

Contact person: Bo Krogvig, Acting Senior Vice President Communication LKAB
Phone: +46 (0)8 429 34 45
E-Mail: bo.krogvig@lkab.com

Positioning for a market in change

JANUARY – MARCH

- Net sales totalled MSEK 3,768 (4,177)
- Operating profit was MSEK 171 (375)
- Costs for urban transformation provisions totalled MSEK 335 (224)
- Profit for the period was MSEK 333 (607)
- Deliveries of iron ore totalled 6,3 (5,9) Mt

Iron ore prices developed relatively strongly in the first quarter of 2016. However, the price level was lower than in the same period last year, which meant that LKAB's operating profit for the quarter totalled MSEK 171 (375). In view of the expected continued oversupply of iron ore products, the recent upturn in iron ore prices is judged to be temporary.

LKAB's production volume continued to improve, amounting to 6.9 (6.2) Mt for the quarter, partly due to an increased supply of crushed ore from the underground mines and more stable processes in the processing plants. Deliveries reached 6.3 (5.9) Mt, with pellets accounting for 86 (87) percent.

Measures to reduce costs are ongoing. Compared with the same quarter in the previous year, costs excluding provisions for urban transformation reduced by 10 percent. In the programme for reducing the number of employees by 400, around 90 percent of this has been achieved.

Within urban transformation the focus is on cost efficiency and compensation models in order to ensure access to land in both the phase-out and development areas. At the beginning of 2016 compensation principles for the acquisition of properties were presented, and in Kiruna construction of the new City Hall is in progress.

The situation remains challenging for LKAB, and work to introduce a new Group structure in order to adapt the company to these market conditions and to shift responsibility closer to production is well under way. As communicated previously, in the second quarter LKAB plans to present a detailed action plan aimed at reducing costs by at least MSEK 800 on an annual basis from the second quarter of 2017.