsidiaries	2,390	2,120
Participations in associated companies	41	40
Receivables from subsidiaries	2,419	1,604
Other non-current securities	246	246
Other non-current receivables	112	110
Deferred tax asset	1,817	2,380
<b>Total financial assets</b>	<b>7,026</b>	<b>6,501</b>
<b>Total non-current assets</b>	<b>34,637</b>	<b>35,007</b>
<b>Current assets</b>		
Inventories	2,119	2,333
Current receivables		
Accounts receivable	1,596	1,785
Receivables from subsidiaries	161	1,201
Other current receivables	1,080	2,414
Prepaid expenses and accrued income	106	769
<b>Total current receivables</b>	<b>2,942</b>	<b>6,170</b>
Current investments	17,572	11,115
Cash and bank balances	1,719	2,124
<b>Total current assets</b>	<b>24,352</b>	<b>21,742</b>
<b>TOTAL ASSETS</b>	<b>58,989</b>	<b>56,748</b>

# LKAB – PARENT COMPANY

## CONDENSED BALANCE SHEET

MSEK	31 Dec 2017	31 Dec 2016
<b>TOTAL EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity		
Share capital (700,000 shares)	700	700
Statutory reserve	697	697
Non-restricted equity		
Retained earnings	14,160	16,025
Profit/loss for the period	6,406	-1,865
<b>Total equity</b>	<b>21,964</b>	<b>15,557</b>
Untaxed reserves	15,263	17,663
<b>Provisions</b>		
Provisions for urban transformation	9,198	9,914
Other provisions	1,464	1,486
<b>Total provisions</b>	<b>10,661</b>	<b>11,400</b>
<b>Non-current liabilities</b>		
Bond loans	3,235	3,234
Other non-current liabilities	3	4
<b>Total non-current liabilities</b>	<b>3,238</b>	<b>3,238</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	935	1,871
Trade payables	949	929
Liabilities to subsidiaries	1,765	1,298
Current tax liabilities	510	
Other current liabilities	140	109
Accrued expenses and deferred income	706	1,403
Provisions for urban transformation	2,713	3,148
Other provisions	147	131
<b>Total current liabilities</b>	<b>7,864</b>	<b>8,890</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>58,989</b>	<b>56,748</b>

# 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 2016 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. With effect from the first quarter 2017 LKAB Berg och Betong AB, LKAB Mekaniska AB and LKAB Kimit AB are being reported in the Special Products Division, rather than under Other Segments as in 2016. Earlier periods have been restated in accordance with the change.

The Group will start to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018. The estimated effect of the transition to IFRS 9 and IFRS 15 on the Group's financial reports is summarized below.

On the transition to IFRS 9 the Group has decided that the forward points in forward exchange contracts when hedging cash flows for iron ore sales are to be reported separately as a cost of hedging. The changes in forward points will be recognized in other comprehensive income and accumulated in a reserve for hedging costs within equity. The new reporting will be applied prospectively. As at 31 December 2017, hedging costs amounted to MSEK -5. The change also means that hedging costs from and including 2018 will be reported in net sales. In 2017 the equivalent cost of MSEK 49 was reported as a financial expense.

Where IFRS 15 is concerned, the transition will mean that demurrage – i.e. the cost for delayed loading of vessels – is reported differently. At present the cost is reported under cost of goods sold, amounting in 2017 to MSEK 76. Under IFRS 15 the cost will affect the transaction price and be reported as part of net sales in respect of sales of iron ore.

## NOTE 2

### Risks and uncertainties

LKAB is exposed to various risks. Risk management plays a vital part in minimizing 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.

Under the current environmental ruling, continued mining in Kiruna is conditional upon the municipality redesignating "Land for residential purposes" as "Land for industrial purposes" by amending local plans. It is the municipality that decides on such changes.

For further information concerning risks, please refer to LKAB's 2016 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 2016 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 2017

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	950			950
Shares, current holdings		4,964		4,964
Interest-bearing instruments		13,077		13,077
Derivatives		65		65
<b>Total</b>	<b>950</b>	<b>18,106</b>		<b>19,056</b>

#### 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
<b>Total</b>	<b>-173</b>	<b>11,182</b>		<b>11,009</b>

### 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 values of derivative contracts are 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

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

#### Reconciliation

##### Underlying operating profit

	Q4 2017	Q4 2016	Full year 2017	Full year 2016
<b>MSEK</b>				
Operating profit/loss	1,334	-1,844	6,024	-1,677
Less:				
Costs for urban transformation provisions	353	1,179	1,147	2,106
Impairment of non-current assets	14	1,192	26	1,192
<b>Underlying operating profit</b>	<b>1,701</b>	<b>527</b>	<b>7,197</b>	<b>1,621</b>

##### Operating cash flow

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

##### Net financial indebtedness

MSEK	31 Dec 2017	31 Dec 2016
Loans payable	4,170	5,105
Provisions for pensions	1,642	1,877
Provisions, urban transformation	11,911	13,062
Provisions, remediation	1,290	1,276
Less:		
Cash and cash equivalents	-2,051	-2,624
Current investments	-18,041	-11,271
Financial investments	-1,303	-1,096
<b>Net financial indebtedness</b>	<b>-2,382</b>	<b>6,330</b>

##### Net debt/equity ratio

MSEK	31 Dec 2017	31 Dec 2016
Net financial indebtedness, MSEK	-2,382	6,330
Equity, MSEK	36,348	30,551
<b>Net debt/equity ratio, %</b>	<b>-6.6</b>	<b>20.7</b>

## NOTE 8

### Group overview

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

#### The divisions in summary, Q1–Q4 2017

MSEK	Northern	Southern	Special Products	Other	Eliminations/ group adjustments	Group
External income	13,231	8,588	2,634	-961		23,492
Internal income	441	249	1,302	48	-2,040	
Total net sales	13,672	8,837	3,936	-913	-2,040	23,492
<b>Operating profit/loss</b>	<b>4,194</b>	<b>2,646</b>	<b>391</b>	<b>-1,266</b>	<b>59</b>	<b>6,024</b>
Net financial income/expense						241
<b>Profit/loss before tax</b>						<b>6,266</b>

#### The divisions in summary, Q1–Q4 2016

MSEK	Northern	Southern	Special Products	Other	Eliminations/ group adjustments	Group
External income	10,301	6,998	1,628	-2,645	61	16,343
Internal income	75	164	1,736	124	-2,099	
Total net sales	10,376	7,162	3,364	-2,521	-2,038	16,343
<b>Operating profit/loss</b>	<b>1,164</b>	<b>-278</b>	<b>351</b>	<b>-2,936</b>	<b>22</b>	<b>-1,677</b>
Net financial income/expense						613
<b>Profit/loss before tax</b>						<b>-1,063</b>

# NOTES

## NOTE 9

### Pledged assets and contingent liabilities, Parent Company

#### Pledged assets

MSEK	31 Dec 2017	31 Dec 2016
<i>As pledged assets for own liabilities and provisions</i>		
Company-owned endowment insurance	112	110
Deposit of cash and cash equivalents	121	121
Collateral provided, derivatives	208	1,465
Pledged assets, bonds	733	1,071
<b>Total pledged assets</b>	<b>1,174</b>	<b>2,767</b>

#### Contingent liabilities

MSEK	31 Dec 2017	31 Dec 2016
Guarantees, FPG/PRI	15	14
Guarantees, GP plan	4	5
Guarantees, Swedish Tax Agency	63	76
Surety given for subsidiaries	33	49
Collateral, remediation	68	72
<b>Total contingent liabilities</b>	<b>183</b>	<b>216</b>

## NOTE 10

### Quarterly data for the Group

MSEK	Note	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net sales		6,248	5,990	5,713	5,541	4,517	4,258	3,800	3,768
Underlying operating profit		1,701	2,088	1,467	1,941	527	762	-174	507
Costs for urban transformation provisions		-353	-263	-300	-231	-1,179	-489	-103	-335
Impairment of non-current assets		-14	-12			-1,192			
Operating profit/loss		1,334	1,813	1,166	1,710	-1,844	273	-277	171
Net financial income/expense		37	35	58	111	-34	359	108	180
<b>Profit/loss before tax</b>		<b>1,371</b>	<b>1,849</b>	<b>1,224</b>	<b>1,822</b>	<b>-1,878</b>	<b>632</b>	<b>-169</b>	<b>352</b>
Operating cash flow		587	1,916	3,063	1,571	-356	214	-644	-1,978
Investments in property, plant and equipment		600	489	547	372	756	673	1,024	888
Deliveries of iron ore products, Mt		7.3	7.1	6.6	6.6	6.8	7.2	6.7	6.3
Proportion of pellets, %		81	81	84	86	84	84	83	86
Production of iron ore products, Mt		7.2	6.5	6.3	7.2	7.1	6.8	6.1	6.9
Return on equity, %		14.4	6.6	4.0	0.4	neg	1.2	neg	neg
Net debt/equity ratio, %		-6.6	-4.4	2.1	12.6	20.7	17.2	17.6	16.5

# LKAB 2017 IN BRIEF

## EUROPE

LKAB is the EU's largest iron ore producer and mines around 80 percent of all iron ore within the EU.

## 83%

of LKAB's revenue comes from pellet sales

# 2

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

## SINCE 1890

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

## 4,118

Total number of employees in the Group

## LKAB is organized into 3 divisions

**NORTHERN DIVISION**  
Kiruna

**SOUTHERN DIVISION**  
Malmberget and Svappavaara

**SPECIAL PRODUCTS DIVISION**  
LKAB Minerals, LKAB Wassara and LKAB Berg & Betong

