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## **Interim Report October-December 2017: Stable production and strong demand enhance competitiveness**

**LKAB continued to demonstrate stable production and delivery volumes during 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 previous year.**

"Continued increased volumes in combination with a higher iron ore price and strong demand for our highly upgraded, climate-efficient products have enhanced our competitiveness during the year," says LKAB's President and CEO Jan Moström.

### **Strong fourth quarter**

LKAB is reporting a strong fourth quarter with operating profit of MSEK 1,334 (-1,844) and net sales of MSEK 6,248 (4,517). This is mainly a result of improved earnings from price and currency hedging, the impairment losses applied to fixed assets during the last quarter of 2016 and lower costs for provisions related to the urban transformation. Despite the fact that expenditures related to the urban transformation just as expected increased, operating cash flow improved by MSEK 943 to MSEK 587 (-356) during the quarter.

Operating profit for the full year was MSEK 6,024 (-1,677) and net sales were MSEK 23,492 (16,343). Operating profit for the year was particularly strengthened by better prices for iron ore and improved earnings from price and currency hedging.

The average price level for the global spot price of iron ore was USD 66/tonne for the quarter, compared with USD 71/tonne for the same period last year. The premium for pellet sales stayed at a high level, compensating for the lower spot price during the quarter. Over the full year the average price level was higher, and somewhat less volatile, than in the previous year.

Production continued to be stable during the quarter and amounted to 7.2 (7.1) Mt and deliveries totalled 7.3 (6.8) Mt. LKAB's strategy to maximize pellet production remains in place and 81 percent of the quarter's total deliveries consisted of pellets.

LKAB's customers are continuing to demand more iron ore pellets than contracted. It is key to increase volumes, both in the short and the long term. Pellet deliveries for 2017 were at their highest level ever 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.

### **Competitiveness for the future**

Efforts for continuous improvement in the day-to-day operations are continuing. Profitability and productivity within the framework of existing capacity and investments already made are essential for future development. During the year, work began with a focus on the shape that LKAB is to take after 2030, when the current main haulage levels are expected to be mined out.

"Production stability and work in close collaboration with our stakeholders in the ongoing urban transformations continue to be of high priority. However, we are also in a position where we addresses future matters. This means that we must begin planning for the next generation of mining, upgrading and logistics – one which is capable of delivering higher volumes of quality products to the steel industry, while using less resources and having less environmental impact," concludes Jan Moström.