2016

INTERIM REPORT Q3

Luossavaara-Kiirunavaara AB (plc) Corp. ID no. 556001-5835

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Financial information is also available on www.lkab.com

JULY – SEPTEMBER

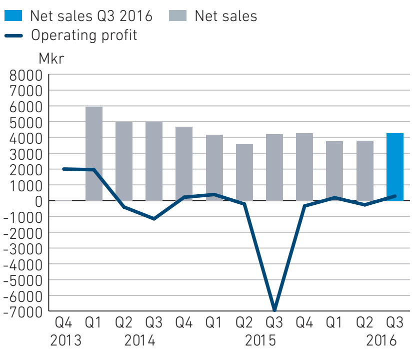
- NET SALES TOTALLED MSEK 4,258 (4,203)
- UNDERLYING OPERATING PROFIT WAS MSEK 762 (798)
- OPERATING PROFIT/LOSS WAS MSEK 273 (-6,951)
- COSTS FOR URBAN TRANSFORMATION PROVISIONS TOTALLED MSEK -489 (-613)
- PROFIT/LOSS FOR THE PERIOD WAS MSEK 509 (-5,641)
- OPERATING CASH FLOW WAS MSEK 235 (-417)
- DELIVERIES OF IRON ORE TOTALLED 7.2 (6.2) MT

JANUARY – SEPTEMBER

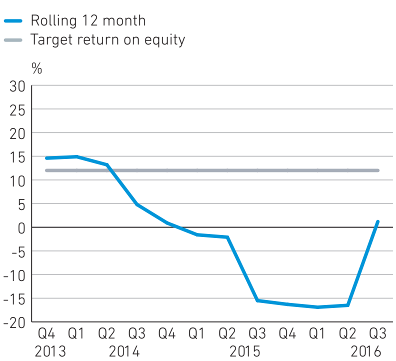
- NET SALES TOTALLED MSEK 11,826 (11,948)
- UNDERLYING OPERATING PROFIT WAS MSEK 1,095 (1,420)
- OPERATING PROFIT/LOSS WAS MSEK 167 (-6,805)
- COSTS FOR URBAN TRANSFORMATION PROVISIONS TOTALLED MSEK -928 (1,088)
- PROFIT/LOSS FOR THE PERIOD WAS MSEK 628 (-5,451)
- OPERATING CASH FLOW WAS MSEK -2,366 (-1,612)
- DELIVERIES OF IRON ORE TOTALLED 20.1 (17.4) MT

Figures in parentheses refer to the same period in the previous year

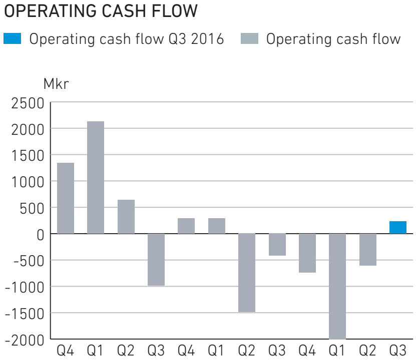
NET SALES AND OPERATING PROFIT



RETURN ON SHAREHOLDERS' EQUITY



OPERATING CASH FLOW



COMMENTS BY THE PRESIDENT AND CEO

STABLE DELIVERIES AND REDUCED COSTS

The third quarter saw stable production, increased delivery volumes and positive cash flow. Continued efficiency improvements and cost savings have had an effect, primarily as a result of productivity-raising efforts in daily operations and more efficient capacity utilization.

The operating profit was MSEK 273 (-6,951), with impairment losses of MSEK -7,136 on property, plant and equipment having been charged to earnings in the third quarter 2015. Underlying operating profit (see Note 1) for the quarter was MSEK 762 (798).

Continued efficiency improvements and cost savings have had an effect, primarily as a result of productivity-raising efforts in daily operations and more efficient capacity utilization. Operating cash flow was strengthened by an improved cash flow from operations and reduced capital expenditures, and amounted to MSEK 235 (-417).

LKAB's production was stable during the quarter, while delivery volumes increased by 16 percent compared with the same period the previous year. At the same time the average spot price for the quarter increased to USD 59 (55)/tonne. The positive impact of higher delivery volumes and a higher iron ore price remains countered by the results of hedging activities. The hedges were entered into at the lower iron ore prices that prevailed during the fourth quarter 2015 and first quarter 2016. The hedging was carried out in order to alleviate the effects of price and exchange rate changes in the market. This meant that LKAB was not able to take full advantage of the price increase during the year.

For the first nine months of the year the production volume was 10 percent higher than in the same period the previous year. Expenses excluding provisions for urban transformation, depreciation and volume effects were three percent or MSEK 458 lower for the period, an effect of cost-cutting measures implemented with the aim of reducing the cost base by at least MSEK 800 on an annual basis by the end of the first quarter 2017.

All mining operations require the use of land, and LKAB's commitment to and responsibility for urban transformation in the mining communities remain unchanged. In August an agreement was reached with Gällivare municipality on compensation for premises for municipal operations and land in the affected areas of Malmberget. Work is now under way on updating detailed development plans and production is expected to be able to be resumed at the normal rate from 2019. In Kiruna access to further industrial land has been delayed awaiting decisions on updated detailed development plans. If a solution is not put into place shortly, there is a risk that mine production in Kiruna will be affected from the beginning of next year.

To sum up the year's third quarter, business was better than in the same period last year. The focus on maximizing pellet production remains and demand for LKAB's processed iron ore products is strong. The price of processed iron ore products developed well compared to the market situation earlier in the year.

LKAB will strengthen its long-term competitiveness through increased production, a focus on costs and efficient use of the investments made in LKAB, and will do this in partnership with the communities where we operate. The goal is mining operations that are financially, socially and environmentally sustainable in the long term.

Jan Moström
President and CEO

THE LKAB GROUP IN SUMMARY

OPERATIONS – THIRD QUARTER

	Q3 2016	Q3 2015	Change
Net sales, MSEK	4,258	4,203	54
Underlying operating profit/loss, MSEK (Note 1)	762	798	-36
Urban transformation expenses, MSEK	-489	-613	124
Impairment of property, plant and equipment, MSEK		-7,136	7,136
Operating profit/loss, MSEK	273	-6,951	7,224
Net financial income/expense, MSEK	359	-313	672
Profit/loss before tax, MSEK	632	-7,264	7,896
Profit/loss for the period, MSEK	509	-5,641	6,150
Operating cash flow, MSEK	235	-417	610
Capital expenditures for property, plant and equipment, MSEK	673	1,369	-696
Depreciation, MSEK	-653	-735	82
Production, Mt	6.8	5.9	0.9
Deliveries, Mt	7.2	6.2	1.0
Proportion of pellets, %	84	83	1
Stocks of finished products, Mt	1.7	1.6	0.1
Gross margin, %	11	neg	
Operating margin, %	6	neg	

LKAB's production has remained stable and the production volume in the quarter amounted to 6.8 (5.9) Mt. Delivery volumes increased by 16 percent and amounted to 7.2 (6.2) Mt, with the proportion of pellets at 84 (83) percent.

Net sales were in line with the previous year. There was a positive impact from higher delivery volumes of MSEK 649 and from somewhat higher market prices and exchange rates of MSEK 190, while hedging effects had a negative effect of MSEK 703. The hedges were entered into at the lower iron ore prices that prevailed during the fourth quarter 2015 and first quarter 2016. The hedging was carried out in order to alleviate the effects of price and exchange rate changes in the market. This meant that LKAB was not able to take full advantage of the price increase during the third quarter of 2016. Costs, excluding impairment of property, plant and equipment, were in line with the previous year, with the cost of increased deliveries being countered by cost reductions, lower depreciation and a lower level of urban transformation provisions. The underlying operating result for the third quarter was in line with the previous year.

Net financial income/expense amounted to MSEK 359 (-313), mainly as a result of a higher return on fixed income and equities investments and greater exchange gains.

Operating cash flow was as follows:

(MSEK)	Q3 2016	Q3 2015	Change
Cash flow from operating activities before change in working capital	1,726	1,097	629
Change in working capital	-823	-284	-539
Capital expenditures (net)	-668	-1,230	562
Operating cash flow	**235**	**-417**	**652**

Operating cash flow for the quarter was MSEK 235 (-417). The improvement is mainly due to stronger contributions from operating activities and lower capital expenditures. Lower operating liabilities contributed to the negative change in working capital.

THE LKAB GROUP IN SUMMARY

OPERATIONS – JANUARY–SEPTEMBER

	Q1-3 2016	Q1-3 2015	Change	Full year 2015
Net sales, MSEK	11,826	11,948	-122	16,200
Underlying operating profit/loss, MSEK (Note 1)	1,095	1,420	-325	1,548
Urban transformation expenses, MSEK	-928	-1,088	161	-1,568
Impairment of property, plant and equipment, MSEK		-7,136	7,136	-7,136
Operating profit/loss, MSEK	167	-6,805	6,972	-7,156
Net financial income/expense, MSEK	647	-271	919	-115
Profit/loss before tax, MSEK	815	-7,076	7,891	-7,271
Profit/loss for the period, MSEK	628	-5,451	6,079	-5,686
Operating cash flow, MSEK	-2,366	-1,612	-754	-2,348
Capital expenditures for property, plant and equipment, MSEK	2,585	4,561	-1,976	6,354
Depreciation, MSEK	-1,954	-2,175	221	-2,800
Production, Mt	19.7	17.9	1.8	24.5
Deliveries, Mt	20.1	17.4	2.7	24.2
Proportion of pellets, %	84	85	-1	84
Stocks of finished products, Mt	1.7	1.6	0.1	1.6
Gross margin, %	7	neg		neg
Operating margin, %	1	neg		neg
Net financial indebtedness, MSEK (Note 1)	5,502	2,251	3,251	3,202

LKAB's production remains stable and is 10 percent higher than in the same period last year. Deliveries of iron ore were 16 percent higher.

Net sales decreased by MSEK 122. The decrease is mainly due to lower prices and currency effects amounting to MSEK 663, and to hedging effects amounting to MSEK 1,027. Higher delivery volumes had a positive impact of MSEK 1,631.

Costs, excluding impairment of property, plant and equipment, were in line with the previous year. The cost of increased deliveries is countered by cost reductions, lower depreciation and a lower level of urban transformation provisions.

The underlying operating result was MSEK 325 lower than in the previous year.

Net financial income/expense amounted to MSEK 647 (-271). The improvement mainly relates to better returns on financial investments, greater exchange gains and increased net premiums on iron ore options.

OPERATIONS – JANUARY–SEPTEMBER

Operating cash flow was as follows:

(MSEK)	Q1-3 2016	Q1-3 2015	Change	Full year 2015
Cash flow from operating activities before change in working capital	3,004	2,979	25	3,694
Change in working capital	-2,835	-171	-2,664	162
Capital expenditures (net)	-2,534	-4,420	1,886	-6,204
Operating cash flow	**-2,366**	**-1,612**	**-754**	**-2,348**

Operating cash flow was MSEK -2,366 (-1,612). Cash flow from operating activities is in line with the previous year thanks to improved profits, despite increased expenditures for urban transformation.

Working capital was negatively impacted by an increased level of capital tied up in pledged assets for outstanding hedging positions and increased capital tied up in accounts receivable. This was countered by significantly lower capital expenditure disbursements than in the same period the previous year.

External financial liabilities at the end of the quarter were as follows:

(MSEK)	Nominal	Utilized (Nominal)	Available
Credit facilities			
Commercial paper programme, maturing within one year	5,000	800	4,200
Bond programme	7,000		4,000
Maturing December 2019		2,000	
Maturing June 2021		1,000	
Other bond financing	250	250	
Credit facility	5,000		5,000
Total	**17,250**	**4,050**	**13,200**

During the year LKAB issued corporate bonds to a value of MSEK 1,000 and other bond financing to a value of MSEK 250. Utilization of commercial papers decreased by MSEK 200. All credit facilities are subject to 100 percent retention of title.

MARKET AND SALES

THE STEEL AND IRON ORE MARKET

The global steel and iron ore industry

Global production of crude steel increased in the third quarter by 1.8 percent compared with the same period last year. During the quarter steel prices developed positively following the dip at the end of the second quarter. Steel exports from China remained at a relatively high level as a result of high crude steel production and weaker domestic demand.

Demand for LKAB's iron ore products remains good, particularly in the market for DR pellets, where demand is strong. The shortage of pellets is also beginning to be noticeable in the market for blast furnace pellets, with customers calling for volumes in excess of those in current contracts.

EUROPE

Production of crude steel in the EU28 decreased in the third quarter by 2.3 percent compared with the same period last year. The automotive industry continues to do well in Europe, but the growth rate is expected to slow down during the rest of the year.

Middle East and North Africa (MENA)

Production of crude steel increased by 4.6 percent during the third quater compared with the same period last year. Political unrest remains, and the situation in MENA continues to be uncertain. A shortage of supply has led to high demand for DR pellets.

USA

Production of crude steel decreased by 4.2 percent during the third quarter compared with the same period last year. Steel prices continued to fall during the quarter as a result of a slowdown in demand, increased imports and growing steel stocks.

China

Production of crude steel increased by 3.2 percent during the third quater compared with the same period last year. China's iron ore imports remain stable and amounted to 269 Mt in the third quarter, an increase of 9.2 percent as compared year-on-year. China's iron ore imports are expected to exceed 1,000 Mt this year.

Iron ore spot price developments

The third quarter began with a spot price[1] of USD 56/tonne. The price then rose, peaking at USD 62/tonne in August. The price subsequently fell back, ending the quarter at USD 56/tonne. The average for the third quarter was USD 59/tonne, which was USD 3/tonne higher than in the preceding quarter. Quoted pellet premiums for blast furnace pellets and DR pellets were stable during the quarter. The pellet premium in China increased substantially during the quarter, as did the price difference between Platts IODEX 65% Fe and 62% Fe, which peaked at USD 3.2/ton per % Fe unit – the highest level in a year. This reflects increased demand for high quality iron ore products combined with a small supply of pellets.

[1]Platts IODEX 62% Fe CFR North China

IRON ORE SPOT PRICE DEVELOPMENTS

January 1, 2009 - September 30, 2016

Source: PLATTS IODEX 62% Fe CFR North China

SEGMENT INFORMATION

As of January 2016 LKAB has a new Group structure that is being implemented during the year. During the implementation period, quarterly reporting will reflect the previous segmentation into the Mining Division, Minerals Division and Special Businesses Division. Reporting based on the new structure will begin with Q4 2016.

MINING DIVISION

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Net sales, MSEK	3,925	3,779	10,899	10,855	14,782
Underlying operating profit/loss, MSEK (Note 1)	621	568	776	1,089	1,102
Urban transformation expenses, MSEK	-489	-613	-928	-1,088	-1,568
Impairment of property, plant and equipment		-7,136		-7,136	-7,136
Operating profit/loss, MSEK	132	-7,181	-151	-7,135	-7,602
Gross margin, %	6	neg	3	neg	neg
Operating margin, %	3	neg	neg	neg	neg
Production, Mt	6.8	5.9	19.7	17.9	24.5
Deliveries, Mt	7.2	6.2	20.1	17.4	24.2
Proportion of pellets, %	84	83	84	85	84

The underlying operating result for the third quarter was in line with the previous year. The positive impact of higher delivery and production volumes amounted to MSEK 453, and higher iron ore prices and currency effects contributed MSEK 260 compared with the previous year. The result of hedging activities had a negative impact on operating profit of MSEK 691.

MINERALS DIVISION

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Net sales, MSEK	444	456	1,076	1,191	1,534
Operating profit before capital gain on sale of operations	46	37	73	83	86
Operating profit/loss, MSEK	46	85	73	131	134
Gross margin, %	20	18	19	18	18
Operating margin, %	10	19	7	11	9

Net sales for the third quarter 2016 are in line with the third quarter in the previous year. Operating profit before last year's capital gain of MSEK 48 improved compared to the same period the previous year. To counter the trend of lower prices and margins, an efficiency programme was implemented during the year which had a positive effect on profits. This work is continuing and is of great importance, since analyses indicate continued oversupply of iron ore that is also affecting the industrial minerals market.

The oil and gas sector continued to demonstrate a low level of activity for new projects, the exception being a number of pipe coating projects. Deliveries of magnetite for radiation protection at hospitals and research facilities took place during the quarter and there is still a range of projects spread across our regions that are being worked up.

SPECIAL BUSINESSES DIVISION

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Net sales, MSEK	380	556	1,470	1,476	2,005
Operating profit/loss, MSEK	96	128	231	155	188
Gross margin, %	24	19	17	17	14
Operating margin, %	25	23	16	11	9

Net sales and operating profit for the third quarter are lower than in the same period last year, mainly due to lower volumes at LKAB Berg & Betong AB.

LKAB – PARENT COMPANY

OPERATIONS SUMMARY

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Net sales, MSEK	3,944	3,753	10,479	10,835	14,770
Underlying operating profit/loss, MSEK (Note 1)	586	549	167	1,004	1,010
Urban transformation expenses, MSEK	-489	-613	-928	-1,088	-1,568
Impairment of property, plant and equipment, MSEK		-6,096		-6,096	-6,096
Operating profit/loss, MSEK	97	-6,161	-761	-6,180	-6,654
Capital expenditures for property, plant and equipment, MSEK	643	1,279	2,430	4,144	5,817
Liquidity, MSEK			12,998	14,670	14,138
Gross margin, %	5	neg	neg	neg	neg
Operating margin, %	2	neg	neg	neg	neg

The underlying operating profit for the quarter is in line with the previous year, while the operating result for the first nine months is MSEK 837 lower, of which MSEK 344 was an effect of unrealised losses on hedging instruments. The net effect of unrealized gains and losses on hedging instruments is reported in the Group.

TRANSACTIONS WITH RELATED PARTIES

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

RISKS AND UNCERTAINTY FACTORS

LKAB is exposed to various risks. Risk management plays a vital part in minimizing the impact of factors that lie beyond the Group's control. The Group employs methods for evaluating and limiting these risks by ensuring that they are managed according to approved guidelines and methods.

LKAB works actively to identify, analyze and control how various types of risks affect the business and how LKAB can best avoid or confront them. Effective risk management is a business-critical success factor. Major risks are LKAB's access to land for the mining operations, volume dependency, the price of iron ore products and transaction exposure in USD.

For further information concerning risks, please refer to LKAB's 2015 Annual Report.

SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The preparation of financial statements requires management and the Board of Directors to make assessments and assumptions that affect recognized assets, liabilities, income and expenses and other information provided, such as contingent liabilities. For further information concerning these, please refer to LKAB's 2015 Annual Report.

OUTLOOK FOR 2016

LKAB expects the market situation to remain largely unchanged in 2016. The oversupply situation in iron ore fines will remain or increase when, among other things, an iron ore project that will be one of the largest iron ore mines in the world comes into production towards the end of the year. This will mean continued pressure on iron ore prices and thus also on LKAB's profitability.

The strategy to maximize pellet production remains in place. In the prevailing market situation, however, planned volume increases for fines products are being deferred until a later date. With iron ore prices expected to remain low, LKAB is intensifying its adaptation work, focusing on profitability, productivity improvements and cost cutting in order to improve competitiveness.

Work on urban transformation continues in 2016. In Kiruna access to further industrial land has been delayed awaiting decisions on updated detailed development plans. If a solution is not put into place shortly, there is a risk that mine production in Kiruna will be affected from the beginning of next year. Provisions for urban transformation will continue to be extensive during the year.

ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting, and applicable regulations in the Annual Accounts Act. Disclosures in accordance with IAS 34 are provided both in notes and elsewhere in the interim report. The interim report for the Parent Company was prepared in accordance with Chapter 9 of the Annual Accounts Act, Interim Reporting.

All amounts in this interim report are presented in SEK millions (MSEK) unless otherwise indicated. Rounding differences may occur.

The accounting principles applied in this interim report conform with the accounting principles applied in the preparation of the 2015 Annual Report. New and amended standards and interpretations from the IASB have had no impact on consolidated earnings, financial position or formulation of the interim report. There have been no significant changes in the structure of the Group during the period.

The Board of Directors and the Chief Executive Officer hereby confirm that this interim report provides a true and fair representation of the operations, financial position and results of the Parent Company and the Group, and describes significant risks and uncertainties faced by the company.

This report has been reviewed by the company's auditor.

Luleå, 27 October 2016
Luossavaara-Kiirunavaara AB (plc)

Jan Moström
President and CEO

FINANCIAL INFORMATION	DATE
Year-end report 2016	15 February 2017
Annual Report 2016	31 March 2017
Annual General Meeting	27 April 2017
Interim report Q1 2017	27 April 2017

Reports are available at www.lkab.com.
Any questions concerning the Interim Report may be directed to Jan Moström, President and CEO, or
Peter Hansson, Senior Vice President, Finance. Tel. +46 920 381 00.

CONSOLIDATED INCOME STATEMENT

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Net sales	4,258	4,203	11,826	11,948	16,200
Cost of goods sold	-3,807	-10,980	-11,009	-18,016	-22,280
Gross profit/loss	**451**	**-6,777**	**817**	**-6,068**	**-6,080**
Selling expenses	-29	-40	-103	-119	-165
Administrative expenses	-99	-105	-343	-362	-512
Research and development expenses	-37	-105	-153	-249	-365
Other operating income	53	149	166	274	318
Other operating expenses	-66	-74	-216	-281	-354
Operating profit/loss	**273**	**-6,951**	**167**	**-6,805**	**-7,156**
Financial income	432	32	860	173	293
Financial expense	-73	-345	-213	-444	-408
Net financial income/expense	**359**	**-313**	**647**	**-271**	**-115**
Profit/loss before tax	**632**	**-7,264**	**815**	**-7,076**	**-7,271**
Tax	-123	1,623	-187	1,625	1,585
Profit/loss for the period	**509**	**-5,641**	**628**	**-5,451**	**-5,686**
Attributable to Parent Company shareholders	509	-5,641	628	-5,451	-5,686
Earnings per share before and after dilution (SEK)	726	-8,059	897	-7,787	-8,122
Number of shares	700,000	700,000	700,000	700,000	700,000

CONSOLIDATED COMPREHENSIVE INCOME

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Profit/loss for the period	**509**	**-5,641**	**628**	**-5,451**	**-5,686**
Other comprehensive income for the period					
Items that will not be reclassified to profit or loss for the period					
Actuarial gains and losses	-223	87	-314	32	173
Tax attributable to actuarial gains and losses	49	-19	69	-7	-38
Total items that will not be reclassified to profit or loss for the period	**-174**	**68**	**-245**	**25**	**135**
Items that will be reclassified to profit or loss for the period					
Translation differences on transaction of foreign operations for the period	34	-16	85	-24	-85
Change in fair value of available-for-sale financial assets for the period	123	-181	142	-210	-284
Changes in fair value of cash flow hedges for the period	-184	18	-637	633	126
Changes in fair value of cash flow hedges transferred to profit or loss for the period	327	-89	-193	-140	414
Tax attributable to components of cash flow hedges	-31	16	183	-108	-119
Total items that may be reclassified subsequently to profit or loss for the period	**269**	**-252**	**-420**	**151**	**52**
Other comprehensive income	**95**	**-184**	**-665**	**176**	**187**
Comprehensive income attributable to Parent Company shareholders for the period	**604**	**-5,825**	**-37**	**-5,275**	**-5,499**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(MSEK)	30 Sept 2016	30 Sept 2015	31 Dec 2015
ASSETS			
Non-current assets			
IIntangible assets	213	220	215
Property, plant and equipment for operations	33,341	31,210	32,462
Property, plant and equipment for urban transformation	2,076	2,705	2,235
Participations in associated companies	38		45
Financial investments	873	667	581
Deferred tax asset	15	1,615	19
Non-current receivables	0	17	0
Total non-current assets	**36,556**	**36,434**	**35,558**
Current assets			
Inventories	2,735	3,023	2,915
Accounts receivable	1,956	1,485	1,320
Prepaid expenses and accrued income	623	175	282
Other current receivables	2,302	931	1,392
Current investments	10,477	11,394	10,225
Cash and cash equivalents	3,187	3,775	4,335
Total current assets	**21,281**	**20,783**	**20,470**
TOTAL ASSETS	**57,837**	**57,217**	**56,028**
EQUITY AND LIABILITIES			
Equity			
Share capital	700	700	700
Reserves	-268	251	152
Retained earnings incl. profit for the year	31,647	31,389	31,264
Equity attributable to Parent Company shareholders	**32,079**	**32,340**	**32,116**
Total equity	**32,079**	**32,340**	**32,116**
Non-current liabilities			
Non-current interest-bearing liabilities	3,234	1,995	1,996
Other liabilities	6		
Provisions for pensions and similar commitments	2,105	2,089	1,860
Provisions for urban transformation	9,283	11,039	10,951
Other provisions	1,224	1,179	1,178
Deferred tax liabilities	1,847	3,200	1,915
Total non-current liabilities	**17,700**	**19,502**	**17,900**
Current liabilities			
Current interest-bearing liabilities	**1,338**	**801**	**1,000**
Trade payables	1,217	1,755	1,573
Other current liabilities	1,294	611	443
Accrued expenses and deferred income	1,284	1,130	1,560
Provisions for urban transformation	2,815	1,013	1,283
Other provisions	110	65	152
Total current liabilities	**8,058**	**5,375**	**6,011**
Total liabilities	**25,758**	**24,878**	**23,911**
TOTAL EQUITY AND LIABILITIES	**57,837**	**57,217**	**56,028**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to Parent Company				
		Reserves				
(MSEK)	Share capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings incl. profit for the year	Total equity
Opening equity 1 Jan 2015	**700**	**-65**	**481**	**-316**	**36,954**	**37,754**
Profit/loss for the period					-5,686	-5,686
Other comprehensive income for the period		-85	-284	421	135	187
Comprehensive income for the period		-85	-284	421	-5,551	-5,499
Dividend					-139	-139
Closing equity 31 Dec 2015	**700**	**-150**	**197**	**105**	**31,264**	**32,116**

		Equity attributable to Parent Company				
		Reserves				
(MSEK)	Share capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings incl. profit for the year	Total equity
Opening equity 1 Jan 2016	**700**	**-150**	**197**	**105**	**31,264**	**32,116**
Profit/loss for the period					628	628
Other comprehensive income for the period		85	142	-647	-245	-665
Comprehensive income for the period		85	142	-647	383	-37
Dividend						
Closing equity 30 September 2016	**700**	**-65**	**339**	**-542**	**31,647**	**32,079**

CONSOLIDATED STATEMENT OF CASH FLOW

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Operating activities					
Profit/loss before tax	632	-7,264	815	-7,076	-7,271
Adjustment for items not included in cash flow	1,408	8,616	3,524	10,607	11,581
Income tax paid	-35	-113	-437	-302	-315
Expenditures, urban transformation	-276	-142	-883	-240	-291
Expenditures, remediation	-3		-15		
Payment to retirement benefit plan				-10	-10
Cash flow from operating activities before changes in working capital	**1,726**	**1,097**	**3,004**	**2,979**	**3,694**
Cash flow from changes in working capital					
IIncrease (-)/Decrease (+) in inventories	89	-113	180	-470	-362
Increase (-)/Decrease (+) in operating receivables	-502	-387	-2,420	571	300
Increase (+)/Decrease (-) in operating liabilities	-410	216	-595	-270	224
Change in working capital	**-823**	**-284**	**-2,835**	**-171**	**162**
Cash flow from operating activities	**903**	**813**	**169**	**2,808**	**3,856**
Investing activities					
Acquisition of property, plant and equipment	-673	-1,369	-2,585	-4,561	-6,354
Disposal of property, plant and equipment	5	139	51	141	150
Acquisition/divestment of financial assets	-52	610	-365	164	1,357
Cash flow from investing activities	**-720**	**-620**	**-2,899**	**-4,256**	**-4,847**
Financing activities					
Repayments/borrowing	53	1	1,582	4	204
Adjustment of other provisions					-96
Dividends paid to Parent Company shareholders				-139	-139
Cash flow from financing activities	**53**	**1**	**1,582**	**-135**	**-31**
Cash flow for the period	**235**	**194**	**-1,149**	**-1,583**	**-1,022**
Cash and cash equivalents at start of period	2,951	3,581	4,335	5,358	5,358
Cash and cash equivalents at end of period	3,187	3,775	3,187	3,775	4,335
Change in cash and cash equivalents	**235**	**194**	**-1,149**	**-1,583**	**-1,022**
Sub-components of cash and cash equivalents					
Cash and bank balances	2,887	3,711	2,887	3,711	2,548
Current investments (maturity <90 days)	300	64	300	64	1,787
Cash and cash equivalents	**3,187**	**3,775**	**3,187**	**3,775**	**4,335**
LIQUIDITY					
Cash and cash equivalents	3,187	3,775	3,187	3,775	4,335
Current investments (maturity >90 days <1 year)	10,477	11,394	10,477	11,394	10,225
	13,664	**15,169**	**13,664**	**15,169**	**14,560**

OPERATING CASH FLOW

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Cash flow from operating activities	**903**	**813**	**169**	**2,808**	**3,856**
Acquisition of property, plant and equipment	-673	-1,369	-2,585	-4,561	-6,354
Disposal of property, plant and equipment	5	139	51	141	150
Operating cash flow (excluding current investments)	**235**	**-417**	**-2,366**	**-1,612**	**-2,348**
Acquisition/divestment of financial assets	-52	610	-365	164	1,357
Cash flow from financing activities	53	1	1,582	-135	-31
Cash flow for the period	**235**	**194**	**-1,149**	**-1,583**	**-1,022**

PERSONNEL

	30 Sept 2016	30 Sept 2015	31 Dec 2015
Average number of employees	4,241	4,472	4,463
– of which women	855	894	887
– of which men	3,386	3,578	3,576

KEY RATIOS IN PERCENT

	30 Sept 2016	30 Sept 2015	31 Dec 2015
Gross margin, %	6.9	neg	neg
Profit margin, %	6.9	neg	neg
Return on equity, %	1.2	neg	neg
Net debt/equity ratio, %	17.2	7.0	10.0

INCOME STATEMENT

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Net sales	3,944	3,753	10,479	10,835	14,770
Cost of goods sold	-3,741	-9,740	-10,819	-16,513	-20,675
Gross profit/loss	**203**	**-5,987**	**-340**	**-5,678**	**-5,905**
Selling expenses	-7	-9	-27	-33	-51
Administrative expenses	-58	-68	-216	-238	-343
Research and development expenses	-42	-106	-181	-251	-373
Other operating income	1	20	3	32	36
Other operating expenses	-1	-10	0	-12	-17
Operating profit/loss	**97**	**-6,161**	**-761**	**-6,180**	**-6,654**
Profit/loss from financial items	**254**	**-26**	**926**	**-114**	**-52**
Profit/loss after financial items	**352**	**-6,186**	**166**	**-6,294**	**-6,706**
Appropriations					1,645
Profit/loss before tax	**352**	**-6,186**	**166**	**-6,294**	**-5,061**
Tax	-23	1,371	18	1,394	1,082
Profit/loss for the period	**329**	**-4,815**	**184**	**-4,900**	**-3,979**

STATEMENT OF COMPREHENSIVE INCOME

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Profit/loss for the period	329	-4,815	184	-4,900	-3,979
Other comprehensive income for the period					
Comprehensive income for the period	**329**	**-4,815**	**184**	**-4,900**	**-3,979**

BALANCE SHEET

(MSEK)	30 Sept 2016	30 Sept 2015	31 Dec 2015
ASSETS			
Non-current assets			
Ilntangible assets	48	38	38
Property, plant and equipment for operations	27,741	25,731	27,076
Property, plant and equipment for urban transformation	2,076	2,705	2,235
Financial assets			
Participations in subsidiaries	1,859	1,768	1,884
Participations in associated companies	40		40
Receivables from subsidiaries	1,538	1,321	1,242
Other non-current securities	246	131	131
Other non-current receivables	107	92	107
Deferred tax asset	1,978	2,497	1,960
Total financial assets	**5,769**	**5,809**	**5,365**
Total non-current assets	**35,634**	**34,283**	**34,714**
Current assets			
Inventories	2,175	2,448	2,277
Current receivables			
Accounts receivable	1,565	1,048	1,063
Receivables from subsidiaries	1,256	1,447	1,324
Other current receivables	1,797	591	961
Prepaid expenses and accrued income	599	146	296
Total current receivables	**5,218**	**3,232**	**3,645**
Current investments	10,548	11,244	11,800
Cash and bank balances	2,450	3,426	2,338
Total current assets	**20,390**	**20,350**	**20,060**
TOTAL ASSETS	**56,024**	**54,633**	**54,774**

BALANCE SHEET

(MSEK)	30 Sept 2016	30 Sept 2015	31 Dec 2015
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (700,000 shares)	700	700	700
Statutory reserve	697	697	697
Non-restricted equity			
Retained earnings	16,025	20,003	20,003
Profit/loss for the year	184	-4,900	-3,979
Total equity	**17,606**	**16,501**	**17,422**
Untaxed reserves	16,624	18,144	16,624
Provisions			
Provisions for urban transformation	9,283	11,039	10,951
Other provisions	1,555	1,511	1,526
Total provisions	**10,838**	**12,550**	**12,478**
Non-current liabilities			
Bond loans	3,234	1,995	1,996
Other non-current liabilities	6		
Total non-current liabilities	**3,240**	**1,995**	**1,996**
Current liabilities			
Liabilities to credit institutions	1,338	800	1,000
Trade payables	826	1,317	1,099
Liabilities to subsidiaries	1,145	1,020	1,170
Other current liabilities	488	274	204
Accrued expenses and deferred income	993	954	1,346
Provisions for urban transformation	2,815	1,013	1,283
Other provisions	110	65	152
Total current liabilities	**7,715**	**5,443**	**6,254**
TOTAL EQUITY AND LIABILITIES	**56,024**	**54,633**	**54,774**
Pledged assets	**1,529**	**788**	**727**
Contingent liabilities	**223**	**349**	**240**

KEY RATIOS IN PERCENT

	30 Sept 2016	30 Sept 2015	31 Dec 2015
Gross margin, %	neg	neg	neg
Profit margin, %	1.6	neg	neg
Return on equity, %	3.6	neg	neg

Note 1 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

Gross margin	Gross profit/loss as a percentage of net sales for the period.
Operating margin	Operating profit/loss as a percentage of net sales for the period.
Profit margin	Profit/loss after financial items as a percentage of net sales for the period.
Return on equity	Profit/loss after tax as a percentage of average equity (rolling 12-month figures).
Underlying operating profit	Operating profit/loss excluding costs for urban transformation provisions and impairment of property, plant and equipment.
Operating cash flow	Cash flow from operating activities and investing activities relating to property, plant and equipment.
Net financial indebtedness	Interest-bearing liabilities less interest-bearing assets.
Net debt/equity ratio	Net financial indebtedness divided by equity.

Reconciliation

Underlying operating profit

(MSEK)	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Full year 2015
Operating profit/loss	273	-6,951	167	-6,805	-7,156
Less:					
Costs for urban transformation provisions	489	613	928	1,088	1,568
Impairment of property, plant and equipment		7,136		7,136	7,136
Underlying operating profit	**762**	**798**	**1,095**	**1,420**	**1,548**

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

Net financial indebtedness

(MSEK)	30 Sept 2016	30 Sept 2015	31 Dec 2015
Loans payable	4,572	2,795	2,996
Provisions for pensions	2,105	2,089	1,860
Provisions, urban transformation	12,098	12,052	12,234
Provisions, remediation	1,264	1,150	1,253
Less:			
Cash and cash equivalents	-3,187	-3,775	-4,335
Current investments	-10,477	-11,394	-10,225
Financial investments	-873	-667	-581
Net financial indebtedness	**5,502**	**2,251**	**3,202**

Net debt/equity ratio

(MSEK)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Net financial indebtedness, MSEK	5,502	2,251	3,202
Equity, MSEK	32,079	32,340	32,116
Net debt/equity ratio, %	**17.2**	**7.0**	**10.0**

Note 2 Disclosures regarding financial instruments

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

Group, 30 September 2016

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	535			535
Shares, current holdings		3,337		3,337
Interest-bearing instruments		7,140		7,140
Cash and cash equivalents (short-term investments with maturities under three months)		300		300
Derivatives, cash flow hedges	-532	-171		-703
Total	**3**	**10,606**		**10,609**

Group, 31 December 2015

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	361			361
Shares, current holdings		3,038		3,038
Interest-bearing instruments		6,868		6,868
Cash and cash equivalents (short-term investments with maturities under three months)		834		834
Derivatives, cash flow hedges	-687	-21		-708
Total	**-326**	**10,719**		**10,393**

Fair value calculation
The following summarizes the methods and assumptions mainly used in determining the fair value of financial instruments reported in the table above.

Level 1:
Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2:
Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:
Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest-bearing instruments
The value of interest-bearing instruments is calculated using data from the interest-bearing securities market, obtained from Bloomberg.

Shares and alternative investments
The value of these investments is calculated using data from the stock market or received directly from brokers.

Derivatives
The fair value of derivative contracts is calculated using official quotations obtained from Bloomberg.

No transfers have been made between Levels 1 and 2.

Fair value of other receivables and liabilities
The carrying amount of other receivables and liabilities is estimated to be a reasonable approximation of fair value.

AUDITOR'S REVIEW REPORT

THE STEEL AND IRON ORE MARKET

Introduction

We have reviewed the interim report for Luossavaara-Kiirunavaara AB (publ) for the period 1 January 2016 to 30 September 2016. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim financial report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Focus and scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE 2410), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially limited in scope compared to the focus and scope of an audit conducted in accordance with ISA and generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant circumstances that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act in the case of the Group and in accordance with the Annual Accounts Act in the case of the Parent Company.

Stockholm, 27 October 2016
Deloitte AB

Peter Ekberg
Authorized Public Accountant

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