

## MARKET CONDITIONS REMAIN FAVOURABLE FOR LKAB

LKAB begins 2019 with increased sales and improved earnings, mainly as a result of continued high iron ore prices and a strong dollar. Optimising production, increasing volumes and enhancing our competitiveness continue to have priority. Work on making LKAB sustainable in the long term continues through the expansion of exploration, progress on the development programmes and the initiatives to broaden our business.

### OPERATIONS – FIRST QUARTER

MSEK	Note	Q1 2019	Q1 2018	Full year 2018
Net sales	4, 5	7,329	6,227	25,892
Underlying operating profit	10	2,899	2,357	8,975
Costs for urban transformation provisions		-386	-795	-2,106
Operating profit/loss		2,513	1,561	6,869
Net financial income/expense		547	201	-185
Profit/loss before tax		3,060	1,762	6,685
<b>Profit/loss for the period</b>		<b>2,388</b>	<b>1,350</b>	<b>5,274</b>
Operating cash flow		2,500	1,770	3,126
Investments in property, plant and equipment		391	594	2,455
Depreciation		-696	-722	-2,857
Deliveries of iron ore products, Mt		6.1	6.8	26.8
Proportion of pellets, %		86	84	82
Production of iron ore products, Mt		6.5	7.3	26.9
Return on equity, %	10	16.0	13.4	14.1
Net debt/equity ratio, %	10	4.7	-9.4	9.2



→ With our expertise and experience in mining and processing, we are working to create a broader LKAB that will be less sensitive to fluctuations in the iron ore market.

- Production volumes in the first quarter were lower than in the same quarter last year, due to extensive maintenance work at the pelletising plant in Svappavaara and production disruptions at the pelletising plant in Kiruna. Delivery volumes were also lower than in the same period last year because of the lower production.
- Underlying operating profit for the first quarter was 23 percent higher than in the same period last year, mainly as a result of higher prices for highly upgraded iron ore products and a stronger dollar exchange rate during the period.
- The average global spot price<sup>1</sup> for iron ore products in the first quarter was USD 83 (74)/tonne compared with USD 72/tonne in the fourth quarter 2018. The global spot price at the end of the quarter was USD 87/tonne. The premium for pellet sales stayed at a high level.
- Operating cash flow for the first quarter was MSEK 2,500 (1,770), mainly due to stronger earnings and lower capital expenditure.
- The return on equity was 16.0 (13.4) percent.
- The net debt/equity ratio was 4.7 (-9.4) percent.

6.5 Mt

Produced during the quarter

6.1 Mt

Delivered during the quarter

86%

Percentage of pellets for the quarter

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

# THE LKAB GROUP

## NET SALES AND OPERATING PROFIT/LOSS

ANALYSIS OF CHANGE IN OPERATING PROFIT/LOSS MSEK	Q1 2019
<b>Operating profit 2018</b>	<b>1,561</b>
Prices, iron ore	606
Currency effect, iron ore incl. hedging of accounts receivable	767
Volume and mix, iron ore	-573
Volume, price and currency, industrial minerals	40
Costs for urban transformation provisions	410
Depreciation	26
Other income and expenses	-324
<b>Operating profit 2019</b>	<b>2,513</b>

Net sales for the first quarter were 18 percent higher when compared year-on-year. The improvement is mainly due to higher prices for highly upgraded iron ore products and a stronger dollar exchange rate. The average spot price for iron ore in the quarter was USD 83 (74)/tonne and the pellet premium remained at a high level, increasing further during the quarter.

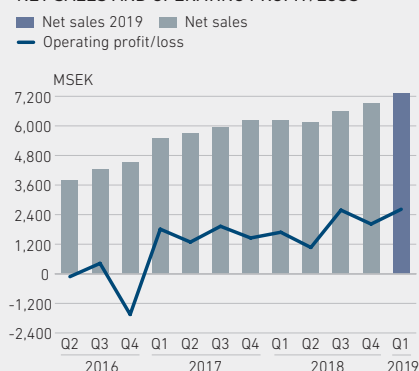
The cost level for the quarter, excluding provisions for urban transformation, was higher than in the same period last year, mainly as a result of increased maintenance work, a larger number of employees, higher energy prices and increased exploration.

## CASH FLOW

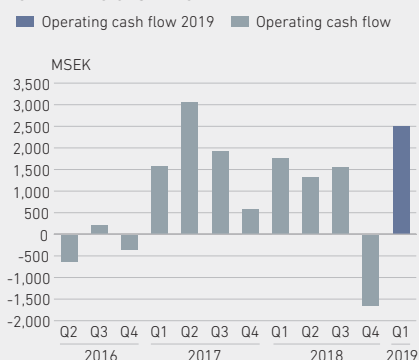
MSEK	Q1 2019	Q1 2018	Full year 2018
Cash flow from operating activities before changes in working capital	2,844	2,569	7,559
Change in working capital	12	-205	-831
Capital expenditures (net)	-377	-594	-2,446
Acquisition of subsidiaries			-1,146
Acquisition/divestment of financial assets	21		-11
<b>Operating cash flow</b>	<b>2,500</b>	<b>1,770</b>	<b>3,126</b>

Operating cash flow for the first quarter was MSEK 2,500 (1,770), mainly due to the positive effects of stronger earnings and lower capital expenditure. Higher expenditure on urban transformation had a negative effect.

### NET SALES AND OPERATING PROFIT/LOSS



### OPERATING CASH FLOW



### RETURN ON EQUITY



# THE LKAB GROUP

## NET FINANCIAL INCOME/EXPENSE AND NET FINANCIAL INDEBTEDNESS

Net financial income/expense for the first quarter was MSEK 547 (201), with positive stock market development during the quarter having a positive impact on the return on financial investments when compared year-on-year.

The net debt/equity ratio was 4.7 (-9.4) percent, an increase compared with the same period last year, mainly as a result of higher provisions for urban transformation.

## CREDIT FACILITIES

MSEK	Nominal	Utilised (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 to nominal credit facilities during the quarter. All credit facilities are subject to 100 percent retention of title.

## SUSTAINABLE DEVELOPMENT

Sustainability is central to LKAB's strategy. Securing access to ore after 2030, when the current main haulage levels are expected to be mined out, is the basis for the next generation of LKAB, which is why exploration work is being intensified further. LKAB is conducting extensive development programmes aimed at more sustainable future mining and steelmaking processes. Four different sub-projects are being conducted under the Sustainable Underground Mining (SUM) umbrella, including a project to develop autonomous, smart, carbon-free vehicles for within the mine. In the Hydrogen Ironmaking Breakthrough Technology (HYBRIT) initiative a pilot facility is being constructed and is planned for completion next summer. The decision to invest MSEK 45 in pilot facilities for ReeMAP, an initiative for the production of phosphorus and rare earth elements, was also announced during the quarter.

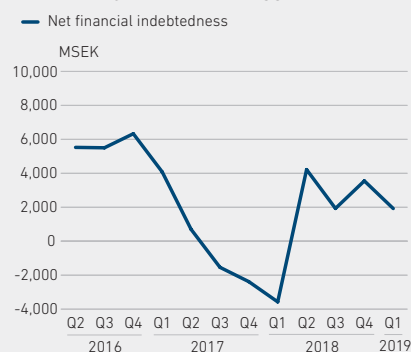
## SIGNIFICANT EVENTS IN THE FIRST QUARTER

Extensive maintenance work was carried out at the pelletising plant in Svappavaara during the period from September 2018 up to 6 February 2019, which had a negative effect on delivery volumes in the first quarter of 0.4 Mt.

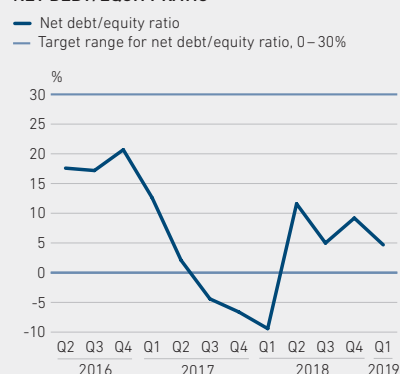
## OUTLOOK FOR 2019

Demand for LKAB's pellets remains strong. LKAB is continuing to focus on stability, profitability and productivity improvements in order to enhance competitiveness. Work on the urban transformation is in an intensive phase with an increased number of acquisitions, which will mean increased expenditure over the year.

### 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 first two month of the year by 3.8 percent compared with the same period last year.

The biggest event during the quarter was the dam failure in Brazil suffered by Vale at the end of January. It is difficult to assess to what extent the dam failure will impact the market. The spot price of iron ore increased after the failure.

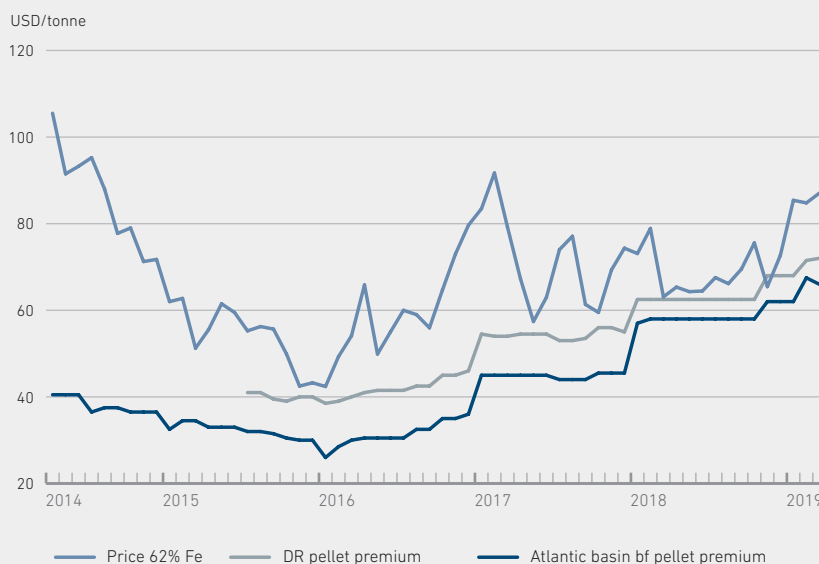
Demand for LKAB's iron ore products remains high.

### Iron ore spot price developments

At the beginning of the first quarter the spot price was USD 72/tonne. The spot price then increased significantly at the end of January, peaking at USD 94/tonne at the beginning of February. Thereafter the price was relatively stable in the range USD 85–88/tonne for the remainder of the quarter. At the end of the quarter it was USD 87/tonne. The average price for the quarter was USD 83/tonne, which was USD 11/tonne higher than in the preceding quarter. Quoted pellet premiums for blast furnace pellets and DR pellets increased in the beginning of the quarter to USD 67/tonne and USD 71/tonne respectively. There were only marginal changes in March, to USD 66/tonne and USD 72/tonne respectively. The pellet premium in China continued to decrease during the quarter and was quoted at USD 34/tonne at the end of March, a decrease of USD 11/tonne compared with the previous quarter. The price difference between Platts IODEX 65% Fe and 62% Fe continued to decrease and the average for the quarter was USD 13/tonne, a decrease of USD 7/tonne compared with previous quarter.

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

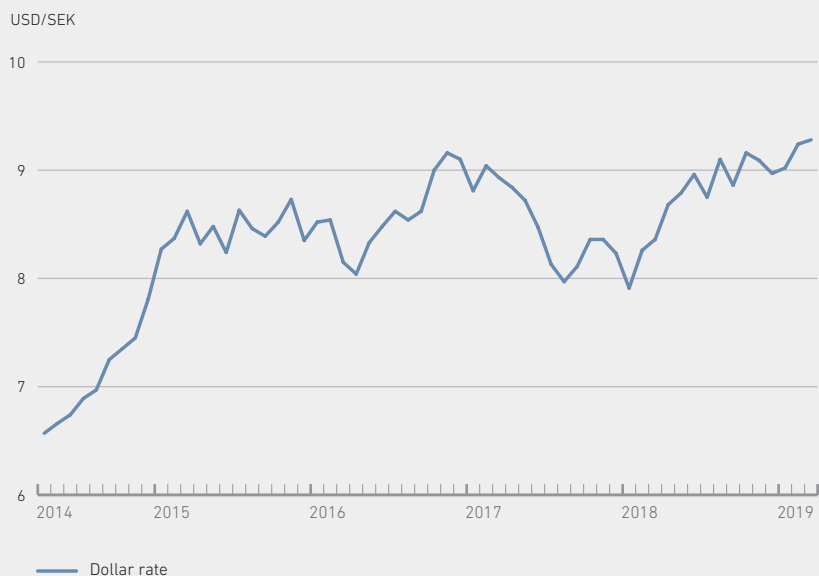
1 April 2014–31 March 2019



Source: PLATTS IODEX 62% Fe CFR North China

### CHANGES IN THE DOLLAR EXCHANGE RATE

1 April 2014–31 March 2019



<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	Q1 2019	Q1 2018	Full year 2018
Net sales	4, 5	3,929	3,353	14,278
Underlying operating profit	10	1,942	1,395	6,016
Costs for urban transformation provisions		-386	-574	-1,914
<b>Operating profit/loss</b>		<b>1,555</b>	<b>821</b>	<b>4,102</b>
Investments in property, plant and equipment		134	131	616
Depreciation		-269	-326	-1,229
Deliveries of iron ore products, Mt		3.4	3.8	15.2
Proportion of pellets, %		92	86	85
Production of iron ore products, Mt		3.7	4.1	15.0

The production volume for the first quarter decreased by 0.4 Mt in a year-on-year comparison. Deliveries also decreased by 0.4 Mt and amounted to 3.4 (3.8) Mt, with the proportion of pellets at 92 (86) percent. The decreased volumes are mainly due to more disruption at the pelletising plants than in the same period last year. Lower delivery volumes were caused by loading problems at Narvik because of severe weather.

Despite the lower delivery volume, sales increased in the first quarter compared with the same quarter the previous year. The reason is mainly higher prices for highly upgraded iron ore products, a higher dollar exchange rate and a greater proportion of pellets.

Costs, excluding provisions for urban transformation, were higher than in the same period last year, which was primarily an effect of increased maintenance work as a result of production disruptions during the quarter.

Underlying operating profit for the first quarter was MSEK 1,942 (1,395), which is an increase of 39 percent.

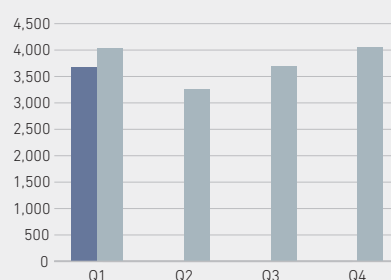
## FACTS



- 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 and four kilometres long. The current main haulage level is 1,365 metres underground.
- The ore is processed above ground in three concentrating plants and three pelletising 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 organisation for the markets in Europe, Asia and the Middle East.

Production of iron ore products (k tonnes)  
Northern Division

■ 2019 ■ 2018



# SOUTHERN DIVISION

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

## OPERATIONS SUMMARY

MSEK	Note	Q1 2019	Q1 2018	Full year 2018
Net sales	4, 5	2,913	2,680	10,534
Underlying operating profit/loss	10	1,073	999	2,991
Costs for urban transformation provisions		1	-221	-192
<b>Operating profit/loss</b>		<b>1,074</b>	<b>778</b>	<b>2,799</b>
Investments in property, plant and equipment		186	254	1,151
Depreciation		-225	-217	-903
Deliveries of iron ore products, Mt		2.7	3.0	11.6
Proportion of pellets, %		78	76	80
Production of iron ore products, Mt		2.9	3.2	11.9

Production volumes in the first quarter were 0.3 Mt lower than in the same quarter the previous year, mainly due to extensive maintenance work at the pelletising plant in Svappavaara during the quarter. Deliveries for the quarter amounted to 2.7 (3.0) Mt, with pellets accounting for 78 (76) percent of this.

Sales for the quarter increased year-on-year, which was mainly an effect of higher prices for highly upgraded iron ore products and a stronger dollar exchange rate. The higher prices were offset by lower delivery volumes.

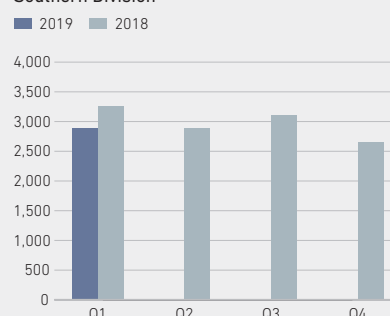
Costs for the quarter increased somewhat compared with the same period last year, mainly as a result of higher costs for the maintenance work in Svappavaara. Lower costs for urban transformation provisions had a positive impact on the quarter. Underlying operating profit increased by 7 percent to MSEK 1,073 (999).

## 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 open-pit mine. Mining at Gruvberget ended in March 2018.
- The ore is processed above ground in two concentrating and pelletising plants in Malmberget and in one concentrating and pelletising plant in Svappavaara.
- The Southern Division produces both blast furnace pellets and pellets for steelmaking via direct reduction, known as DR pellets, as well as fines.
- The processed iron ore products are transported along the Malmaban ore railway, mainly to the port in Luleå and on to European steel mill customers.
- The iron ore operations have a sales organisation for the markets in Europe, Asia and the Middle East.

Production of iron ore products (k tonnes)  
Southern Division



# SPECIAL PRODUCTS DIVISION

The Special Products Division is a leading global supplier of industrial minerals, with a major focus on LKAB's 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	Q1 2019	Q1 2018	Full year 2018
Net sales	4, 5	1,132	840	3,806
<b>Operating profit/loss</b>		<b>89</b>	<b>64</b>	<b>330</b>
Investments in property, plant and equipment		21	8	85
Depreciation		-37	-14	-62

Net sales for the first quarter amounted to MSEK 1,132 (840), which is 35 percent higher than in the same period last year. The increase is mainly attributable to the acquisition of the UK industrial minerals company Francis Flower at the end of 2018. The additional business within Francis Flower is continuing according to plan and strengthens the results of the division. An increased sales volume of magnetite for offshore gas pipeline projects as well as the order from the Northern Division to drive exploration drifts at the mine in Kiruna also contributed to the increase in sales. Operating profit for the first quarter was MSEK 89 (64).

Capital expenditure and depreciation increased compared with the first quarter last year, mainly as an effect of the acquisition of Francis Flower.

## 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 of iron ore prices, foreign currency effects and purchases of electricity.

## OPERATIONS SUMMARY

MSEK	Note	Q1 2019	Q1 2018	Full year 2018
Net sales excl. hedging		31	39	196
Net sales hedging		-64	15	-80
<b>Total net sales</b>	4, 5	<b>-33</b>	<b>54</b>	<b>116</b>
<b>Operating profit/loss</b>		<b>-205</b>	<b>-110</b>	<b>-378</b>
Investments in property, plant and equipment		50	201	603
Depreciation		-166	-165	-663

The lower operating profit for the first quarter is mainly due to a negative result of hedging activities. Under LKAB's hedging strategy, price and currency risk in the Group's forecast sales are not normally hedged. Outstanding accounts receivable are hedged, however. Costs for the quarter increased somewhat, partly as a result of increased exploration.

<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 Group's financial activities.

## OPERATIONS SUMMARY

MSEK	Note	Q1 2019	Q1 2018	Full year 2018
Net sales		6,676	5,836	24,194
Underlying operating profit/loss	10	2,756	2,224	8,269
Costs for urban transformation provisions		-386	-795	-2,106
<b>Operating profit/loss</b>		<b>2,370</b>	<b>1,429</b>	<b>6,163</b>
Investments in property, plant and equipment		333	569	2,256
Depreciation		-529	-582	-2,272
Deliveries of iron ore products, Mt		6.1	6.8	26.8
Production of iron ore products, Mt		6.5	7.3	26.9



# SIGNATURES

---

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

Luleå, 25 April 2019  
Luossavaara-Kiirunavaara AB (publ)



Jan Moström  
President and CEO

## FINANCIAL INFORMATION

**Interim Report Q2 2019**  
15 August 2019

**Interim Report Q3 2019**  
25 October 2019

**Interim Report Q4 2019**  
**(together with Year End Report)**  
14 February 2020

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	Note	Q1 2019	Q1 2018	Full year 2018
Net sales	4, 5	7,329	6,227	25,892
Cost of goods sold		-4,506	-4,377	-17,989
<b>Gross profit/loss</b>		<b>2,823</b>	<b>1,850</b>	<b>7,903</b>
Selling expenses		-46	-30	-135
Administrative expenses		-142	-138	-478
Research and development expenses		-107	-83	-386
Other operating income		86	66	382
Other operating expenses		-102	-103	-416
<b>Operating profit/loss</b>	4	<b>2,513</b>	<b>1,561</b>	<b>6,869</b>
Financial income		626	273	429
Financial expense		-79	-72	-614
<b>Net financial income/expense</b>		<b>547</b>	<b>201</b>	<b>-185</b>
<b>Profit/loss before tax</b>		<b>3,060</b>	<b>1,762</b>	<b>6,685</b>
Tax		-673	-412	-1,411
<b>Profit/loss for the period</b>		<b>2,388</b>	<b>1,350</b>	<b>5,274</b>
Attributable to Parent Company shareholders		2,388	1,350	5,274
Earnings per share before and after dilution (SEK)		3,411	1,929	7,534
Number of shares		700,000	700,000	700,000

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q1 2019	Q1 2018	Full year 2018
<b>Profit/loss for the period</b>		<b>2,388</b>	<b>1,350</b>	<b>5,274</b>
<b>Other comprehensive income for the period</b>				
<b>Items that will not be reclassified to profit for the year</b>				
Remeasurement of defined-benefit pension plans		-119	38	-20
Tax attributable to actuarial gains and losses		25	-8	-9
<b>Total items that will not be reclassified to profit for the year</b>		<b>-94</b>	<b>30</b>	<b>-29</b>
<b>Items that have been or may be reclassified subsequently to profit for the year</b>				
Gains/losses on translation of foreign entities for the period		164	193	60
Change in fair value of available-for-sale financial assets for the period		73	46	-304
Changes in fair value of cash flow hedges for the period		-34	45	140
Changes in fair value of cash flow hedges transferred to profit/loss for the year		-26	-10	-6
Tax attributable to components of cash flow hedges		13	-7	-29
<b>Total items reclassified to profit or loss</b>		<b>190</b>	<b>267</b>	<b>-139</b>
<b>Other comprehensive income for the period</b>		<b>96</b>	<b>297</b>	<b>-168</b>
<b>Total comprehensive income for the period attributable to the Parent Company shareholders</b>		<b>2,484</b>	<b>1,647</b>	<b>5,106</b>

# LKAB – GROUP

## CONDENSED STATEMENT OF FINANCIAL POSITION

MSEK	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		1,394	212	1,326
Property, plant and equipment for operations		31,085	30,937	30,776
Property, plant and equipment for urban transformation		7,905	1,890	7,376
Interests in associates and joint ventures		31	39	31
Financial investments	6	1,069	1,367	1,026
Non-current receivables		2		2
Deferred tax asset		27	30	25
<b>Total non-current assets</b>		<b>41,513</b>	<b>34,475</b>	<b>40,562</b>
<b>Current assets</b>				
Inventories		3,304	2,791	3,344
Accounts receivable		2,293	2,054	2,217
Prepaid expenses and accrued income		291	197	251
Other current receivables		1,497	1,162	1,544
Current investments	6	25,046	18,512	18,753
Cash and cash equivalents	6	4,629	7,519	2,290
<b>Total current assets</b>		<b>37,061</b>	<b>32,235</b>	<b>28,399</b>
<b>TOTAL ASSETS</b>		<b>78,574</b>	<b>66,709</b>	<b>68,961</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		700	700	700
Reserves		576	792	386
Retained earnings incl. profit for the year		39,773	36,504	37,487
<b>Equity attributable to Parent Company shareholders</b>		<b>41,049</b>	<b>37,996</b>	<b>38,573</b>
<b>Total equity</b>		<b>41,049</b>	<b>37,996</b>	<b>38,573</b>
<b>Non-current liabilities</b>				
Non-current interest-bearing liabilities		1,608	3,236	1,247
Other non-current liabilities			2	11
Provisions for pensions and similar commitments		1,787	1,612	1,647
Provisions, urban transformation		13,744	9,187	14,378
Other provisions		1,223	1,186	1,219
Deferred tax liabilities		1,625	1,865	1,538
<b>Total non-current liabilities</b>		<b>19,988</b>	<b>17,088</b>	<b>20,040</b>
<b>Current liabilities</b>				
Current interest-bearing liabilities		9,994	5,101	3,756
Trade payables		1,664	1,290	1,581
Tax liabilities		22	311	156
Other current liabilities		310	327	320
Accrued expenses and deferred income		1,152	1,060	1,087
Provisions, urban transformation		4,184	3,391	3,247
Other provisions		209	147	199
<b>Total current liabilities</b>		<b>17,536</b>	<b>11,626</b>	<b>10,347</b>
<b>Total liabilities</b>		<b>37,524</b>	<b>28,714</b>	<b>30,388</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>78,574</b>	<b>66,709</b>	<b>68,961</b>

# LKAB – GROUP

## CONDENSED STATEMENT OF CHANGES IN EQUITY

### Equity attributable to Parent Company shareholders

	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve		
<b>2018 MSEK</b>						
Opening equity 1 Jan 2018	<b>700</b>	<b>-222</b>	<b>754</b>	<b>-7</b>	<b>35,124</b>	<b>36,348</b>
Profit for the year					5,274	5,274
Other comprehensive income for the year		60	-304	105	-29	-168
Comprehensive income for the year		60	-304	105	5,245	5,106
Dividend					2,882	-2,882
<b>Closing equity 31 Dec 2018</b>	<b>700</b>	<b>-162</b>	<b>450</b>	<b>98</b>	<b>37,487</b>	<b>38,573</b>

### Equity attributable to Parent Company shareholders

	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve		
<b>2019 MSEK</b>						
Opening equity 1 Jan 2019	<b>700</b>	<b>-162</b>	<b>450</b>	<b>98</b>	<b>37,487</b>	<b>38,573</b>
Adjustment for IFRS 16, after tax					-8	-8
Profit for the year					2,388	2,388
Other comprehensive income for the year		164	73	-47	-94	96
Comprehensive income for the year		164	73	-47	2,294	2,484
<b>Closing equity 31 Mar 2019</b>	<b>700</b>	<b>2</b>	<b>523</b>	<b>51</b>	<b>39,773</b>	<b>41,049</b>

# LKAB – GROUP

## CONDENSED STATEMENT OF CASH FLOWS

MSEK	Note	Q1 2019	Q1 2018	Full year 2018
<b>Operating activities</b>				
Profit/loss before tax		3,060	1,762	6,685
Adjustment for items not included in cash flow		1,084	1,580	4,988
Income tax paid		-684	-648	-2,228
Expenditures, urban transformation		-611	-124	-1,871
Expenditures, other provisions		-5	-1	-14
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,844</b>	<b>2,569</b>	<b>7,559</b>
<b>Cash flow from changes in working capital</b>				
Increase (-)/Decrease (+) in inventories		40	-189	-702
Increase (-)/Decrease (+) in operating receivables		-188	-120	-331
Increase (+)/Decrease (-) in operating liabilities		159	104	202
<b>Change in working capital</b>		<b>12</b>	<b>-205</b>	<b>-831</b>
<b>Cash flow from operating activities</b>		<b>2,856</b>	<b>2,364</b>	<b>6,729</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment		-391	-594	-2,455
Disposal of property, plant and equipment		14	0	9
Acquisition of subsidiaries				-1,146
Disposals/acquisitions (net) in current investments		-6,293		-712
Acquisition/disposal of other financial assets		21	-470	-11
<b>Cash flow from investing activities</b>		<b>-6,649</b>	<b>-1,065</b>	<b>-4,315</b>
<b>Financing activities</b>				
Repayments/borrowing repurchase agreements		6,152	4,167	833
Redemption of loans upon business combination				-128
Repayment of lease liabilities		-24		
Dividends paid to Parent Company shareholders				-2,882
<b>Cash flow from financing activities</b>		<b>6,128</b>	<b>4,167</b>	<b>-2,177</b>
<b>Cash flow for the period</b>		<b>2,335</b>	<b>5,466</b>	<b>237</b>
Cash and cash equivalents at start of period		2,290	2,051	2,051
Exchange difference in cash and cash equivalents		4	2	3
Cash and cash equivalents at end of period		4,629	7,519	2,290
<b>Change in cash and cash equivalents</b>		<b>2,335</b>	<b>5,466</b>	<b>237</b>
<b>Sub-components of cash and cash equivalents</b>				
Cash and bank balances		2,459	7,519	2,190
Current investments (maturity <90 days)		2,170		100
<b>Cash and cash equivalents</b>		<b>4,629</b>	<b>7,519</b>	<b>2,290</b>
<b>Consolidated operating cash flow</b>				
<b>Cash flow from operating activities</b>		<b>2,856</b>	<b>2,364</b>	<b>6,729</b>
Acquisition of property, plant and equipment		-391	-594	-2,455
Disposal of property, plant and equipment		14	0	9
Acquisition of subsidiaries				-1,146
Acquisition/disposal of other financial assets		21		-11
<b>Operating cash flow (excluding current investments)</b>		<b>2,500</b>	<b>1,770</b>	<b>3,126</b>
Disposals/acquisitions of financial assets (net)		-6,293	-470	-712
<b>Cash flow after investing activities</b>		<b>-3,793</b>	<b>1,300</b>	<b>2,414</b>
Cash flow from financing activities		6,128	4,167	-2,177
<b>Cash flow for the period</b>		<b>2,335</b>	<b>5,466</b>	<b>237</b>

# LKAB – PARENT COMPANY

## CONDENSED INCOME STATEMENT

MSEK	Note	Q1 2019	Q1 2018	Full year 2018
Net sales		6,676	5,836	24,194
Cost of goods sold		-4,101	-4,237	-17,309
<b>Gross profit/loss</b>		<b>2,575</b>	<b>1,599</b>	<b>6,885</b>
Selling expenses		-16	-9	-38
Administrative expenses		-89	-79	-305
Research and development expenses		-103	-79	-372
Other operating income		4	0	29
Other operating expenses		-2	-4	-37
<b>Operating profit/loss</b>		<b>2,370</b>	<b>1,429</b>	<b>6,163</b>
<b>Profit/loss from financial items</b>		<b>180</b>	<b>468</b>	<b>1,142</b>
<b>Profit/loss after financial items</b>		<b>2,550</b>	<b>1,897</b>	<b>7,304</b>
Appropriations				2,093
<b>Profit/loss before tax</b>		<b>2,550</b>	<b>1,897</b>	<b>9,397</b>
Tax		-545	-417	-2,022
<b>Profit/loss for the period</b>		<b>2,005</b>	<b>1,480</b>	<b>7,376</b>

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q1 2019	Q1 2018	Full year 2018
Profit/loss for the period		2,005	1,480	7,376
Other comprehensive income for the period				
<b>Comprehensive income for the period</b>		<b>2,005</b>	<b>1,480</b>	<b>7,376</b>

# LKAB – PARENT COMPANY

## CONDENSED BALANCE SHEET

MSEK	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		72	72	72
Property, plant and equipment for operations		25,332	25,675	25,624
Property, plant and equipment for urban transformation		7,905	1,890	7,376
<b>Financial assets</b>				
Interests in subsidiaries		2,388	2,390	2,388
Interests in associates and jointly controlled entities		32	41	32
Receivables from subsidiaries		4,055	2,576	3,874
Other non-current securities		203	247	248
Other non-current receivables		113	112	115
Deferred tax asset		1,594	1,817	1,594
<b>Total financial assets</b>		<b>8,385</b>	<b>7,183</b>	<b>8,251</b>
<b>Total non-current assets</b>		<b>41,694</b>	<b>34,821</b>	<b>41,323</b>
<b>Current assets</b>				
Inventories		2,661	2,268	2,622
Current receivables				
Accounts receivable		1,888	1,657	1,848
Receivables from subsidiaries		154	184	619
Other current receivables		1,343	1,044	1,303
Prepaid expenses and accrued income		84	101	131
<b>Total current receivables</b>		<b>3,468</b>	<b>2,985</b>	<b>3,901</b>
Current investments		26,688	18,134	18,826
Cash and bank balances		2,036	7,199	1,767
<b>Total current assets</b>		<b>34,853</b>	<b>30,586</b>	<b>27,115</b>
<b>TOTAL ASSETS</b>		<b>76,547</b>	<b>65,407</b>	<b>68,438</b>

# LKAB – PARENT COMPANY

## CONDENSED BALANCE SHEET

MSEK	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>TOTAL EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Restricted equity				
Share capital (700,000 shares)		700	700	700
Statutory reserve		697	697	697
Non-restricted equity				
Profit brought forward		25,060	20,566	17,684
Profit/loss for the period		2,005	1,480	7,376
<b>Total equity</b>		<b>28,462</b>	<b>23,444</b>	<b>26,457</b>
Untaxed reserves		13,650	15,263	13,650
<b>Provisions</b>				
Provisions, urban transformation		13,744	9,187	14,378
Other provisions		1,460	1,440	1,452
<b>Total provisions</b>		<b>15,204</b>	<b>10,627</b>	<b>15,831</b>
<b>Non-current liabilities</b>				
Bond loans		1,247	3,236	1,247
Other non-current liabilities			2	
<b>Total non-current liabilities</b>		<b>1,247</b>	<b>3,238</b>	<b>1,247</b>
<b>Current liabilities</b>				
Liabilities to credit institutions		9,907	5,101	3,756
Trade payables		1,277	995	1,021
Liabilities to subsidiaries		1,421	1,924	1,896
Current tax liabilities		15	300	126
Other current liabilities		189	219	242
Accrued expenses and deferred income		782	759	766
Provisions, urban transformation		4,184	3,391	3,247
Other provisions		209	147	199
<b>Total current liabilities</b>		<b>17,984</b>	<b>12,836</b>	<b>11,253</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>76,547</b>	<b>65,407</b>	<b>68,438</b>



# NOTES

## NOTE 1

### Accounting policies

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 are presented in SEK millions (MSEK) unless otherwise indicated. Rounding differences may occur.

Described below are changed accounting policies and calculation methods applied by the Group with effect from 1 January 2019. In other respects the accounting policies and calculation methods applied in this interim report conform to the accounting policies applied in the preparation of the 2018 annual report. For further information concerning the Group's accounting policies refer to LKAB's Annual and Sustainability Report for 2018. Other amendments to IFRS effective from 1 January 2019 have had no impact on the Group's earnings or financial position or on the presentation of the interim report.

#### Accounting policies changed due to new or amended IFRS

##### IFRS 16 Leases

The Group is applying IFRS 16 Leases with effect from 1 January 2019. For lessees, IFRS 16 means that almost all leases are recognised in the statement of financial position. The lessee recognises a right-of-use asset, representing a right to use the underlying asset, and a lease liability, representing an obligation to make future lease payments. Leases with a term of 12 months or less or where the underlying asset has a low value are exempted.

Depreciation of the right-of-use asset and interest expense for the lease liability are recognised in the income statement. Previously the Group recognised operating lease expenses on a straight-line basis over the lease term. This results in an increase in operating profit compared with the situation had the previous accounting policies been applied.

The discount rate used is the LKAB Group's marginal loan interest rate, which refers to the Group's borrowing cost based on a reference interest rate for interest rate swaps.

The lease payments are recognised as an outgoing payment in financing activities, with the result that cash flow from financing activities decreases and cash flow from operating activities increases compared with the situation had the previous accounting policies been applied.

The lease liability is recognised under loans payable and thus increases net financial indebtedness, which affects the calculation of the net debt/equity ratio.

The Group applies the modified retrospective approach, which means that the cumulative effect of the introduction of IFRS 16 is recognised in the opening balance of retained earnings as of 1 January 2019 without restating comparative information. The rights-of-use assets attributable to previous operating leases are mainly reported at amortised cost from the start of the lease.

The table below summarises the effects on assets, liabilities and equity in the opening balance as at 1 January 2019.

#### Effects on assets, liabilities and equity, 1 January 2019

MSEK	Carrying amount 1 January 2019	Restatement acc. to IFRS 16	Restated 1 January 2019
<i>Assets</i>			
Property, plant and equipment for operations	30,776	395	31,171
Deferred tax assets	25	2	27
<b>Total assets</b>	<b>30,801</b>	<b>397</b>	<b>31,198</b>
<i>Equity</i>			
Profit brought forward	37,487	-8	37,479
<b>Total equity</b>	<b>37,487</b>	<b>-8</b>	<b>37,479</b>
<i>Liabilities</i>			
Non-current interest-bearing liabilities	1,247	323	1,570
Current interest-bearing liabilities	3,756	82	3,758
<b>Total liabilities</b>	<b>5,003</b>	<b>405</b>	<b>5,408</b>
<b>Total equity and liabilities</b>	<b>42,490</b>	<b>397</b>	<b>42,887</b>

During the first quarter adjustments are recognised in respect of the lease commitments attributable to a business combination completed in December 2018. As a result of the adjustments, further lease liabilities and right-of-use assets are recognised at MSEK 52.

#### Change in method of calculating costs of urban transformation

Effective from 2019 the cost of provisions for urban transformation is calculated using a production-based method. This means that the cost is calculated on the basis of ore extracted relative to the estimated total volume for the current main haulage level.

Up to and including 2018 the cost was based on the estimated extent of the ground deformations, on the basis of the environmental conditions in force.

The effect of the changed calculation method is to spread the costs of the urban transformation more evenly, since the cost is related to production. The changed calculation method had no significant effect on earnings for quarter 1 2019 compared with the previous calculation method.

## 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, analyse 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, refer to LKAB's 2018 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 recognised assets, liabilities, income and expenses and other information provided, such as contingent liabilities. For further information concerning these, please refer to LKAB's 2018 annual report.

# NOTES

## NOTE 4

### Segment reporting

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

### The divisions in summary

MSEK	Northern		Southern		Special Products		Other		Eliminations/ group adjustments		Group	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
External income	3,734	3,027	2,899	2,673	741	487	-45	40			7,329	6,227
Internal income	195	326	14	7	391	353	12	14	-612	-700		
Total net sales	3,929	3,353	2,913	2,680	1,132	840	-33	54	-612	-700	7,329	6,227
Operating profit/loss	1,555	821	1,074	778	89	64	-205	-110		8	2,513	1,561
Net financial income/expense											547	201
Profit/loss before tax											3,060	1,762

## NOTE 5

### Revenue breakdown

Revenue from contracts with customers for the segments is reported below broken down by product/service area and region. The table also includes a reconciliation between the revenue breakdown and total external income according to Note 4.

MSEK	Northern		Southern		Special Products		Other		Group	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
<b>Product/service area</b>										
Pellets	3,580	2,777	2,474	2,273					6,054	5,050
Fines	127	213	424	397					551	610
Magnetite					229	177			229	177
Mineral sands					124	136			124	136
Other industrial minerals					361	137			361	137
Mining and construction services					27	37			27	37
Other	27	37	1	3			19	25	47	65
<b>Total</b>	<b>3,734</b>	<b>3,027</b>	<b>2,899</b>	<b>2,673</b>	<b>741</b>	<b>487</b>	<b>19</b>	<b>25</b>	<b>7,393</b>	<b>6,212</b>
<b>Region</b>										
Europe	2,037	1,407	2,840	2,429	489	333	19	25	5,385	4,194
MENA	1,352	1,319			54				1,406	1,319
Rest of world	345	301	59	244	198	154			602	699
<b>Total</b>	<b>3,734</b>	<b>3,027</b>	<b>2,899</b>	<b>2,673</b>	<b>741</b>	<b>487</b>	<b>19</b>	<b>25</b>	<b>7,393</b>	<b>6,212</b>
Revenue from contracts with customers	3,734	3,027	2,899	2,673	741	487	19	25	7,393	6,212
Other income – financing activities							-64	15	-64	15
<b>Total external income</b>	<b>3,734</b>	<b>3,027</b>	<b>2,899</b>	<b>2,673</b>	<b>741</b>	<b>487</b>	<b>-45</b>	<b>40</b>	<b>7,329</b>	<b>6,227</b>

# NOTES

## 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 Mar 2019

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	718			718
Shares, current holdings		6,843		6,843
Interest-bearing instruments		20,382		20,382
Derivatives	15	77		92
<b>Total</b>	<b>733</b>	<b>27,302</b>		<b>28,035</b>

#### Group, 31 Dec 2018

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	646			646
Shares, current holdings		6,381		6,381
Interest-bearing instruments		12,476		12,476
Derivatives	-4	170		166
<b>Total</b>	<b>642</b>	<b>19,027</b>		<b>19,669</b>

#### Fair value calculation

The following summarises 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.

## NOTE 7

### Pledged assets and contingent liabilities, Parent Company

#### Pledged assets

MSEK	31 Mar 2019	31 Mar 2018	31 Dec 2018
<i>As pledged assets for own liabilities and provisions</i>			
Company-owned endowment insurance	112	112	112
Deposit of cash and cash equivalents	121	121	121
Collateral provided, derivatives	100	225	56
Pledged assets, bonds	7,718	4,901	1,567
<b>Total pledged assets</b>	<b>8,051</b>	<b>5,359</b>	<b>1,856</b>

#### Contingent liabilities

MSEK	31 Mar 2019	31 Mar 2018	31 Dec 2018
Guarantees, FPG/PRI	15	15	15
Guarantees, GP plan	4	4	4
Guarantees, Swedish Tax Agency	63	63	63
Surety given for subsidiaries	29	33	29
Collateral, remediation	63	65	63
<b>Total contingent liabilities</b>	<b>174</b>	<b>180</b>	<b>174</b>

## NOTE 8

### 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 9

### Events after the end of the reporting period

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

# NOTES

## NOTE 10

### 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/loss	Operating profit/loss excluding costs for urban transformation provisions and impairment of intangible assets and 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/loss

	Q1 2019	Q1 2018	Full year 2018
<b>MSEK</b>			
Operating profit/loss	2,513	1,561	6,869
Less:			
Costs for urban transformation provisions	386	795	2,106
<b>Underlying operating profit/loss</b>	<b>2,899</b>	<b>2,357</b>	<b>8,975</b>

#### Operating cash flow

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

#### Net financial indebtedness

	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>MSEK</b>			
Loans payable	11,603	8,337	5,003
Provisions for pensions	1,787	1,612	1,647
Provisions, urban transformation	17,928	12,578	17,625
Provisions, remediation	1,351	1,299	1,346
Less:			
Cash and cash equivalents	-4,629	-7,519	-2,290
Current investments	-25,046	-18,512	-18,753
Financial investments	-1,069	-1,367	-1,026
<b>Net financial indebtedness</b>	<b>1,925</b>	<b>-3,572</b>	<b>3,552</b>

#### Net debt/equity ratio

	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>MSEK</b>			
Net financial indebtedness, MSEK	1,925	-3,572	3,552
Equity, MSEK	41,049	37,996	38,573
<b>Net debt/equity ratio, %</b>	<b>4.7</b>	<b>-9.4</b>	<b>9.2</b>

## NOTE 11

### Quarterly data for the Group

	Note	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
<b>MSEK</b>									
Net sales		7,329	6,911	6,594	6,160	6,227	6,208	5,958	5,689
Underlying operating profit/loss	10	2,899	2,189	2,764	1,666	2,357	1,691	2,083	1,454
Costs for urban transformation provisions		-386	-289	-287	-735	-795	-353	-263	-300
Impairment of property, plant and equipment							-14	-12	
Operating profit/loss		2,513	1,900	2,477	931	1,561	1,324	1,808	1,154
Net financial income/expense		547	-790	35	370	201	47	40	71
<b>Profit/loss before tax</b>		<b>3,060</b>	<b>1,110</b>	<b>2,512</b>	<b>1,300</b>	<b>1,762</b>	<b>1,371</b>	<b>1,849</b>	<b>1,224</b>
Operating cash flow		2,500	-1,529	1,552	1,333	1,770	587	1,916	3,063
Investments in property, plant and equipment		391	624	475	762	594	600	489	547
Deliveries of iron ore products, Mt		6.1	6.8	6.9	6.4	6.8	7.3	7.1	6.6
Proportion of pellets, %		86	79	82	84	84	81	81	84
Production of iron ore products, Mt		6.5	6.7	6.8	6.1	7.3	7.2	6.5	6.3
Return on equity, %	10	16.0	14.1	14.6	13.9	13.4	14.4	6.6	4.0
Net debt/equity ratio, %	10	4.7	9.2	5.0	11.6	-9.4	-6.6	-4.4	2.1

# LKAB IN 2018 IN BRIEF

150,000 tonnes  
of iron ore are  
mined by LKAB  
every day

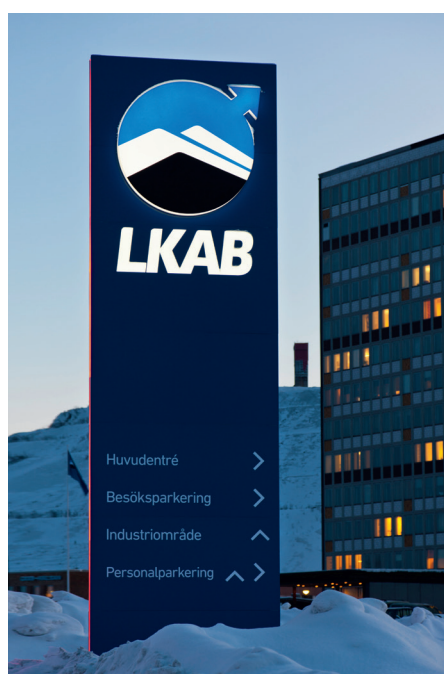
LKAB's ore deposits are largely mined in underground mines more than a thousand metres below the surface, making demands of both safety and efficiency. All the iron ore mined is then upgraded in our processing plants. Here the ore is sorted and concentrated before finally being pelletised and heated to become small round iron ore pellets. From the processing plants the iron ore products are transported by rail to the ports and shipped to customers in Europe, the Middle East, North Africa, the USA and Asia.



77%  
of LKAB's iron ore  
products are exported  
to Europe's steelworks

82%  
of LKAB's delivery  
volumes consist  
of iron ore pellets

25.9  
sales in SEK billion



## Three divisions

### Northern Division

Comprises mines and processing plants in Kiruna. The products are transported along the Malmbanan and Ofotbanen ore railway to the port in Narvik for shipment to steelworks customers around the world.

### Southern Division

Comprises mines and processing plants in Malmberget and Svappavaara. The products are transported along the Malmbanan ore railway, mainly to the port in Luleå for shipment to European steelworks customers.

### Special Products Division

Develops and supplies products and services including industrial minerals, drilling technology and full service solutions for the mining and construction industries.

