

Q4  
2022

## Year-end Report

# Profits strong but continued uncertainty going forward

LKAB is reporting profits for full year 2022 of nearly SEK 21 billion, representing an operating margin of 45 percent. This despite increased costs from factors such as higher energy prices and disruptions in production.



## Operations in the fourth quarter

MSEK	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net sales	3, 4	9,949	9,064	46,543	48,812
Operating profit/loss		2,673	2,815	20,799	26,898
Net financial income/expense		269	352	-2,119	1,484
Profit/loss before tax		2,942	3,167	18,680	28,382
<b>Profit/loss for the period</b>		<b>2,462</b>	<b>2,599</b>	<b>15,080</b>	<b>22,604</b>
Costs for urban transformation provisions		-52	-83	-545	-372
Operating cash flow		304	1,637	10,156	19,988
Capital expenditure on property, plant and equipment		1,437	977	4,944	3,359
Depreciation		-815	-818	-3,141	-3,132
Deliveries of iron ore products, Mt		6.4	6.8	25.8	27.0
Proportion of pellets, %		79	78	83	83
Production of iron ore products, Mt		6.3	6.7	25.0	26.7
Return on equity, %	9			21.7	39.0
Net debt/equity ratio, %	9			-17.1	-24.5

- **The production volume** for the fourth quarter was affected by continued production disruptions at the pelletising plants in Kiruna and amounted to 6.3 (6.7) Mt.
- **The delivery volume** was affected by the lower production volume and amounted to 6.4 (6.8) Mt for the quarter, with pellets accounting for 79 (78) percent.
- **Operating profit** for the fourth quarter amounted to MSEK 2,673 (2,815). Increased net sales, mainly as a result of a stronger dollar exchange rate, are offset by higher costs for production disruptions and by higher prices for energy and some feedstocks.

- **The average global spot price<sup>1)</sup>** for iron ore products in the fourth quarter was lower than in the same period last year and amounted to USD 99 (110) per tonne, which was USD 5 lower than in the previous quarter. The price at the end of the year was USD 117 per tonne. Quoted pellet premiums for the quarter were around USD 10 per tonne higher than in the same period last year.
- **Operating cash flow** for the fourth quarter was MSEK 304 (1,637).
- **The return on equity** was 21.7 (39.0) percent.
- **The net debt/equity ratio** was -17.1 (-24.5) percent.
- The Board of Directors is proposing to the Annual General Meeting that an **ordinary dividend** of MSEK 7,540 is paid, which is 50 percent of profit for the year.

1) Platts IODEX 62% Fe CFR North China.

SEK 2.7 bn

Operating profit/loss

6.3 MT

Produced during the quarter

6.4 MT

Delivered during the quarter

# LKAB – Group

## Net sales and operating profit

### Analysis of change in operating profit MSEK

	Q4	Full year
<b>Operating profit 2021</b>	<b>2,815</b>	<b>26,898</b>
Iron ore prices incl. hedging	-193	-7,492
Currency effect, iron ore incl. hedging of accounts receivable	1,393	6,431
Volume and mix, iron ore	-611	-2,578
Volume, price and currency, industrial minerals	-3	117
Costs for urban transformation provisions	31	-173
Depreciation	5	-7
Other income and expenses	-764	-2,397
<b>Operating profit 2022</b>	<b>2,673</b>	<b>20,799</b>

Sales for the fourth quarter totalled MSEK 9,949 (9,064). A higher dollar exchange rate was offset by lower delivery volumes and lower prices for highly upgraded iron ore products. The average global spot price<sup>1</sup> for iron ore products for the fourth quarter was USD 99 (110) per tonne. Premiums for highly upgraded products were around USD 10 per tonne higher than in the same quarter last year.

Operating profit for the quarter was also affected by production disruptions in Kiruna as well as measures to secure production capacity. General price rises, mainly for energy and feedstocks, accounted for just over 40 percent of the cost increase for the quarter. Continued investments for the future also increased costs for the quarter. Operating profit for the quarter was MSEK 2,673 (2,815).

Sales for the full year were lower than in the same period last year and totalled MSEK 46,543 (48,812). Lower prices for highly upgraded iron ore products and lower delivery volumes were mitigated by a higher dollar exchange rate. The average global spot price<sup>1</sup> for iron ore products for full year 2022 was USD 120 (160) per tonne. However, premiums for highly upgraded products were higher than in the same period last year.

Operating profit for the year was also affected by the costs of maintenance actions postponed from the pandemic year of 2021, by production disruptions at the pelletising plants in Kiruna and by

general price rises for energy and feedstocks. An increase in the workforce in connection with continued initiatives for stable production processes and the transition to carbon-free processes and products also had an impact on costs for the period. Operating profit for the year amounted to MSEK 20,799 (26,898).

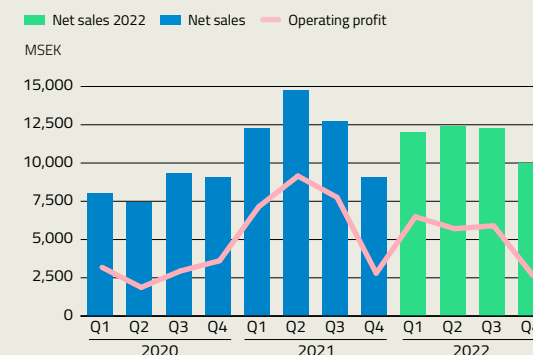
## Cash flow

MSEK	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Cash flow from operating activities before expenditure on urban transformation and changes in working capital	2,767	3,022	20,831	25,207
Expenditures, urban transformation	-562	-1,293	-2,216	-2,681
<b>Cash flow from operating activities before changes in working capital</b>	<b>2,205</b>	<b>1,729</b>	<b>18,615</b>	<b>22,526</b>
Change in working capital	-35	816	-2,708	959
Capital expenditures (net)	-1,413	-861	-4,904	-3,217
Acquisition of subsidiaries	-	-	-373	-150
Acquisition/divestment of financial assets	-453	-47	-474	-130
<b>Operating cash flow</b>	<b>304</b>	<b>1,637</b>	<b>10,156</b>	<b>19,988</b>

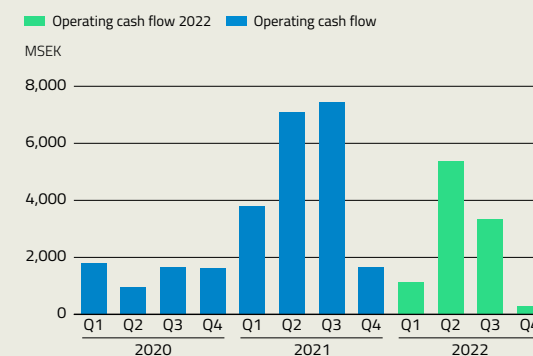
Operating cash flow for the fourth quarter amounted to MSEK 304 (1,637), with an increase in capital tied up – mainly in accounts receivable – and higher capital expenditure having a negative effect when compared year on year. Acquisition of an interest in associated company REEtec also impacted cash flow for the quarter.

For the full year operating cash flow amounted to MSEK 10,156 (19,988), with lower operating profit, increased capital tied up in accounts receivable and increased capital expenditure having a negative effect when compared year on year. Cash flow was also affected by a corporate acquisition relating to Centrumhotellet in Kiruna during the first quarter as well as the acquisition of an interest in associated company REEtec in the fourth quarter.

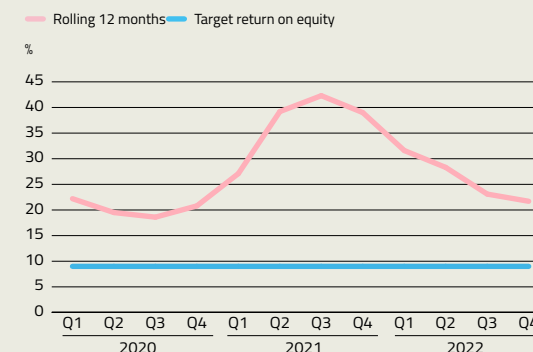
## NET SALES AND OPERATING PROFIT/LOSS



## OPERATING CASH FLOW



## RETURN ON EQUITY



1) Platts IODEX 62% Fe CFR North China.

## Net financial income/expense and net financial indebtedness

Net financial income/expense for the fourth quarter amounted to MSEK 269 (352) and for the full year to MSEK -2,119 (1,484). Significant stock market falls, both in Sweden and globally – due to the war in Ukraine, geopolitical unrest and rising interest rates caused by high inflation – affected the return on financial investments negatively.

The net debt/equity ratio was -17.1 (-24.5) percent.

## Proposed dividend

The Board of Directors is proposing to the Annual General Meeting that an ordinary dividend amounting to MSEK 7,540 is paid, which is 50 percent of profit for the year.

## Credit facilities

MSEK	Nominal	Utilised (nominal)	Available
Commercial paper programme, maturing within one year	5,000		5,000
Bond programmes	7,000	2000	5,000
<i>Maturing March 2025, green bonds</i>			
Credit facility	5,000		5,000
<b>Total</b>	<b>17,000</b>	<b>2,000</b>	<b>15,000</b>

All credit facilities are subject to 100 percent retention of title.

## Events during the quarter

The production volume for the quarter was impacted by continued disruptions at the pelletising plants in Kiruna and measures to secure production capacity.

Production of crushed ore is to some extent still affected by the substantial seismic event that took place at the Kiruna mine in spring 2020. Evaluation of production solutions for mining at depth more safely and more sustainably continues.

In November the Supreme Court announced that LKAB has not been granted leave to appeal regarding an appeal by Mark- and the Environmental Supreme Court's decision in the environmental review of the operation i Kiruna. LKAB has started a new permit application.

In November LKAB became the principal shareholder in the Norwegian company REEtec, which has developed an innovative and sustainable process for separating rare earth elements that can compete with Chinese production. Since Europe has no extraction of its own and has only marginal processing capacity, the partnership marks the start of something new in Europe.

In December the Swedish Transport Administration notified that it had taken an urgent decision to reduce the permitted axle load on the rail line between Gällivare and Kiruna from 30 to 25 tonnes due to internal cracks in the rails. This impacts LKAB's flexibility and ability to direct product flows in order to secure planned production and delivery volumes. The tracks are scheduled for replacement in 2025–2026 but the Swedish Transport Administration is looking into the possibility of bringing this forward.

## Events after the end of the reporting period

In January LKAB announced that significant quantities of rare earth elements had been identified in the Kiruna area – elements necessary for, among other things, the production of electric cars and wind turbines.

## Outlook for 2023

After a low in November 2022 the iron ore price rose at the end of 2022 and has continued this upward trend at the start of 2023. Demand for LKAB's highly upgraded iron ore products remains good, but considerable uncertainty remains concerning global economic development and its impact on the iron ore industry.

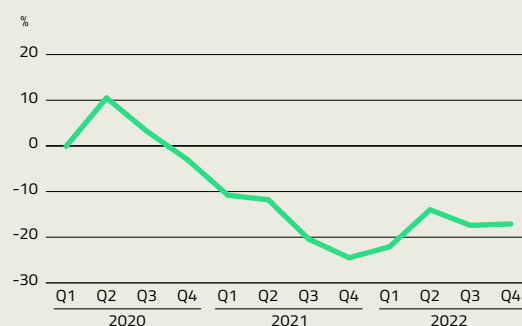
Current geopolitical unrest, with rising interest rates and high inflation as a result of the war in Ukraine, causes LKAB to expect the cost level to increase for energy, some feedstocks and materials. The long-term consequences for energy, commodities markets and other supply chains remains difficult to assess.

LKAB is continuing its transformational journey towards becoming a future supplier of sponge iron, with the aim of being able to provide our customers with the raw materials for fossil-free steel. However, this transition brings with it various challenges in respect of permitting issues, energy supply and prevailing external conditions.

Urban transformation work has entered an intensive phase, and consequently expenditure will remain high throughout 2022. Gällivare Municipality has still not approved the necessary zoning plan amendment for eastern Malmberget, which risks delaying the schedule for the phase-out area and thus limiting future production.

## NET DEBT/EQUITY RATIO

Net debt/equity ratio (The net debt/equity ratio shall not exceed 60%)



## RISKS AND RISK MANAGEMENT

LKAB operates in a capital-intensive industry with a planning horizon that extends across several decades, and must therefore not only consider risks and opportunities that have a bearing on the business as it is today but also act for a transition to entirely new future conditions. The global climate threat means the iron and steel industry will need to change fundamentally. Managing both risks and opportunities from a climate perspective is important for securing LKAB's resilience and adaptability as the climate changes.

Unpredictability and lack of efficiency in the permit processes, which most recently expressed itself through the courts' decision to reject the application for a new permit for the business in Kiruna is still being a valid as risks in the business. In addition to the combined permit tests in Kiruna and Malmberget, the needs of alternative test routes for the production-critical parts therefore need to be considered.

Access to land is a strategically important issue for securing current production, safeguarding ongoing urban transformation and enabling LKAB's transition. Dialogues concerning land issues continue with parties affected in our operating locations.

LKAB is closely monitoring developments in the market and the effects of the geopolitical turmoil following in the wake of the war in Ukraine. See also the section on Market development, page 6.

LKAB is also monitoring developments in Cementa's permit process since an interruption in cement deliveries would have very serious consequences for LKAB's production. LKAB is analysing the risks and evaluating both short-term solutions and long-term sustainable alternatives.

For further information concerning risks, refer to LKAB's Annual and Sustainability Report.

# Sustainable development

## Strategic goals for sustainable value creation

	Full year 2022	Full year 2021	Goal for 2026	Goal for 2030
<b>Stable and efficient operations<sup>1)</sup></b>				
Net debt/equity ratio (%)	-17.1	-24.5	<60	–
Return on equity (%)	21.7	39.0	>9	–
Dividend (%)	50 <sup>2)</sup>	55 <sup>3)</sup>	40–60	–
<b>Climate-efficient sustainable transition</b>				
Energy use (kWh/t FP)	176	171	162	154
Carbon emissions (tonnes)	661	713	608	536
Biodiversity	— <sup>4)</sup>	— <sup>4)</sup>	— <sup>4)</sup>	— <sup>4)</sup>
<b>Safe, healthy and stimulating workplace</b>				
Lost time accidents (per million hrs) <sup>5)</sup>	6.5	8.2	4.0	2.0
Long-term sick leave (%)	0.7	0.6	0.8	0.8
Women in the workforce (%)	26	25	30	— <sup>6)</sup>
Women managers (%)	28	27	30	— <sup>6)</sup>

1) The relevant financial targets were established by the Board in October 2021.

2) Dividend for 2022 refers to the board's proposal. Dividend for 2022 to be approved by the Annual General Meeting on 27 April 2023.

3) Refers to distribution of the Group's earnings after tax for 2021.

4) For a description of the goals and status see the section Biodiversity below and the analysis on the right.

5) Lost time accidents per million hours worked for the Group including suppliers.

6) The goal for 2030 is to achieve a 60/40 gender distribution in management teams.

For a description of the strategic goals for sustainable value creation see LKAB's Annual and Sustainability Report 2021, page 20.

## CARBON EMISSIONS AND ENERGY CONSUMPTION

The goal for 2030 is for LKAB's carbon emissions (Scope 1–2) to decrease by 25 percent compared to 2020. The goal for energy is to reduce energy use by 10 percent by 2030 in the current production structure.

Based on these new goals, the inventory boundaries for carbon emissions and energy intensity have been changed and the comparative figures restated.

Energy use in kWh per tonne of finished product has increased compared with the same period last year, mainly due to lower production volumes and production disruptions at the pelletising plants.

Carbon emissions decreased compared with the same period last year and amounted to 661 (713) kt, due partly to lower production volumes and partly to a different energy mix. Fuel oil has been replaced by tall oil pitch at one of the pelletising plants in Malmberget/Gällivare, which is having a positive effect on carbon emissions. The analysis of possible technology options enabling further carbon reductions continues.

The accident rate demonstrated a positive trend in 2022 and amounted to 6.5 (8.2) for the year. Safe, healthy workplaces are crucial if LKAB is to be sustainable long-term and there is a great focus on measures to maintain the positive trend in the accident rate. Group-wide work on the safety culture – aimed at increasing awareness among managers, co-workers and suppliers – is in progress to avert serious near-misses and accidents.

Sickness absence was in line with the target but somewhat above last year's rate.

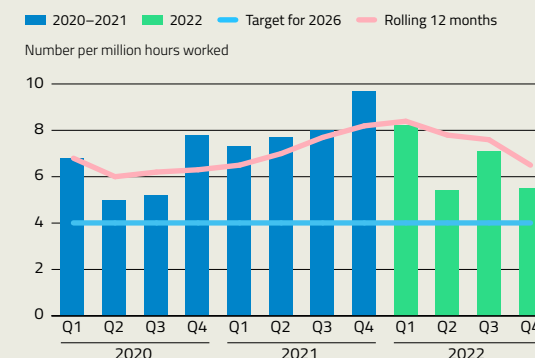
The percentage of women in the workforce increased to 26 (25) percent and among management to 28 (27) percent.

Biodiversity efforts are being planned in order to create the conditions for this. Guidelines describing the goal and working method have been developed, and workshops were held within the Group during the year.

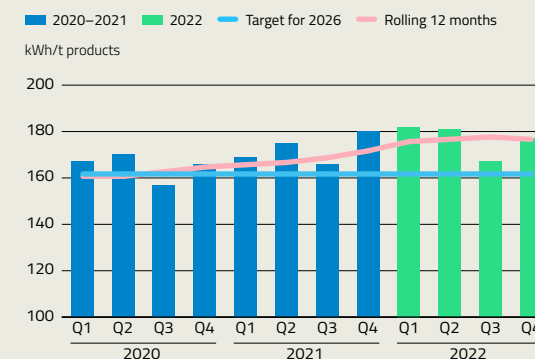
## BIODIVERSITY

LKAB is following SVEMIN's biodiversity roadmap, with the objective that by 2030 the Group will contribute to a biodiversity net gain in the regions where we operate. The interim goal for 2026 is for LKAB to have established a systematic way of working for increased biodiversity.

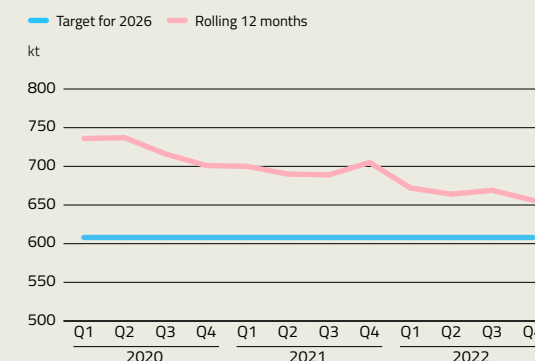
## ACCIDENTS



## ENERGY USE



## CO<sub>2</sub> EMISSIONS





### Strategic sustainability work

LKAB's strategy and transformation plan aim to achieve carbon-free processes and products in our own operations by 2045.

A crucial element of this strategy is to increase the value added by processing and to gradually transition to the production of carbon-free sponge iron, which will enable our global customers to reduce their carbon emissions. The ambition is a future sponge iron production volume of 24 Mt by 2050. This would enable carbon emissions from global steel production to be decreased by an amount more or less corresponding to all of Sweden's annual greenhouse gas emissions.

The transformation will put the conditions in place to secure our competitiveness over time and is an ongoing process that will take many years, with multiple development projects and initiatives being gradually integrated into the operations. LKAB's transformation involves various challenges, such as permit matters, energy supply and current external factors. These could impact progress and implementation, as it is essential that our initiatives are completed profitably.

During the year preparatory work for the world's first industrial-scale facility for hydrogen-produced sponge iron facility in Malmberget/Gällivare began and this work will continue in 2023. A large part of the work involves preparing the ground, and as a first step we have already moved the mine entrance as well as stores and workshops.

Within the framework of the HYBRIT initiative, the two-year test period for storage of fossil-free hydrogen has begun at the pilot plant in Luleå. The rock cavern facility is the first of its type in the world for the storage of fossil-free hydrogen.

To meet the need for raw materials and at the same time increase Europe's processing capacity LKAB has partnered with Norwegian company REEtec, and as of November has also become its new principal shareholder. REEtec has developed an innovative and sustainable process for separating rare earth elements that can compete with the dominant Chinese production.

After the end of the year LKAB announced that significant quantities of rare earth elements had been identified in the Kiruna area – elements necessary for, among other things, the production of electric cars and wind turbines.



# Market development

## The steel and iron ore market

### The global steel and iron ore industry

Production growth in the industry slowed in most large economies during the fourth quarter but the trend was split, with stability and higher activity levels in parts of the industry. In China the level of activity in the industry was initially negatively affected by the strict Covid restrictions but in December restrictions were eased and activity levels improved, with the industry appearing to have been able to manage the rapid spread of infection. The Chinese property and construction market is assessed to have remained weak in the fourth quarter. Prices in Europe for electricity and natural gas remained at a historical high, with systems for electricity price support having mitigated the effect of the higher prices.

Global production of crude steel decreased by just over four percent for full year 2022 and nearly five percent in the fourth quarter. Steel production in China decreased by two percent for the full year and increased by two percent in the fourth quarter.

European steelmakers scaled back production in the third and fourth quarters, and steel production decreased by 22 percent for the fourth quarter and by 10 percent for the full year compared with the previous year.

Steel production in Russia is estimated to have decreased by seven percent for full year 2022 compared with the previous year. Export volumes to Europe decreased significantly and the exports were redirected to other countries. Production in Ukraine fell by 71 percent for full year 2022.

Global demand for iron ore fell as steel production decreased in both the fourth quarter and the full year. At the same time, the global supply of iron ore was limited by production disruption in several countries. Covid restrictions in China were relaxed at the end of the year, contributing to an increase in demand and in the price of iron ore in the fourth quarter. Steel production and demand for iron ore in China fell over the full year. Global demand for DR pellets was stable during the quarter since there was good demand from the Middle East. Demand for blast furnace pellets in Europe decreased as capacity utilisation in the steel industry fell in the second half of the year but the loss was compensated by lower imports of pellets, particularly from Ukraine and Russia. Exports of low-grade pellets from India to China were restricted by an export duty up until the fourth quarter. Ahead of the fourth quarter the duty was removed and exports increased. For the full year the global market for blast furnace pellets was good, although demand decreased in the fourth quarter. Demand for DR pellets has been good throughout the year.

Costs rose for the entire iron ore industry in line with rising energy prices and increased costs for shipping and labour. The cost increase is assessed to have been greatest for the large open-pit mines, which have the lowest costs in the industry, since they consume significant volumes of diesel compared with the high-cost mines. The average iron ore price for the year is assessed to have been on a par with production cost for the mines with the highest cost level in the industry, which represent a few percent of the total global production volume.

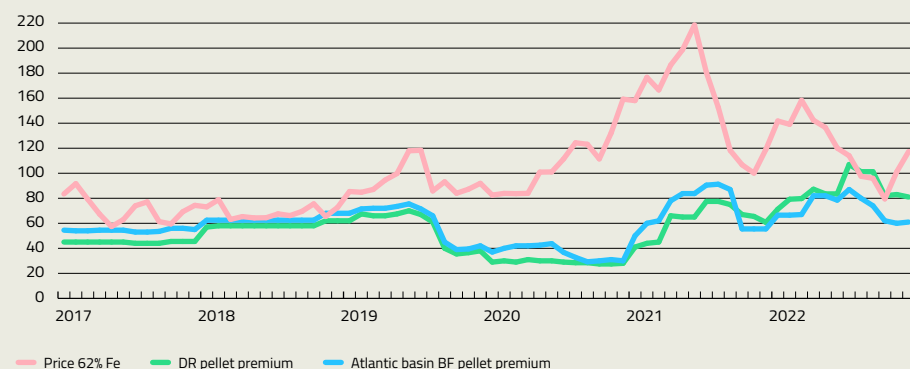
### Iron ore spot price developments

The spot price for fines, IODEX 62% Fe, increased to USD 117 per tonne at the end of the fourth quarter. The average price for the fourth quarter was USD 99 (110) per tonne, compared to nearly USD 104 per tonne in the third quarter. For full year 2022 the price was USD 120 (160) per tonne, which despite the downturn was a historical high. Quoted pellet premiums decreased from the fourth quarter but were still historically high. The average premium for blast furnace pellets was USD 61 (56) per tonne compared with USD 80 per tonne in the third quarter. The premium for DR pellets averaged USD 82 (64) per tonne in the fourth quarter compared with USD 103 per tonne in the third quarter.

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

1 January 2017–31 December 2022

USD per tonne

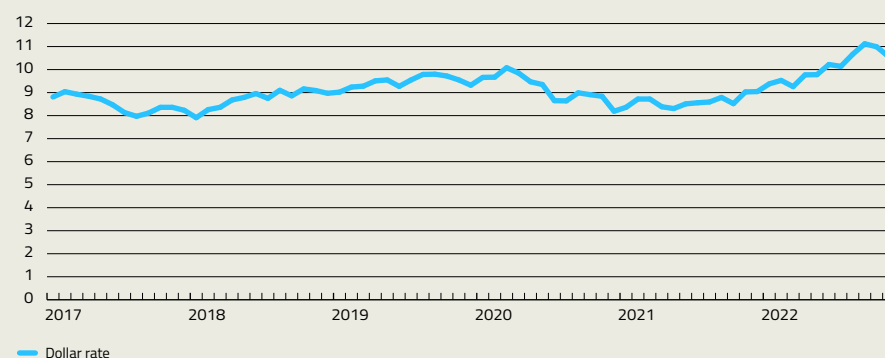


Source: PLATTS

## CHANGES IN THE DOLLAR EXCHANGE RATE

1 January 2017–31 December 2022

USD/SEK



Source: Nasdaq

# Iron Ore business area

The Iron Ore business area includes mines and processing plants in Kiruna, Svappavaara and Malmberget/Gällivare, as well as rail freight services and the ports in Narvik and Luleå.

## Operations summary

MSEK	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net sales <sup>1</sup>	3.4	9,104	8,489	43,288	46,146
<b>Operating profit<sup>1</sup></b>		<b>2,733</b>	<b>3,380</b>	<b>21,322</b>	<b>27,625</b>
Costs for urban transformation provisions		-52	-83	-545	-372
Capital expenditure on property, plant and equipment		1,400	1,005	4,687	3,154
Depreciation <sup>1</sup>		-729	-735	-2,792	-2,843
Deliveries of iron ore products, Mt		6.4	6.8	25.8	27.0
Proportion of pellets, %		79	78	83	83
Production of iron ore products, Mt		6.3	6.7	25.0	26.7

<sup>1</sup>) In the second quarter of 2022 exploration activities and parts of the Group function for technology were moved from Other Segments into the Iron Ore business area. Comparative figures have been adjusted to reflect the organisational change.

The production volume for the fourth quarter was impacted to some extent by extended maintenance shutdowns as well as production disruptions at the pelletising plants in Kiruna. During the same period in the previous year some of the maintenance work deferred from previous quarters in 2021 was carried out. The delivery volume amounted to 6.4 (6.8) Mt, with pellets accounting for 79 (78) percent.

Sales for the fourth quarter were seven percent higher than in the same quarter the previous year. A higher dollar exchange rate was offset by lower deliveries and somewhat lower prices for highly upgraded iron ore products.

Operating profit for the quarter was MSEK 2,733 (3,380). The costs were significantly affected by higher prices for energy as well

as other general price increases. Costs for maintenance and transport services also increased, as a result of both production disruptions and measures to secure production capacity. An increased rate of exploration also impacted costs.

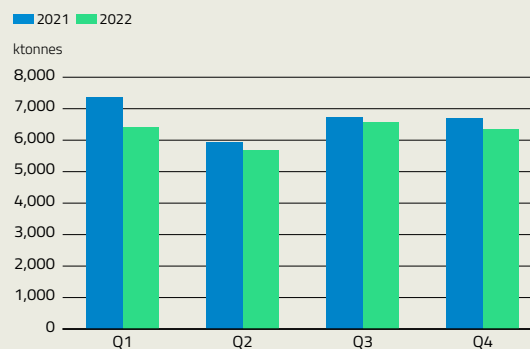
The production volume for the year decreased by 1.7 Mt in a year-on-year comparison and amounted to 25.0 (26.7) Mt. The decrease was mainly an effect of extended planned maintenance shutdowns, start-up problems following maintenance shutdowns and production disruptions at the processing plants in Kiruna. Deliveries totalled 25.8 (27.0) Mt, with pellets accounting for 83 (83) percent.

Sales for the year were six percent lower than in the previous year. A lower level of deliveries and lower prices for highly upgraded iron ore products were mitigated by a higher dollar exchange rate.

Cumulative operating profit for the year to December amounted to MSEK 21,322 (27,625). Costs for the period increased as a result of a higher level of urban transformation provisions, increased rock reinforcement, an increase in maintenance work and production disruptions, as well as inflation.

Increased capital expenditure relates mainly to measures to reduce risk and stabilise production, replacement properties in the urban transformation programme, and preparatory works associated with the transition to carbon-free processes and products.

## PRODUCTION OF IRON ORE PRODUCTS



## FACTS

- The Iron Ore business area mines and processes iron ore products in Kiruna, Svappavaara and Malmberget/Gällivare.
- In Kiruna, mining takes place in an underground mine with a current main haulage level 1,365 metres below ground. The ore is processed above ground in three concentrating and pelletising plants.
- In Svappavaara ore is mined in the Leveäniemi open-pit mine. The ore is processed in a concentrating and pelletising plant in Svappavaara.
- Malmberget's underground mine consists of around 20 orebodies, of which around 10 are currently mined. The ore is processed above ground in two concentrating and pelletising plants.
- The Iron Ore business area produces both blast furnace pellets and pellets for steelmaking via direct reduction (DR) pellets, and fines.
- The iron ore products are transported along the Malmbanan and Ofotbanen ore railway to the ports of Narvik and Luleå for shipment to steelworks customers around the world.



# Special Products business area

The Special Products business area develops products and services for markets involving industrial minerals, water-powered drilling technology, engineering services, and mining and construction contracts. The Special Products business area is also a strategic supplier within the Group.

## Operations summary

MSEK	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net sales	3.4	1,782	1,595	7,087	5,633
<b>Operating profit/loss</b>		<b>107</b>	<b>105</b>	<b>541</b>	<b>380</b>
Capital expenditure on property, plant and equipment		26	57	165	147
Depreciation		-67	-63	-257	-216

Net sales for the fourth quarter amounted to MSEK 1,782 (1,595), an increase of 10 percent compared with the same period last year. The increase is mainly due to a higher sales volume for magnetite as well as increased average prices and a positive foreign currency effect for all industrial minerals sales. Higher internal sales – particularly of explosives, drilling services, rock reinforcement work and crushed materials – also contributed to the sales increase for the quarter.

Operating profit for the quarter was MSEK 107 (105). The improvement in profit is mainly due to an increased sales volume for magnetite, an improved margin for sales of GGBS in the UK, an environmentally friendly residual product from steel production for the production of cement. Performed rock reinforcement work and drilling also contributed to the improved profit. Inventory write-

downs as a result of falling market prices had a negative impact on profits by MSEK 25 in the fourth quarter of 2022.

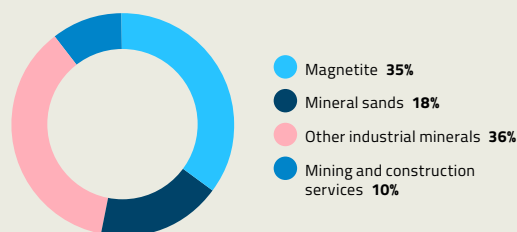
At MSEK 7,087 (5,633), net sales for the year increased by 31 percent compared to the corresponding period last year. The higher sales figure is primarily driven by an increase in the magnetite sales volume, higher average prices for sales of all industrial minerals, a positive currency effect and the acquisition of Bergteamet AB in August 2021.

Operating profit for the year amounted to MSEK 541 (380), which is an increase of 42 percent compared with the previous year. The main reasons for the improvement in earnings are the higher magnetite sales volume, improved margins on sales of mineral sands in Asia and the acquisition of Bergteamet AB. Overall, net sales and profit for the year are the highest ever for this business area.

Capital expenditure and depreciation have increased during 2022, mainly as a result of increased capital expenditure associated with the mining operations in the orefields and the acquisition of Bergteamet AB.

## SALES BY PRODUCT AREA AND SERVICE AREA

Percentage of external sales (MSEK)  
January–December 2022



## FACTS

- The Special Products business area covers LKAB Minerals, LKAB Wassara, LKAB Berg & Betong, LKAB Kimit, LKAB Mekaniska and Bergteamet AB.
- LKAB Minerals is active in the industrial minerals market, with leading positions in areas such as construction, plastics, paint, agriculture and the chemicals industry. Minerals from LKAB's own deposits such as magnetite, recovered products from e.g. blast furnace slag and other industries together with purchased and upgraded mineral are offered in a broad portfolio. 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 and Bergteamet are leading providers 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 includes Group functions such as HR, sustainability, communications, finance, strategic R&D and digitisation. Other Segments also covers financial operations, including transactions and gains/losses relating to financial hedging for foreign currencies.

### Operations summary

MSEK	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net sales excl. hedging <sup>1)</sup>		26	33	93	86
Net sales hedging		86	-64	-193	-126
<b>Total net sales</b>	3, 4	<b>112</b>	<b>-31</b>	<b>-100</b>	<b>-40</b>
<b>Operating profit/loss<sup>1)</sup></b>		<b>-160</b>	<b>-628</b>	<b>-941</b>	<b>-951</b>
Capital expenditure on property, plant and equipment		11	-84	92	58
Depreciation <sup>1)</sup>		-22	-18	-95	-71

1) During the second quarter, exploration activities and parts of the Group function for technology were removed from Other Segments to business area Iron Ore. Comparative figures have been adjusted to reflect the organisational change.

Operating loss for the quarter amounted to MSEK -160 (-628) where the result improvement is mainly due to higher costs during the fourth quarter of 2021 linked to the implementation of a new Enterprises Resource Planning (ERP) system, as well as a donation to a foundation for research into the sustainable transition of the mining and mineral industry. Also a higher result for hedging activities compared to the corresponding period last year has a positive effect. The operating loss for the year was at the same level as previous year and amounted to MSEK -941 (-951).

Under LKAB's hedging strategy, price and currency risk in the Group's forecast sales are not normally hedged. Currency effects on outstanding accounts receivable are hedged, however.

## Parent Company

The Parent Company LKAB consists of the Iron Ore business area 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.

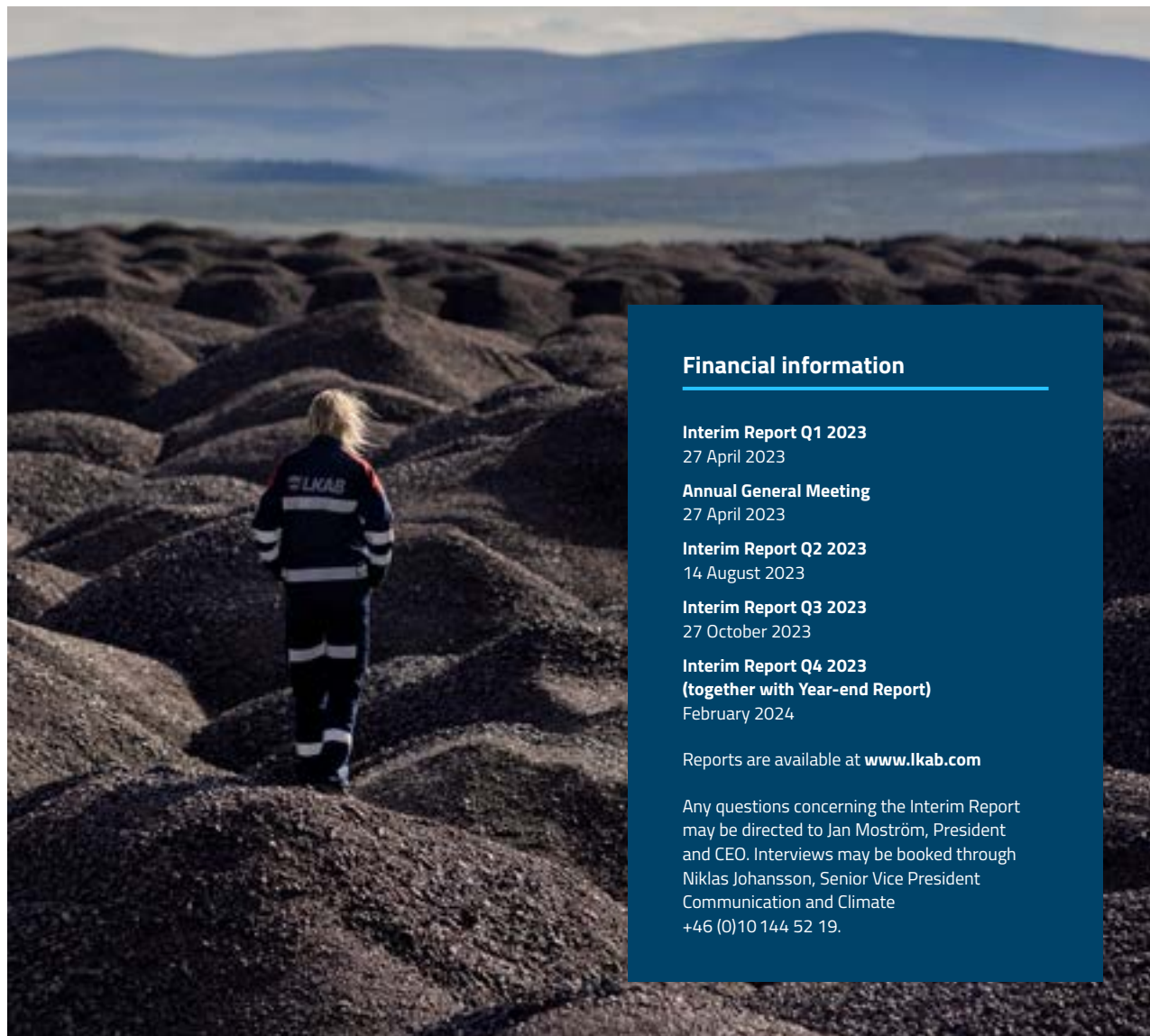
### Operations summary

MSEK	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net sales		9,227	8,459	43,202	46,103
<b>Operating profit/loss</b>		<b>2,586</b>	<b>2,712</b>	<b>20,223</b>	<b>26,431</b>
Costs for urban transformation provisions		-52	-83	-545	-372
Capital expenditure on property, plant and equipment		1,350	860	4,491	3,068
Depreciation		-608	-646	-2,387	-2,464
Deliveries of iron ore products, Mt		6.4	6.8	25.8	27.0
Production of iron ore products, Mt		6.3	6.7	25.0	26.7

# Signatures

Luleå, 13 February 2023  
Luossavaara-Kiirunavaara AB (publ)

Jan Moström  
President and CEO



## Financial information

### Interim Report Q1 2023

27 April 2023

### Annual General Meeting

27 April 2023

### Interim Report Q2 2023

14 August 2023

### Interim Report Q3 2023

27 October 2023

### Interim Report Q4 2023 (together with Year-end Report)

February 2024

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. Interviews may be booked through Niklas Johansson, Senior Vice President Communication and Climate +46 (0)10 144 52 19.

# LKAB – Group

## Statement of income

MSEK	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net sales	3, 4	9,949	9,064	46,543	48,812
Cost of goods sold		-6,458	-5,555	-23,376	-19,996
<b>Gross profit/loss</b>		<b>3,491</b>	<b>3,509</b>	<b>23,167</b>	<b>28,816</b>
Selling expenses		-55	-37	-191	-157
Administrative expenses		-244	-215	-800	-704
Research and development expenses		-470	-497	-1,300	-1,175
Other operating income		81	217	395	537
Other operating expenses		-107	-93	-400	-286
Share of profit of joint ventures		-23	-69	-72	-133
<b>Operating profit/loss</b>	3	<b>2,673</b>	<b>2,815</b>	<b>20,799</b>	<b>26,898</b>
Financial income		517	549	1,081	1,892
Financial expense		-248	-197	-3,200	-408
<b>Net financial income/expense</b>		<b>269</b>	<b>352</b>	<b>-2,119</b>	<b>1,484</b>
<b>Profit/loss before tax</b>		<b>2,942</b>	<b>3,167</b>	<b>18,680</b>	<b>28,382</b>
Tax		-480	-568	-3,600	-5,778
<b>Profit/loss for the period</b>		<b>2,462</b>	<b>2,599</b>	<b>15,080</b>	<b>22,604</b>
Profit for the period attributable to:					
Parent company shareholders		2,461	2,599	15,073	22,603
Non-controlling interests		1	0	7	1
Earnings per share before and after dilution (SEK)		3,515	3,712	21,532	32,291
Number of shares		700,000	700,000	700,000	700,000

## Statement of comprehensive income

MSEK	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
<b>Profit/loss for the period</b>		<b>2,462</b>	<b>2,599</b>	<b>15,080</b>	<b>22,604</b>
<b>Other comprehensive income for the period</b>					
<b>Items that will not be reclassified to profit/loss for the year</b>					
Remeasurement of defined-benefit pension plans		-9	327	336	273
Tax attributable to actuarial gains and losses		1	-67	-69	-56
Changes in the fair value of equity instruments measured at fair value through other comprehensive income for the period		750	981	704	2,019
		<b>742</b>	<b>1,240</b>	<b>971</b>	<b>2,236</b>
<b>Items that have been or may subsequently be reclassified to profit/loss for the year</b>					
Exchange differences on translation of foreign operations for the period		37	74	139	186
Changes in fair value of cash flow hedges for the period		-1	13	-5	1
Changes in fair value of cash flow hedges reclassified to profit or loss		–	0	0	0
Tax attributable to components of cash flow hedges		0	-1	1	–
		<b>36</b>	<b>87</b>	<b>135</b>	<b>187</b>
<b>Other comprehensive income for the period</b>		<b>778</b>	<b>1,327</b>	<b>1,106</b>	<b>2,423</b>
<b>Comprehensive income for the period</b>		<b>3,240</b>	<b>3,926</b>	<b>16,186</b>	<b>25,027</b>
Comprehensive income for the period attributable to:					
Parent company shareholders		3,239	3,926	16,179	25,026
Non-controlling interests		1	0	7	1

# LKAB – Group

## Statement of financial position

MSEK	Note	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		2,130	1,738
Property, plant and equipment for operations		33,558	31,047
Property, plant and equipment for urban transformation		11,306	10,419
Interests in associates and joint ventures		732	287
Financial investments	5	6,448	5,726
Non-current receivables		2	102
Deferred tax asset		7	10
<b>Total non-current assets</b>		<b>54,183</b>	<b>49,329</b>
<b>Current assets</b>			
Inventories		6,205	4,924
Accounts receivable		3,785	2,074
Prepaid expenses and accrued income		375	192
Other current receivables		2,492	1,696
Current investments	5	27,393	30,141
Cash and cash equivalents		3,191	6,289
<b>Total current assets</b>		<b>43,441</b>	<b>45,316</b>
<b>TOTAL ASSETS</b>		<b>97,624</b>	<b>94,645</b>

MSEK	Note	31 Dec 2022	31 Dec 2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		700	700
Reserves		2,787	1,947
Retained earnings incl. profit/loss for the period		67,793	64,885
<b>Equity attributable to Parent Company shareholders</b>		<b>71,280</b>	<b>67,532</b>
Non-controlling interests		40	33
<b>Total equity</b>		<b>71,320</b>	<b>67,565</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities		2,387	2,366
Other non-current liabilities		56	56
Provisions for pensions and similar commitments		992	1,396
Provisions, urban transformation		10,615	11,444
Other provisions		1,650	1,560
Deferred tax liabilities		1,395	1,636
<b>Total non-current liabilities</b>		<b>17,095</b>	<b>18,458</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities		86	318
Trade payables		2,583	1,794
Tax liabilities		101	657
Other current liabilities		464	689
Accrued expenses and deferred income		2,420	1,662
Provisions, urban transformation		3,029	2,979
Other provisions		526	523
<b>Total current liabilities</b>		<b>9,209</b>	<b>8,622</b>
<b>Total liabilities</b>		<b>26,304</b>	<b>27,080</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>97,624</b>	<b>94,645</b>



# LKAB – Group

## Statement of changes in equity

2021 MSEK	Equity attributable to Parent Company shareholders						Non-controlling interests	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings incl. profit/loss for the year	Total		
Opening equity 1 Jan 2021	700	-327	68	0	47,971	48,412	–	48,412
Profit/loss for the year	–	–	–	–	22,604	22,604	-1	22,603
Other comprehensive income for the year	–	186	2,019	1	217	2,423	–	2,423
Comprehensive income for the year	–	186	2,019	1	22,821	25,027	-1	25,026
Dividend	–	–	–	–	-5,850	-5,850	–	-5,850
Call option	–	–	–	–	-56	-56	–	-56
Acquisition of part-owned subsidiaries, non-controlling interest	–	–	–	–	–	–	33	33
Closing equity 31 Dec 2021	700	-141	2,087	1	64,886	67,533	32	67,565

2022 MSEK	Equity attributable to Parent Company shareholders						Non-controlling interests	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings incl. profit/loss for the year	Total		
Opening equity 1 Jan 2022	700	-141	2,087	1	64,886	67,533	32	67,565
Profit/loss for the year	–	–	–	–	15,072	15,072	7	15,079
Other comprehensive income for the year	–	139	704	-4	267	1,106	–	1,106
Comprehensive income for the year	–	139	704	-4	15,339	16,178	7	16,186
Dividend	–	–	–	–	-12,432	-12,432	–	-12,432
Closing equity 31 Dec 2022	700	-2	2,792	-3	67,793	71,279	40	71,320

# LKAB – Group

## Statement of cash flows

MSEK	Q4 2022	Q4 2021	Full year 2022	Full year 2021
<b>Operating activities</b>				
Profit/loss before tax	2,942	3,167	18,680	28,382
Adjustment for items not included in cash flow	373	630	6,683	2,182
Income tax paid	-530	-764	-4,473	-5,339
Expenditures, urban transformation	-562	-1,293	-2,216	-2,681
Expenditures, other provisions	-18	-11	-59	-18
<b>Cash flow from operating activities before changes in working capital</b>	<b>2,205</b>	<b>1,729</b>	<b>18,615</b>	<b>22,526</b>
<b>Cash flow from changes in working capital</b>				
Increase (-)/Decrease (+) in inventories	-363	-435	-1,281	-698
Increase (-)/Decrease (+) in operating receivables	-103	1,020	-2,315	1,000
Increase (+)/Decrease (-) in operating liabilities	431	231	888	657
<b>Change in working capital</b>	<b>-35</b>	<b>816</b>	<b>-2,708</b>	<b>959</b>
<b>Cash flow from operating activities</b>	<b>2,170</b>	<b>2,545</b>	<b>15,907</b>	<b>23,485</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	-1,437	-977	-4,944	-3,359
Government investment grants	23	114	37	137
Disposal of property, plant and equipment	1	2	3	5
Acquisition of subsidiaries	–	–	-373	-150
Acquisition of other financial assets – operating	-456	-47	-485	-132
Disposal of other financial assets – operating	3	–	11	2
Acquisition/disposal of other financial assets – non-operating	–	–	–	-358
Disposals/acquisitions (net) in current investments	-1,190	-4,122	-504	-9,960
<b>Cash flow from investing activities</b>	<b>-3,056</b>	<b>-5,030</b>	<b>-6,255</b>	<b>-13,815</b>
<b>Financing activities</b>				
Repurchase agreements	2	3	-258	-986
Borrowing	0	–	7	86
Repayments	-3	-2	-16	-10
Repayment of lease liabilities	-5	-23	-85	-76
Dividends paid to Parent Company shareholders	–	–	-12,432	-5,850
<b>Cash flow from financing activities</b>	<b>-6</b>	<b>-22</b>	<b>-12,784</b>	<b>-6,836</b>

MSEK	Q4 2022	Q4 2021	Full year 2022	Full year 2021
<b>Cash flow for the period</b>	<b>-892</b>	<b>-2,507</b>	<b>-3,132</b>	<b>2,834</b>
Cash and cash equivalents at start of period	4,098	8,778	6,289	3,406
Exchange difference in cash and cash equivalents	-15	18	34	49
Cash and cash equivalents at end of period	3,191	6,289	3,191	6,289
<b>Change in cash and cash equivalents</b>	<b>-892</b>	<b>-2,507</b>	<b>-3,132</b>	<b>2,834</b>
<b>Sub-components of cash and cash equivalents</b>				
Cash and bank balances			2,388	5,914
Current investments (maturity <90 days)			803	375
<b>Cash and cash equivalents</b>			<b>3,191</b>	<b>6,289</b>
<b>Consolidated operating cash flow</b>				
<b>Cash flow from operating activities</b>	<b>2,170</b>	<b>2,545</b>	<b>15,907</b>	<b>23,485</b>
Acquisition of property, plant and equipment	-1,437	-977	-4,944	-3,359
Government investment grants	23	114	37	137
Disposal of property, plant and equipment	1	2	3	5
Acquisition of subsidiaries	–	–	-373	-150
Acquisition/disposal of other financial assets – operating	-453	-47	-474	-130
<b>Operating cash flow (excluding current investments)</b>	<b>304</b>	<b>1,637</b>	<b>10,156</b>	<b>19,988</b>
Acquisition/disposal of other financial assets – non-operating	–	–	–	-358
Disposals/acquisitions (net) in current investments	-1,190	-4,122	-504	-9,960
<b>Cash flow after investing activities</b>	<b>-886</b>	<b>-2,485</b>	<b>9,652</b>	<b>9,670</b>
Cash flow from financing activities	-6	-22	-12,784	-6,836
<b>Cash flow for the period</b>	<b>-892</b>	<b>-2,507</b>	<b>-3,132</b>	<b>2,834</b>

## Personnel

MSEK	Full year 2022	Full year 2021
Average number of employees	4,513	4,469
– of which women	1,164	1,113
– of which men	3,349	3,356

# LKAB – Parent Company

## Income statement

MSEK	Note	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Net sales		9,227	8,459	43,202	46,103
Cost of goods sold		-6,025	-5,131	-21,178	-18,113
<b>Gross profit/loss</b>		<b>3,202</b>	<b>3,328</b>	<b>22,024</b>	<b>27,990</b>
Selling expenses		-18	-16	-55	-39
Administrative expenses		-176	-140	-515	-434
Research and development expenses		-456	-478	-1,262	-1,129
Other operating income		39	21	90	61
Other operating expenses		-5	-3	-59	-18
<b>Operating profit/loss</b>		<b>2,586</b>	<b>2,712</b>	<b>20,223</b>	<b>26,431</b>
<b>Profit/loss from financial items</b>		<b>390</b>	<b>-88</b>	<b>-624</b>	<b>675</b>
<b>Profit/loss after financial items</b>		<b>2,976</b>	<b>2,624</b>	<b>19,599</b>	<b>27,106</b>
Appropriations		828	942	828	943
<b>Profit/loss before tax</b>		<b>3,804</b>	<b>3,566</b>	<b>20,427</b>	<b>28,049</b>
Tax		-674	-637	-3,981	-5,679
<b>Profit/loss for the period<sup>1)</sup></b>		<b>3,130</b>	<b>2,929</b>	<b>16,446</b>	<b>22,370</b>

1) Profit/loss for the period corresponds to comprehensive income for the period.

## Balance sheet

MSEK	Note	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		866	451
Property, plant and equipment for operations		27,803	25,778
Property, plant and equipment for urban transformation		11,306	10,419
<b>Financial assets</b>			
Interests in subsidiaries		2,917	1,832
Interests in associates and jointly controlled entities		1,023	498
Receivables from subsidiaries		2,586	3,202
Other non-current securities		3,227	3,238
Other non-current receivables		93	196
Deferred tax asset		1,370	1,467
<b>Total financial assets</b>		<b>11,216</b>	<b>10,433</b>
<b>Total non-current assets</b>		<b>51,191</b>	<b>47,081</b>
<b>Current assets</b>			
Inventories		5,287	4,167
Current receivables			
Accounts receivable		3,063	1,558
Receivables from subsidiaries		644	419
Other current receivables		2,370	1,617
Prepaid expenses and accrued income		313	137
<b>Total current receivables</b>		<b>6,390</b>	<b>3,731</b>
Current investments		26,758	27,645
Cash and bank balances		2,081	5,522
<b>Total current assets</b>		<b>40,516</b>	<b>41,065</b>
<b>TOTAL ASSETS</b>		<b>91,707</b>	<b>88,146</b>

# LKAB – Parent Company

## Balance sheet

MSEK	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
<b>Equity</b>			
Restricted equity			
Share capital		700	700
Statutory reserve		697	697
Non-restricted equity			
Profit/loss brought forward		39,777	29,838
Profit/loss for the period		16,446	22,370
<b>Total equity</b>		<b>57,620</b>	<b>53,605</b>
Untaxed reserves		11,202	11,577
<b>Provisions</b>			
Provisions, urban transformation		10,615	11,444
Other provisions		1,664	1,525
<b>Total provisions</b>		<b>12,279</b>	<b>12,969</b>

MSEK	Note	31 Dec 2022	31 Dec 2021
<b>Non-current liabilities</b>			
Bond loans		1,996	1,995
Liabilities to credit institutions		24	–
<b>Total non-current liabilities</b>		<b>2,020</b>	<b>1,995</b>
<b>Current liabilities</b>			
Bonds and commercial papers		–	260
Trade payables		1,937	1,374
Liabilities to Group companies		721	587
Current tax liabilities		88	630
Other current liabilities		324	501
Accrued expenses and deferred income		1,961	1,158
Provisions, urban transformation		3,029	2,979
Other provisions		526	511
<b>Total current liabilities</b>		<b>8,586</b>	<b>8,000</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>91,707</b>	<b>88,146</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 Parent Company's financial reports have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

All amounts are presented in SEK millions (MSEK) unless otherwise indicated. Rounding differences may occur. The English version of LKAB's interim report is a translation of the Swedish original-version. In case of discrepancies, the Swedish version shall prevail.

The accounting policies and calculation methods applied in this interim report conform to the accounting policies applied in the preparation of the 2021 annual report. For further information concerning the Group's accounting policies refer to LKAB's Annual and Sustainability Report for 2021. New and amended standards and interpretations from the IASB are not assessed to have any material impact on the consolidated financial statements.

## Note 2 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 Annual and Sustainability Report 2021.

## Note 3 Segment reporting

Segment information is provided on pages 7–9 of the interim report.

### The segments in summary

	Iron Ore		Special Products		Other		Eliminations/ group adjustments		Group	
	Full year 2022	Full year 2021	Full year 2022	Full year 2021	Full year 2022	Full year 2021	Full year 2022	Full year 2021	Full year 2022	Full year 2021
<b>MSEK</b>										
External income	42,098	45,346	4,620	3,570	-175	-104	–	–	46,543	48,812
Internal income	1,190	800	2,467	2,063	75	64	-3,732	-2,927	–	–
<b>Total income</b>	<b>43,288</b>	<b>46,146</b>	<b>7,087</b>	<b>5,633</b>	<b>-100</b>	<b>-40</b>	<b>-3,732</b>	<b>-2,927</b>	<b>46,543</b>	<b>48,812</b>
<b>Operating profit/loss</b>	<b>21,322</b>	<b>27,625</b>	<b>541</b>	<b>380</b>	<b>-941</b>	<b>-951</b>	<b>-123</b>	<b>-156</b>	<b>20,799</b>	<b>26,898</b>
Net financial income/expense									-2,119	1,484
<b>Profit/loss before tax</b>									<b>18,680</b>	<b>28,382</b>

## Note 4 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 3.

MSEK	Iron Ore		Special Products		Other		Group	
	Full year 2022	Full year 2021	Full year 2022	Full year 2021	Full year 2022	Full year 2021	Full year 2022	Full year 2021
<b>Product/service area</b>								
Pellets	37,270	39,336	–	–	–	–	37,270	39,336
Fines	4,064	5,406	–	–	–	–	4,064	5,406
Magnetite	–	–	1,630	1,191	–	–	1,630	1,191
Mineral sands	–	–	849	670	–	–	849	670
Other industrial minerals	–	–	1,658	1,418	–	–	1,658	1,418
Mining and construction services	–	–	483	291	–	–	483	291
Other	764	604	–	–	19	22	783	626
<b>Total</b>	<b>42,098</b>	<b>45,346</b>	<b>4,620</b>	<b>3,570</b>	<b>19</b>	<b>22</b>	<b>46,737</b>	<b>48,938</b>
<b>Region</b>								
Europe	27,266	30,429	2,728	2,272	19	22	30,013	32,723
MENA	11,473	10,418	204	9	–	–	11,677	10,427
Rest of World	3,359	4,499	1,688	1,289	–	–	5,047	5,788
<b>Total</b>	<b>42,098</b>	<b>45,346</b>	<b>4,620</b>	<b>3,570</b>	<b>19</b>	<b>22</b>	<b>46,737</b>	<b>48,938</b>
Revenue from contracts with customers	42,098	45,346	4,620	3,570	19	22	46,737	48,938
Other income – financing activities	–	–	–	–	-194	-126	-194	-126
<b>Total external income</b>	<b>42,098</b>	<b>45,346</b>	<b>4,620</b>	<b>3,570</b>	<b>-175</b>	<b>-104</b>	<b>46,543</b>	<b>48,812</b>

## Note 5 Business combinations

### Acquisition of subsidiaries

On 23 February 2022 the parent company acquired 100 percent of the shares in SMEBAB Agat AB, which has been included in the consolidated financial statements.

The purchase consideration was MSEK 475 and was paid in cash. Following acquisition the name of the company was changed to LKAB Centrumhotellet AB.

The company owns a hotel property in Kiruna that is leased to Scandic. Prior to the acquisition LKAB Centrumhotellet AB did not conduct any activities other than the construction of the hotel property.

There are no external transaction expenses or acquisition-related costs attributable to the acquisition.

### Purchase price allocation SMEBAB Agat AB

The acquired company's net assets at the acquisition date

<b>MSEK</b>	
Property, plant and equipment	499
Financial assets	4
Trade and other receivables	3
Cash and cash equivalents	–
Accounts payable and other operating liabilities	-31
Deferred tax liability	-8
<b>Net identifiable assets and liabilities</b>	<b>467</b>
Group goodwill	8
<b>Consideration transferred</b>	<b>475</b>

Note 5 continued

### Acquisition of associated company

In November 2022 LKAB acquired 33.7 percent of the shares in REEtec Holding AS of Norway (REEtec). REEtec has developed an innovative and sustainable process for separating rare earth elements that combines high efficiency with up to 90 percent lower carbon emissions.

Becoming a principal shareholder in REEtec is thus a natural extension of LKAB's value chain and fits in well with the company's strategy through its Special Products business area.

The purchase consideration was MSEK 458, of which MSEK 419 was paid in cash and MSEK 39 is associated with potential future financing of REEtec.

The company has had no operating activities other than developing technology for the separation of rare earth elements.

The separation technology has been developed in various steps, from lab scale to the existing pilot and demo plant. Industrialisation of a separation plant using the technology developed is in progress in Herøya, Norway.

Acquisition-related costs amount to around MSEK 7.6 and relate to consultants' fees. These costs are recognised under cost of goods sold in the income statement.

### Purchase price allocation REEtec Holding AS

The acquired company's net assets at the acquisition date.

MSEK	100%	33.7%
Non-current assets	654	220
Current assets	849	286
Non-current liabilities	-106	-36
Current liabilities	-37	-12
<b>Net identifiable assets and liabilities</b>	<b>1,360</b>	<b>458</b>
<b>Consideration transferred</b>		<b>419</b>
<b>Consideration associated with potential future financing</b>		<b>39</b>

### Other acquisitions

Other minor acquisitions also took place within the LKAB Group during the period, but as these are not significant no detailed disclosures about the acquisitions have been made. Consideration transferred for these totals MSEK 9.

## 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 2022 MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	6,011	8	–	6,019
Equity-related investments	–	9,725	–	9,725
Interest-bearing instruments	–	17,668	–	17,668
Derivatives	–	4	–	4
<b>Total</b>	<b>6,011</b>	<b>27,405</b>	<b>–</b>	<b>33,416</b>

Group 31 Dec 2021 MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	5,307	7	–	5,314
Equity-related investments	–	9,720	–	9,720
Interest-bearing instruments	–	20,796	–	20,796
Derivatives	–	15	–	15
<b>Total</b>	<b>5,307</b>	<b>30,538</b>	<b>–</b>	<b>35,845</b>

### Fair value measurement

The following summarises the methods and assumptions mainly used in determining the fair value of financial instruments reported in the table above. Disclosures relating to fair value measurement are based on a fair value hierarchy with three levels.

Level 1 means quoted prices in an active market, such as stock market listings. Level 2 means observable market data other than quoted prices, either direct (such as quoted prices) or indirect (derived from quoted prices). Level 3 means the fair value is determined using inputs that are not based on directly observable market data.

The measurement of fair value for current investments is based mainly on Level 2 inputs. The value of interest-bearing instruments is calculated using data from the interest-bearing securities market, obtained from Bloomberg. Shares and alternative investments are measured using inputs from the stock market or received directly from brokers. Fair values for derivatives are calculated based on official listings from Bloomberg with the exception of derivatives relating to the commodities portfolio, which are based on quoted market prices.

### Fair value of other assets and liabilities

The carrying amount of other assets 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 Dec 2022	31 Dec 2021
<i>As pledged assets for own liabilities and provisions</i>		
Company-owned endowment insurance	91	94
Deposit of cash and cash equivalents	112	112
Collateral provided, derivatives	152	288
<b>Total pledged assets</b>	<b>355</b>	<b>494</b>

### Contingent liabilities

MSEK	31 Dec 2022	31 Dec 2021
Guarantees, FPG/PRI	20	17
Guarantees, GP plan	3	3
Guarantees, Swedish Tax Agency	63	63
Surety given for subsidiaries	138	121
Collateral, remediation	261	264
Other surety	63	28
<b>Total contingent liabilities</b>	<b>548</b>	<b>496</b>

## Note 8 Transactions with related parties

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

## Note 9 Events after the end of the reporting period

In January LKAB announced that significant quantities of rare earth elements had been identified in the Kiruna area – elements necessary for, among other things, the production of electric cars and wind turbines.

## 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 after tax, rolling 12 months, as a percentage of average equity.
Operating cash flow	Cash flow from operating activities and investing activities, excluding current investments.
Net financial indebtedness	Interest-bearing liabilities less interest-bearing assets.
Net debt/equity ratio	Net financial indebtedness divided by equity.

### Operating cash flow

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



Note 10 continued

**Net financial indebtedness**

MSEK	31 Dec 2022	31 Dec 2021
Loans payable	2,473	2,684
Provisions for pensions	992	1,396
Provisions, urban transformation	13,644	14,423
Provisions, remediation	1,727	1,775
Less:		
Cash and cash equivalents	-3,191	-6,289
Current investments	-27,393	-30,141
Financial investments	-430	-400
<b>Net financial indebtedness</b>	<b>-12,178</b>	<b>-16,553</b>

**Net debt/equity ratio**

MSEK	31 Dec 2022	31 Dec 2021
Net financial indebtedness	-12,178	-16,553
Equity	71,320	67,565
<b>Net debt/equity ratio, %</b>	<b>-17.1</b>	<b>-24.5</b>

**Return on equity**

MSEK	31 Dec 2022	31 Dec 2021
Profit/loss after tax R 12	15,080	22,604
Average equity	69,443	57,989
<b>Return on equity, %</b>	<b>21.7</b>	<b>39.0</b>

**Note 11 Quarterly data for the Group**

MSEK	Note	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net sales		9,949	12,244	12,375	11,976	9,064	12,744	14,748	12,256
Operating profit/loss		2,673	5,909	5,719	6,497	2,815	7,769	9,161	7,153
Net financial income/ expense		269	-150	-546	-1,691	352	234	512	386
Profit/loss before tax		2,942	5,759	5,173	4,806	3,167	8,002	9,674	7,539
<b>Profit/loss for the period</b>		<b>2,462</b>	<b>4,574</b>	<b>4,231</b>	<b>3,812</b>	<b>2,599</b>	<b>6,355</b>	<b>7,672</b>	<b>5,978</b>
Costs for urban transformation provisions		-52	-321	-118	-55	-83	-148	-77	-64
Operating cash flow		304	3,336	5,370	1,146	1,637	7,430	7,111	3,812
Investments in property, plant and equipment		1,437	1,269	1,416	823	977	994	846	542
Deliveries of iron ore products, Mt		6.4	6.6	6.2	6.7	6.8	6.3	6.9	6.9
Proportion of pellets, %		79	83	82	86	78	80	85	88
Production of iron ore products, Mt		6.3	6.6	5.7	6.4	6.7	6.7	5.9	7.4
Return on equity <sup>1)</sup> , %	10	21.7%	23.1	28.3	31.6	39.0	42.3	39.2	27.1
Net debt/equity ratio <sup>1)</sup> , %	10	-17.1%	-17.4	-14.0	-22.1	-24.5	-20.4	-11.8	-10.8

1) At the close of the quarter.