

STRONG OPERATING PROFIT DESPITE AN UNCERTAIN WORLD

Stable production and high deliveries strengthened LKAB's operating profit in the first quarter. However, the market is characterised by future uncertainty concerning the effects of the Corona pandemic. Net sales for the first quarter amounted to MSEK 8,044 (7,329), which is a 10 percent increase, while operating profit increased to MSEK 3,191 (2,506).

OPERATIONS – FIRST QUARTER

MSEK	Note	Q1 2020	Q1 2019	Full year 2019
Net sales	3, 4	8,044	7,329	31,260
Operating profit/loss		3,191	2,506	11,788
Net financial income/expense		-780	547	1,136
Profit/loss before tax		2,411	3,053	12,924
Profit/loss for the period		1,879	2,381	10,173
Costs for urban transformation provisions		-74	-386	-1,441
Operating cash flow		1,792	1,984	6,981
Investments in property, plant and equipment		619	391	2,373
Depreciation		-737	-703	-2,907
Deliveries of iron ore products, Mt		7.3	6.1	24.9
Proportion of pellets, %		89	86	83
Production of iron ore products, Mt		7.4	6.5	27.2
Return on equity, %	9	22.2	16.0	24.2
Net debt/equity ratio, %	9	-5.3	4.7	-2.5

- Production volumes for the quarter remained stable at a high level, amounting to a record 7.4 (6.5) Mt. The delivery volume for the quarter was also high at 7.3 (6.1) Mt, with the proportion of pellets at 89 (86) percent.
- Operating profit for the first quarter increased to MSEK 3,191 (2,506), mainly due to higher delivery volumes and a stronger dollar exchange rate. Lower prices for highly upgraded iron ore products had an adverse effect.
- The average global spot price¹ for iron ore products in the first quarter was USD 89 (83)/tonne, which was in line with the fourth quarter 2019. The lowest quoted price during the quarter was USD 80/tonne, but the price then increased and ended the quarter at USD 84/tonne.
- Operating cash flow for the first quarter was MSEK 1,792 (1,984).
- The return on equity was 22.2 (16.0) percent.
- The net debt/equity ratio was -5.3 (4.7) percent.

¹Platts IODEX 62% Fe CFR North China



→ We have no influence over the global consequences of COVID-19, but we can take responsibility for ensuring continued production and operations in the Swedish orefields.

7.4 Mt

Produced during the quarter

7.3 Mt

Delivered during the quarter

89%

Percentage of pellets for the quarter

LKAB – GROUP

NET SALES AND OPERATING PROFIT/LOSS

ANALYSIS OF CHANGE IN OPERATING PROFIT/LOSS MSEK

	Q1
Operating profit 2019	2,506
Prices, iron ore	-905
Currency effect, iron ore incl. hedging of accounts receivable	389
Volume and mix, iron ore	1,157
Volume, price and currency, industrial minerals	-32
Costs for urban transformation provisions	311
Depreciation	-34
Other income and expenses	-201
Operating profit 2020	3,191

Sales for the first quarter increased by 10 percent or MSEK 714 compared with the same period last year, mainly as a result of higher delivery volumes and a stronger dollar exchange rate. The average spot price for iron ore for the quarter was USD 89 (83)/tonne, but lower premiums for highly upgraded products resulted in a negative price effect overall when compared year-on-year.

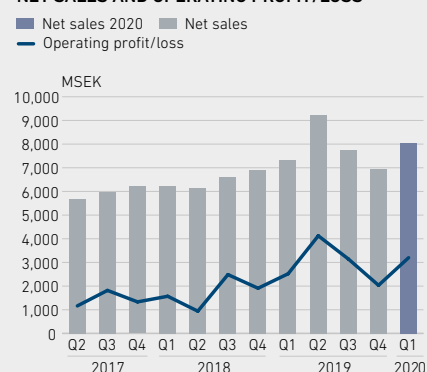
Operating profit for the quarter was positively affected by lower costs for urban transformation provisions compared with the same period the previous year. Other costs were higher, mainly due to continued investments in exploration and development programmes.

CASH FLOW

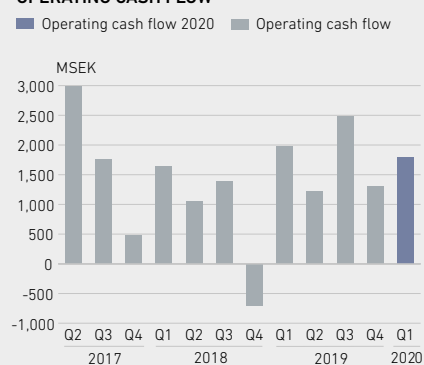
MSEK	Q1 2020	Q1 2019	Full year 2019
Cash flow from operating activities before expenditure on urban transformation and changes in working capital	3,362	2,879	13,053
Expenditures, urban transformation	-1,204	-611	-2,624
Cash flow from operating activities before changes in working capital	2,158	2,268	10,429
Change in working capital	210	72	-960
Capital expenditures (net)	-576	-377	-2,252
Acquisition of subsidiaries			-39
Acquisition/divestment of financial assets		21	-196
Operating cash flow	1,792	1,984	6,981

Operating cash flow for the first quarter amounted to MSEK 1,792 (1,984), with stronger earnings being offset by higher expenditure for urban transformation and higher capital expenditure.

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 for the first quarter was MSEK -780 (547), with the return on financial investments affected mainly by negative stock market development as a result of the corona crisis.

The net debt/equity ratio was -5.3 (4.7) percent, which is mainly due to increased financial assets and increased equity as a result of the strong earnings for the period.

CREDIT FACILITIES

MSEK	Nominal	Utilised (nominal)	Available
Commercial paper programme, maturing within one year	5,000	100	4,900
Bond programme	7,000		4,000
Maturing June 2021		1,000	
Maturing March 2025, green bonds		2,000	
Other bond financing, maturing 2022	250	250	
Credit facility	6,102		6,102
Total	18,352	3,350	15,002

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

EVENTS DURING THE QUARTER

During the quarter LKAB increased its shareholding in SSAB. Following the acquisition LKAB's shareholding in SSAB is 10.5 percent of the shares and the voting power, representing an increase of 5.4 percentage points of both capital and votes.

The direct impact of the outbreak of coronavirus (COVID-19) on LKAB's operations has been limited to date, but has required flexibility and various measures in the business. The fact that the automotive industry is shutting down around Europe is affecting LKAB's customers in the steel industry as shown by a decline at the end of the first quarter.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The Board of Directors has made no change to its proposed dividend of MSEK 6,104; this corresponds to SEK 8,720 per share. In view of the current uncertainty surrounding the economic consequences of the ongoing corona pandemic and its future impact on LKAB's business, however, the Board considers it prudent to pay the dividend in two instalments. The Board therefore proposes that MSEK 4,069 is paid to the shareholder by 6 May 2020 at latest and that MSEK 2,035 is paid later during 2020.

OUTLOOK FOR 2020

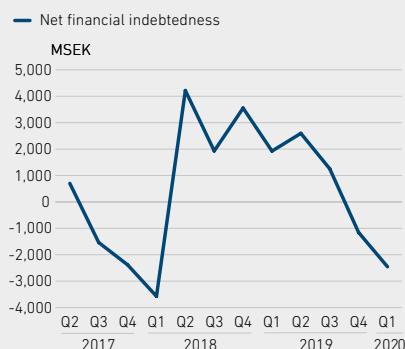
The first quarter was characterised by the corona crisis, which has had a major impact on the global economy. Large parts of the steel industry have cut back their production and capacity as a result of the crisis. Given the global extent and its impact on communities and economies, LKAB will be affected in the future – although at present it is difficult to predict to what extent.

The urban transformation work 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. The schedules for both the phase-out and the development areas are extremely tight, and the municipalities' protracted planning processes are impeding forward planning by LKAB. The development in Kiruna, where local plan 2:4 has still not been approved, means that LKAB now sees an increased risk that this, too, may impact production in 2020.

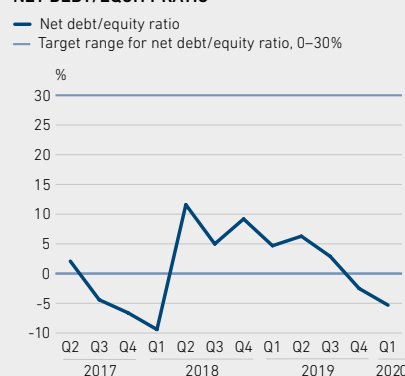
Sustainability is central to LKAB's strategy and the work to develop the next generation of LKAB is continuing according to plan. Securing access to ore when the current main haulage levels are expected to be mined out is the basis for the next generation of LKAB – which is why exploration work continues to have a high priority.

LKAB is also continuing its ongoing focus on stability, profitability and productivity improvements in order to enhance competitiveness.

NET FINANCIAL INDEBTEDNESS



NET DEBT/EQUITY RATIO



Risks and uncertainties

LKAB is exposed to various types of risk that could have a material impact on the Group's ability to achieve its goals in the short and long term. It is vital to identify and act on risks and opportunities in order to deliver on the strategic priorities and add value for LKAB's stakeholders. LKAB has a risk management process that creates transparency and awareness of the biggest risks, which helps provide a better basis for prioritising and decisions. The risks are broken down into market and external risk, business risk and financial risk. Risks related to safe, stable production need to be managed in parallel with risks associated with the next generation of mining, processing and logistics. The financial risks are mainly associated with global iron ore prices and the USD/SEK exchange rate. For further information concerning risks please refer to LKAB's annual report for 2019.

SUSTAINABLE DEVELOPMENT

FOLLOW-UP OF OBJECTIVES

MSEK	Q1 2020	Q1 2019	Full year 2019	Objective for 2021
Accidents involving absence (no. per million hrs) ¹	6.8	7.1	6.8	3.5
Women in the total workforce (%)	23.9	22.8	23.8	25%
Women managers (%)	22.0	21.7	23.0	25%
Particulate emissions (mg/m ³ ntg)	8.7	8.8	13.1	10.2
Nitrogen emissions to water (g/t FP)	4.0	3.0	15.0	16.8
Energy consumption (kWh/t FP)	163	173.7	158.1	137.8
CO ₂ emissions (kg/t FP)	27.4	29.2	25.8	23.9
Nitrogen emissions to air (g/t FP)	114	146.4	138.3	<183

¹ Accidents involving absence per million hours worked for the Group including suppliers.

The accident rate for the first quarter decreased compared with the same period last year and was 6.8 (7.1). Action to reduce the accident rate is being taken within each business area alongside the group-wide programme on leadership and employeeship to strengthen the safety culture.

LKAB continues to work towards its objective for gender equality, which is for women to make up 25 percent of the workforce and 25 percent of managers by 2021. The percentage of women and of women managers has increased by four percentage points since 2015.

Energy and CO₂ intensity have improved compared with the same period last year, mainly due to consistent and stable production. The production volume was 14 percent higher than in the same period last year.

During the quarter a survey was carried out to find out what people think about the urban transformations in the Swedish orefields. The results show that around 80 percent of the population, both in the operating locations and in the rest of Norrbotten, say that they have great confidence in LKAB. Confidence in LKAB's ability to take responsibility for its part in the urban transformations is stable at around 80 percent in all the locations surveyed in recent years. A majority (61–68 percent) also state that LKAB maintains open and continuous dialogue on urban transformation and environmental impact.

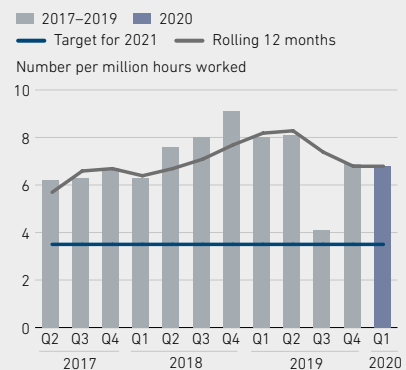
STRATEGIC SUSTAINABILITY WORK

LKAB is conducting extensive development programmes aimed at sustainable future mining and steelmaking processes. As part of the Sustainable Underground Mining (SUM) initiative an integrated, efficient, carbon-free mining system is being developed. In the first quarter the SUM alliance was granted financial support from the Swedish Energy Agency. The support amounts to MSEK 207. The total cost of the project is estimated at SEK 1.1 billion.

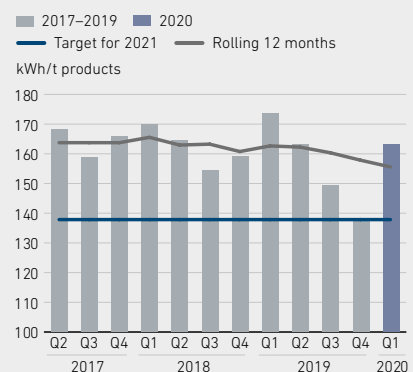
As part of the Hydrogen Ironmaking Breakthrough (HYBRIT) initiative, a pilot facility is being constructed in Luleå to produce hydrogen for use in testing direct reduction of iron ore. The facility is expected to be taken into operation in summer 2020.

A pilot facility for testing fossil-free pelletisation is under construction in the Swedish orefields. The facility is scheduled to be put into operation during the year. A pilot facility for ReeMAP is also being built. The aim of ReeMAP is to extract rare earth elements and phosphorous products from the residual products of iron ore mining. The pilot facility is planned to be taken into operation in the second quarter this year.

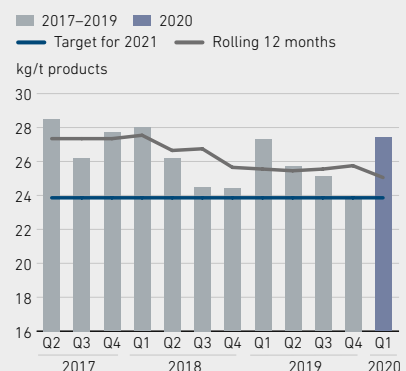
ACCIDENTS¹



ENERGY CONSUMPTION¹



CO₂ EMISSIONS¹



¹ Rolling 12-month values.

4,320

Average number of employees

24%

% women

MARKET DEVELOPMENT

THE STEEL AND IRON ORE MARKET

The global steel and iron ore industry

The first quarter was characterised by the corona crisis, which had a major impact on the global economy. Large parts of the steel industry cut back production and capacity as a result of the crisis. Global production of crude steel was 294 Mt in the first two months of the year, which was an increase of one percent compared with the same period last year.

The average steel price rose in the first two months of the year compared with the previous quarter. China's steel exports decreased in the first two months of the year. Compared with the same period last year, the decrease was 27 percent.

In Europe (EU28) the negative trend continued and crude steel production decreased by nine percent in the January–February period. Steelmakers in Europe were forced to cut back production and temporarily reduce capacity as a result of the corona crisis.

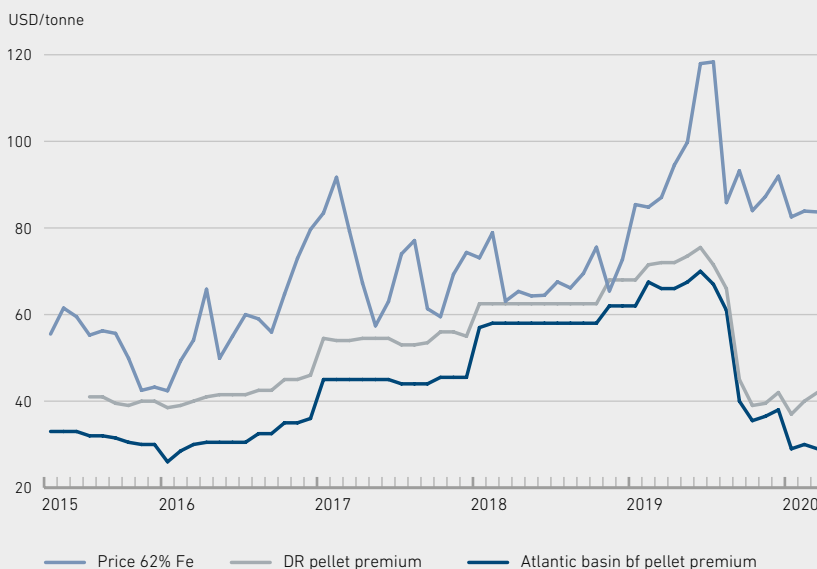
Despite concern over the spread of coronavirus and its impact on the global economy, iron ore prices resisted any major fall during the quarter. One factor in this was a reduced supply of iron ore from Brazil, which had problems with severe rainfall, while at the same time Australia's exports were negatively affected by cyclones which caused damage, particularly at important shipping ports.

Iron ore spot price developments

The spot price remained relatively stable during the quarter despite the corona crisis. The lowest quoted price during the quarter was USD 80/tonne and the price ended the quarter at USD 84/tonne. The average price for the quarter was USD 89/tonne, which was nearly USD 1/tonne higher than in the preceding quarter. Quoted pellet premiums for blast furnace pellets continued to fall during the quarter, down to USD 29/tonne. The pellet premium for direct reduction pellets was unchanged at USD 42/tonne. The pellet premium in China increased and was quoted at USD 30/tonne at the end of the quarter, an increase of nearly USD 5/tonne compared with the previous quarter. The price difference between Platts IODEX 65% Fe and 62% Fe increased during the quarter from USD 12/tonne to USD 15/tonne at the end of the quarter. The average for the first quarter was USD 15/tonne, an increase of USD 5/tonne compared with the previous quarter.

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

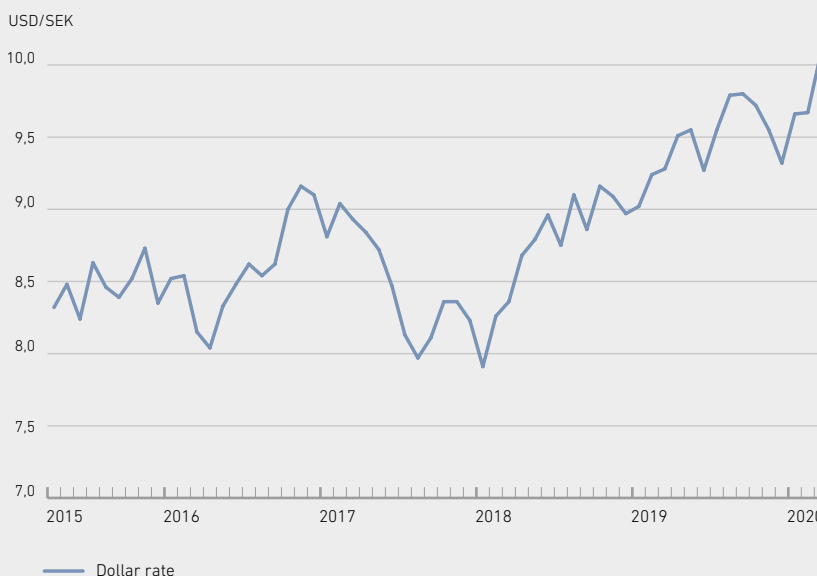
1 April 2015 – 31 March 2020



Source: PLATTS

CHANGES IN THE DOLLAR EXCHANGE RATE

1 April 2015 – 31 March 2020



Source: Nasdaq

IRON ORE BUSINESS AREA

The Iron Ore business area includes mines and processing plants in Kiruna, Svappavaara and Malmberget, as well as rail freight services and the ports in Narvik and Luleå.

OPERATIONS SUMMARY

MSEK	Note	Q1 2020	Q1 2019	Full year 2019
Net sales	3.4	7,526	6,737	28,725
Operating profit/loss		3,535	2,631	12,439
Costs for urban transformation provisions		-74	-386	-1,441
Investments in property, plant and equipment		579	367	2,208
Depreciation		-673	-646	-2,647
Deliveries of iron ore products, Mt		7.3	6.1	24.9
Proportion of pellets, %		89	86	83
Production of iron ore products, Mt		7.4	6.5	27.2

The production volume for the first quarter increased by 0.9 Mt in a year-on-year comparison. The increase is primarily an effect of high production in the first quarter 2020 and the fact that the Svappavaara pelletising plant was shut down for maintenance at the start of 2019. Deliveries increased by 1.2 Mt and amounted to 7.3 (6.1) Mt, with the proportion of pellets at 89 (86) percent.

Sales for the first quarter were higher than in the same period in the previous year. A higher delivery volume and higher dollar exchange rate were offset by lower prices for highly upgraded iron ore products.

Operating profit for the first quarter amounted to MSEK 3,535 (2,631), with costs mainly impacted by higher delivery volumes and decreased costs for urban transformation provisions.

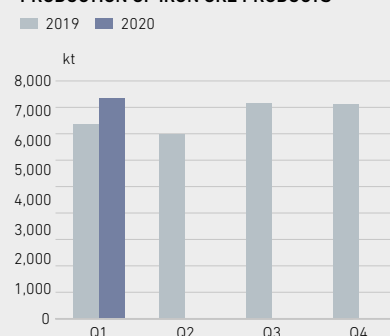
Effective from 1 January 2020 the former Northern and Southern divisions are reported within the Iron Ore business area. Earlier periods have been restated in accordance with the change.

FACTS



- The Iron Ore business area mines and processes iron ore products in Kiruna, Svappavaara and Malmberget.
- In Kiruna, mining takes place in an underground mine with a current main haulage level 1,365 metres below ground. The ore is processed above ground in three concentrating and pelletising plants.
- In Svappavaara ore is mined in the Leveäniemi open-pit mine. The ore is processed in a concentrating and pelletising plant in Svappavaara.
- Malmberget's underground mine consists of around 20 orebodies, of which around 10 are currently mined. The ore is processed above ground in two concentrating and pelletising plants.
- The Iron Ore business area produces both blast furnace pellets and pellets for steelmaking via direct reduction (DR pellets), along with fines.
- The iron ore products are transported along the Malmbanan and Ofofbanen ore railway to the ports of Narvik and Luleå for shipment to steelworks 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



SPECIAL PRODUCTS BUSINESS AREA

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

OPERATIONS SUMMARY

MSEK	Note	Q1 2020	Q1 2019	Full year 2019
Net sales	3.4	1,000	1,132	4,732
Operating profit/loss		53	82	343
Investments in property, plant and equipment		21	21	127
Depreciation		-47	-44	-185

Net sales for the first quarter decreased by 10 percent in a year-on-year comparison. The decrease in sales is mainly due to lower sales of the industrial mineral magnetite to offshore gas pipeline projects that were under construction in 2019. However, sales for the quarter were increased by larger orders from the Iron Ore business area for drifting, rock reinforcement and crushing. Decreased sales of magnetite also impacted operating profit for the quarter, which amounted to MSEK 53 (82).

Capital expenditure during the quarter was in line with the same period the previous year. An increase in depreciation and amortisation is primarily an effect of a greater level of investment in 2019 through the acquisition of Francis Flower, as well as larger orders for the mines in Malmberget and Kiruna.

FACTS



- The Special Products business area 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 take place in 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	Q1 2020	Q1 2019	Full year 2019
Net sales excl. hedging		10	11	61
Net sales hedging		-65	-64	-109
Total net sales	3.4	-55	-53	-48
Operating profit/loss		-402	-207	-951
Investments in property, plant and equipment		19	3	39
Depreciation		-17	-14	-57

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

The result of hedging activities was in line with the same period the previous year. 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.

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 Iron Ore business area and the group-wide functions reported under Other Segments. The Parent Company includes the majority of LKAB's operating activities as well as the Group's financial activities.

OPERATIONS SUMMARY

MSEK	Note	Q1 2020	Q1 2019	Full year 2019
Net sales		7,462	6,676	28,658
Operating profit/loss		3,091	2,370	11,205
Costs for urban transformation provisions		-74	-386	-1,441
Investments in property, plant and equipment		573	333	2,090
Depreciation		-581	-529	-2,195
Deliveries of iron ore products, Mt		7.3	6.1	24.9
Production of iron ore products, Mt		7.4	6.5	27.2

SIGNATURES

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

Luleå, 23 April 2020
Luossavaara-Kiirunavaara AB (publ)



Jan Moström
President and CEO

FINANCIAL INFORMATION

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	Q1 2020	Q1 2019	Full year 2019
Net sales	3, 4	8,044	7,329	31,260
Cost of goods sold		-4,512	-4,513	-18,124
Gross profit/loss		3,531	2,816	13,136
Selling expenses		-39	-46	-152
Administrative expenses		-150	-142	-572
Research and development expenses		-165	-107	-574
Other operating income		98	86	375
Other operating expenses		-78	-102	-415
Share of profit of joint ventures		-6		-11
Operating profit/loss	3	3,191	2,506	11,788
Financial income		184	626	1,407
Financial expense		-964	-79	-271
Net financial income/expense		-780	547	1,136
Profit/loss before tax		2,411	3,053	12,924
Tax		-532	-673	-2,751
Profit/loss for the period		1,879	2,381	10,173
Attributable to Parent Company shareholders		1,879	2,381	10,173
Earnings per share before and after dilution (SEK)		2,685	3,401	14,533
Number of shares		700,000	700,000	700,000

STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q1 2020	Q1 2019	Full year 2019
Profit/loss for the period		1,879	2,381	10,173
Other comprehensive income for the period				
Items that will not be reclassified to profit/loss for the year				
Remeasurement of defined-benefit pension plans		-131	-119	-184
Tax attributable to actuarial gains and losses		27	25	37
Changes in the fair value of equity instruments measured at fair value through other comprehensive income for the period		-995	73	90
		-1,099	-21	-57
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		-264	164	108
Changes in fair value of cash flow hedges for the period		-53	-34	-30
Changes in fair value of cash flow hedges transferred to profit/loss for the year		-5	-26	-86
Tax attributable to components of cash flow hedges		13	13	25
		-309	117	17
Other comprehensive income for the period		-1,408	96	-40
Total comprehensive income for the period attributable to the Parent Company shareholders		471	2,477	10,133

LKAB – GROUP

STATEMENT OF FINANCIAL POSITION

MSEK	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS				
Non-current assets				
Intangible assets		1,384	1,394	1,412
Property, plant and equipment for operations		30,384	31,078	30,822
Property, plant and equipment for urban transformation		7,832	7,905	7,757
Interests in associates and joint ventures		131	31	136
Financial investments	5	2,739	1,069	1,097
Non-current receivables		102	2	102
Deferred tax asset		5	27	4
Total non-current assets		42,575	41,506	41,331
Current assets				
Inventories		4,701	3,304	4,791
Accounts receivable		3,058	2,293	2,348
Prepaid expenses and accrued income		301	291	277
Other current receivables		1,194	1,497	1,624
Current investments	5	19,547	25,046	21,997
Cash and cash equivalents	5	5,727	4,629	2,312
Total current assets		34,528	37,061	33,350
TOTAL ASSETS		77,103	78,567	74,681
EQUITY AND LIABILITIES				
Equity				
Share capital		700	700	700
Reserves		-811	576	493
Retained earnings incl. profit/loss for the year		46,110	39,766	44,335
Equity attributable to Parent Company shareholders		45,999	41,042	45,528
Total equity		45,999	41,042	45,528
Non-current liabilities				
Non-current interest-bearing liabilities		3,585	1,608	3,600
Provisions for pensions and similar commitments		1,909	1,787	1,830
Provisions, urban transformation		12,518	13,744	13,198
Other provisions		1,301	1,223	1,292
Deferred tax liabilities		1,294	1,625	1,548
Total non-current liabilities		20,606	19,981	21,467
Current liabilities				
Current interest-bearing liabilities		2,887	9,994	595
Trade payables		2,423	1,664	1,582
Tax liabilities		14	22	8
Other current liabilities		351	310	278
Accrued expenses and deferred income		1,396	1,152	1,420
Provisions, urban transformation		3,300	4,184	3,675
Other provisions		128	209	128
Total current liabilities		10,498	17,536	7,685
Total liabilities		31,104	37,524	29,153
TOTAL EQUITY AND LIABILITIES		77,103	78,567	74,681

LKAB – GROUP

STATEMENT OF CHANGES IN EQUITY

Equity attributable to Parent Company shareholders

2019 MSEK	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve		
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

Equity attributable to Parent Company shareholders

2020 MSEK	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve		
Opening equity 1 Jan 2020	700	-54	540	7	44,335	45,528
Profit/loss for the year					1,879	1,879
Other comprehensive income for the year		-264	-995	-45	-104	-1,408
Comprehensive income for the year		-264	-995	-45	1,775	471
Closing equity 31 Mar 2020	700	-318	-455	-38	46,110	45,999

Equity attributable to Parent Company shareholders

2019 MSEK	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve		
Opening equity 1 Jan 2019	700	-162	450	98	37,487	38,573
Adjustment for IFRS 16, after tax					-8	-8
Profit/loss for the year					2,381	2,381
Other comprehensive income for the year		164	73	-47	-94	96
Comprehensive income for the year		164	73	-47	2,287	2,477
Closing equity 31 Mar 2019	700	2	523	51	39,766	41,042

PERSONNEL

MSEK	Q1 2020	Q1 2019	Full year 2019
Average number of employees	4,320	4,221	4,348
– of which women	988	923	988
– of which men	3,332	3,298	3,360

LKAB – GROUP

STATEMENT OF CASH FLOWS

MSEK	Note	Q1 2020	Q1 2019	Full year 2019
Operating activities				
Profit/loss before tax		2,411	3,053	12,924
Adjustment for items not included in cash flow		1,831	515	3,050
Income tax paid		-879	-684	-2,889
Expenditures, urban transformation		-1,204	-611	-2,624
Expenditures, other provisions		-1	-5	-32
Cash flow from operating activities before changes in working capital		2,158	2,868	10,429
Cash flow from changes in working capital				
Increase (-) / Decrease (+) in inventories		90	40	-1,447
Increase (-) / Decrease (+) in operating receivables		-767	-127	109
Increase (+) / Decrease (-) in operating liabilities		887	159	378
Change in working capital		210	72	-960
Cash flow from operating activities		2,368	2,340	9,469
Investing activities				
Acquisition of property, plant and equipment		-619	-391	-2,373
Government investment grants				14
Disposal of property, plant and equipment		43	14	107
Acquisition of subsidiaries				-39
Acquisition/disposal of other financial assets		-2,661	21	-196
Disposals/acquisitions (net) in current investments		2,001	-5,777	-2,476
Cash flow from investing activities		-1,236	-6,133	-4,963
Financing activities				
Repayments/borrowing, repurchase agreements		2,547	6,152	-1,388
Repayments/borrowing		-250		160
Repayment of lease liabilities		-25	-24	-97
Dividends paid to Parent Company shareholders				-3,164
Cash flow from financing activities		2,272	6,128	-4,489
Cash flow for the period		3,404	2,335	17
Cash and cash equivalents at start of period		2,312	2,290	2,290
Exchange difference in cash and cash equivalents		11	4	4
Cash and cash equivalents at end of period		5,727	4,629	2,312
Change in cash and cash equivalents		3,404	2,335	17
Sub-components of cash and cash equivalents				
Cash and bank balances		5,017	2,459	2,312
Current investments (maturity <90 days)		710	2,170	
Cash and cash equivalents		5,727	4,629	2,312
Consolidated operating cash flow				
Cash flow from operating activities		2,368	2,340	9,469
Acquisition of property, plant and equipment		-619	-391	-2,373
Government investment grants				14
Disposal of property, plant and equipment		43	14	107
Acquisition of subsidiaries				-39
Acquisition/disposal of other financial assets – operating			21	-196
Operating cash flow (excluding current investments)		1,792	1,984	6,981
Acquisition/disposal of other financial assets – finance		-2,661		
Disposals/acquisitions (net) in current investments		2,001	-5,777	-2,476
Cash flow after investing activities		1,132	-3,793	4,506
Cash flow from financing activities		2,272	6,128	-4,489
Cash flow for the period		3,404	2,335	17

LKAB – PARENT COMPANY

INCOME STATEMENT

MSEK	Note	Q1 2020	Q1 2019	Full year 2019
Net sales		7,462	6,676	28,658
Cost of goods sold		-4,123	-4,101	-16,524
Gross profit/loss		3,340	2,575	12,135
Selling expenses		-8	-16	-30
Administrative expenses		-98	-89	-357
Research and development expenses		-158	-103	-555
Other operating income		23	4	43
Other operating expenses		-6	-2	-30
Operating profit/loss		3,091	2,370	11,205
Profit/loss from financial items		133	180	-177
Profit/loss after financial items		3,225	2,550	11,028
Appropriations				1,570
Profit/loss before tax		3,225	2,550	12,598
Tax		-694	-545	-2,818
Profit/loss for the period¹		2,531	2,005	9,781

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

LKAB – PARENT COMPANY

BALANCE SHEET

MSEK	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS				
Non-current assets				
Intangible assets		69	72	69
Property, plant and equipment for operations		25,225	25,332	25,295
Property, plant and equipment for urban transformation		7,832	7,905	7,757
Financial assets				
Interests in subsidiaries		1,814	2,388	1,814
Interests in associates and jointly controlled entities		148	32	148
Receivables from subsidiaries		3,437	4,055	3,741
Other non-current securities		2,864	203	203
Other non-current receivables		213	113	213
Deferred tax asset		1,478	1,594	1,478
Total financial assets		9,953	8,385	7,597
Total non-current assets		43,109	41,694	40,717
Current assets				
Inventories		4,000	2,661	4,077
Current receivables				
Accounts receivable		2,663	1,888	1,920
Receivables from subsidiaries		112	154	219
Other current receivables		1,122	1,343	1,423
Prepaid expenses and accrued income		226	84	220
Total current receivables		4,123	3,468	3,782
Current investments		20,245	26,688	21,066
Cash and bank balances		4,573	2,036	1,803
Total current assets		32,940	34,853	30,728
TOTAL ASSETS		76,049	76,547	71,446

LKAB – PARENT COMPANY

BALANCE SHEET

MSEK	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
TOTAL EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		700	700	700
Statutory reserve		697	697	697
Non-restricted equity				
Profit/loss brought forward		31,677	25,060	21,896
Profit/loss for the period		2,531	2,005	9,781
Total equity		35,605	28,462	33,074
Untaxed reserves		12,552	13,650	12,552
Provisions				
Provisions, urban transformation		12,518	13,744	13,198
Other provisions		1,491	1,460	1,480
Total provisions		14,009	15,204	14,678
Non-current liabilities				
Bond loans		3,241	1,247	3,241
Liabilities to credit institutions		10		10
Total non-current liabilities		3,251	1,247	3,251
Current liabilities				
Bonds and commercial papers		100		350
Liabilities to credit institutions		2,720	9,907	173
Trade payables		1,990	1,277	1,166
Liabilities to subsidiaries		1,139	1,421	1,137
Current tax liabilities		0	15	34
Other current liabilities		187	189	168
Accrued expenses and deferred income		1,069	782	1,062
Provisions, urban transformation		3,300	4,184	3,675
Other provisions		126	209	126
Total current liabilities		10,632	17,984	7,891
TOTAL EQUITY AND LIABILITIES		76,049	76,547	71,446

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.

The accounting policies and calculation methods applied in this interim report conform to the accounting policies applied in the preparation of the 2019 annual report. For further information concerning the Group's accounting policies refer to LKAB's Annual and Sustainability Report for 2019. New and amended standards and interpretations from the IASB have had no impact on the Group's earnings or financial position, or on the presentation of the interim report.

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.

NOTE 3

Segment reporting

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

Effective from 1 January 2020 the former Northern and Southern divisions are reported within the Iron Ore business area. Earlier periods have been restated in accordance with the change.

The business areas in summary

	Iron Ore		Special Products		Other		Eliminations/ group adjustments		Group	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
MSEK										
External income	7,504	6,649	615	741	-75	-61			8,044	7,329
Internal income	23	88	385	391	20	8	-428	-487		
Total income	7,526	6,737	1,000	1,132	-55	-53	-428	-487	8,044	7,329
Operating profit/loss	3,535	2,631	53	82	-402	-207	4		3,191	2,506
Net financial income/expense									-780	547
Profit/loss before tax									2,411	3,053

NOTES

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	Iron Ore		Special Products		Other		Group	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Product/service area								
Pellets	6,772	6,054					6,772	6,054
Fines	642	551					642	551
Magnetite			105	229			105	229
Mineral sands			130	124			130	124
Other industrial minerals			343	361			343	361
Mining and construction services			38	27			38	27
Other	89	44			-10	3	78	47
Total	7,504	6,649	615	741	-10	3	8,108	7,393
Region								
Europe	4,431	4,893	388	489	-10	3	4,808	5,385
MENA	2,291	1,352	26	54			2,317	1,406
Rest of world	782	404	201	198			983	602
Total	7,504	6,649	615	741	-10	3	8,108	7,393
Revenue from contracts with customers	7,504	6,649	615	741	-10	3	8,108	7,393
Other income – financing activities					-65	-64	-65	-64
Total external income	7,504	6,649	615	741	-75	-61	8,044	7,329

NOTE 5

Disclosures regarding financial instruments

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

Group, 31 Mar 2020

MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	2,402			2,402
Shares, current holdings		6,442		6,442
Interest-bearing instruments		13,803		13,803
Derivatives	12	-46		-34
Total	2,414	20,199		22,613

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

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. Disclosures relating to fair value measurement are based on a fair value hierarchy with three levels.

Level 1 means quoted prices in an active market, such as stock market listings. Level 2 means observable market data other than quoted prices, either direct (such as quoted prices) or indirect (derived from quoted prices). Level 3 means the fair value is determined using inputs that are not based on directly observable market data.

Fair value measurements for current investments are based mainly on Level 2 inputs. The value of interest-bearing instruments is calculated using data from the interest-bearing securities market, obtained from Bloomberg. Shares and alternative investments are measured using inputs from the stock market or received directly from brokers. Fair values for derivatives are calculated based on official listings from Bloomberg, with the exception of derivatives relating to the commodities portfolio which are based on quoted market prices.

Fair value of other assets and liabilities

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

NOTES

NOTE 6

Pledged assets and contingent liabilities, Parent Company

Pledged assets

MSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
<i>As pledged assets for own liabilities and provisions</i>			
Company-owned endowment insurance	111	112	111
Deposit of cash and cash equivalents	112	121	112
Collateral provided, derivatives	289	100	56
Pledged assets bonds repurchase agreements	2,721	7,718	173
Total pledged assets	3,233	8,051	452

Contingent liabilities

MSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
Guarantees, FPG/PRI	16	15	16
Guarantees, GP plan	4	4	4
Guarantees, Swedish Tax Agency	63	63	63
Surety given for subsidiaries	127	29	27
Accounts receivable factored with recourse	37		
Collateral, remediation	62	63	62
Total contingent liabilities	309	174	172

NOTE 7

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 8

Events after the end of the reporting period

The Board of Directors has made no change to its proposed dividend of MSEK 6,104; this corresponds to SEK 8,720 per share. In view of the current uncertainty surrounding the economic consequences of the ongoing corona pandemic and its future impact on LKAB's business, however, the Board considers it prudent to pay the dividend in two instalments. The Board therefore proposes that MSEK 4,069 is paid to the shareholder by 6 May 2020 at latest and that MSEK 2,035 is paid later during 2020.

NOTE 9

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 after tax, rolling 12 months, as a percentage of average equity.
Operating cash flow	Cash flow from operating activities and investing activities, excluding current investments.
Net financial indebtedness	Interest-bearing liabilities less interest-bearing assets.
Net debt/equity ratio	Net financial indebtedness divided by equity.

Operating cash flow

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

The definition of operating cash flow has changed as of the interim report for the fourth quarter of 2019. Comparative figures have been restated in accordance with the change.

Net financial indebtedness

MSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
Loans payable	6,471	11,603	4,195
Provisions for pensions	1,909	1,787	1,830
Provisions, urban transformation	15,818	17,928	16,873
Provisions, remediation	1,360	1,351	1,351
Less:			
Cash and cash equivalents	-5,727	-4,629	-2,312
Current investments	-19,547	-25,046	-21,997
Financial investments	-2,739	-1,069	-1,097
Net financial indebtedness	-2,455	1,925	-1,158

Net debt/equity ratio

MSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
Net financial indebtedness, MSEK	-2,455	1,925	-1,158
Equity, MSEK	45,999	41,042	45,528
Net debt/equity ratio, %	-5.3	4.7	-2.5

Return on equity

MSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
Profit/loss after tax R 12, MSEK	9,671	6,305	10,173
Average equity, MSEK	43,520	39,519	42,051
Return on equity, %	22.2	16.0	24.2

NOTES

NOTE 10

Quarterly data for the Group

MSEK	Note	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net sales		8,044	6,947	7,751	9,233	7,329	6,911	6,594	6,160
Operating profit/loss		3,191	2,047	3,120	4,102	2,499	1,900	2,477	931
Net financial income/expense		-780	67	139	383	547	-790	35	370
Profit/loss before tax		2,411	2,113	3,259	4,485	3,046	1,110	2,512	1,300
Profit/loss for the period		1,879	1,630	2,618	3,545	2,381	879	1,954	1,092
Costs for urban transformation provisions		-74	-93	-861	-102	-386	-289	-287	-735
Operating cash flow		1,792	1,302	2,480	1,216	1,984	-706	1,397	1,057
Investments in property, plant and equipment		619	735	677	570	391	624	475	762
Deliveries of iron ore products, Mt		7.3	6.5	5.5	6.7	6.1	6.8	6.9	6.4
Proportion of pellets, %		89	81	79	84	86	79	82	84
Production of iron ore products, Mt		7.4	7.2	7.3	6.2	6.5	6.7	6.8	6.1
Return on equity, %	9	22.2	24.2	23.1	22.6	16.0	14.1	14.6	13.9
Net debt/equity ratio, %	9	-5.3	-2.5	2.9	6.3	4.7	9.2	5.0	11.6