

## HIGHER IRON ORE PRICE STRENGTHENS EARNINGS

The year has started positively for LKAB with an increased production volume and operating profit for the first quarter. The cost efficiency programmes implemented in recent years have strengthened LKAB's competitiveness, while at the same time iron ore prices have risen. During the quarter the spot price<sup>1</sup> for iron ore was traded at the highest price level since autumn 2014 and demand for upgraded iron ore products remains good.



### OPERATIONS – FIRST QUARTER

MSEK	Note	Q1 2017	Q1 2016	Full year 2016
Net sales		5,541	3,768	16,343
Underlying operating profit	7	1,941	507	1,621
Costs for urban transformation provisions		-231	-335	-2,106
Impairment of property, plant and equipment				-1,192
Operating profit/loss		1,710	171	-1,677
Net financial income/expense		111	180	613
Profit/loss before tax		1,822	352	-1,063
<b>Profit/loss for the period</b>		<b>1,424</b>	<b>333</b>	<b>-978</b>
Operating cash flow		1,571	-1,978	-2,762
Investments in property, plant and equipment		372	888	3,341
Depreciation		-674	-625	-2,746
Production of iron ore products, Mt		7.2	6.9	26.9
Deliveries of iron ore products, Mt		6.6	6.3	27.0
Proportion of pellets, %		86	86	84
Return on equity, %	7	0.4	neg	neg
Net debt/equity ratio, %	7	12.6	16.5	20.7

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

- Production and delivery volumes remained stable during the first quarter. The production volume was four percent higher and the delivery volume was five percent higher than for the same period the previous year.
- Net sales and operating profit increased in the first quarter, mainly due to higher market prices for iron ore.
- The global spot price<sup>1</sup> for iron ore products increased during the quarter and the average spot price<sup>1</sup> was USD 86 (48)/tonne.
- Operating cash flow improved during the quarter by MSEK 3,549 in a year-on-year comparison.
- The net debt/equity ratio decreased to 12.6 (16.5) percent compared with the first quarter last year.
- The return on equity was again positive as a result of the improvement in earnings during the quarter.

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

**“ The foundation has been laid for a stronger and more sustainable LKAB and even if the price situation worsens in the future, we are cautiously optimistic.**

Jan Moström,  
President and CEO

**7.2 Mt**

Produced during the quarter

**6.6 Mt**

Delivered during the quarter

**86%**

Percentage of pellets for the quarter

# THE LKAB GROUP

## NET SALES AND OPERATING PROFIT/LOSS

### ANALYSIS OF CHANGE IN OPERATING PROFIT MSEK

	Q1
<b>Operating profit Q1 2016</b>	<b>171</b>
Delivery volumes and mix	438
Prices	1,894
Foreign currency effect	315
Hedging of currency and iron ore price	-874
Costs for urban transformation provisions	104
Impairment of property, plant and equipment	-
Depreciation	-49
Production volumes, stocks	-138
Other expenses and other income	-151
<b>Operating profit Q1 2017</b>	<b>1,710</b>

Net sales for the first quarter were 47 percent higher when compared year-on-year. Exchange rates and higher market prices for iron ore had a positive impact, while hedging effects were negative. The average spot price for iron ore for the quarter was USD 86 (48)/tonne, which was USD 15/tonne higher than in the preceding quarter. The hedges were mainly entered into at the lower price levels 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.

The cost cutting programme implemented has had the desired effect, and LKAB is now continuing to work on ensuring long-term sustainable competitiveness through a continued focus on productivity and efficiency improvement measures. The cost level, excluding provisions for urban transformation, impairment losses and depreciation, has decreased by just over 10 percent over the past two years or around SEK 1.5 billion annually, even taking into account volume changes.

Other costs for the quarter were somewhat higher year-on-year, mainly as a result of non-recurring costs such as ongoing chute renovations, higher energy prices and breakdowns in the processing plants in Kiruna.

## CASH FLOW

MSEK	Q1 2017	Q1 2016	Full year 2016
Cash flow from operating activities before changes in working capital	1,994	743	3,569
Change in working capital	-52	-1,867	-3,043
Capital expenditures (net)	-371	-854	-3,288
<b>Operating cash flow</b>	<b>1,571</b>	<b>-1,978</b>	<b>-2,762</b>

Operating cash flow for the quarter improved by MSEK 3,549 in a year-on-year comparison. The improvement is mainly due to improved profits, lower capital expenditures for investments and a reduction in capital tied up in pledged assets for outstanding hedging positions. This was countered by higher expenditure on urban transformation and a somewhat higher level of capital tied up in accounts receivable.

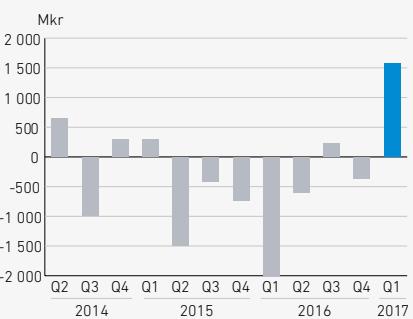
### NET SALES AND OPERATING PROFIT

Net sales Q1 2017 Net sales  
Operating profit



### OPERATING CASH FLOW

Operating cash flow Q1 2017 Operating cash flow



### RETURN ON EQUITY

Rolling 12 months Target return on equity



# THE LKAB GROUP

## NET FINANCIAL INCOME/EXPENSE AND NET FINANCIAL INDEBTEDNESS

Net financial income/expense for the first quarter was MSEK 111 (180). An improved return on financial investments made a positive contribution year-on-year. Lower financial income from hedging activities is having a negative effect.

The net debt/equity ratio decreased to 12.6 (16.5) percent as a result of lower net financial indebtedness and higher equity. Equity increased mainly as a result of the improvement in earnings.

## CREDIT FACILITIES

MSEK	Nominal	Utilized (nominal)	Available
Commercial paper programme, maturing within one year	5,000	800	4,200
Bond programme	7,000		4,009
Maturing December 2019		1,991	
Maturing June 2021		1,000	
Other bond financing	250	250	
Credit facility	5,000		5,000
<b>Total</b>	<b>17,250</b>	<b>4,041</b>	<b>13,209</b>

There were no changes in nominal credit facilities during the quarter. All credit facilities are subject to 100 percent retention of title.

## OUTLOOK FOR 2017

LKAB expects the market situation to remain largely unchanged, which puts pressure on iron ore prices and thus also on LKAB's profitability. Demand for LKAB's pellets continues to be strong, and the strategy of maximizing pellet production remains in place. LKAB is continuing its adaptation work, focusing on profitability, productivity improvements and cost cutting in order to increase competitiveness. Work on the urban transformation is moving into a more intensive phase with continued provisions and an increased number of acquisitions, which means increased expenditure over the coming year.

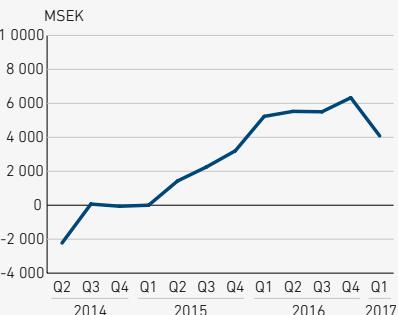
## SEGMENT REPORTING

With effect from the first quarter 2017 LKAB Berg & Betong AB, LKAB Mekaniska AB and LKAB Kimit AB are being reported in the Special Products Division, rather than under Other Segments as in 2016. Earlier periods have been restated in accordance with the change.

Note 8 provides an overall summary of earnings for each division and for other operating segments, as well as for the Group.

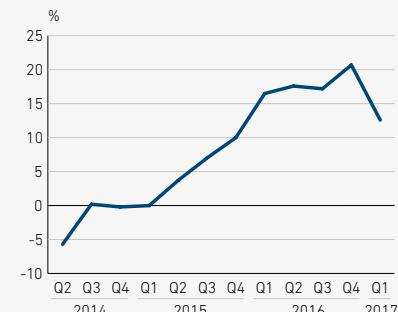
### NET FINANCIAL INDEBTEDNESS

Net financial indebtedness



### NET DEBT/EQUITY RATIO

Net debt/equity ratio



# MARKET DEVELOPMENT

## THE STEEL AND IRON ORE MARKET

### THE GLOBAL STEEL AND IRON ORE INDUSTRY

#### TRY

Global production of crude steel increased in the first quarter by six percent compared with the same period last year. During the quarter steel prices remained stable. Steel exports by China reduced as a result of increased domestic demand and continued trade barriers, particularly in the USA and Europe.

Demand for LKAB's iron ore products remains strong. Demand for pellets from LKAB's European, US and MENA customers is higher than contracted due to a continued poor supply of pellets on the market.

#### Europe

Production of crude steel within the EU28 increased in Q1 by four percent compared with the same period last year. The automotive industry remains strong and is the sector that is driving demand for steel in Europe.

#### Middle East and North Africa (MENA)

Production of crude steel increased by 15 percent during Q1 compared with the same period last year. The trend in oil prices turned around and began moving downwards during the quarter, while the political unrest in the region remains. Demand for DR pellets remains high.

#### USA

In the USA production of crude steel increased by four percent during Q1 compared with the same period last year. In early 2017 capacity utilization in the US steel industry increased. This is a trend that is expected to continue because of improved demand and continued tariffs on imported steel. Steel prices continued to develop positively during the quarter.

### IRON ORE SPOT PRICE DEVELOPMENTS

1 January 2011 – 31 March 2017

Source: PLATTS IODEX 62% Fe CFR North China



#### China

China's production of crude steel increased in the first quarter by five percent compared with the same period last year. China's iron ore imports remain stable, amounting to 271 Mt in Q1, an increase of 12 percent compared with the same period last year. Port inventories of iron ore continued to increase, reaching 132 Mt at the end of the quarter.

#### Iron ore spot price developments

Q1 began with a spot price of USD 78/tonne. The price then increased and settled at a level of around USD 85–90. The spot price peaked at USD 95/tonne during the quarter. The average for Q1 was USD 86/tonne, which was USD 15/tonne higher than in the preceding quarter. Quoted pellet premiums for blast furnace pellets and DR pellets increased at the start of the year to USD 45/tonne and USD 54/tonne respectively and remained there throughout

the quarter. The pellet premium in China continued to decrease during the quarter. The price difference between Platts IODEX 65% Fe and 62% Fe remained substantial, peaking at USD 5/tonne per % Fe unit. This reflects continued increased demand for high quality iron ore products.

### THE INDUSTRIAL MINERALS MARKET

The market for gas pipeline projects continues to have a high demand for iron ore for the production of heavy concrete. The price level of iron ore is affecting the competitive situation, since more operators are interested in the market when the iron ore price falls. Competitiveness is affected not just by quality, but also by logistics costs. The water treatment market continues to offer stable demand, with certain opportunities for increased sales. The construction market, which is project-based and regional in nature, also remains important and can be developed.

<sup>1</sup>Platts iodex 62% fe cfr north china

# NORTHERN DIVISION

The Northern Division comprises mines and processing plants in Kiruna.

## OPERATIONS SUMMARY

MSEK	Note	Q1 2017	Q1 2016	Full year 2016
Net sales		3,716	2,141	10,376
Underlying operating profit	7	1,750	409	2,891
Costs for urban transformation provisions		-231	-330	-1,727
<b>Operating profit/loss</b>		<b>1,519</b>	<b>79</b>	<b>1,164</b>
Investments in property, plant and equipment		139	199	884
Depreciation		-308	-301	-1,264
Deliveries of iron ore products, Mt		4.0	3.8	15.5
Proportion of pellets, %		92	92	90
Production of iron ore products, Mt		4.1	4.0	15.2

Production remained stable during the quarter. In the processing plants, production was restricted somewhat as a result of a number of breakdowns in the pelletizing plants. The production volume for the first quarter increased by three percent and deliveries increased by five percent compared with the same period last year.

Sales for the quarter increased by 74 percent year-on-year, which was mainly an effect of higher iron ore prices. Higher delivery volumes and a stronger dollar exchange rate also contributed to the increased sales.

Costs, excluding provisions for urban transformation, were 14 percent higher than in the same period last year, which was primarily an effect of higher volumes, higher energy prices, ongoing chute renovations and breakdowns. Underlying operating profit for the first quarter increased by MSEK 1,341 compared with Q1 2016.

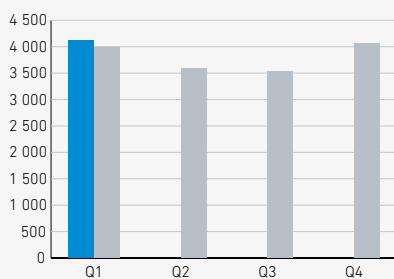
## FACTS



- The Northern Division mines and processes iron ore products in Kiruna.
- The mining takes place in the Kiruna underground mine, which has an inclined slab of magnetite that is around 80 metres wide, four kilometres long and extends around two kilometres underground.
- The ore is processed above ground in three concentrating plants and three pelletizing plants.
- The Northern Division produces both blast furnace pellets and pellets for steel production via direct reduction, known as DR pellets.
- The processed iron ore products are transported along the Malmbanan and Ofotbanen ore railway to the port in Narvik, for shipment to steelmill customers around the world.
- The iron ore operations have a sales organization for the markets in Europe, Asia and the Middle East.

Production of iron ore (k tonnes), Northern Division

■ 2017 ■ 2016



# SOUTHERN DIVISION

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

## OPERATIONS SUMMARY

MSEK	Note	Q1 2017	Q1 2016	Full year 2016
Net sales		2,360	1,347	7,162
Underlying operating profit	7	1,057	2	1,293
Costs for urban transformation provisions			-5	-379
Impairment of property, plant and equipment				-1,192
<b>Operating profit/loss</b>		<b>1,057</b>	<b>-3</b>	<b>-278</b>
Investments in property, plant and equipment		162	630	1,997
Depreciation		-201	-154	-782
Deliveries of iron ore products, Mt		2.7	2.5	11.5
Proportion of pellets, %		77	77	76
Production of iron ore products, Mt		3.1	2.9	11.7

Production remained stable in the first quarter of the year and the production volume increased by seven percent. Deliveries increased by eight percent, with the proportion of pellets at 77 (77) percent.

Sales for the quarter increased by 75 percent, mainly as an effect of higher iron ore prices, but higher delivery volumes and a stronger dollar exchange rate also contributed to the increased sales.

Costs, excluding provisions for urban transformation, were three percent lower than last year, which was mainly an effect of cost-cutting measures implemented. Underlying operating profit for the first quarter improved by MSEK 1,055 in a year-on-year comparison.

## FACTS



- The Southern Division mines and processes iron ore products in Malmberget and Svappavaara.
- The mining takes place in Malmberget's underground mine and the Svappavaara open-pit mines.
- Magnetite is mainly mined in the Malmberget mine, but also hematite. The mine has around 20 orebodies, of which around 10 are currently mined.
- In Svappavaara ore is mined in the Leveäniemi and Gruvberget open-pit mines.
- The ore is processed above ground in two concentrating and pelletizing plants in Malmberget and in one concentrating and pelletizing plant in Svappavaara.
- The Southern Division produces both blast furnace pellets and fines.
- The processed iron ore products are transported along the Malmbanan ore railway, mainly to the port in Luleå and on to European steelmill customers.
- The iron ore operations have a sales organization for the markets in Europe, Asia and the Middle East.

Production of iron ore (k tonnes), Southern Division



# SPECIAL PRODUCTS DIVISION

The Special Products Division provides products and services to LKAB, such as drilling systems, mechanical services, contract work and rockwork. These products and services are also marketed to external customers. LKAB Minerals has operations in 12 countries and the company is a leading global supplier of industrial minerals, with a major focus on our own minerals of magnetite, mica and huntite.

## OPERATIONS SUMMARY

MSEK	Q1 2017	Q1 2016	Full year 2016
Net sales	739	741	3,364
Operating profit/loss	82	50	351
Investments in property, plant and equipment	6	5	25
Depreciation	-15	-19	-68

Net sales for the first quarter of the year are at the same level as in the first quarter last year, amounting to MSEK 739 (741). Increased sales volumes and a changed sales mix during the quarter contributed to increased operating profit, which amounted to MSEK 82 (50).

During the quarter two major deliveries of the magnetite product MagnaDense were sent to Mexico and the Tuxpan gas pipeline project.

## FACTS



- The Special Products Division covers LKAB Minerals, LKAB Wassara, LKAB Berg & Betong, LKAB Kimit and LKAB Mekaniska.
- LKAB Minerals mines and sells minerals and also processes and sells iron ore for applications outside the steel industry. The business has sales offices and production units in Europe, the US and Asia.
- LKAB Wassara develops and manufactures water-powered precision drilling systems for mining, construction and exploration drilling as well as dam building and geothermal energy. Customers are located throughout the world.
- LKAB Berg & Betong is a leading group offering full service solutions for the mining and construction industries. LKAB Berg & Betong is also the world's largest producer of sprayed concrete.
- LKAB Kimit supplies explosives to the mining and construction industries.
- LKAB Mekaniska is a quality-conscious engineering company offering services throughout the supply chain, from planning and design to final inspection.

# OTHER SEGMENTS

---

Other Segments covers supporting operations such as Group-wide functions<sup>1</sup> and certain operations that are run as subsidiaries. Other Segments also covers financial operations, including transactions and gains or losses relating to financial hedging for iron ore prices, currencies and the purchase of electricity.

## OPERATIONS DURING THE QUARTER

MSEK	Q1 2017	Q1 2016	Full year 2016
Net sales excl. hedging	47	67	211
Net sales hedging	-957	-83	-2,733
<b>Total net sales</b>	<b>-910</b>	<b>-16</b>	<b>-2,522</b>
Operating profit/loss	-956	22	-2,936
Investments in property, plant and equipment	66	54	436
Depreciation	-150	-151	-632

In the first quarter hedging activities had a negative effect on net sales and operating profit of MSEK -957.

<sup>1</sup> Group-wide functions within Other Segments mainly refers to the Group functions for HR, communication and finance, as well as strategic R&D and exploration.

# PARENT COMPANY

---

The Parent Company LKAB consists of the Northern Division and the Southern Division and the Group-wide functions reported under Other Segments. The Parent Company includes the majority of LKAB's operating activities as well as the company's financial activities.

## OPERATIONS SUMMARY

MSEK	Q1 2017	Q1 2016	Full year 2016
Net sales	5,176	2,824	14,904
Underlying operating profit	1,789	-260	902
Costs for urban transformation provisions	-231	-335	-2,106
Impairment of property, plant and equipment			-1,184
<b>Operating profit/loss</b>	<b>1,558</b>	<b>-596</b>	<b>-2,388</b>
Investments in property, plant and equipment	337	860	3,087
Depreciation	-546	-494	-2,213
Deliveries of iron ore products, Mt	6.6	6.3	27.0
Production of iron ore products, Mt	7.2	6.9	26.9

# SIGNATURE

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

Luleå, 27 April 2017  
Luossavaara-Kiirunavaara AB (publ)

Jan Moström  
President and CEO

## FINANCIAL INFORMATION

### Interim Report

**Q2 2017**

15 August 2017

### Interim Report

**Q3 2017**

27 October 2017

### Year-end Report 2017

February 2018

### Annual General Meeting

April 2018

Reports are available at  
[www.lkab.com](http://www.lkab.com)

Any questions concerning the  
Interim Report may be directed to  
Jan Moström,  
President and CEO, or to  
Peter Hansson,  
Senior Vice President, Finance,  
+46 920 381 00.



# LKAB – GROUP

## CONSOLIDATED INCOME STATEMENT

MSEK	Q1 2017	Q1 2016	Full year 2016
Net sales	5,541	3,768	16,343
Cost of goods sold	-3,608	-3,350	-17,116
<b>Gross profit/loss</b>	<b>1,933</b>	<b>418</b>	<b>-773</b>
Selling expenses	-31	-38	-143
Administrative expenses	-114	-125	-464
Research and development expenses	-64	-51	-245
Other operating income	57	55	227
Other operating expenses	-72	-87	-279
<b>Operating profit/loss</b>	<b>1,710</b>	<b>171</b>	<b>-1,677</b>
Financial income	184	264	898
Financial expense	-73	-84	-285
<b>Net financial income/expense</b>	<b>111</b>	<b>180</b>	<b>613</b>
<b>Profit/loss before tax</b>	<b>1,822</b>	<b>352</b>	<b>-1,063</b>
Tax	-398	-19	85
<b>Profit/loss for the period</b>	<b>1,424</b>	<b>333</b>	<b>-978</b>
Attributable to Parent Company shareholders	1,424	333	-978
Earnings per share before and after dilution (SEK)	2,034	476	-1,397
Number of shares	700,000	700,000	700,000

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q1 2017	Q1 2016	Full year 2016
<b>Profit/loss for the period</b>	<b>1,424</b>	<b>333</b>	<b>-978</b>
<b>Other comprehensive income for the period</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains and losses	49	-38	-79
Tax attributable to actuarial gains and losses	-11	7	17
<b>Total items that will not be reclassified to profit for the year</b>	<b>38</b>	<b>-31</b>	<b>-62</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Gains/losses on translation of foreign operations for the period	-33	18	67
Change in fair value of available-for-sale financial assets for the period	17	82	345
Changes in fair value of cash flow hedges for the period	-142	-860	-969
Changes in fair value of cash flow hedges transferred to profit for the year	598	-88	-232
Tax attributable to components of cash flow hedges	-100	208	264
<b>Total items reclassified to profit or loss</b>	<b>340</b>	<b>-640</b>	<b>-525</b>
<b>Other comprehensive income</b>	<b>378</b>	<b>-671</b>	<b>-587</b>
<b>Total comprehensive income for the period attributable to the Parent Company shareholders</b>	<b>1,802</b>	<b>-338</b>	<b>-1,565</b>

# LKAB – GROUP

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	232	168	212
Property, plant and equipment for operations	31,742	32,723	32,076
Property, plant and equipment for urban transformation	1,967	2,106	2,009
Participations in associated companies	38	38	38
Financial investments	1,109	681	1,096
Deferred tax asset	30	15	30
<b>Total non-current assets</b>	<b>35,118</b>	<b>35,730</b>	<b>35,461</b>
<b>Current assets</b>			
Inventories	2,892	2,970	2,836
Accounts receivable	2,752	1,683	2,094
Prepaid expenses and accrued income	464	1,158	815
Other current receivables	1,691	2,918	2,525
Current investments	14,030	10,021	11,271
Cash and cash equivalents	2,362	2,332	2,624
<b>Total current assets</b>	<b>24,191</b>	<b>21,082</b>	<b>22,165</b>
<b>TOTAL ASSETS</b>	<b>59,039</b>	<b>56,812</b>	<b>57,626</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	700	700	700
Reserves	-33	-487	-373
Retained earnings including profit for the year	31,686	31,566	30,224
<b>Equity attributable to Parent Company shareholders</b>	<b>32,353</b>	<b>31,778</b>	<b>30,551</b>
<b>Total equity</b>	<b>32,353</b>	<b>31,778</b>	<b>30,551</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	3,235	1,988	3,234
Other liabilities	4		4
Provisions for pensions and similar commitments	1,799	1,889	1,877
Provisions for urban transformation	9,181	10,342	9,914
Other provisions	1,217	1,174	1,198
Deferred tax liabilities	1,665	1,716	1,512
<b>Total non-current liabilities</b>	<b>17,101</b>	<b>17,108</b>	<b>17,740</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	2,796	800	1,871
Trade payables	1,244	1,310	1,283
Other current liabilities	1,176	2,428	1,343
Accrued expenses and deferred income	1,220	1,268	1,559
Provisions for urban transformation	3,287	1,997	3,148
Other provisions	132	122	131
<b>Total current liabilities</b>	<b>9,855</b>	<b>7,925</b>	<b>9,335</b>
<b>Total liabilities</b>	<b>26,957</b>	<b>25,033</b>	<b>27,075</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>59,309</b>	<b>56,812</b>	<b>57,626</b>

# LKAB – GROUP

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
			Reserves			
MSEK	Share capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings including profit for the year	Total equity
Opening equity 1 Jan 2016	700	-150	197	105	31,264	32,116
Loss for the year					-978	-978
Other comprehensive income for the year		67	345	-937	-62	-587
Comprehensive income for the year		67	345	-937	-1,040	-1,565
Dividend						
<b>Closing equity 31 Dec 2016</b>	<b>700</b>	<b>-83</b>	<b>542</b>	<b>-832</b>	<b>30,224</b>	<b>30,551</b>

			EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
			Reserves			
MSEK	Share capital	Translation reserve	Fair value reserve	Hedging reserve	Profit brought forward including profit for the year	Total equity
Opening equity 1 Jan 2017	700	-83	542	-832	30,224	30,551
Profit/loss for the period					1,424	1,424
Other comprehensive income for the period		-33	17	356	38	378
Comprehensive income for the period		-33	17	356	1,462	1,802
Dividend						
<b>Closing equity 31 Mar 2017</b>	<b>700</b>	<b>-116</b>	<b>559</b>	<b>-476</b>	<b>31,686</b>	<b>32,353</b>

# LKAB – GROUP

## CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Q1 2017	Q1 2016	Full year 2016
Operating activities			
Profit/loss before tax	1,822	352	-1,063
Adjustment for items not included in cash flow	879	842	5,780
Income tax paid	78	-369	-58
Expenditures, urban transformation	-783	-82	-1,035
Expenditures, other provisions	-1		-55
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,994</b>	<b>743</b>	<b>3,569</b>
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories	-56	-56	79
Increase (-)/Decrease (+) in operating receivables	154	-1,560	-2,610
Increase (+)/Decrease (-) in operating liabilities	-150	-251	-511
<b>Change in working capital</b>	<b>-52</b>	<b>-1,867</b>	<b>-3,043</b>
<b>Cash flow from operating activities</b>	<b>1,942</b>	<b>-1,124</b>	<b>526</b>
Investing activities			
Acquisition of property, plant and equipment	-372	-888	-3,341
Disposal of property, plant and equipment	1	34	53
Acquisition/divestment of financial assets	-2,759	205	-1,159
<b>Cash flow from investing activities</b>	<b>-3,130</b>	<b>-649</b>	<b>-4,447</b>
Financing activities			
Borrowing	926	-208	2,114
<b>Cash flow from financing activities</b>	<b>926</b>	<b>-208</b>	<b>2,114</b>
<b>Cash flow for the period</b>	<b>-262</b>	<b>-1,981</b>	<b>-1,807</b>
Cash and cash equivalents at start of period	2,624	4,335	4,335
Exchange difference in cash and cash equivalents	0	-22	96
Cash and cash equivalents at end of period	2,362	2,332	2,624
<b>Change in cash and cash equivalents</b>	<b>-262</b>	<b>-1,981</b>	<b>-1,807</b>
Sub-components of cash and cash equivalents			
Cash and bank balances	2,112	1,498	2,524
Current investments (maturity <90 days)	250	834	100
<b>Cash and cash equivalents</b>	<b>2,362</b>	<b>2,332</b>	<b>2,624</b>
<b>Consolidated operating cash flow</b>			
Cash flow from operating activities	1,942	-1,124	526
Acquisition of property, plant and equipment	-372	-888	-3,341
Disposal of property, plant and equipment	1	34	53
<b>Operating cash flow (excluding current investments)</b>	<b>1,571</b>	<b>-1,978</b>	<b>-2,762</b>
Acquisition/disposal of financial assets (net)	-2,759	205	-1,159
<b>Cash flow after investing activities</b>	<b>-1,188</b>	<b>-1,773</b>	<b>-3,921</b>
Cash flow from financing activities	926	-208	2,114
<b>Cash flow for the period</b>	<b>-262</b>	<b>-1,981</b>	<b>-1,807</b>

# PARENT COMPANY

## INCOME STATEMENT

MSEK	Q1 2017	Q1 2016	Full year 2016
Net sales	5,176	2,824	14,904
Cost of goods sold	-3,481	-3,268	-16,687
<b>Gross profit/loss</b>	<b>1,695</b>	<b>-444</b>	<b>-1,784</b>
Selling expenses	-7	-10	-38
Administrative expenses	-66	-82	-293
Research and development expenses	-64	-64	-278
Other operating income	1	1	15
Other operating expenses	-1	3	-10
<b>Operating profit/loss</b>	<b>1,558</b>	<b>-596</b>	<b>-2,388</b>
<b>Profit/loss from financial items</b>	<b>22</b>	<b>446</b>	<b>854</b>
<b>Profit/loss after financial items</b>	<b>1,580</b>	<b>-149</b>	<b>-1,534</b>
Appropriations			-752
<b>Profit/loss before tax</b>	<b>1,580</b>	<b>-149</b>	<b>-2,285</b>
Tax	-348	71	421
<b>Profit/loss for the year</b>	<b>1,232</b>	<b>-78</b>	<b>-1,865</b>

## STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q1 2017	Q1 2016	Full year 2016
Profit/loss for the period	1,232	-78	-1,865
Other comprehensive income for the period			
<b>Comprehensive income for the period</b>	<b>1,232</b>	<b>-78</b>	<b>-1,865</b>

# LKAB – PARENT COMPANY

## BALANCE SHEET

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Assets			
Non-current assets			
Intangible assets	69	48	
Property, plant and equipment for operations	26,240	27,450	26,449
Property, plant and equipment for urban transformation	1,967	2,106	2,009
Financial assets			
Participations in subsidiaries	2,120	1,859	2,120
Participations in associated companies	40	40	40
Receivables from subsidiaries	2,539	1,225	1,604
Other non-current securities	246	131	246
Other non-current receivables	110	107	110
Deferred tax asset	2,380	2,031	2,380
<b>Total financial assets</b>	<b>7,436</b>	<b>5,394</b>	<b>6,501</b>
<b>Total non-current assets</b>	<b>35,712</b>	<b>34,949</b>	<b>35,007</b>
Current assets			
Inventories	2,422	2,385	2,333
Current receivables			
Accounts receivables	2,398	1,522	1,785
Receivables from subsidiaries	111	1,364	1,201
Other current receivables	1,624	1,692	2,414
Prepaid expenses and accrued income	367	1,491	769
<b>Total current receivables</b>	<b>4,501</b>	<b>6,068</b>	<b>6,170</b>
Current investments	13,912	10,711	11,115
Cash and bank balances	1,718	1,191	2,124
<b>Total current assets</b>	<b>22,554</b>	<b>20,356</b>	<b>21,742</b>
<b>Total assets</b>	<b>58,266</b>	<b>55,305</b>	<b>56,748</b>

# LKAB – PARENT COMPANY

## BALANCE SHEET

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Equity and liabilities			
Equity			
Restricted equity			
Share capital (700,000 shares)	700	700	700
Statutory reserve	697	697	697
Non-restricted equity			
Retained earnings	14,160	16,025	16,025
Profit/loss for the year	1,232	-78	-1,865
<b>Total equity</b>	<b>16,789</b>	<b>17,343</b>	<b>15,557</b>
Untaxed reserves	17,663	16,624	17,663
Provisions			
Provisions for urban transformation	9,181	10,342	9,914
Other provisions	1,507	1,508	1,486
<b>Total provisions</b>	<b>10,688</b>	<b>11,850</b>	<b>11,400</b>
Non-current liabilities			
Bond loans	3,235	1,988	3,234
Other non-current liabilities	4		4
<b>Total non-current liabilities</b>	<b>3,239</b>	<b>1,988</b>	<b>3,238</b>
Current liabilities			
Liabilities to credit institutions	2,797	800	1,871
Trade payables	924	877	929
Liabilities to subsidiaries	1,342	1,211	1,298
Other current liabilities	374	1,433	109
Accrued expenses and deferred income	1,033	1,061	1,403
Provisions for urban transformation	3,287	1,997	3,148
Other provisions	131	122	131
<b>Total current liabilities</b>	<b>9,887</b>	<b>7,500</b>	<b>8,890</b>
<b>Total equity and liabilities</b>	<b>58,266</b>	<b>55,305</b>	<b>56,748</b>

# NOTES

## NOTE 1

### 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 2016 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. With effect from the first quarter 2017 LKAB Berg och Betong AB, LKAB Mekaniska AB and LKAB Kimit AB are being reported in the Special Products Division, rather than under Other Segments as in 2016. Earlier periods have been restated in accordance with the change.

## NOTE 2

### Risks and uncertainties

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 2016 Annual Report.

## NOTE 3

### Significant assumptions and estimates

The preparation of financial statements requires management and the Board of Directors to make assessments and assumptions that affect recognized assets, liabilities, income and expenses and other information provided, such as contingent liabilities. For further information concerning these, please refer to LKAB's 2016 Annual Report.

## NOTE 4

### Events after the end of the reporting period

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

## NOTE 5

### Transactions with related parties

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

## NOTE 6

### Disclosures regarding financial instruments

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

#### Group, 31 Mar 2017

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	755			755
Shares, current holdings		3,918		3,918
Interest-bearing instruments		10,112		10,112
Cash and cash equivalents (short-term investments with maturities under three months)		250		250
Derivatives	-500	-165		-665
<b>Total</b>	<b>255</b>	<b>14,115</b>		<b>14,370</b>

#### Group, 31 Dec 2016

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	738			738
Shares, current holdings		3,496		3,496
Interest-bearing instruments		7,775		7,775
Cash and cash equivalents (short-term investments with maturities under three months)		100		100
Derivatives	-911	-189		-1,100
<b>Total</b>	<b>-173</b>	<b>11,182</b>		<b>11,009</b>

#### 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 values of derivative contracts are calculated using official quotations obtained from Bloomberg.

No transfers have been made between Levels 1 and 2.

##### Fair value of other receivables and liabilities

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

# NOTES

## NOTE 7

### Key ratios – disclosures

#### Alternative key ratios

The company also presents certain non-IFRS financial benchmarks and key ratios in the interim report. The management considers this supplementary information to be important if readers of this report are to obtain an understanding of the company's financial position and performance.

#### Definitions

Return on equity	Profit/loss after tax as a percentage of average equity (rolling 12-month figures).
Underlying operating profit	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	Q1 2017	Q1 2016	Full year 2016
Operating profit/loss	1,710	171	-1,677
Less:			
Costs for urban transformation provisions	-231	335	2,106
Impairment of property, plant and equipment			1,192
<b>Underlying operating profit</b>	<b>1,941</b>	<b>507</b>	<b>1,621</b>

#### Operating cash flow

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

#### Net financial indebtedness

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Loans payable	6,031	2,788	5,105
Provisions for pensions	1,799	1,889	1,877
Provisions, urban transformation	12,468	12,339	13,062
Provisions, remediation	1,284	1,250	1,276
Less:			
Cash and cash equivalents	-2,362	-2,332	-2,624
Current investments	-14,030	-10,021	-11,271
Financial investments	-1,109	-681	-1,096
<b>Net financial indebtedness</b>	<b>4,082</b>	<b>5,232</b>	<b>6,330</b>

#### Net debt/equity ratio

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
Net financial indebtedness, MSEK	4,082	5,232	6,330
Equity, MSEK	32,353	31,778	30,551
<b>Net debt/equity ratio, %</b>	<b>12.6</b>	<b>16.5</b>	<b>20.7</b>

## NOTE 8

### Group overview

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

#### The divisions in summary, Q1 2017

MSEK	Northern	Southern	Special Products	Other	Eliminations/ group adjustments	Group
External income	3,683	2,354	437	-933		5,541
Internal income	33	6	302	23	-364	
Total net sales	3,716	2,360	739	-910	-364	5,541
<b>Operating profit/loss</b>	<b>1,519</b>	<b>1,057</b>	<b>82</b>	<b>-956</b>	<b>8</b>	<b>1,710</b>
Net financial income/expense						111
<b>Profit/loss before tax</b>						<b>1,822</b>

#### The divisions in summary, Q1 2016

MSEK	Northern	Southern	Special Products	Other	Eliminations/ group adjustments	Group
External income	2,141	1,346	337	-56		3,768
Internal income		1	404	40	-445	
Total net sales	2,141	1,347	741	-16	-445	3,768
<b>Operating profit/loss</b>	<b>79</b>	<b>-3</b>	<b>50</b>	<b>22</b>	<b>23</b>	<b>171</b>
Net financial income/expense						180
<b>Profit/loss before tax</b>						<b>352</b>

# NOTES

## NOTE 9

### Pledged assets and contingent liabilities

Pledged assets		Contingent liabilities		
MSEK		31 Mar 2017	31 Mar 2016	31 Dec 2016
As pledged assets for own liabilities and provisions				
Company-owned endowment insurance	110	107	110	
Deposit of cash and cash equivalents	121	121	121	
Collateral provided, derivatives	883	773	1,465	
Pledged assets, bonds	1,996	103	1,071	
<b>Total pledged assets</b>	<b>3,110</b>	<b>1,104</b>	<b>2,767</b>	
MSEK		31 Mar 2017	31 Mar 2016	31 Dec 2016
Guarantees, FPG/PRI		15	14	14
Guarantees, GP plan		4	5	5
Guarantees, Swedish Tax Agency		115	76	76
Surety given for subsidiaries		32	45	49
Collateral, remediation		65	79	72
<b>Total contingent liabilities</b>		<b>231</b>	<b>219</b>	<b>216</b>

## NOTE 10

### Quarterly data for the Group

The table below shows the performance of the LKAB Group by quarter.

MSEK	Note	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net sales		5,541	4,517	4,258	3,800	3,768	4,252	4,203	3,567
Underlying operating profit		1,941	527	762	-174	507	128	798	23
Costs for urban transformation provisions		-231	-1,179	-489	-103	-335	-479	-613	-251
Impairment of property, plant and equipment			-1,192					-7,136	
Operating profit/loss		1,710	-1,844	273	-277	171	-351	-6,951	-228
Net financial income/expense		111	-34	359	108	180	156	-313	-320
<b>Profit/loss before tax</b>		<b>1,822</b>	<b>-1,878</b>	<b>632</b>	<b>-169</b>	<b>352</b>	<b>-195</b>	<b>-7,264</b>	<b>-548</b>
Operating cash flow		1,571	-356	214	-644	-1,978	-736	-417	-1,488
Investments in property, plant and equipment		372	756	673	1,024	888	1,793	1,369	1,595
Deliveries of iron ore products, Mt		6.6	6.8	7.2	6.7	6.3	6.8	6.2	5.3
Proportion of pellets, %		86	84	84	83	86	82	83	84
Production of iron ore products, Mt		7.2	7.1	6.8	6.1	6.9	6.7	5.9	5.8
Return on equity		0.4	neg	1.2	neg	neg	neg	neg	neg
Net debt/equity ratio		12.6	20.7	17.2	17.6	16.5	10.0	7.0	3.7

# LKAB IN BRIEF

## EUROPE

LKAB is the EU's largest iron ore producer and mines around 78 percent of all iron ore within the EU

**84%**

of LKAB's revenue comes from pellet sales

**2**

LKAB is the world's second largest supplier of iron ore pellets

## SINCE 1890

LKAB is one of Sweden's oldest industrial companies and has customer relationships dating back more than a century

**4,224**

Total number of employees in the Group

## LKAB is organized into 3 divisions

**NORTHERN DIVISION**  
Kiruna

**SOUTHERN DIVISION**  
Malmberget and Svappavaara

**SPECIAL PRODUCTS DIVISION**  
LKAB Minerals, LKAB Wassara and LKAB Berg & Betong

