

STRONG EARNINGS IN AN UNCERTAIN MARKET

Stable production and favourable market conditions enabled LKAB to increase its operating profit both for the quarter and for the full year despite lower delivery volumes. The market remains volatile, however. Sales for full-year 2019 increased to MSEK 31,260 (25,892) and operating profit strengthened to MSEK 11,788 (6,869), an increase of 72 percent. The improved earnings are mainly due to higher iron ore prices and a stronger dollar exchange rate.



OPERATIONS – FOURTH QUARTER

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	3, 4	6,947	6,911	31,260	25,892
Operating profit/loss		2,047	1,900	11,788	6,869
Less: costs for urban transformation provisions		93	289	1,441	2,106
Underlying operating profit/loss	10	2,140	2,189	13,229	8,975
Net financial income/expense		67	-790	1,136	-185
Profit/loss before tax		2,113	1,110	12,924	6,685
Profit/loss for the period		1,630	879	10,173	5,274
Operating cash flow		1,302	-706	6,981	3,386
Investments in property, plant and equipment		735	624	2,373	2,455
Depreciation		-788	-730	-2,907	-2,857
Deliveries of iron ore products, Mt		6.5	6.8	24.9	26.8
Proportion of pellets, %		81	79	83	82
Production of iron ore products, Mt		7.2	6.7	27.2	26.9
Return on equity, %	10			24.2	14.1
Net debt/equity ratio, %	10			-2.5	9.2

→ We cannot influence conditions in the market, but we can secure our own competitiveness by optimising production and continuing to develop sustainable, efficient iron ore production for the future.

- Production volumes for the quarter remained stable at a high level. However, delivery volumes were impacted by production disruption at the port facility in Narvik towards the end of the year.
- Operating profit for the fourth quarter increased to MSEK 2,047 (1,900), mainly as a result of a stronger dollar exchange rate and lower costs for urban transformation provisions. Lower prices for highly upgraded iron ore products and lower delivery volumes had an adverse effect.
- At the start of the fourth quarter the average global spot price¹ for iron ore products was USD 94/tonne, but then fell and ended the quarter at USD 92/tonne. The average price for the fourth quarter was USD 89 (72)/tonne, compared with USD 102/tonne in the third quarter of 2019. Quoted pellet premiums continued to fall and during the quarter were at a lower level than in the same period the previous year.
- Operating cash flow for the fourth quarter was MSEK 1,302 (-706). The improvement is primarily due to the stronger earnings.
- The return on equity was 24.2 (14.1) percent.
- The net debt/equity ratio was -2.5 (9.2) percent.
- LKAB has, during the quarter, successfully issued a SEK 2 billion dual tranche green bond
- The Board of Directors is proposing to the Annual General Meeting that an ordinary dividend is paid amounting to MSEK 6,104.



¹Platts IODEX 62% Fe CFR North China

LKAB – GROUP

NET SALES AND OPERATING PROFIT/LOSS

ANALYSIS OF CHANGE IN OPERATING PROFIT/LOSS MSEK	Q4	Q1–Q4
Operating profit 2018	1,900	6,869
Prices, iron ore	-554	3,554
Currency effect, iron ore incl. hedging of accounts receivable	416	2,209
Volume and mix, iron ore	331	-872
Volume, price and currency, industrial minerals	46	110
Costs for urban transformation provisions	196	665
Depreciation	-58	-50
Other income and expenses	-230	-696
Operating profit 2019	2,047	11,788

Net sales for the fourth quarter were at the same level as in the same period the previous year. Lower prices for highly upgraded iron ore products were offset by a stronger dollar exchange rate. The average spot price for iron ore for the quarter was USD 89 (72)/tonne, but lower premiums for highly upgraded products resulted in a negative price effect overall when compared year-on-year. Operating profit for the quarter was positively affected by lower costs for urban transformation provisions compared with the same period in the previous year. Other costs were higher, mainly due to investments in development programmes, exploration and increased maintenance.

Sales for the year increased by 21 percent or MSEK 5,368 compared with the previous year, mainly as a result of higher market prices and a stronger dollar exchange rate. Lower delivery volumes had a negative impact. Operating profit for the year increased by MSEK 4,919 or 72 percent compared with the previous year. The cost level, excluding urban transformation provisions and volume effects, was higher than in the previous year. This was mainly due to investments in development programmes, exploration, increased maintenance and rock reinforcement.

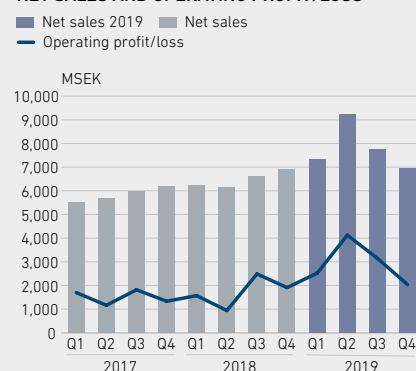
CASH FLOW

MSEK	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Cash flow from operating activities before expenditure on urban transformation and changes in working capital	2,368	2,240	13,105	9,676
Expenditures, urban transformation	-515	-779	-2,624	-1,871
Cash flow from operating activities before changes in working capital	1,853	1,461	10,481	7,805
Change in working capital	204	-320	-1,019	-746
Capital expenditures (net)	-700	-621	-2,212	-2,446
Acquisition of subsidiaries		-1,216		-1,216
Acquisition/divestment of financial assets	-55	-11	-196	-11
Operating cash flow	1,302	-706	6,981	3,386

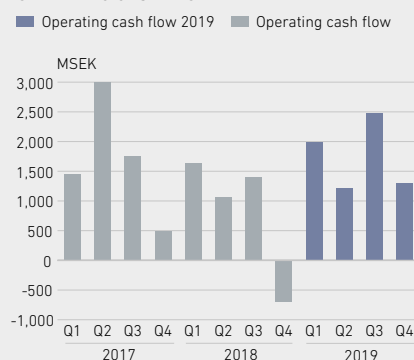
Operating cash flow for the fourth quarter was MSEK 1,302 (-706). The main reason for the positive result when viewed year-on-year was the acquisition of subsidiaries that took place in the fourth quarter of 2018. Stronger earnings, lower expenditure on urban transformation and a reduction in working capital tied up in accounts receivable had a positive effect.

Operating cash flow for full-year 2019 was MSEK 6,981 (3,386), the positive year-on-year result being mainly due to stronger earnings, lower levels of capital expenditure and the acquisition of subsidiaries in 2018. Higher expenditure on urban transformation had a negative effect.

NET SALES AND OPERATING PROFIT/LOSS



OPERATING CASH FLOW



RETURN ON EQUITY



LKAB – GROUP

NET FINANCIAL INCOME/EXPENSE AND NET FINANCIAL INDEBTEDNESS

Net financial income/expense was MSEK 67 (-790) for the fourth quarter and MSEK 1,136 (-185) for full-year 2019, with positive stock market development in the first quarter having a positive effect on financial investments when compared year-on-year.

The net debt/equity ratio was -2.5 (9.2) percent, which is mainly due to increased financial assets and increased equity as a result of the strong earnings for the period.

PROPOSED DIVIDEND

The Board of Directors is proposing to the Annual General Meeting that an ordinary dividend is paid amounting to MSEK 6,104. The dividend is in accordance with the group's dividend policy.

CREDIT FACILITIES

MSEK	Nominal	Utilised (nominal)	Available
Commercial paper programme, maturing within one year	5,000	350	4,650
Bond programme	7,000		4,000
Maturing June 2021		1,000	
Maturing March 2025, green bond		2,000	
Other bond financing, maturing 2022	250	250	
Credit facility	6,043		6,043
Total	18,293	3,600	14,693

During the quarter nominal credit facilities increased by 1,034 MSEK. All credit facilities are subject to 100 percent retention of title.

SUSTAINABLE DEVELOPMENT

Sustainability is central to LKAB's strategy. Securing access to ore after 2030, when the current main haulage levels are expected to be mined out, is the basis for the next generation of LKAB – which is why exploration work has continued to have a high priority. LKAB is conducting extensive development programmes aimed at sustainable future mining and steelmaking processes. Four different sub-projects are being conducted under the Sustainable Underground Mining (SUM) umbrella, including a project to develop autonomous, smart, carbon-free vehicles for within the mine. At the UN climate summit in Madrid during the quarter, a panel debate on Sustainable Underground Mining (SUM) was held which aimed to provide specific examples and inspire others to begin collaborative projects similar to that involving LKAB, ABB, Epiroc, Combitech and Volvo Group.

As part of the Hydrogen Ironmaking Breakthrough (HYBRIT) initiative, a pilot facility is being constructed in Luleå to produce hydrogen for use in testing direct reduction of iron ore. In addition, the construction of a pilot facility is under way for testing fossil-free pellets and also pilot facilities for ReeMAP, which aims to use residual products from mining iron ore to extract rare earth elements and phosphorous products.

LKAB has, during the quarter, successfully issued a SEK 2 billion dual tranche green bond. The proceeds will be used by LKAB to invest in the transformation of itself into a carbon-free and autonomous mining company of the future.

OUTLOOK FOR 2020

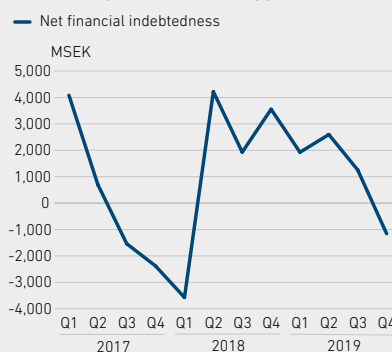
At the turn of the year there was an upturn in steel prices following a period of fairly low prices. Steelmakers are starting to demand bigger volumes and are preparing to step up production, but the market outlook remains uncertain. LKAB expects demand for high quality iron ore products to recover somewhat during the year.

LKAB is continuing to focus on stability, profitability and productivity improvements in order to enhance competitiveness. Work on the urban transformation is in an intensive phase with an increased number of acquisitions as well as the construction of new replacement properties for property owners, resulting in increased expenditure over the year.

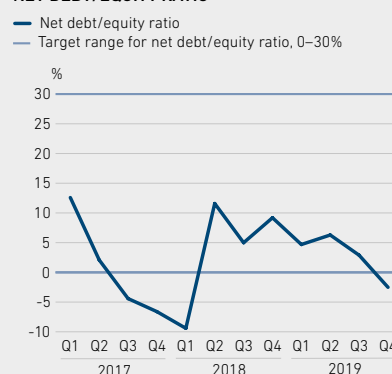
EVENTS DURING THE QUARTER

During the quarter LKAB announced a new Group structure with effect from 1 January 2020. The current three divisions – the Northern Division, Southern Division and Special Products Division – will instead be divided into two business areas, Iron Ore and Special Products.

NET FINANCIAL INDEBTEDNESS



NET DEBT/EQUITY RATIO



Risks and uncertainties

LKAB is exposed to various risks.

Risk management plays a vital part in minimising 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, analyse 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 include securing mineral reserves, 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 2018 Annual Report.

MARKET DEVELOPMENT

THE STEEL AND IRON ORE MARKET

The global steel and iron ore industry

Global production of crude steel was unchanged compared with the fourth quarter of 2018. For full-year 2019 it rose four percent compared with 2018. Average steel prices were lower in the fourth quarter than in the third quarter. A positive trend was seen at the end of the quarter, with rising steel prices. China's steel exports decreased in the fourth quarter compared with the previous quarter, and compared with the same quarter the previous year decreased by 14 percent.

In Europe production of crude steel decreased in the fourth quarter by 10 percent. Steelmakers in Europe have been forced to cut back production capacity and increase cost control.

The supply of iron ore from Australia gradually recovered during the quarter, but the increase was compensated by reduced supply from Brazil.

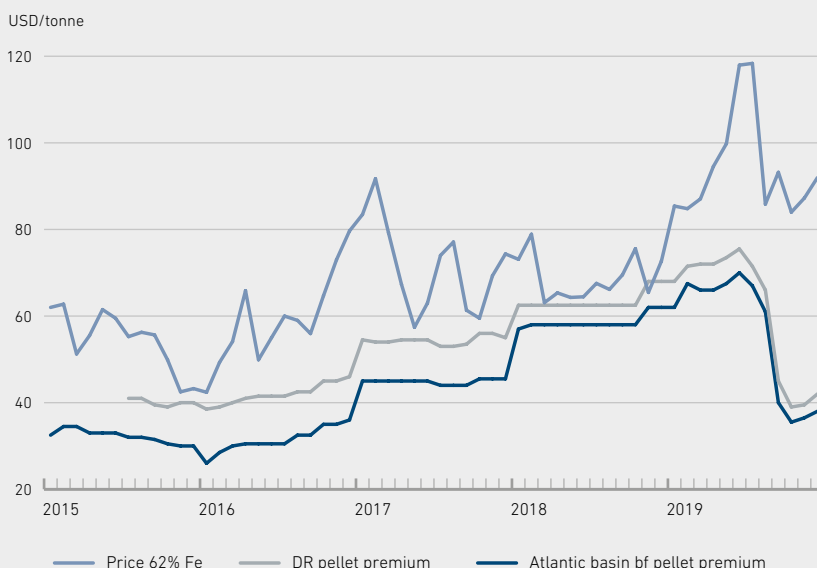
Iron ore spot price developments

Following the substantial price correction in the third quarter, at the start of the fourth quarter the spot price for IODEX 62% Fe was around USD 94/tonne. The spot price remained relatively stable during the quarter. The lowest quoted price during the quarter was USD 78.50/tonne and the price ended the quarter at USD 92/tonne. The average price for the quarter was USD 89/tonne, which was USD 13/tonne lower than in the preceding quarter. Quoted pellet premiums for blast furnace pellets and DR pellets continued to decrease during the quarter to USD 38/tonne and USD 42/tonne respectively. The pellet premium in China increased and was quoted at USD 25/tonne at the end of the quarter, an increase of USD 8/tonne compared with the previous quarter. The price difference between Platts IODEX 65% Fe and 62% Fe increased during the quarter from USD 6/tonne to USD 12/tonne at the end of the quarter. The average for the quarter was USD 9.50/tonne, an increase of USD 2/tonne compared with the preceding quarter.

The fourth quarter was characterised by lower but more stable iron ore prices and reduced pellet premiums. The positive trend in steel prices towards the end of the quarter, along with the lower price level for iron ore, contributed to a cautious recovery in demand for higher quality iron ore products – with an increased price difference between Platts IODEX 65% Fe and Platts IODEX 62% Fe as a result.

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

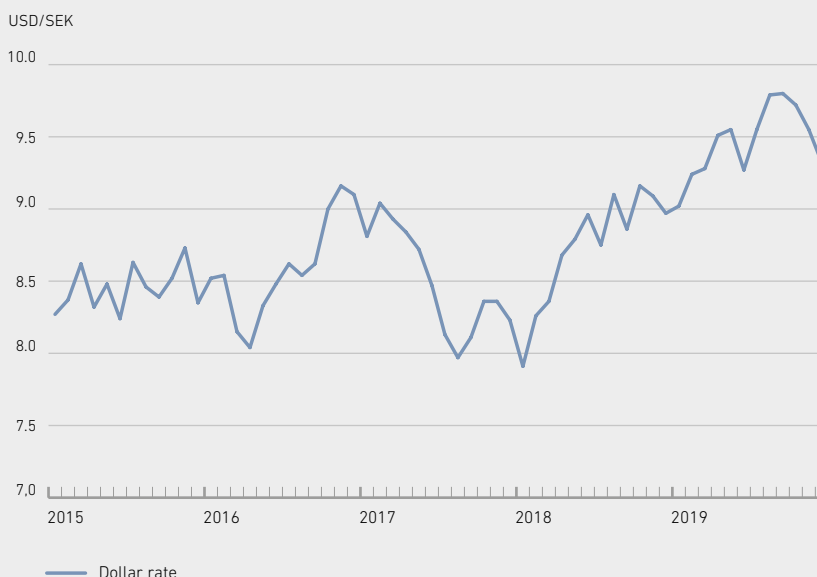
1 January 2015 – 31 December 2019



Source: PLATTS

CHANGES IN THE DOLLAR EXCHANGE RATE

1 January 2015 – 31 December 2019



Source: Nasdaq

NORTHERN DIVISION

The Northern Division encompasses the mines and processing plants in Kiruna, as well as rail freight services and the ports in Narvik and Luleå.

OPERATIONS SUMMARY

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	3.4	3,535	3,843	16,630	14,416
Operating profit/loss		1,439	1,248	8,069	4,264
Less: costs for urban transformation provisions		79	300	993	1,914
Underlying operating profit/loss	10	1,518	1,548	9,062	6,179
Investments in property, plant and equipment		381	199	1,140	850
Depreciation		-446	-459	-1,700	-1,848
Deliveries of iron ore products, Mt		3.2	4.1	12.9	15.2
Proportion of pellets, %		88	80	88	85
Production of iron ore products, Mt		3.7	4.1	14.7	15.0

Production volumes for the fourth quarter decreased by 0.4 Mt year-on-year, mainly as an effect of production disruption in the pelletising plants. Deliveries decreased by 0.9 Mt, mainly due to disruption at the Port of Narvik, and amounted to 3.2 (4.1) Mt with the proportion of pellets at 88 (80) percent.

Sales for the fourth quarter were somewhat lower than in the same period last year, mainly due to lower delivery volumes.

Operating profit for the fourth quarter amounted to MSEK 1,439 (1,248), with costs mainly impacted by the lower delivery volumes and lower costs for urban transformation provisions.

For full-year 2019, 14.7 (15.0) Mt of finished products were produced. The lower production volumes are mainly due to production disruption at the pelletising plants in the final quarter. Delivery volumes were affected by lower sales during the summer and the disruption at the Port of Narvik in the final quarter, and amounted to 12.9 (15.2) Mt.

Sales for the full year increased by 15 percent, mainly as a result of higher market prices for iron ore and a stronger dollar exchange rate. Lower delivery volumes had a negative impact. Operating profit for the year increased by 89 percent and amounted to MSEK 8,069 (4,264). Costs for the year were affected mainly by lower costs for urban transformation provisions and lower delivery volumes.

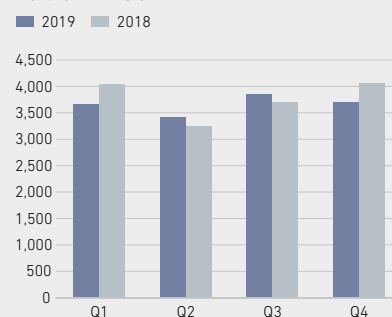
As of 1 June the logistics operations were incorporated into the Northern Division, including rail freight services, the terminals in Kiruna, Svappavaara and Malmerget, and the ports in Narvik and Luleå. Previously the logistics operations were part of the Sales and Logistics unit under Other Segments. Earlier periods have been restated in accordance with the change.

FACTS



- The Northern Division mines and processes iron ore products in Kiruna.
- The mining takes place in the Kiruna underground mine. The current main haulage level is 1,365 metres underground.
- The ore is processed above ground in three concentrating plants and three pelletising plants.
- The Northern Division produces both blast furnace pellets and pellets for steelmaking 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 steel mill customers around the world.
- The iron ore operations have a sales organisation for the markets in Europe, Asia and the Middle East.

PRODUCTION OF IRON ORE PRODUCTS (kt)
Northern Division



SOUTHERN DIVISION

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

OPERATIONS SUMMARY

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	3.4	3,092	2,620	13,500	10,534
Operating profit/loss		818	686	4,459	2,799
Less: Costs for urban transformation provisions		15	-11	449	192
Underlying operating profit/loss	10	833	675	4,908	2,991
Investments in property, plant and equipment		289	283	1,054	1,151
Depreciation		-251	-240	-930	-903
Deliveries of iron ore products, Mt		3.3	2.7	11.9	11.6
Proportion of pellets, %		74	79	76	80
Production of iron ore products, Mt		3.5	2.6	12.6	11.9

The production volume for the fourth quarter reached a record level for the second consecutive quarter, amounting to 3.5 (2.6) Mt. Deliveries were somewhat higher than in the same period last year and amounted to 3.3 (2.7) Mt, with the proportion of pellets at 74 (79) percent.

Sales for the fourth quarter increased by 18 percent year-on-year, mainly because of higher deliveries of upgraded iron ore products and a higher dollar exchange rate.

Operating profit for the fourth quarter was MSEK 818 (686), mainly as a result of higher sales. Earnings were negatively affected by increased costs for maintenance work in the processing plants, higher prices for crushed ore and increased costs for rock reinforcement.

Despite the long maintenance shutdown in Svappavaara at the start of the year, the production volume for the year was higher than last year at 12.6 Mt (11.9). Delivery volumes for the year also increased and amounted to 11.9 (11.6) Mt, with pellets accounting for 76 (80) percent.

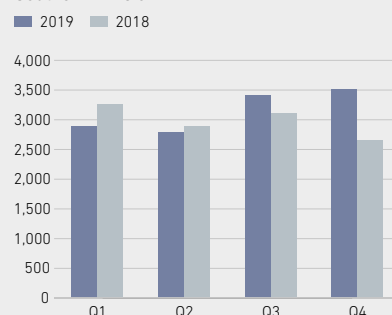
Sales for the full year increased by 28 percent, mainly as a result of higher prices for highly upgraded iron ore products, a stronger dollar exchange rate and higher delivery volumes. Operating profit for the year increased by 59 percent and amounted to MSEK 4,459 (2,799). Increased costs for the year are mainly due to increased maintenance work at the processing plants, rock reinforcement and higher prices for crushed ore.

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 open-pit mine. Mining at Gruvberget ended in March 2018.
- The ore is processed above ground in two concentrating and pelletising plants in Malmberget and in one concentrating and pelletising plant in Svappavaara.
- The Southern Division produces both blast furnace pellets and pellets for steelmaking via direct reduction, known as DR pellets, as well as fines.
- The processed iron ore products are transported along the Malmbanan ore railway, mainly to the port in Luleå and on to European steel mill customers.
- The iron ore operations have a sales organisation for the markets in Europe, Asia and the Middle East.

PRODUCTION OF IRON ORE PRODUCTS (kt) Southern Division



SPECIAL PRODUCTS DIVISION

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

OPERATIONS SUMMARY

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	3.4	1,169	1,091	4,732	3,806
Operating profit/loss		90	76	343	330
Investments in property, plant and equipment		60	31	127	85
Depreciation		-52	-20	-185	-62

Net sales for the fourth quarter increased by seven percent in a year-on-year comparison. The increase is mainly attributable to the acquisition of the UK industrial minerals company Francis Flower, completed in December 2018. This was offset by lower sales of magnetite than in the same period in the previous year when the Nord Stream II gas pipeline project was in progress. Operating profit for the quarter increased by 18 percent to MSEK 90 (76).

Net sales for the year increased by 24 percent year-on-year and amounted to MSEK 4,732 (3,806). The increase is largely due to the acquisition of Francis Flower. Operating profit increased by four percent compared with the previous year and amounted to MSEK 343 (330). The improved result is mainly due to the acquisition. Some of the division's sales to the Northern Division and the Southern Division were lower than in the previous year, which had an adverse impact on operating profit.

Capital expenditure and depreciation increased during the year, mainly as an effect of the acquisition of Francis Flower, but the division's increased assignments for the mines in Malmberget and Kiruna also affected the level of investment.

FACTS



- The Special Products Division covers LKAB Minerals, LKAB Wassara, LKAB Berg & Betong, LKAB Kimit and LKAB Mekaniska.
- LKAB Minerals is active in the industrial minerals market, with a leading position in areas such as construction, plastics, paint, agriculture and the chemicals industry. It offers a broad portfolio of products that includes minerals from its own deposits, such as magnetite; recycled products, e.g. from blast furnace slag and other industries; as well as other minerals that it sources and processes. LKAB Minerals 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 provider 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 covers supporting operations such as Group-wide functions¹ and certain operations that are run as subsidiaries. Other Segments also covers financial operations, including transactions and gains/losses relating to financial hedging for foreign currencies and purchases of electricity.

OPERATIONS SUMMARY

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales excl. hedging		31	54	83	128
Net sales hedging		39	-11	-109	-80
Total net sales	3.4	70	43	-26	47
Operating profit/loss		-318	-111	-1,040	-540
Investments in property, plant and equipment		6	111	53	369
Depreciation		-22	-11	-74	-44

The lower operating profit for the quarter is due mainly to investments in development programmes and exploration.

The operating profit for the year is due mainly to investments in development programmes and exploration and a negative result of currency hedging activities. 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.

Logistics operations, which previously fell under Other Segments, are included in the Northern Division with effect from 1 June. Earlier periods have been restated in accordance with the change.

¹ Group-wide functions within Other Segments mainly refers to the Group functions for HR, communications 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 Group's financial activities.

OPERATIONS SUMMARY

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales		6,347	6,422	28,658	24,194
Operating profit/loss		1,882	1,687	11,205	6,163
Less: costs for urban transformation provisions		93	289	1,441	2,106
Underlying operating profit/loss	10	1,975	1,976	12,646	8,269
Investments in property, plant and equipment		667	541	2,090	2,256
Depreciation		-594	-569	-2,195	-2,272
Deliveries of iron ore products, Mt		6.5	6.8	24.9	26.8
Production of iron ore products, Mt		7.2	6.7	27.2	26.9

SIGNATURES

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

Luleå, 10 February 2020
Luossavaara-Kiirunavaara AB (publ)



Jan Moström
President and CEO

FINANCIAL INFORMATION

Annual and Sustainability Report 2019
26 March 2020

Interim Report Q1 2020
23 April 2020

Annual General Meeting
23 April 2020

Interim Report Q2 2020
13 August 2020

Interim Report Q3 2020
28 October 2020

Reports are available at 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

STATEMENT OF INCOME

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	3, 4	6,947	6,911	31,260	25,892
Cost of goods sold		-4,460	-4,795	-18,124	-17,989
Gross profit/loss		2,487	2,116	13,136	7,903
Selling expenses		-43	-19	-152	-135
Administrative expenses		-170	-106	-572	-478
Research and development expenses		-213	-120	-574	-386
Other operating income		102	157	375	382
Other operating expenses		-105	-128	-415	-416
Share of profit of joint ventures		-11		-11	
Operating profit/loss	3	2,047	1,900	11,788	6,869
Financial income		107	16	1,407	429
Financial expense		-40	-806	-271	-614
Net financial income/expense		67	-790	1,136	-185
Profit/loss before tax		2,113	1,110	12,924	6,685
Tax		-484	-232	-2,751	-1,411 ¹
Profit/loss for the period		1,630	879	10,173	5,274
Attributable to Parent Company shareholders		1,630	879	10,173	5,274
Earnings per share before and after dilution (SEK)		2,329	1,255	14,533	7,534
Number of shares		700,000	700,000	700,000	700,000

¹Includes positive remeasurement effects of MSEK 78 resulting from the decision to change the corporate tax rate in Sweden with effect from 2019.

STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit/loss for the period		1,630	879	10,173	5,274
Other comprehensive income for the period					
Items that will not be reclassified to profit/loss for the year					
Remeasurement of defined-benefit pension plans		224	-81	-184	-20
Tax attributable to actuarial gains and losses		-47	4	37	-9
Changes in the fair value of equity instruments measured at fair value through other comprehensive income for the period		133	-295	90	-304
		310	-372	-57	-333
Items that have been or may be reclassified subsequently to profit/loss for the year					
Gains/losses on translation of foreign entities for the period		-55	-185	108	60
Changes in fair value of cash flow hedges for the period		-17	57	-30	140
Changes in fair value of cash flow hedges transferred to profit/loss for the year		-21	-29	-86	-6
Tax attributable to components of cash flow hedges		8	-6	25	-29
		-85	-163	17	165
Other comprehensive income for the period		225	-535	-40	-168
Total comprehensive income for the period attributable to the Parent Company shareholders		1,855	344	10,133	5,106

LKAB – GROUP

STATEMENT OF FINANCIAL POSITION

MSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	5	1,412	1,390
Property, plant and equipment for operations		30,822	30,825
Property, plant and equipment for urban transformation		7,757	7,376
Interests in associates and joint ventures		136	31
Financial investments	6	1,097	1,026
Non-current receivables		102	2
Deferred tax asset		4	25
Total non-current assets		41,331	40,674
Current assets			
Inventories		4,791	3,344
Accounts receivable		2,348	2,217
Prepaid expenses and accrued income		277	251
Other current receivables		1,624	1,544
Current investments	6	21,997	18,753
Cash and cash equivalents	6	2,312	2,290
Total current assets		33,350	28,399
TOTAL ASSETS		74,684	69,073
EQUITY AND LIABILITIES			
Equity			
Share capital		700	700
Reserves		493	386
Retained earnings incl. profit/loss for the year		44,335	37,487
Equity attributable to Parent Company shareholders		45,528	38,573
Total equity		45,528	38,573
Non-current liabilities			
Non-current interest-bearing liabilities		3,600	1,247
Other non-current liabilities			11
Provisions for pensions and similar commitments		1,830	1,647
Provisions, urban transformation		13,198	14,378
Other provisions		1,292	1,219
Deferred tax liabilities		1,548	1,617
Total non-current liabilities		21,467	20,119
Current liabilities			
Current interest-bearing liabilities		595	3,756
Trade payables		1,582	1,550
Tax liabilities		8	156
Other current liabilities		278	320
Accrued expenses and deferred income		1,420	1,151
Provisions, urban transformation		3,675	3,247
Other provisions		128	199
Total current liabilities		7,685	10,380
Total liabilities		29,183	30,500
TOTAL EQUITY AND LIABILITIES		74,681	69,073

LKAB – GROUP

STATEMENT OF CHANGES IN EQUITY

Equity attributable to Parent Company shareholders

	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve		
2018						
MSEK						
Opening equity 1 Jan 2018	700	-222	754	-7	35,124	36,348
Profit/loss for the year					5,274	5,274
Other comprehensive income for the year		60	-304	105	-29	-168
Comprehensive income for the year		60	-304	105	5,245	5,106
Dividend					-2,882	-2,882
Closing equity 31 Dec 2018	700	-162	450	98	37,487	38,573

Equity attributable to Parent Company shareholders

	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve		
2019						
MSEK						
Opening equity 1 Jan 2019	700	-162	450	98	37,487	38,573
Adjustment for IFRS 16, after tax					-14	-14
Profit/loss for the year					10,173	10,173
Other comprehensive income for the year		108	90	-91	-147	-40
Comprehensive income for the year		108	90	-91	10,026	10,133
Dividend					-3,164	-3,164
Closing equity 31 Dec 2019	700	-54	540	7	44,335	45,528

PERSONNEL

MSEK	Full year 2019	Full year 2018
Average number of employees	4,348	4,188
– of which women	988	921
– of which men	3,360	3,267

LKAB – GROUP

STATEMENT OF CASH FLOWS

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Operating activities					
Profit/loss before tax		2,113	1,110	12,924	6,685
Adjustment for items not included in cash flow		735	1,683	3,102	5,234
Income tax paid		-461	-540	-2,889	-2,228
Expenditures, urban transformation		-515	-779	-2,624	-1,871
Expenditures, other provisions		-20	-13	-32	-14
Cash flow from operating activities before changes in working capital		1,853	1,461	10,481	7,805
Cash flow from changes in working capital					
Increase (-)/Decrease (+) in inventories		-479	83	-1,447	-702
Increase (-)/Decrease (+) in operating receivables		692	-311	17	-311
Increase (+)/Decrease (-) in operating liabilities		-8	-93	339	267
Change in working capital		204	-320	-1,091	-746
Cash flow from operating activities		2,057	1,141	9,390	7,059
Investing activities					
Acquisition of property, plant and equipment		-735	-624	-2,373	-2,455
Disposal of property, plant and equipment		35	3	161	9
Acquisition of subsidiaries	5		-1,216		-1,216
Acquisition/disposal of other financial assets		-55	-11	-196	-11
Disposals/acquisitions (net) in current investments		5,650	1,955	-2,476	-972
Cash flow from investing activities		4,895	107	-4,884	-4,645
Financing activities					
Repayments/borrowing repurchase agreements		-7,897	-4,696	-1,388	833
Repayments/borrowing		-50		160	
Redemption of loans upon business combination			-128		-128
Repayment of lease liabilities		-23		-97	
Dividends paid to Parent Company shareholders				-3,164	-2,882
Cash flow from financing activities		-7,970	-4,824	-4,489	-2,177
Cash flow for the period		-1,018	-3,576	17	237
Cash and cash equivalents at start of period		3,335	5,866	2,290	2,051
Exchange difference in cash and cash equivalents		-5		4	3
Cash and cash equivalents at end of period		2,312	2,290	2,312	2,290
Change in cash and cash equivalents		-1,018	-3,576	17	237
Sub-components of cash and cash equivalents					
Cash and bank balances		2,312	2,190	2,312	2,190
Current investments (maturity <90 days)			100		100
Cash and cash equivalents		2,312	2,290	2,312	2,290
Consolidated operating cash flow					
Cash flow from operating activities		2,057	1,141	9,390	7,059
Acquisition of property, plant and equipment		-735	-624	-2,373	-2,455
Disposal of property, plant and equipment		35	3	161	9
Acquisition of subsidiaries			-1,216		-1,216
Acquisition/disposal of other financial assets		-55	-11	-196	-11
Operating cash flow (excluding current investments)		1,302	-706	6,981	3,386
Disposals/acquisitions (net) in current investments		5,650	1,955	-2,476	-972
Cash flow after investing activities		6,952	1,249	4,506	2,414
Cash flow from financing activities		-7,970	-4,824	-4,489	-2,177
Cash flow for the period		-1,018	-3,576	17	237

LKAB – PARENT COMPANY

INCOME STATEMENT

MSEK	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales		6,347	6,422	28,658	24,194
Cost of goods sold		-4,140	-4,550	-16,524	-17,309
Gross profit/loss		2,207	1,872	12,135	6,885
Selling expenses		-9	16	-30	-38
Administrative expenses		-107	-68	-357	-305
Research and development expenses		-207	-124	-555	-372
Other operating income		-6	6	43	29
Other operating expenses		4	-15	-30	-37
Operating profit/loss		1,882	1,687	11,205	6,163
Profit/loss from financial items		-755	-291	-177	1,142
Profit/loss after financial items		1,127	1,396	11,028	7,304
Appropriations		1,570	2,093	1,570	2,093
Profit/loss before tax		2,697	3,489	12,598	9,397
Tax		-750	-801	-2,818	-2,022 ²
Profit/loss for the period¹		1,947	2,688	9,781	7,376

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

² Includes negative remeasurement effects of MSEK 93 resulting from the decision to change the corporate tax rate in Sweden with effect from 2019.

LKAB – PARENT COMPANY

BALANCE SHEET

MSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets		69	72
Property, plant and equipment for operations		25,295	25,624
Property, plant and equipment for urban transformation		7,757	7,376
Financial assets			
Interests in subsidiaries		1,814	2,388
Interests in associates and jointly controlled entities		148	32
Receivables from subsidiaries		3,741	3,874
Other non-current securities		203	248
Other non-current receivables		213	115
Deferred tax asset		1,478	1,594
Total financial assets		7,597	8,251
Total non-current assets		40,717	41,323
Current assets			
Inventories		4,077	2,622
Current receivables			
Accounts receivable		1,920	1,848
Receivables from subsidiaries		219	619
Other current receivables		1,423	1,303
Prepaid expenses and accrued income		220	131
Total current receivables		3,782	3,901
Current investments		21,066	18,826
Cash and bank balances		1,803	1,767
Total current assets		30,728	27,115
TOTAL ASSETS		71,446	68,438

LKAB – PARENT COMPANY

BALANCE SHEET

MSEK	Note	31 Dec 2019	31 Dec 2018
TOTAL EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		700	700
Statutory reserve		697	697
Non-restricted equity			
Profit/loss brought forward		21,896	17,684
Profit/loss for the period		9,781	7,376
Total equity		33,074	26,457
Untaxed reserves		12,552	13,650
Provisions			
Provisions, urban transformation		13,198	14,378
Other provisions		1,480	1,452
Total provisions		14,678	15,831
Non-current liabilities			
Bond loans		3,241	1,247
Liabilities to credit institutions		10	
Total non-current liabilities		3,251	1,247
Current liabilities			
Bonds and commercial papers		350	2,189
Liabilities to credit institutions		173	1,567
Trade payables		1,166	1,021
Liabilities to subsidiaries		1,137	1,896
Current tax liabilities		34	126
Other current liabilities		168	242
Accrued expenses and deferred income		1,062	766
Provisions, urban transformation		3,675	3,247
Other provisions		126	199
Total current liabilities		7,891	11,253
TOTAL EQUITY AND LIABILITIES		71,446	68,438

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 interim report for the Parent Company was prepared in accordance with Chapter 9 of the Annual Accounts Act, Interim Reporting.

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

Described below are changed accounting policies and calculation methods applied by the Group with effect from 1 January 2019. In other respects the accounting policies and calculation methods applied in this interim report conform to the accounting policies applied in the preparation of the 2018 annual report. For further information concerning the Group's accounting policies refer to LKAB's Annual and Sustainability Report for 2018. Other amendments to IFRS effective from 1 January 2019 have had no impact on the Group's earnings or financial position or on the presentation of the interim report.

Accounting policies changed due to new or amended IFRS

IFRS 16 Leases

The Group is applying IFRS 16 Leases with effect from 1 January 2019. For lessees, IFRS 16 means that almost all leases are recognised in the statement of financial position. The lessee recognises a right-of-use asset, representing a right to use the underlying asset, and a lease liability, representing an obligation to make future lease payments. Leases with a term of 12 months or less or where the underlying asset has a low value are exempted.

Depreciation of the right-of-use asset and interest expense for the lease liability are recognised in the income statement. Previously the Group recognised operating lease expenses on a straight-line basis over the lease term. This results in an increase in operating profit compared with the situation had the previous accounting policies been applied.

The discount rate used is the LKAB Group's marginal loan interest rate, which refers to the Group's borrowing cost based on a reference interest rate for interest rate swaps.

The lease payments are recognised as an outgoing payment in financing activities, with the result that cash flow from financing activities decreases and cash flow from operating activities increases compared with the situation had the previous accounting policies been applied.

The lease liability is recognised under loans payable and thus increases net financial indebtedness, which affects the calculation of the net debt/equity ratio.

The Group applies the modified retrospective approach, which means that the cumulative effect of the introduction of IFRS 16 is recognised in the opening balance of retained earnings as of 1 January 2019 without restating comparative information.

The rights-of-use assets attributable to previous operating leases are mainly reported at amortised cost from the start of the lease.

The table below summarises the effects on assets, liabilities and equity in the opening balance as at 1 January 2019.

Effects on assets, liabilities and equity, 1 January 2019

	Carrying amount 1 January 2019	Restatement acc. to IFRS 16	Restated 1 January 2019
MSEK			
<i>Assets</i>			
Property, plant and equipment for operations	30,776	443	31,219
Deferred tax assets	25	4	29
Total non-current assets	30,801	447	31,248
Prepaid expenses and accrued income	251	-13	238
Total assets	31,052	434	31,486
<i>Equity</i>			
Profit/loss brought forward	37,487	-14	37,480
Total equity	37,487	-14	37,480
<i>Liabilities</i>			
Non-current interest-bearing liabilities	1,247	375	1,622
Current interest-bearing liabilities	3,756	75	3,831
Other current liabilities	320	-2	318
Total liabilities	5,323	448	5,771
Total equity and liabilities	42,810	434	43,244

Change in method of calculating costs of urban transformation

Effective from 2019 the cost of provisions for urban transformation is calculated using a production-based method. This means that the cost is calculated on the basis of ore extracted relative to the estimated total volume for the current main haulage level.

Up to and including 2018 the cost was based on the estimated extent of the ground deformations, on the basis of the environmental conditions in force.

The effect of the changed calculation method is to spread the costs of the urban transformation more evenly, since the cost is related to production. The changed calculation method is judged to have no significant effect on earnings for 2019 compared with the previous calculation method.

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 2018 annual report.

NOTES

NOTE 3

Segment reporting

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

The divisions in summary

MSEK	Northern		Southern		Special Products		Other		Eliminations/ group adjustments		Group	
	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018
External income	14,976	13,275	13,126	10,280	3,250	2,371	-92	-33			31,260	25,892
Internal income	1,654	1,141	374	254	1,483	1,434	66	80	-3,576	-2,909		
Total net sales	16,630	14,416	13,500	10,534	4,732	3,805	-26	47	-3,576	-2,909	31,260	25,892
Operating profit/loss	8,069	4,264	4,459	2,799	343	330	-1,040	-540	-43	16	11,788	6,869
Net financial income/expense											1,136	-185
Profit/loss before tax											12,924	6,685

NOTE 4

Revenue breakdown

Revenue from contracts with customers for the segments is reported below broken down by product/service area and region. The table also includes a reconciliation between the revenue breakdown and total external income according to Note 3.

MSEK	Northern		Southern		Special Products		Other		Group	
	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018	Full year 2019	Full year 2018
Product/service area										
Pellets	13,705	12,117	11,073	8,813					24,778	20,930
Fines	693	903	1,999	1,456					2,692	2,359
Magnetite					980	1,032			980	1,032
Mineral sands					599	550			599	550
Other industrial minerals					1,428	600			1,428	600
Mining and construction services					242	189			242	189
Other	578	255	54	11			17	46	649	312
Total	14,976	13,275	13,126	10,280	3,250	2,371	17	46	31,369	25,972
Region										
Europe	5,283	6,597	12,043	9,456	2,179	1,546	17	46	19,523	17,644
MENA	7,071	5,002	425	379	82	12			7,579	5,393
Rest of world	2,622	1,676	657	445	989	813			4,267	2,935
Total	14,976	13,275	13,126	10,280	3,250	2,371	17	46	31,369	25,972
Revenue from contracts with customers	14,976	13,275	13,126	10,280	3,250	2,371	17	46	31,369	25,972
Other income – financing activities							-109	-80	-109	-80
Total external income	14,976	13,275	13,126	10,280	3,250	2,371	-92	-33	31,260	25,892

NOTES

NOTE 5

Business combinations

In December 2018 the Group acquired 100 percent of the shares in the privately owned UK companies Francis Flower (Northern) Ltd and Gurney Slade & Lime Stone Ltd for MSEK 1,277 and paid in cash. A provisional purchase price allocation was prepared for the 2018 year-end accounts pending final calculation of the fair values of acquired assets and liabilities. A portion of the total purchase consideration was withheld for settlement following establishment of the final values. In the second quarter of 2019 a further MSEK 39 was paid for the acquisition of the shares, making the total purchase consideration MSEK 1,316.

During the fourth quarter the purchase price allocation was finalised as all the information required for final calculation had been obtained. As a result, a portion of goodwill has been reallocated to amortisable intangible assets and depreciable property, plant and equipment. Goodwill has thus decreased from MSEK 728 to MSEK 379. The effect of this has been adjusted retrospectively for earlier periods.

The final purchase price allocation is shown on the right.

Final purchase price allocation

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

MSEK	
Intangible assets	832
Property, plant and equipment	265
Inventories	30
Trade and other receivables	177
Cash and cash equivalents	100
Interest-bearing liabilities	-177
Accounts payable and other operating liabilities	-125
Deferred tax liability	-165
Net identifiable assets and liabilities	937
<hr/>	
Consolidated goodwill	379
Consideration transferred	1,316

NOTE 6

Disclosures regarding financial instruments

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

Group, 31 Dec 2019

MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	735			735
Shares, current holdings		7,155		7,155
Interest-bearing instruments		14,816		14,816
Derivatives	21	183		204
Total	756	22,154		22,910

Group, 31 Dec 2018

MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	646			646
Shares, current holdings		6,381		6,381
Interest-bearing instruments		12,476		12,476
Derivatives	-4	170		166
Total	642	19,027		19,669

Fair value calculation

The following summarises 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

Pledged assets and contingent liabilities, Parent Company

Pledged assets

MSEK	31 Dec 2019	31 Dec 2018
<i>As pledged assets for own liabilities and provisions</i>		
Company-owned endowment insurance	111	112
Deposit of cash and cash equivalents	112	121
Collateral provided, derivatives	56	56
Pledged assets bonds repurchase agreements	173	1,567
Total pledged assets	452	1,856

Contingent liabilities

MSEK	31 Dec 2019	31 Dec 2018
Guarantees, FPG/PRI	16	15
Guarantees, GP plan	4	4
Guarantees, Swedish Tax Agency	63	63
Surety given for subsidiaries	27	29
Collateral, remediation	62	63
Total contingent liabilities	172	174

NOTE 8

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 9

Events after the end of the reporting period

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

NOTE 10

Key ratios – disclosures

Alternative key ratios

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

Definitions

Return on equity	Profit/loss after tax as a percentage of average equity.
Underlying operating profit/loss	Operating profit/loss excluding costs for urban transformation provisions and impairment of intangible assets and of property, plant and equipment.
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.

Net financial indebtedness

MSEK	31 Dec 2019	31 Dec 2018
Loans payable	4,195	5,003
Provisions for pensions	1,830	1,647
Provisions, urban transformation	16,873	17,625
Provisions, remediation	1,351	1,346
Less:		
Cash and cash equivalents	-2,312	-2,290
Current investments	-21,997	-18,753
Financial investments	-1,097	-1,026
Net financial indebtedness	-1,158	3,552

Net debt/equity ratio

MSEK	31 Dec 2019	31 Dec 2018
Net financial indebtedness, MSEK	-1,158	3,552
Equity, MSEK	45,528	38,573
Net debt/equity ratio, %	-2.5	9.2

Return on equity

MSEK	2019	2018
Profit/Loss after tax, MSEK	10 173	5 274
Average equity, MSEK	42 051	37 461
Return on equity, %	24.2	14.1

NOTES

NOTE 11

Quarterly data for the Group

MSEK	Note	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net sales		6,947	7,751	9,233	7,329	6,911	6,594	6,160	6,227
Operating profit/loss		2,047	3,127	4,109	2,506	1,900	2,477	931	1,561
Less: costs for urban transformation provisions		93	861	102	386	289	287	735	795
Underlying operating profit/loss	10	2,140	3,988	4,210	2,891	2,189	2,764	1,666	2,357
Net financial income/expense		67	139	383	547	-790	35	370	201
Profit/loss before tax		2,113	3,266	4,492	3,053	1,110	2,512	1,300	1,762
Operating cash flow		1,302	2,480	1,216	1,984	-706	1,397	1,057	1,638
Investments in property, plant and equipment		735	677	570	391	624	475	762	594
Deliveries of iron ore products, Mt		6.5	5.5	6.7	6.1	6.8	6.9	6.4	6.8
Proportion of pellets, %		81	79	84	86	79	82	84	84
Production of iron ore products, Mt		7.2	7.3	6.2	6.5	6.7	6.8	6.1	7.3
Return on equity, %	10	24.2	23.1	22.6	16.0	14.1	14.6	13.9	13.4
Net debt/equity ratio, %	10	-2.5	2.9	6.3	4.7	9.2	5.0	11.6	-9.4