

Q1
2023

Interim Report

Higher production and good market conditions

LKAB's operating profit for the first quarter was affected by favourable market conditions with continued high iron ore prices and a strong dollar rate. Production of iron ore products increased during the quarter despite challenges involving the supply of crushed ore from the Kiruna mine. Operating profit for the quarter amounted to MSEK 5,186, representing an operating margin of 43 percent.



Operations in the first quarter

MSEK	Note	Q1 2023	Q1 2022	Full year 2022
Net sales	3, 4	11,955	11,976	46,543
Operating profit/loss		5,186	6,497	20,799
Net financial income/expense		533	-1,691	-2,119
Profit/loss before tax		5,719	4,806	18,680
Profit/loss for the period		4,539	3,812	15,080
Costs for urban transformation provisions		-46	-55	-545
Operating cash flow		3,163	1,146	10,156
Capital expenditure on property, plant and equipment		1,072	823	4,944
Depreciation		-744	-763	-3,141
Deliveries of iron ore products, Mt		6.7	6.7	25.8
Proportion of pellets, %		90	86	83
Production of iron ore products, Mt		6.9	6.4	25.0
Return on equity, %	9	20.9	31.6	21.7
Net debt/equity ratio, %	9	-21.0	-22.1	-17.1

- The **production volume** for the first quarter increased partly as an effect of measures taken at the pelletising plants in Kiruna and amounted to 6.9 (6.4) Mt. The seismic event in the Kiruna mine in 2020 continues to restrict production, however.
- The **delivery volume** was on a par with the same quarter last year and amounted to 6.7 (6.7) Mt, with the proportion of pellets at 90 (86) percent.
- **Operating profit** for the first quarter was MSEK 5,186 (6,497). Lower prices for highly upgraded iron ore products were partly offset by a higher dollar rate and a higher proportion of pellets. Operating profit was also affected by higher prices for energy and other inputs as well as the costs of production-stabilising measures.

- The **average global spot price¹⁾** for iron ore products in the first quarter was lower than in the same period last year and amounted to USD 125 (142) per tonne, which was USD 26 higher than in the previous quarter. The price at the end of the quarter was USD 127 per tonne. Quoted pellet premiums for the quarter were around USD 20 per tonne lower than in the same period last year.
- **Operating cash flow** for the first quarter amounted to MSEK 3,163 (1,146).
- The **return on equity** was 20.9 (31.6) percent.
- The **net debt/equity ratio** was -21.0 (-22.1) percent.

¹⁾ Platts IODEX 62% Fe CFR North China.

SEK 5.2 bn

Operating profit/loss

6.9 MT

Produced during the quarter

6.7 MT

Delivered during the quarter

LKAB – Group

Net sales and operating profit

Analysis of change in operating profit

MSEK	Q1
Operating profit 2022	6,497
Iron ore prices incl. hedging	-1,430
Currency effect, iron ore incl. hedging of accounts receivable	1,111
Volume and mix, iron ore	-27
Volume, price and currency, industrial minerals	-8
Costs for urban transformation provisions	9
Depreciation	19
Other income and expenses	-985
Operating profit 2023	5,186

Sales for the first quarter totalled MSEK 11,955 (11,976). Lower prices for highly upgraded iron ore products were offset by a higher dollar rate. The average global spot price¹⁾ for iron ore products for the first quarter was USD 125 (142) per tonne. Premiums for highly upgraded products were around USD 20 per tonne lower than in the same quarter last year.

Operating profit for the quarter was negatively affected by higher costs. Higher prices for energy and other inputs accounted for around 40 percent of the cost increase, while other cost increases mainly is explained by measures to ensure production capacity. Operating profit for the quarter was MSEK 5,186 (6,497).

Cash flow

MSEK	Q1 2023	Q1 2022	Full year 2022
Operating profit ²⁾	5,534	5,946	20,831
Expenditures, urban transformation	-446	-567	-2,216
Change in working capital	-876	-3,016	-2,708
Capital expenditures (net)	-1,049	-823	-4,904
Acquisition of subsidiaries	0	-372	-373
Acquisition/divestment of financial assets	0	-22	-474
Operating cash flow	3,163	1,146	10,156

2) Operating profit adjusted for non-cash items and before costs for urban transformation provisions.

Operating cash flow for the first quarter was MSEK 3,163 (1,146).

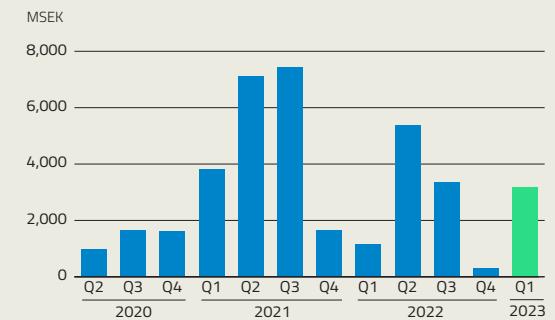
NET SALES AND OPERATING PROFIT/LOSS

Net sales 2023 Net sales Operating profit



OPERATING CASH FLOW

Operating cash flow 2023 Operating cash flow



RETURN ON EQUITY

Rolling 12 months Target return on equity



Net financial income/expense and net financial indebtedness

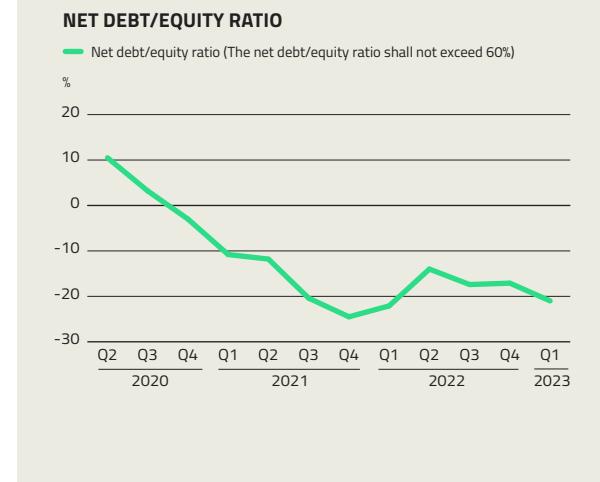
Net financial income/expense for the first quarter was MSEK 533 (-1,691). The improvement compared with the same period last year is due to a higher return on financial investments.

The net debt/equity ratio was -21.0 (-22.1) percent.

Credit facilities

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

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



Events during the quarter

Measures taken to secure production capacity at the pelletising plants in Kiruna are now starting to have an effect and production increased in the first quarter.

The seismic event in the Kiruna mine in spring 2020 means that production of crushed ore from the mine remains lower than normal and production is expected to be affected for a further couple of years. Measures to secure production volumes also involve higher costs than normal.

In March an ore train derailed at Narvik station. The derailment had no direct effect on delivery volumes during the quarter but as a result, the stock levels in Narvik decreased significantly.

The update of mineral resources and mineral reserves presented during the quarter in the Annual and Sustainability Report for 2022 indicates continued good results from the ongoing exploration work, with increased resources and level of confidence. The exploration results also indicate a significant resource of rare earth elements in the Per Geijer deposit located close to existing operations in Kiruna.

Outlook for 2023

Prices for highly upgraded iron ore products remained at a high level at the start of the year. Demand for LKAB's highly upgraded iron ore products remains good, but there is considerable uncertainty concerning global economic development and its impact on the iron ore industry.

Current geopolitical unrest, with rising interest rates and high inflation, causes LKAB increased cost levels for energy, some inputs 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 2023. 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.

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.

The unpredictability and inefficiency of the permitting processes, as demonstrated most recently in the courts' decision to reject the application for a new permit for the operations in Kiruna, continues to represent an operational risk. Alongside the collective permitting procedures in Kiruna and Malmberget, therefore, the need for alternative evaluation pathways for production-critical parts needs to be considered.

Access to land is a matter of strategic importance for securing current production and ongoing urban transformation, as well as for enabling LKAB's transformation. Dialogues concerning land issues continue with parties affected in our operating locations.

Capacity on the Ore Railway continues to be one of LKAB's biggest challenges as regards securing both current and future delivery volumes. LKAB is in continuous dialogue with the Swedish Transport Administration on this matter.

LKAB is closely monitoring developments in the market and the effects of the geopolitical turmoil following in the wake of the war in Ukraine.

LKAB is also monitoring developments in Cementa's permit proceedings 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 please refer to LKAB's Annual and Sustainability Report.

Sustainable development

Strategic goals for sustainable value creation

	Q1 2023	Full year 2022	Goal for 2026	Goal for 2030
Stable and efficient operations				
Net debt/equity ratio (%)	-21.0	-17.1	<60	<60
Return on equity (%) ¹⁾	20.9	21.7	>9	>9
Dividend (%)	–	50	40–60	40–60
Climate-efficient sustainable transition				
Energy use ¹⁾ (kWh/t FP)	172	176	162	154
Carbon emissions ¹⁾ (kt)	659	661	608	536
Biodiversity	–	–	–	–
Safe, healthy and stimulating workplace				
Lost time injuries (no. per million hrs) ^{1,2)}	6.0	6.5	4.0	2.0
Long-term sick leave ¹⁾ (%)	0.8	0.7	0.8	0.8
Women in the workforce (%)	26	26	30	– ³⁾
Women managers (%)	29	28	30	– ³⁾

1) For rolling 12 months.

2) Lost time injuries per million hours worked for the Group, including suppliers.

3) 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 2022, page 16.

Energy use in kWh per tonne of finished product decreased in the first quarter, mainly due to more stable production; after the first quarter the annual rate was 170 (176) kWh per tonne of finished product.

Carbon emissions were also positively impacted by the stable production, amounting at the end of the first quarter to an annual rate of 642 (661) kt. Analysis of possible technology options to enable further carbon reductions continues.

The injury rate continued to demonstrate a positive trend in the first quarter and amounted to 6.0 (6.5) for the rolling 12 months. 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 injury rate. Group-wide work on the safety culture is taking place – aimed at increasing awareness among managers, co-workers and suppliers – in order to prevent serious incidents and injuries.

At the end of the quarter sickness absence was somewhat above last year's rate.

The percentage of women in the workforce at the end of the first quarter was 26 (26) percent, while among management the percentage of women increased to 29 (28) percent.

Efforts to create the conditions for biodiversity improvement are progressing according to plan. Guidance describing the goal and LKAB's new approach has been produced and training has been implemented. The current impact on biodiversity has also been charted.

CARBON EMISSIONS AND ENERGY CONSUMPTION

The goal for 2030 is a 25 percent decrease in LKAB's carbon emissions compared with 2020, with an interim goal of a 15 percent decrease in emissions by 2026.

The goal for energy is a 10 percent reduction in energy use by 2030 and a 5 percent reduction by 2026 from the baseline of 2021. Energy intensity is calculated based on the entire Group's energy use in relation to iron ore products produced.

BIODIVERSITY

The strategic goals for 2022–2030 include an objective to achieve a biodiversity net gain.

Biodiversity refers to the variety of nature – which includes plants, fungi and animals as well as their different habitats, both on land and in water.

LKAB is following Svermin's biodiversity road map 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 approach to working for increased biodiversity.

INJURIES

2021–2022 2023 Target for 2026 Rolling 12 months

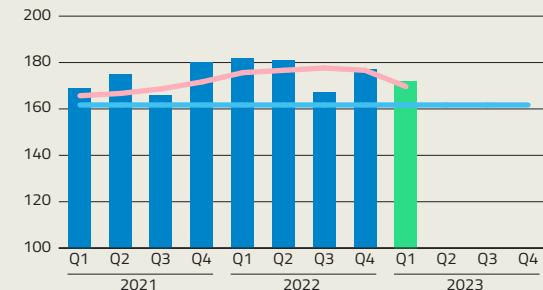
Number per million hours worked



ENERGY USE

2021–2022 2023 Target for 2026 Rolling 12 months

kWh/t finished product (FP)



CO₂ EMISSIONS

Target for 2026 Rolling 12 months

kt



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, which 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.

In recent years exploration efforts have been intensified with the aim of securing production after the current main haulage levels are expected to be mined out. Exploration provides the foundation for our business and the latest results presented during the quarter indicate continued good findings, with increased resources and an increased level of confidence.



Market development

The steel and iron ore market

The global steel and iron ore industry

The production level of global manufacturing industry slowed further during the first quarter, but compared with the previous year the decrease in production was limited. Demand for consumer goods weakened during the quarter, but the level of activity within investment-heavy industry was stable. Production by Chinese industry strengthened during the quarter.

Global production of crude steel was at the same level as the first quarter last year. Production in China increased by six percent and in the rest of the world production decreased by seven percent. In Europe blast furnace capacity was restarted and steel production was ten percent higher than in the previous quarter but ten percent lower than in the first quarter of 2022, which was a good quarter for European steel industry.

Global demand for iron ore is assessed to have been lower than in the first quarter last year. Demand for iron ore in China strengthened somewhat, but the steel companies chose to decrease stocks – which were already at historically low levels at the start of the first quarter. The supply of iron ore was restricted by production disruptions. The global market for fines was in equilibrium and the iron ore prices were almost unchanged from the end of the previous quarter.

Demand for pellets in Europe strengthened during the first quarter as steelmakers increased capacity utilisation at their blast furnaces while at the same time the supply of blast furnace pellets remained limited as a result of the war in Ukraine. Demand for pellets in the Middle East remained stable.

Iron ore spot price developments

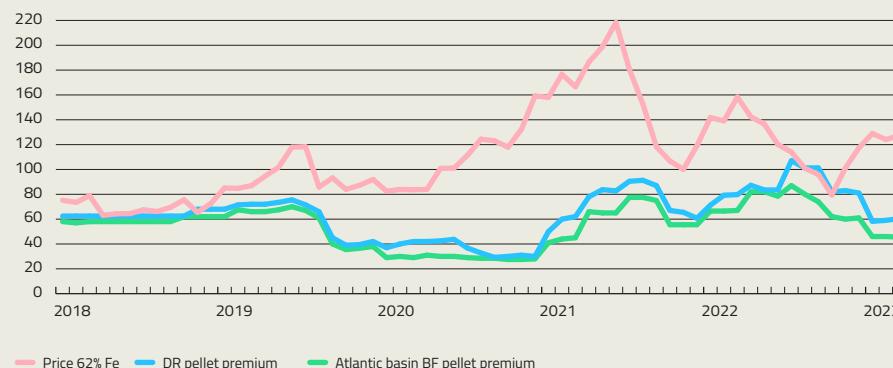
The spot price for fines, IODEX 62% Fe, increased to USD 127 per tonne at the end of the first quarter compared with USD 117 per tonne at the end of 2022. The average price for the first quarter was USD 125 (142) per tonne, compared to USD 99 per tonne in the fourth quarter of 2022. The dollar strengthened significantly compared with the previous year and the spot price for fines, IODEX 62% Fe, converted into Swedish kronor, was close to the level in the first quarter of 2022.

Quoted pellet premiums decreased compared with the previous quarter and with the first quarter last year. The average blast furnace premium in the first quarter was just under USD 46 (67) per tonne, compared to USD 61 per tonne in the fourth quarter of 2022. The premium for DR pellets averaged USD 59 (77) per tonne in the first quarter compared with USD 82 per tonne in the preceding quarter.

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

1 January 2018 – 31 March 2023

USD per tonne

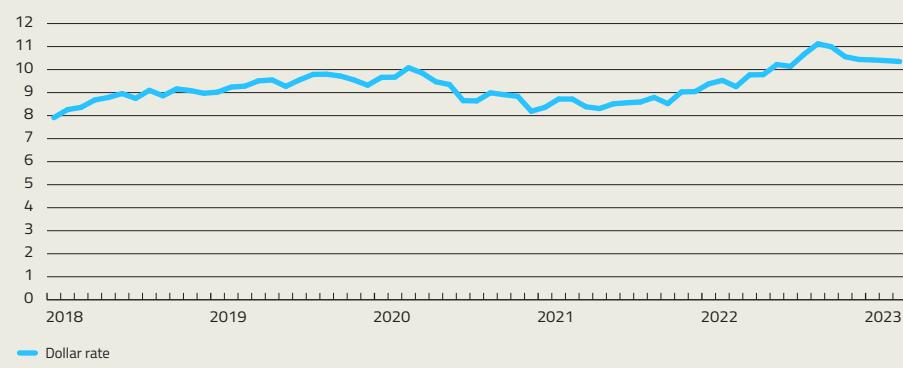


Source: PLATTS

CHANGES IN THE DOLLAR EXCHANGE RATE

1 January 2018 – 31 March 2023

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	Q1	Q1	Full year
		2023	2022	2022
Net sales ¹⁾	3.4	11,068	11,113	43,288
Operating profit¹⁾		5,289	6,555	21,322
Costs for urban transformation provisions		-46	-55	-545
Capital expenditure on property, plant and equipment		1,026	771	4,687
Depreciation ¹⁾		-655	-683	-2,792
Deliveries of iron ore products, Mt		6.7	6.7	25.8
Proportion of pellets, %		90	86	83
Production of iron ore products, Mt		6.9	6.4	25.0

1) 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 first quarter was positively affected by more stable production at the processing plants in Kiruna. The delivery volume was on a par with the same period last year and amounted to 6.7 (6.7) Mt, with the proportion of pellets at 90 (86) percent.

Sales for the first quarter were at the same level as in the same quarter last year, amounting to MSEK 11,068 (11,113). A higher dollar exchange rate and an increased percentage of pellets were offset by lower prices for highly upgraded iron ore products.

Operating profit for the quarter was MSEK 5,289 (6,555). Costs were affected by higher prices for energy and certain inputs as well as by the costs of maintenance and transport services as a result of measures to secure production capacity. An increased rate of exploration also impacted costs.



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 ore-bodies, 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

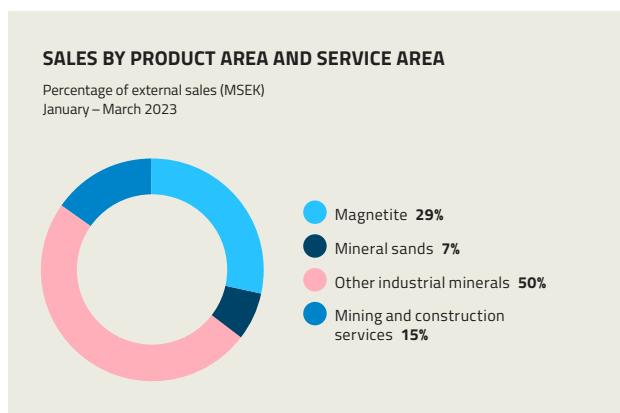
The Special Products business area develops products and services for markets involving industrial minerals, water-powered drilling technology, engineering services and mining and construction contracts. The Special Products business area is also a strategic supplier within the Group.

Operations summary

MSEK	Note	Q1	Q1	Full year
		2023	2022	2022
Net sales	3.4	1,572	1,498	7,087
Operating profit/loss		120	103	541
Capital expenditure on property, plant and equipment		11	26	165
Depreciation		-66	-62	-257

Net sales for the first quarter amounted to MSEK 1,572 (1,498), an increase of five percent compared with the same period last year. The increase is due mainly to a higher sales volume for magnetite and to increased internal sales of crushed ore, explosives, drilling services and rock reinforcement work. The increase in sales is offset somewhat by lower sales of industrial mineral sands.

Operating profit for the quarter was MSEK 120 (103). The improvement in profits is due to increased sales volumes and to some price increases that have been implemented.



FACTS

- The Special Products business area covers LKAB Minerals, LKAB Wassara, LKAB Berg & Betong, LKAB Kimit, LKAB Mekaniska and Bergteamet.
- 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 digitalisation. Other Segments also covers financial operations, including transactions and gains/losses relating to financial hedging for foreign currencies.

Operations summary

MSEK	Note	Q1 2023	Q1 2022	Full year 2022
Net sales excl. hedging ¹⁾		49	26	93
Net sales hedging		22	18	-193
Total net sales	3.4	71	44	-100
Operating profit/loss¹⁾		-290	-133	-941
Capital expenditure on property, plant and equipment		34	27	92
Depreciation ¹⁾		-23	-18	-95

1) 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 operating result for the first quarter was MSEK -290 (-133), with continued investments in digitalisation and development projects impacting costs for the quarter.

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.

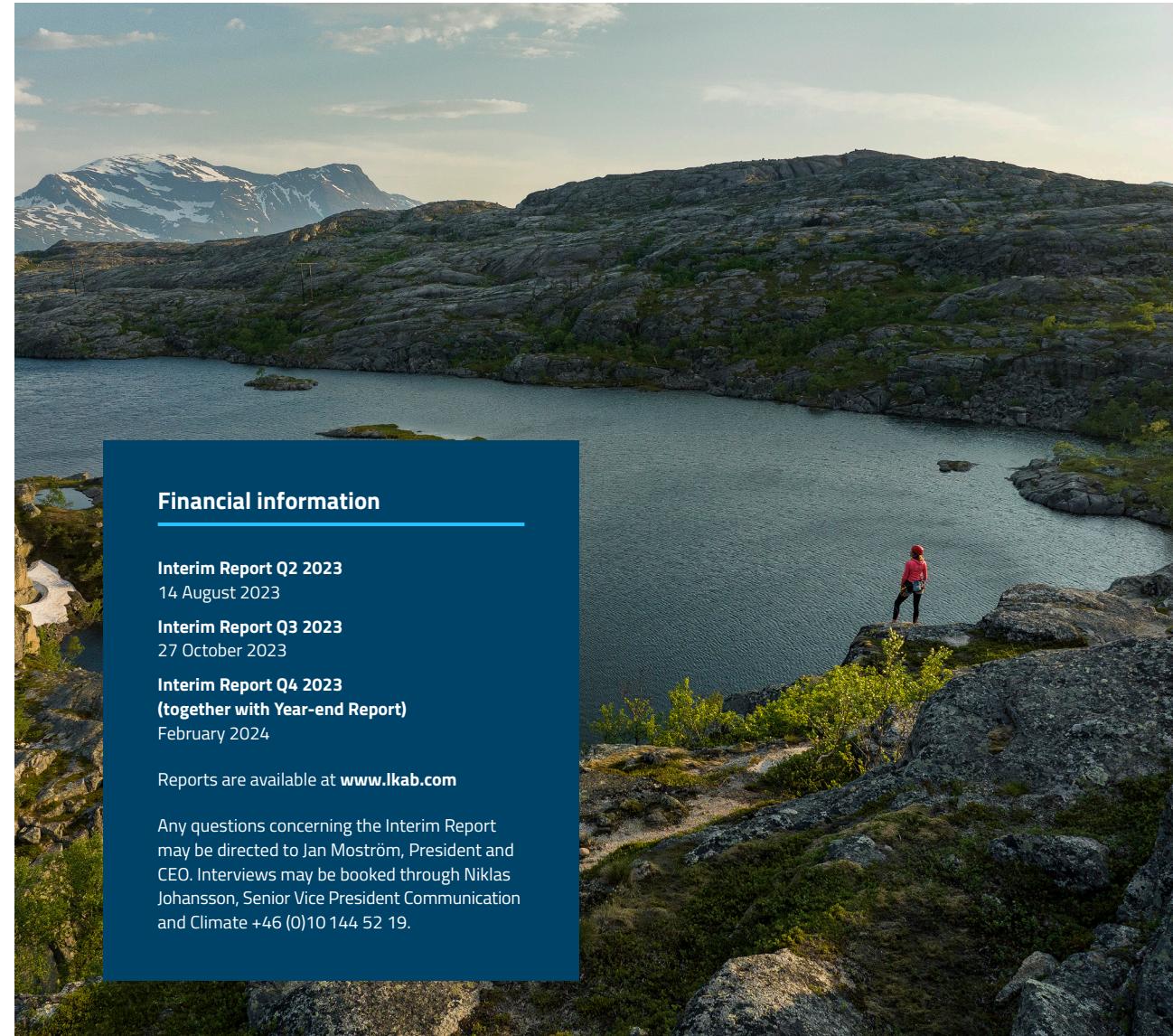
Operations summary

MSEK	Note	Q1 2023	Q1 2022	Full year 2022
Net sales		11,134	11,155	43,202
Operating profit/loss		4,950	6,373	20,223
Costs for urban transformation provisions		-46	-55	-545
Capital expenditure on property, plant and equipment		1,024	750	4,491
Depreciation		-576	-588	-2,387
Deliveries of iron ore products, Mt		6.7	6.7	25.8
Production of iron ore products, Mt		6.9	6.4	25.0

Signatures

Luleå, 27 April 2023
Luossavaara-Kiirunavaara AB (publ)

Jan Moström
President and CEO



LKAB – Group

Statement of income

MSEK	Note	Q1 2023	Q1 2022	Full year 2022
Net sales	3, 4	11,955	11,976	46,543
Cost of goods sold		-6,135	-4,989	-23,376
Gross profit/loss		5,820	6,987	23,167
Selling expenses		-59	-44	-191
Administrative expenses		-226	-198	-800
Research and development expenses		-377	-223	-1,300
Other operating income		124	81	395
Other operating expenses		-85	-83	-400
Share of profit of joint ventures		-11	-23	-72
Operating profit/loss	3	5,186	6,497	20,799
Financial income		603	54	1,081
Financial expense		-70	-1,745	-3,200
Net financial income/expense		533	-1,691	-2,119
Profit/loss before tax		5,719	4,806	18,680
Tax		-1,180	-994	-3,600
Profit/loss for the period		4,539	3,812	15,080
Profit for the period attributable to:				
Parent company shareholders		4,537	3,810	15,073
Non-controlling interests		2	2	7
Earnings per share before and after dilution (SEK)		6,482	5,443	21,532
Number of shares		700,000	700,000	700,000

Statement of comprehensive income

MSEK	Note	Q1 2023	Q1 2022	Full year 2022
Profit/loss for the period		4,539	3,812	15,080
Other comprehensive income for the period				
Items that will not be reclassified to profit/loss for the year				
Remeasurement of defined-benefit pension plans		0	-82	336
Tax attributable to actuarial gains and losses		0	17	-69
Changes for the period in the fair value of equity instruments measured at fair value through other comprehensive income		2,120	1,663	704
		2,120	1,598	971
Items that have been or may subsequently be reclassified to profit/loss for the year				
Translation differences for foreign operations		-117	129	139
Changes in fair value of cash flow hedges		-4	-2	-5
Changes in fair value of cash flow hedges transferred to profit/loss for the year		4	0	0
Tax attributable to components of cash flow hedges		0	0	1
		-117	127	135
Other comprehensive income for the period		2,003	1,725	1,106
Comprehensive income for the period		6,543	5,537	16,186
Comprehensive income for the period attributable to:				
Parent company shareholders		6,541	5,535	16,179
Non-controlling interests		2	2	7

LKAB – Group

Statement of financial position

MSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Non-current assets				
Intangible assets		2,491	2,142	2,130
Property, plant and equipment for operations		33,773	31,769	33,558
Property, plant and equipment for urban transformation		11,443	10,688	11,306
Interests in associates and joint ventures		721	286	732
Financial investments	5	8,564	7,422	6,448
Non-current receivables		2	2	2
Deferred tax asset		7	10	7
Total non-current assets		57,001	52,319	54,183
Current assets				
Inventories		5,805	4,885	6,205
Accounts receivable		4,531	4,849	3,785
Prepaid expenses and accrued income		487	401	375
Other current receivables		2,228	2,496	2,492
Current investments	5	26,524	27,575	27,393
Cash and cash equivalents		7,962	8,034	3,191
Total current assets		47,537	48,240	43,441
TOTAL ASSETS		104,538	100,559	97,624

MSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
EQUITY AND LIABILITIES				
Equity				
Share capital			700	700
Reserves			4,790	3,737
Retained earnings incl. profit/loss for the period			72,331	68,630
Equity attributable to Parent Company shareholders		77,821	73,067	71,280
Non-controlling interests			42	36
Total equity		77,863	73,103	71,320
Non-current liabilities				
Non-current interest-bearing liabilities			2,365	2,354
Other non-current liabilities			56	56
Provisions for pensions and similar commitments			959	1,494
Provisions, urban transformation			10,849	11,554
Other provisions			1,656	1,562
Deferred tax liabilities			1,477	1,521
Total non-current liabilities		17,362	18,541	17,095
Current liabilities				
Current interest-bearing liabilities			84	71
Trade payables			1,972	1,896
Tax liabilities			703	439
Other current liabilities			621	1,078
Accrued expenses and deferred income			3,128	2,506
Provisions, urban transformation			2,562	2,625
Other provisions			243	300
Total current liabilities		9,313	8,915	9,209
Total liabilities		26,675	27,456	26,304
TOTAL EQUITY AND LIABILITIES		104,538	100,559	97,624

LKAB – Group

Statement of changes in equity

Equity attributable to Parent Company shareholders									
2022 MSEK	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings incl. profit/loss for the year	Total	Non-controlling interests	Total equity	
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	

Equity attributable to Parent Company shareholders									
2022 MSEK	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings incl. profit/loss for the year	Total	Non-controlling interests	Total equity	
Opening equity 1 Jan 2022	700	-141	2,087	1	64,886	67,533	32	67,565	
Profit/loss for the year	–	–	–	–	3,810	3,810	2	3,812	
Other comprehensive income for the year	–	129	1,664	-2	-65	1,725	–	1,725	
Comprehensive income for the year	–	129	1,664	-2	3,745	5,535	2	5,537	
Dividend	–	–	–	–	–	–	–	–	
Closing equity 31 Mar 2022	700	-12	3,751	-1	68,630	73,067	35	73,103	

Equity attributable to Parent Company shareholders									
2023 MSEK	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings incl. profit/loss for the year	Total	Non-controlling interests	Total equity	
Opening equity 1 Jan 2023	700	-2	2,792	-3	67,793	71,279	40	71,320	
Profit/loss for the year	–	–	–	–	4,537	4,537	2	4,539	
Other comprehensive income for the year	–	-117	2,120	0	–	2,003	–	2,003	
Comprehensive income for the year	–	-117	2,120	0	4,537	6,541	2	6,543	
Dividend	–	–	–	–	–	0	–	0	
Closing equity 31 Mar 2023	700	-119	4,912	-3	72,330	77,820	42	77,863	

LKAB – Group

Statement of cash flows

MSEK	Q1 2023	Q1 2022	Full year 2022
Operating activities			
Profit/loss before tax	5,719	4,807	18,680
Adjustment for items not included in cash flow	317	2,463	6,683
Income tax paid	-495	-1,313	-4,473
Expenditures, urban transformation	-446	-567	-2,216
Expenditures, other provisions	-7	-11	-59
Cash flow from operating activities before changes in working capital	5,088	5,379	18,615
Cash flow from changes in working capital			
Increase (+)/Decrease (-) in inventories	400	39	-1,281
Increase (+)/Decrease (-) in operating receivables	-857	-3,624	-2,315
Increase (+)/Decrease (-) in operating liabilities	-419	569	888
Change in working capital	-876	-3,016	-2,708
Cash flow from operating activities	4,212	2,363	15,907
Investing activities			
Acquisition of property, plant and equipment	-1,072	-823	-4,944
Government investment grants	21	-	37
Disposal of property, plant and equipment	2	-	3
Acquisition of subsidiaries	-	-372	-373
Acquisition of other financial assets – operating	-	-22	-485
Disposal of other financial assets – operating	-	0	11
Acquisition/disposal of other financial assets – non-operating	-	-	-
Disposals/acquisitions (net) in current investments	1,634	869	-504
Cash flow from investing activities	585	-348	-6,255
Financing activities			
Repurchase agreements	-	-250	-258
Borrowing	-	-6	7
Repayments	-5	0	-16
Repayment of lease liabilities	-22	-21	-85
Dividends paid to Parent Company shareholders	-	-	-12,432
Cash flow from financing activities	-27	-277	-12,784

MSEK	Q1 2023	Q1 2022	Full year 2022
Cash flow for the period			
Cash and cash equivalents at start of period	4,770	1,738	-3,132
Exchange difference in cash and cash equivalents	3,191	6,289	6,289
Cash and cash equivalents at end of period	7,962	8,034	3,191
Change in cash and cash equivalents	4,770	1,738	-3,132
Sub-components of cash and cash equivalents			
Cash and bank balances	3,768	7,844	2,388
Current investments (maturity <90 days)	4,194	190	803
Cash and cash equivalents	7,962	8,034	3,191
Consolidated operating cash flow			
Cash flow from operating activities	4,212	2,363	15,907
Acquisition of property, plant and equipment	-1,072	-823	-4,944
Government investment grants	21	-	37
Disposal of property, plant and equipment	2	-	3
Acquisition of subsidiaries	-	-372	-373
Acquisition/disposal of other financial assets – operating	-	-22	-474
Operating cash flow (excluding current investments)	3,163	1,146	10,156
Acquisition/disposal of other financial assets – non-operating	-	-	-
Disposals/acquisitions (net) in current investments	1,634	869	-504
Cash flow after investing activities	4,797	2,015	9,652
Cash flow from financing activities	-27	-277	-12,784
Cash flow for the period	4,770	1,738	-3,132

Employees

MSEK	Q1 2023	Q1 2022	Full year 2022
Average number of employees	4,845	4,628	4,513
– of which women	1,263	1,150	1,164
– of which men	3,582	3,478	3,349

LKAB – Parent Company

Income statement

MSEK	Note	Q1 2023	Q1 2022	Full year 2022
Net sales		11,134	11,155	43,202
Cost of goods sold		-5,649	-4,444	-21,178
Gross profit/loss		5,485	6,711	22,024
Selling expenses		-22	-12	-55
Administrative expenses		-148	-116	-515
Research and development expenses		-367	-213	-1,262
Other operating income		6	7	90
Other operating expenses		-4	-4	-59
Operating profit/loss		4,950	6,373	20,223
Profit/loss from financial items		217	-991	-624
Profit/loss after financial items		5,167	5,382	19,599
Appropriations		-	-	828
Profit/loss before tax		5,167	5,382	20,427
Tax		-1,064	-1,109	-3,981
Profit/loss for the period¹⁾		4,103	4,273	16,446

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

Balance sheet

MSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Non-current assets				
Intangible assets		1,221	863	866
Property, plant and equipment for operations		28,246	25,942	27,803
Property, plant and equipment for urban transformation		11,443	10,688	11,306
Financial assets				
Interests in subsidiaries		2,917	3,034	2,917
Interests in associates and jointly controlled entities		1,023	520	1,023
Receivables from subsidiaries		2,363	2,598	2,586
Other non-current securities		3,227	3,238	3,227
Other non-current receivables		93	96	93
Deferred tax asset		1,370	1,467	1,370
Total financial assets		10,993	10,953	11,216
Total non-current assets		51,903	48,446	51,191
Current assets				
Inventories		4,953	4,175	5,287
Current receivables				
Accounts receivable		3,900	4,339	3,063
Receivables from subsidiaries		420	219	644
Other current receivables		2,141	2,314	2,370
Prepaid expenses and accrued income		405	324	313
Total current receivables		6,866	7,196	6,390
Current investments		29,017	25,491	26,758
Cash and bank balances		3,411	7,533	2,081
Total current assets		44,247	44,395	40,516
TOTAL ASSETS		96,150	92,841	91,707

LKAB – Parent Company

Balance sheet

MSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital	700	700	700	
Statutory reserve	697	697	697	
Non-restricted equity				
Profit/loss brought forward	56,223	52,208	39,777	
Profit/loss for the period	4,103	4,273	16,446	
Total equity	61,723	57,878	57,620	
Untaxed reserves	11,202	11,577	11,202	
Provisions				
Provisions, urban transformation	10,849	11,554	10,615	
Other provisions	1,661	1,529	1,664	
Total provisions	12,510	13,083	12,279	

MSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
Non-current liabilities				
Bond loans				
		1,996	1,995	1,996
Liabilities to credit institutions				
		–	–	–
Other non-current liabilities				
	24	–	–	24
Total non-current liabilities		2,020	1,995	2,020
Current liabilities				
Liabilities to credit institutions				
		–	10	–
Trade payables				
		1,425	1,267	1,937
Liabilities to Group companies				
		705	748	721
Current tax liabilities				
		684	421	88
Other current liabilities				
		498	904	324
Accrued expenses and deferred income				
		2,578	2,044	1,961
Provisions, urban transformation				
		2,562	2,625	3,029
Other provisions				
		243	289	526
Total current liabilities		8,695	8,308	8,586
TOTAL EQUITY AND LIABILITIES		96,150	92,841	91,707

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 2022 annual report. For further information concerning the Group's accounting policies refer to LKAB's Annual and Sustainability Report for 2022. 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 2022.

Note 3

Segment reporting

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

The segments in summary

MSEK	Iron Ore		Special Products		Other		Eliminations/ group adjustments		Group	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
External income	11,026	11,030	883	920	46	26	–	–	11,955	11,976
Internal income	42	83	689	578	25	18	-756	-679	0	0
Total income	11,068	11,113	1,572	1,498	71	44	-756	-679	11,955	11,976
Operating profit/loss	5,289	6,555	120	103	-290	-133	67	-28	5,186	6,497
Net financial income/expense									533	-1,691
Profit/loss before tax									5,719	4,806

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.

	Iron Ore		Special Products		Other		Group	
	MSEK	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023
Product/service area								
Pellets	10,052	9,628	–	–	–	–	10,052	9,628
Fines	788	1,238	–	–	–	–	788	1,238
Magnetite	–	–	252	186	–	–	252	186
Mineral sands	–	–	58	241	–	–	58	241
Other industrial minerals	–	–	442	405	–	–	442	405
Mining and construction services	–	–	131	88	–	–	131	88
Other	186	164	–	–	25	8	211	172
Total	11,026	11,030	883	920	25	8	11,934	11,958
Region								
Europe	7,366	7,209	626	587	25	8	8,017	7,804
MENA	2,991	2,612	110	3	–	–	3,101	2,615
Rest of World	669	1,209	147	330	–	–	816	1,539
Total	11,026	11,030	883	920	25	8	11,934	11,958
Revenue from contracts with customers	11,026	11,030	883	920	25	8	11,934	11,958
Other income – financing activities	–	–	–	–	21	18	21	18
Total external income	11,026	11,030	883	920	46	26	11,955	11,976

Note 5**Disclosures regarding financial instruments**

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

Group 31 Mar 2023

MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	8,132	–	–	8,132
Equity-related investments	–	9,917	–	9,917
Interest-bearing instruments	–	20,801	–	20,801
Derivatives	–	–20	–	–20
Total	8,132	30,698	0	38,830

Group 31 Mar 2022

MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	6,970	–	–	6,970
Equity-related investments	–	9,056	–	9,056
Interest-bearing instruments	–	18,709	–	18,709
Derivatives	–	74	–	74
Total	6,970	27,839	0	34,809

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 financial assets and liabilities is estimated to be a reasonable approximation of fair value.

Note 6 Pledged assets and contingent liabilities, Parent Company

Pledged assets

MSEK	31 Mar 2023	31 Mar 2022	31 Dec 2022
<i>As pledged assets for own liabilities and provisions</i>			
Company-owned endowment insurance	91	94	91
Deposit of cash and cash equivalents	113	112	112
Collateral provided, derivatives	105	872	152
Total pledged assets	309	1,078	355

Contingent liabilities

MSEK	31 Mar 2023	31 Mar 2022	31 Dec 2022
Guarantees, FPG/PRI	22	20	20
Guarantees, GP plan	3	3	3
Guarantees, Swedish Tax Agency	63	63	63
Surety given for subsidiaries	142	112	138
Collateral, remediation	259	256	261
Other surety	56	28	63
Total contingent liabilities	546	482	548

Note 7 Transactions with related parties

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

Note 8 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 9 Key ratios – disclosures

Alternative performance measures

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 9 continued

Net financial indebtedness

MSEK	31 Mar 2023	31 Mar 2022	31 Dec 2022
Loans payable	2,449	2,425	2,473
Provisions for pensions	959	1,494	992
Provisions, urban transformation	13,411	14,179	13,644
Provisions, remediation	1,733	1,777	1,727
Less:			
Cash and cash equivalents	-7,962	-8,034	-3,191
Current investments	-26,524	-27,575	-27,393
Financial investments	-425	-433	-430
Net financial indebtedness	-16,359	-16,167	-12,178

Net debt/equity ratio

MSEK	31 Mar 2023	31 Mar 2022	31 Dec 2022
Net financial indebtedness	-16,359	-16,167	-12,178
Equity	77,863	73,103	71,320
Net debt/equity ratio, %	-21.0	-22.1	-17.1

Return on equity

MSEK	31 Mar 2023	31 Mar 2022	31 Dec 2022
Profit/loss after tax R 12	15,807	20,438	15,080
Average equity	75,483	64,747	69,443
Return on equity, %	20.9	31.6	21.7

Note 10**Quarterly data for the Group**

MSEK	Note	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net sales		11,955	9,949	12,244	12,375	11,976	9,064	12,744	14,748
Operating profit/loss		5,186	2,673	5,909	5,719	6,497	2,815	7,769	9,161
Net financial income/ expense		533	269	-150	-546	-1,691	352	234	512
Profit/loss before tax		5,719	2,942	5,759	5,173	4,806	3,167	8,002	9,674
Profit/loss for the period		4,539	2,462	4,574	4,231	3,812	2,599	6,355	7,672
Costs for urban transformation provisions		-46	-52	-321	-118	-55	-83	-148	-77
Operating cash flow		3,163	304	3,336	5,370	1,146	1,637	7,430	7,111
Investments in property, plant and equipment		1,072	1,437	1,269	1,416	823	977	994	846
Deliveries of iron ore products, Mt		6.7	6.4	6.6	6.2	6.7	6.8	6.3	6.9
Proportion of pellets, %		90	79	83	82	86	78	80	85
Production of iron ore products, Mt		6.9	6.3	6.6	5.7	6.4	6.7	6.7	5.9
Return on equity ¹⁾ , %	9	20.9	21.7%	23.1	28.3	31.6	39.0	42.3	39.2
Net debt/equity ratio ¹⁾ , %	9	-21.0	-17.1%	-17.4	-14.0	-22.1	-24.5	-20.4	-11.8

1) At close of quarter.