

WEAKER MARKET FOR HIGHLY UPGRADED IRON ORE



LKAB demonstrated stable production and delivery volumes during the second quarter. Operating profit was negatively affected however, mainly by significantly lower prices for highly upgraded iron ore products. Net sales for the second quarter amounted to MSEK 7,456 (9,233) and operating profit decreased to MSEK 1,883 (4,109).

OPERATIONS – SECOND QUARTER

MSEK	Note	Q2 2020	Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Full year 2019
Net sales	3, 4	7,456	9,233	15,499	16,562	31,260
Operating profit/loss		1,883	4,109	5,075	6,615	11,788
Net financial income/expense		656	383	-124	930	1,136
Profit/loss before tax		2,540	4,492	4,951	7,545	12,924
Profit/loss for the period		1,998	3,545	3,878	5,926	10,173
Costs for urban transformation provisions		-277	-102	-351	-487	-1,441
Operating cash flow		972	1,216	2,764	3,200	6,981
Investments in property, plant and equipment		571	570	1,191	961	2,373
Depreciation		-734	-716	-1,471	-1,419	-2,907
Deliveries of iron ore products, Mt		6.6	6.7	13.9	12.8	24.9
Proportion of pellets, %		83	84	86	85	83
Production of iron ore products, Mt		6.0	6.2	13.5	12.8	27.2
Return on equity, %	9			19.4	22.6	24.2
Net debt/equity ratio, %	9			4.1	6.3	-2.5

→ Our focus is on ensuring stable and safe production during these times of uncertainty, while at the same time continuing to equip LKAB to better withstand market fluctuations.

- The production volume for the quarter was slightly lower than in the same period last year and amounted to 6.0 (6.2) Mt. The delivery volume for the quarter was affected by a five-day stoppage on the Ore Railway and amounted to 6.6 (6.7) Mt, with pellets accounting for 83 (84) percent. For the first half of the year deliveries were nine percent higher than in the same period the previous year.
- Operating profit for the second quarter decreased to MSEK 1,883 (4,109), primarily as a result of lower prices for highly upgraded iron ore products.
- The average global spot price¹ for iron ore products in the second quarter was USD 93 (100)/tonne, which was USD 4 higher than in the first quarter 2020. The price at the end of the quarter was USD 101/tonne. Quoted pellet premiums were just over USD 30 lower during the second quarter than in the same period the previous year.
- Operating cash flow for the second quarter was MSEK 972 (1,216).
- The return on equity was 19.4 (22.6) percent.
- The net debt/equity ratio was 4.1 (6.3) percent.

6.0 Mt

Produced during the quarter

6.6 Mt

Delivered during the quarter

83%

Percentage of pellets for the quarter

¹Platts IODEX 62% Fe CFR North China

LKAB – GROUP

NET SALES AND OPERATING PROFIT/LOSS

ANALYSIS OF CHANGE IN OPERATING PROFIT/LOSS MSEK		
	Q2	Q1–Q2
Operating profit 2019	4,109	6,615
Prices, iron ore	-1,936	-2,890
Currency effect, iron ore incl. hedging of accounts receivable	262	626
Volume and mix, iron ore	-230	962
Volume, price and currency, industrial minerals	-39	-71
Costs for urban transformation provisions	-175	136
Depreciation	-18	-52
Other income and expenses	-90	-251
Operating profit 2020	1,884	5,075

Sales for the second quarter decreased by 19 percent or MSEK 1,777 compared with the same period last year, primarily as a result of lower prices for highly upgraded iron ore products. The average spot price for iron ore for the quarter was USD 93 (100)/tonne, which together with significantly lower premiums for highly upgraded products resulted in a negative price effect when compared year-on-year.

Operating profit for the quarter was also affected by higher costs for urban transformation provisions compared with the same period the previous year. Other costs were higher, mainly as a result of restoration measures in the Kiruna mine following the seismic event that occurred in May.

Sales for the first half of the year decreased by six percent or MSEK 1,063 compared with the previous year, primarily due to lower market prices for highly upgraded iron ore products. Higher delivery volumes and a stronger dollar exchange rate had a positive effect. Operating profit decreased by MSEK 1,540 or 23 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 investment in development programmes and increased exploration, but also production disruption, increased maintenance and rock reinforcement.

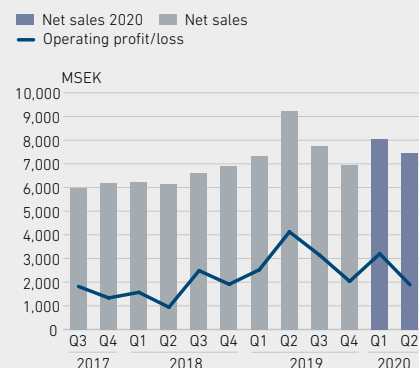
CASH FLOW

MSEK	Q2 2020	Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Full year 2019
Cash flow from operating activities before expenditure on urban transformation and changes in working capital	2,013	4,397	5,376	7,278	13,053
Expenditures, urban transformation	-400	-969	-1,605	-1,581	-2,624
Cash flow from operating activities before changes in working capital	1,613	3,428	3,771	5,697	10,429
Change in working capital	69	-1,498	279	-1,427	-960
Capital expenditures (net)	-557	-565	-1,133	-941	-2,252
Acquisition of subsidiaries		-39		-39	-39
Acquisition/divestment of financial assets	-153	-111	-153	-90	-196
Operating cash flow	972	1,216	2,764	3,200	6,981

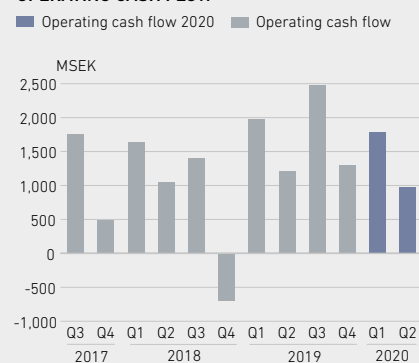
Operating cash flow for the second quarter amounted to MSEK 972 (1,216), being negatively impacted by the lower operating profit compared with the same period last year. A decrease in working capital tied up, particularly in accounts receivable, and lower expenditure for urban transformation had a positive effect on cash flow for the quarter.

Operating cash flow for the first half of the year was MSEK 2,764 (3,200). Lower operating profit and higher capital expenditure had a negative effect on cash flow in the first half when compared year-on-year. A decrease in working capital tied up, particularly in accounts receivable, had a positive 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 for the second quarter was MSEK 565 (383), with the increase mainly attributable to a higher return on financial investments.

Net financial income/expense for the first half of the year was MSEK -124 (930), with the return on financial investments affected mainly by negative stock market development in the first quarter as a result of the corona crisis.

The net debt/equity ratio was 4.1 (6.3) percent, which is mainly due to a positive cashflow and a decrease in liabilities related to urban transformation provisions.

To finance the transition to a future carbon dioxide-free and autonomous mining operation, LKAB issued green bonds totaling SEK 2 billion in December 2019. At the end of June, investments and projects amounting to nearly SEK 1.5 billion had been financed with green bonds.

CREDIT FACILITIES

MSEK	Nominal	Utilised (nominal)	Available
Commercial paper programme, maturing within one year	5,000		5,000
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	6,047		6,047
Total	18,297	3,250	15,047

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

EVENTS DURING THE QUARTER

In May a strong seismic event occurred in the Kiruna mine. The quake caused no injuries, but did result in extensive material damage. 70 percent of production has resumed in the mine, but extensive inspection and restoration work remains to be done before full production capacity can be achieved. Delivery volumes in the second quarter were not affected by the loss of production in the Kiruna mine.

The effects of the corona pandemic have continued to demand flexibility and measures in LKAB's operations. A local outbreak of Covid-19 meant that a pelletising plant in MalMBERGET was shut down for four days in June, which affected the production volume for the quarter. Some delivery volumes were redirected to new customers and markets since demand in Europe decreased as a result of the corona crisis.

During the quarter Kiruna Municipality approved the zoning plan amendment required to transform area 2:4 in Mine City Park 2 into an industrial area. The decision, which is crucial for continuing operations, means that mining can continue according to plan in those parts of the mine that affect the area.

OUTLOOK FOR 2020

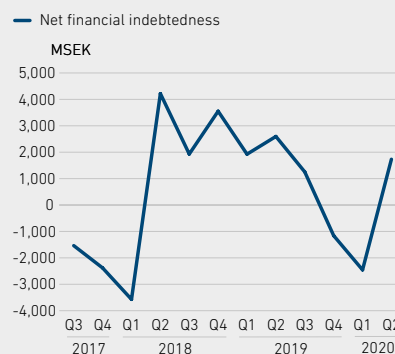
The global extent of the corona pandemic and its impact on communities and economies will continue to affect LKAB, but to what extent is difficult to predict.

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, thereby resulting in increased expenditure over the year. Gällivare Municipality has rejected LKAB's application to fence off an area in eastern MalMBERGET, which risks delaying the schedule for the phase-out area and thus limiting future production.

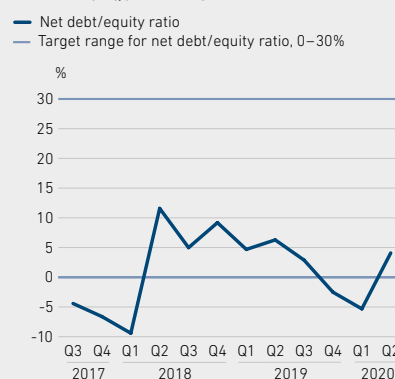
Sustainability work is central to LKAB's strategy and the work to develop the next generation of LKAB is continuing according to plan. Securing access to ore when the current main haulage levels are expected to be mined out is the basis for the next generation of LKAB, which is why exploration work continues 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	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019	Objective for 2021
Accidents involving absence (no. per million hrs) ¹	5.0	7.7	6.1	7.9	6.8	3.5
Women in the total workforce (%)			24	23	24	25
Women managers (%)			23	21	23	25
Particulate emissions (mg/m ³ ntg)			11	10	13	10
Nitrogen emissions to water (g/t FP)	31	34	17	13	15	17
Energy consumption (kWh/t FP)	164	163	162	171	158	138
CO ₂ emissions (kg/t FP)	28	26	28	27	26	24
Nitrogen emissions to air (g/t FP)	144	185	150	145	138	<158

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

The accident rate for the second quarter decreased compared with the same period last year and was 5.0 (7.7). For the first half of the year the rate was 6.1 (7.9). 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. More women are being brought in as fixed-term employees, for example, and in the second quarter 41 (45) percent of fixed-term employees were women.

Energy intensity has improved in the first half of the year when compared year on year, mainly because of a higher production volume. The production volume was six percent higher than in the same period last year. CO₂ intensity is somewhat higher for the period, which is partly due to a return to a higher percentage of coal rather than oil in production compared with the same period last year, when disruption in a coal facility meant that oil was used to a greater extent.

During the spring there was a major focus on Covid-19 with extensive risk assessments and measures to prevent the spread of infection. Since the outbreak of the corona pandemic LKAB has taken the threat from the pandemic extremely seriously. During the quarter extensive work has taken place to adapt the operations in accordance with the recommendations from the Public Health Agency of Sweden. On 8 June measures were taken after a shift team in the pelletising plant in Malmberget showed symptoms of Covid-19. The entire shift team, along with individuals who had been in contact with this team, were placed in quarantine. LKAB is monitoring developments and taking ongoing action to minimise the spread of infection.

STRATEGIC SUSTAINABILITY WORK

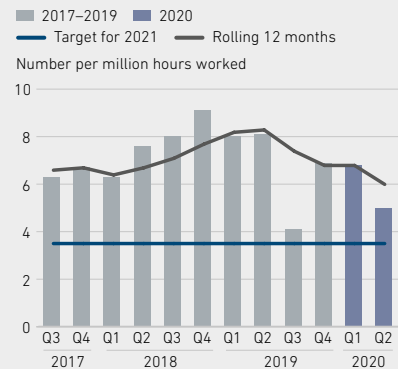
LKAB is conducting extensive development programmes aimed at sustainable future mining and steelmaking processes. In the Sustainable Underground Mining (SUM) project an integrated, efficient, carbon-free mining system is being developed.

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 the third quarter 2020. The next step is an industrial-scale demo facility with the aim of producing the world's first fossil-free steel in 2026. Consultation has begun on choosing a site for the facility, with construction planned to start in 2023.

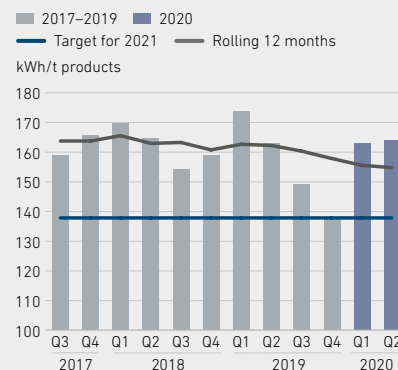
In Malmberget a pilot facility for testing fossil-free pelletisation is now in operation. Tests using fossil-free fuels, such as biofuel, hydrogen and plasma among others, have begun and the results indicated are good, although further testing remains to be done.

Tests have also begun at the ReeMAP pilot facility. The aim of ReeMAP is to extract rare earth elements and phosphorous products from the residual products of iron ore mining.

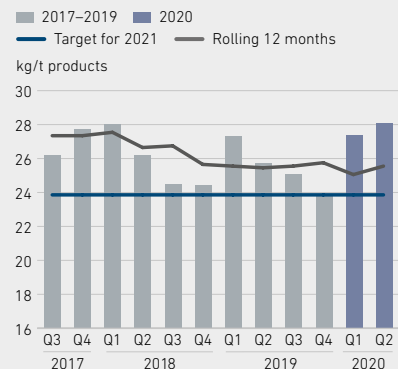
ACCIDENTS



ENERGY CONSUMPTION



CO₂ EMISSIONS



4,385

Average number of employees

24%

Percentage women

MARKET DEVELOPMENT

THE STEEL AND IRON ORE MARKET

The global steel and iron ore industry

The second quarter remained characterised by the corona pandemic and its major impact on the global economy. Global production of crude steel in the second quarter amounted to 435 Mt, a decrease of 10 percent compared with the same period last year.

As expected, production figures for the second quarter were generally significantly lower in all regions when compared year on year, with the exception of China which is largely back to the same rate of production as before the corona crisis.

Steel prices decreased in the second quarter compared with the previous quarter. China's steel exports increased marginally in the second quarter compared with the previous quarter. Compared with the same quarter last year, exports decreased 17 percent.

In Europe (EU28) the negative trend continued and crude steel production decreased by 25 percent in the second quarter compared with the same quarter last year.

Iron ore spot price developments

During the quarter the spot price for iron ore showed a positive trend. The lowest price quoted during the quarter was USD 82/tonne and the spot price ended the quarter at USD 101/tonne. The average price for the quarter was USD 93/tonne, which was USD 4/tonne higher than in the preceding quarter.

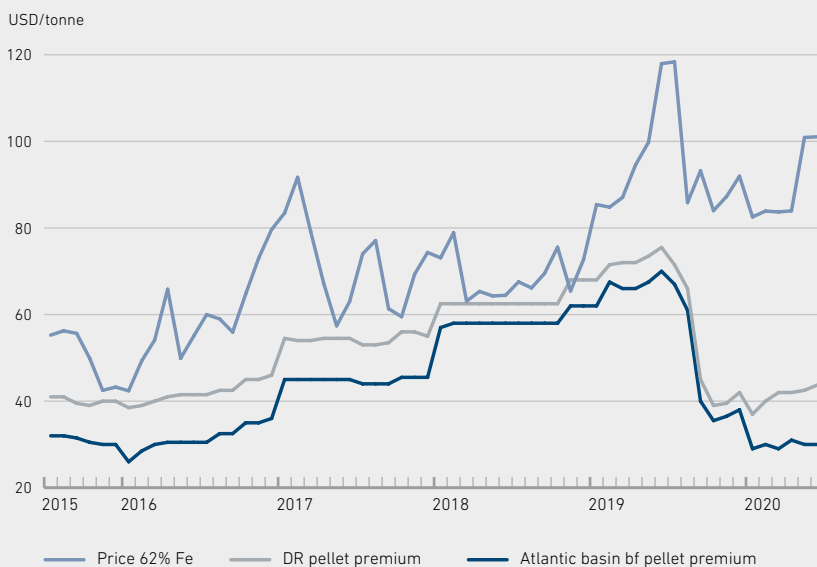
The quoted pellet premium for blast furnace pellets was relatively unchanged during the quarter at USD 30/tonne. The pellet premium for DR-pellets increased to USD 44/tonne at the end of the quarter. The pellet premium in China fell substantially and was quoted at USD 12/tonne at the end of the quarter, a decrease of USD 18/tonne compared with the previous quarter.

The price difference between Platts IODEX 65% Fe and 62% Fe varied during the quarter, reaching USD 13/tonne at its lowest at the end of the quarter and USD 18 USD/tonne at its highest. The average for the quarter was USD 15/tonne, an increase of USD 0.5/tonne compared with the preceding quarter.

In summary, iron ore prices continued their stable positive development despite the ongoing corona pandemic. Premiums for highly processed iron ore products are also stable, but at a significantly lower level than last year.

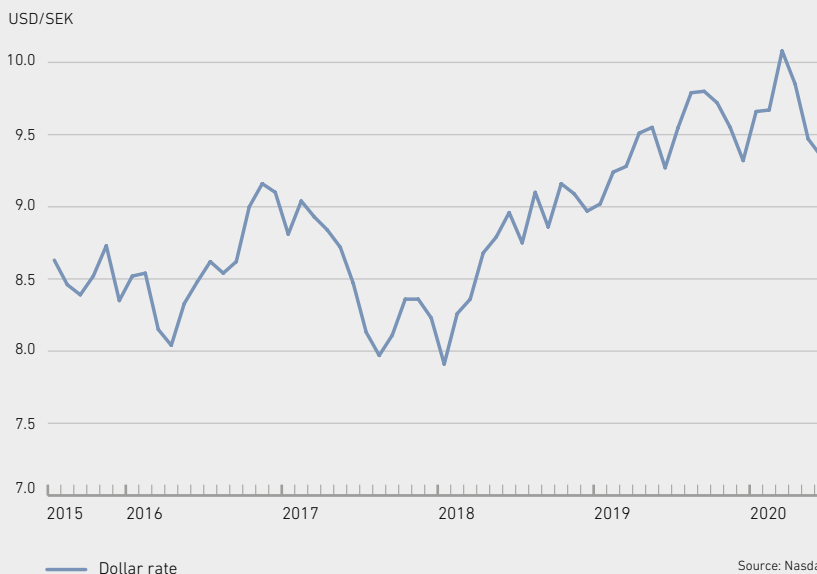
DEVELOPMENT OF THE SPOT PRICE FOR IRON ORE AND QUOTED PELLET PREMIUMS

1 July 2015 – 30 June 2020



CHANGES IN THE DOLLAR EXCHANGE RATE

1 July 2015 – 30 June 2020



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	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Net sales	3.4	6,876	8,615	14,403	15,352	28,725
Operating profit/loss		2,083	4,293	5,619	6,924	12,439
Costs for urban transformation provisions		-277	-102	-351	-487	-1,441
Investments in property, plant and equipment		519	545	1,098	911	2,208
Depreciation		-666	-656	-1,339	-1,302	-2,647
Deliveries of iron ore products, Mt		6.6	6.7	13.9	12.8	24.9
Proportion of pellets, %		83	84	86	85	83
Production of iron ore products, Mt		6.0	6.2	13.5	12.8	27.2

The production volume for the second quarter decreased by 0.2 Mt in a year-on-year comparison. The decrease is mainly an effect of extended maintenance shutdowns and, to a certain extent, production disruption due to Covid-19. A five-day stoppage on the Ore Railway affected delivery volumes for the quarter, which decreased by 0.1 Mt and amounted to 6.6 (6.7) Mt, with pellets accounting for 83 (84) percent.

Sales for the second quarter were lower than in the same period last year, mainly due to lower prices for highly upgraded iron ore products and a slightly lower delivery volume. A higher dollar exchange rate had a positive effect.

Operating profit for the second quarter amounted to MSEK 2,083 (4,293), with expenses mainly affected by higher maintenance costs, including those associated with a seismic event at the mine in Kiruna in May. Increased costs for urban transformation provisions also had an impact on profit for the quarter.

The production volume for the first half of the year increased by 0.7 Mt in a year-on-year comparison. The increase is primarily an effect of more stable production in 2020 and the fact that the pelletising plant in Svappavaara was shut down for maintenance at the start of 2019. Deliveries increased in the first half of the year by 1.1 Mt and amounted to 13.9 (12.8) Mt, with pellets accounting for 86 (85) percent.

Sales for the first half were lower than in the same period 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 half amounted to MSEK 5,619 (6,924), with costs mainly impacted by higher maintenance costs and lower electricity prices.

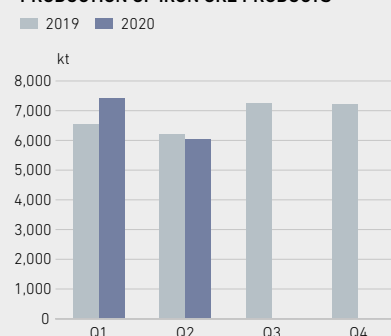
Effective from 1 January 2020 the former Northern and Southern divisions are reported within the Iron Ore business area. Earlier periods have been restated in accordance with the change.

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), as well as fines.
- The iron ore products are transported along the Malmbanan and Ofotbanen 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 within industrial minerals, water-powered drilling technology, engineering services, and mining and construction contracts. The Special Products business area is also a strategic supplier within the LKAB Group.

OPERATIONS SUMMARY

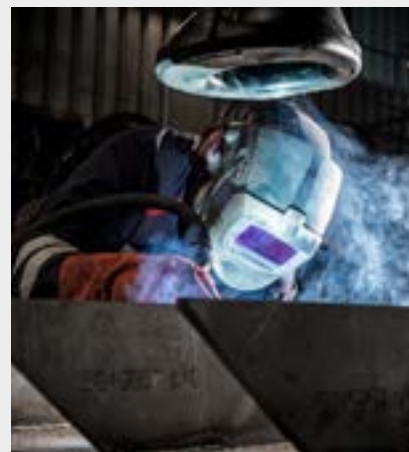
MSEK	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Net sales	3.4	1,029	1,213	2,029	2,345	4,732
Operating profit/loss		38	90	92	172	343
Investments in property, plant and equipment		38	23	59	44	127
Depreciation		-49	-45	-96	-89	-185

Net sales for the second quarter decreased by 15 percent in a year-on-year comparison. The decrease is mainly due to lower sales of processed minerals in the UK, where the effects of the restrictions introduced by the country as a result of Covid-19 were noticeable. Lower sales volumes of the industrial mineral magnetite during the period and the seismic event in the Kiruna mine also affected sales for this business area. The operating profit for the quarter was MSEK 38 (90).

Net sales for the first half were 14 percent lower year-on-year, mainly due to lower sales of magnetite. The effects of the ongoing corona pandemic and the seismic event in the Kiruna mine also had a large impact. Operating profit for the first half was MSEK 92 (172).

Investments in property, plant and equipment increased during the year, as did depreciation. This was mainly due to increased 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 building and 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, all provided by its own team.

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	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Net sales excl. hedging		19	16	29	26	61
Net sales hedging		67	-33	2	-97	-109
Total net sales	3.4	85	-17	31	-71	-48
Operating profit/loss		-196	-234	-597	-440	-951
Investments in property, plant and equipment		15	2	34	6	39
Depreciation		-19	-15	-36	-29	-57

The higher operating profit for the second quarter is mainly due to an improvement in the result of hedging activities. Operating profit for the first half of the year was affected by increased investments in exploration and development projects and by improvement in the result of hedging activities when compared year-on-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	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Full year 2019
Net sales		6,949	8,590	14,412	15,266	28,658
Operating profit/loss		1,765	3,947	4,856	6,317	11,205
Costs for urban transformation provisions		-277	-102	-351	-487	-1,441
Investments in property, plant and equipment		493	478	1,056	810	2,090
Depreciation		-575	-544	-1,156	-1,072	-2,195
Deliveries of iron ore products, Mt		6.6	6.7	13.9	12.8	24.9
Production of iron ore products, Mt		6.0	6.2	13.5	12.8	27.2

SIGNATURES

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

The Board of Directors and CEO give an assurance that this interim report for the first half of the year provides a true and fair representation of the development of the Group's and the Parent Company's operations, position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies making up the Group.

Luleå, 13 August 2020
Luossavaara-Kiirunavaara AB (publ)

Göran Persson
Chairman of the Board

Gunnar Axheim
Board member

Eva Hamilton
Board member

Bjarne Moltke Hansen
Board member

Lotta Mellström
Board member

Ola Salmén
Board member

Gunilla Saltin
Board member

Per-Olof Wedin
Board member

Anders Elenius
Employee representative

Björn Åström
Employee representative

Tomas Larsson
Employee representative

Jan Moström
President and CEO

FINANCIAL INFORMATION

Interim Report Q3 2020
28 October 2020

**Interim Report Q4 2020
(together with Year End Report)**
12 February 2021

Annual General Meeting
22 April 2021

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	Q2 2020	Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Full year 2019
Net sales	3, 4	7,456	9,233	15,499	16,562	31,260
Cost of goods sold		-5,266	-4,797	-9,779	-9,310	-18,124
Gross profit/loss		2,189	4,436	5,720	7,252	13,136
Selling expenses		-35	-26	-73	-72	-152
Administrative expenses		-144	-142	-295	-285	-572
Research and development expenses		-125	-130	-291	-236	-574
Other operating income		85	86	183	172	375
Other operating expenses		-45	-115	-123	-216	-415
Share of profit of joint ventures		-42		-47		-11
Operating profit/loss	3	1,883	4,109	5,075	6,615	11,788
Financial income		711	499	155	1,095	1,407
Financial expense		-55	-116	-278	-165	-271
Net financial income/expense		656	383	-124	930	1,136
Profit/loss before tax		2,540	4,492	4,951	7,545	12,924
Tax		-542	-947	-1,073	-1,619	-2,751
Profit/loss for the period		1,998	3,545	3,878	5,926	10,173
Attributable to Parent Company shareholders		1,998	3,545	3,878	5,926	10,173
Earnings per share before and after dilution (SEK)		2,855	5,064	5,539	8,466	14,533
Number of shares		700,000	700,000	700,000	700,000	700,000

STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q2 2020	Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Full year 2019
Profit/loss for the period		1,998	3,545	3,878	5,926	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		-9	-158	-140	-277	-184
Tax attributable to actuarial gains and losses		2	32	29	57	37
Changes for the period in the fair value of equity instruments measured at fair value through other comprehensive income		295	-14	-700	59	90
		288	-140	-811	-161	-57
Items that have been or may be reclassified subsequently to profit/loss for the year						
Exchange differences on translation of foreign operations for the period		38	27	-226	191	108
Changes in fair value of cash flow hedges for the period		24	-3	-29	-37	-30
Changes in fair value of cash flow hedges transferred to profit/loss for the year		1	-22	-4	-48	-86
Tax attributable to components of cash flow hedges		-6	6	7	19	25
		57	8	-252	125	17
Other comprehensive income for the period		345	-132	-1,063	-36	-40
Total comprehensive income for the period attributable to the Parent Company shareholders		2,343	3,413	2,815	5,890	10,133

LKAB – GROUP

STATEMENT OF FINANCIAL POSITION

MSEK	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS				
Non-current assets				
Intangible assets		1,367	1,386	1,412
Property, plant and equipment for operations		30,263	30,964	30,822
Property, plant and equipment for urban transformation		7,976	7,880	7,757
Interests in associates and joint ventures		242	42	136
Financial investments	5	3,045	1,079	1,097
Non-current receivables		102	102	102
Deferred tax asset		14	26	4
Total non-current assets		43,009	41,479	41,331
Current assets				
Inventories		4,507	3,452	4,791
Accounts receivable		2,489	3,541	2,348
Prepaid expenses and accrued income		264	223	277
Other current receivables		1,648	1,483	1,624
Current investments	5	19,443	26,671	21,997
Cash and cash equivalents	5	2,704	2,177	2,312
Total current assets		31,056	37,548	33,350
TOTAL ASSETS		74,066	79,026	74,681
EQUITY AND LIABILITIES				
Equity				
Share capital		700	700	700
Reserves		-459	570	493
Retained earnings incl. profit/loss for the year		41,998	40,021	44,335
Equity attributable to Parent Company shareholders		42,239	41,291	45,528
Total equity		42,239	41,291	45,528
Non-current liabilities				
Non-current interest-bearing liabilities		3,570	1,596	3,600
Provisions for pensions and similar commitments		1,897	1,959	1,830
Provisions, urban transformation		11,046	12,850	13,198
Other provisions		1,360	1,229	1,292
Deferred tax liabilities		1,483	1,639	1,548
Total non-current liabilities		19,356	19,273	21,467
Current liabilities				
Current interest-bearing liabilities		4,252	10,578	595
Trade payables		1,684	1,440	1,582
Tax liabilities		3	386	8
Other current liabilities		212	384	278
Accrued expenses and deferred income		1,452	1,269	1,420
Provisions, urban transformation		4,793	4,184	3,675
Other provisions		73	220	128
Total current liabilities		12,470	18,462	7,685
Total liabilities		31,826	37,735	29,153
TOTAL EQUITY AND LIABILITIES		74,066	79,026	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					3,878	3,878
Other comprehensive income for the year		-226	-700	-26	-111	-1,063
Comprehensive income for the year		-226	-700	-26	3,767	2,815
Dividend					-6,104	-6,104
Closing equity 30 Jun 2020	700	-280	-160	-19	41,998	42,239

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					5,926	5,926
Other comprehensive income for the year		191	59	-66	-220	-36
Comprehensive income for the year		191	59	-66	5,720	5,904
Dividend					-3,164	-3,164
Closing equity 30 Jun 2019	700	29	509	32	40,035	41,291

PERSONNEL

MSEK	Q1–Q2 2020	Q1–Q2 2019	Full year 2019
Average number of employees	4,385	4,241	4,348
– of which women	1,030	925	988
– of which men	3,355	3,316	3,360

LKAB – GROUP

STATEMENT OF CASH FLOWS

MSEK	Note	Q2 2020	Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Full year 2019
Operating activities						
Profit/loss before tax		2,540	4,492	4,951	7,545	12,924
Adjustment for items not included in cash flow		177	441	2,009	957	3,050
Income tax paid		-701	-532	-1,580	-1,216	-2,889
Expenditures, urban transformation		-400	-969	-1,605	-1,581	-2,624
Expenditures, other provisions		-3	-4	-4	-8	-32
Cash flow from operating activities before changes in working capital		1,613	3,428	3,771	5,697	10,429
Cash flow from changes in working capital						
Increase (-)/Decrease (+) in inventories		194	-148	284	-108	-1,447
Increase (-)/Decrease (+) in operating receivables		677	-1,184	-91	-1,312	109
Increase (+)/Decrease (-) in operating liabilities		-802	-166	86	-7	378
Change in working capital		69	-1,498	279	-1,427	-960
Cash flow from operating activities		1,682	1,930	4,050	4,270	9,469
Investing activities						
Acquisition of property, plant and equipment		-571	-570	-1,191	-961	-2,373
Government investment grants						14
Disposal of property, plant and equipment		14	6	58	20	107
Acquisition of subsidiaries			-39		-39	-39
Acquisition/disposal of other financial assets – operating		-153	-111	-153	-90	-196
Acquisition/disposal of other financial assets – non-operating		-5		-2,666		
Disposals/acquisitions (net) in current investments		783	-1,069	2,784	-6,846	-2,476
Cash flow from investing activities		68	-1,783	-1,168	-7,916	-4,963
Financing activities						
Repayments/borrowing, repurchase agreements		-569	589	1,978	6,741	-1,388
Repayments/borrowing		-100		-350		160
Repayment of lease liabilities		-24	-25	-49	-49	-97
Dividends paid to Parent Company shareholders		-4,069	-3,164	-4,069	-3,164	-3,164
Cash flow from financing activities		-4,762	-2,600	-2,490	3,527	-4,489
Cash flow for the period		-3,011	-2,453	392	-119	17
Cash and cash equivalents at start of period		5,727	4,629	2,312	2,290	2,290
Exchange difference in cash and cash equivalents		-12	1	-1	5	4
Cash and cash equivalents at end of period		2,704	2,177	2,704	2,177	2,312
Change in cash and cash equivalents		-3,011	-2,453	392	-119	17
Sub-components of cash and cash equivalents						
Cash and bank balances		2,224	1,977	2,224	1,977	2,312
Current investments (maturity <90 days)		480	200	480	200	
Cash and cash equivalents		2,704	2,177	2,704	2,177	2,312
Consolidated operating cash flow						
Cash flow from operating activities		1,682	1,930	4,050	4,270	9,469
Acquisition of property, plant and equipment		-571	-570	-1,191	-961	-2,373
Government investment grants						14
Disposal of property, plant and equipment		14	6	58	20	107
Acquisition of subsidiaries			-39		-39	-39
Acquisition/disposal of other financial assets – operating		-153	-111	-153	-90	-196
Operating cash flow (excluding current investments)		972	1,216	2,764	3,200	6,981
Acquisition/disposal of other financial assets – finance		-5		-2,666		
Disposals/acquisitions (net) in current investments		783	-1,069	2,784	-6,846	-2,476
Cash flow after investing activities		1,750	147	2,882	-3,646	4,506
Cash flow from financing activities		-4,762	-2,600	-2,490	3,527	-4,489
Cash flow for the period		-3,011	-2,453	392	-119	17

LKAB – PARENT COMPANY

INCOME STATEMENT

MSEK	Note	Q2 2020	Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Full year 2019
Net sales		6,949	8,590	14,412	15,266	28,658
Cost of goods sold		-4,984	-4,417	-9,107	-8,518	-16,524
Gross profit/loss		1,965	4,173	5,304	6,748	12,135
Selling expenses		-7	2	-15	-14	-30
Administrative expenses		-94	-93	-192	-183	-357
Research and development expenses		-115	-124	-274	-227	-555
Other operating income		20	13	43	17	43
Other operating expenses		-4	-23	-10	-24	-30
Operating profit/loss		1,765	3,947	4,856	6,317	11,205
Profit/loss from financial items		305	268	438	448	-177
Profit/loss after financial items		2,069	4,215	5,294	6,765	11,028
Appropriations						1,570
Profit/loss before tax		2,069	4,215	5,294	6,765	12,598
Tax		-374	-903	-1,068	-1,448	-2,818
Profit/loss for the period¹		1,695	3,312	4,226	5,317	9,781

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

LKAB – PARENT COMPANY

BALANCE SHEET

MSEK	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS				
Non-current assets				
Intangible assets		133	72	69
Property, plant and equipment for operations		25,163	25,229	25,295
Property, plant and equipment for urban transformation		7,976	7,880	7,757
Financial assets				
Interests in subsidiaries		1,814	2,388	1,814
Interests in associates and jointly controlled entities		301	43	148
Receivables from subsidiaries		3,380	3,760	3,741
Other non-current securities		2,869	203	203
Other non-current receivables		213	213	213
Deferred tax asset		1,478	1,594	1,478
Total financial assets		10,054	8,201	7,597
Total non-current assets		43,326	41,383	40,717
Current assets				
Inventories		3,840	2,801	4,077
Current receivables				
Accounts receivable		2,067	3,062	1,920
Receivables from subsidiaries		187	161	219
Other current receivables		1,553	1,377	1,423
Prepaid expenses and accrued income		213	112	220
Total current receivables		4,020	4,712	3,782
Current investments		19,216	26,097	21,066
Cash and bank balances		1,824	1,436	1,803
Total current assets		28,900	35,046	30,728
TOTAL ASSETS		72,226	76,428	71,446

LKAB – PARENT COMPANY

BALANCE SHEET

MSEK	Note	30 Jun 2020	30 Jun 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		25,573	21,896	21,896
Profit/loss for the period		4,226	5,317	9,781
Total equity		31,196	28,610	33,074
Untaxed reserves		12,552	13,650	12,552
Provisions				
Provisions, urban transformation		11,046	12,850	13,198
Other provisions		1,560	1,438	1,480
Total provisions		12,606	14,289	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				350
Liabilities to credit institutions		2,151	10,497	173
Other financial liabilities		2,035		
Trade payables		1,214	1,057	1,166
Liabilities to subsidiaries		1,116	1,094	1,137
Current tax liabilities			390	34
Other current liabilities		111	282	168
Accrued expenses and deferred income		1,129	908	1,062
Provisions, urban transformation		4,793	4,184	3,675
Other provisions		71	220	126
Total current liabilities		12,620	18,632	7,891
TOTAL EQUITY AND LIABILITIES		72,226	76,428	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 English version of LKAB's interim report is a translation of the Swedish original version. In case of discrepancies, the Swedish version shall prevail.

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 consolidated 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 2019 annual report.

NOTE 3

Segment reporting

Segment information is provided on pages 6–8 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 segments in summary

	Iron Ore		Special Products		Other		Eliminations/ group adjustments		Group	
	Q1–Q2 2020	Q1–Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Q1–Q2 2020	Q1–Q2 2019	Q1–Q2 2020	Q1–Q2 2019
MSEK										
External income	14,250	15,073	1,255	1,581	-6	-92			15,499	16,562
Internal income	153	279	774	764	37	21	-964	-1,064	0	0
Total income	14,403	15,352	2,029	2,345	31	-71	-964	-1,064	15,499	16,562
Operating profit/loss	5,619	6,924	92	172	-597	-440	-38	-41	5,075	6,615
Net financial income/expense									-124	930
Profit/loss before tax									4,951	7,545

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-Q2 2020	Q1-Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q2 2020	Q1-Q2 2019
Product/service area								
Pellets	12,542	13,677					12,542	13,677
Fines	1,504	1,156					1,504	1,156
Magnetite			299	483			299	483
Mineral sands			259	276			259	276
Other industrial minerals			598	726			598	726
Mining and construction services			100	96			100	96
Other	203	240			-8	5	195	245
Total	14,250	15,073	1,255	1,581	-8	5	15,497	16,659
Region								
Europe	8,138	10,429	812	1,088	-8	5	8,942	11,522
MENA	3,666	3,433	225	57			3,891	3,490
Rest of world	2,446	1,211	219	436			2,665	1,647
Total	14,250	15,073	1,255	1,581	-8	5	15,497	16,659
Revenue from contracts with customers	14,250	15,073	1,255	1,581	-8	5	15,497	16,659
Other income – financing activities					2	-97	2	-97
Total external income	14,250	15,073	1,255	1,581	-6	-92	15,499	16,562

NOTE 5

Disclosures regarding financial instruments

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

Group, 30 Jun 2020

MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	2,708			2,708
Shares, current holdings		7,046		7,046
Interest-bearing instruments		12,388		12,388
Derivatives	10	8		18
Total	2,718	19,442		22,160

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	30 Jun 2020	30 Jun 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	112	112
Collateral provided, derivatives	311	240	56
Pledged assets bonds repurchase agreements	2,151	8,307	173
Total pledged assets	2,685	8,771	452

Contingent liabilities

MSEK	30 Jun 2020	30 Jun 2019	31 Dec 2019
Guarantees, FPG/PRI	16	16	16
Guarantees, GP plan	4	4	4
Guarantees, Swedish Tax Agency	63	63	63
Surety given for subsidiaries	121	28	27
Accounts receivable factored with recourse	1,729		
Collateral, remediation	61	62	62
Total contingent liabilities	1,994	173	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

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

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 was changed with effect from the interim report for the fourth quarter 2019. Comparative figures have been restated in accordance with the change.

Net financial indebtedness

MSEK	30 Jun 2020	30 Jun 2019	31 Dec 2019
Loans payable	7,823	12,174	4,195
Provisions for pensions	1,897	1,959	1,830
Provisions, urban transformation	15,839	17,034	16,873
Provisions, remediation	1,366	1,357	1,351
Less:			
Cash and cash equivalents	-2,704	-2,177	-2,312
Current investments	-19,443	-26,671	-21,997
Financial investments	-3,045	-1,079	-1,097
Net financial indebtedness	1,734	2,596	-1,158

Net debt/equity ratio

MSEK	30 Jun 2020	30 Jun 2019	31 Dec 2019
Net financial indebtedness, MSEK	1,734	2,596	-1,158
Equity, MSEK	42,239	41,291	45,528
Net debt/equity ratio, %	4.1	6.3	-2.5

Return on equity

MSEK	30 Jun 2020	30 Jun 2019	31 Dec 2019
Profit/loss after tax R 12, MSEK	8,125	8,758	10,173
Average equity, MSEK	41,772	38,803	42,051
Return on equity, %	19.4	22.6	24.2

NOTES

NOTE 10

Quarterly data for the Group

MSEK	Note	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net sales		7,456	8,044	6,947	7,751	9,233	7,329	6,911	6,594
Operating profit/loss		1,883	3,191	2,047	3,120	4,102	2,499	1,900	2,477
Net financial income/expense		656	-780	67	139	383	547	-790	35
Profit/loss before tax		2,540	2,411	2,113	3,259	4,485	3,046	1,110	2,512
Profit/loss for the period		1,998	1,879	1,630	2,618	3,545	2,381	879	1,954
Costs for urban transformation provisions		-277	-74	-93	-861	-102	-386	-289	-287
Operating cash flow		972	1,792	1,302	2,480	1,216	1,984	-706	1,397
Investments in property, plant and equipment		571	619	735	677	570	391	624	475
Deliveries of iron ore products, Mt		6.6	7.3	6.5	5.5	6.7	6.1	6.8	6.9
Proportion of pellets, %		83	89	81	79	84	86	79	82
Production of iron ore products, Mt		6.0	7.4	7.2	7.3	6.2	6.5	6.7	6.8
Return on equity, %	9	19.4	22.2	24.2	23.1	22.6	16.0	14.1	14.6
Net debt/equity ratio, %	9	4.1	-5.3	-2.5	2.9	6.3	4.7	9.2	5.0